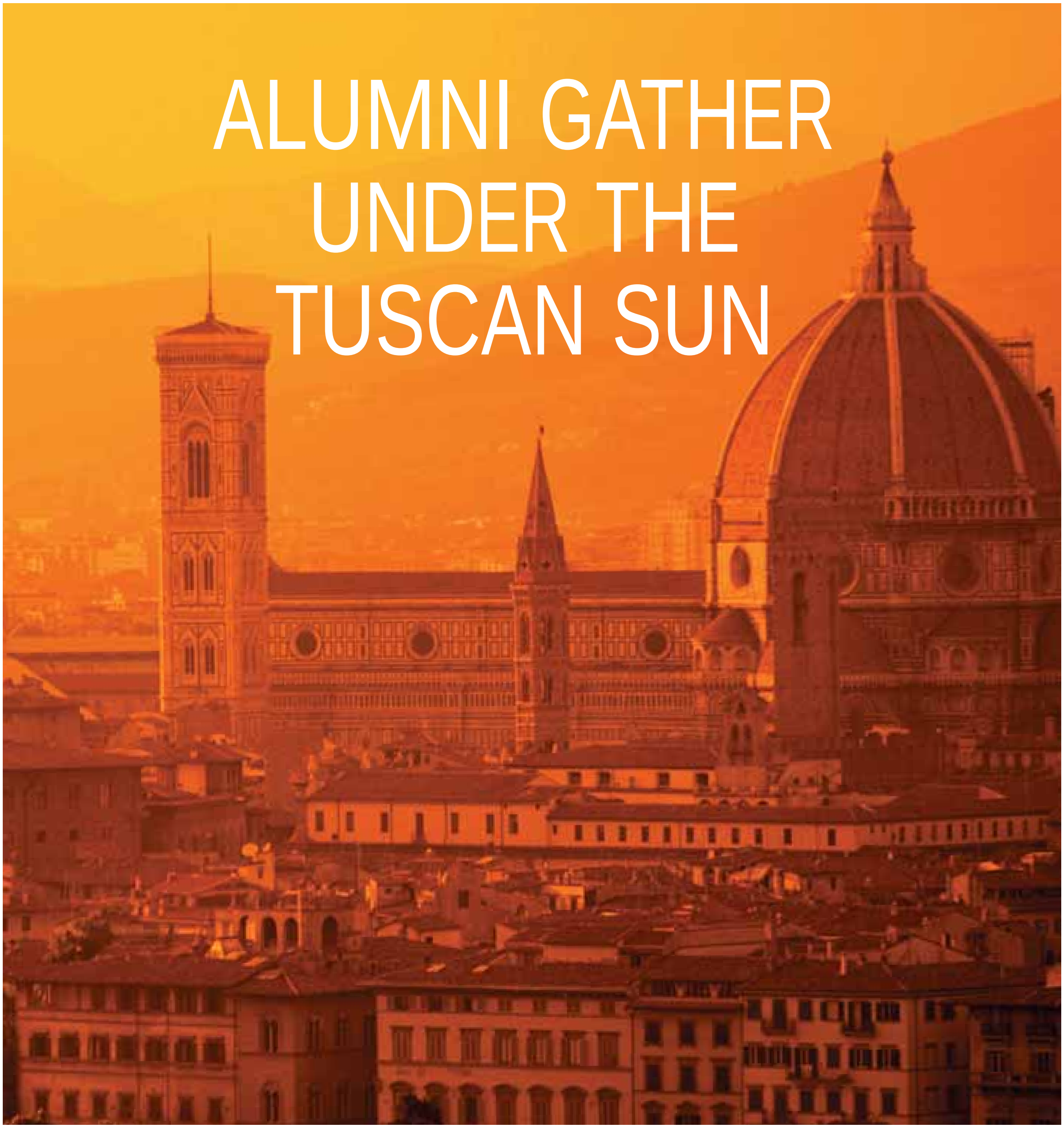
FALL/WINTER 2007

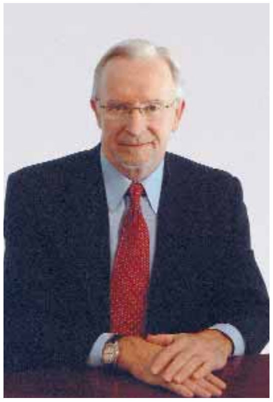
the Alumni Magazine of NYU Stern

STERN business



The Business of Business Education ■ The Alchemy of Private Equity ■ Guidance on Earnings Guidance ■ Global Attitudes on Capitalism ■ Fashioning an Apparel Business ■ Showtime's Program for Success

a letter from the dean



The end of summer provides us with an opportunity to take a breath, to look back, and to prepare for the academic year. As I start my sixth year as dean at NYU Stern, I realize that I now have a great deal to look back on – and a great deal to look forward to. In recent years, one of our goals has been to build a greater sense of community – among students, faculty, and alumni. And the Global Alumni Conference, which we held in June in Florence (page 12), highlighted how far we've come. The conference was a microcosm of all that Stern offers: a global network of loyal alumni interested in big ideas, eager to engage in meaningful discussions led by industry practitioners and faculty members.

Our faculty's commitment to groundbreaking research, which is front and center in this issue of STERN*business*, has pushed Stern to the frontier of business knowledge. The research articles in this issue all have readily apparent applications in today's marketplace: Augustin Landier looks into the cultural differences surrounding attitudes toward capitalism in the US and abroad (page 26); Ingo Walter provides a valuable perspective on the private-equity boom (page 30); and Baruch Lev updates the state-of-the-art on earnings guidance (page 34). We continue to build on our accomplishments by attracting new faculty members with strong research records (page 20).

But academic research can serve a larger function. Our professors conduct long-term, basic, theoretical research that, at first blush, may have no apparent application to the world. Time and again, however, we've seen that sharp insights can bear fruit in unanticipated ways. That's certainly been the case with the long-running collaboration of Professors Marty Gruber and Ned Elton (page 52), whose portfolio research has yielded countless applications. For another example of how the research we conduct does work in the broader world, I'd direct you to Professor Robert Engle's five-part series on volatility (page 22) that first appeared this summer on the *Financial Times*' website – FT.com. It's a brilliant short course taught to a massive audience by a Nobel laureate.

Research allows Stern to function as an ideas incubator, cultivating new insights into the business world. But Stern also functions as an ideas magnet. Every semester, we have an exciting slate of seminars, discussions, debates, and lectures (page 2) that allow members of the Stern community to interact with leading executives, practitioners, policy makers, authors, and thinkers. This fall, we'll welcome CEOs such as John Mack of Morgan Stanley and Douglas Conant of Campbell Soup, and our new Chat with Financiers series will bring to campus leading figures in private equity and hedge funds.

Along with this magazine, such events afford us the opportunity to check in, reconnect, and continue the process of lifetime learning. Having the privilege to serve as dean of Stern for the past five years has been enormously satisfying and educational. In the coming year, I look forward to checking in, reconnecting, and continuing to learn.

Thomas F. Cooley
Dean

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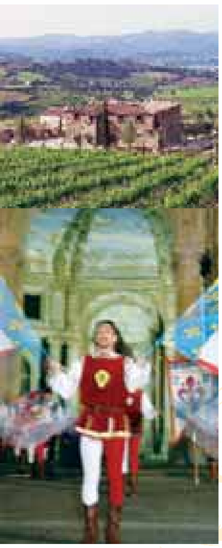

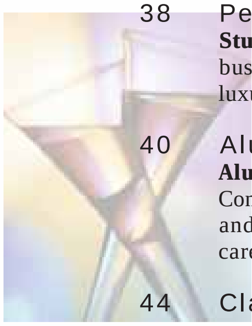

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PUBLIC *Offerings*

HASKINS DINNER HONORS GE CEO JEFF IMMELT AND CELEBRATES DONORS

Left: Jeff Immelt was honored with the 2007 Haskins Award for his achievement in business and public service. Above, left: Immelt and Dean Thomas Cooley. Above, right: Overseer William Berkley spoke about the importance of education.

Nearly 300 NYU Stern alumni and friends joined together at the 27th annual Haskins Award Dinner in June to honor Jeffrey Immelt, chairman and CEO of General Electric, and to celebrate the tremendous progress of the *Campaign for NYU Stern*. Thanks in large part to the Haskins Partners, the School's most generous group of alumni and friends, the campaign has raised $156 million in gifts and commitments.

NYU Stern Dean Thomas F. Cooley presented Immelt with the Charles Waldo Haskins Award, established in 1980 to recognize outstanding individuals, whose careers, like Stern's founding dean, Charles Waldo Haskins, have been characterized by the highest level of achievement in business and public service. Dean Cooley spoke of his conviction that business is the most powerful engine of social transformation. "The unleashing of economic activity has been, and continues to be, the source of improved well-being across the planet, and it is linked to all measures of human progress – to education, to the rights of women, to the rule of law," he said. Dean Cooley credited Immelt with masterminding GE's Ecomagination campaign, which "is pushing corporations all over the world to think seriously about sustainability as a hugely profitable undertaking – profitable, that is, in the financial sense and in the broader sense of social good."

In his acceptance speech, Immelt said two factors make corporations good citizens: (1) the power of technological innovation to solve social problems, such as reducing greenhouse gases, improving water scarcity, preventing sicknesses, and slowing the onset of diseases; and (2) giving people the confidence to compete, which is done by training workers and investing effectively. Immelt wants GE to be known as a company that plays by the rules, gives back, competes, and whose people have self-confidence and can teach others to have it. Speaking of the need to balance corporate citizenship with shareholder value, he joked, "If at the end of your shareholder meeting, nuns are arguing with people from the Cato Institute, you know you've done something right."

William R. Berkley (BS '66), vice chairman of the New York University Board of Trustees, chairman of the NYU Board of Overseers, and the recipient of the 2006 Haskins Award, stressed the need to continue educating students for an uncertain, fast-changing world. "Stern is about thinking and outcome," he said.

Two NYU Stern students, Ripa Ajmera (BS '08) and Jorge Fontanez (MBA '07), shared their experiences as students at Stern. Ajmera said she was attracted to NYU Stern by the Satter Program in Social Entrepreneurship at the Berkley Center for Entrepreneurial Studies, and came to the School with the intention of learning business skills to better serve non-profit organizations. Her courses and the Social Impact Stipend from the Stern Undergraduate College have helped prepare her to fulfill her goal of helping women and children facing deep social problems. Fontanez described how his MBA degree was the perfect tool for him to become an agent of change within the corporate world. As a brand manager for Colgate-Palmolive, he believes his Stern education will help him to market products that are better for our society and the environment.

Dean Cooley also announced the progress of the *Campaign for NYU Stern* and how continued donor support will enhance the Stern student educational experience. "Although we have achieved tremendous success, we're not stopping here," said Dean Cooley. "Plans are underway for the largest renovation of Tisch Hall since its construction in 1971. This renovation will give our students the learning environment that they deserve as they work toward becoming truly global citizens."

NYU STERN RECOGNIZES SOCIAL ENTREPRENEUR ALUMNUS ABRAHAM GEORGE

Members of the NYU Stern community and prominent leaders in the social entrepreneurship field convened in April to celebrate Abraham George (MBA ’73, PhD ’75), the 2007 Stewart Satter Social Entrepreneur of the Year.

The award, made possible through the generous support of NYU Stern Overseer and alumnus Stewart Satter (MBA ’82), honors a Stern-affiliated social entrepreneur who has leveraged his business education to address the most intractable social problems. As founder of The George Foundation, a non-profit organization based in Bangalore, India, George has creatively and imaginatively applied the entrepreneurial skills gained from a successful career in software and financial services to raise scores of people out of poverty. (See “Return of the Native Son,” STERN*business*, Fall 2006) Among his greatest achievements is the creation of Shanti Bhavan, a residential school for children from economically and socially deprived backgrounds in rural India.

Sharing his perspective as a macroeconomist, Dean Thomas Cooley characterized business as an engine for social progress, and thanked Satter for his significant personal and financial investment in shaping the social entrepreneurship agenda at Stern. Dean Cooley reflected on his visit to Shanti Bhavan as the most inspirational part of his trip to India last year. Satter echoed this sentiment, calling George’s work truly remarkable.

From left to right: Stewart Satter, Abraham George, and Dean Thomas Cooley.

George said that this honor gives him the opportunity to tell the children back in India that people more than 10,000 miles away truly care about them. He, in turn, recognized Dean Cooley for having given a heart to the academic institution he leads through Stern’s commitment to social entrepreneurship. George challenged the audience to think about how current and future business leaders can solve the problem of poverty. While government and non-governmental organizations can help, they won’t be the ultimate solution to lifting out of poverty the 65 percent of India’s population that lives on less than $2 a day. George concluded by noting that vibrant economic activity – the creation of jobs and opportunities to make money in an ethical way – is the only real path to achieving this social goal.

EXPERTS EXAMINE DERIVATIVES MARKET

From left to right: Stephen Figlewski, Frank Hatheway, David Krell, Myron Scholes, and Robert Engle.

In May, NYU Stern's Salomon Center brought together leading thinkers in the field of derivatives to discuss derivatives theory advances and their practical applications. The conference was sponsored by the International Securities Exchange (ISE) and the NASDAQ Stock Market, Inc., whose Foundation currently supports derivatives research at Stern.

Stephen Figlewski, NYU Stern professor of finance and director of Stern's NASDAQ Derivatives Research Project, opened by describing Stern's long history of research contributions in derivatives.

One of the morning sessions, “New Instruments,” featured Robert Engle, Michael Armellino Professor of Finance at NYU Stern, who described his current research on fitting ARCH-family models, for which he was awarded the 2003 Nobel Prize in Economics, to the behavior of stock option implied volatilities; Robert Shiller, of Yale University, who spoke on developing derivative markets to manage price risk on residential real estate; and Ehud Ronn, of the University of Texas, on the highly sophisticated types of derivatives that have now become common in energy markets.

The luncheon keynote address was given by Myron Scholes, a pioneer in modern derivatives theory and co-creator of the Black-Scholes options pricing model. Scholes argued that there are four ways to reap returns in the financial markets: by taking on systematic risk exposure; by predicting cash flows and discount rates more accurately than others to gain a better estimate of current security values; by providing liquidity to the market; or by facilitating the transfer of market risk from risk averse to more risk tolerant investors. He cautioned, however, that shocks in the global markets cause changes in the price of liquidity.

In the afternoon, panel discussions took stock of the current state and direction of derivatives theory and practice, and the role of technology in this marketplace. Emanuel Derman of Columbia University underscored that it is much harder to predict the future in finance than in physics, so the primary purpose of financial models such as Black-Scholes is to interpolate and extrapolate from market prices in the present. Scholes, in his current role running a hedge fund, stressed that since there is nothing in a textbook that tells managers how much risk to run, traders must understand their own threshold for loss.

The final session on “New Markets” addressed the challenges of creating the financial marketplace for the instruments that will be traded in the future. Frank Hatheway, NASDAQ's chief economist, emphasized NASDAQ's historical track record in providing high-capacity trading and operating efficiency, which will be extended to options with the opening of NASDAQ's own options market later this year, subject to regulatory approval. ISE President and CEO David Krell described the growth in the overall options market, which has jumped from 1.7 million trades a day in 1999 to 2.4 million today, and the shift from 80 percent retail traders in 1999 to 50 percent institutional investors in 2007.

POLLACK CENTER HOSTS DIRECTORS' INSTITUTE

In May, the NYU Pollack Center for Law & Business, a joint initiative between NYU Stern and NYU School of Law, hosted its fifth annual Directors' Institute, entitled, “Corporate Governance: The State of the Art.” Created to help directors stay current on their legal, fiduciary, and ethical responsibilities, the Directors' Institute brought together new and experienced directors with experts and practitioners in the fields of law, business, and regulation.

“As an educational institution, we have a responsibility to debate and shape, in partnership with the business community, the thinking that will further inform corporate governance reforms and help restore investor confidence in the corporation,” explained William T. Allen, director of the NYU Pollack Center for Law & Business and Nusbaum Professor of Law and Business.

In his morning keynote address, Joseph S. Tracy, executive vice president and director of research at the Federal Reserve Bank of New York, provided a generally optimistic outlook on the US economy, citing a low unemployment rate, stable consumption and disposable income, a moderate housing market, a softened manufacturing market, and stronger export growth. He described the investment scenario: “Firms' bottom lines are strong, but there is not a lot of capital investment and a lot of share repurchasing – which may be due to too much caution in the boardroom.”

In the luncheon keynote address, William Ackman, managing member at Pershing Square Capital Management, spoke about governance from a hedge fund investor's perspective. He argued that hedge fund activism offers significant benefits to shareholders, enhances transparency, prevents value-destroying initiatives, improves capital allocation, and increases management and board accountability. Ackman discussed the tools of activism, which range from sending a private letter to management to a proxy battle seeking board representation. He detailed Pershing Square's activism with Wendy's, which helped boost the restaurant chain's share price from $38 to $60.

The conference featured panels that examined current issues in corporate governance, financial restatements, and the expectations and risks concerning director fiduciary duties. It included expert panelists from NYU Stern, NYU School of Law, the US Securities and Exchange Commission, and the Delaware Court of Chancery, as well as directors of Citi, Dow, Home Depot, and Lehman Brothers Holdings.

Above, from left to right: Panelists Michael Helfer, general counsel and corporate secretary, Citi; Martin Lipton; Marsha Johnson Evans, former president and CEO, American Red Cross; and Kenneth Langone. Below, from left to right: Keynote speakers William Ackman and Joseph F. Tracy.

In the panel he chaired on current issues in corporate governance, Martin Lipton, senior partner at Wachtell, Lipton, Rosen & Katz and chairman of the NYU Board of Trustees, asked whether there should be legislation on executive compensation. Panelists agreed that there should not be legislation. Panelist Kenneth G. Langone (MBA '60), chairman and CEO of Invemed Associates L.L.C., co-founder of Home Depot, and vice chairman of the NYU Stern Board of Overseers and of the NYU Board of Trustees, said that boards should pay CEOs what the market requires to get the best person for the job: “If you have more skin in the game, you're more likely to do the right thing. Companies pay for performance.”

NOBEL LAUREATE, ECONOMISTS EXPLORE JAPAN'S FUTURE

In April, the Center for Japan-US Business and Economic Studies at NYU Stern hosted a panel discussion on the future of the Japanese economy. Participants included Nobel Laureate Edward Prescott, the returning NYU Stern Shinsei Bank Visiting Professor in Economics at the Japan-US Center and senior monetary advisor at the Minneapolis Federal Reserve Bank; Koichi Hamada, Tuntex Professor of Economics at Yale University; and Dr. James Harrigan, senior economist, International Research Department, New York Federal Reserve Bank.

Prescott presented research that he recently conducted with Fumio Hayashi, professor of economics at Tokyo University, about the past and present status of the Japanese economy, and then made predictions about the country’s economic future. He discussed Japan’s lost decade, which began in 1992 when productivity growth almost stopped because of bank loans granted to inefficient businesses. Since 2002, he argued, the banking system has been reformed and productivity growth has recovered. In fact, total factor productivity in Japan is now growing at 2 percent, which is the average growth rate of advanced industrial countries. Prescott then predicted that the financial sector will be the key to Japan’s future. He remains pessimistic, however, because the new government is backing down on bank reforms and its privatization of the postal savings and life insurance systems, and because Japan’s productivity is not growing as quickly as in other major economies.

Harrigan said Prescott’s hypothesis is plausible, but suggested that further research be conducted because empirical support from micro-data is lacking. He also debunked an often-held assertion that deflation is over in Japan. While the Bank of Japan has tightened its policy, there remains a real risk that deflation can continue because Japan lacks buffers for negative economic shocks.

Finally, Hamada argued that Prescott should consider how purely nominal phenomena can influence the economy. For example, money supply and population growth rate can have real economic effects, he said.

CEDER WORKSHOP DISCUSSES GLOBAL SOURCING

At the Center for Digital Economy Research (CeDER) workshop on global sourcing, co-hosted with IBM in January, leading information systems scholars, doctoral students, and IBM researchers gathered to discuss a host of issues surrounding the globalization of service work, including outsourcing strategy, relationship management practices, and personnel issues.

The workshop featured roundtable discussions with experts from a number of universities, including NYU Stern, Massachusetts Institute of Technology, University of California at Irvine, and University of Texas at Austin, as well as a keynote address by Dianne Bellatoni-Sammon, director for global diversity at IBM.

Bellatoni-Sammon said that in the past 10 years, global sourcing has become an important component of many companies' business strategy, playing a key role in delivering shareholder value and helping companies remain competitive in the global marketplace. Global sourcing provides clients of companies such as IBM, Infosys, Tata, and Wipro – the leaders in global sourcing – significant cost savings as well as a truly global presence and anytime/anywhere availability. In addition, companies believe they are making a positive contribution to global social and economic development by creating jobs in emerging markets such as Argentina, Brazil, China, and India. IBM has been a player in global sourcing – referred to as global resourcing at IBM – for over a decade, and currently has a presence in 165 countries. Bellatoni-Sammon quoted IBM CEO Sam Palmisano, who said that the key to success in global sourcing is "the right work, in the right places, at the right cost."

In a roundtable discussion, workshop organizer and NYU Stern Professor Natalia Levina presented her research on the impact of organizational and national boundaries on offshore collaboration. She explained how today's firms are increasingly sourcing more complex, less codifiable, and more strategic information technology projects to low-cost, offshore locations. Because such projects require close collaboration among all participants, some critics argue that firms should set up captive offshore development centers to keep these projects within their organizations' boundaries. Levina presented a case study about a large financial services organization that used both captive centers and third-party vendors in multiple global locations. The case showed that achieving effective collaboration did not depend on whether the project was kept within the firm's boundaries or on choosing a specific offshore location. Instead, her research found that effective collaboration was facilitated by specific client-side program managers who engaged in boundary-spanning practices across country and firm borders.

SOCIAL JUSTICE ADVOCATE URGES TRUTH

On March 27, Dr. Alex Boraine, a longtime advocate for justice and reconciliation in South Africa, delivered the 2007 Ashok C. Sani Distinguished Scholar Lecture at NYU Stern.

Boraine, a Methodist minister, was deeply involved in the long campaign against apartheid and then served as deputy chair of the post-apartheid Truth and Reconciliation Commission. This year, he is the Sani Distinguished Scholar and Global Visiting Professor of Law at the NYU School of Law's Hauser Global Law Program. Both the professorship and the lecture are named in memory of Stern alumnus Ashok C. Sani (BS '74), a founding member of the NYU Stern Alumni Council and a former member of the Stern Board of Overseers. The lecture series reflects his dedication to ethics, truth, love, peace, non-violence, compassion, and the moral and social responsibilities of members of society.

Boraine's lecture, "Power through Truth and Justice," addressed power as an omnipresent force that "runs through all life almost like a laser beam and, like a laser, it can heal and it can destroy." "To have power," he said, "is almost an intolerable burden, because with that power comes incredible responsibility."

Dean Thomas Cooley (second from left), NYU President John Sexton (fourth from left), and Dr. Alex Boraine (center) at the Ashok C. Sani lecture with Sani's family members.

Along with the political corruption that he witnessed firsthand, Boraine spoke of the "humanity and vision and grace" of people like President Nelson Mandela and activists around the world who struggled against the injustice of apartheid. He shared his experience serving under Chairman Archbishop Desmond Tutu on South Africa's Truth and Reconciliation Commission, which was predicated on the belief that seeking the truth is often a difficult and demanding process, but one that can lead to remorse, repentance, and acknowledgement. Boraine said that the witnesses who came before the Commission found a tremendous sense of relief, which he attributes to the healing power of truth. "The antidote to the abuse of power is truth, coming clean, being transparent," he said. To assist other countries in pursuing such efforts, Boraine founded the International Center for Transitional Justice.

Moving beyond apartheid to other misuses of power, Boraine talked about the dehumanizing history of colonialism and slavery throughout the world. In Africa, "the seeds of exploitation of corruption and the abuse of power were planted by powerful men who drew lines on a map in foreign countries."

Boraine closed his talk with a powerful quote from Patricio Aylwin, whose democratic election as president of Chile brought an end to the reign of Augusto Pinochet: "There is an open wound in our national soul that cannot be ignored, nor can it be healed through mere forgetfulness. …Only the disclosure of truth and the search for justice can create the moral climate in which reconciliation and peace will flourish."

A recipient of Italy's President's Medal for Human Rights, Boraine was previously a professor of law at NYU and the director of the NYU Law School's Justice in Transition program. His most recent book, *A Country Unmasked*, was published by Oxford University Press in 2000.

MICROSOFT COUNSEL ANALYZES COMPANY'S LEGAL BATTLES

David A. Heiner, vice president and deputy general counsel at Microsoft Corporation, examined the company's history of legal cases on platform integration in America and Europe at the Networks, Electronic Commerce and Telecommunications (NET) Institute Conference this April. The conference, held at NYU Stern and co-sponsored by the NET Institute and Stern's Berkley Center for Entrepreneurial Studies, featured cutting-edge academic research on electronic commerce, platform competition, and software competition presented by top academics from NYU Stern, Carnegie-Mellon, Harvard, University of Maryland, University of Texas, and several other universities.

During his tenure at Microsoft, Heiner has been on the front lines of Microsoft's response to government antitrust proceedings. After reviewing cases that grappled with the legalities of integrating hardware and software, Heiner addressed Microsoft's more recent legal challenges. Analyzing the application of antitrust law in the US and in Europe, and how businesses are regulated accordingly, Heiner pointed to several significant differences between the legal outcomes on each side of the Atlantic.

Following allegations that Microsoft unlawfully "tied" Internet Explorer to its Windows operating system, the US court ultimately allowed for the integration of the two systems while protecting opportunities for competitors through a series of requirements relating to the design and licensing of Windows. In a similar case, the European Commission required Microsoft to offer two separate versions of Windows – one with Windows Media Player and one without. Heiner compared the US court's focus on preserving competitive opportunities to Europe's focus on removing capabilities from dominant products. He also noted that the US court articulated a "rule of reason" approach to the issue, while the EU's analysis was more akin to the US "per se" approach to assessing liability.

Heiner concluded with insight into what Microsoft might expect vis-à-vis Windows principles, the EU court ruling expected in September 2007, and the increasing popularity of Web-based software that runs on any browser and any operating system.

"Having David Heiner of Microsoft on campus demonstrates how the Stern School of Business and the NET Institute remain on the cutting edge of research that informs today's public policy and affects competition in network industries," said Professor Nicholas Economides, executive director of the NET Institute. "It emphasizes the complexities and public policy challenges of doing business and competing aggressively in software markets and other network industries on a global scale."

The Digitization of the Music Industry panelists Chris Barron, Josh Hubble, Steve Masur, Rob Weitzner, and Adam Zelinka.

STUDENTS, ALUMNI DEBATE ICONIC BRANDS, DIGITAL MUSIC

This spring, two events brought together NYU Stern students, alumni, and professional experts to discuss hot trends in media: the challenge of maintaining iconic consumer brands, and the future of the music business in an age of digital downloads.

On April 19, "Death of the Icon Brand," an evening of lively debate with Lou Capozzi (BS '69), chairman emeritus of Publicis Public Relations and Corporate Communications Group, and Joe Gleason, professor, consultant, and founder of the Gleason Group, drew an audience of alumni and students. Carlo Mantica (MBA '01) kicked off the event, the third in a series of new events hosted by the Marketing Committee of NYU Stern's Alumni Council, by introducing the two speakers and Management Communications Professor Irving Schenkler, who moderated the night's discussion.

According to the branding gurus, companies must understand customers and their need to understand a brand. Capozzi and Gleason also grouped brands into four categories – identity, power, icon, and explorer brands – citing examples of each. Icon brands, such as Coke and Disney, create a symbolic world and invite everyone in.

So how can marketers in this day and age build and maintain iconic brands? Today, relationships between companies and customers are grounded in skepticism, and consumers have adopted a "Show me; Don't tell me" mentality, Capozzi argued. He further illustrated the differences between "The Control Age," an old industry philosophy that focused primarily on reach and frequency, and a new philosophy he dubbed "The Conversation," which emphasizes the importance of companies listening and having conversations with consumers. According to Capozzi, brands must adhere to three requirements to win in this "Conversation Age:" (1) engage thought leaders so they speak for you and about you; (2) talk the talk *and* walk the walk; and (3) develop strategic consultancy skills, not just individual tactics, to orchestrate integrated marketing communications.

Gleason believes companies have already been having a conversation with customers for years, and it's still not enough. He attributes a portion of the reality television show *American Idol*'s success to the fact that executives were willing to completely turn over the brand to the public. In accordance with this trend, Gleason believes consumers are demanding ownership and a voice in the brands they choose. In order for the brand to survive, marketers need to be comfortable letting customers exert their influence on the brand.

On May 12, nearly 150 NYU Stern alumni and guests gathered for an insider's look at the digitization of music and its affect on the music industry from both a business and legal perspective. Part of the annual NYU Alumni Reunion Weekend, the event featured an acoustic performance by Chris Barron, the lead singer of The Spin Doctors, and a panel discussion entitled, "Charting the Digital Frontier: The Digitization of the Music Industry."

Hosted by the Entertainment, Media, and Technology Committee of the NYU Stern Alumni Council, the panel featured Barron and several industry experts: Josh Hubble, Universal Records; Steve Masur, Esq., managing partner for MasurLaw; Rob Weitzner, vice president, business development, Independent Online Distribution Alliance; and Adam Zelinka (BMUS '01), founder of boutique entertainment consulting agency Fanatical Marketing. Catherine Moore, director of the Music Business Graduate Program at the NYU Steinhardt School, moderated.

The panelists discussed how technological changes such as the mp3 file, iTunes, and myspace.com have propelled the industry into uncharted territory by presenting intriguing questions about the management of digital rights and the distribution and marketing of music. Barron discussed how the advancements in recording technology have made it easy for independent artists to record their own music. "My first record cost a quarter of a million dollars to record, and it was recorded in a studio that cost millions of dollars to build," he said. "Now I have my own home studio, and it cost me only $5,000."

Hubble agreed that the industry is changing quickly. "No one knew what a ring-back tone was two years ago. There are a lot of unknowns for the future." He added that with a 20 percent decline in CD sales this year and expectations that they will continue to decline, record companies are looking for new revenue streams. Zelinka conceded: "No one knows the future frontier of the music business, but consolidation is going to be a massive part of it." He argued that the money is in music publishing. "They make money with very little resources," he said.

Masur argued that the industry has been too slow to adapt to technological changes and that there are many new ways to make money, but they have to be built. Weitzner agreed that there is a lot of opportunity in the market and said, "The technology has forced us to redefine the music industry. The business model has to change."

21st-Century Wine Seller

by Jenny Owen

At the 2007 Global Alumni Conference in Florence, alumnus Leonardo LoCascio participated in a panel discussion on Italian wines. STERNbusiness spoke with this wine connoisseur and distributor.

Known for putting Italian wines on the American map, Leonardo LoCascio (BS '71) is also considered one of the "visionaries in America who are not only changing the way we think about wine but also determining what we'll be drinking in the 21st century," as *Food and Wine* noted when it awarded the native of Palermo, Italy, its highly coveted Golden Grape Award in 1998. The president and CEO of Winebow, Inc., a leading importer of premium Italian wines and a major distributor of wines from around the world, LoCascio has made it his business to select high quality wines of good value.

His Winebow portfolio represents more than 70 estates throughout the major wine regions of Italy and contains 3,000-plus wines from around the world. But the Leonardo LoCascio Selections logo most reflects his personal taste and appears only on his prized Italian imports. For every wine he selects for this collection, he turns down dozens. "Wine for me is more than just a beverage in the bottle," explained the former banker. When selecting wines, he looks for those that "make a statement, that get people's attention, that aren't like a lot of other wines. I'm looking for the purity of flavors, for winemakers who don't filter out the taste," he said.

"We have a big portfolio of wines from lesser known producers and from outside the traditional appellations," LoCascio added. "So the idea of having my name on every bottle of wine is to give consumers a roadmap or a common thread through Leonardo LoCascio Selections. If they had a good experience with one of my wines, they are more inclined to try another."

Working with family wineries and searching for unique, affordable wines is another key component of his strategy. "I like to find wines that over-deliver in terms of the relationship between price and quality. We've often found these by going to the more obscure regions of Italy," said LoCascio. "And it's important to have in my portfolio wines that come from families as opposed to large conglomerates. I find it important to get to know the people you're doing business with."

In 1980, LoCascio left a successful career in corporate finance to launch Winebow. At the time, he was a vice president at Citibank, after having worked at Rockwell Financial and McKinsey & Company. His intentions were always to own and run a company. Entrepreneurship is in his DNA – his father and his grandfather owned a citrus business. LoCascio said he initially came to the States and to NYU intending to get a degree and then to go back and take over the family business. "But when I was here, I got interested in living in the States, and in gaining some work

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experience here," he said. By the time he was ready to flex his entrepreneurial muscle, his father had sold the family company and LoCascio had become interested in imported foods and beverages.

LoCascio was attracted to wine because of its "simplicity and sophistication." He also saw a business opportunity. "Americans were on the cusp of making wine a part of their lifestyle. At the time, they were drinking a lot of beer and hard liquor. California wines were hardly on the map," he said. "But wine was part of life in most Western countries. Americans, when they went to Europe, enjoyed it and I could not understand why it was not part of the lifestyle when they came back. My bet was that it was going to become part of the American lifestyle."

LoCascio bet correctly. As an Italian, he was uniquely positioned to build a business around Americans' demand for Italian goods. "Americans have had a love story with Italy. Things made in Italy were well-received here – fashion, design, food," he said.

Winebow wasn't an instant success. LoCascio said it took 10 years before the business looked like it was going to succeed financially. "Despite my academic and professional training, I started my business as many entrepreneurs do, without adequately capitalizing it," he said. "In the initial years, the biggest struggle was convincing the banks that it was worthwhile to finance the growth of my business."

So his advice for aspiring entrepreneurs is to "work not only on the concept of what you want to do, but also on having funds. It takes patience and discipline to capitalize the business properly." He also advises, "Have tenacity. Stay focused on what you're building – you really have to believe that it will work out. In my case, I had two young children and two mortgages, so failure was not an option."

Winebow's success today is due not only to LoCascio's tenacity and his prudent wine selection process, but also to his business model. In the US, the wine business is regulated by the states, and laws do not allow restaurants, retailers, or consumers to buy wine directly from suppliers – they must buy from local distributors. These regulations have generated a three-tier business: the point of

San Polo, LoCascio's Tuscan winery in Montalcino, Italy.

contact with the consumer (retailer or restaurant), the local distributor, and the supplier (winery or importer). LoCascio's model has been to "try, within the regulations in which we operate, to shorten this chain and to be both an importer and a distributor within six markets: New York, New Jersey, Connecticut, Massachusetts, Pennsylvania, and Washington, DC," he explained. "This has given us extra margins, and most important, the ability to execute on our own products, as opposed to having to convince a local distributor to buy our wines over another importer's."

New York City is Winebow's largest market. "It's a sophisticated city – there are a lot of people who love wine and want to learn more," LoCascio explained. "There is also a strong international community with tourists and expatriates – which all make for a great place to do business. And new restaurants open every day, which become new customers."

What can America expect next from this wine visionary? Three years ago,Winebow partnered with Freeman Spogli, a privaty equity firm that specializes in the distribution business. Together the two are negotiating the purchase of distributors in additional markets. "We want to be in as many markets as it makes economic sense," LoCascio said. The company is also expanding its import footprint. It branched beyond Italy and into Spain and South America a few years ago, and is currently looking at Portugal. "We are always interested in expanding our horizons," he said. But will Americans be as receptive to expanding their own wine palates? If *Food and Wine* magazine is right, it's Leonardo LoCascio who determines what we'll be drinking in the 21st century. ■

Passion for Fashion

by Rika Nazem

Chaiken's fall 2007 clothing line.

Photo credit: Dan Lecca for Chaiken.

It can take decades for a fashion company to build brands that are described as sophisticated and classic. But Julie Chaiken (MBA ’93), who founded Chaiken Clothing in July 1994, has needed only a single decade. With clients such as Gwyneth Paltrow and Cameron Diaz, it’s easy to see why this fashion line has continued to gain momentum in an industry with a clientele that can be tough to please. Just take a look at the fall collection and you’ll see beautiful, affordable clothes for both work and play that women love to wear. Chaiken views herself as a client of her own line and, as such, designs clothes that fit her lifestyle.

Chaiken has always had a passion for fashion. “In the early 1990s, I remember talking with a group of friends about fashion and what was available at the time,” she explained. “The clothing choices for professional women were remnants of the 1980s when women were wearing bad blue suits. My friend and I decided to do something about it. I always wanted to run my own business someday and it just seemed like the right fit.” Chaiken wanted to design versatile clothes for the professional woman and jumped into the business by asking questions. “I needed to obtain a business license, find a factory to manufacture the clothes, and negotiate with the factory,” she said. “There was a huge learning curve, but I had tenacity and just kept asking questions until I figured it out.”

In the beginning, Chaiken thought that she could do it

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all – design and make the clothes, attend trade shows, and work directly with customers as her own sales representative. "After two weeks, I realized that was a very bad idea – especially since, in those two weeks, I picked up the Barney's New York and Fred Segal accounts," she said. "I knew I was onto something but, at the time, didn't understand the scope of what we were starting. I wrote a business plan and within a month it didn't mean anything." Chaiken then hired a person to manage the factory and a sales team to interact with customers. "Within the first six months, we went from start-up to management mode, which we had talked about in business school as being a very tough transition to make."

Julie Chaiken

Chaiken's business acumen got her through the tough launch and transition phases. "Having an MBA in this industry definitely gives me credibility. I have been able to step back and take a breath, and evaluate situations I may have looked at differently otherwise," she said. "And the Stern credential is invaluable when I meet with bankers. They so often deal with creative types that have great ideas but not the business background. For instance, I can look at a licensing deal, and see the numbers and the business value in it. It's given me a much broader perspective on the business."

Success in the fashion business also requires "a lot of being in the right place at the right time, and a lot of offering the customer something she wants," added Chaiken. "You have to be out there. I still go to trade shows and meet with clients. Coming back from a recent trip, I remember talking to an investment banker on the plane. I asked him what he was doing and he replied that he came to shake a hand. It's so true – we can't forget that intangible of a face-to-face meeting," she said.

Building on her brand's success, Chaiken has expanded her well-known collection to include maternity wear, including a new mommy bag just out in stores, as well as an eyewear line that is due out next year. Her recently launched line, "Profile," is "a very fashion-forward line that will continue to push boundaries. The line caters to women who are interested in fashion but not necessarily interested in the trend of the moment," she said.

Despite spending the majority of her time in San Francisco, Chaiken draws a great deal of her inspiration from New York City. "Watching the people in the City is inspiring because there is so much individuality. People mix things differently. I love to go to the night clubs and look at what the kids are wearing," explained Chaiken. Museums and art exhibits also inspire her. "I'll see an exhibit and, 12 months later, you will see some element of that in the stores. I saw a fabric exhibit at the Neue Galerie and, a year later, I saw those prints coming into the market. Sometimes it's even just looking in the stores and seeing what other designers are doing that gets the juices flowing," she said.

Chaiken, who is the mother of two young children, has found a way to handle both roles. "I don't work a full schedule anymore – I scaled back so that I have time to be a CEO and a mother," she explained. She notes that a quote – "Nobody ever told me I couldn't have it all, they just forgot to tell me I couldn't have it all at once" – really resonates with her "because I could do it all but I couldn't do it all well. If I want to do well in my business and I want to be a good mother, I have to find time to do both," Chaiken added. "I really do love the life that I've built. It's that simple." ■

8 QUESTIONS

TONY ALVAREZ (MBA '76),
co-founder, co-CEO, and managing director of Alvarez & Marsal, the world's largest turnaround advisory firm

Serving as a conference panelist at the 2007 Global Alumni Conference in Florence, Alvarez recently shared his corporate advisory and crisis management insight with Stern alumni. The following are excerpts from his remarks.

1. How did you get started in turnaround management?

In 1983, when a company got in trouble, it would hire an accounting firm to advise creditors and then bring in new managers from the industry, like Lee Iacocca with Chrysler. I had been an accountant and had some experience with operations, and it was apparent to me and my partner that there was something unique about the DNA of managers needed to fix companies, and that those skills could translate to different industries. The management skills needed to manage for growth are different from the skills needed to manage a turnaround.

2. What are the managerial skills needed for a turnaround?

It's important to be able to manage with scarce resources and unhappy constituencies while making changes rapidly. Our firm was based on a belief that we could institutionalize the business by hiring people who are very comfortable with having to act fast.

3. Why does speed matter so much in your business?

In a turnaround situation, you need to make the decisions in a month that most growth companies make in a year. You don't have time or liquidity. You need people who, while the fur is flying, can calmly assess the situation, buy time, fix the underlying problems, and once you have done that, restructure the balance sheet.

4. So you don't necessarily start restructures with the finances?

Our belief is that you restructure the balance sheet last! You do it after you figure out just how healthy the patient can be. Good turnaround managers don't just right-size the cost structure. They have to be aware that they can't starve the brands.

5. How has your business evolved?

We're a catalyst for results and action. Now we're being asked to come in and work not just with companies that are sick, but with companies that are underperforming. We're working with permanent management to help them act a little faster.

6. What do you make of all this liquidity?

The appetite for debt being issued is beyond anything I've seen. I think it will actually lead to fewer Chapter 11 filings, since most of those buying debt want to avoid protracted bankruptcies. We're seeing more and more time being bought by more and more money.

7. When did you expand into Europe?

We started in Europe in 2001, and at the time, Europe was exactly where the US was in 1983. There was really no turnaround management firm. Today, we've got 100 people in Europe.

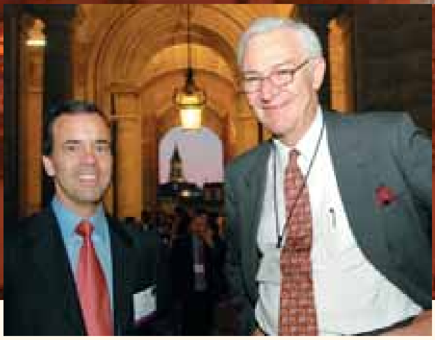
8. What's next?

We are bringing our business to Brazil and the rest of Latin America, and we've just opened up offices in Shanghai. As they invest in these areas, American bankers and private equity firms are telling their partners that this is something that has worked in the US.

UNDER THE

IN JUNE, STERN ALUMNI GATHERED IN FLORENCE TO DISCUSS THE FINER POINTS OF GLOBALIZATION, PRIVATE EQUITY, AND LUXURY GOODS – AND TO SAMPLE SOME FINE WINES.

By Daniel Gross



Most Tuscan holidays are devoted to a few simple and basic pursuits: relaxation, viewing fine art, strolling around ancient piazzas, and feasting on the region's famous cuisine. But the 300 Stern alumni who gathered in Florence for the Global Alumni Conference in early June had other things on their minds. "We're going to learn, discuss, argue, get to know one another, and see beautiful things," said Dean Thomas Cooley, addressing a crowd in the introductory session at NYU's Villa La Pietra estate campus. Welcoming alumni who had come from the US, India, Japan, China, Russia, the Middle East, and all parts of Europe, he noted that, together with NYU Stern faculty members and industry experts, the attendees would have the opportunity to "look at issues from 30,000-square feet above."

William R. Berkley (BS '66), chairman and CEO of W. R. Berkley Corporation, chairman of the NYU Stern Board of Overseers, and vice chairman of the NYU Board of Trustees, said that convening such a conference is part and parcel of NYU Stern's educational mission. "Education is about building a foundation and a framework to allow us to better understand the world we live in and anticipate change," he said. "A great education is about creating a framework for conceptual thinking by gaining understanding."

On the agenda put together by the 14-person Host Committee, led by Co-chairs James and Salvatore Ferragamo (each BS '93, MBA '97): high-level discussion of the large structural issues affecting the Italian economy and the US-Italy relationship; panels on the way corporate turnarounds and private equity firms are spurring change and growth in Europe's private sector; and detailed conversations of the lessons learned from Italy's premiere wine and luxury goods manufacturers. "And of course, this being Florence," Dean Cooley added, "we're going to spend some time eating and drinking while we think about the issues that are of concern to us."

In her opening keynote address, Nora Dempsey, Consul General of the United States in Florence, introduced several large themes that resonated throughout the conference. Dempsey appeared in the stead of US Ambassador Ronald Spogli, who was preparing for the

TUSCAN SUN

imminent visit by President Bush to Italy – an event she cited as evidence of the continuing deep economic, cultural, and diplomatic bonds that unite the US and Italy. Dempsey echoed the concerns frequently sounded by Italian economists and business leaders. Despite some recent improvements, "Italy lags behind other EU countries in almost every indicator of economic success; economic growth, foreign investment, and competitiveness are all surprisingly weak," she noted.

Sixty years after the introduction of the Marshall Plan, Dempsey said, the US can once again help Italy modernize its economy to promote economic growth. Aside from boosting bi-lateral trade investment, Dempsey said the US could assist by revitalizing the Fulbright program, which would both send more Americans to study in Italy and bring more Italians to the US to learn about American business culture. As part of the Fulbright Business Exchange program, for example, a group of Italian students will participate in internships to learn about Silicon Valley's entrepreneurial technology culture.

In his afternoon keynote address, Mario Monti, president of Bocconi University in Milan, and former European Commissioner for Competition, picked up on the theme of the necessity for structural change in Europe. To start, he posed a rhetorical question: "Is the European Union converging or diverging relative to the US?" His answer: yes, and no. With its single market, single currency, and enlargement to include Eastern European countries, "the European Union is much more similar to the US than it was 10 or 15 years ago." And yet the two huge trading partners still diverge when it comes to growth. Monti noted that the EU has spent unprecedented energy on structural reform, which he dubbed harmful in the short-term. He reminded the audience that the EU constitution is still not ratified, although it has been approved by 27 member nations. Aside from seeking to emulate US attitudes toward growth, Monti said Europe should look to the US in reforming immigration policy.

Monti also pointed to powerful cross-currents. Despite a common currency, and the formulation of a central monetary policy, "economic nationalism" still exerts a great deal of power in Europe. He noted that despite an official poli-

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cy of neutrality toward cross-border tendencies, European governments are increasingly resisting acquisitions of important domestic companies by foreign purchasers.

Structural changes take place at a macro, economy-wide level, and at a micro, company-specific level. A panel moderated by Edward Altman, Max L. Heine Professor of Finance at Stern, addressed the issue of how corporate turnarounds are helping to remake the economy in Italy, in Europe, and beyond. Panelists included: Tony Alvarez, II, (MBA '76), co-founder, co-CEO, and managing director of Alvarez & Marsal, the largest turnaround company in the world; Fabio Canè (MBA '90), head of investment banking for Intesa Sanpaolo; and Luciano La Noce, managing director of Omniainvest and Immsi, both investment-holding firms.

La Noce described the turnaround of Piaggio, the venerable Italian scooter manufacturer. Piaggio's roots go back

Indulging in Italian Luxury Goods

Italian companies have long been leaders in the realm of luxury goods, from fine women's clothes to wine. Two panels at the conference highlighted the lessons that can be learned from Italian firms. "Trends in the 21st-Century Global Luxury Market" featured Armando Branchini, an economist and professor of management of luxury goods at Bocconi University; James Ferragamo (BS '93, MBA '97), women's leather product director, Salvatore Ferragamo Group; Andrea Illy, chairman and CEO, illycaffè S.p.A.; Andrea Perrone, co-CEO of Brioni, S.r.l.; and Massimo Quarra (MBA '79), regional president (Europe), American Express, which, with Salvatore Ferragamo Group and Rothschild North America, was a co-sponsor of the Conference.

Branchini cited strong growth in all categories of fashion accessories, the "brandization" of fashion and style categories, and growth in super-luxury or "uber-lux" products and services. Russia, China, and India, he noted, are strong growth markets for luxury products. Quarra shared new research that American Express has conducted, which concludes that the intangible "experience" of a product is becoming a more important factor in driving sales. Consumers, who are increasingly more knowledgeable, thanks in part to the Internet, more and more seek "the best," not just the most expensive. Illy underscored the theme of luxury brands as experiential. The company defines its luxury brand as providing happiness and well-being through small pleasures such as a superb cup of coffee.

Perrone, whose grandfather's tailor shop in Rome in 1945 has grown to 40 branded Brioni stores, attributed the company's growth to a focus on quality in all dimensions. Known for dressing CEOs and James Bond in all the Bond movies, Brioni "brings the store to the CEO," Perrone said. The company also invests in training its frontline people, who provide "the emotional linkage" to the Brioni brand. The Ferragamo brand, synonymous with luxury leather goods and fashion, is now expanding into the experiential luxury business by branching out into the wine and hospitality businesses.

Wine – a global luxury good in its own right – was the subject of a separate panel, "La Dolce Vita: The Business of Wine," led by Marti G. Subrahmanyam, the Charles E. Merrill Professor of Finance, Economics, and International Business at Stern and the leader of the School's Wine Society. Alessia Antinori, oenologist for Antinori Wines, noted that consumers are trading up to higher quality in Italian wines. Salvatore Ferragamo (BS '93, MBA '97), manager of Il Borro Wines, stressed the importance of the "terroir" and its oenologist's skill in using the inherent attributes of the soil to craft its new Il Borro brand wine.

Italian wines are supplanting French wines in popularity, according to William Deutsch (BS '58), chairman of wine distributor W.J. Deutsch & Sons, Ltd. He pointed out that many French restaurants are closing, just as more Italian restaurants are opening. "Restaurants are important ambassadors for wine," said Deutsch, who noted that five of the top 10 wines in the US are Italian. Leonardo LoCascio (BS '71), president and CEO of Winebow, Inc., noted that for entry-level consumers, wine is all about the label, and that consumers "graduate" to wines with more nuance (see page 7, "21st-Century Wine Seller"). Following the panel, a Tuscan table was spread in the garden and conference attendees had a chance to sample the generously donated wines produced and/or distributed by each of the panelists' wine portfolios.

to 1884, when Vespa emerged as a symbol of post-war Italy. But a decline in the 1980s, compounded by poor labor relations, set the stage for the turnaround engineered by Roberto Colaninno, who took over as chairman and CEO in October 2003. The new management team focused on quality, repositioned the brand at the top end of the market, and introduced global sourcing from China and India. To build critical mass, management acquired Apprevia Group, a family-owned bicycle company. In July 2006, Piaggio, now the fourth-largest motorized bicycle company, was listed on the stock market. Today, the company is expanding its manufacturing and sales into India and China, investing in Vietnam, and creating production and distribution networks in Latin America.

Alvarez outlined two modes of turnaround management. The first, as practiced at Piaggio, is to bring in experienced management from a similar industry. The second is to bring in management that specializes in turnarounds. Alvarez, who established his firm in the early 1980s and has extended his practice to Europe, Latin America, and Asia, noted that the task isn't simply to fix the finances of a struggling company, but to revitalize the company and put it in a position to grow. "You have to restructure the balance sheet last," he said. (see page 11, "8 Questions with Tony Alvarez")

Canè, a former partner at Bain and Co., who headed its Milan office, shared his entrepreneurial experience of founding an online retail apparel company, Yoox, that he had worked with as a member of Bain's worldwide consultancy practice. When Bain opted not to take an interest in the company, Canè became involved as founder and CEO. Today, the company, which sells online last season's clothes and accessories for 300 exclusive brands, is "cash positive," he noted.

Private equity firms have been playing an increasingly prominent role in large-scale corporate restructurings. The rapid growth of private equity firms was the topic of a panel moderated by Ingo Walter, Seymour Milstein Professor of Finance, Corporate Governance, and Ethics at Stern. Participants included: Antonio Belloni, managing partner of BC Partners; Stefano Caselli, professor of banking and finance at Bocconi University; Salvatore Mancuso, chairman and CEO of Equinox Management S.A.; and Roy Smith, Kenneth Langone Professor of Entrepreneurship and Finance at Stern. Caselli spoke of the prospects for a private equity bubble, and highlighted the global nature of the market for deals. What had been a more parochial market is turning into one "where investors are moving from one market to the other to take opportunities," he noted.

Acknowledging that the debate about private equity was "emotional and passionate," Belloni said he believes the private equity system functions better than the traditional system by which publicly-held companies are governed. He added that private equity firms must create value not simply by buying good companies and selling them for better prices, but "by managing underperforming companies properly, creating the conditions for innovation and growth." Smith noted that 120 students had signed up for a course on private equity that he co-taught with Caselli at Bocconi – which is far larger than the number of students for a similar course at Stern. "Private equity is as well-established in Europe as it is in the United States, and has a long way to go because there are still a number of efficiencies surrounding the industrial base of Europe," he said.

The conference formally concluded with an exclusive guided tour of four galleries in the Uffizi Museum that house Italian masters of the 13th, 14th, and 15th centuries, as well as a walk through the Vasari Corridor, which transverses the Arno River and is normally closed to the public. After crossing the river, alumni and their guests emerged into the gardens of the Pitti Palace for cocktails before dinner at tables set in the Palace courtyard. The conference closed with a dramatic flourish: a demonstration of Florentine flag-waving. Accompanied by trumpets and drums, men and women in Renaissance costume twirled, tossed, and threw enormous flags, a demonstration one attendee described as "baton-twirling as an extreme sport."

The locale may have seemed a world away from NYU Stern's Greenwich Village campus. But the high-level of conversation, the impulse to bring together the worlds of academics and the private sector, and the sense of curiosity and community that pervaded the weekend were easily recognizable to Stern alumni and faculty. "What brings us together is the Stern School of Business," Dean Cooley noted. "It's our community, a place where we conduct research, study, and make lifelong friendships." ■

Sharon Allen

chairman

Deloitte & Touche USA, LLP

Sharon Allen is chairman of Deloitte & Touche USA, LLP, the US member of the global accounting and consulting firm, Deloitte Touche Tohmatsu. The first woman hired as an auditor in the firm's Boise, Idaho, practice, Allen in 2003 became the first woman elected as chairman and the highest-ranking woman in the organization's history. As chairman, she is responsible for the governance of Deloitte & Touche USA, which has 40,000 employees and annual revenues of more than $10 billion. Allen earned her bachelor's degree in accounting and received an honorary doctorate in administrative science from the University of Idaho. She is a member of the boards of the Los Angeles area Chamber of Commerce, the United Way of Greater Los Angeles, and the National YMCA.

***Sharon Allen was interviewed by Paul Maidment, editor of Forbes.com and executive editor of* Forbes.**

Paul Maidment: *What were the lessons of your upbringing that you've carried with you throughout your working life?*

Sharon Allen: I was the youngest of four girls, on a farm in Kimberly, Idaho, which had a population of about 1,500 people. I learned my core values, and I learned to honor the commitment that my parents taught me – that you can do anything you want to, but just do it really well.

PM: *How do you think that the role of women, both in corporate America, but also in leadership, has changed during your career?*

SA: Thankfully, it's changed a lot. When I joined our organization 34 years ago, only 5 percent of those graduating with accounting degrees were women, and very few were in business school. Today, women are 50 percent of the students in business schools like Stern and 57 percent of accounting programs. We're also seeing more women moving up through the organization. Unfortunately, we're not quite there yet in the top executive suites around the country, but we're increasing every day.

PM: *Why do you think the rate of progress hasn't been swifter?*

SA: Organizations have been too slow in many cases to understand the environment that needs to be created in order to help women progress appropriately in a career. About 14 years ago, we started the Initiative for the Advancement and Retention of Women, which has helped reduce the turnover gap between men and women. We're still not at the percentage we'd like to be at the partner level. Last year, 35 percent of those promoted to partner and director were women, which was certainly a lot better than 10 percent – the proportion 14 years ago.

PM: *What are some of the initiatives you put in place to try and advance the cause of women within the company?*

SA: We found that there was a lack of mentors and role models. We learned that we tended to not assign our women to the best and most prestigious engagements because they were expected to leave. And then women left, because they didn't get the best engagements. While we don't guarantee a woman will be assigned to a particular engagement, we assure that there's an equal footing in terms of being evaluated and assessed for engagements. It's made a huge difference in how women have progressed through the organization.

"Diversity of thought, diversity of background, and experiential diversity are incredibly important to having the right kind of dynamic discussion within corporations. I also believe that the same extended benefit of diverse views is obtained when you have diversity in the workforce."

PM: *It's obviously a very global, complex, and more connected world now. What advice would you give the people sitting in this room about how they should prepare themselves to enter that workplace?*

SA: If students here have opportunities for global internships, chances to study overseas, they should jump on them. Whatever you can do to figure out how to work cross-functionally, and whatever you can do to become effective in working with teams, and leading teams, is going to serve you very well.

PM: *Does leadership become very different in this globally connected world?*

SA: Yes. You need the ability to work virtually, to accept working differently, in a little different style, and must be able to interact with people across language and cultural barriers.

PM: *How do you keep your mind open to technological, social, and cultural developments so that you're able to provide flexibility?*

SA: I have found that people have learned how to deal with the next generation when their children start growing up and go to business school. Our initial foray into the Women's Initiative came, in large part, because our then-chairman and CEO had daughters who were graduating from business school, and he was recognizing the challenges they were dealing with.

PM: *There's a lot of talk in the industry about the need to reconcile US and international accounting standards, as well as the impact of new regulations like Sarbanes-Oxley. What's your take?*

SA: I think there is clearly a concern about the competitiveness of the US, some of which is based on the complexity of our accounting and reporting standards. But there are other reasons as well, not the least of which is that the other markets are getting very aggressive about marketing their opportunities and encouraging people to list on their exchanges. I think we're just starting to see the results of Sarbanes-Oxley now, and, in many cases, it has been quite

Sharon Allen is interviewed by Paul Maidment at a CEO Series event held in March.

positive. The early adopters have actually had a reduction in the number of restatements, whereas those who have not "early adopted" have had something like a 40 percent increase in restatements.

PM: *Do you think that integrity and ethics have improved in boardrooms as a result of Sarbanes-Oxley or in spite of Sarbanes-Oxley?*

SA: I think it would be easy to say that it's better because of Sarbanes-Oxley. Many of those changes might have come anyway, because of the environment in which we all found ourselves a few years ago. But I think the active oversight that's taking place within the boardroom is probably at a higher level than I've ever seen it within my 30-plus years.

PM: *You've talked a lot in our conversation about this changing and culturally diverse world. How important is it for your firm, and how much do you push your clients toward having diverse workforces?*

SA: I'm a strong proponent of diversity in the boardroom, in executive suites, and in the workforce in general. I talk about it consistently in every venue. Diversity of thought, diversity of background, and experiential diversity are incredibly important to having the right kind of dynamic discussion within corporations. I also believe that the same extended benefit of diverse views is obtained when you have diversity in the workforce. It's the right thing to do. But there's also a business case. Today, half of those graduating from business schools are women, and about 30 to 40 percent of our new hires are from diverse backgrounds and under-represented populations. We really have to understand how to create the opportunity for diverse populations to excel within our organization.

PM: *Is there something that you now know that, when you started out in your career, you wish someone had told you?*

SA: One of the lessons I learned is that you have to watch out for your own career. About four years into my career, I was expecting to get an early promotion. When I didn't get it, I stomped into my partner's office and told him all the things that I'd done that I thought should have earned me this promotion. He just sat and looked at me and he said, "I didn't know you'd done all those things!" So, the lesson is that you don't have to be a braggart, but you can make sure people know what you've done to further your career. If you just assume everybody knows, you're probably going to be wrong.

Audience Questions

Q: *I'm an Executive MBA student and have just accepted an offer from Deloitte. With all the changes with technology becoming a big driver these days, and the emergence of India and China, how is the consulting world changing?*

SA: It has indeed changed. Some people worry about how offshoring is going to affect their careers now that so much is being done in India. Our operations in India allow us to stay in the game in places that we wouldn't otherwise be able to, like tax preparation. One of the cautions that I have about consulting is you can't get too dependent upon the technology to provide your connection across the organization. We're a people business.

Q: *I'm on my third career, and my question is about experiential diversity. How do firms like Deloitte plan to access some of the people who have managed people for 25 years?*

SA: The first step we're taking is focusing on it as it relates to our own alumni. We have a mandatory partner retirement age at 62. And we have a lot of people who have actually left before that, who frankly may have an interest in coming back. As we consider our shortages, in many cases, we really have to look at ways to be creative about getting people into the workforce. I think something like 40 percent of our hires today are experienced hires.

Q: *What are some of the efforts Deloitte has in place to promote the diversity of its new hires?*

SA: We have to assure that when we do hire people from diverse backgrounds, that we're moving them through the organization at the appropriate pace. We're short on role models. And so we have programs within the organization that are focused on developmental opportunities for women and for people from under-represented populations. These programs allow us to accelerate their careers to assure that we're giving them specific guidance and opportunities to grow and to learn within the organization.

Q: *How do you maintain the work and life balance?*

SA: I will admit, I'm not the perfect role model for work and life balance. Having said that, I do have some absolute commitments that I make to keep a balance in my life and my family, which includes my husband and my dogs. You absolutely have to figure out those things that make a difference to you personally and then make sure you pay attention to them. My home is in Pasadena and my office is here. And I'm neither place very often, to be honest. But in the process of that, I really do work at being home every Friday in time for date night with my husband.

Matt Blank

chairman and ceo

Showtime Networks

Matt Blank is the chairman and CEO of Showtime Networks, which owns the premium television network, Showtime, known for edgy programming including "Weeds" and "The L Word," as well as The Movie Channel and other properties. At Showtime, which he joined in 1988, Blank held several senior management positions, including chief operating officer, before being named chairman and CEO in 1995. Prior to joining Showtime, he worked for many years at HBO. Blank is active in several industry associations, including the National Cable Television Association. He earned his undergraduate degree from the Wharton School of Business and his MBA from Baruch College.

Blank was interviewed by Tom Lowry, a senior writer for* BusinessWeek*, who covers media and entertainment.

Tom Lowry: *Each week, fast-evolving technology seems to bring new challenges or opportunities that produce anxiety. How do you not get left behind in this new realm and, at the same time, not make some colossally stupid, knee-jerk decision?*

Matt Blank: We're somewhat fortunate. We've always been a subscription revenue business that didn't rely on advertising. So now the rest of the world is trying to figure out how to sell their product on iTunes, or through Microsoft's Vista Platform. And we don't have ad revenues to be cannibalized by other technologies, or by somebody fast-forwarding through a commercial. Last year we put "Weeds" and "Sleeper Cell" up on the iTunes platform, which gave us access to a customer base beyond the 14 million plus households that subscribe to Showtime. And if somebody decides to buy the whole season of "Weeds" on iTunes, maybe, at some point, they'll think they should get Showtime. Every time somebody downloads an episode or a season, it's helping the brand.

TL: *More broadly, who fares the best in this new environment – distributors or content players?*

MB: If you look at the history of the media business, there have always been the haves and the have-nots. People who held broadcast licenses and the networks that then served them, were the haves. If you were Showtime and you were distributed in every cable system in America, you were a have. If you were some small network trying to get distribution in this environment, you were a have-not. But in a world where there are no broadcast licenses, and there's no price of entry, it's much easier to get access to homes. The network television model may be going through a bunch of changes, but I think it is still very, very important. I wouldn't bet against cable operators. Consumers are still primarily driven by inertia, although that's changing for the younger demographics.

TL: *There's been pressure for years on collapsing the time-honored distribution system for movies' so-called windows. Why shouldn't there be day and date release on movies so consumers can see them how and when they want?*

MB: We've lived in a world of sequential distribution. A film comes out in the theaters, and six months later it goes to video and pay-per-view, and roughly six months after that, it comes to a protected premium TV window. That premium TV window lasts for 18 months. It's probably been outdated for quite a while. By the time a movie comes to Showtime today, a lot of people have seen it on DVD or pay-per-view. At some point we're going to see a major shift in the DVD window because technology has brought huge perishability. Last week, Wal-Mart announced that it is going into the video download business with the studios. Marketing DVDs has become so competitive and the marketing costs are huge. So to the extent that you can shrink that window between when you spend all the money to open the movie in theaters and when you release it on DVD, it's more efficient.

"I think now the workplace is looking for people with diverse experiences, and diverse experience suggests that someone will adapt well to change."

TL: *How does a premium cable channel avoid becoming obsolete in that environment?*

MB: We don't view ourselves as driven by the movies. We're driven by shows like "Dexter," "Brotherhood," "Weeds," "Sleeper Cell," "The L Word," and "The Tudors," and by new comedies this summer. And ironically, if we're not dependent on feature films, which require a commercial-free environment, I might suggest that there could be ad revenue behind some of this proprietary programming in the future.

TL: *With the Internet, iPods, amd other devices, will the cable companies get disintermediated?*

MB: I don't think so. Time Warner Cable, which serves New York, has a product called Triple Play, where they offer cost-efficient phone service, Internet access, and video. I wouldn't mind being Time Warner Cable. One thing nobody wants to talk about, however, is wireless technology. Everybody, including me, would love their iPod to be wireless, to not have to crank into the laptop every time you wanted to download content or do anything else. Who'd be the best one to provide that? The cable industry has a marketing relationship with 70 million households. And video is a smaller and smaller part of their business each year.

TL: *About 14 million homes subscribe to Showtime. That's about half of what HBO has. What's the strategy in terms of winning share?*

MB: A lot of that is institutionalized. When I started out at HBO, right after HBO went on the satellite in 1976, we tried very hard to keep Showtime out of the home. So HBO has always had that first-in-the-home status. Viacom and Showtime had to sue Time Inc., and HBO in 1990 to gain access to the most important media market in the world, New

York. (Time Inc., HBO's owner, owned the cable system here and refused to carry Showtime.) But today, the greater challenge for us is not HBO; it's what everything costs in that household. Say you're a subscriber of Time Warner Manhattan, and you're taking all these channels, and it's $70 a month. Then they offer you high-speed Internet access for $54.95. So now the bill is $124.95. When you look at the bill, there are only one or two things that are on that bill that are discretionary, and that's HBO and Showtime.

TL: *How much has selling your programming on iTunes helped in terms of subscriptions?*

MB: We have no real sense of that. We do think it's helped us in the case of a couple of those programs. My daughter is a senior in college, and when "Weeds" and "Sleeper Cell" went up on iTunes, she said, "Dad, I'm hearing from everybody – they're talking about 'Weeds' and 'Sleeper Cell.'" At the end of the day, I don't think we can measure any one of those things, but cumulatively we're doing very well.

TL: *Let's talk a little bit about your management team, and how you've come to greenlight some of these programs.*

MB: Let's take "The Tudors" – a ten-part drama that's about King Henry VIII. Bob Greenblatt, our president of programming, has been with us for about three and a half years. Before joining us, Bob had had his own production company and produced "Six Feet Under" for HBO. In the summer of 2005, he asked me to read a script about young Henry VIII. And I couldn't put it down, it just read like a total soap opera. We weren't going to cast the 40-year-old, chubby, short, bald Henry VIII. The idea was that we'd get a 22-year-old Henry. Bob said we'd only do this if we can cast the right person – Jonathan Rhys Meyers, who played opposite Scarlett Johansson in "Match Point." Basically, the series is about the women and him and his distaste for his cousin, the King of France. We had a partner attached in this case, Peace Arch Entertainment, because this was so expensive.

TL: *How do you market a show like this?*

MB: Therein lies one of the real holes in our sort of business model. We're in 14 million plus homes. CBS is in 108 million homes. I go a little crazy when I sit there and watch the Grammy's, and those little bullets keep flying across the screen for "How I Met Your Mother," and I'm thinking, "Boy, wouldn't that be great for 'The Tudors?'"

Matt Blank answers Tom Lowry's questions in a CEO Series interview this past spring.

TL: *Are you consuming any media on your cell phone?*

MB: I'm a news freak. I get four or five newspapers at home in the morning. I actually will use my Blackberry probably half a dozen times a day to check Yahoo News and Yahoo Headlines. A couple of times I've been in the car at night going home and I click on "CBS Evening News" or "NBC Evening News" and I see this little six-minute kind of buffered Brian Williams or Katie Couric coming down and giving the headlines. So far, I don't find that to be a really satisfying experience.

TL: *What advice would you give to somebody who's just starting off in the business these days?*

MB: The world is not linear anymore. I would not set out in the media business thinking about career paths, per se. I do think you have to be very, very flexible. I used to be very impressed if someone came in and they had gone to Yale or had a Harvard MBA. I now think the workplace is looking for people with diverse experiences, and diverse experience suggests that someone will adapt well to change.

TL: *Do you think the executive class of the media business is more or less bifurcated between the technology guys and the content guys?*

MB: We had a famous executive who worked at Showtime and refused to use e-mail; he finally lost his job at Showtime. I think it's just harder to hide. It's also harder to trust your gut because the business isn't that linear. You need to really get information from a lot of different sources. I've always been a big believer that a lot of this stuff was going to be happening, but I'm just amazed at some of the things you see happening out there. Eighteen months ago, I said, "No one's going to watch shows on their iPod." And I'll tell you, I have no problem sitting on an airplane and watching a show on my iPod.

Audience Questions

Q: *It would seem like there are going to be a lot of baby boomers retiring and, therefore, having more leisure time and growing in importance to your industry. Do you have any plans for them?*

MB: I like to say that 60 is the new 50, because I'm not too far from 60. It used to be in the television business that the 50-pluses were the dead zone. I don't think that's the case anymore. There are fewer barriers to entry, so if somebody wants to be out there making more programming for aging baby boomers, there are going to be a lot more opportunities to get that programming in front of people.

Q: *What are some of the skills and qualities of the top executives that work for you, and how important is mentoring to you?*

MB: We have a really great group of senior people at Showtime, about a half a dozen people. Virtually all of them have been around for a decade or more at Showtime, and came up through the ranks, or grew into their positions. I think our focus is on having people who can really perform, perform under pressure, and really believe in the product. Mentoring can be difficult, particularly in the media today, where the businesses are rather mature. When I was at HBO in the early 1980s, if you weren't getting promoted every 18 months, it was like, "What's wrong with you? You should go somewhere else."

PROSPECTUS

Robinson Garners Aspen Institute's Faculty Pioneer and Rising Star Award

Jeffrey Robinson

Jeffrey Robinson, assistant professor of management at NYU Stern, in September was awarded an Aspen Institute 2007 Faculty Pioneer Award in the category of Academic Impact and was selected as the sole "Rising Star." The annual awards celebrate MBA faculty who have demonstrated leadership and risk-taking in integrating social and environmental issues into academic research, educational programs, and business practice.

Robinson was cited, in part, for his work analyzing the role of entrepreneurship in the rebuilding of New Orleans. In recent trips, he has documented the return of inner city businesses to the Lower Ninth Ward, the establishment of a statewide business grant program, and the activities of social entrepreneurs who are engaged in rebuilding and restoring communities. He has worked closely with Louisiana Lieutenant Governor Mitch Landrieu, who created the state's Office of Social Entrepreneurship in fall 2006. In June, Robinson presented a paper, "Entrepreneurial Approaches for Non-Profit Organizations," at the Lieutenant Governor's Social Entrepreneurship Workshop in New Orleans.

In earlier research projects, Robinson has focused on social venturing and community economic development. His "Early Stage Social Entrepreneurship Research Project," a path-breaking qualitative research of 80 social entrepreneurs, was one of five to receive a grant from NYU Stern's Stewart Satter Social Entrepreneurship Fund in the 2004-2005 academic year. Robinson is also co-principal investigator for a project entitled "African-American Women Entrepreneurship (AAWE) Research Project," which is funded by the Ewing Marion Kauffman Foundation and studies the patterns of entrepreneurship of African-American women who lead ventures with revenues of $1 million or more.

Robinson's course, Foundations of Entrepreneurship – Social Entrepreneurship Section, offers a framework for understanding the entrepreneurial process and exposes Stern MBA students and students in NYU's Wagner School to issues faced by entrepreneurs who start new social ventures. He recently completed his second co-edited conference volume on social entrepreneurship, *International Perspectives on Social Entrepreneurship*, which will be published in 2008, and is a direct result of the 2nd International Social Entrepreneurship Research Conference that he hosted at NYU Stern in April 2006.

Stern Welcomes New Faculty for 2007-2008

Six new faculty are joining NYU Stern this fall. "We are excited to welcome these faculty members to the Stern community," said Lee Sproull, vice dean of faculty.

Michael Katz has joined the management department as the Harvey Golub Professor of Business Leadership and a professor of management from the University of California at Berkeley Haas School, where he spent two decades and held the Sarin Chair in Strategy and Leadership. His research interests center around antitrust and regulatory policy as well as networks and network effects – areas in which he has also had practical experience. Katz held the post of deputy assistant attorney general for economic analysis in the US Department of Justice Antitrust Division under President George W. Bush and was chief economist of the Federal Communications Commission in the Clinton administration. At Stern, he will teach courses in competitive and corporate strategy.

The finance department welcomed two new professors: **Xavier Gabaix**, associate professor, and **Yuliy Sannikov**, assistant professor and Charles Schaefer Family Fellow. Having earned his PhD in economics from Harvard University, Gabaix came to Stern from MIT, where he was an associate professor of economics. His research interests include asset pricing, executive pay, and the causes of seemingly irrational behavior. Gabaix is also a fellow of the National Bureau of Economic Research. Sannikov, who has a PhD in business administration from Stanford University, participated in the *Review of Economic Studies* tour as one of the top six PhD graduates in the US in 2004, and was an invited panel speaker for his work on repeated games at the Econometric Society summer meetings in 2006. His research focuses on the theory of dynamic incentives and its applications to corporate finance, macroeconomics, and industrial organizations.

Vishal Singh has joined the marketing department as associate professor and will teach marketing research to undergraduate and MBA students. Prior to joining Stern, Singh was assistant professor of marketing at Carnegie Mellon's Tepper School of Business, where he won the Bachelor of Science in Business Administration Teaching Award for outstanding teaching. He was also awarded the Carnegie Bosch Chair (2006), Faculty Giving Chair (2005), and the Xerox Junior Chair (2003) there. Singh's research focuses on retail competition, competitive pricing, store brands, database marketing, and empirical industrial organization. He earned his PhD in marketing from Northwestern University's Kellogg School of Management.

Mary Brooke Billings comes to Stern from PricewaterhouseCoopers. As an assistant professor of accounting, her research interests include securities litigation and insider trading, the degree and nature of investors' sophistication, and voluntary disclosure and information asymmetries. Her current work considers the conflicting disclosure and trading incentives faced by managers who become aware of negative earnings news.

Joshua Reed, who is joining the information, operations, and management sciences department as an assistant professor, primarily studies the performance analysis and optimal control of stochastic networks arising in manufacturing and service systems. In particular, he is interested in applications related to telephone call centers. Reed earned his PhD in operations research from the Georgia Institute of Technology.

In addition to these tenured and tenure-track professors, seven clinical professors have joined Stern. They are **Anthony Marciano** (finance); **Sonia Marciano** (management); **Gerald Rosenfeld** (business and law); **Anne Laure Sellier** (marketing); **Susan Stehlik** and **Jeffrey Younger** (management communications); and Tunku Varadarejan (business).

Stern Creates New Business Ethics Symposium

In June, NYU Stern announced the establishment of the Daniel P. Paduano Faculty Symposium on Business Ethics. The Symposium will build and sustain a vibrant community of faculty across disciplines who conduct research in business ethics and related fields. It is made possible through the generous support of Daniel P. Paduano (MBA '69).

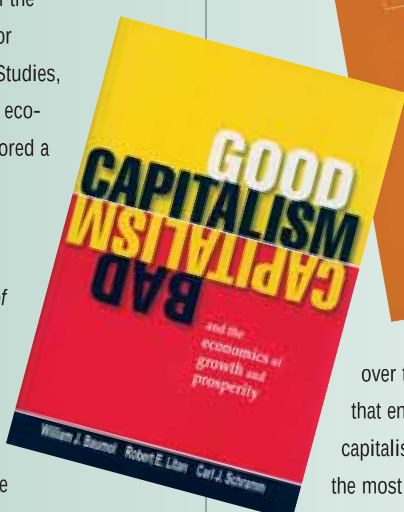
"Our aim with this Symposium is to create a vibrant, self-sustaining community of scholars who are dedicated to unearthing substantive issues in business ethics and to advancing a research-based interdisciplinary understanding of these problems," said Dean Thomas Cooley.

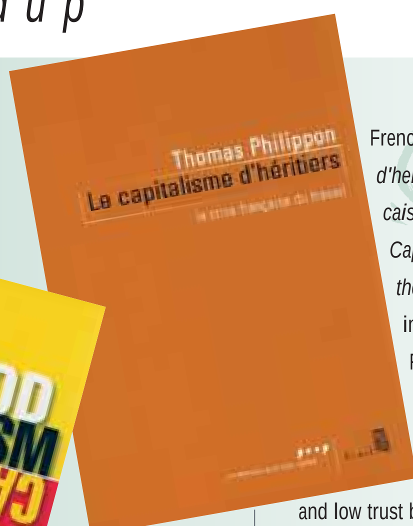
Beginning in Fall 2007, the Paduano Fellows will participate in monthly seminars taught primarily by leading scholars in the field of business ethics. Paduano Fellows will be charged with integrating business ethics into their own teaching. Faculty from NYU departments, including economics, philosophy, psychology, neural science, sociology, and law; faculty visitors from other universities; and prominent practitioners will be invited to partake in these symposia and help strengthen the business ethics research community in New York City.

"I believe that as the complexity of business increases in the variety of transactions and across cultures, today's business professional will need an ethical framework that integrates law, moral philosophy, economics, cultural studies, and other faculties," said Daniel P. Paduano of his decision to support the creation of this Symposium.

More than 35 years ago, NYU Stern introduced a required course in professional responsibility for MBA students. Additionally, approximately 60 percent of Stern's full-time MBA-level courses integrate aspects of corporate social responsibility into their syllabi. In 2003, NYU Stern established its Citi Leadership and Ethics Program to enhance research, case development, and knowledge dissemination in the field of business ethics.

research*roundup*





William Baumol, Harold Price Professor of Entrepreneurship, academic director of the Berkley Center for Entrepreneurial Studies, and professor of economics, co-authored a new book, *Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity*. Baumol and co-authors Robert Litan, vice president for research and policy at the Kauffman Foundation, and Carl Schramm, president and CEO of the Kauffman Foundation, assess the differential performance of economies over time and argue that entrepreneurial capitalism has been the most effective system.

Thomas Philippon, assistant professor of finance and Charles Shaefer Family Fellow, recently published a book, in French, *Le capitalisme d'heritiers: la crise française du travail (The Capitalism of Inheritors: the French Work Crisis)*, in which he attributes France's unemployment woes and lagging economy to the poor labor relations and low trust between managers and workers that prevail in France. This low trust is a consequence of several factors: conservative management, schooled in the grands écoles system, who tend not to promote dynamic individuals from within the organization; ideologically driven labor unions; and excessive state interventions.

Ingo Walter, Seymour Milstein Professor of Finance, Corporate Governance, and Ethics, authored a case study on Marsh & McLennan that won first prize in finance in the 2007 European Foundation for Management Development casewriting competition, which held its award ceremony in Brussels in June. The case study centers on Marsh & McLennan's exposure to reputational risk when, in 2004, its Putnam subsidiary allowed hedge funds to engage in late trading and market timing.

Nomura Professors of Finance **Martin Gruber** and **Edwin Elton**, along with Joseph Keating, distinguished professor of finance at Fordham University, co-authored an article, "Participant Reaction and the Performance of Funds Offered by

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research*roundup*

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401(k) Plans," which appeared in the April 2007 issue of the *Journal of Financial Intermediation*. The article is the first study to examine how well 401(K) plan administrators select funds for their plans and how participants react to plan administrator decisions. They found that, on average, the funds selected by administrators outperform randomly selected funds of the same type but don't outperform index funds of the same type.

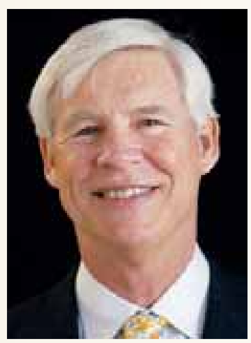
A paper co-authored by **Justin Kruger**, associate professor of marketing, **Jeff Galak**, a PhD candidate at NYU Stern, and Jeremy Burrus of Columbia University, will be published in a forthcoming issue of the *Journal of Consumer Psychology*. The article, entitled "When Consumers' Self-image Motives Fail," studies the way people pass judgment on their own decisions. They found that while consumers occasionally pat themselves on the back for making questionable purchase decisions, at other times they find fault in perfectly reasonable ones.

short*takes*

Anindya Ghose and **Panagiotis (Panos) Ipeirotis**, both assistant professors of information, operations, and management sciences (IOMS), were chosen for the Microsoft Virtual Earth Award to support their co-authored research. They recently received $35,000 as well as a unique, geographical location-based dataset from Microsoft. Their research, "Local Search for Hotels and Restaurants Using Econometrics, Spatial Data, and Image Classification," seeks to identify the economic value of different location characteristics for hotels and restaurants given the associated local infrastructure. This project builds on their continuing research on economining.

Natalia Levina

NYU Stern Associate Professor of Information Systems **Natalia Levina** received the IBM Shared University Research (SUR) Award this spring for her research on vendor strategy, management, and performance in global outsourcing. The award will provide $40,000 to support a year of Levina's research on global sourcing in the IT services sector. She will study issues pertaining to pricing software and IT services, vendor strategies and advantages in delivering diverse types of IT services, and the role of managers' background and actions in enabling effective collaboration.

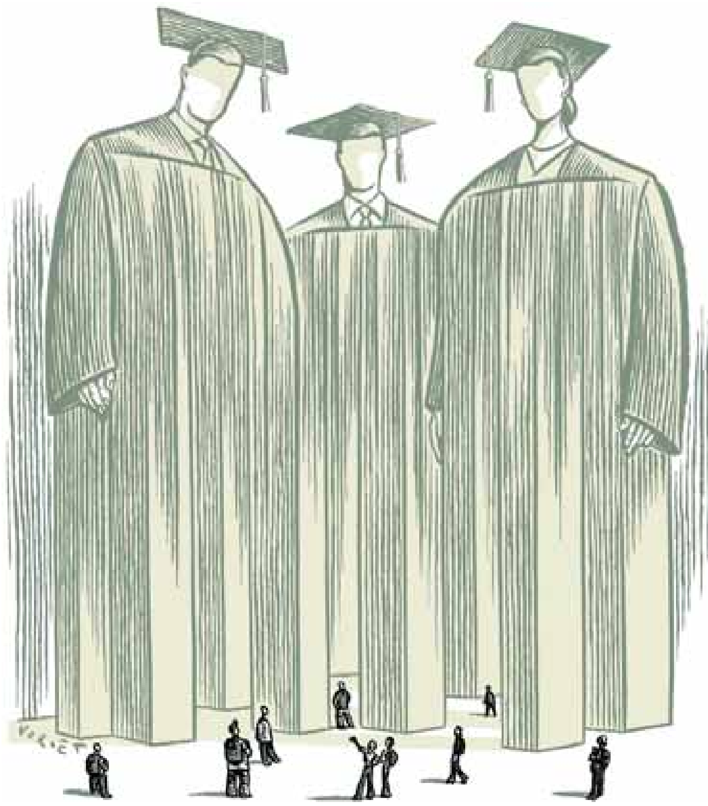


Robert Engle

In July, Nobel prize-winning economist **Robert Engle**, Michael Armellino Professor of Finance, presented the fifth installment of the *Financial Times* Business School series of online executive education courses. His five lectures focused on topics such as global financial volatility, how the ARCH and GARCH models Engle developed can be used to measure risk, and the implications for investors of a divergence between short and long-run risk. The lectures can be viewed at www.ft.com/businesseducation/stern.

In March, **Stephen J. Brown**, David S. Loeb Professor of Finance, along with representatives from Goldman Sachs, the nation's largest hedge funds and university endowment funds, testified before a House Committee on Financial Services hearing on hedge funds' likelihood of systemic risk to the financial markets. "Some [hedge funds] view lack of transparency as part of their business model. I argue that it is this lack of information, this lack of transparency at an industry level that is of greatest concern," testified Brown, the only academic to testify before the hearing. "There is no need to know proprietary trading information. However, by being more forthcoming, the industry could allay public concern about systemic risk and operational risk."

This summer, **Russell S. Winer**, William H. Joyce Professor of Marketing, will begin a two-year appointment as executive director of the Marketing Science Institute (MSI), which brings together marketing executives from approximately 70 sponsoring corporations with leading marketing researchers from more than 100 universities. As executive director, Winer will be working with the sponsoring companies to set the research agenda for the next two years on marketing topics of importance to these businesses. "My goal is to develop MSI's global reach by stimulating research in the two largest academic markets outside of the US and Europe: China and India," said Winer. "I hope to greatly increase the number of funded research proposals and conferences in both countries as well as to continue MSI's outstanding record of thought leadership on topics of interest to business."



THE BUSINESS OF BUSINESS EDUCATION

Some critics charge that business schools are too academic and theoretical. But the research and mindset that they incubate have powerful real-world applications.

By Thomas F. Cooley

Graduate schools of business face a tough educational challenge: we have two years to prepare young college graduates (typically with some meaningful work experience) for a career that is likely to last 35 years. Now 35 years ago, large parts of the world economy were governed by socialist principles, trade was highly restricted, inflation was endemic in most economies, and the personal computer and the Internet were not even a gleam in someone's eye. The most popular word processing tool was a pencil. One hesitates to project what sorts of changes we might see by 2042.

To aggravate matters, business education is under attack. Recent articles in the business and mainstream press have asserted that even the best business schools fail to impart useful skills, don't prepare students to be leaders, and don't instill ethical standards in graduates. A popular view holds that business schools are failing because they are too focused on scientific research, and not enough on the so-called "real world" skills and applications needed to succeed in today's complex marketplace. In an impassioned critique in the *Harvard*

Business Review, Warren G. Bennis and James O'Toole argued that the model of academic excellence embraced by most leading business schools, which is based on the theory that business schools should deliver a long-term educational foundation rather than a set of short-term vocational skills, is the major culprit for this failure. Bennis and O'Toole report with breathless amazement that there are tenured professors of management who have never set foot inside a real business except as customers. In a similar vein, Jeffrey Garten, former dean of the Yale School of Management, told *The New York Times* that business school education should be more "clinical" and that business school faculty should be required to have more practical experience in business. And this spring, an Association to Advance Collegiate Schools of Business (AACSB) task force issued a draft report on research. Among its conclusions: that business schools should "demonstrate the impact of faculty intellectual contribution to targeted audiences," and that AACSB should "develop mechanisms to strengthen interaction between academics and practicing managers in the production of knowledge in areas of greatest interest."

I'm convinced that the critics of business school education have it exactly backwards: the pressure business schools face to give in to a vocational focus means that students do not acquire the analytical and intellectual training needed to inform a leadership career, and that enables businesspeople to deal with a range of variables far greater than a purely vocational "how to" approach can address.

Business schools do have a scholarly mission. The mission is to understand markets, firms, and prices as well as to develop new strategies and discourses for understanding how they work and how they impact society. Business schools are entrusted by society with the culture of a profession, and have a responsibility to reinvigorate it through the *education* of each new generation. Therefore, their goal must be to provide a meaningful and serious intellectual experience that prepares students to be leaders in a complex evolving world. In addition to teaching the current accumulation of knowledge, business schools must, therefore, be actively engaged in creating the new knowledge that will drive business in the future. New knowledge creation is the key to success in business, and to the development of tools and analytical approaches that make such success possible. What's more, the modern business corporation is one of the most important and complex drivers of economic and social change in the world. As such, it demands the serious study that only a research university can provide.

Beyond misunderstanding the crucial role business education plays today, many contemporary business school critics fail to grasp important lessons from its evolution. During the 1950s, the Ford Foundation became interested in enhancing business education, which it perceived as a bulwark against the spread of communism. In a series of papers and reports the Foundation supported, American business education was characterized as a collection of trade schools without any strong scientific foundation – "a wasteland of vocationalism," in the words of Nobel Laureate Herb Simon. The reports suggested that the backward-looking, practice-based approach of educating people for first jobs rather than for their whole careers would ultimately hamper rather than help students.

Idea Factories

Between 1954 and 1966 the Ford Foundation spent $35 million to foster business education and research at five schools: Carnegie-Mellon University, the University of Chicago, and Columbia, Harvard, and Stanford Universities. Using the transformation of medicine and engineering as a model, these schools invested heavily in research and in doctoral programs. The investments have clearly produced returns. In 1955-1956, graduate business education was virtually non-existent. Now, well over 100,000 graduate business degrees are awarded annually by 650 AACSB programs. Business schools now enjoy greatly improved status as professional schools, in large measure because the intellectual value of the undertaking is recognized. The widespread adoption of the MBA degree as a qualification for future business leaders has legitimized the position the Ford Foundation and others took 50 or more years ago.

Perhaps more important, business schools have generated ideas of depth and daring that have changed business and financial markets in important ways. Professors Finn Kydland and Edward Prescott were awarded the 2004 Nobel Prize in Economics for work they did in the 1970s and 1980s at Carnegie-Mellon's Graduate School of Industrial Administration, now called the Tepper School of Management. Their work on what is called "the inconsistency of optimal plans" established the foundation for an extensive research program on the credibility and political feasibility of economic policy, shifting the practical discussion of economic policy away from isolated policy measures toward the institutions of policy-making. Kydland and Prescott were also cited for having transformed our understanding of business cycles by integrating it with the theory of economic growth. A year earlier, the Nobel Prize in Economic Science for 2003 was awarded to Robert Engel and Clive Granger. The former is a professor of finance at NYU Stern, the latter a professor of economics at the University of California, San Diego. Engel's work on what is called "autoregressive conditional heteroskedasticity" was originally published with an application to the variance of inflation in the UK, but its fruits have become indispensable tools in the analysis and management of financial risk.

The aforementioned transformative ideas first appeared in apparently esoteric academic research journals, with no obvious relevance to business. Just as has been the case with basic research in sciences such as physics and chemistry, the researchers who developed these theories spent a great deal of time following blind alleys, engaging in trial and error, experimenting, meeting with failure and success. By definition, much of this research is impractical. And yet, just as has been the case with basic scientific research, this pioneering research quickly found unanticipated real-world applications. And there are dozens of other examples: agency theory and corporate governance, the capital asset pricing model, the Black-Scholes-Merton model and option pricing theory, conjoint analysis, auction theory, decision theory, game theory, pricing strategies and portfolio theory, queuing theory, risk management, and behavioral economics and finance. Which is precisely why I find the AACSB's proposed guideline that business school professors focus efforts more on targeted research with immediate demonstrable impact to be somewhat wrongheaded.

Critics argue that while research itself might be a worthy undertaking, research-driven business schools are letting their students down by not giving them a sufficiently clinical education. But the best schools expect students to have two or more years of meaningful work experience before admission to their MBA program. Most stress the importance of an internship in the summer between the first and second years of study. And most business schools I know of employ a number of clinical faculty, chosen for their expert knowledge of institutions and practice, who bring an additional hands-on experience into the classroom.

"It is precisely because we don't yet know the problems that we will be facing that practice-driven education, focused on current solutions to current problems, will always fall short."

Besides, the research mindset brings a unique and powerful focus to business education. It is *forward looking* rather than backward looking. It moves education away from teaching students a collection of *facts* to teaching them how to *think*. It moves them from a stultifying "best practice" mentality toward developing *analytical* ability. Would you rather have business school graduates who know what kinds of contracting structures businesses now use, or students who understand that contracts exist to solve moral hazard, asymmetric information, commitment, and agency problems? It is precisely because we don't yet know the problems that we will be facing that practice-driven education, focused on current solutions to current problems, will always fall short.

Moneyball

One of my favorite business books of the past few years is *Moneyball* by Michael Lewis, the story of the Oakland A's and their extremely successful general manager, Billy Beane. More important, it is the story of how baseball has been transformed by a generation of researchers (aka baseball nerds) whose major contact with the game is through data analyzed by increasingly complex computer programming. Beane understood that this apparently arcane research had the potential to create extraordinary value for his team. Indeed, under Beane's leadership, the perennially undercapitalized A's managed to reach the playoffs for four consecutive years. Over that period, their salary cost per victory was less than half of the next highest spending team and less than a quarter of teams like the New York Yankees.

Beane overturned the most basic principles of one of the most tradition-bound businesses in America – professional baseball – by using sophisticated statistical research in place of traditional "gut instinct." Several major league general managers who have never played the game are now similarly schooled in the research tradition of "moneyball," and executives in sports like basketball and football are catching on.

Moneyball is a good metaphor for what happens in academic research. You hire a bunch of bright, well-trained people with strong technical skills and a passion about what they study and turn them loose. With the right personnel, the right conditions, the right insights, and with a forward-looking rather than a backward-looking focus, exciting things can happen. And that research, applied in the right circumstances, has truly enormous potential for change. ■

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COMPARATIVE CAPITALISM

What accounts for Europe's and America's different attitudes toward the free market?

By Augustin Landier, David Thesmar, and Mathias Thoenig

Throughout the Western world, a vast region generally viewed as dominated by capitalism, people's attitudes toward the virtues of free markets vary widely. According to the World Value Survey, only 22 percent of French people believe that owners should run their businesses and appoint their managers, while as much as 58 percent of Americans agree with this statement, to cite one example.

Academics have focused on a range of issues to explain the dispersion of pro-free market attitudes. Some argue that the uniqueness of US history – a large, ethnically heterogeneous society – has endowed modern American citizens with persistent anti-redistributive beliefs. The political economy view holds that people that gain the least from globalization are less likely to support it (for example, unskilled workers in the North, skilled workers in the South, people working in industries with high trade exposure). Still others argue that differences can be ascribed to cultural factors such as patriotism, neighborhood attachment, or a strong sense of identity.

We set out to understand what *determines* attitudes toward free markets by investigating how beliefs about the market economy vary across individuals, time, and countries. We constructed a dataset based on economic data like pension funding and stock market participation, and on opinion surveys, like the World Value Survey (WVS), which collects data on age, gender, and income, and measures attitudes toward economics, marriage, and religion across dozens of countries; and the Internal Social Survey Program (ISSP), whose 1996 wave contained questions on ethnicity, private property, and attitudes on state interference with free competition. By running regression analysis on this data, we were able to investigate the influence of certain factors in accounting for the differential attitudes.

Our analysis of the WVS focused on the answers given to questions about (1) the benefits/harms done by competition; (2) whether owners, employees, or the state should run the firms; (3) the merits of private ownership of business and industry; and (4) the trustworthiness of large firms. The data show a large variation in cross-country attitudes toward free markets. Two examples are given in **Table 1**, which focuses on the 18 richest countries in our sample and displays mean variables for all three waves of the WVS.

In the cross section of countries, preference for redistribution and attitudes toward free markets showed little, if any correlation. But this was less true at the individual level. People that tended to favor income equality also tended to distrust competition, large companies, and shareholder control of firms. In order to isolate the pure effect of "pro-free market" beliefs, we used as control variables attitudes such as: trust (many existing studies have shown that trust explains well the cross section of various economic outcomes, such as GDP growth); aversion to inequality (defiance toward free markets may stem from a concern for equality); pro-trade (in many

Table 1: Attitudes Toward Free Markets for Various Countries

Percent who believe the owner should control the firm		The belief that competition is good (on a scale of 10; 10 representing the strongest agreement with this belief)	
New Zealand	64.1	Iceland	7.2
United States	57.7	Australia	6.8
Canada	53.8	Austria	6.8
Australia	50.3	United States	6.7
Austria	49.8	Switzerland	6.7
Switzerland	46.9	Sweden	6.7
United Kingdom	46.0	Norway	6.6
Iceland	45.2	Singapore	6.6
Denmark	44.3	Canada	6.6
Belgium	44.0	Germany	6.6
Singapore	42.9	New Zealand	6.5
Japan	40.4	Finland	6.1
Finland	37.8	Denmark	6.0
Germany	36.5	United Kingdom	6.0
Norway	34.8	Belgium	5.6
Netherlands	33.6	Japan	5.6
Sweden	32.5	France	5.5
France	22.0	Netherlands	5.5

Source: World Value Survey

instances, defiance toward market forces can be defiance toward globalization); and religion (academic work has shown, in general, that being religious is positively correlated with a positive perception of work and thrift). When we ran the data, we found that the unconditional correlations were not very high, which suggests that individual determinants of opinions are very diverse across attitudes. And yet we found that all four "market" variables are positively correlated with each other. Pro-competitive people also tend to support less equality, seem to favor free trade, and tend to be less religious and less confident in other people, for example.

Self-Interest

Why do attitudes toward free markets vary so much across individuals? The political economy view holds that self-interested individuals hold the beliefs that suit them best. In the developed world, for example, those least supportive of free trade also tend to have lower levels of education or work in industries where foreign competition is high. To test this hypothesis, we explored responses on two broad and distinct sets of issues: attitudes toward competition and attitudes toward the profit-motive. Attitudes toward ownership and competition shared some common determinants that proved to be statistically significant. Support for competition and owner control was also more prevalent among older people. (One possible explanation is that older people, being closer to retirement or more entrenched in their jobs, are more sheltered from the shocks of competition.) People with higher levels of income also showed strong support for market forces and self-interested behavior. Our preferred interpretation of this finding is that income is a proxy for the ratio of financial wealth to human capital. Another possibility is that income is a proxy for skill. Skilled labor is more protected from off-shoring and creative destruction that accompany for-profit management and tougher competition.

A more powerful test of the political economy view consists in combining the individual characteristics with country-level institutional features. We did so by looking at the cross-country dispersion in pension funding and financial development as a measure of the extent of financial markets institutions and compared how young and old people answered the questions. In theory, older people, who control a greater chunk of financial wealth, should display more free-market support in countries where they are the most likely to hold a larger fraction of financial wealth. Generally speaking, we found that in countries where pensions are funded, in financially developed countries, the old are much more likely to be supporters of the free market than the young. The probability that the young favor owner control was larger by 18 percentage points in the pension-funded countries. The probability that older citizens do so is larger by 30 percentage points.

It's natural to wonder whether the institutional determinants that impact the support for markets come from very far in the past or are largely driven by recent developments. Several scholars have argued that in a cross-section of countries, distant legal origins matter. Compared with countries whose systems derive from French civic law, countries whose systems derive from British common law have a stronger propensity to protect debtholders and shareholders, have lower job protection, and facilitate entry by making business creation easier. When we ran the numbers, we found that legal origin has a significant impact. Notably, French legal origin was strongly related to competition aversion, and British common law was related to a strong preference for owner control. These findings suggest that long-run institutional determinants rooted in the history and culture of a country dominate more recent developments in the organization of its economy.

There's more evidence that culture matters. Consider that only about 48 percent of American households own stocks directly or indirectly. This makes it unlikely that the median voter will support owner control or free competition just because it boosts the return of its portfolio. And yet, 57 percent of US respondents agreed with the statement that the "owners should appoint the management," and more than 70 percent of US respondents who work for others agree with the proposition that "management should only care about profits." The diffusion of equity ownership in the US cannot alone explain why American citizens support free markets more than do citizens of other countries.

Culture may be a factor in explaining such results. Scholars have argued that attitudes are affected by ethnic origins because they have a cultural

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component, and that culture is transmitted within the family. To test this hypothesis, we constructed two indices of cultural proximity to seven major western cultures: France, Germany, Russia, Spain, Sweden, the UK, and the US. The first index measures proximity to economic culture using as controls an aversion to inequality and a pro-trade attitude. The second index of cultural proximity is related to non-economic values, such as religious proximity. We also looked at whether each country has been, at some point in history, a colony of one of the seven countries we mentioned above. Our tests showed that cultural proximity to French economic attitudes predicts a significantly lower support for owner control, as does proximity to Germanic and Nordic economic attitudes. Proximity to British attitudes does, however, predict a higher-than-average propensity to favor owner control. Countries with British legal origins and/or who have been, at some point, colonized by the British tend to display a higher degree of ownership control. Meanwhile, countries that had been colonized by Spain and Russia are systematically less supportive of competition, while former Swedish and British colonies are more pro-competitive.

Generational Difference

For country differences in beliefs about markets to be permanent and unexplained by self-serving behavior, divergent beliefs of individuals need to persist throughout generations. But we also know that ideas and attitudes change over time. We tried to get at this issue by focusing on former communist countries and comparing attitudes toward free markets held by younger generations to attitudes of generations that were already adults when the Berlin Wall fell. We found that in the West, younger generations tend to be less pro-market in general. For people born after 1970, the probability of supporting owner control or competition was lower by 1 percentage point. The probability of supporting state ownership over private ownership was higher by 5 percent, a much larger difference. But the generational divide was significantly larger in post-communist countries than in other countries. In former communist countries, the young are 7 percentage points *more likely* to support the for-profit motive, 9 percentage points more likely to support private ownership over state ownership, but only 2 percentage points more likely to support competition. These findings suggest that the forces that shape the preference for redistribution are not necessarily the same as those which shape attitudes toward market forces. Clearly, past shocks and shared experiences shape generation/population-wide attitudes.

To investigate further how fast beliefs can adapt from one generation to the next if the economic context changes, we looked at evidence from immigrants. For our purposes, we grouped country/language/ethnicity of origin into four broad categories: English-speaking countries, Continental Europe, Eastern Europe, and Nordic countries. The regressions we ran broadly confirm the results obtained on individual and country data. Respondents from English-speaking countries show consistently more support for both free markets and private property. Respondents of Eastern European origin show the strongest support for state ownership and an activist industrial policy.

We ran the same regressions focusing on US residents. The focus on the US is useful because it is the country where regions of origin are the most diverse. Here, we found mixed evidence that indeed, free market attitudes are strongly transmitted within the family and are weakly dependent of the economic context. For instance, respondents of Eastern Europe origin were 22 percent more likely to support redistribution; US residents of such origin were 6 percent *less* likely – not statistically significant – to do so. In general, the difference in attitudes between US citizens of Anglo-Saxon descent and other origins was both small and insignificant statistically, while the difference was strong on the worldwide sample. This suggests that such beliefs are much more conditioned by environmental characteristics than by transmission of family values.

What should we conclude from this investigation? First, we find that the traditional political view according to which individuals hold political opinions that are self-serving is consistent with the data. In general, individuals that would benefit more from a pro-market agenda exhibit stronger pro-market opinions. But this tendency alone can't explain the sometimes significant differences between countries. The attitudes of a country toward markets are slow-varying and seem, on aggregate, to be strongly determined by historical and cultural factors. When it comes to explaining differences between countries' views toward fundamental issues of markets and competition, economic theory matters. But so, too, do other factors, such as culture, legal systems, ethnicity, and family, matter. ■

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ILLUSTRATION BY CHRISTOPHE VORLET

THE ALCHEMY OF LBOS AND IPOS

How to think about private equity today

By Ingo Walter

It must be magic. Take a small group of highly talented individuals, raise lots of risk capital from yield-hungry investment institutions and wealthy individuals who can tolerate possible losses, load-up on cheap debt to leverage investments, and opportunistically pursue control of an astounding array of new and established businesses around the world. If it works, everybody wins. Investors receive high, abnormal returns for the risk they take. Banks book loans at attractive spreads. And the owners and managers get seriously rich, with a few taking home over $1 billion in a good year. That's the general idea behind private equity today. But what is the source of all these gains? And how sustainable is the business model?

The private equity business has been around for years in various guises, including LBO firms and "activist" hedge funds. Classic private equity firms are usually organized around a cluster of special-purpose limited partnerships run by their principals – people with outstanding financial skills, extensive business and political contacts, and substantial industry expertise. The principals invest as general partners in the funds they manage, alongside a limited number of qualified (wealthy) individuals and institutional investors who will share in any gains or losses – and, in the meantime, pay hefty management fees. In today's environment of low interest rates and limited opportunities for high yields, many long-term investors are searching for total returns ("alpha"). For such investors, private equity is made to order.

With distinctive financial and industry expertise and investors locked-in for several years, private equity firms hunt for what they consider materially undervalued assets – mismanaged public companies, startups in promising industries, public-sector privatizations, corporate spin-offs, or corporations coming out of bankruptcy. The plan is to restructure the business and eventually exit with a substantial profit. For startups, that may mean long-term nurturing of the firm until it is ready to be sold to a trade buyer or to the public in an initial public offering. For established businesses, it usually means focusing intensively on improving cash-flows and reworking the financial structure to increase leverage – a task that isn't too difficult given today's global liquidity

and cheap credit – as well as closing obsolete plants, streamlining production processes, improving products and services, unloading non-core businesses, and other related initiatives to make the business more valuable. Most (but not necessarily all) top management and the board will usually be replaced, and in the absence of scrutiny by the public markets, the private equity firm will single-mindedly dominate both management and governance processes using the best talent money can buy.

If all goes well, an exit will be found some time down the road that successfully monetizes the value of the enterprise and provides significant returns for the principals and their co-investors. Along the way, the principals will often pay themselves large consulting and management fees, sometimes financed by the debt the business takes on. These are profits that come on top of the expected capital appreciation. But, of course, things may not go as planned and expected returns on a particular investment may fail to materialize. In such instances, private equity investors hope to offset losses with more successful investments elsewhere in the fund's portfolio.

> **"The benefits of private equity greatly exceed its costs. Private ownership traces its roots to the origins of capitalism and fuses risks, returns, control, and accountability in ways that are sometimes hard to duplicate in public markets."**

Cleansing Agents

Private equity firms argue that they are the cleansing agents of the private enterprise system, and, as such, that they are doing well by doing good. They provide a critical source of equity capital for startups, streamline and restructure businesses that have underperformed, and give new life to industrial wrecks like Chrysler, where other owners have failed miserably. They replace obsolete corporate structures like conglomerates with clean, specialist companies able to leverage expertise and focus. They neutralize age-old conflicts of interest between managers and shareholders (the source of most corporate governance problems) by eliminating the distinction between the two roles. They galvanize public companies into self-improvement by their very presence and the knowledge that very few listed firms today are immune from private equity's attentions, including club-deals that could go after the world's largest companies. The collective angst induced by private equity firms makes private enterprise work better. And as they take companies private, they are able to shed some of the baggage that holds down public companies – short-termism, earnings guidance, analyst scrutiny, and share price volatility – and focus on realizing significant long-term values. In short, private equity represents an economic catalyst that can only improve capital formation, labor force allocation, productivity, and technology as an engine of growth for the general good.

Critics concede some of these points, but argue that there are also important costs and risks to this process. Private equity firms have variously been called "asset strippers" and "locusts" in sometimes overheated debates. Private equity deals have become hot topics from Australia to South Africa, from continental Europe to Japan. Indeed, effective corporate restructuring often involves large-scale layoffs, the costs of which are borne by the individuals themselves or by society at large. Employees may be bludgeoned into concessions which leave ordinary people worse off even as the private equity investors accumulate outsize returns with effects on income distribution that could eventually undermine the political legitimacy of the market-based economy. Customers too may feel the heat as private equity owners take advantage of opportunities to exploit monopoly power and raise prices. And the financial engineering applied by private equity firms may increase bankruptcy risk and business survivorship under adverse conditions even as some of that debt is used to enrich private equity managers and reduce their exposure to possible failure – once again separating the interests of owners and managers.

In their defense, private equity firms argue that any job losses they impose are far fewer than the losses that would be suffered if the target companies failed, that destroying viable jobs makes no business sense, and that they have, on balance, created and not destroyed jobs. They promote the value of private equity in inhibiting key problems in public companies that have come to light, such as accounting scandals and earnings restatements, options back-dating, management compensation unrelated to corporate performance, boardroom failures, and the like. And they argue that they comply with public policy constraints on corporate conduct, just like everyone else.

Who is right? No doubt there are good arguments on both sides. But I would argue that the benefits of private equity greatly exceed its costs. Private ownership traces its roots to the origins of capitalism and fuses risks, returns, control, and accountability in ways that are sometimes hard to duplicate in public markets. In any case, private equity usually depends directly or indirectly on public markets to provide an exit, so fears of serious impairment of those markets are overblown. On the other hand, private equity needs persistent inefficiency to thrive and, therefore, has its own dynamic of "creative destruction." The more it succeeds, the narrower its market opportunities and the more it attracts competitors from the hedge fund sector, investment banks, financial conglomerates, and even principal-investment units of insurance companies and pension funds. Too much money may already be chasing increasingly marginal opportunities in the current financial cycle.

Over $800 billion in private equity transactions have been completed worldwide since the beginning of 2005. Can it really be that the market-driven economy works so badly and that public companies are so badly managed that this volume of deals will end up being highly profitable for the private equity investors? Or that a single firm, Kohlberg, Kravis & Roberts (KKR), can account for 44.1 percent of global buyouts so far this year (including leading the $45 billion buyout of Texas energy producer TXU and the $20 billion buyout of UK drug store chain Alliance-Boots) and still avoid overpriced transactions, unforeseen restructuring bottlenecks, and outrunning its own capabilities?

The private equity industry is changing too. For example, Blackstone, a leading player, launched an IPO in June, allowing the general public to buy a stake in the management company and giving its principals the chance to cash out. Along the way it created a somewhat puzzling structure of a listed public company that itself thrives on secrecy and opportunism. Meanwhile, China recently announced an investment of $3 billion of its massive foreign exchange reserves in Blackstone. A unit of the Chinese government has become a non-voting principal of the firm itself, while not investing in the funds that the firm manages. There may be more to come. To some observers, the "greater fool theory" suggests that opening ownership to outsiders may signal a turn in the cycle.

For now, at least, it seems to be smooth sailing, and private equity deal volume continues at a blistering pace. But, of course, the global economic environment has been extraordinarily benign. A global recession on the order of the early 1980s and early 1990s, or a persistent spike in real interest rates, could easily end in tears for private equity firms, their investors, and some of their debt-holders, as it did after the last two booms. Bubbles are hard to detect in advance. In the end, financial historians may find there was nothing "magic" in the private equity boom after all. Rather, it may be that it was just a product of the times and the free market performing its function. ■

"In the end, financial historians may find there was nothing 'magic' in the private equity boom after all. Rather, it may be that it was just a product of the times and the free market performing its function."

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TO GUIDE OR NOT TO GUIDE?

ILLUSTRATION BY GORDON STUDER

An investigation shows that investors suffer when firms stop giving quarterly guidance

By Joel F. Houston, Baruch Lev, and Jennifer Tucker

Earnings guidance – managers' public forecasts of forthcoming earnings – is a widespread, yet highly controversial practice. A recent position paper by the CFA Institute and the Business Roundtable emphatically recommended that corporate leaders "end the practice of providing quarterly earnings guidance." Purists argue that managers should leave securities valuation and the underlying forecasts of future performance to investors and analysts. Lawyers warn that earnings guidance increases litigation exposure. Regulators and commentators fret that previously issued forecasts motivate managers to meet forecasts even when doing so requires them to cut advertising or research, or, worse, to manage earnings. Others object that quarterly guidance leads managers to cater unduly to the demands of short-term investors. All in all, concludes McKinsey & Co., "earnings guidance is misguided."

But managers often claim that guidance is necessary to keep analysts' earnings forecasts within a reasonable range to avoid large earnings surprises that increase stock price volatility. Some observers note that successful earnings guidance enhances investor confidence in managers' ability. And economic theory teaches that credible and relevant information disclosures, such as high-quality earnings guidance, decrease information asymmetry and improve resource allocation in the capital markets.

Who is right? We believe that the answer relies less on opinion and more on data. We set out to investigate the countervailing claims about guidance by looking at the financial and economic consequences of guidance. To do so, we constructed a series of tests that compared the performance of companies that stopped issuing guidance after having done so, with the performance of those that continued to offer guidance. The intriguing results suggest that reducing disclosure by stopping guidance benefits neither investors nor companies.

Stoppers and Maintainers

Using the First Call Company Issued Guidelines (CIG) and Factiva news databases, we compiled a sample of 222 firms that stopped giving guidance between the first quarter of 2002 and the first quarter of 2005, along with a sample of 676 guidance maintainers. "Guidance stoppers" were firms that issued guidance for at least three out of the four pre-event quarters, but gave no guidance for any of the four post-event quarters. Those that provided guidance for at least three out of the four quarters in *both* the pre- and post-event periods were termed "guidance maintainers."

First we examined the financial reasons for stopping guidance. Compared with the guidance maintainers, we found that guidance stoppers in each quarter before they stopped guidance reported losses and earnings declines (compared with the year-before quarter) more frequently, while guidance maintainers met or beat consensus forecasts more frequently. Compared with the overall population of US firms, guidance stoppers performed worse in each of these three areas while guidance maintainers performed better. More important, we found that as the stoppers approached the event quarter, they *increasingly* suffered losses, earnings declines, and a failure to meet or beat analyst consensus. This pattern was reversed for the maintainers.

"Economic theory teaches that credible and relevant information disclosures, such as high-quality earnings guidance, decrease information asymmetry and improve resource allocation in the capital markets."

Several other metrics pointed to greater instability and poor performance among stoppers. During the pre-event (stopping) period, relative to maintainers, the stoppers more often experienced a change of CEO/CFO, had higher earnings uncertainty, higher incidences of losses, larger decreases (or smaller increases) in earnings, and poorer records of meeting/beating either analyst consensus or their own earnings estimates. The stoppers meet or beat analyst expectations only 69.2 percent of the time, while the maintainers' did so 83.3 percent of the time. Reflecting their relatively poor performance, the stoppers posted lower market-adjusted stock returns in the pre-event period than did the maintainers. A similar dynamic could be seen *after* guidance was halted. Relative to the maintainers, the stoppers suffered from significant decreases in analyst coverage, significant increases in analysts' forecast dispersion and forecast error, and experienced no changes in capital expenditures and R&D spending.

Guidance detractors often argue that guidance isn't necessary because managers aren't any better at predicting earnings than analysts and investors. To test this claim, we studied the usefulness of quarterly guidance in two ways. First, we tested the extent of analyst revisions of earnings forecasts following the issuance of company guidance. Collecting the last forecast issued by an individual analyst before and immediately *after* the release of company guidance allowed us to chart the direction of analyst forecast revisions following guidance. (To avoid confounding news, we excluded guidance issued concurrently with quarterly earnings announcement events.) We found that for both negative and positive guidance, over 50 percent of analyst revisions were made within two days of the guidance and that 96 to 98 percent of these revisions were in the direction of the guidance. This remarkable correspondence between guidance and analyst revisions attests to the usefulness of company guidance. Second, we gauged the accuracy of guidance by comparing company guidance with the subsequent reported earnings, and with the most recent analyst forecast issued before the guidance. In 70 percent of the cases, company guidance was more accurate than analysts' forecasts.

"Critics may think that guidance has a pernicious influence on the public capital markets – one that harms investors, doesn't help analysts, and pushes managers into self-defeating, myopic actions. The data tell us otherwise."

Changing Direction

Given these findings, it's something of a mystery why firms would stop offering guidance. Most firms did not announce or explain changes in their guidance policies. Among those that did, frequent reasons for stopping were the redirection of investors' attention from quarterly earnings to the long-term goals of the company, managers' difficulties in predicting earnings, and following peer firms' guiding practices. When the National Investor Relations Institute (NIRI) asked members contemplating discontinuing guidance to list the reasons why they were considering doing so, the top three were a change in management philosophy (47 percent), industry trend (27 percent), and low earnings visibility (25 percent).

There clearly is something to what the respondents said. For example, a change in management philosophy regarding guidance most likely occurs with a change in the top management. When we ran the numbers, we found that firms are more likely to cease guidance if they have recently undergone or plan a change in their senior management. And when we looked at the proportion of companies in the firm's two-digit SIC code that *did not* provide any quarterly guidance in the pre-event period, the data showed that a firm is more likely to stop guidance if a larger proportion of its industry peers did *not* provide guidance. Furthermore, we expect that a new management team is more willing than an existing team to steer the firm's guidance policy away from popular practices in its industry. We also found that past and anticipated difficulty of forecasting earnings contributed to guidance cessation.

Beyond these stated reasons, however, there may be an unstated yet important motive for stopping guidance: poor performance. The existing academic body of evidence on voluntary disclosure strongly indicates an increasing tendency to disclose in good times and, by implication, a decreasing tendency to disclose when performance deteriorates. And we found strong and consistent evidence that poor performance – both realized and anticipated – contributed to firms' decision to stop guidance. In our tests, the probability of stopping guidance was significantly and negatively associated with past earnings performance and with anticipated future poor performance. Meanwhile, firms with a higher litigation risk were more likely to cease guidance, suggesting that firms with high litigation exposure limit their public disclosures.

Much of the debate about guidance revolves around its effect on the information environment surrounding firms. We addressed these arguments empirically in several ways. For example, we examined the effects of guidance cessation on analyst coverage. Analyst coverage makes a firm better known to investors and the decreased information asymmetry helps generate investors' interest to hold the stock. It is not surprising that 95 percent of the respondents to the NIRI survey believe that one of the benefits of providing guidance is to improve the communication between the firm and its analysts/investors. When we compared the average number of analysts following a company during the pre-event period with that in the post-event period, we found that guidance cessation was associated with a significant decrease in analyst following.

Investors' reactions to earnings announcements are another gauge of the change in the information environment. Other things being equal, the richer a firm's information environment before an earnings announcement, the weaker the investors' reaction to reported earnings should be. So we examined whether the guidance stoppers' earnings-returns relation was different in the post-event period than in the pre-event period. The data indicated that investors responded more strongly to earnings announcements *after* firms stop guidance, which is evidence of a relatively poor information environment post guidance cessation.

Correcting Myopia?

Guidance stoppers and their supporters frequently claim that after guidance cessation, firms provide substitute disclosures about strategy and long-term objectives to mitigate investor myopia. We examine this assertion empirically by collecting and coding stoppers' forward-looking disclosures in quarterly earnings press releases and in the Management, Discussion & Analysis (MD&A) section of the quarterly reports. We randomly chose 100 stoppers from our stopper sample, and, for each stopper, we randomly chose a fiscal quarter in the post-event period, which we referred to as the "post-quarter." We looked at forward-looking, non-earnings disclosures in nine categories and compared the number of disclosures in the pre- vs. post-quarter. The data show that more stoppers *decreased* forward-looking disclosures than those that increased disclosures: 41 decreased, 29 had no change, and 27 increased. We also found that stoppers curtailed their annual guidance.

Finally, we looked into a major argument of guidance detractors: quarterly guidance focuses managers' attention and decisions on the short-term at the expense of long-term growth. Regulators and trade associations have similarly expressed concerns that quarterly earnings guidance has contributed to managers' myopia. If quarterly guidance indeed increases managers' myopia at the expense of the firm's long-run growth, we should observe an increase in long-term investments, such as capital expenditures and research and development (R&D), once firms stop quarterly guidance and managers are unshackled by the myopic earnings game. To test this assertion, we measured long-term investments by both capital expenditures and R&D intensities – i.e., deflating the expenditures by the beginning-of-quarter total assets. Because a firm's long-term investments are likely to vary across industries, we adjusted capital expenditures and R&D in each quarter by the median levels of these investments in a firm's industry. We found that guidance stoppers *do not* increase their long-term investments after the guidance cessation. This finding, however, may not be generalized to the population of firms not providing guidance. Recall that guidance stoppers are characterized by relatively poor earnings performance in the pre-guidance cessation period and anticipate continuation of poor performance after stopping guidance. Accordingly, the long-term investment opportunities and decisions of these firms may be different from those of the general population of non-guiders.

Next, we considered the flipside of this issue and examined the stoppers that subsequently resumed providing guidance. Among our 222 guidance stoppers, a full 68 firms (30.6 percent) resumed quarterly guidance, according to either the CIG database or our news search in Factiva. The median length of the silent period was six quarters – a relatively short time for a reversal of a significant change in disclosure policy. To analyze the determinants of guidance resumption, we used a sample of 42 firms as our resumer sample. We found that relative to the non-resumers, the resumers experienced (weakly) a larger decrease in analyst following, a smaller increase in forecast dispersion, a decreasing percentage of loss quarters, and improved earnings in the silent period. Thus, firms that resumed quarterly guidance were by and large affected more severely by the stopping decision.

The debate on guidance is clearly continuing. In June, a coalition of labor unions and CEOs, led by the Aspen Institute, issued a plea for companies to cease giving quarterly guidance. But our investigations show that the concerns surrounding guidance aren't necessarily borne out by activity in the marketplace. Critics may think that guidance has a pernicious influence on the public capital markets – one that harms investors, doesn't help analysts, and pushes managers into self-defeating, myopic actions. The data tell us otherwise. ■

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PEER TO PEER Student Life in Washington Square and Beyond

Students Gain Hands-on Experience while Lending a Hand

As part of a community outreach effort, Stern undergraduate students tutored local high school students and armed them with professional skills.

"I've benefited immensely from attending college in New York City, and it's only fair that I use the skills I acquired and honed at NYU Stern to give back to the community that has given me so much," said recent Stern graduate Victoria Sung (BS '07). Her most rewarding experience: participating in the partnership between the Stern Undergraduate College and the Urban Assembly School of Business for Young Women (UASBYW), an all-girls New York City public high school that prepares students for college and the business world.

The Stern-UASBYW partnership originated last fall with Gwyn Welles, partnership coordinator at UASBYW, and Jennifer Baron, director of student life at the Stern Undergraduate College, who envisioned an ongoing partnership between UASBYW and the Stern Scholars, a student group focused on intellectual exploration and community outreach. Baron and Welles worked with Sung, community service chair of her Scholars class, to coordinate a host of events to foster interaction between the Scholars and UASBYW students.

"Our Shadow a Student Day on campus made the biggest impact on the UASBYW students," said Sung. "Students first had the opportunity to talk individually with a Scholar about college life. Then, they attended a business class to actually experience a college classroom." Sung also coordinated a tutoring program and professional skills workshops on interviewing and résumé writing for the UASBYW students.

Throughout the partnership, Sung employed a variety of skills she had developed at Stern. "I regularly drew upon my project management skills to plan our events and track progress against our goals," she said. She also learned the value of real-world application of classroom skills. "Using my managerial skills to coordinate our partnership is much different than practicing them in class because the results aren't just reflected in a grade," said Sung. "You encounter real responses, good or bad, and you finally see the big picture."

Sung said the relationships she developed with UASBYW students were highly rewarding. "I remember riding the bus back with the students after an event, and they were asking me questions about my experiences at NYU, and then asked for my e-mail address so we could stay in touch. That's when you know you've made an impact."

Welles underscored the impact that the Scholars made on the UASBYW students. "Thanks to this partnership, our students received valuable advice and now realize they're leagues ahead of the average high school student," she said.

Because of this success, Baron said she hopes Stern can continue to work with UASBYW. "It's our responsibility as educators to engage our community and to teach the students to engage the community," she asserted. "There is a lot to mutually gain when you have an involved, ongoing partnership where relationships are cultivated over time. Everybody wins."

Stern Senior Serves Community

When Stern senior Anjum Unwala (BS '08) thinks about her plans for the future, her mind quickly wanders to the poverty she witnessed in Pakistan during her visits to see extended family over the years. "It's life changing," she said. "The disparity between the rich and the poor is astounding. And you feel helpless because there's no solid infrastructure from which to improve these people's lives."

Like Unwala, today's college-age generation, commonly referred to as the Millennial Generation, is known for its commitment to community service. And each year, Stern students are showing increasing engagement with communities near and far, seeking ways to make a positive impact on society. To support their passion for service, Dean Sally Blount-Lyon introduced a series of Social Impact Initiatives that transcend both the in-class and out-of-class experiences.

One of these initiatives is the Social Impact Stipend, which supports students doing volunteer work during school breaks. Thus far, the funds have enabled students to hold unpaid internships at non-profit organizations or to travel domestically and abroad to do service work or research.

This past summer, Unwala was a recipient of a Social Impact Stipend and used it to support herself while interning at the Urban Justice Center in New York City. While there, she worked on the Homelessness Outreach and Prevention Project and focused on supporting advocacy work for welfare reform and on studying trends in immigrant women and poverty. "The work was extremely interesting and really gave me new perspective on the role of government and the influence of public policy," she said.

A recipient of a Social Impact Stipend, Amjum Unwala (left) interned at the Urban Justice Center in New York City.

In addition to majoring in finance and international business at Stern, Unwala is also studying politics at NYU and hopes to work in international development. "I want to live and work abroad and hope to leverage my studies as well as my experiences at the Urban Justice Center, at Habitat for Humanity, and in other service projects to make an impact," she said. Unwala plans to apply to the PeaceCorps and aspires to work for the US Agency for International Development (USAID), a government agency providing economic and humanitarian assistance around the world. She hopes that through her future work, she can make an impact in developing nations like Pakistan.

Luxury Club Deepens Industry Ties

Luxury & Retail Club 2006-2007 Co-presidents Sandra Singh (left) and Dayna Dillon-Townes with Salvatore Ferragamo USA President Vincent Ottomanelli.

Sandra Singh (MBA '07), a brand manager on the Calvin Klein business at Coty, has always had a passion for luxury goods marketing. She started her career in PR and eventually launched her own designer swimwear line. At Stern, she became immediately involved in the Stern Luxury & Retail Club, and served as co-president last year. "Our goal was to make Stern a go-to brand for recruiters at retailers and luxury goods/services companies," explained Singh. The club held its first alumni mixer with NYU alumnus Vincent Ottomanelli, president of Salvatore Ferragamo USA, who also sits on the club's advisory board. Building on the success of that event, which drew alumni back to Stern and raised recruiters' interest in club members, the club pursued other initiatives with top retailers such as Tiffany and Grand Marnier. "In an industry as competitive as luxury and retail, it is important that we leverage New York City and tap Stern's extensive network to compete in the market," Singh said.

This past year, the Luxury & Retail Club launched the Luxury & Retail Consulting Corps to provide members an opportunity to consult with executives from premier luxury goods companies. The first client was Salvatore Ferragamo USA. The group met with Ottomanelli's executives to identify issues and create strategic projects to address them. "We identified three consulting projects, interviewed more than 50 candidates, and, in the end, selected six members for each project," said Singh. This experience gave the Club's members exposure to the industry, a unique experience to talk about in interviews, and insights and strategies that they can build on in their careers.

Consulting Corps participant Josh Feuer's (MBA '08) team was tasked with providing a complete assessment of the men's and women's luxury shoe market. The team gathered data on industry trends and the competitive landscape, worked with senior executives who provided guidance and focused their research, and then gave final presentations to Ottomanelli and his executive team. The two other teams were responsible for surveying the Canadian luxury and retail markets for marketing and branding opportunities and for evaluating the role that physical store design and fixtures play in defining the presence of a store and the brand.

"My involvement in the Consulting Corps put me at a tremendous advantage while interviewing," Feuer said. "Retail has its own language, and with my experiences on the project and with Ferragamo, I was able to demonstrate my passion for the industry and all the knowledge I gained." His experience in the club, coupled with what he learned in the classroom, landed Feuer a coveted internship at Target Corporation. "I was working in the Business Analysis group in Minneapolis, which was amazing. I was in a class of more than 30 MBA students from top schools around the country," he said. "I definitely used the experience I had in the Corps everyday at Target. The Corps is a great way for students to build networks in the retail industry both with established executives as well as with similarly minded classmates."

MBA Students Debut in Cannes

Felicia Bono (left photo: second row, left) with fellow MBA students of the Craft and Commerce of Film class in Cannes, France. Students attended the Cannes Film Festival (right).

MBA students in Stern's Entertainment, Media, and Technology (EMT) program are getting up front and personal with leading lights and stars in cinema. Designed to provide students with a framework for understanding the dynamics of the film industry by studying the complete process of creating, executing, and distributing a film, the Craft and Commerce of Cinema course culminates in a trip to France for the Cannes Film Festival.

Felicia Bono's (MBA '08) interest in the film business industry led her to take the course last semester. "Stern has one of the best EMT programs of any top business school in the country and this course is one that I could only take here," said Bono.

Prior to the trip, the class learns about independent film companies, foreign directors, and new technology initiatives. In Cannes, the class meets and hears from leading professionals in the business. "Producers, entertainment attorneys, and acquisition executives provided greater insight into the industry," Bono explained. "And because we had studied technology's role in the business, I was able to think through how the films screened at Cannes may be affected – for instance, the impact of TiVo and DVR. It was an amazing experience to be in the middle of such a world-renowned film festival – the energy was palpable."

Al Lieberman, clinical professor of marketing and executive director of the Entertainment, Media, and Technology program at Stern, teaches the class. "The exposure that students receive in Cannes is like nothing that can be replicated in a classroom," he said. "Interacting face-to-face with the publisher and editor-in-chief of *Variety*, the co-president of SONY Picture Classics, or the executive vice president of film acquisitions at Miramax, and others, some of who are Stern alumni, is an extraordinary experience," Lieberman continued. When Ocean's 13 premiered at the Palais theater in Cannes, "the students were right up front with George Clooney and Brad Pitt."

Bono was able to apply her class experience during her summer internship at Google. "The class gave me a unique opportunity to experience the creativity of the film industry both from a business and an artistic perspective, which was useful at Google where creativity is respected in itself and as a part of the overall business goals," she said. "Being at the Cannes Film Festival showed me first-hand the benefits of creating 'buzz,' which is also useful at Google." Concluded Bono, "This class is by far the most rewarding thing I have done during my time at Stern."

ALUMNI AFFAIRS Alumni News & Events

2007 GLOBAL ALUMNI CONFERENCE

The Florence 2007: Global Alumni Conference, held June 8 - 9, 2007, at Villa La Pietra, NYU's 57-acre estate in the Tuscan hillside, was a wonderful celebration of Stern's international alumni community, bringing together nearly 300 alumni and guests from around the world for a weekend filled with intellectual, cultural, and social opportunities. To re-capture the excitement of this weekend, visit the Florence website at www.stern.nyu.edu/florence2007.

1. Dean Thomas Cooley (center) with Florence 2007 hosts (left) Salvatore Ferragamo (BS '93, MBA '97) and (right) James Ferragamo (BS '93, MBA '97).

2. From left to right: Dean Sally Blount-Lyon at the cocktail reception held at the Palazzo Pitti with husband Robert Blount-Lyon, Professor Batia Weisenfeld, Justin Pollack (BS '98), and his guest, Suzanne Reisman.

3. Overseer William R. Berkley (BS '66) and Salvatore Ferragamo (BS '93, MBA '97) at the conference luncheon.

4. Arnaldo Spicacci Minervini (MBA '99), leader of the Stern Alumni in Italy Regional Group, and Dean Thomas Cooley at the closing dinner.

5. Amore!

6. The closing dinner held in the Courtyard of the Palazzo Pitti, the former residence of the grand-dukes of Tuscany and, later, of the King of Italy.

7. Alumni enjoy a cocktail reception in the Grotto Buontalenti in the Boboli Gardens before the closing dinner.

NYU Alumni Reunion Weekend 2007

1. Dean Sally Blount-Lyon with the Undergraduate Class of 2002 Reunion Committee.

2. Dean Thomas Cooley presenting his State of the School Address.

3. Alumni re-connecting at their five-year reunion.

4. Chris Barron, Lead Singer of the Spin Doctors, performing at the EMT event.

Hundreds of NYU alumni gathered on Washington Square this past May for NYU's annual Alumni Reunion Weekend. NYU Stern graduates from around the world came back to campus to take part in reunion activities, including five-year reunions for the MBA and Undergraduate Classes of 2002; Stern's annual Dean's Luncheon, at which Dean Thomas Cooley gave his State of the School address; and the Alumni Council EMT Committee's industry panel event, "Charting the Digital Frontier: The Digitization of the Music Industry," which featured industry expert Chris Barron, lead singer of the Spin Doctors, among others. Save the date for next year's alumni reunion weekend, May 16 - 18, 2008, and check the Alumni Affairs website in early spring for updated information.

Alumni Affairs and Annual Giving Join Forces

As part of NYU Stern's goal to develop a culture of lifetime engagement and participation for all Stern alumni, we are pleased to announce the merger of the Office of Alumni Affairs with the Annual Giving team. The newly combined office, now known as the Office of Alumni Affairs & Annual Giving, embraces a model commonly used by many large universities and top-ranked business schools, including the University of Pennsylvania's Wharton School. The integrated team is led by Bill Kramer, Executive Director of Alumni Affairs & Annual Giving, who joined NYU Stern this spring from Viacom's VH1 Save The Music Foundation.

Under this new model, alumni engagement and participation can take many forms, including attending alumni events, serving as a mentor to fellow alumni or students, volunteering on the various committees of the Alumni Council, and donating to the Stern Fund. It is our greatest hope that through this new platform, more alumni will reconnect with the School in a way that best suits their needs and lifestyles.

"I am excited to lead this newly integrated office, which is made up of an incredibly committed group of professionals," stated Bill Kramer. "Fueled by the team's great energy and insights, this new structure will enable us to better analyze alumni engagement activities, and to develop a new generation of volunteer leadership and financial supporters. It is our mission to ensure a secure and successful future for Stern."

If you have any questions or comments, please contact the Office of Alumni Affairs & Annual Giving at (212) 998-4040 or alumni@stern.nyu.edu.

Catching Up With….
the NYU Stern in India Regional Group

One of the largest and most prolific of NYU Stern's 70 regional groups worldwide is the School's group in India. Representing hundreds of alumni and led by Sanjiv Anand (MBA '85), this Mumbai-based group works closely with the School on a variety of initiatives every year. The India group works hand-in-hand with MBA Admissions to identify, cultivate, and inform top business school applicants from around the country. The group also supports EMBA global study tours and student-led trips to Mumbai, working with the South Asian Business Association at Stern, a newly formed MBA student organization. In addition, members of the group consult often with Dean Thomas Cooley as NYU Stern explores emerging markets from a curricular and organizational perspective.

For more information on Stern's regional programs, and to learn more about activities in your area, please contact the Office of Alumni Affairs & Annual Giving at (212) 998-4040, or visit the website at www.stern.nyu.edu/alumni.

Finding the Right Match through Stern's Online Career Center

Several months ago, Benoy Thanjan (BS '97) decided he was ready to explore new career opportunities on the buy-side in private equity or with a hedge fund. With no experience in this field, he turned to the NYU Stern alumni network for help. Thanjan logged on to the Stern online community and searched the Career Advisory Program (CAP) for appropriate mentors.

"I was looking for senior alumni professionals who are currently working on the buy-side," explained Thanjan. "I've since met with several Stern graduates who shed light on this field, provided much needed perspective, helped confirm that this was the industry I wanted to transition into, and assisted in my interview preparations."

He found his fellow alumni to be extremely responsive and willing to talk to him. "A career transition is not easy, but with solid advice and insight from my mentors, I was able to craft my professional 'story' in a way that most effectively marketed my previous experiences and background," he said.

In addition to CAP, Thanjan used the career center's online job postings site in his job search. He secured his last position, a corporate development position at Medco Health Solutions, through the online job postings. Thanjan recently received an offer and started working as a Senior Analyst at Ridgewood Power, a private equity firm in New Jersey. He highly recommends the online job postings as a resource. "I always look at the online job postings on the Stern website before going to other online job sites," he explained. "The listings are posted with Stern alumni in mind, so you know the field is already narrowed to your advantage."

Calendar of Events

One of the many benefits of being a Stern graduate is the opportunity to attend exclusive content-driven programming and social/networking events, either on campus, in the City, or through regional groups around the world.

Highlights of upcoming events for the fall include:

November 15
Author Lecture Series:
Robert Hormats, Author of
The Price of Liberty: Paying for America's Wars,
co-hosted with the Museum of American Finance

November 16
Lifelong Learning Workshop:
New Directions in Marketing Intelligence,
featuring Vicki G. Morwitz, Professor of Marketing and Robert Stansky Faculty Fellow

December 1
Seventh Annual Stern Alumni Ball at
The New York Public Library

For a full listing of upcoming alumni events, visit the website at www.stern.nyu.edu/alumni.

SEVENTH ANNUAL STERN

Alumni Ball

SATURDAY, DECEMBER 1, 2007
8:00 P.M. — MIDNIGHT

THE NEW YORK PUBLIC LIBRARY
FIFTH AVENUE AND 42ND STREET, NEW YORK CITY

Join fellow NYU Stern alumni in celebration of the holiday season at one of New York City's most spectacular landmarks. Mix and mingle with both your former classmates and fellow graduates during a night filled with music, dancing, a buffet, and cocktails. In addition to the festive atmosphere, there will be quiet spots perfect for conversation with your friends new and old.

General Ticket Price:

Alumni from the Classes of 2002 and Prior:
$150 per person ($200 after 11/16/07)

Alumni from the Classes of 2003 - 2007:
$100 per person ($200 after 11/16/07)

All Guests of Alumni:
$150 per person ($200 after 11/16/07)

Visit the Alumni Ball website at www.stern.nyu.edu/alumniball for registration and event information. While you're there, browse through photo galleries from previous Balls and read testimonials from fellow alumni, or call the Office of Alumni Affairs & Annual Giving at (212) 998-4040 for additional information.

class notes

1940s

Gerald Fisher (BS '40), of New York, NY, was appointed Coordinator of the AARP Money Management Program at the Carter Burden Center for the Aging. Prior to this appointment, he was a counselor at SCORE.

Curt E. Dejonge (BS '46, MBA '47), of Fort Lee, NJ, was elected to serve on the Rabbinic School Advisory Board at the Jewish Theological Seminary in New York City. He also serves on the Board of Govenors of the Jewish Home & Rehabilitation Center in Rockleigh, NJ.

1950s

Robert E. Baldini (MBA '58) was elected to the Board of Directors of Esprit Pharma, Inc. His previous positions include President of Key Pharmaceuticals and, most recently, Vice Chairman of Kos Pharmaceuticals.

1960s

Allan H. Roberts (BS '61), of Staten Island, NY, authored a full-color book entitled, *Trackside Around the Big Apple with Al Roberts*, which features his photography of 1960s railroading in the five boroughs of New York City.

Steven A. Kriegsman (BS '64), of Pacific Palisades, CA, currently Director, President, and CEO of CytRx Corporation, was appointed Director of the five-member board of the company's majority-owned subsidiary, RXi Pharmaceuticals Corporation. He also received the Lou Gehrig Memorial Corporate Award from the Muscular Dystrophy Association in October 2006.

Howard N. Stillman (MBA '64), of San Marcos, CA, has entered into a partnership with TheBullReport.com, an online financial resource. He previously held the position of Director of Research as an approved Supervisory Analyst by the NYSE, and was a member of the New York Society of Security Analysts.

Robert M. Donnelly (BS '65), of Hackensack, NJ, writes a monthly advice column called "The Entrepreneurial CEO" for *Chief Executive* magazine. He is also the editor of "Entrepreneurial CEO."

Wade F.B. Thompson (MS '65), of New York, NY, Chairman, President, and CEO of Thor Industries, received an honorary Doctor of Commerce from his alma mater, Victoria University, recognizing his "outstanding business acumen and leadership qualities."

Douglas J. George (BS '66, MBA '71), of New Canaan, CT, joined the Depository Trust and Clearing Corporation (DTCC) as Managing Director and Chief Risk Officer. He was previously the head of Payments Systems Risk Management for Citigroup, Inc.

Irwin H. Block (MBA '67), of Norwalk, CT, retired from Purdue Pharma LP as Senior Executive Director of Creative Services. He recently held solo photography exhibits at Greenwich Bank of New York and Norwalk Art and Framing and appeared in *The New York Times* and on News Channel 12.

Susan T. R. Miller (BS '67), of New York, NY, founded a website, AstrologyZone.com. She also writes a monthly column for *InStyle*, *W Korea, Eve* (UK), and *Vogue Nippon* (Japan).

Thomas A. DeLong, II (MBA '69), of Southport, CT, authored the book, *Madame Chiang Kai-shek and Miss Emma Mills: China's First Lady and Her American Friend*.

Paul C. Slevin (BS '69, MBA '70), of Denver, CO, was appointed CFO of Tatonka Oil and Gaws, Inc. Previously, he served as a contract CFO for Trinity Petroleum Management Company and Quest International Management Company.

1970s

Dr. James W. Angresano (MBA '71), of Caldwell, ID, was named "2006 Idaho Professor of the Year" by the Carnegie Foundation for the Advancement of Teaching. He has been a professor of ecological economics at Alberston College of Idaho since 1995.

Gary D. Bernahrdy (MBA '72), of Darien, CT, was appointed Certified Insolvency and Restructuring Advisor (CIRA) by the Association of Insolvency and Restructuring Advisors (AIRA). He is Managing Director with Carl Marks Advisory Group LLC.

Jan Harlan Newman (BS '72), of Hillsborough, CA, author of *Chance Meetings that Tied the Knot*, was awarded a bronze medal at the 11th Annual Independent Publisher National and Regional Book Awards. She is also a member of the San Francisco chapter of the Women's National Book Association, and is President of The Newman Group, Ltd.

Thomas F. O'Neill (BS '72), of Halesite, NY, was named one of the Member Representative Directors for the first annual election at NASDAQ Stock Market LLC. He is also a founding partner of Sandler O'Neill & Partners L.P.

Martin S. Brown (MBA '73), of Convent, NJ, joined Hill International as Senior Vice President of Business Development in the Americas for the company's Project Management Group. Prior to this position, he was Executive Vice President of Sales and Marketing at Tetra Tech EC Inc.

Alvin A. Hirsch (MBA '73), was appointed President and CEO of Mile Marker International, Inc., a specialty vehicle parts manufacturer and distributor. He has been with the company for nearly 11 years, serving as a financial management consultant and as CFO.

Philip Petronis (MBA '73), of Katonah, NY, was appointed COO, Global Products and Services Management, at Marsh, Inc. Previously, he was Executive Vice President and CFO of Guy Carpenter, a member of Marsh & McLennan Companies.

Gerald Rosenfeld (PhD '73), of New York, NY, has stepped down as CEO of Rothschild North America to teach full-time at NYU Stern.

Hendrik G. van Riel (BS '73, MBA '74), of Paris, France, recently co-founded Lentikia Capital LLP, a London-based hedge fund. He has served as a non-executive director on the board of several private asset management companies.

Richard C. Berke (MBA '74), of New York, NY, was appointed to the Board of Directors at The Hein Celestial Group, Inc. He is currently Vice President, Human Resources, for Broadridge Financial Solutions, Inc.

Manes Martin Merrit (MBA '74), of Montclair, NJ, joined Olshan Grundman Frome Rosenzweig & Wolosky LLP as Partner and Chairman of the firm's Practice Group. The practice concentrates on employee benefits and executive compensation matters.

Christine A. Kurjanowicz (BS '76, MBA '78), of Calabasas, CA, joined Natrol, Inc., as Vice President of Marketing. Most recently, she was a partner at OneAccord, a sales and marketing consultancy. She also received a "Top 100 Marketer" award from *Advertising Age*.

Mark W. Everson (MBA '77), of Arlington, VA, joined the American Red Cross as its President and CEO. Prior to joining the Red Cross, he was Commissioner of the Internal Revenue Service.

Stephen F. Groth (MBA '77), of Ardsley, NY, was appointed Vice President and CFO of Pacific Asia Petroleum, Inc.

Frank C. Ingriselli (MBA '77), of Scarsdale, NY, was appointed President, CEO, Secretary, and Director of Pacific Asia Petroleum, Inc.

Ernest H. Pomerantz (MBA '77), of New York, NY, joined the Industry Advisory Council organized by Mobile Productivity, Inc (MPi), a provider of profitability tools for auto dealer service departments. Pomerantz is currently Managing Director with StoneWater Capital, LLC. Prior to this position, he was Managing Director with Mesa Partners, LLC.

Barbara Eber-Schmid (MBA '77), of Livingston, NJ, joined New Media Institute as Executive Vice President. She will be initiating the 2007 New Media awards.

Iretiolu Oniyide (BS '78), of Brooklyn, NY, was appointed Managing Director of Xechem International's Nigerian subsidiary, based on his experience in pharmaceuticals, banking, and government.

Lisa K. Polsky (BS '78), of New York, NY, was elected to serve on the Board of Directors of Piper Jaffray Companies. Polsky is the President of Polsky Partners, a New York-based consulting firm specializing in hedge fund allocation, risk management, and valuation policy.

John M. Trani (MBA '78), of Seaford, NY, was invited to serve on Allied Waste Industries Inc's Board of Directors. He is also Executive Chairman of the Board for Accretive Commerce. Trani was previously Chairman and CEO of Stanley Works.

Charles D. Ellis (PhD '79), of Greenwich, CT, was named the fourth NYU Stern Citi Distinguished Fellow in Ethics and Leadership. An emeritus member of Stern's Board of Overseers, Ellis also serves as Director of the Vanguard Group of Mutual Funds, and the Managing Partner of the "Partners of '63," a pro-bono partnership of nearly 100 Harvard Business School classmates and friends that supports entrepreneurial, change-oriented ventures in education, particularly those focused on children born into unfortunate circumstances.

1980s

Alan W. Arch (MBA '80), of Muscat, Oman, was appointed Divisional Manager-Commercial at Oman Air, the national carrier of the Sultanate of Oman. Prior to this appointment, Arch was Area Manager, Pacific Northwest of Independence Air.

Joshua E. Chasin (MBA '81), of New York, NY, was appointed Chief Research Officer at comScore. Previously, Chasin was the Principal and founder of Warp Speed Marketing, Inc., a Manhattan-based media research consultancy.

L. Bruce Glasser (BS '81), of New York, NY, was appointed Director of Corporate Finance and Investment Banking for MICG Investment Management.

Jeremy W. Handelman (MBA '81), of New York, NY, is President of Off the Leash Productions. He is also Playwright and Producer of "The Bronx Balmers" and "Five By Tenn."

Frederick K. Schmidt (MBA '81), of Califon, NJ, is President of KS TechPros, which provides consulting for Yahoo! Research, Sarnoff Corporation, major universities, and the US Department of Defense.

Vincent J. Terranova (BS '81), of Huntington, NY, was chosen as the "Young Real Estate Man of the Year" by the Young Men's/Women's Real Estate Association. He is currently Executive Vice President and Principal of Bernstein Real Estate, and is a member of The Real Estate Board of New York.

Recipe for Success

Elissa Meadow (MBA '04)

The ideal menu requires a nicely balanced mix of quality ingredients. Elissa Meadow, a former investment banker and CPA, is finding that the same holds for the ideal career. Meadow was recently appointed Director of Southern California Operations for Vine Solutions, Inc., a consulting, finance, and accounting firm that caters to the food services industry. The position allows Meadow to blend her lifelong passion for food, industry experience in food services and finance, and NYU Stern MBA – all while offering a desirable work-life balance.

Meadow came to Stern seeking a lifestyle change. After hosting a dinner party one night, classmates encouraged her to enter the food services industry. She spent her second year at Stern developing a business plan for a healthy fast-food restaurant, and opened Solar Harvest in Los Angeles. "Fulfilling the dream of opening my own restaurant was gratifying, but the quality of life sacrifice was even greater than that of an investment banker," she explained. Meadow closed Solar Harvest in 2006, still interested in the industry, but in search of the right fit.

Meadow says her business school experience helped her land her current position. "One of the biggest lessons I learned at Stern was the power of networking – responding to anyone who approaches me and not being afraid to reach out to others," she said. After reading an article in which Vine Solutions was mentioned, she sent the firm an e-mail and quickly received an offer.

Beyond professional fulfillment, Meadow's career transition has also fed her appetite for philanthropic efforts. She is a loyal supporter of her alma maters – Meadow also has a BBA and Masters in Accounting from the University of Michigan Ross Business School – and serves on the Alumnae Network Committee at Stern. She was introduced to Share Our Strength, whose mission is to eradicate childhood hunger, through a former Stern professor. Meadow believes that what she gives of her time and energy to Share Our Strength, she gets back in spades through industry contacts and networking opportunities. "When you blend your personal passion with your profession, your life suddenly becomes more meaningful," she said.

Zeidman Leads Holocaust Museum

Fred S. Zeidman (MBA '70)

Fred S. Zeidman is a private investor currently serving as Chairman of the US Holocaust Memorial Council, which oversees the US Holocaust Memorial Museum. A prominent Houston-based business, political, and civic leader, Zeidman was appointed to the Council by President George W. Bush in 2002, and was recently reappointed to a second five-year term.

When Zeidman arrived at the Museum, he chose to leave the day-to-day operations in the hands of Sara Bloomfield, the "exceptional" Executive Director. This allowed Zeidman to concentrate fully on the institution's fundraising needs, which are formidable. The federal government provides almost half of the museum's $68.2 million budget, with the private sector supporting all of the Museum's educational outreach and programming.

Education is crucial to the Museum's mission to remember the Holocaust and to prevent genocide. The Museum works to preserve the legacy of survivors and to teach critical lessons of the Holocaust to future generations, including working to prevent genocide in today's world. Zeidman is particularly proud that the Museum was among the first to declare genocide in Darfur in 2003.

A third-generation Texan reared in a farm town 60 miles south of Houston, Zeidman's parents taught him to understand that he had an obligation both to the Jewish people and to America. "My parents always told me that I not only could make a difference, but that I *needed* to make it." Close to President George W. Bush for more than 30 years, Zeidman is deeply honored to have been given a platform to "serve as a bridge between the White House and the Jewish community, and to speak on behalf of American Jews."

After receiving his Stern MBA, Zeidman began his career on Wall Street, working at Dean Witter in its corporate finance department. Back in Houston, he switched to the buy side, joining a venture capital firm specializing in oil field services. Zeidman is former Chairman of the Board for Houston-based Seitel, Inc., an oil field seismic company. He serves as Chairman of National Nutrition Inc., and, since 2004, has been Senior Managing Director of Governmental Affairs of Greenberg Traurig's Washington, DC, office.

Zeidman has long been active in Jewish and educational organizations. His numerous leadership roles include Vice Chairman, Republican Jewish Coalition; past Southwest Regional Chairman of the Anti-Defamation League; Texas State Chairman of Israel Bonds and member of its Board; member of the Executive Committee of the American Israel Public Affairs Committee; member of the Board of the Jewish National Fund; and past Vice Chairman of the Board of Regents, Texas Southern University. The recipient of many awards, he has been named by *Forward* newspaper as one of its "Forward 50" Jewish leaders three times (2004, 2005, and 2006).

Zeidman joined Arizona Senator John McCain's presidential campaign team in January, serving as the National Vice Chair for Jewish Outreach. He previously helped lead Jewish outreach for Bush-Cheney '00 and '04, and served as Vice Chairman of the Dole-Kemp presidential campaign in Harris County.

Zeidman's sense of civic duty extends to his alma mater. He has visited Stern's campus for speaking engagements with MBA students, and funds fellowships for students participating in the Stern Consulting Corps (SCC). "NYU played such a formative role in my career, it certainly deserves my support," Zeidman said. "For a farmboy coming to the city, the level of education was tremendous, and prepared me for life in the fast lane."

Roy A. Young (MBA '81), of Beverly Hills, CA, co-authored *Marketing Champions: Practical Strategies to Improve Marketing's Power, Influence and Business Impact*, published by John Wiley, and built MarketingProfs, an online portal for marketers.

Errol R. Antzis (MBA '82), of New York, NY, was named CFO of Metropolitan Talent, Inc. He was previously the Co-manager and Principal of VSS Mezzanine Partners, L.P., a private equity fund investing in media and entertainment companies.

John D. Demsey (MBA '82), of New York, NY, Group President of Estée Lauder Inc., recently married long-time girlfriend, Anoushka Izmirlian.

Craig A. Eaton (BS '82), of Brooklyn, NY, is the new head of the Republican Party of Brooklyn.

Walter D. Hosp (BS '82, MBA '84), of Scarsdale, NY, was appointed Senior Vice President and CFO of HMS Holdings Corp. He most recently served as Vice President and Treasurer of Medco Health Solutions, Inc.

Yong Jin Park (MBA '82), of Hartsdale, NY, recently formed Littleton Joyce Ughetta & Park LLP with former partners of Wilson Elser Moskowitz Edelman & Dicker LLP. Park focuses on the defense of products liability lawsuits, insurance and reinsurance coverage disputes, and commercial litigations.

Julio Lopez-Brito (MBA '83), of Potomac, MD, was named Chairman of NuAmerica Bank, a niche bank he founded in Columbia Heights, Washington, DC, to serve Hispanic-owned businesses.

Edward E. Edwards, Jr. (MBA '83), of Mobile, AL, opened a glass studio in Mobile. Prior to launching his business, he spent 16 years as a project manager, designing and implementing computer systems for a Napa Valley winery.

John W. Geissinger (MBA '83), of Darien, CT, was appointed to the Board of Directors of Eagle & Dominion EuroAmerican Growth Fund Limited. Geissinger is Chief Investment Officer at Bear Stearns Asset Management Inc.

William A. Houlihan (MBA '83), of Allendale, NJ, joined UBS's Investment Bank as Managing Director in the Financial Institutions Group. Most recently, he was CFO of Sedgwick Claims Management Services, a provider of claims and productivity management solutions.

Jong-Kap Kim (MBA '83), of Seoul, Korea, was appointed President and Chief Executive Officer of Hynix Semiconductor. Prior to this appointment, he was Vice Minister of the Ministry of Commerce, Industry and Energy in Korea.

J. Peter Marinelli (MBA '83), of Lebanon, NJ, has joined Citi Capital Strategies as Managing Director and the head of the Real Estate Group. Previously, Marinelli was Senior Managing Director of Horvath Hospitality and Leisure.

Dennis W. McConnell (BS '83), of Bernardsville, NJ, was appointed Executive Vice President at Jones Lang LaSalle's New Jersey office. McConnell was previously Senior Director with Cushman & Wakefield, where he was responsible for the leasing and marketing of several high profile properties.

Kenneth Miller (MBA '83), of New York, NY, recently formed the Ken Miller Group in New York. He was a founder and Managing Partner of One80 Design, a product and package innovation and design firm that he sold last year.

John Fordyce Moynahan (MBA '83), of Fairfax, VA, joined Who's Your Daddy, Inc., as Senior Vice President and CFO. The company is focused on production and distribution of Who's Your Daddy® "Kin of Energy" drinks.

Thomas L. Tran (MBA '83), of Weatogue, CT, was appointed President and CFO for CareGuide, Inc., a health management company. Most recently, Tran served as Senior Vice President and CFO of Uniprise, one of the principal operating businesses of UnitedHealth Group.

Maureen Tart-Bezer (MBA '84), of North Caldwell, NJ, was appointed to the Board of Directors of Playtex Products, Inc. Previously, she served as the Executive Vice President and CFO of Virgin Mobile USA and Executive Vice President and General Manager of American Express's US Consumer Charge Group.

Gitta Gilyan (MBA '84), of Chestnut Hill, MA, was named Senior Director, Nursing Finance, at Cambridge Health Alliance. Prior to this position, she was Finance Director for Patient Care Services at North Shore Medical Center.

Francine Lynch (MBA '84), of New York, NY, was appointed Director at the Institute for Not-for-Profit Management at Columbia Business School. Most recently, Lynch was Director of the Lincoln Center Corporate Fund.

Peter D. Noris (MBA '84), of Rye, NY, was named Chief Investment Officer by Ivy Asset Management Corp. Noris was previously Chief Investment Officer at Northstar Financial Services and AXA Equitable.

Eugene A. Preston (MBA '84), of Chester, NJ, was appointed Senior Vice President and Eastern Region Manager at Higgins Development Partners. He will be responsible for major distributions and port markets from Boston to Miami. Previously, he worked at Merrill Lynch, Hubbard in New York.

Brendan T. Gormley (BS '85), of Staten Island, NY, was ordained a Roman Catholic Priest at St. Patrick's Cathedral in New York City on May 12. He was assigned to St. Paul's Church in Congers, NY.

Conrad L. Bringsjord (MS '86), of Briarcliff Manor, NY, was appointed to the Board of Lenox Group Inc. Bringsjord is currently Senior Managing Director and Senior Portfolio Manager at Clinton Group, Inc., an investment advisor.

Douglas E. Buckminster (MBA '86), of Cave Creek, AZ, was named President of International Consumer Business at American Express. He is responsible for the international consumer card, lending, insurance, and product marketing functions.

Mary A. Callahan (MBA '86), of New York, NY, was appointed President of The Americas' Central Securities Depositories Association (ACSDA). Callahan is currently Managing Director, International, at The Depository Trust & Clearing Corporation (DTCC).

James P. Louderback (MBA '86), of New York, NY, was named CEO of Revision3, an Internet television network.

Cathy-Ann Martine (MBA '86), of Far Hills, NJ, was appointed President and CEO for AT&T Midwest. Martine will oversee all local company operations in the five-state AT&T Midwest region.

Steven J. McGarry (MBA '86), of Great Falls, VA, was promoted to Vice President, Investor Relations, of Sallie Mae.

Vincent E. Nerlino (MBA '86), of Franklin Lakes, NJ, was appointed Executive Vice President and CFO of USI Holdings Corporation. Nerlino has held various positions at American Express, most recently serving as Senior Vice President and CFO of American Express International and Global Corporate Services.

Judy F. Arteche-Carr (MBA '87), of New York, NY, is Co-chairman of the Society for Information Management's (SIM) New York Metro Chapter. She is also an adjunct professor of the Fordham University's College of Business, teaching global information technology.

Robert F. Feeney (MBA '87), of Summit, NJ, joined Integro Ltd., an international insurance broker, as CFO. Prior to this position, he was Managing Director and Business Manager for Global Markets Americas at HSBC.

Jerald E. Pinto (MPhil '87, PhD '92), of Charlottesville, VA, recently co-authored *Managing Investment Portfolios: A Dynamic Process, 3rd Edition*. He also serves as Director in the CFA and CIPM Programs Division at CFA Institute.

Kevin R. Reevey (BS '87), of New York, NY, was appointed Vice President at Financial Stocks, Inc. (FSI), and will be responsible for its expanding private equity division. Prior to this appointment, Reevey was First Vice President, Senior Equity Analyst, at Ryan Beck & Co.

Robert H. Warshauer (MBA '87), of West Harrison, NY, was appointed Managing Director at Kroll Zolfo Cooper. He previously served as the President and a member of the Board of Directors of Lighting Science Group Corp., a publicly traded technology company.

Robert H. Zaugg (MBA '87), of San Diego, CA, was appointed Vice President, Business Development, at the Burnham Institute for Medical Research. Before this appointment, he worked as an independent consultant, serving as interim CEO of several California biotech companies.

Kathleen Auda (MBA '88), of New Cannan, CT, was elected to the Board of Directors of Getabout, the van-based transportation service for New Cannan's seniors and shut-ins. Auda is the Global Bank Debt Credit Products Executive for Bank of America's health care, institutions, not-for-profit, and government banking businesses.

George S. Barrett (MBA '88), of Rydal, PA, was promoted to President and CEO of Teva Pharmaceutial Industries Ltd., North America. He will also assume the additional role of Executive Vice President, Global Pharmaceutical Markets.

Maurice L. Hallivis (BS '88), of Ho Ho Kus, NJ, was appointed Director at Eastern Consolidated, a full-service real estate investment services firm headquartered in New York. Previously, Hallivis was Director of Sales, South Bronx, for Massey Knakal Realty Services.

Osbert M. Hood (MBA '88), of Boston, MA, was appointed CEO of New York Life Investment Management (NYLIM). Prior to joining NYLIM, Hood was with Pioneer Investment Management USA Inc., most recently as its CEO.

Daniel K. Kinsbury (MBA '88), of New York, NY, was appointed President and CEO of Pioneer Investment Management USA Inc, where he will head the US Division of this Milan-based investment company.

Francis J. Maher III (MBA '88), of Chappaqua, NY, joined Morgan Joseph & Co., Inc., as Managing Director and co-head of the company's Products & Retail Group. Previously, he worked at Dresdner Kleinwort.

Susan M. Mangiero (MBA '88), of Trumbull, CT, President and CEO of Pension Goverance, recently authored *Risk Management for Pensions, Endowments and Foundations*.

Boris Onefater (BS '88), of Brooklyn, NY, was named CEO of Dreman Value Management. Prior to joining Dreman, Onefater was a partner at Deloitte & Touche.

Margaret "Peggy" M. Smyth (MS '88), of Saint Paul, MN, joined United Technologies Corp., as Vice President, Controller. Previously, Smyth served as Vice President and Chief Accounting Officer for 3M.

Teri P. Cox (MBA '89), of Lawrenceville, NJ, was appointed to chair the new Communications Committee of the NJ Governor's Task Force on Cancer Prevention, Early Detection and Treatment.

Gary E. Greenwald (MS '89), of Briarcliff Manor, NY, is Managing Director and Global Head of Capabilities and Information Products at Citi.

Julie A. Mulholland (BS '89), of New York, NY, is founder, President, and CEO of Mulholland Drive Entertainment, which specializes in product placement in films and other entertainment vehicles.

Scott R. Singer (MBA '89), of New York, NY, was appointed Managing Director of BMO Capital Markets, the investment and corporate banking arm of BMO Financial Group. Prior to this appointment, Singer was a partner at Deloitte.

1990s

David A. Becker (MBA '90), of Brooklyn, NY, was appointed Chief Marketing Officer at ExpoTV. Previously, he was President and COO of Beliefnet.com.

Michael J. Du Pont (MBA '90), of New York, NY, was named Vice President, Strategic Partnerships, at Oxygen Network. Prior to joining Oxygen, he worked for AOL and MTV Networks in advertising sales.

J. Kent Masters, Jr. (BS '90), of Summit, NJ, was appointed to Rockwood's Board of Directors. Masters is also a member of the Executive Board of Linde AG, an industrial gases and engineering company, and prior to this, was CEO of BOC Group.

Parag G. Patel (BS '90), of New York, NY, recently launched India Performance Master Fund, a venture that invests in undervalued publicly traded mid- and small-cap stocks in India. Prior to launching this venture, Patel was at SEC Capital.

Steven A. Donnarumma (MBA '91), of Brooklyn, NY, was named Chief Credit Officer at Assured Guaranty Corp., a subsidiary of Assured Guaranty Ltd. He was previously Managing Director of Mortgage and Asset Backed Securities Group for the firm.

Jaime A. Fals (BS '91), of Union City, NJ, joined Morgan Stanley's Private Wealth Management team in Miami as Executive Director to serve high net worth clients in the Latin American market. Previously, he worked at Lehman Brothers.

John Gonsalves (MBA '91), of Edison, NJ, was named Partner at Business Edge's Communication Media & Content practice, a business development and thought-leadership consulting firm.

Jeffrey M. Linderman (MBA '91), of New York, NY, joined TABB Group as Senior Research Analyst in their New York office. Prior to joining TABB, Linderman was Vice President and Equity Derivatives Product Controller at KBC Alternative Investment Management.

John J. Lucchese (MBA '91), of Thornwood, NY, co-founded the software firm Semantic Business Solutions Inc, where he also serves as President. Previously, he was an independent consultant at UNISYS Corporation.

Jonathan William Ragals (MBA '91), of Pleasantville, NY, was named COO of 360i, a search-focused agency. Prior to this appointment, Ragals was Senior Vice President and Group Account Director of Beyond Interactive.

Yu-Ming Wang (MBA '91), of Scarsdale, NY, was named Head of Fixed Income, Asia, at Wachovia Securities. Wang previously served as Managing Director and the head of Structured Credit Products for the firm.

Lindsey Anderson (MBA '92), of New York, NY, accepted a position at OgilvyAction, a division of Ogilvy & Mather. In addition, she recently released her second album, "Chinese Democracy," with her band, Kitty & The Kowalskis.

Robert Jackowitz (ADCRT '92), of Irvington, NY, was named CFO of Pine Brook Road Partners, a New York-based private equity firm. Prior to this position, he was Treasurer and CFO of ESL Investments Inc.

Christopher C. Lockton (MBA '92), of San Mateo, CA, was named Senior Vice President of Sales for SignalDemand, Inc. Most recently, he served as Vice President of Marketing and Alliances at Rapt, Inc.

Sari J. Mayer (MBA '92), of New York, NY, joined Boone Capital Management as Director of Marketing. Prior to Boone, Mayer worked at Credit Suisse and Salomon Brothers.

Joyce A. Phillips (MBA '92), of New York, New York, joined American Life Insurance Company (ALICO), a subsidiary of AIG, as its President and COO. Prior to joining ALICO, Phillips was the head of International Retail Banking at Citigroup.

Steven D. Sheinfield (MBA '92), of San Francisco, CA, is co-founder and COO of Ujogo, a provider of rewards-based poker and free online games. Previously, he worked at Cisco Systems on VoIP technologies.

Tomas Spurny (BS '92) is stepping down as CEO of VUB, the largest Slovak bank, to help restructure the financial group PPF.

Scott M. Weitzman (MBA '92), of Davie, FL, joined Ristken Software Services as Director of Business Development. He was previoulsy Senior Director of Business Development for Power Information Network, an affiliate of J.D. Power and Associates.

Catherine M. Bonneau (MBA '93), of Zimmerman, MN, was named President of Primevest Financial Services, one of four broker-dealers for ING.

William P. Bundy (MBA '93), of New York, NY, joined Wachovia Securities as Managing Director, supporting the Media and Communications Investment Banking Group. Prior to this position, he was Managing Director at JPMorgan Chase & Co.

Kei Hong Chua (BS '93), of New York, NY, was appointed Executive Vice President and CFO at ASAT Holdings Limited, a provider of semiconductor package design, assembly, and test services. Previously, he was the head of Standard Chartered Bank's Alternate Investment Group in China.

Daniel M. Rosenberg (MBA '93), of New York, NY, recently served as Executive Producer on Spike Lee's movie "Inside Man." He currently serves as President of InVenture Entertainment.

Jeffrey M. Farber (MBA '94), of Stamford, CT, was appointed Senior Vice President, Finance, at Bear Stearns. He also serves as Controller and Principal Accounting Officer for the firm.

Maris A. Jurevics (MBA '94) and **Susan L. Jurevics (MBA '96)**, of Forest Hills, NY, welcomed son Maksis Alfred Jurevics on April 11, 2007.

Kenneth B. Stratton (MBA '94), of San Carlos, CA, joined StemCells Inc., as its General Counsel. Previously, he was Deputy General Counsel at Threshold Pharmaceuticals Inc.

Vincent M. Cali, III (MBA '95), of Baltimore, MD, was appointed Vice President of the investment banking group at Signal Hill, a Baltimore-based specialty investment banking firm. Prior to joining Signal Hill, Cali was Vice President at Stifel, Nicolaus & Company, Inc., in Baltimore.

Alan M. Herbst (MBA '95), of New York, NY, co-authored *Nuclear Energy Now: Why the Time Has Come for the World's Most Misunderstood Energy Source.* Herbst is currently General Partner of Utilis Energy, LLC.

Thomas C. Hilboldt (MBA '95), of Hong Kong, China, has joined SCB Securities as the head of Research. Previously he was the head of Regional Oil and Gas Research at Citigroup in Hong Kong.

Riyadh Lai (MBA '95), of Hong Kong, was recently named CFO of Silicon Motion Technology Corporation, a fabless semiconductor company. Prior to this appointment, Lai was the head of Technology Group at ING Corporate Finance, Asia.

John J. Trizzino (MBA '95), of Southborough, MA, was appointed Vice President, Trade and Distribution, of MedImmune, Inc. Previously, he was Senior Vice President, Business Development, at ID Biomedical.

Lorenzo Ferroni (MBA '96), of Rome, Italy, was made a partner at Bain & Co. Prior to joining Bain, he worked at Merrill Lynch in London.

Marco M. Habert (MBA '96), of Brooklyn, NY, joined Deutsche Bank Securities Inc., as Managing Director in the Consumer Investment Banking Group. Habert was previously Managing Director in the Consumer Investment Banking Group at Citigroup.

Justin E. Mirro (MBA '96), of Great Neck, NY, is the head of the Automotive Group at Jefferies & Co. Prior to his career in banking, he worked as an engineer for General Motors and Toyota.

Bernhard H. Fischer (MBA '97), of Garden City, NY, has joined Six Degrees Capital Management as Managing Director. Prior to Six Degrees, Fischer served as Managing Director with Partner Re's.

Arjun Jayaraman (MPhil '97, PhD '98), of San Diego, CA, joined Causeway Capital Management LLC as the head of Quantitative Research and Co-portfolio Manager of Causeway Emerging Markets Fund.

Timothy Oliver (MBA '97), of Mequon, WI, joined Metavante Corporation, the financial technology subsidiary of Marshall & Ilsley Corporation, as Senior Executive Vice President and CFO. Previously, Oliver was Vice President and Treasurer of Rockwell Automation, Inc.

Matthew T. Smith (MBA '97), of Tenafly, NJ, was promoted to Senior Vice President at Archstone-Smith, a leader in apartment investment and operations.

Jason P. Glazer (MBA '98), of New York, NY, was recently named Managing Director and the head of Institutional Equity Sales at Dahlman Rose & Company, LLC, a boutique investment bank specializing in marine transport, energy, natural resources, and related industries.

Stephen V. Nietupski (MBA '98), of Brooklyn, NY, joined Alvarez & Marsal Transaction Advisory Group (A&M) as Managing Director. Prior to joining A&M, Nietupski worked in the transaction services practice at PricewaterhouseCoopers.

Mark E. Schiff (MBA '98), of Middleton, WI, was appointed Vice President of Central Marketing at Thomson Corp. He previously served as General Manager of BizFilings, a division of Wolters Kluwer.

Gretchen M. Tibbits (MBA '98), of New York, NY, was recently appointed Vice President, Group Administration, at Hearst Business Media. Prior to this appointment, Tibbits served as Senior Director at ESPN Outdoors Group.

Glenn B. Turell (MBA '98), of Montclair, NJ, was promoted to Senior Vice President and CFO at Elias Arts, a commercial music company.

Allison R. Carpe (Coburn) (MBA '99), of Needham, MA, and her husband, David, welcomed the birth of their daughter, Marisa, in December 2006.

Adrian Frankum (MBA '99), of New York, NY, was promoted to Senior Managing Director at FTI Consulting, Inc.

Michael J. Litvak (MBA '99), of New York, NY, was promoted to Director at Gartner, an IT consulting company. His second child, Joshua Benjamin, was born in January of 2007.

Christopher Nikolich (MBA '99), of Emerson, NJ, is Senior Vice President and Lead Portfolio Manager of AllianceBerstein L.P.

Jeffrey A. Wiseman (MBA '99), of Short Hills, NJ, was hired as co-head of Mezzanine Lending for JER Investors Trust, Inc. Previously, Wiseman was Vice President at JPMorgan, working in real estate debt products.

2000s

Dustin Ball (MBA '00), of Hong Kong, was appointed Vice President of Strategic Initiatives for Sun Life Financial, Asia. Prior to this new role, Ball was Vice President and Merger Integration Officer for greater China at AIG.

Kjerstin E. Barley (MBA '00), of San Carlos, CA, was appointed Senior Vice President and Industry Leader of Technology and Electronics at GE Commercial Finance Corporate Lending. Most recently, she was Senior Vice President with GE Commercial Finance-Media, Communications, and Entertainment.

Dany M. Bouchedid (MBA '00), of Morristown, NJ, and his wife, Avianca, welcomed their first child, Skyler Hayden, on February 12, 2007.

William C. Graham (MBA '00), of Chappaqua, NY, was appointed Vice President of Sales at Beiersdorf Inc., the US subsidiary of Beiersdorf AG. Prior to this position, Graham was Vice President, Customer Development, for Novartis OTC.

Scott Anthony Hill (MBA '00), of Newton, CT, was named Senior Vice President and CFO of Intercontinental Exchange. Previously, Hill served as Vice President and Controller of IBM Japan's business operation.

James J. Hines, IV (MBA '00), of Boise, ID, was appointed Director of Finance and a Member of the Board at Environmental Energy Services, Inc. Prior to this appointment, Hines was an investment advisor and financial consultant.

Michael Critchley, Jr., Esq. (MBA '01), of West Orange, NJ, was appointed to serve as a trustee by the University of Medicine and Dentistry of New Jersey.

Banking on a Return to India

Mihir Doshi (BS '81)

Mihir Doshi's career makes for an excellent case study in globalization. Last year, he joined Credit Suisse (CS) as Managing Director and Country Head for India after spending 22 years with Morgan Stanley in New York, Tokyo, and India.

In his current position, Doshi is responsible for leading the development of CS's India franchise, whose image was diminished in part by a two-year securities trading suspension in 2001. "Our challenge is to join India's competitive landscape after missing out on several critical years," he explained.

Doshi has considerable experience building foreign franchises from scratch, and sees himself as "an entrepreneur within a well-established company." His time with Morgan Stanley didn't "feel" like 22 years, Doshi said, but rather a series of distinct jobs that began with a year in the New York accounting department. In 1985, he made the rare transition from back office to front office when he was sent to Tokyo to help set up Morgan Stanley's foreign exchange business.

Doshi's work took him from Tokyo to New York and back again before sending him to Bombay. His last position was Managing Director and CEO of JM Morgan Stanley Securities Pvt. Ltd., where he spent 11 years building the company's equity business in India. "We were arguably among the best equity broking franchise with almost no turnover within our team," he explained. "Now, with CS, I'm reminded of how hard you must work for a piece of this business."

Doshi spent the first 12 of his 15 months with CS working on infrastructure and assembling his team, which now numbers 60. "If my epitaph reads, 'he built a good place for people to work,' I'll be glad," he said. "The service industry is all about people, and I'm proud that my team is happy to come to work."

In addition to his Stern degree, Doshi earned a CPA during his first year after graduation while working at Deloitte Haskins and Sells. Attending NYU as a commuter student at the young age of 16, he was singularly focused on academics. He recently took his daughter to New York to visit colleges, and marveled at the "full experience" the NYU Stern Undergraduate College offers.

Having literally seen the world, Doshi advised everyone to seize the opportunity to study and/or work overseas. He recalled his father's journey to attend college at the University of Illinois in the 1950s. "It took my father two weeks to get from Bombay to London by ship, and another week from London to New York before he boarded a train to Chicago," Doshi said. Today, with a 16-hour direct flight from Mumbai to New York, there's little excuse to disregard his advice.

Justin Evans (MBA '01), of New York, NY, recently published his debut novel, *A Good and Happy Child*. Evans is a strategy executive at The Pluck Corporation.

Jeffrey S. LeFleur (MBA '01), of New York, NY, was appointed Executive Director at W.P. Carey & Co., LLC, a real estate investment firm. He is also Treasurer for the W.P. Carey Foundation.

David Wish (MBA '01), of New York, NY, was named Client Partner at Avenue A Razorfish, an interactive marketing and technology services agency.

Angelique Dab (MBA '02), of New York, NY, placed fourth in *The Wall Street Journal*'s "Best on the Street" Analyst Survey for the Clothing and Accessories sector. She is currently Senior Analyst at Nollenberger Capital Partners, Inc.

Jessica J. Harley (MBA '02), of Sunnyside, NY, was appointed Vice President, Acquisition and Retention Marketing, at Borders Group, Inc. Harley was previously Director of Promotions at Barnes & Noble, Inc.

Kelly Kennedy Mack (MBA '02), of New York, NY, was appointed President of Corcoran Sunshine Marketing Group. Prior to this appointment, she was Vice President of New Business Management at the Sunshine Group.

Matthew C. Newton (MBA '02), of New York, NY, was appointed the At-Large Director on the National Stock Exchange. Currently, he is Managing Director and the head of Single Stock Trading of US Equities at Citigroup.

Hal M. Cohen (MBA '03), of Jericho, NY, was promoted to Publisher of the Pennsylvania Newspaper Group by American Lawyer Media (ALM). Prior to this promotion, he served as Senior Financial Analyst for Scholastic Corp. He is also a CPA.

Saba I. Haq (BS '03), of Brooklyn, NY, was appointed an AP Peace Fellow for the summer of 2007. She worked in Pakistan with the Afghan Women's Network.

Katherine Kim (MBA '03), of Flushing, NY, joined Banc of America Securities as Principal and Senior Equity Research Analyst, covering biotechnology stocks. Previously, Kim was a senior analyst at ThinkEquity Partners and C.E. Unterberg Towbin.

Darryl B. Ng (MBA '03), of Jersey City, NJ, owns Canis Minor, a specialty dog boutique with locations in Jersey City and Tribeca.

Saurin P. Shah (MBA '03), of Williamsville, NY, recently launched VirCierge.com.

Aziz I. Ansari (BS '04), of Bennettsville, SC, is a producer of

"Human Giant," a TV comedy series on MTV.

Andrew Ip (MBA '05) of New York, NY, was promoted to Senior Consultant at Mars & Co., a management consulting firm specializing in business strategy.

Anjela Kniazeva (MPhil '05, PhD '07) and **Diana Kniazeva (MPhil '05, PhD '07)**, of New York, NY, were appointed Assistant Professors of Finance at the University of Rochester at the ages of 19 and 21. The sisters also hold Masters in International Policy degrees from Stanford University.

Cheyenne S. Morgan (BS '05), of New York, NY, was appointed Analyst in the securities and markets practice at the Tabb Group. Previously, she worked in Markit Group, Ltd as an analyst in the syndicated loan business.

Erik D. Ralston (MBA '05), of San Francisco, CA, and wife, Kathleen, welcomed a son, Ronan Patrick, on April 9, 2007.

Spencer Schwartz (MBA '07), of Ridgefield, CT, was featured in *Treasury & Risk Management* magazine's "100 Most Influential People in Finance."

In Memoriam

William Zvirin (BS '16)
Paul Levine (BS '31)
Morton I. Epstein (MS '39)
Lois Hartsock Whitted (MS '39)
Kathleen Allan-Meyer (BS '40)
Helen P. R. Brown (BS '40)
Mural Rodnon Charles (BS '42)
Emil H. Mark (BS '42)
Robert W. Bergold (BS '48)
Alfred Gottschalk (BS '48)
Richard F. Kerr (MS '49)
Frank O. Leasendale (BS '50, MBA '55)
Cecil M. Andrews (MBA '51)
George T. Sgouros (BS '52, MBA '58)
William J. Morrison (MBA '55)
Ruth B. H. McKenzie (MBA '57)
Daniel Sharon (MBA '57)
Richard Lomas (BS '71)
Salvador P. Guevara (MBA '84)
Francisco J. Guardiola Medina (BS '92)
Harish K. Reddy (BS '96)
Daniel J. Wilson (BS '02)

NEWS

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Degree from Other Institutions

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PastPerformance

Dynamic Duo

By Daniel Gross

Marty Gruber (left) and Ned Elton have been collaborating for 42 years, producing the best-selling finance textbook.

In 1965, Larry Ritter, then the chairman of NYU Stern's finance department, hired a group of young academics and tasked them with designing a curriculum. After courses ended, the young professors would hang out at McCann's Bar, around the corner from the School's building at 100 Trinity Place. "All the new faculty members did things together," said Edwin (Ned) Elton, who was finishing his thesis at Carnegie-Mellon when he joined the faculty. One night, Elton and Martin (Marty) Gruber, a chemical engineer out of MIT who received his PhD from Columbia, got into a friendly argument over the effect of share repurchases. Both went home bent on proving the other wrong. "We came in with big proofs, and that became our first journal article," recalled Gruber. "That started the collaboration, and we've been collaborating ever since."

For 42 years, Elton and Gruber – who now are both Nomura Professors of Finance and who, respectively, have led Stern's doctoral program for the last 12 years and chaired Stern's finance department from 1989 to 1997 – have engaged in a most productive academic partnership. They co-authored the best-selling finance textbook, *Modern Portfolio Theory and Investment Analysis*, which is now in its 7th edition. Together, the duo has published two other books and about 100 journal articles. In 1999, MIT Press published two volumes of their research. Among their favorites: a paper on ex-dividend returns and an article on simple rules for portfolio analysis, published in the *Journal of Finance*.

Elton and Gruber (who sometimes receive mail addressed to Professor Elton Gruber) live near one another in Ridgewood, New Jersey, where Elton converted the second floor of a barn in the back of his house into an office where they both work.

A great deal has changed at NYU Stern since the mid-1960s, when Gruber taught future Federal Reserve Chairman Alan Greenspan (BS '48, MS '50, PhD '77) in a doctoral course. Among the most significant changes: the understanding that students had to be versed in quantitative economics before they could understand finance, and a shift from the basic corporate finance course to one that stressed the underlying disciplines of instruments and markets.

To a large degree, the success of their continued collaboration relies on the same dynamic that led to their first paper in 1965: respectful disagreement, backed up by research. "I think the reason we have worked together so long is that we rarely agree about anything," said Gruber. "We're still trying to prove that the other guy is wrong. And our articles come out better as a result, because it's like having peer review all the way through."

And who has won more of the arguments? "Each will tell you that he has won more," said Elton. "But part of our good working relationship is that we keep our disagreements between ourselves." ■

DANIEL GROSS *is editor of* STERN*business.*

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