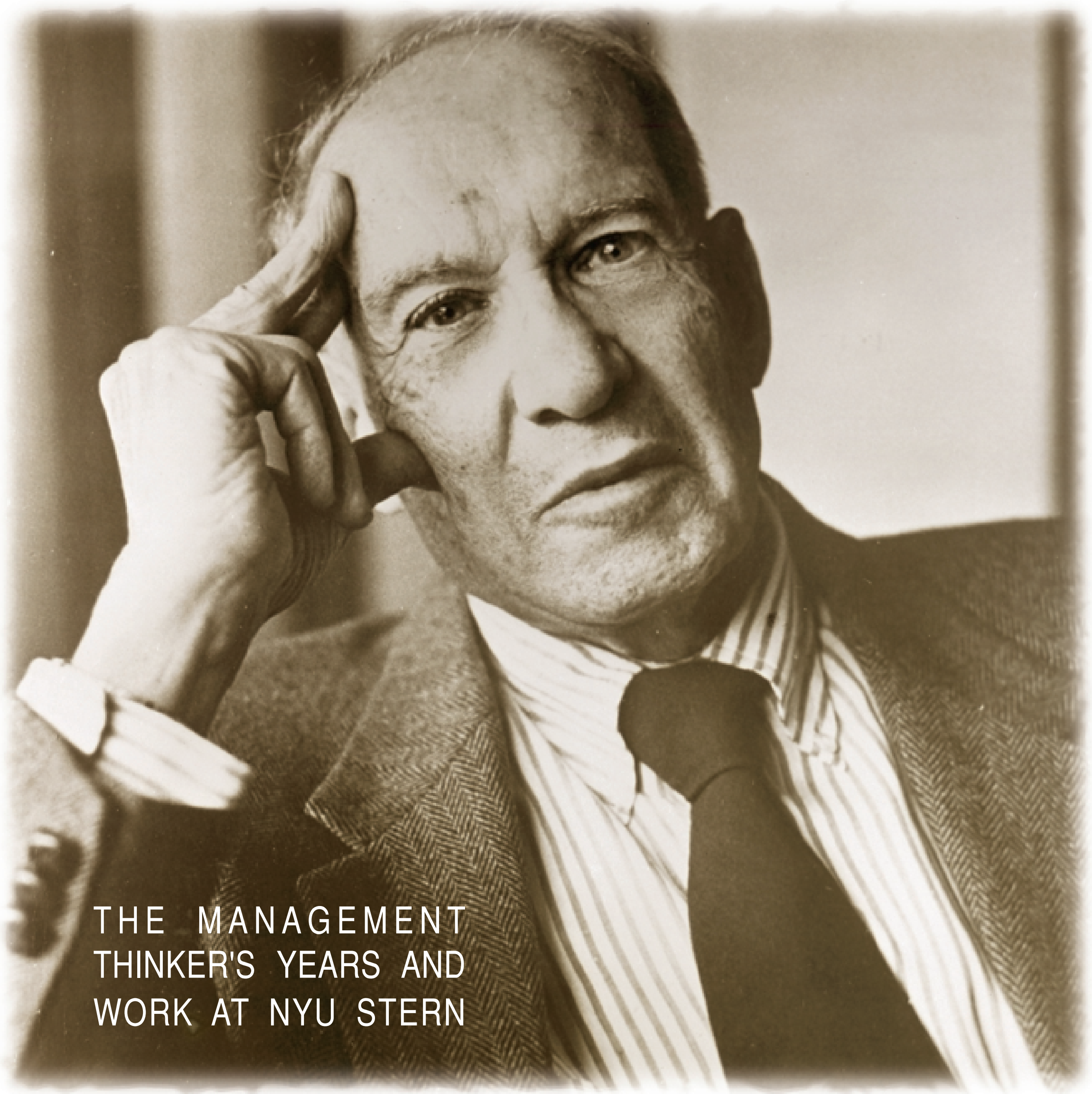
SPRING/SUMMER 2006

the Alumni Magazine of NYU Stern

STERNbusiness

PETER DRUCKER, 1909-2005



Media Moguls Crash Campus ■ Greenspan Honored ■ Michael Steinhardt on Investing ■ Kidville Grows Up ■ Enron's Impact on Jobs ■ Beware Celebrity CEOs ■ Profits at Family Firms

a letter from the dean

In this issue of STERN*business* we mark the passing of Peter Drucker, the prolific and brilliant management theorist who spent the most productive portion of his remarkably long and influential career at New York University Graduate School of Business Administration, as Stern was then known.

Drucker had a transformative impact on the field of management, and on the broader business culture, because he was a creative and innovative thinker who did not confine his analysis to the standard theories of the day. While he spent much of his career based at universities – he taught at the School from 1950 to 1971 – he never fit conveniently into the academic mold.

Whether the topic was the impact of technology or the management of large corporations, he always offered a bold and fresh viewpoint – one in which close observation and experience informed theory. The same process worked in reverse. Through his writings, teaching, consulting, and lectures, Drucker brought theory and academic research outside the walls of the university to an extraordinarily broad audience.

Drucker encapsulated much of what we regard as our mission at NYU Stern – bringing together the best of academic research and real-world experience to provide the best business education to the brightest business students. It's a mission we're uniquely positioned to carry out by virtue of our location in New York. We see New York, in all its complexity and dynamism, as our classroom. In and around the city, the huge concentration of companies, managers, and executives serves as a vast source of knowledge – and as an audience eager for the future talent we provide.

As seen in this issue's alumni pages, Stern is actively connecting with a community that spans the globe. But we also have our sights set closer to home. In September, our Langone Part-time MBA Program, which already offers evening and weekend-only options at our Washington Square Campus, will return to Westchester County. This location will make it more convenient for working professionals in the area to advance their careers without stepping away from them. Students in Westchester will benefit from the same excellent curriculum and faculty and receive the same degree as all NYU Stern MBA students.

Making it easier for busy professionals to integrate a first-rate business education into their working lives is the sort of project that would surely have intrigued Peter Drucker. With this issue, we honor his legacy and contributions to the School and to the communities we serve, and we highlight the many exciting efforts and initiatives underway at Stern.

Thomas F. Cooley

Thomas F. Cooley
Dean

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STERN*business*

A publication of the Stern School of Business
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Public Offerings

A SARBANES-OXLEY FOR NONPROFITS?

From left to right: Professor Seymour Jones, Mark Lilling, Barry Fingerhut, and Joel Levy.

In November, nearly 200 academics, industry practitioners, regulators, and legal professionals attended a gathering at NYU Stern to debate whether it is practical or necessary for nonprofit organizations to implement Sarbanes-Oxley governance reforms. The event, sponsored by NYU Stern Ross Institute's Corporate Governance of Not-for-Profits, was moderated by Seymour Jones, clinical professor of accounting at NYU Stern, and Mark Lilling (BS '72), managing director at Great Neck, New York-based Audit Committee Consulting Team LLC.

Lilling noted that in New York City alone there are 92,000 nonprofit organizations with a total of $218 billion in assets. Given the vast number of organizations – and the vast size of their assets – he asked panelists whether nonprofit organizations should be subject to a set of regulations similar to those imposed on corporations by the 2002 Sarbanes-Oxley Act.

Barry Fingerhut (MBA '69), president of GeoCapital, LLC, who sits on a number of private boards, including the NYU Stern Board of Overseers, spoke about his experience as a board member at FEGS, the largest not-for-profit health-related and human services organization in the United States. According to Fingerhut, FEGS is already years ahead of public and private boards in terms of accounting practices and has always had adequate controls in place. However, he noted that a majority of nonprofits are under-funded and under-managed, and would have a difficult time being compliant with Sarbanes-Oxley.

Gerald Rosenberg, chief of the New York State Attorney General's Charities Bureau, discussed how his agency investigates accounting abuses by nonprofits using anonymous tips from insiders and by reading the charities section of *The New York Times*.

Teresa John, professor of accounting at NYU Stern, concluded that certain provisions of Sarbanes-Oxley, such as those dealing with independent boards, audit committees, audits, and improved controls, would indeed benefit the not-for-profit world.

Michael Hayes, a partner at PricewaterhouseCoopers LLP, said he believes that a majority of nonprofits are already implementing a good number of Sarbanes-Oxley regulations, but on their own timetable. Other panelists included: Joel M. Levy, CEO, YAI/National Institute for People with Disabilities, and James S. Sligar, a partner at Milbank, Tweed, Hadley & McCloy, LLP.

The Corporate Governance of Not-for-Profit Organizations forum was made possible through the generous support of NYU Stern alumnus Mark S. Lilling and The Audit Committee Consulting Team LLC.

AMY CHUA DISCUSSES FREE MARKETS AND INSTABILITY

In September, Amy Chua, professor at Yale Law School, delivered the annual Lubin Lecture to a packed audience of NYU Stern students and alumni from the Undergraduate College's Scholars Program. During her lecture, Chua recapped the key themes from her book, *World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Promotes Global Instability*, which *The Economist* selected as a "Best Book of 2003." Chua captivated the audience with her perspective on the impact of globalization, and discussed at length her theories on "market-dominant minorities," citing examples ranging from Burma to The Republic of the Ivory Coast.

The Lubin Lecture was established by Joseph I. Lubin, a distinguished business, civic, and philanthropic leader and Trustee of New York University. The lectures have attracted world-class leaders to NYU Stern including such prominent figures as Vice President Hubert Humphrey, former US Senator Jacob J. Javits, and former Federal Reserve Chairman Paul A. Volcker. In April, Thomas Friedman, foreign affairs columnist at *The New York Times*, journalist, and author of *The World is Flat*, will deliver the 2006 Lubin Lecture.

Top: New York University President John Sexton (left) and NYU Provost David McLaughlin (right) confer Alan Greenspan.

Bottom: Stern Dean Thomas Cooley congratulates Greenspan.

Photos by Phil Gallo

NYU AWARDS GREENSPAN AND BROWN HONORARY DEGREES

At a special convocation in December, New York University conferred honorary degrees upon two highly distinguished figures in the field of global finance: Alan Greenspan, chairman of the Board of Governors of the Federal Reserve System, and Gordon Brown, chancellor of the Exchequer of the United Kingdom.

In the ceremony's welcoming remarks, NYU Stern Dean Thomas F. Cooley said that both Chairman Greenspan and Chancellor Brown have kept their nations' and the world's economies on course and have had a transformative influence on the way these economies have developed. Dean Cooley also shared his pride in Greenspan (PhD '77, MA '50, BS '48), one of Stern's most noted alumni: "At the Stern School, we aspire to teach our students about the transformative potential of business and the global business environment," he said. "No one represents this aspiration in a more realized form than our most celebrated alumnus, Alan Greenspan."

Robert Kavesh (BS '49), NYU Stern emeritus professor, presented Greenspan with his degree and reflected on their relationship. They were students together at NYU, which Greenspan attended after studying the saxophone at the Juilliard School. Later, Kavesh taught Greenspan as he pursued a graduate degree at Stern. NYU President John Sexton shared an observation provided by Greenspan's wife, NBC correspondent Andrea Mitchell, who said, "If Professor Kavesh were not such a great teacher, we might have had a great jazz player."

In accepting his honorary degree, Greenspan commented on how, on average, world standards of living are rising in large part because of the widening embrace of competitive free markets in China and India. "Since the autumn of 2001, global gross domestic product per capita has grown more than 8 percent. And growth in developing Asia, where so many of the world's poor reside, has been considerably faster," said Greenspan, whose 18-year tenure at the helm of the nation's central bank ended in January.

Brown, who has served in the UK's top financial post since 1997, lauded both NYU and New York City in his acceptance speech. "It is a privilege to be awarded and to receive an honorary degree in this great city, from this great university, which by virtue of its location – in and of the city – has become a global university of and for the world," he said.

Like Greenspan, Brown also discussed global economic trends. "Globalization can work for people or against people," Brown said. "Poorly managed, globalization can create a vicious circle of poverty, widening inequality, and increasing resentment. Managed wisely, it can lift millions who participate in the world economy out of deprivation and become the high road to a more just and inclusive global economy."

Greenspan left the audience with a final thought: "America's founding fathers … bestowed upon us a system of government and a culture of enterprise that have propelled the United States to the greatest material prosperity the world has ever experienced. Today's students, both here at NYU and throughout our country, are carrying forward those traditions. I know they will improve upon this inheritance of democratic government and free markets in ways that we have yet to imagine."

FLORIO'S GUESTS INCLUDE MEDIA BIG SHOTS TOM FRESTON, MARTHA STEWART, AND SUSAN LYNE

Martha Stewart (left) and Susan Lyne.

Steve Florio, (BS '72), an executive-in-residence at NYU Stern, takes the title of his course literally. For his course, Leadership in the Communications Industry, the former president and CEO of Condé Nast Publications, Inc., routinely exposes his students to well-known leaders in the communications industry.

Last September, Viacom Co-president and Co-chief Operating Officer Tom Freston (MBA '69) visited NYU Stern and spoke candidly with MBA students and alumni about his rise from one of the founders of MTV to the chief of a leading global media company, which now includes CBS, Nickelodeon, Comedy Central, Spike TV, and Showtime. In January, Freston became the chief executive officer of Viacom.

Freston said it was important for Viacom to focus on its consumers, meet their needs, and deliver on their expectations, particularly in a "media world that is in an unbelievable state of disarray right now – it's becoming fragmented because of the Internet." He cited creativity, innovation, and open-mindedness as key factors in the company's success, and noted the company's commitment to having a global perspective, decentralized management, and strong employee culture.

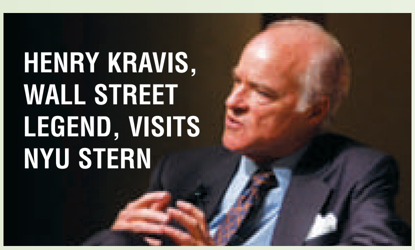
He encouraged entertainment managers to hire a diverse group of talented people and keep them informed; create a positive and fun corporate culture; maintain a passionate and open-minded attitude; put creative people in charge; celebrate success; give back to the community; and recognize when there is a need for a "good shake-up." Above all, Freston encouraged students to "Do something you like. Luck and timing may not always work in your favor, but that doesn't mean you're not succeeding because of your abilities."

On November 2, Florio brought in Martha Stewart, founder, and Susan Lyne, president and CEO, of Martha Stewart Living Omnimedia, Inc., to speak candidly with students about the rise, fall, and recovery of the lifestyle corporation.

After years as a stock broker, Stewart pursued her dream of creating beautiful "How To" books on homemaking. She found a partner in Time Warner after meeting much resistance from countless publishers, and proved that tireless persistence in pursuit of one's goals does indeed pay off. Stewart also spoke openly of the scandal involving her sale of shares in the drug company Imclone, which temporarily derailed her career and created a series of challenges for Martha Stewart Living Omnimedia.

Susan Lyne followed Stewart, detailing her career path, including her term at ABC working to launch hit television shows "Desperate Housewives" and "Lost." Lyne, who joined Martha Stewart Living Omnimedia in 2004 during a critical transition for the corporation, described the initiatives she has put into motion at the company to rebuild momentum, strengthen the management team, and return the Martha Stewart image to television. Martha Stewart's new shows "The Apprentice" and "Martha" debuted this fall on NBC.

HENRY KRAVIS, WALL STREET LEGEND, VISITS NYU STERN



NYU Stern's Berkley Center for Entrepreneurial Studies, with the help of Stern alumnus Al Berrios (BS '00), recently welcomed Henry Kravis, co-founder of Kohlberg Kravis Roberts & Co., the private equity firm that was instrumental in legitimizing the use of leveraged buy-outs for underperforming organizations. Jeffrey Robinson, Stern assistant professor of management, conducted a candid interview with Kravis in front of an audience of 150 students and alumni.

Kravis described his early professional years as a runner at Goldman Sachs, which marked the start of a successful career on Wall Street. He also spoke about the launch of Kohlberg Kravis Roberts & Co. (KKR) and two of its most well-known acquisitions, RJR Nabisco and Toys "R" Us. He then touched on KKR's newest endeavor – the company's expansion into the Asian market with the opening of offices in Hong Kong and Japan.

From left to right: Al Berrios, Henry Kravis, Deputy Dean Russell Winer, and Professor Jeffrey Robinson.

NOBEL LAUREATES, LEGENDARY INVESTORS CONVENE FOR HEDGE FUND CONFERENCE

From left to right: Dean Thomas Cooley, Myron Scholes, and Luc de Clapiers.

Below, right: Professor Robert Engle spoke about his new research on measuring downside risk.

The rapid growth of hedge funds has been one of the biggest stories in the financial world in recent years. Last September, a conference convened by NYU Stern's Salomon Center brought together two Nobel laureates, several hedge fund pioneers, and about 400 people from the frequently overlapping spheres of finance and academics to discuss trends and research in the field.

The Hedge Fund Conference, sponsored by IXIS Capital Markets, a member of the fourth largest banking network in France, opened with remarks from NYU Stern Dean Thomas Cooley and IXIS President and CEO Luc de Clapiers. Michael Steinhardt, the former managing member of Steinhardt Management LLC and a legendary figure in the hedge fund industry, gave the morning keynote address. Steinhardt reflected on his 27-year career in hedge funds and discussed the changes that have affected the industry since his retirement. Steinhardt pointed to what he views as the alarming proliferation of hedge funds today, the increased management fees which are not reflected in returns, and the heightened emphasis on transparency between manager and client. Steinhardt advised fund managers to make sure their first priority is always to make money for their clients.

The conference featured professors from leading business schools who presented new research on hedge fund-related topics, including market price of variance risk; share restriction and asset pricing; hedge fund performance, risk and capital formation; and measuring volatility. Robert Engle, 2003 Nobel Laureate and Michael Armellino Professor of Finance at NYU Stern, shared his new research on measuring downside risk. In several panel discussions, financial services executives covered a wide range of issues, including performance expectations, evaluating hedge funds, and risk strategies/management.

In his luncheon keynote address, Myron Scholes, 1997 Nobel Laureate and chairman of Oak Hill Platinum Partners, addressed the prevalence and inevitability of systematic risk in hedge funds. These risks include major events, such as Hurricane Katrina and September 11, which always impact the economy and ultimately clients' investments but cannot be predicted. Scholes suggested that managers build flexibility into their risk models to account for unanticipated events.

The conference concluded with a dinner reception featuring Alan Blinder, economics professor, co-director of Princeton's Center for Economic Policy, vice chairman of The G7 Group, and a former vice chairman of the Federal Reserve Board of Governors. Blinder spoke of the impending regulations the SEC is expected to impose on the hedge fund industry. He outlined the different types of regulations, from disclosure to anti-fraud guidelines, and recognized that while some of the generic arguments for regulation apply to hedge funds, self-regulation should be sufficient to ensure good business practices.

Top, from left to right: Max Holmes, Geoffrey Gold, Marti Murray, Allan Brown, Professor Ed Altman, and Jeanne Marano, executive director of Alumni Affairs.

Bottom: Ed Altman and Wilbur Ross.

PROFESSOR ALTMAN LEADS LIFELONG LEARNING WORKSHOP ON DISTRESSED DEBT

Edward Altman, Max L. Heine Professor of Finance at NYU Stern and the vice-director of the Salomon Center for Research in Financial Institutions and Markets, recently led a Lifelong Learning Workshop on "Investing in and Analyzing Distressed Debt." This half-day workshop, sponsored by the Office of Alumni Affairs, featured a presentation by Altman and Wilbur L. Ross, Jr., the noted turnaround financier and chairman and CEO of WL Ross & Co. LLC, as well as a luncheon and a panel discussion with industry experts.

Altman offered a preview of his famed "High-Yield Bond Default and Return Report" for the third quarter of 2005. Altman explained that while default rates have retreated from their high in 2002 and investors have seen an all-time high recovery rate of 60 percent in the third quarter of 2005, there will be higher default rates in the future, with larger companies among the victims. "No longer is size a proxy for health," said Altman, who was named one of the 100 most influential people in finance by *Treasury and Risk Management* magazine. He noted that the market has grown dramatically in recent years, with a face value of $700 billion, market value of $540 billion, and an estimated $150 billion dedicated to investing in this area in America alone.

Ross provided a case study on his revitalization of the steel industry in 2002, where he created the International Steel Group (ISG). ISG acquired Bethlehem Steel, LTV, Weirton, Acme, Georgetown, and US Steel's plate operation to become the largest integrated steel company in North America. Then, through its merger with Mittal Steel, it formed the largest steel company in the world. Ross also discussed his interest in purchasing distressed automotive parts enterprises, like Collins & Aikman. In describing the roller coaster ride of working with turn-around companies, Ross said, "There are two good days – the day you get in, and the day you get out."

The workshop concluded with a panel discussion with industry experts Allan Brown (MBA '94) from Concordia Advisors, Geoffrey Gold (MBA '91) of Strategic Value Partners, Max Holmes from Plainfield Asset Management, and Marti Murray (MBA '86) of Murray Capital Management.

Altman has been educating Stern MBA students on "vulture investing" and "bankruptcy predication" for 30 years and has approximately 50 graduates known as "Altman's Vultures," who are established professionals in the distressed debt markets.

VANGUARD FOUNDER, BOGLE, CRITICIZES CORPORATE GREED

Mutual fund pioneer John Bogle kicked off NYU Stern's 2005-2006 Author Lecture Series with a rhetorical jolt. The founder and former head of The Vanguard Group of mutual funds, Bogle has been an advocate for the individual investor for more than 50 years. Since retiring from Vanguard in 2000, he has emerged as a frequently caustic critic of corporate governance. His most recent book, *The Battle for the Soul of Capitalism*, lays out his views on the recent failures of the American financial system.

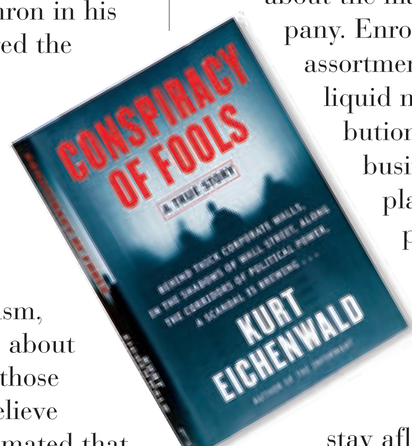
In a discussion on November 17 with a packed house of alumni and students, Bogle noted that his lectures at NYU Stern – he was a visiting professor in the 2000-2001 academic year – served as a precursor to his fifth book, *The Battle for the Soul of Capitalism*. The book examines how, in Bogle's view, the business and ethical standards of investment, corporate, and mutual fund America have been greatly compromised as the US economy has moved from an ownership society in which individuals held the capital of corporation, to a structure in which institutions predominate as owners. As a result, he said, owners' capital has been put at risk to build the interests of corporate and financial managers. Bogle suggested that we need to return to building companies with integrity, and to a system in which the money invested in a company and put at risk by the investor is actually used to benefit the investor rather than corporate and financial managers.

Bogle, 75, offered extensive anecdotes from the corporate, investment, and mutual fund arenas. Among his observations: there has been a failure of corporate gatekeepers and a rise in management compensation; the proportion of stocks held by individuals has fallen from 92 percent in 1950 to 32 percent today; and the mutual fund industry has been taken over by financial conglomerates, with 41 of 50 fund managers being publicly held.

"It is time to build the world anew," Bogle argued. "Fund managers today are in the business of earning a return on their capital, not yours." He called for the formation of a federal commission that would develop policies to respond to corporate failures. He also recommended taking the steps necessary to eliminate the shortfall of public, private, and individual retirement plans, and reaffirmed his desire to create a fiduciary society where citizen investors receive their fair share.

NEW YORK TIMES REPORTER EICHENWALD INAUGURATES HAITKIN LECTURE SERIES

In October, *New York Times* reporter Kurt Eichenwald, who chronicled the demise of Enron in his best-selling book *Conspiracy of Fools*, delivered the first Haitkin Lecture. Hosted by NYU Stern's Market, Ethics and Law Program, the Haitkin Lecture aims to analyze issues of ethics and integrity in the practice of business. It is made possible through the generosity of alumnus Jeffrey Haitkin (BS '68).



Eichenwald, a two-time winner of the George Polk Award for Excellence in Journalism, outlined the business judgments that brought about Enron's epic failure and the moral lessons of those actions. "The vast majority of what people believe happened, didn't," said Eichenwald, who estimated that incompetence and bad management were two to three times more prevalent than illegal activity.

Eichenwald chronicled Enron's transition from a simple oil pipeline company to an energy trading company, and cited the positive publicity that management received in the press as a defining moment in the company's development. Enron's senior managers, he said, believed themselves to be so smart that they effectively abandoned the work. Their collective arrogance was a fundamental element in the company's collapse.

Having read all of Enron's board minutes and documents since 1992, Eichenwald spoke authoritatively about the many foolish decisions made at the company. Enron, he noted, invested $12 billion in an assortment of ill-advised ventures, including a liquid natural gas plant in India, retail distribution in Brazil, and an Internet broadband business. All these investments were badly planned, badly executed, and underpinned by poor analysis, which compounded the problems brought about by a series of complicated, conflict-ridden deals constructed by Chief Financial Officer Andrew Fastow.

"The question is 'How did Enron stay afloat so long?' not 'How did it collapse so quickly?'" Eichenwald said. After all, neither the company's business model, structure, or managerial mindset actually worked. Enron had "a poisoned culture of arrogance" that silenced those employees who questioned management.

Calling himself "a proponent of financial history," Eichenwald urged students to learn from the Enron debacle. "There are lessons each of you can learn," he said. He also cautioned, "We will be here again."

Stepping into the Shoes of a Cosmetic Giant

By **Daniel Gross**

It can be a daunting challenge for a non-family member to assume responsibility for a third-generation family company – especially when your bailiwick includes running the firm's namesake brand. That's the task John Demsey (MBA '82) faces as global president of the Estée Lauder Brand.

The Estée Lauder brand is the heart of the eponymous cosmetics company, founded by Estée Lauder in 1946. While Estée Lauder died in 2004 at the age of 95, the third generation of family leadership – her grandson, William Lauder, is president and chief executive officer of the company, son Leonard Lauder is the chairman, daughter-in-law Evelyn Lauder is senior corporate vice president, and granddaughter Aerin is the senior vice president, global creative directions of the Estée Lauder brand – carries on the tradition.

Demsey grew up in Shaker Heights, Ohio, attended Stanford University, and went to work at Macy's after graduation. He parted paths from most of his Stern colleagues in the class of 1982 by forgoing a career in investment banking and returning to retail, working at Bloomingdale's, Saks, and Revlon before joining Estée Lauder in 1991 as the vice president of sales for the West Coast region.

At the time, the firm was privately held and relied on a few large, powerful brands. Today, Estée Lauder is a publicly traded multinational organization (2005 revenues were more than $6.3 billion) with operations in 130 countries and more than 22,000 employees. The company has an impressive portfolio of brands – Estée Lauder, Origins, Clinique, M·A·C, Bobbi Brown, Donna Karan, etc. – that may seem to compete with each other. "The corporation is run as a portfolio of different brands with unique, dedicated brand management and creative direction," said Demsey. "Our philosophy is that we would rather own our competition than compete with somebody else."

In 1998, Demsey was named the head of one of those brands – M·A·C. He built it into a $500 million business, and developed the M·A·C AIDS fund into a major fundraising force. "Companies at the end of the day are about people, they're not just about products, numbers, and cash flow," said Demsey. "When you can engage people toward a common goal, or raise awareness about issues, it creates a richer environment." Demsey also said that the Lauder family's personal philanthropic activities in areas such as the arts and breast cancer were one of the things that attracted him to the company. "When I joined M·A·C, I saw the work that was being done with AIDS as an incredible opportunity to make a difference." In addition to his current responsibilities with the Estée Lauder brand, Demsey still runs M·A·C.

For Demsey, the value of the Stern MBA has been in the thought process it has instilled. "It gives you a context of how to think, and how to gather the information and

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Little Kids Bring Big Business

By **Stephanie Sampiere**

At age 37, Andy Stenzler (MBA '94) recently launched his fifth business. But the idea didn't come from a fellow Stern graduate, or from the bankers and venture capitalists he got to know while building the restaurant chain Cosi. It came from a source closer to him – his wife, Shari Misher Stenzler (Tisch MA '94). Shari had a hectic music class experience with their first child, Kylie, which led the couple to create Kidville, New York City's first urban campus for kids.

In Manhattan's cul-de-sac-less, concrete jungle, parents of small children continually seek ways to escape with their children from confining apartments. Kidville's first location, on the Upper East Side, caters to the area's more than 15,000 kids under the age of 5. With class names like "Big Muscles for Little Babies," "From Bach to Rock," and "My Big Messy Art Class," Kidville is a one-stop shop for the one-month to five set, offering music, gym, and art classes, as well as a place for kids and parents to mingle, shop, and eat.

The Stenzlers found that parents were looking for a single place that has all types of classes for their children, so that they don't have to travel to different places for art, gym, and dance. Kidville took this idea and added additional services for parents who arrive early or have time after class, such as a café for lunch and snacks, a retail store for buying birthday gifts and toys, and a salon for kids' haircuts and moms' manicures.

"Certainly there are a lot of competitors in this space," Stenzler said. "But typically those competitors are either a music guy, a dance guy, or a gym guy, and I think before we came along, nobody had grasped what parents really want."

The parents have responded. In the year-plus that Kidville has been open, it has attracted more than 3,000 members, most of whom live between 60th and 96th Streets on Manhattan's east side. While Stenzler says that moms attend the majority of Kidville classes, dads also try to make them, as do a fair share of nannies.

"We've become a real community," said Stenzler. "You can't choose when your friends have kids, so you have to make new friends that have kids the same age. That's one of the powers of Kidville. It has become a community for moms to meet, dads to meet, and the nannies to meet."

Kidville also offers New York City's largest pre-school alternative program. Kidville University is a gradual separation program that allows children to start classes with their parents and then socialize with other children and learn through different types of play. In the past year, the class has grown from 20 to 105 students.

Kidville University, along with the other Kidville programming, was developed by the Stenzlers, along with help from Andy's mom. Iris Stenzler was a New York City public school teacher and day camp owner for more than 40 years. After she retired, she became an informal advisor for Kidville, but missed the day-to-day interaction with children and came on board full-time as an administrative advisor.

In addition to the Stenzler family, Kidville was founded by two families close to NYU. Laurie Tisch,

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PHOTO BY MICHAEL MOLINOFF

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work as a business leader. Having the flexibility, business savvy, and sometimes the street smarts to integrate all of this is what separates you from your competition."

His advice for those just starting out in the industry or looking to transition into it: "Do what you like." And be willing to work on the periphery of businesses you're interested in. With fashion or cosmetics, he noted, there are "all sorts of ways to get into the game" – in advertising, publishing, retail, and management consulting. "Sometimes you might be better served by not going directly into the industry but by gaining your experience doing something else."

Having celebrated its 60th birthday in March 2006, Estée Lauder – like most other well-known brands – faces challenges. In the US, the waves of consolidation and the decline of traditional department stores continually disrupt established sales channels. Internationally, "we're working to redefine the brand's regional relevance, particularly in Asia. International experience is extraordinarily important and probably the most valuable thing I've learned over the last 10 years," he said. "Take India and China for example. This is where we're all going to now in terms of how products go to market. If you can get international experience, it's definitely something that will serve you well. It matters a lot now, and it's going to matter even more in the future."

Demsey believes that for all that has changed in the global cosmetic industry, crucial aspects of the company's culture, philosophy, and brands haven't changed. The strategy for future success relies in part on looking backward. "We've really gone back to the DNA and the things that made the brand a success." That means emphasizing, for example, the skin care for which Estée Lauder herself was so well-known.

And success means continuing to develop new product lines to appeal to new generations. Demsey worked on the development of the Sean Jean Unforgivable fragrance for men business with hip-hop impresario and entrepreneur Sean "Diddy" Combs. The company recently teamed with former Gucci and Yves Saint Laurent designer Tom Ford on the Tom Ford Estée Lauder Collection, a re-interpretation of select iconic Estée Lauder products. This fall, the team will launch the TOM FORD beauty brand.

The challenge of maintaining an established brand amid tough competition, while continually introducing new ones, may seem enormously complicated. But according to Demsey, at root, it's rather simple. "At the end of the day you win by having the right product at the right price at the right time." ■

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Andy Stenzler celebrates with his wife, Shari, and their children, Kylie and Colby.

Honorary Chair of the Children's Museum of Manhattan, and Liz and Emanuel Stern, Leonard Stern's son and daughter-in-law, are investors in the business. So, too, is Rammy Harwood, current NYU Stern Langone student and a former partner in Stenzler's earlier business, Cosi. Tennis stars Andre Agassi and Steffi Graff, and Richard Chapman and Gordon Hamm, owners of Garage Management Corp., are also investors in Kidville.

Speaking about his time at Stern, Stenzler described how he was able to complete the Langone Program on an accelerated pace because of his lucrative first job selling commercial air conditioners at York International. "I was taking nine credits a semester at Stern while I was working, and I got out in two and a half years, with the first class that graduated from the new building (the Henry Kaufman Management Center)."

Stenzler started Xando the year he graduated. Xando later acquired Cosi, assumed the Cosi name, and went public. He also has been involved in the founding of GTN.com, an online training company, and was the head of SoLofts, a sister real-estate initiative to CitiHabitats. Most recently, Stenzler teamed with fellow NYU Stern alumnus, Kenny Lao (MBA '04) to launch Rickshaw, a fast-casual dumpling restaurant. (See STERN*business*, Fall/Winter 2005)

In offering advice to other potential entrepreneurs, Stenzler said: "Take as many risks as you possibly can. A lot of students at Stern are married or have young children, and it's hard to take a risk, but you have to find ways. There are ways to do it."

So what's next for the serial entrepreneur? In May, Kidville will tap into the 15,000 kids on the Upper West Side. Stenzler also sees Kidville expanding into a media company with DVDs and books on the way. But for now, he is content heading to work with his wife and two kids in tow. The rest is just gravy. ■

8 QUESTIONS

LESLIE ALEXANDER (BS '65), Owner, Houston Rockets

1. What has been the biggest change in the league and in the business of basketball since you bought the team in 1993?

When I bought the team, there was much more upside in ticket prices and local television revenue. Now, the big upside is going to be from selling out your building, selling sponsorships. Eventually, in the next five or six years, the upside will come in the big increase in national television revenue, the use of the NBA in different channels such as the Internet, and revenue derived from other parts of the world.

2.* Forbes *says the Rockets have appreciated in value nearly five-fold since you bought the team, from about $75 million to $420 million. Are basketball teams good investments?

Yes. The nice thing about sports teams is the lack of volatility on the downside. You won't see a basketball team worth $420 million one year fall to $350 million the next year. Ultimately, we're in a content business, and we produce a lot of shows – exhibition games, regular season, and playoffs – every year. What's more, our sport seems to lend itself to global audiences in a way that, for example, baseball doesn't.

3. Every business in every industry wants to get in on the Chinese market. Is that why you signed Yao Ming, the first Chinese player in the NBA?

It was a basketball decision, pure and simple. We had the first pick, and I just wanted the player I thought could lead me to a championship more quickly. You have to remember that the NBA has very strict limitations on what teams can do outside their own boundaries. Most of what we can do in China revolves around signage in our own arena. That said, our profile in China is very high. There are millions of fans there who live, breathe, and die with the Houston Rockets.

4. Yao Ming's new long-term contract means he accounts for 25 percent of the salary cap. Does it make you nervous to have so much of your payroll tied up in one player?

Sure it does. And Tracy McGrady has about 30 percent of it. And right now, both of them are injured, and we're suffering. We're not winning. My two best players aren't playing. You have to take tremendous risks to win, and this is part of the business. This is another big difference between basketball and baseball, or football. Every player on my team is 20 percent of my starting team.

5. The Rockets won the NBA Championship twice in your early days of running the team. What are the challenges in repeating, especially with the salary cap?

In basketball, you can't just sign whoever you want to sign. We have a salary cap. And we have a limit that says no single player can get more than 25 to 30 percent of the salary cap, depending on the years of service. That makes it much more equal for all teams, regardless of the size of your home market. I'm thrilled that we have this kind of structure in place, and that's one of the reasons the teams go up in value so much.

6. Other than winning a championship, what financial or performance metrics do you use to determine whether the team had a successful season?

Winning the championship is the only metric I care about.

7. You're a well-known supporter of animal rights. How do you integrate your interests in these areas into your management of the Rockets? Can the two spheres mix?

I'm on the Board of the Humane Society. We give them free signage in our arena and free radio time. There are no animal products at our merchandise stores in the arena. And if you look at the menus in my restaurants, there's no veal and no foie gras. I used to be a vegetarian, and I try to eat as little meat as possible. Our concession stands do sell hot dogs, and, of course, the balls are leather. I hear negative things about it once in awhile. But people appreciate it.

8. You were a large and early investor in First Marblehead Corp., which is in the student-loan business. Why did you think that was an attractive business? And have you been surprised at its growth?

Well, I met the people. And probably three-quarters of the success of a business are the people, not the product. You could see that there was going to be a future in private lending to students, because the government was not going to provide enough. But it took a long time. I invested in this company in the early 1990's, and there were a lot of lean years until it went public in 2004.

Peter Drucker, 1909-2005
THE MANAGEMENT THINKER'S YEARS AND WORK AT NYU STERN

DRUCKER'S VIBRANT, TIMELESS WISDOM

THREE FORMER CHAIRMEN OF NYU STERN'S MANAGEMENT DEPARTMENT ASSESS DRUCKER'S LIFE AND WORK, AND HIS TWO FRUITFUL DECADES AT THE SCHOOL.

By **Dale E. Zand, Richard Freedman,** and **David Rogers**

Peter Drucker, perhaps the most influential management thinker of the 20th century, died on November 11, 2005, at the age of 95. Drucker, who taught at NYU Stern from 1950 to 1971, was a prolific author with a remarkable ability to communicate with executives in business, nonprofit organizations, and government. The business press referred to him as "the guru of management." And while it was not a title he sought, it was apt. Through his 40 books and hundreds of articles, Drucker changed the way academics, managers, and laypeople thought about the corporation and its role in society. For his many contributions, he was awarded the Presidential Medal of Freedom in 2002.

STERN*business* asked several members of the NYU Stern community who knew Drucker and his work to participate in a virtual symposium on the impact he had on management – and on Stern.

Peter Drucker was born in Vienna in 1909 and was trained in political philosophy, law, and economics in Europe. He was a clerk in a Hamburg export firm, a security analyst in a Frankfurt bank, and an economist at a London bank. His writing skills brought him to America in 1937 as a correspondent for several British newspapers.

After the publication of his thought-provoking book *The End of Economic Man* (1939), which was favorably reviewed by Winston Churchill, Drucker became a professor of philosophy and politics at Bennington College in Vermont. In *The Future of Industrial Man* (1942), Drucker argued that the catastrophic effects of centralized state control in Germany and Russia leading up to World War II demonstrated that democratic socialism was a deeply flawed, unreliable political philosophy. He concluded that independent, effectively managed, industrial corporations held the key to human welfare in a democratic society.

A Lasting Impression

When he was a PhD student at Stern, Henry Kaufman (PhD '58), now chairman emeritus of the Board of Overseers at NYU Stern, was one of Drucker's pupils. In a letter to Dean Thomas Cooley last fall, Kaufman, president of Henry Kaufman & Co., remembered his former teacher:

I was fortunate to be a student of his in the 1950's. His insights and perceptions left a lasting impression on me as they did on so many others. In my time, his book, The Practice of Management*, had already reached wide acclaim and quite a few of the views that were expressed subsequently in his book,* The Age of Discontinuity*, were sprinkled in many of his lectures.*

What perhaps stood out to me as most significant was his capacity to spot important changes and structural developments that were bound to have an influence on management and on economic behavior. That approach left its imprint on me. During my professional career, I have tried very hard to discern the differences between current developments in business and finance and those of the past.

Peter was also helpful to me in a personal way. He was one of the six professors who questioned me for three hours, a requirement for getting a PhD degree from the School. I started off very poorly in my oral defense, but at midpoint I was allowed to go to the bathroom. Peter followed me and said, "Henry, your performance during the first half hour was terrible, but you are beginning to recover, and if you now steady out, you will pass the oral examination." I always felt that was a kindly thing for him to do considering I was just a fledgling junior banker at the time.

Peter Drucker was not one of the academic breed that often dominate life at a university. Nevertheless, he was a giant in his field. Peter Drucker, Marcus Nadler, and several other professors at that time provided strong footings upon which the School was able to build an institution of even greater prominence. – **Henry Kaufman**

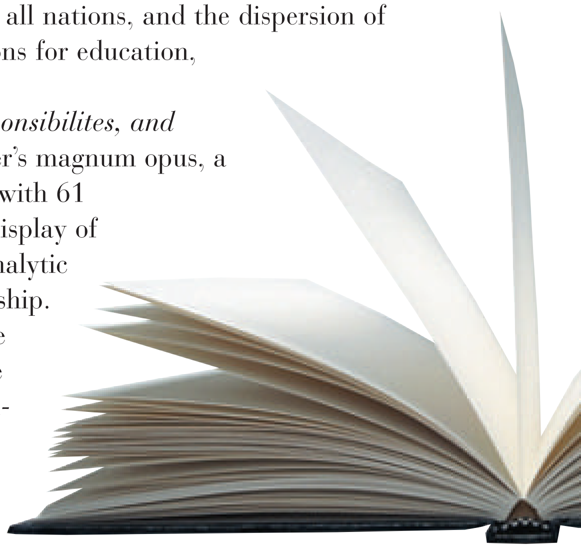
In 1945, General Motors invited Drucker to study its inner workings, which gave him an unusual opportunity to study management in action in a major corporation and led to his landmark book *Concept of the Corporation*. After writing this book, he was no longer the arms-length political economist talking about the firm as an abstract entity. He had been inside the belly of the beast. And from that point on, Drucker came to understand and appreciate the incredible impact management could have on society's quality of life and economic well-being.

Fruitful Tenure

Drucker became deeply interested in management as a study in itself. He was attracted to New York University Graduate School of Business Administration (GBA), as Stern was then known, in 1950 with its student body of working managers and executives who had sufficient experience and motivation to appreciate both management theory and practice. During his tenure at the School, Drucker wrote more than 10 books. Among them were several that established his reputation as a leading thinker in management. His insights in these books are still current, almost half a century later.

Looking back, it is evident that his years at Stern were some of his greatest and most productive. *The Practice of Management* (1954) examined the definition of management, its role in organizations and society, and why management matters. *The Effective Executive* (1966) explored what makes executives productive and how they should manage the many demands on their limited capabilities and time. *The Age of Discontinuity* (1968) was remarkably prescient. It foresaw the rise of global organizations, the development of an interdependent world economy, the need to make the poor productive in all nations, and the dispersion of knowledge and its implications for education, work, and leadership.

Management: Tasks, Responsibilites, and Practices (1973) was Drucker's magnum opus, a volume of almost 900 pages with 61 chapters. It was a stunning display of the scope and depth of his analytic talent and writing craftsmanship. The volume examined a huge range of topics, including the elements of business performance, managerial work and skills, workers and worker



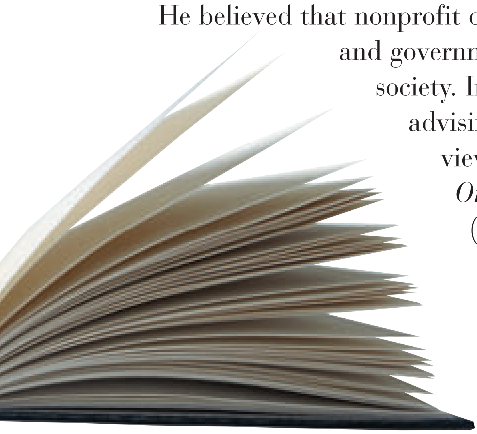
productivity, top-management tasks, corporate strategies, organization structures, and business social responsibilities.

Unconventional Wisdom

Although many of his ideas may seem conventional today, he broke new ground when he formulated them. *The Economist* noted that Drucker is "the one management thinker every educated person should read." As a teacher, his probing analysis of management issues provided students with new insights and ways of studying problems. In an age when management and marketing were taught through formalistic prescriptions built around Weber's classic model of bureaucracies, Drucker broke the mold by focusing on the reality of problems managers faced in organizations. Ralph Davis' *The Fundamental of Top Management* (1951), then one of the most widely-used management textbooks, seems ancient and irrelevant compared to Drucker's classic, *The Practice of Management* (1954), which is still fresh and vibrant today.

Drucker formulated or expanded many of the basic concepts of modern management. For example, the role of profits as a cost of capital and fund for innovation; the importance of decentralization rather than huge, centralized functional departments in large organizations; the liberation of entrepreneurship; the focusing power of management by objectives; the need to understand customers and create products they want, rather than push the sale of those the firm could manufacture but customers did not want; the emerging importance of knowledge workers; the role of labor as a creative human resource rather than a disposable cost of production; the centrality of executive integrity; and the need to reign in chief executive pay. Any one of these themes could occupy the entire career of an academic or consultant. Yet they and many others rolled off Drucker's pen year after year with new and more challenging insights.

He believed that nonprofit organizations, in addition to business and government, make crucial contributions to society. In his later years, he spent much time advising them, and he summarized his views in *Managing the Non-Profit Organization: Practices and Principles* (1990).



After his 22-year stint at the School, Drucker accepted a position at Claremont College in California. But he returned

A Colleague Remembers

Robert (Bob) Kavesh (BS '49), who joined NYU Stern's faculty in 1958, was Drucker's colleague for nearly a decade and a half.

Peter was the great one for ideas, notions, and concepts. I have seen just about everything that he had written, and there is not a hint of an equation. During the 20-plus years that he was at NYU, the field of business education was changing, becoming more analytical and mathematical. And so there was a major difference between the Peter Drucker approach to thinking, and the later thinking. Some people may have said that he seemed to be talking common sense. But it was much more than that. When you go back, and you read some of his earlier works – like the GM study – you can see how profound and meaningful it is. When I read the works of Peter Drucker, I find myself nodding in agreement.

We both lived in Montclair, NJ, and we would get together from time to time for dinners, almost always at his house. At these dinners, he'd open up a discussion, and then it was Peter Drucker almost free-associating. His mind was unbelievable. He would jump all over the place, from Japanese art to German novels, to philosophy. He was a learned man, and when given the opportunity to sit or stand at a pulpit, he was superb. He did have an accent, and that lent a little more authority to what he said. In all the years he was here, I never heard him say an unkind word about anyone. – **Bob Kavesh**

Top: Students gathered in front of the original NYU GBA building, located at 90 Trinity Place near Wall Street, where Drucker taught many of his classes.
Center: GBA was located three blocks from the New York Stock Exchange (pictured).
Bottom: Drucker taught at Stern from 1950 to 1971, and he returned annually until 1991 to conduct seminars for executives.

annually to Stern until 1991 to conduct public seminars with panels of leading academics and practitioners. For two decades, Drucker headlined the Distinguished Seminar lecture series held every April. Along with invited guest speakers, Drucker held audiences of several hundred executives captive for two days.

Drucker described himself as a journalist, writer, and teacher rather than a traditional academic scholar-researcher. Because he was accustomed to the deadlines and pressures of a journalist, he said that first he wrote as much as he could about a topic of interest and, therefore, discovered what he didn't know. He then set about filling the gaps. This approach worked for him because he was a voracious reader, a sensitive listener, and an insightful analyst. He could reach back in history and readily illustrate his points by citing examples in economics, economic theory, government, politics, and business in Europe, the United States, and Japan.

Based on his experience, particularly as a writer who had to be creative while working alone, and his observations as a management consultant, he advised executives that "one can meet or one can work." Of course he understood that some meetings were productive, but he called attention, in his pithy style, to the fact that many meetings were superfluous and accomplished little.

Traditional academics faulted him for not following the scientific paradigm of verified hypothesis – that is, proposing a testable hypothesis, gathering and quantifying data, and analyzing the data to confirm or refute the hypothesis. Drucker recognized the value of academic research and his debt to it, but never pretended to be an academic researcher.

He knew that his strength was in observation, analysis, and writing. He astutely pointed out that what is measurable is not necessarily significant, and what is not measurable is not necessarily insignificant.

Extending this point, he warned executives that the advent of computers could overwhelm them with mountains of data. Time-consuming reviews of masses of backward-looking data would not necessarily reduce uncertainty, but they could distract executives from their task of developing the perspective and generating the insight that should lead the firm into the future.

Drucker's distinctive contribution was in bridging the gap between academic theory and the practice of management. He was a master at providing the language, the concepts, and the metaphors that elevated the practice of management. He was unique in making management understandable and sensible to executives and millions of readers. ■

Ann Fudge

chairman and chief executive officer
Young & Rubicam Brands

Since 2003, Ann Fudge has been chairman and chief executive officer of Young & Rubicam Brands, a global network of marketing communication companies that includes Burson-Marsteller, Wunderman, Landor, Sudler and Hennessy, and Y&R. She also serves as chairman and CEO of Y&R. A graduate of Simmons College and Harvard Business School, Fudge is a veteran of the consumer products industry. She rose through the ranks at General Mills and General Foods, and became president of the $5 billion Beverages, Desserts, and Post Division of Kraft Foods, where she managed brands such as Maxwell House Coffee, Crystal Light, and Altoids. In accepting the Young & Rubicam Brands post, Fudge returned to the corporate world after a two-year absence. She also serves on the Board of Directors of General Electric and Catalyst.

***Fudge was interviewed by Randall Rothenberg, senior director of intellectual capital at Booz Allen Hamilton and editor of* Strategy + Business.**

Randall Rothenberg: *I'd like to start from the beginning. Where did you grow up?*
Ann Fudge: I grew up in Washington, DC. It was still a very segregated city, and there were times as a kid that I saw separate water fountains. So you're looking at somebody who's very much a product of living through the civil rights movement.

RR: *You went to Catholic schools. How did that environment shape you?*
AF: I went to an all-black parochial school, and then to a college prep school for girls, where I was one of 12 young black girls in a school of several hundred. So it was a very interesting educational experience on many levels. Being taught by nuns, combined with my own parents' focus on education, I really had a feeling of self-confidence despite all the challenges that faced people of color at that time.

RR: *What did your parents do?*
AF: My mother worked in government, as did my father, so both of them had very good jobs, and we were fortunate, middle class. Right before I started college in 1969, they told me: "You're going to have opportunities that we never had, so don't think so narrowly about what your career opportunities are."

RR: *In the late 60's, early 70's, business was not something that was held in high esteem. Did you know you wanted to work in corporate America?*
AF: When I went to college, my summer job experiences had been working in a department store, so I thought I would do something in retail. I worked as a buyer's assistant for about three months, and I knew that I never wanted to be a buyer. The night before Thanksgiving, I was working in the store and I was thinking, "I'm supposed to be with my family." Internships are fantastic. Even if they let you know what you absolutely do not want to do. In November of my senior year in college, my professor, Margaret Hennig, recommended I apply to business school. And it was probably one of the furthest things from my mind at the time. I got married in college and had a child, and all I could think about was getting a job and working. And so I applied to one school – Harvard – and I was accepted, and took a two-year deferment.

RR: *You went to General Mills out of business school.*
AF: The offer that I got from General Mills was the lowest offer I had, from a salary standpoint. But I was a married mom with two children, and so I thought both of what was going to be a good career and also manageable from a family perspective. My husband and I moved to the Midwest – neither of us had ever lived there. But Minneapolis is one of the best-kept secrets in America. I never thought I would leave. I moved back to the East Coast and came to work for General Foods much later because my mother got ill.

RR: *What can a General Mills teach a young MBA that a Goldman Sachs can't?*
AF: At a consumer products company, you have to understand business from the inside out: buying your wheat at a good price, packaging, ingredients, working with the FDA. If you're in a financial institution, you're working a lot with numbers.

RR: *Having a couple of little kids when starting a career just can't be easy. How did you manage it?*
AF: When you're young, you can do anything that you set your mind to. A big part of it is having a great partner. At the time, my husband worked at 3M, and he was on the other side of town. We had split responsibilities. Nannies were nonexistent, at least for us back then. And the one thing you prayed is that if your kid got sick, they'd get sick on the weekend.

RR: *So in 2001, you famously took time off to find yourself.*
AF: I wasn't lost. I moved back to the East Coast because my mom was diagnosed with a terminal illness. Then my father got sick. And it takes a toll. When my mom passed away, a secretary who had worked for me for a very long time said, "I know you're going to leave." And I just hadn't thought about it. But it took me two years from the time when I knew I needed to have a break to actually doing it. And then when I took the time off, it was less about finding myself and more about being able to express myself in ways you don't when you're working 24/7. I literally made a list of all the people that I wanted to see, the countries I hadn't been to, and the books I wanted to read.

RR: *Are you finding that it is a lot easier to be the CEO of a traditional company than a professional services company?*

> **"The most important thing the CEOs need to know is what they don't know. You just can't walk in tomorrow and decide that you're going to be a managing director in a financial institution after doing marketing your whole career."**

AF: I find it's something that is challenging me as an individual. There's something else going on, too, that's particular to the kind of service we're in. In the past, we've created advertising messages that people watched and they decided they were going to buy that product. Today, this generation wants to be involved in the creation of a message. So you're no longer passive receivers of media. We use this phrase, "Above and beyond advertising," which is why I keep coming back and talking about marketing communications because it's no longer just about a TV spot.

RR: *Some people are just wedded to the 30-second spot. So it would seem that a real challenge for you as a leader is not just to persuade clients to think differently, but to persuade your own people to think differently.*
AF: Fortunately we have an incredible mix of young people in the organization who live

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Mel Karmazin

chief executive officer
Sirius Satellite Radio

Mel Karmazin is chief executive officer of Sirius Satellite Radio. Founded in 1990, Sirius offers more than 125 channels – 67 devoted to commercial-free music, and the remaining devoted to sports, news, and talk shows. Karmazin returned to his roots in radio when he joined Sirius as CEO in 2004. From 1981 to 1997, he was CEO of Infinity Broadcasting. After CBS's acquisition of Infinity, Karmazin rose to become president and then CEO of the company. When Viacom acquired CBS in 2000, he became president and chief operating officer of the media conglomerate, whose properties include CBS Television, MTV Networks, and Paramount Pictures. Karmazin was inducted into the Broadcasting Hall of Fame in 2003.

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

Tom Lowry: *Sirius has committed $500 million over five years to bring over Howard Stern. How do you rationalize that investment in a single individual?*
Mel Karmazin: I've worked with Howard for 20 years. I first hired him. There aren't many talents that can move an audience, and I think Howard is one of them. The average customer is paying about $117 a year. So if we get a million subscribers thanks to Howard, there's over $100 million a year we'll have. Since the announcement, the awareness level of Sirius dramatically improved to the point where more people can name Sirius than [competitor] XM. Our market share has continually grown every single month. Our stock has more than doubled since we announced the deal, so the investor community believes it must be a smart decision.

TL: *You don't have an MBA. Give me some sense of your business training and how that shaped you as a manager today?*
MK: I was born not far from here, on 11th Street between Avenue B and Avenue C, and I've lived in New York my whole life. I had no plans of going to college. I was taking a typing course, and the teacher, Mrs. Parker, asked me if I wanted a part-time job after school. I had a part-time job after school in a factory. And she said this was in an air-conditioned office and that sounded really good. So I took the job. It paid $1.25 an hour, which was the minimum wage. And it turned out to be an advertising agency. The head of the agency and his sister – neither of whom had kids – took me under their wing. And they convinced me to go to college while I was working full-time at the agency. I stayed at that agency and became a partner. And when it was sold I went to work at CBS.

TL: *You've got more than 125 channels, charge a subscription fee, music is commercial-free, and other programming isn't. How do you end up turning a profit?*
MK: Our revenues this year [2005] are estimated to be about $230 million. That's up from $67 million last year. That number is over $500 million in 2006. We've paid the money for the satellites. We've already paid for the programming. So as we get the revenue from new subscribers, roughly 70 percent of that falls to the bottom line, to the point where we've said we think we will become free-cash flow-positive in the fourth quarter of 2006. So it's all about getting subscribers. And we get them in two ways. One is they buy a Mercedes, a BMW, a Ford, or a Daimler Chrysler, and we factory-install satellite radio there. Or you go to Best Buy or Circuit City and say you want to have it.

TL: *If I'm an investor in Sirius, what kind of benchmarks should I be looking for?*
MK: Probably the single most important number at this stage in the company's growth is how you are growing subscribers. You want to take a look at ARPU, the Average Revenue Per User. And you want to take a look at the churn because you want to find out whether or not the subscribers are canceling their service. You'd also look to see whether a company is using its stock to make some acquisitions or to come back into the market to raise money. I said when I first started that our stock was like gold and that I would not be using our stock.

TL: *Apple is in discussions now with car makers to have the iPod put in as an option in models. How is that not a threat to Sirius?*
MK: I think everything is a threat. I've been involved in the radio business for an awfully long time. I remember thinking when they first put a CB radio in the car: "Oh, my God, no one is going to be listening to the radio." And I remember when they put eight tracks and then CD players in the car. I think the radio experience, including discovery, is a different experience than listening to your own music.

"I remember thinking when they first put a CB radio in the car: 'Oh, my God, no one is going to be listening to the radio.' And I remember when they put eight tracks and then CD players in the car."

TL: *It seems like Sirius has an announcement every other day for new channels. Do you guys ever say no? And what is the sort of filter for what will be a program and what won't?*
MK: Saying no is probably what we do most. There are just a bazillion requests for bandwidth. I think in the last 12 months, we added three channels. We added a Korean channel because we thought the Asian population in the United States was growing and underserved by media. And we added "Cosmopolitan Radio" and "Martha Stewart Living Radio."

TL: *Your former company, Viacom, is about to split the entertainment units and media units. Is that a good decision?*
MK: I don't get it. I don't think that the decision is being made for any strategic reason. It's being made to influence Wall Street. At a time when companies are consolidating, mergers are happening everywhere, advertising agencies are merging, Proctor & Gamble and Gillette are combining. Wal-Mart is becoming stronger than ever before. Why do you want to be weaker in negotiating against these companies? And why do you want more cost?

TL: *What do you worry most about at this point in your career?*
MK: The area that I concern myself about is making sure that whatever we say we're going to do, we're delivering. And that our integrity is there. When you're in an organization, you've got a lot of people and all you need is one stupid person to do something.

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Janet Robinson

president and chief executive officer

The New York Times Company

Since December 2004, Janet Robinson has served as president and chief executive officer of The New York Times Company, whose holdings include *The New York Times, The International Herald Tribune, The Boston Globe*, and more than 15 other daily newspapers, television, and radio stations, a portion of the Boston Red Sox, and several websites, including About.com. In more than 20 years at The New York Times Company, Robinson, a graduate of Salve Regina College who taught in public schools for several years, has held a series of positions in the company's magazine and newspaper divisions.

She was interviewed by Jacques Steinberg, a staff reporter at* The New York Times*, and the author of* The Gatekeepers*. Jacques is currently covering television.

Jacques Steinberg: *Can you start by talking about why you wanted to become a teacher and why you decided to switch careers?*

Janet Robinson: I always felt that teaching was a calling that had great power. You have great impact on people's lives when you are a great teacher. But after teaching for 12 years, I felt it was very important for me to listen to an inner voice that was saying that perhaps it was time to do something different. I had always been very interested in publishing and media, and so I started interviewing at magazine companies and newspaper companies.

JS: *What sort of reception did you get? I mean, you had no real business experience.*

JR: You learn to live with rejection. And in fact, you make rejection your friend, which is a bit of advice that I would give to everyone. I interviewed for almost a year and a half before I got the first position, which was at *Tennis* magazine. And there were some translatable skills from teaching. You polish your presentation skills, each and every day. You have to motivate children of all ages, which transfers very nicely to becoming an executive with any company. And you are also managing performance and expectations. When I finally secured a position, it was after a very long interview in which I turned the tables, where I started interviewing the interviewer.

JS: *What did that first job entail?*

JR: They gave me all the accounts that no one else wanted. They gave me the New England territory knowing that I was from New England. So I traveled in my rented car from Vermont to New Hampshire to Boston to Rhode Island to all of the shoe companies and broke a lot of new business. But it took a lot of hard work.

JS: *Can you walk us through some of the milestones that followed in terms of your moving up the ladder?*

JR: I became the national resort and travel manager for both *Golf Digest* and *Tennis*. Then I became the advertising director of *Tennis*. They asked me then to be the corporate sales and marketing director for our women's division, which included *Family Circle, McCall's,* and *Child*, which I did for about three years. In 1993, I became advertising director of *The New York Times Sunday Magazine*, and about a year later became advertising director and the senior vice president of all advertising for the newspaper. In 1996, I was promoted to president and general manager, and remained there until 2000 when my responsibilities expanded to include *The Boston Globe* and the 15 regional newspapers we own. In 2003, I became chief operating officer of the company.

JS: *Are there parts of the operation that you were less familiar with when your responsibilities expanded?*

JR: Production. I had no idea what a printing press looked like in 1993, when I took over the advertising department of *The Times*. It was then critical to learn how printing presses worked, and how important it is to sell positions of ads effectively. I also had to become educated with regard to labor unions because we are a union shop.

JS: *The Times Company recently bought a 49 percent interest in* Metro*, a free daily paper in Boston. What was the rationale behind that?*

JR: Metro International is a Scandinavian company that brings free newspapers to the US. Boston is a young community, a very strong college community, and we really wanted to reach that younger readership. And of course, on the Internet, we're seeing free journalism as a model. So we're providing *Metro*'s readers with some content from *The Globe* that really acquaints that readership with what *The Globe* may have to offer as well.

JS: *Earlier this year, The New York Times Company bought the Internet company About.com. Can you explain that to us?*

JR: We're thrilled with About. It is a very content-rich website with 24 channels and many, many more micro-sites. With NYTimes.com, Boston.com and About.com, The New York Times Company is now the 12th largest parent company on the Internet. And the ad network that we can sell around that is really very substantial. We also acquired About because the company has a great skill in search engine optimization that we wanted to have in-house.

JS: *Help us understand why The New York Times Company wanted to be a part owner of the Boston Red Sox.*

JR: It's very important for us to be the one-stop-shopping mecca for advertisers in Boston. We have regional newspapers in that area, we have Boston.com, and we felt that it was very important for us to invest in New England Sports Ventures, which owns a piece of the Red Sox, as well as the NESN television network, which owns the rights to broadcast the Red Sox games and the Bruins games. NESN has original programming as well. When you have writers like Dan Shaughnessy, for example, at *The Boston Globe*, you want to make sure that their talents are leveraged over a variety of platforms.

"You learn to live with rejection. And in fact, you make rejection your friend, which is a bit of advice that I would give to everyone."

JS: *This is not the easiest time to sit in* The Times *newsroom. We're in the midst now of our second round of job cuts this year. Can you talk about the behind-the-scenes calculations?*

JR: You always have to look at the two lines: your expense line and your revenue line. And when your revenue line is going through either secular or cyclical changes, you have to make sure you're monitoring your expenses. At *The Times*, our greatest commitment is to quality journalism. So when we have made cuts, we have made them overwhelmingly on the business side of the operations. We're going through a very disciplined approach to productivity and efficiency within the business side of the organization. I hope we never get used to making announcements of buyouts and layoffs because it's not an easy thing to do.

JS: *I hear constantly that the place where I go to work is endangered. Do you take a different view?*
JR: Everyone in the media business has heard this day upon day, year upon year. When the telegraph came out years ago, the newspapers were going away. Consumers are consuming news differently. But they don't necessarily choose just one medium. I think we need to realize that we are not just a newspaper company; we are a news company that will leverage the content across platforms. We constantly re-invent ourselves. We are on the radio now with XM, for example.

Audience questions:
Q: *What qualities helped you move up the corporate ladder?*
JR: I think it's extremely important to love what you do. I think that I have a lot of personal drive. If people come to work unhappy, and they're not passionate about what they do, they don't really exude enthusiasm. I walk through the revolving doors of the Times Company everyday and I'm thrilled with what the next hours will bring. And I look for that in people I hire.

Q: *After September 11th,* The Times *was unparalleled in its coverage on what was going on in the world. How difficult was it to suddenly snap your fingers, develop a new section, and have that run seamlessly with the entire organization?*
JR: The production side of things is very versatile. We have 21 print sites across the country, and they have to turn on a dime. They are constantly on call. As far as the sales and marketing in that particular instance, "The Nation Challenged" was a section that really didn't have many ads. And this is another thing that I think we are extremely proud of. Certainly, the coverage of Katrina that you saw recently was a real commitment monetarily on the part of the company to make sure we told the story. And this company will always do that.

Q: *Is The New York Times Company planning to enter or serve the US Hispanic market?*
JR: We have lots of strategic planning activity underway right now with regard to the Hispanic market. We have entered it in a small way in Lakeland, Florida, with a weekly publication called, *Vision Latina*, that was launched last December. I think there is a wonderful opportunity for the Times Company to enter that market. We just want to make sure we're entering it in the right way, and in the right platform.

Ann Fudge continued

and consume media very differently. They're helping us to think differently internally. And I've seeded a lot of them on different teams. I have a CEO breakfast once or twice a month, and I get young people from all the different companies in together so they can meet and have somebody else to talk to in another business.

RR: *There seemed to be a period where ad agencies decided they were going to be entertainment companies. And now research seems to be playing a greater role. Can you talk about that?*
AF: The differentiation for Young & Rubicam's brand is that we have a very strong asset called the Brand Asset® Valuator. It looks at four pillars: differentiation, relevance, esteem, and knowledge. It's a database of thousands of brands with four quadrants. The lower left-hand quadrant is when you're starting out, and where you want to be is in that upper right-hand quadrant, where the differentiation is strong and the knowledge is strong and the balance is just right. Our clients want to understand how all this works in a world where they have to focus on their return on investment.

Audience Questions:
Q: *Who are your role models and mentors, and could you describe your leadership style?*
AF: I'm not sure I had that many role models. When I was growing up, there weren't a lot of people that looked like me that I could look to and say, "I want to be like that." But I had a whole range of mentors. Mentors don't have to be people who are senior to you. You could have a very wise person who happens to be an assistant or a secretary in an organization who knows the ins and outs and can guide you. As for my leadership characteristics, I would like to think that I work at creating an environment where people know what to contribute and ideally create opportunities for people to collaborate. I try to be as inclusive as possible and to hear a lot of different viewpoints and then make a decision and move forward. Things are changing massively. You cannot afford to just keep analyzing the situation without taking action. And so I like to think that I'm decisive as well.

Q: *At a large integrated company, do you think that most effective CEOs are ones with technical expertise of the industry or ones with more general worldly knowledge?*
AF: I think it depends on the kind of business that you're in. The most important thing the CEOs need to know is what they don't know. You just can't walk in tomorrow and decide that you're going to be a managing director in a financial institution after doing marketing your whole career.

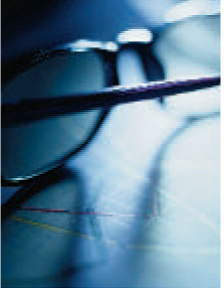
Q: *I'm a first year MBA student. I have a child, and I just started this program a few weeks ago. What is your advice on juggling everything?*
AF: I think you have to understand that you work to live, you don't live to work. That includes your family and all those other things. I'll never forget my mom saying once, before I went to college, "Whatever you choose to do, always put your family first. Because you can work at some place for 30 years, and when you die, they'll sum up your career in two lines. But your family is going to love you." And that just hit it all home again. Work hard. Trust me, I'm not trying to say don't work hard. But if you can, keep it in context.

Mel Karmazin continued

Audience Questions:
Q: *Inevitably you're going to have advertisers asking to be part of your exclusive content. How do you balance the attraction of those revenue streams with the desire to keep that content free of advertising?*
MK: We have more than 125 channels, 67 of them don't have commercials, and won't, ever. So that means we have more than 60 radio stations, in essence, in every single market in the country, where we can grow advertising. We have "Out Q," a gay and lesbian lifestyle channel, and we're getting tremendous response from advertisers who want to be on that channel. I've said to people, "Short-term, 90 percent of our revenues will come from subscriptions; 10 percent from advertising. But I like two streams of revenue as compared to terrestrial radio and television, which are just advertising driven."

Q: *In its heyday, terrestrial radio was the engine that drove the record business. I'm wondering if you have any plans at all to work closely with the record labels so that people could hear a song on Sirius and then download it?*
MK: In the last two weeks I have met with the CEOs of three of the four major record companies because I do think there are things that we can do. They love us because we are playing their music on our 67 channels. There is no country music station in New York, but we have six country music stations. There is no question that they would like us to make it possible for their music to be sold or downloaded. And we're open to that.

Q: *What was the biggest challenge you faced while you were at Viacom?*
MK: The biggest challenge was the growth area. If you're at $30 billion and you grow revenues 5 percent a year, that's $1.5 billion, and it's sort of tough. I thought when we did the Viacom/CBS merger, it was done. Game over. It was as good as it could get. I get a call on a Sunday night from somebody telling me that AOL is going to announce that they're merging with Time Warner. "Oh, my God. What does that mean?" And so Monday I'm at the office, phones are ringing, everybody is telling me what to do: "You've got to go meet with the Yahoo people." And Yahoo stock was at $230. And I'm sitting there and saying, "What is going on?"



Prospectus

Japan Center Welcomes Nobel Laureate as Visiting Professor

Edward Prescott, the 2004 Nobel Laureate in Economic Sciences, has joined NYU Stern for the 2005-2006 academic year as the Shinsei Bank Visiting Professor in Economics at NYU Stern's Center for Japan-US Business and Economic Studies.

Prescott, the W. P. Carey Professor of Economics at Arizona State University's W. P. Carey School of Business, is working with colleagues in the economics departments of both Stern and the NYU College of Arts and Science. In March of 2006, Prescott and Stern's Japan Center hosted a conference on savings and the Japanese economy.

“It is an honor for the School that a scholar of Ed Prescott's distinction will be engaged at Stern for 2005-2006,” said NYU Stern Dean Thomas F. Cooley. “His presence and contribution to the Japan-US Center builds on the Center's collaborations with other celebrated scholars in economics, including Nobel Prize-winning professors Paul Samuelson, Robert Solow, and Robert Engle.”

Prescott, who has held teaching positions at Carnegie Mellon University, University of Chicago, University of Minnesota, and University of Pennsylvania, is the author of more than 100 articles and is noted for his contributions to the theory of economic development and growth, banking, and financial markets, as well as to business cycles and tax policy.

He shared the 2004 Nobel Prize with Finn Kydland of Carnegie Mellon University for their contributions to dynamic macroeconomics, specifically the time consistency of economic policy and the driving forces behind business cycles. In 2003, Prescott received the Erwin Plein Nemmers Prize in economics. He is currently a fellow of the American Academy of Arts and Sciences and the Econometric Society.

Kauffman Foundation Awards Grant to Berkley Center

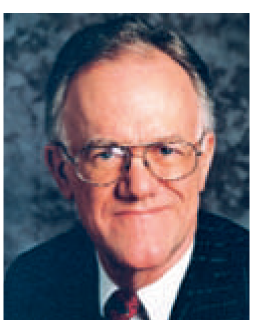
In November, The Ewing Marion Kauffman Foundation awarded NYU Stern's Berkley Center for Entrepreneurial Studies a three-year, $735,000 grant to support and stimulate research on innovative entrepreneurship.

This prestigious grant will fund the NYU Stern Berkley Center/Kauffman Foundation Entrepreneurial Project, to be led by **William J. Baumol**, Harold Price Professor of Entrepreneurship and Academic Director at the Berkley Center.

The grant was one of many recent honors for Baumol, who is renowned for his research on entrepreneurship in economic renewal and growth. Last fall, he was inducted into the Accademia dei Lincei, the the oldest scientific academy in Italy. And the annual meeting of the American Economic Association in Boston in January featured three sessions in Baumol's honor – as well as an exhibition of his paintings.

With the support of other researchers at NYU and Stern, Baumol will use the Kauffman Foundation grant to expand current research efforts, to create rich databases for use across the University and other academic institutions, and to produce useful results for practitioners. “Entrepreneurship, especially when paired with innovation, is a major stimulant of economic growth, and a powerful instrument for raising living standards and eliminating poverty,” he said. “With our research we hope to fill the gap in entrepreneurial research and inspire further work on this topic.”

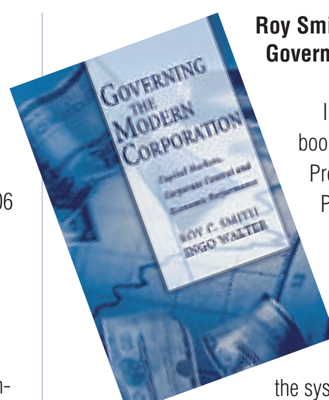
Former TIAA-CREF Chief Named Executive-in-Residence



John H. Biggs, the former chairman and chief executive officer of pension fund giant TIAA-CREF, was appointed executive-in-residence at NYU Stern as well as executive fellow in the Executive MBA program for the 2005-2006 academic year. This appointment extends Dr. Biggs' engagement with the School, where he served as NYU Stern's Citigroup Distinguished Fellow in Leadership and Ethics for the 2004-2005 academic year.

Dr. Biggs, who received his PhD in economics from Washington University in St. Louis, spent more than 20 years at TIAA-CREF, the nonprofit financial institution that invests on behalf of employees of universities and other nonprofits. A Fellow of the Society of Actuaries, he currently serves on a number of corporate boards, including Boeing, where he chairs the audit committee, and J.P. Morgan Chase. He is also the chairman of the board at the J. Paul Getty Trust and at Emeriti, a nonprofit organization offering post-retirement medical benefits to college faculty.

Roy Smith and Ingo Walter Collaborate on New Governance Book



In January, Oxford University Press published a new book by **Roy Smith**, Clinical Kenneth Langone Professor, and **Ingo Walter**, Seymour Milstein Professor of Ethics and Corporate Governance and Strategy. In *Governing the Modern Corporation: Capital Markets, Corporate Control, and Economic Performance*, Smith and Walter trace the evolution of corporate governance over the past century to reach an understanding of how the system failed so horribly in the 1990's. They note that the professionals involved in running corporations and the financial system – executives, investment bankers, analysts – were hampered by deep-seated conflicts of interest. And they argue that politicized regulators also failed to perform as expected. Smith and Walter conclude that all agents involved in the markets, from investors to executives, must do a better job at being accountable for the fiduciary obligations they hold to shareholders, clients, and investors.

Professor Sargent to Head American Economic Association

Thomas Sargent, William R. Berkley Professor of Economics and Business, was recently named president-elect of the American Economic Association (AEA). As president-elect, Sargent will oversee a variety of the association's activities, including organizing its annual meeting and supervising the publication of the AEA's many academic journals.

"The American Economic Association is the premier professional organization in economics," said Luís Cabral, chair of the economics department at NYU Stern. "His appointment as president-elect reflects the extraordinary prestige he has in the profession."

Sargent, who joined Stern in 2002 from Stanford University, is an advisor to the Federal Reserve Banks of Minneapolis, San Francisco, and Chicago. His current work involves developing models to understand persistently high European unemployment rates, and using new statistical methods to characterize the changing behavior of the Federal Reserve since World War II and the responsiveness of the US economy to its actions.

research *roundup*

Nicholas Economides, NYU Stern professor of economics, continues his research in telecommunications and technology. His working paper, "Quantifying the Benefits of Entry into Local Phone Service," co-authored with Katja Seim and V. Brian Viard of Stanford University, quantified the savings reaped by New York State consumers due to competition in local telecommunications services between 1999 and 2003. Extrapolating the results nationwide, the authors concluded that the annual consumer benefit was $1.1 billion, until regulatory and legal decisions in 2004 killed the competition. His other paper, "Two-Sided Competition of Proprietary vs. Open-Source Technology Platforms and the Implications for the Software Industry," co-authored with **Evangelos Katsamakas** (PhD '04), of the Fordham University School of Business, was published in *Management Science*. Among other results, the paper found that when a system based on an open-source platform with an independent proprietary application competes with a proprietary system, the proprietary system is likely to dominate the open-source platform industry, in both market share and profitability. This finding may explain the dominance of Microsoft in the market for PC operating systems.

Assistant Professor of Marketing **Justin Kruger** has been delving into the psychological implications of our growing reliance on e-mail. In "What You Type Isn't What They Read: The Perseverance of Stereotypes and Expectancies Over E-mail," Kruger and Nicholas Epley of the University of Chicago Graduate School of Business showed that racial stereotypes and bogus expectancies influence people's impressions more strongly over e-mail than in voice interactions. The article was published in the *Journal of Experimental Social Psychology*. In addition, his research paper, "Egocentrism Over E-Mail: Can We Communicate as Well as We Think?" co-authored with Epley, Jason Parker, and Zhi-Wen Ng of the University of Illinois, appeared in the *Journal of Personality and Social Psychology*. The article argues that people may overestimate their ability to communicate effectively through e-mail, in large part because the difficulty in conveying tone and emotion online may make it difficult for recipients of e-mail to appreciate the messages being sent.

short *takes*

Martin Gruber, Nomura Professor of Finance, was elected to the board of directors of the National Bureau of Economic Research (NBER), the nation's leading nonprofit economic research organization dedicated to promoting a greater understanding of how the economy works. The NBER's board of directors includes representatives from the leading US research universities and major national economics organizations. The NBER's past researchers include 16 of the 31 American Nobel Prize winners in economics and six of the past chairmen of the President's Council of Economic Advisers. Gruber will serve as the American Finance Association's representative on the NBER.

Richard Sylla, Henry Kaufman Professor of the History of Financial Institutions and Markets, became president of the Business History Conference, at its annual meeting in Minneapolis in May 2005. Sylla will give his presidential address to the association of US and international business historians at its meeting in Toronto, Canada, in June 2006.

Professor of Economics **William Greene** is co-investigator (as an expert in econometrics) of a major research project at the NYU College of Nursing. The project, led by Christine Kovner of the College of Nursing, will study newly-licensed nurses in order to track changes in their careers, and was recently awarded a $1.96 million grant from the Robert Wood Johnson Foundation.

John Asker, assistant professor of economics, was among the eight scholars who received the 2005 Young Economists' Essay Awards from the European Association for Research in Industrial Economics. Asker received the award for his paper, "Diagnosing Foreclosure Due to Exclusive Dealing," at the association's annual conference in Oporto, Portugal. **Luís Cabral**, chair of Stern's economics department, delivered the closing plenary session at the conference.

At the annual meeting of the European Economic Association, held in Amsterdam, **Mariagiovanna Baccara**, assistant professor of economics, received one of the four Young Economist Awards given by the EEA. The award cited her joint paper with Heski Bar-Isaac, "Power and Organizational Structure under an External Threat."

Anindya Ghose, assistant professor of information systems, received the second-place prize in the 2005 ACM SIGMIS Doctoral Dissertation Award for the best dissertation in the field of information systems at the International Conference on Information Systems. Ghose's dissertation, "The Strategic Impact of Electronic Secondary Markets on Firm Performance, Market Structure and Social Welfare," examined the impact of Internet-based used-good markets on book publishers, retailers, and consumers.

In October 2005, **Baruch Lev**, Philip Bardes Professor of Taxation and director of the Vincent C. Ross Institute of Accounting Research, gave a presentation entitled, "The Art and Science of Valuing Intangibles and Managing Reputation," at the International Sustainability Leadership Symposium in Zurich. Held once every two years, this prestigious conference was attended by approximately 250 corporate executives, policymakers, non-governmental organizations, and consultants.

ILLUSTRATION BY GORDON STUDER

THE BURDEN OF CELEBRITY

When CEOs win coveted awards, it's not necessarily good news for shareholders – or for the CEOs themselves.

By **James B. Wade**, **Joseph F. Porac**, **Timothy G. Pollock**, and **Scott D. Graffin**

It is often difficult to determine whether a firm's performance is driven by the excellence of its top management team or by general economic and organizational conditions. After all, today's good fortune could result from a favorable industry environment or from the foresight of past managers who have since left. Conversely, uncontrollable economic downturns or deteriorated conditions inherited from predecessors may lead to disappointing performances. And how should such dynamics affect executive compensation? After all, in today's environment, investors, analysts, and regulators like the Securities and Exchange Commission are all focusing on the size, content, and disclosure of executive compensation.

Organizational research suggests that social devices are often invented by third parties to assess the abilities of actors by creating a competency ordering. The media play an important role in constructing such orderings through certification contests, like *Fortune*'s Most Admired list, *US News and World Report*'s business school rankings, *Institutional Investor*'s all-star analyst teams, or *Financial World*'s CEO of the Year award.

But does it matter? Do the stocks of companies with all-star CEOs perform better than those of other companies? Or does CEO star status bring with it negative consequences for firms, such as managerial overconfidence and hubris? Do CEOs who top the lists receive greater compensation than their colleagues who don't make the final cut? Or, as former NYU Stern Professor Charles Fombrun has suggested, can being named a star create the "burden of celebrity," under which high expectations about future performance can lead to disappointment?

"Do stocks of companies with all-star CEOs perform better than those of other companies? Or does CEO star status bring with it negative consequences for firms, such as managerial overconfidence and hubris?"

Testing Hypotheses

We set out to examine these questions by constructing several hypotheses and testing them against a data set.

There's good reason to believe that employing a star CEO could be valuable to a firm. As Fombrun has noted, having a highly recognized CEO at the helm may reassure stakeholders that the firm's future prospects are bright and, in turn, enhance the ability to attract higher quality employees, increase leverage over suppliers, and gain better access to needed capital. Certification awarded by experts would seem to confer a positive institutional reputation and lead to increased prestige power for the anointed star. That influence in turn may allow CEOs to leverage their knowledge and skills more effectively and produce positive firm outcomes. So our first hypothesis (***Hypothesis 1***) holds that: *CEO certifications will be positively associated with a firm's future performance.*

On the other hand, CEO certification could theoretically be detrimental to future firm performance by inducing overconfidence and hubris in CEOs anointed as stars. CEOs who have been successful in the past may overestimate the expected returns from their corporate investment decisions, and may engage in expensive corporate acquisitions. Evidence suggests that overly confident CEOs are more likely to invest in "pet projects" funded by internal cash flows. This leads to an alternative hypothesis (***Hypothesis 1a***): *CEO certifications will be negatively associated with a firm's future performance*.

A second set of hypotheses deals with compensation. According to executive compensation expert Graef Crystal, many corporate boards believe that high pay for star CEOs is a wise investment in managerial talent. Stakeholders may heavily weigh the outcomes of certification contests when evaluating a CEO's talent because they are likely to be perceived as one of the few relatively neutral sources of information. Certified CEOs may thus be able to leverage their high-status in negotiating future compensation contracts with the board, or board members may simply feel justified in paying star CEOs more. We therefore hypothesize (***Hypothesis 2***): *CEO certifications will be positively associated with CEO compensation.*

If subsequent firm performance is high after a CEO has been publicly recognized as competent, these earlier attributions will be reinforced, and the certified CEO may obtain a compensation premium. But if things go poorly, such CEOs may actually be held more responsible and receive lower compensation than non-certified CEOs whose firms achieve similar levels of performance. Being recognized as a star CEO may thus be a double-edged sword. That leads to our final hypothesis (***Hypothesis 3***): *Certifications in the past will be positively associated with a CEO's compensation when the firm's subsequent performance is high and negatively associated with his or her compensation when the firm's subsequent performance is poor.*

CEO of the Year

We set out to test these hypotheses by examining performance and compensation figures from companies in the S&P 500 and companies whose leaders were named in *Financial World*'s CEO of the Year competitions. Each year, from 1975 to 1996, the magazine surveyed over 1,000 peer CEOs and business analysts, who rated between two and three thousand CEOs on criteria such as company performance, the ability to increase competitive position, leadership team and employee morale, and contributions to the industry, community, and nation at large. In each industry, analysts and CEOs selected three bronze medal award winners. The bronze medalists in each industry were then grouped within 12 general business categories. Research directors at Wall Street's largest investment houses selected silver medal award winners for each

category. Finally, the editors of *Financial World* chose the single gold medal award winner from among the silver medalists.

Our sample included 278 companies that were members of the S&P 500 at the end of 1992, ranging in size from $154 million to $351 billion in total assets. (We began our sample in 1992 because that was when the SEC significantly increased its reporting requirements to require firms to report all elements of a CEO's compensation.) We gathered panel data for the five years starting in 1992 and ending in 1996. The list of medal winning CEOs in our sample contains many of the most well-known and respected CEOs in the US, including Jack Welch of General Electric and Lawrence Bossidy of Honeywell.

First, we assessed the immediate reaction of firm certification on performance. If investors believe that winning a medal conveys new information about the quality of the CEO and his/her ability to positively influence the future cash flows of the firm, one would expect a positive stock market reaction in the days following the announcement. Using either a financial market model or a market index, we calculated expected returns for each firm, and then subtracted the expected returns from actual returns. These differences are known as excess (unexpected) returns and reflect the extent to which the event provided new information about the value of the firm. We examined the impact of winning a medal on a firm's excess returns in the days immediately following the announcement of the medal. As **Table 1A** shows, the excess returns in the three days prior to the announcement of the awards (days -3 to -1) were not significant. But after the announcement, the stock market reacted positively. The cumulative excess returns calculated using both the market model and market adjusted returns are positive and significant for the intervals from zero to two days and zero to three days. The daily excess returns before and after the event, (**Table 1B**) were positive and significant one day after the event using both the market model and market adjusted returns. Overall, our results suggest these awards are viewed favorably by the market, as Hypothesis 1 suggests.

To investigate the longer term effects of certification, we ran additional event studies over longer windows (**Table 2**). Using the market model, we found in the 30-day window that the cumulative excess return becomes negative and marginally significant. By 240 days, the return increases to -8.23 percent and is highly significant. Combined, these results suggest that while the

TABLE 1A
Excess Market Returns Surrounding the Announcement of Medals

		Market Model		Market Adjusted Model	
Days	N	Abnormal Return	T	Abnormal Return	t
-3 to -1	186	-0.17%	-0.839	-0.04%	-0.178
0 to +1	186	0.28%	1.66*	0.38%	2.28**
0 to +2	186	0.47%	2.30**	0.64%	3.08***
0 to +3	186	0.49%	2.06**	0.69%	2.90***

TABLE 1B
Daily Abnormal Market Returns Surrounding the Announcement of Medals

		Market Model		Market Adjusted Model	
Days	N	Abnormal Return	T	Abnormal Return	t
-3	186	-0.04%	-0.38	-0.01%	-0.09
-2	186	-0.01%	-0.07	0.05%	0.44
-1	186	-0.12%	-1.01	-0.08%	-0.66
0	186	0.03%	0.28	0.13%	1.07
1	186	0.25%	2.06**	0.26%	2.16**
2	186	0.20%	1.65*	0.25%	2.12**
3	186	0.02%	0.13	-0.06%	0.46

TABLE 2
Long Term Excess Market Returns Surrounding the Announcement of Medals

		Market Model		Market Adjusted Model	
Days	N	Abnormal Return	T	Abnormal Return	t
3 to 30	186	-1.13%	-1.79*	0.14%	.223
3 to 90	186	-3.36%	-3.01***	0.70%	.625
3 to 180	186	-7.07%	-4.45***	0.88%	.553
3 to 240	186	-8.23%	-4.48***	2.38%	1.29

*= p<.10, **=p<.05, ***=p<.01

immediate effect of winning a medal is positive, over time this trend reverses and becomes negative, as Hypothesis 2 suggests.

Compensation

Next, we looked into the relationship between CEO star status and compensation. We gathered data on compensation from the EXECOMP database. A CEO's total direct compensation included salary, bonus, the value of restricted stock grants, options granted during the year, long-term incentive payouts that year, and all other types of cash compensation paid in that year. When we ran the tests, we found that winning a medal in the current year increases a CEO's pay by approximately 10 percent and each medal awarded in the previous five years adds almost 5 percent to his/her total pay. We also tested Hypothesis 3 by interacting medals won in the past with firm performance as measured by return on common equity, a measure commonly used as a basis for awarding incentive pay. The interaction was highly significant and in the expected positive direction. Winning medals had a positive effect on a CEO's pay when accounting performance was above zero but a negative effect when it was less than zero.

Clearly, being certified had a positive effect on the recipient's compensation, over and above any performance differences that might exist between winners and non-winners. If a CEO's compensation partially reflects the extent to which a company's directors value a CEO's abilities and contributions, this result suggests that certification does indeed heighten the tendency of boards to attribute special competencies to the CEO. It appears from our data that this attribution then leads the board to set up an evaluative "gauntlet" for the CEO in subsequent years, since certification has a positive impact on compensation as long as return on equity remains positive. If a company achieves a negative return on equity, star CEOs receive lower total compensation than non-medal winning CEOs for an equivalent level of performance.

"Investors initially bid up the price of company stock after learning about a CEO medal. However, shortly afterward they reverse course and bid down the price."

This general pattern of results suggests a more nuanced representation of the effects of CEO certification on firm and individual outcomes than is suggested by our original hypotheses and the prior research literature. Our results indicate that profitability is insensitive to CEO certification, at least over the one-year time window that we used in our analyses. If CEO certification has no short-term effect on the profitability of a company, then winning a medal can only be, at best, a noisy signal regarding the relationship between managerial ability and longer term profitability. And yet our results indicate that investors respond immediately, and over the course of the year, to this signal in predictable ways. Investors initially bid up the price of company stock after learning about a CEO medal. However, shortly afterward, they reverse course and bid the price down. Company boards seem to respond quickly to CEO certification as well, as our results on compensation show.

One possible explanation for this more nuanced pattern of data is that certification does indeed create a burden of celebrity. Simply maintaining a certain level of performance may not be sufficient for shareholders of firms with celebrity CEOs. Firms that employ star CEOs seem to have a higher expectational hurdle to meet in order to be valued positively by the market. While boards of directors seem to be more lenient in their expectations, they do respond more negatively to lower profitability when a star CEO is involved.

Overall, our results provide cautionary information for corporate pay policies. Given that CEO certifications do not appear to have a short-term beneficial effect on future profitability, the argument that boards of directors should pay exorbitant levels of compensation to attract and retain star CEOs whose firms have performed well in the past may be somewhat misplaced. However, boards of directors might be able to mitigate these costs by making pay more dependent on future performance. Ironically, the overconfidence that past success creates may provide a mechanism through which boards can clamp down on future compensation if a star CEO fails to deliver. ■

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This research will be appearing in an upcoming issue of the *Academy of Management Journal*.

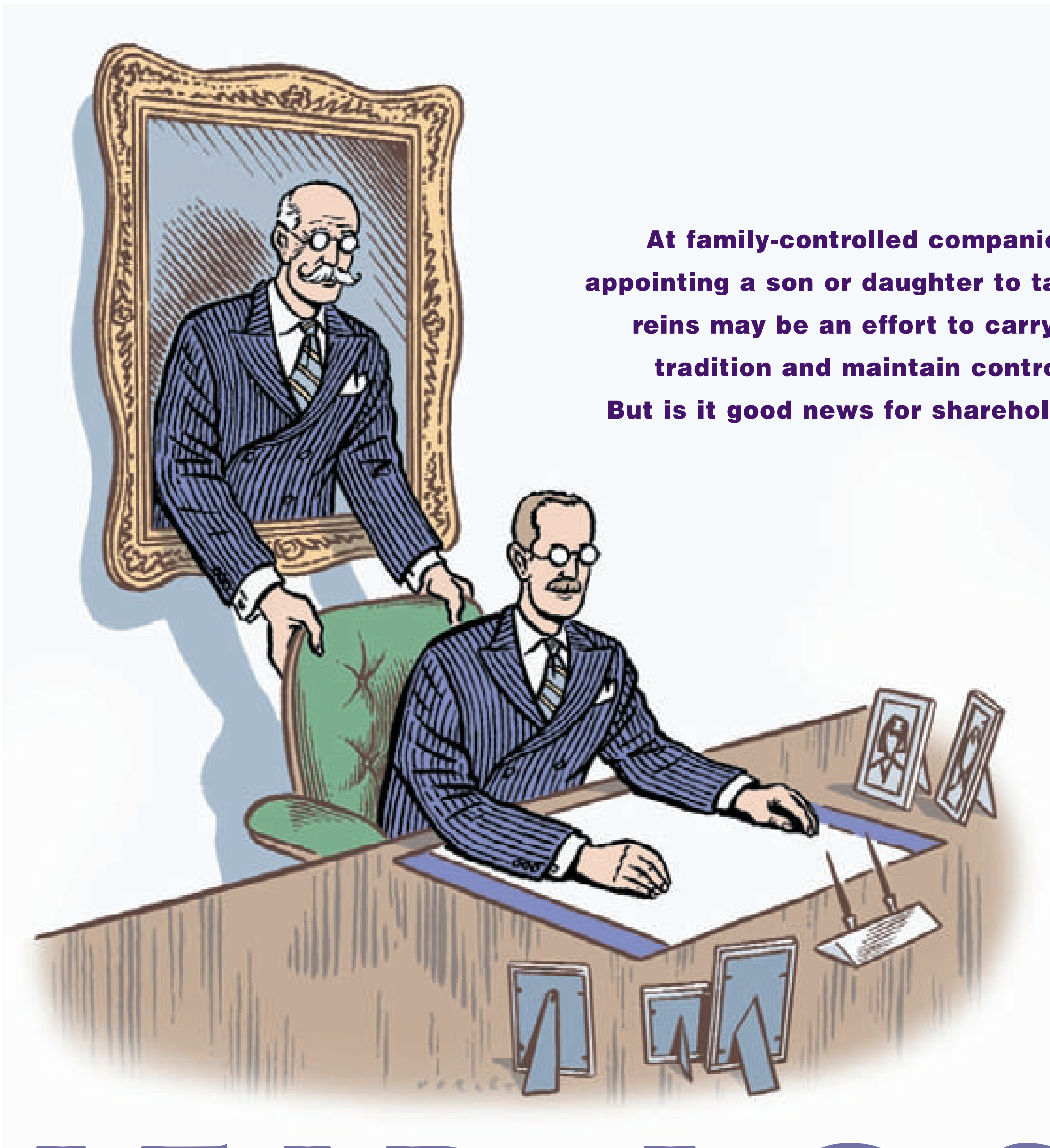

ILLUSTRATION BY CHRISTOPHE VORLET

HEIR LOSS

By **Morten Bennedsen**, **Kasper Nielsen**, **Francisco Perez-Gonzalez**, and **Daniel Wolfenzon**

In the age of 21st-century global capitalism, family firms are surprisingly persistent. Thirty-five percent of companies in the Standard and Poor's 500 are controlled by founders or their descendants. Outside the United States, research has shown that families control over 53 percent of publicly traded firms with at least $500 million in market capitalization.

One of the most contentious issues surrounding family firms relates to chief executive officer succession decisions. CEO transitions are likely to play a key role in determining firms' prospects, and they are arguably influenced by the preferences of controlling families, which often struggle between hiring a family or unrelated CEO.

We set out to examine the role of the controlling family in CEO succession decisions and the consequences of family successions on firm performance. Relying on several government and private sector databases, we constructed a dataset of financial, personal, and family information on 5,334 successions between 1994 and 2002 in publicly and privately held, limited liability firms in Denmark.

We found that departing CEOs' family characteristics are strongly correlated with the decision to appoint a family or an unrelated CEO. Family size, the proportion of sons, and even the departing CEO's marital history had a significant impact on the identity of the successor.

The performance results aren't altogether encouraging for investors in family companies, or for the families themselves. We found that family successions had a large, negative impact on firm performance. For example, operating return on assets (OROA) fell by 1.4 points for firms that underwent family transitions relative to firms in which an unrelated CEO took over the helm. This decline corresponds to more than 20 percent of the average OROA, which in our sample was 6.5 percentage points. Moreover, as we will explain, this figure is likely to underestimate the true negative effect of family transitions.

The Role of the Family Behind the Firm

Overall, family successions occurred in about one-third of our sample (see **Table 1**). Contrary to anecdotal accounts, not all family successors were children of the outgoing CEO. In almost half the family transitions, a spouse, a sibling, or even a parent was nominated to the top post.

The marital history of CEOs affected the choice between a family and unrelated CEO. For CEOs with one spouse, the frequency of family transitions was 36 percent, while for CEOs who had had more than one spouse, the frequency was lower at 25.2 percent (see Panel A). These results suggest that family conflicts might be an important factor in succession decisions.

We also found that the frequency of family successions increased with the number of children (see Panel B). It rose from 29.1 percent for departing executives with one child to 41.3 percent for those with three children.

The structure of the family also affected who in the family got promoted to the CEO position. We observed that the frequency with which departing CEOs nominated one of their children to the top post increased from zero (by construction) when they had no children to 11.9 percent when they had one child. At the same time, the frequency with which departing CEOs nominated non-child relatives to the CEO position decreased by 7.5 percent, suggesting that children crowd out other family members.

The gender of children was also a factor. Firms in which more than 50 percent of the outgoing CEO's children were male were 10.8 percentage points more likely to have a family successor than firms in which less than 50 percent of the outgoing CEOs children were male (see Panel C). Outgoing executives whose first-born child was male were 9.6 percentage points more likely to leave the firm to a family member than

TABLE 1: Frequency of Successions by Family Characteristics

DESCRIPTION	TYPE OF SUCCESSION			
	FAMILY			UNRELATED
	All (percent)	Children (percent)	Others (percent)	(percent)
All	33.3	16.2	17.1	66.7
A. Number of spouses:				
1	36.0	8.7	17.3	64.0
2 or more	25.2	9.1	16.2	74.8
B. Number of children:				
0	24.8	0.0	24.8	75.2
1	29.1	11.9	17.2	70.9
2	32.1	16.2	15.9	67.9
3	41.3	25.7	15.6	58.7
4 or more	40.5	24.4	16.1	59.5
C. By gender ratio (male/children):				
< 50 percent	28.9	10.7	18.3	71.1
> 50 percent	39.7	24.7	15.0	60.3
D. By gender of first born child:				
Female	29.4	12.7	16.7	70.6
Male	39.0	23.5	15.5	61.0

those whose first-born child was female (see Panel D).

These correlations confirm anecdotal evidence that sons are preferred to daughters at the time of succession, even in a developed country such as Denmark. The magnitude of these correlations are surprising given that Denmark ranks fourth among 58 countries in gender equality, according to data from the World Economic Forum, and has one of the highest female labor force participation rates in the world. Nevertheless, these numbers are consistent with the low levels of women among top management positions in Denmark, which in 2004 was only 25 percent, compared with 61 percent at middle level management positions.

In summary, we found that the structure of the controlling family influenced the choice between a family member and an unrelated CEO, and that it also affected who inside the family was offered the CEO position.

Performance Gap

We next studied the performance implications of family transitions. It is unclear from a theoretical perspective what impact family CEOs should have on firm performance. Family members could perform better than other CEOs because they derive greater personal satisfaction from the success of the organization and face higher levels of shame or guilt in case of failure. Also, the trust and loyalty established with key stakeholders might be more easily transferred to family executives. And by virtue of having grown up close to the day-to-day business of the organization, they might be more knowledgeable than outsiders about the firm. On the other hand, outsiders are a self-selected group of individuals with significant managerial expertise. Also, family CEOs might be affected by the potential conflicts between family and business norms with regard to the allocation of management positions, pay, or other corporate resources.

A simple way to evaluate the impact of family CEO succession on performance is to compute the change in firm profitability around CEO successions. A problem with this approach is that it can potentially fail to control for aggregate changes in performance due to, in some cases, industry or aggregate trends, or mean reversion in performance measures. For example, the finding that performance worsens after family transitions would not be informative about the competence of the incoming CEOs if all firms in the economy were experiencing the same decline. A common solution to this problem is to use a difference-in-differences (DD) analysis by comparing the changes in performance of firms that name a family member to the CEO position to those of other firms that experience a succession by unrelated CEOs.

When we used the DD approach, we found that firms that promoted family members experienced a decline in industry-adjusted OROA of 0.1 percentage point (see **Table 2**). In contrast, firms that chose unrelated managers for the top position saw improvements in industry-adjusted OROA of 1.3 percentage points. This suggests that family successions are associated with 1.4 percentage points lower performance relative to unrelated successions. This decline is equivalent to approximately 20 percent of the average unadjusted OROA. We repeated the analysis using three other measures of performance and, in all cases, found that firms that underwent family transitions trailed others in performance.

TABLE 2 **Difference-in-Differences (DD) Analysis Using Alternative Performance Measures**

	Type of Transition		
Differences in	**Family**	**Unrelated**	**Mean Difference-in-Differences**
Industry-adjusted operating return on assets	-0.0010 *(0.0028)*	-0.0080*** *(0.0023)*	**-0.0141***** ***(0.0014)***
Operating return on assets	-0.0120 *** *(0.0028)*	0.0035 *(0.0023)*	**-0.0154***** ***(0.0036)***
Industry- and performance-adjusted operating return on assets	-0.0009 *(0.0027)*	0.0107*** *(0.0021)*	**-0.0098***** ***(0.0034)***
Industry-adjusted net income to assets	-0.0056* *(0.0027)*	0.0064*** *(0.0022)*	**-0.0120 ***** ***(0.0036)***

Standard errors are presented in parenthesis
*** and * denote significance at the 1 and 10 percent level, respectively

Do these results prove that fami-

ly member CEOs are worse than professional managers? Not necessarily. The decision to appoint a family CEO is unlikely to be made irrespective of a firm's business prospects. For example, it is possible that non-family CEOs are appointed when an improvement in performance is in sight. If this were the case, we would not be able to conclude from our DD results that outside CEOs are more competent, since they were chosen in firms that were expected to do well. Conversely, it could be that family members are appointed to the top position in firms with superior business prospects. In this case, the effect of family member CEOs on performance would be even more damaging than our DD analysis suggests, since family members generated the inferior performance while managing the best firms.

To isolate our results from such effects, we used an econometric technique known as instrumental variable estimation. This technique involves estimating the effect of family transitions using only firms whose succession decisions were driven by some variable that does not affect firm performance. By focusing on these firms, we eliminated the aforementioned concerns that other firm characteristics, such as business prospects, are responsible for both the decision to name a family member and for performance after the transition.

Finding such a variable is usually difficult because many of the factors that affect the choice of CEOs (leadership skills, experience, etc.) presumably also affect performance. However, in our setting, we were able to find such a variable: the gender of the first child of the departing CEO. Earlier, we established the strong impact of the gender of the first child on the probability of family succession. In addition, it is difficult to imagine that the gender of the first child born to the CEO directly affects firm performance.

"The results demonstrate that family successions cause significant declines in firm performance. ... [But] qualified CEOs provide extremely valuable services to the organizations they work for."

Using this technique, we found that family transitions were more damaging to performance than our DD estimates suggest: family transitions caused a decline in OROA of at least 4 percentage points.

We then investigated whether the relative performance of family member CEOs varied with observed industry characteristics. A natural place to start this analysis is investigating if the gap in performance for family member CEOs differs in industries where such CEOs are relatively more common, and presumably better suited for their positions. We found that they were indeed less detrimental to firm performance in those industries where they were more commonly found. Next, we hypothesized that managerial skills are more valuable in certain economic environments, such as rapidly growing industries, where managerial discretion might be relatively more important. When we analyzed the results, we found that indeed family member CEOs tended to be costlier in these environments.

The results demonstrate that family successions cause significant declines in firm performance. They also imply that qualified CEOs provide extremely valuable services to the organizations they work for. In addition, the findings suggest that primogeniture rules that dictate who gains access to the helm of a firm based on birth order or gender, but not competence, can have disastrous consequences for firm performance.

For controlling families, the lower performance caused by family member CEOs might be offset by the pride and satisfaction of keeping the firm in the family. However, this is unlikely to be the case for minority shareholders, who are likely to suffer the most under family member CEOs. The lower performance of family member CEOs also indicates that other stakeholders interacting with family firms should pay close attention to succession decisions as the competence gap between family and unrelated CEOs might be substantial. ■

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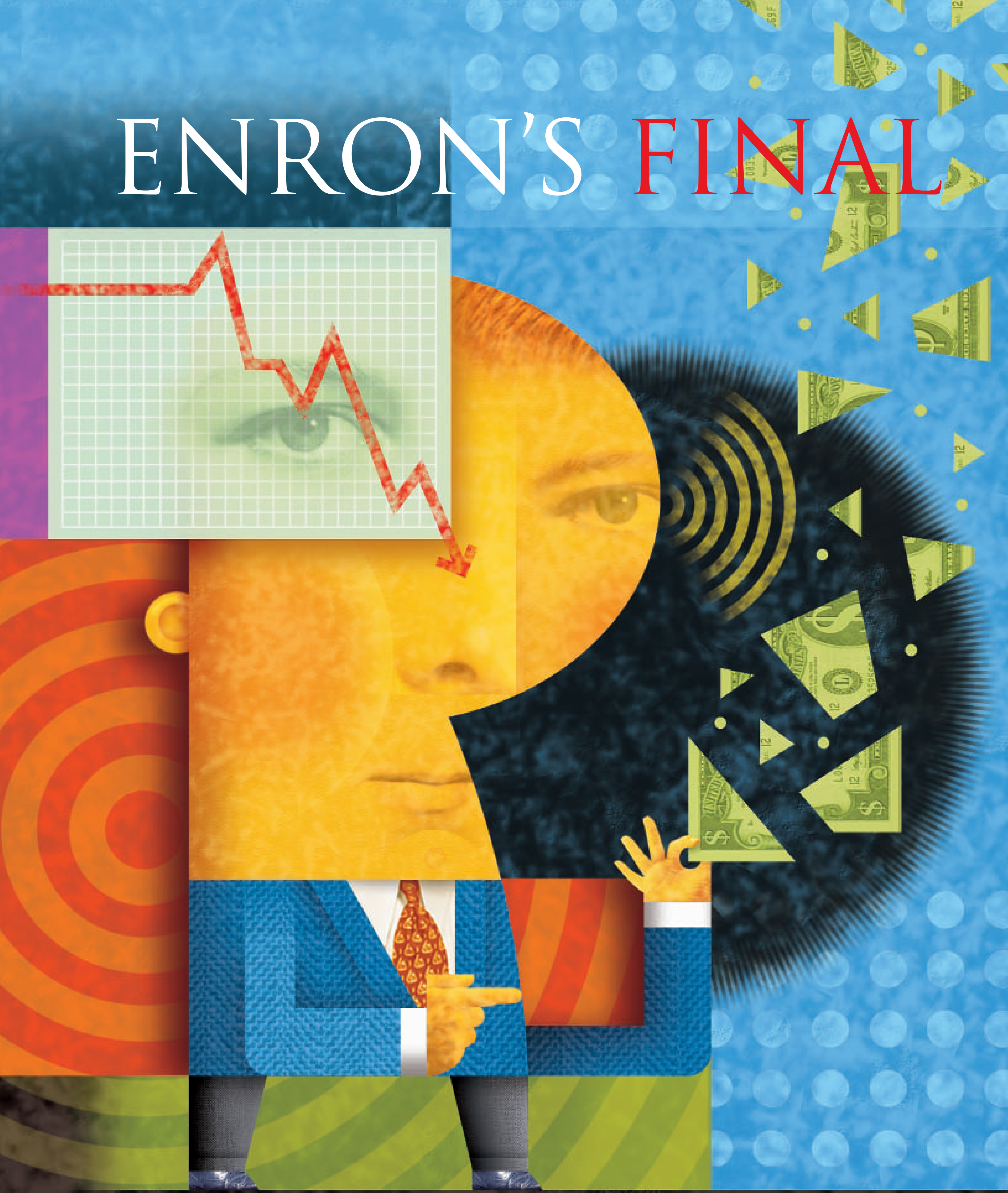
ENRON'S FINAL



ACCOUNTING

By **Simi Kedia** and **Thomas Philippon**

Large-scale earnings fraud doesn't just leave investors poorer – it leads to slower employment growth across the whole economy.

Fraudulent accounting by management is obviously costly for shareholders. When earnings are restated, stocks typically fall sharply. Take the dramatic case of Enron. On November 8, 2001, the formerly high-flying energy company announced it would restate earnings for the period 1997 through 2001 and record a $1.2 billion reduction to shareholders equity. In the weeks between October 16, 2001, and November 28, 2001, Enron's stock plummeted from more than $30 to less than $1 a share. The period of misreporting was characterized by substantial stock sales by Enron insiders, who profited at the expense of other shareholders.

During this same period, Enron grew faster than any other firm in its industry. The book value of Enron's assets nearly tripled, from $23.5 billion in 1997 to $65.5 billion in 2000. At its peak, Enron employed more than 20,000 employees worldwide. But after its restatement, Enron shrank rapidly. Today, about 500 employees remain, and Enron's creditors expect to receive about one-fifth of the estimated $63 billion they are owed.

Enron is a typical – if somewhat extreme – example of fraudulent accounting in periods of high financial valuations. Much of the research on earnings management has focused on how and why it happens. But academics have been hesitant to explore the way earnings management affects the allocation of resources. For example, it stands to reason that fraudulent accounting would distort labor markets. The general assumption is that in the case of earnings manipulation, inefficiencies arise automatically when the hiring and investment decisions are endogenous – and observable – because the need to mimic the good types distorts all the observable actions of the bad types. Bad managers who want to hide their poor quality must not only manage their earnings, but also hire and invest like good managers. So firms managing earnings hire and invest like successful firms. As a result, fraudulent firms end up larger than might be predicted given the fundamentals of their business. Hence, one would expect to see these firms shrink and shed jobs after they are exposed.

Restatement Trends

We tested this hypothesis by constructing an econometric model and applying it to a set of data on firms that restated their earnings. The General Accounting Office (GAO) in 2002 identified 919 financial restatements by 845 public companies from January 1, 1997, to June 30, 2002, that involved accounting irregularities resulting in material misstatements of financial results. Such restatements occur when a company, either voluntarily or prompted by its auditors or regulators, revises previously reported public financial information. Of the companies, 645 were publicly traded. The number of identified restatements rose from 92 in 1997 to 225 in 2001. "The proportion of listed companies on NYSE, Amex, and NASDAQ identified as restating their financial reports tripled from 0.89 percent in 1997 to 2.5 percent in 2001," the GAO concluded. "From January 1997 through June 2002, about 10 percent of all listed companies announced at least one restatement." Moreover, later restatements involved larger firms: The average market capitalization of restating companies quadrupled between 1997 and 2002, from $500 million to $4 billion, while the average size of listed companies increased only about 60 percent over the same period.

The GAO also reported the reasons for the restatements. Errors in revenue recognitions accounted for roughly 40 percent of the cases while those due to improper cost accounting explained 16 percent. Issues with loans, such as write-offs, reserves, and bad loans, accounted for 14 percent of the cases. Issues with assets and inventories, such as goodwill, write downs, and valuation, account for another 9 percent of restatements. The remaining 20 percent of cases are linked to research and development, mergers and acquisitions, securities, reclassifications of debt payments, and related-party

ILLUSTRATION BY GORDON STUDER

transactions. It is useful to keep in mind that only 16 percent of the restatements can be formally attributed to actions by external parties, such as the SEC or independent auditors. Further, many firms did not mention in their reports the real reason for their restatements unless they were somehow forced to do so.

Out of the 645 publicly traded companies, 560 firms were covered by COMPUSTAT. For 539 of those firms, we were able to obtain the beginning and end dates of the restated period, in addition to the date on which the restatement was announced. We also collected data on the size of the restatement – the average annual impact of the restatement on net income – for 396 firms. The average ratio of restated earnings over lagged sales was -6 percent, and 80 percent of the restatements involved negative revisions to reported net income.

Next, we examined the growth rate in the number of employees, in the rate of property plant and equipment (PP&E), and the ratio of capital expenditures to property plant and equipment for restating and non-restating COMPUSTAT firms over the period 1991 to 2003. According to these three measures, restating firms grew slightly faster than non-restating firms over the whole sample, but the differences were very small relative to the standard deviations of these variables. Unconditional dynamics of restating and non-restating firms, such as market values and sales and total factor productivity (TFP) growth were also quite similar for restating and non-restating firms.

To compare the dynamics of hiring and investment for restating firms around the restated period, we created a control group of non-restating firms that are matched in

"The growth of employment in fraudulent firms was 3.7 percent higher during the fraudulent period. ...The growth of employment was significantly lower after the restatement."

age, industry, and initial size. And for every restating firm, we selected non-restating firms that operate in the same industry, and that are in the same initial book asset quintile. Next, we plotted the mean adjusted growth rates for four key variables: total market value, number of employees, PP&E, and TFP. We found that the market value of restating firms grew at a faster rate (5.2 percent higher) than that of the control group before the restated period, at the same rate during the restated period, and more slowly (4 percent lower) afterwards.

A similar picture emerged with respect to growth in PP&E and the number of employees. The growth of employment in fraudulent firms was 3.7 percent higher during the fraudulent period. And as predicted by the model, the growth of employment was significantly lower after the restatement. A similar dynamic is seen with investment activity. The growth rate of investment – i.e. PP&E – was about 5 percent higher during the restated period and 6 percent lower after the restated period. It appears that restating firms were growing rapidly in the years prior to the restated period, and that these firms most likely misreported in order to continue portraying themselves as high-growth firms.

Interestingly, the growth rates of TFP and labor productivity were not significantly different across firms and over time. As the period after the restatement is not associated with lower productivity, it is unlikely that restatements were the result of negative TFP shocks. Moreover, as the sales in the restated period were inflated by fraudulent accounting for a large fraction of firms, the true productivity probably increased after the restatement.

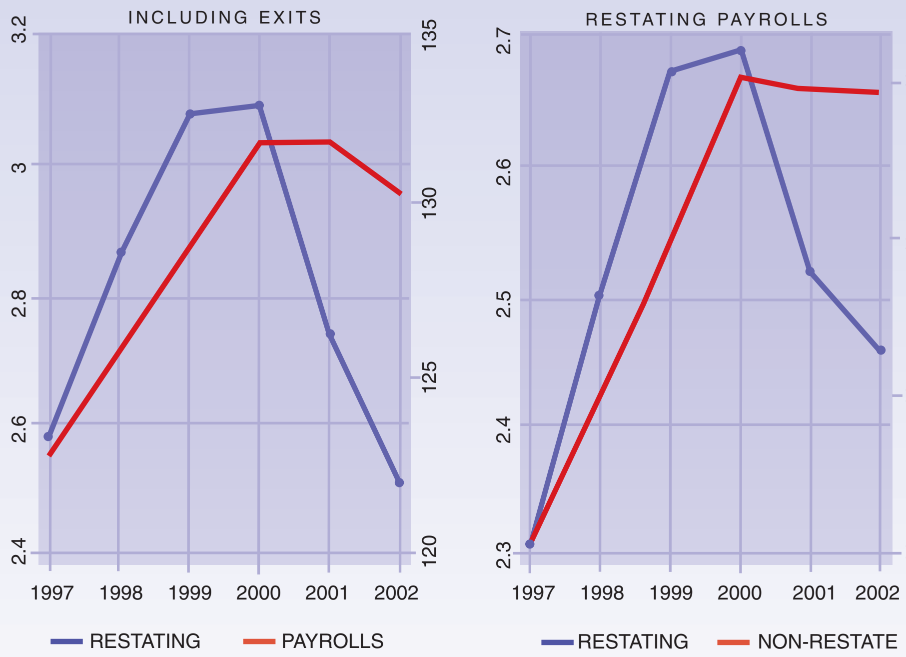
Next we turned to the sub-sample of firms for which we were able to collect information on the size of the restatement. When we ran the numbers, we found that larger restatements were associated with larger drops in employment and investment.

Aggregate Growth

What were the aggregate effects of earnings manipulation? A clear picture of the raw data can be obtained by looking at the dynamics of the 111 firms that announced a restatement in 2000, and the 120 firms that did so in 2001. The number of people employed in these 231 restating firms over the period 1997 to 2002 is displayed in **Figure 1**. The left panel compares the 231 restating firms to aggregate non-farm payrolls obtained from the Bureau of Labor Statistics (BLS). Employment in restating firms rose by 500,000 (25 percent) between 1997 and 1999, and fell by 600,000 (24 percent) between 2000 and 2002. Over the same periods, total non-farm payrolls went up by 6.7 percent and then down by 1.5 percent. The relative increases and decreases in employment for restating firms are clearly much larger than for the economy as a whole.

A potential concern in this analysis is that some firms drop out of the sample after the announcement of the restatement, due to delisting or bankruptcy. In the left panel, we implicitly assigned zero employees to firms that drop out. For instance, complete data for Enron is available only until 2000. To the extent that

Figure 1: Employment Dynamics of Firms Announcing Restatements in 2000 or 2001
NUMBER OF EMPLOYEES, IN MILLIONS



some firms drop out of the sample, but, unlike Enron, continue operating, the left panel may overestimate the true dynamics. So we constructed a constant sample of firms for which we have complete data over this period. This constant sample comprises 74 firms that restated in 2000, and 96 firms that restated in 2001. The right panel of **Figure 1** compares the employment in these restating firms to a constant sample of non-restating firms in COMPUSTAT. As seen, restating firms grew more rapidly than non-restating firms from 1997 to 1999, and declined much faster afterwards.

Clearly, the truth lies somewhere in between the left panel and the right panel. If most restating firms are like Enron, then the left panel is the better approximation. If most restating firms continue operating with a reduced, but still significant, number of employees, then the right panel is more appropriate.

Larger Impact

The dynamics of restating firms, which make them grow faster than comparable firms in the restated period and slower afterwards, are also likely to impact other non-restating firms in their industry. Some non-restating firms surely engaged in earnings management, but probably to a lesser extent than firms that eventually had to restate. Moreover, investors may draw negative inferences about all firms that belong to an industry where many accounting frauds have been revealed, even if most of the firms were actually honest. This suggests that the announcement of a restatement could have negative implications for other non-restating firms in the industry.

We investigated the impact of restatements on non-restating firms by creating a panel of industries using only the non-restating firms. We found that non-restating firms grew more slowly when they belonged to an industry that had a lot of announced restatements in the preceding years. Interestingly, sales per employee and TFP grew significantly faster following a wave of restatements. In other words, fraudulent industries were characterized by high labor productivity growth together with negative employment and investment growth, even for firms that did not have to restate their earnings.

Earnings manipulation isn't just bad news for the shareholders of the companies directly involved. It can impact aggregate dynamics through two opposing channels. On the one hand, the inefficient allocation of resources among firms, created by earnings management, tends to reduce aggregate activity. On the other hand, greater hiring and investment by misreporting firms tend to increase aggregate activity and then lead to depressed activity after the wrongdoing is revealed. In other words, imperfect governance amplifies business cycle dynamics.

The period after the brief 2001 recession was characterized by frustratingly low job growth, as payrolls did not bounce back as they typically do when the economy starts to expand. Many economists and analysts were mystified by the strange dynamics in the labor market in the post-bubble era. Our study, however, suggests that it's not unnatural for periods with high levels of earnings restatements to be followed by periods of jobless growth and low investment.

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PEER TO PEER Student Life in Washington Square and Beyond

Committee of 200 and BNP Paribas Award Scholarship to NYU Stern MBA Student

In December, the Committee of 200 (C200), the organization of leading women business owners and corporate decision-makers, and French bank BNP Paribas presented a $25,000 Scholar Award to Stern MBA student Nagina Sethi.

The C200/BNP Paribas Scholar Award is given to a first-year, woman MBA student whose pre-business school track record and first-year transcript indicate that she will be an outstanding business leader.

The award was presented by C200 member Kathryn Swintek (MBA '79), head of US Leveraged Finance Group, BNP Paribas, at The C200 Fall MBA Outreach Seminar for women MBA students hosted by student club Stern Women in Business (SWIB) at NYU Stern. The seminar, "Managing Your Career, Your Brand, Your Life in a Changing World," included Stern women MBA students and more than 40 C200 members who are leaders in a variety of industries, from banking and insurance to professional services, technology, and manufacturing.

The scholarship award includes a 10-week paid internship at a C200 member's company and weekly one-on-one mentoring sessions with the C200 member during the internship. In addition, C200 has committed to Stern women MBA students 30 other internship opportunities at C200 member companies, during which preeminent business women will mentor selected students.

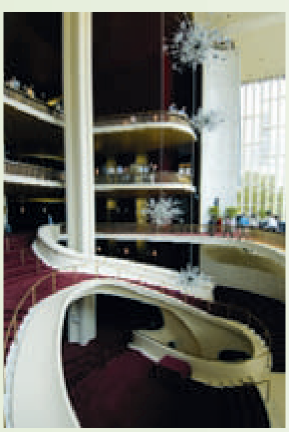
"Nagina epitomizes the C200 leader of the future," said Mary G. "Trudi" Williams, area executive vice president of Arthur J. Gallagher & Co. and C200's co-chair for the MBA Outreach Seminar. "She hopes to parlay her Stern MBA degree into a career assisting low-income and underserved populations in the US and abroad. Her passion for helping others exemplifies a commitment to fostering both social and business goals."

From left to right: Ann S. Moore, chairman and CEO, Time, Inc.; Kelly Thomas, co-president, Stern Women in Business; Nagina Sethi, and Kathryn Swintek.

Nagina Sethi has an undergraduate degree in molecular and cell biology from the University of California at Berkeley. Before coming to NYU Stern, she worked as a consultant for Kaiser Permanente where she helped start a nonprofit women's birthing center for underserved families in Oakland.

At Stern, Sethi has become involved with SWIB, which enables her to share experiences, make connections, and mentor other women. She notes that she is "extremely interested in meeting women business leaders, since one way for me to succeed is by learning from other women who are already successful."

C200 holds MBA Outreach Seminars twice a year – fall and spring – at selected business schools, including Babson, Carlson School at The University of Minnesota, Carnegie Mellon, Columbia, Duke, Emory, Harvard, Kellogg, Santa Clara University, Thunderbird, University of Michigan, UNC-Chapel Hill, Vanderbilt, and Wharton. C200 has reached more than 11,000 women via the Outreach Seminars and has awarded more than $500,000 in scholarships in conjunction with the program.



MBAs Go Behind the Scenes at the Met Opera

In its ongoing efforts to provide students the opportunity to leverage New York City as a learning experience, NYU Stern offers a unique case study. For the fifth year last fall, students in the required MBA core course, Managing Organizations taught by Professor Richard Freedman, studied the organizational challenges faced by the Metropolitan Opera, the world's largest opera company. In September, they visited Lincoln Center for a backstage tour and an in-depth look at the inner workings of one of New York's leading cultural institutions.

At the Met Opera, the students visited the costume, electric, carpentry, and props departments, and learned how each unit contributes to the organization. Students were also given the rare opportunity to observe a dress rehearsal of the season's opening night gala, which included Act I from *Le Nozze di Figaro* and Act III from *Samson et Dalila*.

Following the tour and dress rehearsal, students attended an NYU Stern marketing panel moderated by Deputy Dean Russell Winer and featuring Stern Professors John Czepiel, Peter Golder, Eric Greenleaf, and Joel Steckel. The panel addressed the issue of declining opera attendance among young adults and requested student recommendations for increasing attendance. One student suggested bringing in musical artists that are popular among today's youth, and mentioned the recent example of Metallica playing with the San Francisco Symphony Orchestra.

After the panel, students participated in a question and answer session with the Met Opera's general manager, Joseph Volpe. Volpe, who began his 40-year career at the Met Opera as an apprentice in the carpentry department, shared his perspectives on arts management and responded to student suggestions about how to improve the organization. Under Volpe's direction, the Met Opera has experienced a period of unprecedented success, culminating in a record 29 operas produced in the 2005-2006 season.

"Only at Stern and only in New York could I have had the experience of seeing and listening to Plácido Domingo, a legend among opera singers, and having a discussion with the general manager of one of the best opera houses in the world," said Álvaro Cañil, a first-year MBA student and opera aficionado. The Met Opera visit confirmed the connection between business and the arts, and encouraged Cañil to announce that he was working on starting an opera club at Stern. "Getting such an in-depth view of the opera was a great experience, and hopefully it has planted the seed of opera in many other students," he said.

NYU Stern and Wharton Join Forces to Promote Benefits of Undergraduate Business Education

Each fall marks not only the start of the semester, but also the kick-off to the college tour season, during which eager parents and their teenagers check out campuses and curricula, determining which school will be the perfect fit.

During this past season, NYU Stern School of Business, in partnership with the Wharton School of the University of Pennsylvania, took advantage of this captive audience to educate them about what it means to study business at the undergraduate level and how doing so broadens career opportunities. Through their joint educational initiative, "Discover Business Now," these two leading undergraduate colleges stressed to high school juniors and seniors the value of an undergraduate business program and why it should be a consideration during the college search.

"What's exciting about studying business at the undergraduate level is that it offers the best of both worlds – a solid liberal arts grounding infused with a broad, global business focus that opens, not closes, career doors," said Sally Blount-Lyon, vice dean and dean, Undergraduate College, NYU Stern School of Business. "Now more than ever, business knows no borders. It impacts every aspect of modern life, from politics and international relations to trade, religion, and culture."

The Schools introduced their initiative through two events, one in New Jersey and one, for women exclusively, in Philadelphia. The more than 200 students and parents who attended had the opportunity to hear from and speak with the deans, alumni, and current students from Stern and Wharton. Visit www.discoverbusinessnow.org for a "virtual" undergraduate business experience.

NYU Stern's Undergraduate College is one of the most prestigious, popular, and competitive programs among college aspirants. Applications are up 11 percent for the coming academic year, and average SAT scores for the current freshmen class reached 1422, the highest in the program's history. In addition to offering a liberal arts-infused business curriculum, Stern's Undergraduate College uniquely leverages New York City as part of its educational experience.

Erik Kimel (far right) and his Peer2Peer Tutors team.

Student-to-Student Tutoring Means Business

In 2004, while in a calculus class during his senior year of high school, NYU Stern sophomore Erik Kimel (BS '08) took notice of both his bright classmates and his peers who could use their help. And he came upon the idea of creating a tutoring service by and for students. He placed an ad in his local Montgomery County, Maryland, newspaper, offering himself as a tutor. Within six months, Kimel had created a network of 25 tutors and formed his company Peer2Peer Tutors.

Peer2Peer is built on the premise that students learn best from other students who have taken the classes, know the teachers, and can relate to clients. This concept hit home with both parents and students, and by January 2006, the company had served more than 100 clients in elementary, junior, and high school, employed more than 80 student tutors, and provided more than 2,500 tutoring sessions in subjects ranging from algebra to Chinese. Revenues had grown an astounding 90 percent by the company's second year.

Managing the Maryland-based company from his dorm room in New York, 19-year-old Kimel travels to his home state once a month, and works full-time over his holiday breaks. This year he hired Management Operational Mentors (M.O.M.s) to control everyday operations, such as scheduling tutoring sessions and networking with local schools. The first M.O.M, Ann Connelly, joined the company after her two children were successfully tutored by Peer2Peer.

Eager to expand the company into New York City and beyond, Kimel decided to test his business plan by entering the Stern Berkley Center for Entrepreneurial Studies' Maximum Exposure Business Plan Competition, which annually awards significant funding to the team with an innovative and developing concept. The only Stern undergraduate student to have made it past the first round, Kimel placed third in the finals of the 2004-2005 competition.

Losing the competition inspired Kimel to fine tune his business strategy, which resulted in the introduction of M.O.M.s and a badly needed website. At the 2005 NYU Entrepreneurship Conference, he was introduced to Reflexions Data, an interactive design company, which helped him build a website that allows the company to attract new tutors, sell tutoring sessions, and track appointments.

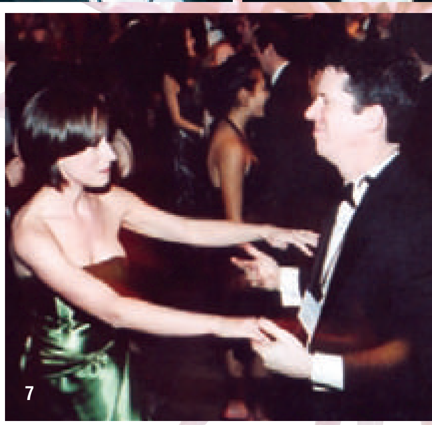
Kimel said he sees Peer2Peer as "a company that empowers students," and one that is "a network and a part of the community."

"I love my work, and for as long as I can do it, I will," he said, adding that he is grateful to Stern Professor Kenneth Preston for mentoring him and that he credits his Stern education with helping him to grow his business properly.

If Peer2Peer continues to mature as Kimel has, he just may have the lasting business he envisions.

Alumni Affairs

Alumni News & Events



1. From left to right: Mark Kozhin (MBA '00), Alumni Council Chair; Thomas Cooley, Dean; William Berkley (BS '66); Chairman of the NYU Stern Board of Overseers.
2. The 2005 Alumni Ball Committee.
3. Sally Blount-Lyon, Vice Dean and Dean of the Undergraduate College (center right); Lawrence Banks (BS '55) (right); Susan Salgado (PhD '03), Alumni Council member (center left), and her husband, Jason.
4. Michael Rosenberg (MBA '55), President of the NYU Alumni Association.
5. Russell Winer, Deputy Dean (right), with Mike Hehir (MBA '79), Alumni Council member.
6. L to R: Mary Ellen Georgas (MBA '93), Alumni Council member; Robert Goodman (MBA '80), Alumni Counci member; Shelly Greenbaum (BS '71); Susan Greenbaum (BS '71, MBA '78), Associate Dean of the Undergraduate College.
7. James Flynn (MBA '89) and wife Myrna traveled in from Northampton, MA, and danced the night away.
8. The chocolate fondue fountain was a popular gathering spot that evening.
9. L to R: Jeanne Marano, Executive Director of Alumni Affairs, with former Alumni Council Chairs Susan Jurevics (MBA '96) and Christine Schneider (MBA '94).

Stern Alumni Have a Ball

On December 3, 2005, more than 750 members of the Stern global alumni network gathered at The Museum of Modern Art for the Fifth Annual Stern Alumni Ball. The gala, which has become a holiday tradition, brings together alumni, faculty, administrators, and friends to celebrate the Stern community and its New York City location.

Throughout the night, alumni enjoyed a private viewing of the Museum's permanent collection, including Paul Cézanne's *The Bather* and Vincent van Gogh's *The Starry Night*, as well as special exhibitions, including *Safe: Design Takes On Risk*, *Elizabeth Murray* and *Beyond the Visible: The Art of Odilon Redon.*

Mark your calendar for December 2, 2006, for the Sixth Annual Stern Alumni Ball, which will be held in New York City.

Building a Stern Career Network

Visit the Career Center in SWAP to sign up for the new Career Advisory Program (CAP). CAP is the online career mentoring program where alumni can volunteer to serve as mentors for fellow alumni and/or current students. Through one-on-one interaction, which can be via e-mail, phone, or in-person meetings, alumni share their knowledge and experiences, providing industry insight into organizational cultures from established professionals.

CAP offers alumni the ability to select preferences regarding their interest in mentoring, including how many mentees they are able to assist each month and which constituencies they will serve, such as undergraduate seniors, part-time, full-time, or executive MBA students, and/or alumni, as well as their preferred method of contact.

In addition, the Career Advisory Program allows alumni to locate a mentor as well. The advanced search tool allows mentors to be selected based on specific criteria, including industry, company, location, degree, year, and more.

"We are excited to offer the new Career Center module in SWAP. If you haven't yet signed on to the Stern online community, now is the perfect time to take advantage of this outstanding benefit," explained Jeanne Marano, Executive Director. "We encourage alumni to participate in this program as another vehicle to further build and strengthen Stern*Net* – the NYU Stern global alumni network."

The Career Center also offers links to online resources, job postings, alumni resumes, and more. For additional information about CAP, contact Sheri Pillo, Senior Associate Director, at spillo@stern.nyu.edu or (212) 998-0671.

A Global Community

With 70,000 alumni working in over 100 countries, Stern graduates constitute a truly global network, with alumni worldwide providing information, advice, and networking opportunities to fellow Stern graduates and current students.

The Office of Alumni Affairs serves as the gateway to Stern*Net* – the NYU Stern global alumni network. The Office provides dynamic and innovative content-driven programming, along with a host of benefits and services, helping Stern alumni get involved and stay connected to the School and to each other.

Visit www.stern.nyu.edu/Alumni to learn more about alumni programming, communications, and opportunities to get involved.

Save the Date
Reunion 2006:

Back to Business

May 11, 2006

NYU Stern Reunion Receptions
for the **MBA Classes of 1981**, **1996**,
and **2001,** and the
Undergraduate Class of 2001
in conjunction with
NYU Alumni Reunion Weekend
May 12 - 14, 2006
For more information visit:
www.stern.nyu.edu/Alumni

Regional Groups Lend Their Support

Australia, Boston, Germany, Mexico, Philadelphia, and the West Indies are just a few of the 59 regional alumni groups in the NYU Stern global alumni network. This fall saw a bevy of activity among the regions, including many partnership events supporting student activities and recruiting initiatives.

MBA student organizations traveled around the world, from DC to Hong Kong, with hundreds of alumni demonstrating their support. In addition, MBA Admissions visited nearly 40 cities worldwide to recruit top talent for the MBA programs, with more than 250 alumni playing an important role by participating in recruiting events, sharing their experiences with prospective students, and securing corporate sponsorship.

The NYU Stern Alumni in Mexico Regional Group, chaired by Ricardo Dadoo (MBA '84), hosted two events this year. In September, alumni gathered in Mexico City for dinner following an MBA Admissions presentation, enjoying the opportunity to network with each other and to hear an update on the School from Deputy Dean Russell Winer. In January, the EMBA Global Study Tour held a student and alumni reception featuring remarks from Professors Ingo Walter and Roy Smith.

The Los Angles Regional Group also teamed with student groups this winter. The Media and Entertainment Association (MEA), an MBA student organization, held a reception in conjunction with their annual Los Angeles TREK, bringing together alumni and current and prospective students in West Hollywood. During the TREK, MEA visited Fox, Warner Bros., ActiVision, Disney, and the Los Angeles Lakers.

A complete overview of regional activities for the 2005-2006 academic year is listed in the following Regional Roundup.

Get Involved

Visit www.stern.nyu.edu/Alumni to locate a group in your vicinity. For more information about regional groups or to start one in your area, contact the Office of Alumni Affairs at (212) 998-4040 or e-mail alumni@stern.nyu.edu.

Alumni Leaders Travel from Around the World for the Regional Leaders Summit In December 2005, regional leaders from Australia to Houston traveled to NYU Stern for the Regional Leaders Summit. The Summit offered an opportunity to hear updates from the School and share best practices. Alumni capped off the Summit with a reception at the NYU Torch Club, where they were joined by Deputy Dean Russell Winer (middle row, second from left) and Jeanne Marano, Executive Director of Alumni Affairs (middle row, right). Several leaders stayed to enjoy the Fifth Annual Stern Alumni Ball, which took place the next evening at The Museum of Modern Art.

Regional Roundup

Tri-State

New Jersey alumni attended receptions in Short Hills and the Meadowlands, which featured Susan Greenbaum, Associate Dean for the Undergraduate College, and Deputy Dean Russell Winer, who provided a presentation on marketing. In addition, recent graduates gathered in Jersey City for a networking reception. Alumni in **Connecticut**, **Long Island**, and the **New York** metro area all attended NYU in Your Neighborhood events. NYU President John Sexton spoke at the New York metro event, and NYU Professor Ronald W. Zweig was featured in Long Island.

United States

Alumni in **Boston** gathered at the Federal Reserve Bank to hear a presentation from Cathy Minehan (MBA '77), President of the Federal Reserve Bank of Boston. Boston alumni also joined MBA students for the Association for Investment Management (AIM) TREK. In **Washington, DC**, alumni met with students from the Emerging Markets Association (EMA), and gathered for a career event and reception featuring a speaker from Robert Half International. **Los Angeles** alumni attended the NYU in Your Neighborhood entertainment industry panel on "The Future of the Hollywood Studios," while alumni in **San Francisco** met with students from the Technology and New Media Group (TANG). Dean Winer met with alumni in **Dallas** and **Philadelphia**. MBA Admissions also presented in Dallas.

International

Alumni in **Buenos Aires** and **Santiago** gathered with current students participating in the "Doing Business In…" course. **Hong Kong** alumni met with students on the Asian Business Society (ABS) TREK, while alumni in **Seoul** and **Tokyo** met with students traveling with the TRIUM MBA program. In **Moscow**, alumni met with students on the EMBA Global Study Tour. Alumni in **Mumbai** gathered for a reception featuring Dean Thomas Cooley. In Isreal, **Tel Aviv** alumni gathered with current and prospective students, while NYU alumni and current and admitted students in **Jerusalem** attended a presentation by NYU Law Professor Moshe Halbertal. Alumni in **Germany** enjoyed a presentation by Professor Edward Altman, and **London** alumni met with students from the European Business Society.

Catching Up With…

Peter Jansen (right) with members of the Westchester Regional Group at the February event.

The Westchester/Fairfield Regional Group

Situated on the outskirts of Manhattan, the NYU Stern Alumni in Westchester/Fairfield Regional Group represents nearly 7,000 alumni. This group, chaired by Peter Jansen (MBA '99), has seen a host of activity over the last few years, from local wine tastings and annual golf tournaments to faculty presentations and events featuring John Sexton, President of NYU.

The Westchester/Fairfield Regional Group has been especially busy this year. In November, alumni and faculty members gathered at the Doral Arrowwood Facility in Rye Brook, NY, for a reception featuring Dean Thomas Cooley, who presented an update on the state of the School and noted that Stern intends to re-establish a presence in Westchester. In February, alumni gathered at Crabtree's Kittle House Restaurant in Chappaqua, NY, for a presentation entitled "Scoundrels and Scandals" by Professor George Smith.

"With so many alumni in the tri-state area, we enjoy an enthusiastic and strong local community," said Jansen. "We are fortunate to have not only the proximity to the varied and robust programming that takes place on campus, but also regional events where our local alumni can network in their own backyards. I recognize the increased effort by the Office of Alumni Affairs to build Stern's presence in the Westchester/Fairfield community, and I look forward to teaming with them and getting more alumni involved."

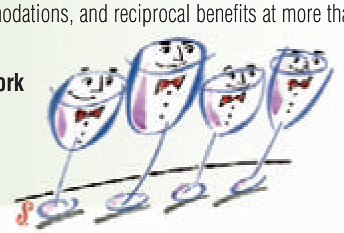
Benefits for Alumni:

Princeton Club of New York Welcomes NYU Alumni

In the midst of bustling Midtown Manhattan lies the Princeton Club, a quiet haven in the middle of one of the world's premier cities. The Princeton Club offers exclusive membership opportunities to alumni, faculty, and administrators of New York University. Membership fees vary based on year of graduation and geographic location.

Club amenities include: formal and informal dining rooms and bar, business center, lounges and library, fitness center, facilities for private functions, full program of events, overnight guest accommodations, and reciprocal benefits at more than 65 affiliated clubs.

The Princeton Club of New York
15 West 43rd Street
New York, NY 10036
(212) 596-1240



class*notes*

1930s

Margaret R. Thrailkill (MS '38), of Spokane, WA, was recently named Honorary Board Member of the North Idaho College, Coeur d'Alene, Idaho Foundation after 30 years of membership and participation.

1950s

Sterling D. Sessions (MBA '50), of Ogden, UT, recently co-authored the book, *A History of Utah International*, published by the University of Utah Press.

Gustav Schachter (MBA '56, PhD '62), of Brookline, MA, a Professor Emeritus of Economics at Northeastern University for the past 40 years, has co-authored a book, *Cultural Continuity in Advanced Economics*, with Saul Engelbourg, a Professor Emeritus of History at Boston University.

Stan West (MBA '56), of Lake Worth, FL, was reappointed to the Consumer Advisory Panel of the Palm Beach County Water Utilities Department for which he also chairs the Administrative Hearing Board. He was also certified by the Supreme Court of Florida as a County Court Mediator. In addition, The Florida Bar Association appointed him to its Grievance Mediation and Fee Arbitration Committee for the 15th Circuit (Palm Beach County).

1960s

Norman J. Politziner (BS '64), of Monroe, NJ, is the President of NJP Associates, a company that specializes in estate planning and benefits packages for business owners and high net-worth individuals.

William H. Turner (MBA '66), of Upper Montclair, NJ, was recently appointed to serve on the board of directors for Ameriprise Financial, formerly American Express Financial Advisors. He is the Dean of the College of Business at Stony Brook University, in Stony Brook, NY.

Ed Konczal (MBA '68), of Piscataway, NJ, co-authored a book, *Simple Stories for Leadership Insights*, published in October 2005 by University Press of America.

1970s

Thomas M. Super (MBA '70), of Eatontown, NJ, was recently appointed to the Corporate Advisory Board of Amedia, a provider of switched Ethernet ultraband solutions for the Triple Play Access Market. He is the Chief Technology Officer of NHC Communications, which designs and manufactures remotely controlled cross-connect devices commonly used by telecommunications carriers.

Anthony C. La Russo (MBA '72), of Naples, FL, recently published his first book, *Management: Ready Aim Fire*. He has over 30 years of business experience, has served as Adjunct Professor, and has written numerous articles.

Richard Berman (MBA '73), of New York, NY, has been named CEO of NexMed Inc., a developer of transdermal products based on its proprietary drug delivery technology. He has served on the Board of Directors of NexMed since 2002 and has over 35 years experience in venture capital, management, and merger and acquisitions.

Robert G. Hill (BS '73), of Pittsburgh, PA, has been named the 2006 Renaissance Communicator of the Year by the Public Relations Society of America's Pittsburgh Chapter. This award honors practitioners for excellence in communications. He is currently the Vice Chancellor for Public Affairs at the University of Pittsburgh.

Ernesto M. Ordonez (MS '73, PhD '76), of Pasig City, Philippines, was elected Vice President of the ASEAN Federation of Cement Manufacturers. He is currently the President of the Cement Manufacturers Association of the Philippines.

Thomas G. Hudson (MBA '74), of Boulder, CO, was recently appointed to the Board of Directors of Incentra Solutions Inc. He was most recently Chairman and CEO of CNT, which was sold to McDATA in June of 2005. During his tenure, he grew the wide-area storage networking business revenue from $65M to $360M.

Robert S. Loffredo (MBA '75), of Westwood, NJ, was recently appointed Financial Consultant at A.G. Edwards & Sons.

Raymond W. Dusch (BS '76), of East Setauket, NY, has been appointed to the Board of Editors of *LJN's Equipment Leasing Newsletter*, published by Law Journal Newsletters, a division of American Lawyer Media. He has written numerous articles for the newsletter and other equipment leasing publications over the last 25 years, and recently completed his three-year tenure as a member of the Legal Committee of the Equipment Leasing Association of America.

Gabriel Hawawini (PhD '77), of Fontainebleau, France, Dean of INSEAD and periodically a visiting professor at Stern, received France's highest award - La Légion d´honneur - this January in Paris. The award is an Order of Chivalry first established by Napoléon Bonaparte and is conferred by France's president upon French citizens and foreigners for outstanding achievements in military or civil life.

Martyn R. Redgrave (MBA '78), of New Albany, OH, has been appointed to Chief Administrative Officer of the Limited Brands.

Thomas McConnon (BS '79), of Commack, NY, has been elected to the Board of Directors of the Rotary Club of New York.

1980s

John W. Burns (MBA '82), of Sudbury, MA, was appointed by the Board of Directors of GlycoGenesys Inc., to the additional positions of Interim Chairman of the Board of Directors and Treasurer. He is currently the firm's Senior Vice President and CFO.

Barbara Bacci Mirque (MBA '82), of Pearl River, NY, has been named Executive Vice President of the Association of National Advertisers (ANA).

Antonio Rodriquez (MBA '82), of Malibu, CA, has been appointed Senior Vice President of North American Operations for Warner Brothers. In his new role, he will be responsible for US sales, finance, operations, sales planning, and the Canadian offices. He previously served as US Senior Vice President of Finance for Warner Brothers.

Kenneth Brown (MBA '83), of Weston, CT, has joined ABCO Refrigeration Supply Corporation as CFO.

Murray S. Kessler (MBA '83), of Bedford Corners, NY, has been named President and COO of UST and has been elected to the Board of Directors. Prior to this, he was President of UST's principal operating subsidiary, US Smokeless Tobacco Company (USSTC). In his new role, he will be responsible for UST's major operating subsidiaries, USSTC, and International Wines & Spirits. He also oversees UST's corporate communications, investor relations, and government functions.

Robert Angell (MBA '84), of Sherborn, MA, was recently appointed Director of Small Business Practice for Accounting Management Solutions (AMS). He previously owned a consulting firm which provided interim executive and advisory services to executive teams and boards of directors.

Eric Litzky (BS '84), of DeMarest, NJ, has been elected by the Board of Directors of American International Group (AIG) to service as Vice President of Corporate Governance. He has also been named Special Counsel and Secretary to the Board of Directors.

Nancy Corporon (MBA '85), of Columbia, MD, was recently affiliated as a realtor with RE/MAX Exclusive in the Baltimore/Washington, DC, area.

Matthew Flynn (MBA '85), of Hartsdale, NY, has been appointed CEO of Hanley Wood. He was previously Senior Vice President, CFO at PRIMEDIA.

Jason Mannis Palmer (BS '85), of Huntington, NY, has been elected to the Board of Directors of the New York State Society of Certified Public Accountants, the oldest and largest state accounting association in the nation. He also serves as President of Palmer Computer Services Inc., in Huntington, NY.

Christopher J. Policinski (MBA '85), of Shorewood, MN, has been named President and CEO of Land O'Lakes Inc.

David Gross (MBA '86), of Louisville, CO, has been named Chief Financial and Administrative Officer at RGL Forensics Accounting & Consultants. He previously served as RGL's Director, US Finance.

Raj Mitra (MBA '86), of San Dimas, CA, was named Senior Director of Thales Navigation, a subsidiary of the Thales Group, a EUR 10 billion French electronics company.

Mark R. Patterson (MBA '86), of Bronxville, NY, and his teammates obtained second place in the 24 Hours of Daytona race. His race car carries the NYU Stern logo, among others.

Bernard Tubiana (BS '86), of New York, NY, has been promoted to Principal of Deloitte Consulting LLP.

Carlos T. Blanco (MBA '87), of Caracas, Venezuela, has been named President of Centennial de Puerto Rico.

Robert Matza (MBA '87), of Scarsdale, NY, has joined GoldenTree Asset Management as President. He will have responsibility for business management, administrations, operations, and finance, and will help determine the strategic direction and growth of the firm. He most recently served as President and COO of Neuberger Berman, as well as a member of the Management Committee at Lehman Brothers.

David M. Saunders (MBA '87), of Stony Brook, NY, was recently appointed Group Director and Senior Vice President of Signature Bank's Melville, Long Island, office. He joins Signature Bank from Bank of America where he served as Senior Vice President of middle market lending.

Marianne Sciolino (MBA '88), of New York, NY, has started an artist management firm, Sciolino Artist Management (SAM).

Joel E. Kadis (MBA '89), of Newton, PA, was recently named Partner of Linear Retail Properties, a retail real estate acquisition and operating company. He joined the firm in 2004 as Senior Vice President of Leasing and Asset Management after spending five years as Regional Director of Asset Management for Wellsford Commercial Properties Trust, a Goldman Sachs-affiliated company.

Richard A. Reich (MBA '89), of Arcadia, OK, was recently promoted to Senior Vice President of Corporate Finance at Banc First. Formerly, he was the Director of Risk Management at OGE Energy Corporation.

1990s

Jeff Haveson (MBA '90), of Monmouth Junction, NJ, has started a new financial planning firm, Matrix Financial Advisors LLC, based in Princeton, NJ.

Patrizia E. Micucci (MBA '90), of Foggia, Italy, was recently featured in *The Wall Street Journal*'s "Women to Watch" report as one of the top ten managers to watch in Europe. She is the Managing Director, Head of Investment Banking in Italy, for Lehman Brothers Holdings.

Thor Bjorgolfsson (BS '91), of London, England, was featured in the *Financial Times* (London Edition) and was listed in *Forbes* as Iceland's first billionaire. A global entrepreneur, Bjorgolfsson is Chairman of Burdarasa, an Icelandic financial holding company, is a partner in an Icelandic investment company, and owns large stakes in a Russian beer company, Icelandic generic pharmaceutical company, the National Bank of Iceland - Landsbanki, and telecom

Money Handler

David Handler (BS '88, MBA '90)

David A. Handler is Senior Managing Director at Bear Stearns. He joined the firm in 2000. As Founder and Co-head of Bear Stearns Global Communications Technology and Software Group, which has handled more than $25 billion in financing and advisory assignments, Handler works with clients in the United States, Europe, and Asia on mergers and acquisitions of communications technology companies. He is also a member of Bear Stearns' President's Advisory Council.

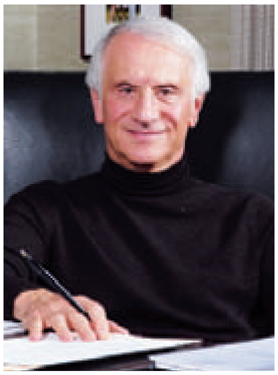
Prior to joining Bear Stearns in 1995, Handler was employed by Jefferies & Company as Vice President. He was promoted to Managing Director in 1998, with responsibility for overseeing the firm's Technology Group and New York Investment Banking office.

For the past 12 years, Handler has been a member of the Board of Directors of Penn National Gaming, the nation's third largest gaming company. In 1998, he became a member of the Board of Directors and of the Executive Committee of the New Group, a highly-regarded nonprofit organization that promotes the arts in New York City. He also administers the Grosevnor Foundation, a charitable trust he founded that supports numerous local and national nonprofit causes.

A dual degree graduate of Stern, Handler speaks of an "incredible program that more than exceeded my needs." He is an active alumnus, currently serving on the Undergraduate Dean's Advisory Council, a non-overseeing affiliation that assists in shaping the College's direction, and he encourages current students to take advantage of all that the School has to offer. "Stern has made so many radical changes for the better over the past 20 years, probably more than any other top business school over the same period of time," he says.

Passionate about his work, Handler takes pride in his success in a highly competitive industry. "My clients are among the leaders in the technology sector, so having credibility and respect among a discerning client base has been very rewarding." He stresses that investment banking newcomers should reflect on their reasons for joining the industry. Handler advises that "while investment banking can yield monetary rewards, it is very difficult to have a long and successful career on Wall Street without being passionate about what you are doing."

Digital Projector



Bud Mayo (BS '64)

In Hollywood, youth is a perennial obsession. But in December 2005, as *Fast Company* magazine was compiling its list of the 10 hottest minds in Hollywood, it included an entrepreneur with more than 40 years of experience under his belt.

As Co-founder, Chairman, and Chief Executive Officer of Access Integrated Technologies Inc., Bud Mayo heads a pioneering company that is leading the way for the transition from film to digital in the movie industry. AccessIT provides proprietary software and services for movie producers, distributors, and exhibitors. Mayo conceived the idea for AccessIT while serving as President and CEO of Clearview Cinemas LLC, which he founded in 1994 and sold to Cablevision in 1998.

"The melding of technology and entertainment, and the opportunity to lead the industry into the digital era was irresistible," says Mayo. "AccessIT is a culmination of all my professional and educational experiences, from finance to technology to entertainment. This kind of opportunity only comes around once in a lifetime."

"My vision is to provide a global exchange of mainstream products in every language to and from every country," he continues. "Currently, content is only coming out of Hollywood, with hardly anything coming into the United States. In the digital era, this will all change."

Mayo is a serial entrepreneur. He began his career with IBM as a computer salesman and later co-founded more than a dozen computer services companies. He was the Founder, Chairman, and CEO of Clearview Leasing Corporation, a lessor of computer peripherals and telecom equipment. Between 1994 and 2000, he built Clearview Cinemas from an eight-screen operation into a 300-screen chain, whose outlets included the Ziegfeld Theatre in New York City. He also served in various senior corporate finance positions on Wall Street.

"The atmosphere at Stern really awakened my entrepreneurial spirit," says Mayo. "At the Undergraduate College there were so many students with so many goals and dreams, it was contagious. My advice to others who wish to launch their own venture is to find your passion. I keep a quote from Ralph Waldo Emerson posted outside my office door as a reminder: 'Nothing great was ever accomplished without enthusiasm.' "

companies in the Czech Republic and Bulgaria.

Keith Kaplan (MBA '91), of Ramsey, NJ, was promoted to Vice President, Marketing and Product Development at Comtex News Network Inc., a provider of electronic real-time news and content. Previously, he held the position of Director of Product Development and was instrumental in the introduction of various new products and in the development of new corporate branding campaigns.

Ronald D. Kazel (BS '91), of Arlington, VA, has been named a Managing Director of Annaly Mortgage Management Inc.

Patrick E. Phelan (MBA '92), of Elk Grove, CA, recently joined North Bay Bancorp as Executive Vice President and CFO. He will oversee financial matters of North Bay and its subsidiary bank, The Vintage Bank, and its Solano Bank division. His responsibilities include financial and regulatory reporting, financial analysis and planning, general ledger management, budgeting, capital management, asset/liability management, fixed assets, and accounts payable.

Lawrence Handen (MBA '93), of Potomac, MD, has recently joined Insight Venture Partners, a venture capital firm exclusively focused on the global software and Internet services industries, as Managing Director. He will be responsible for deal flow execution and management in Insight's newly launched Insight Venture Partners V. Previously, he was a Managing Director at VantagePoint Venture Partners, where he managed investments in the software, Internet, and media sectors.

Claudia Harris (MBA '93), of St. Louis, MO, and husband, Noel, welcomed daughter Isabella Keyvan, on August 26, 2005.

Steffin Gorig (MBA '94), of Munich, Germany, was named Managing Director of Mondi Packaging, a release liner production company.

Philip Lam (MBA '94), of Closter, NJ, recently accepted a job to head up the US operations for Yappa Corporation, a 3D Web technology and creative services company headquartered in Japan.

Steven Berns (MBA '95), of Short Hills, NJ, was recently promoted to President and CFO and appointed a member of the Board of Directors of MDC Partners. In this new role, he will work more closely with MDC Partners' operating businesses, and will continue to be responsible for overseeing MDC Partners' financial management and corporate development teams.

Michael K. Clark (MBA '95), of New York, NY, has co-founded Stinson Partners, a marketing consultancy/agency that specializes in interactive and direct marketing.

Jason O. Hirschhorn (BS '95), of New York, NY, was recently named Global Chief Digital Officer at MTV Networks. He will be responsible for coordinating MTV's digital media efforts.

Robert H. Von Furth (MBA '95), of Northampton, MA, recently joined Ryan Becks & Co., an investment firm, as Managing Director. He will be responsible for originating, structuring, and executing transactions for consumer products and services companies and will oversee the expansion of the firm into the restaurant, grocery, and food sectors. Prior to joining the firm, he was a Managing Director of Deloitte & Touche Corporate Finance LLC.

Pialy Aditya (BS '96), of New York, NY, recently received her MBA from Harvard Business School.

Natalie A. Birrell (MBA '96), of Westfield, NJ, has recently joined Arden Asset Management Inc., a leading fund of hedge funds manager, as Managing Director with the responsibility for working to enhance the firm's technology, infrastructure, risk management, strategic planning, and new product platform, portfolio operations, and investment processes. Previously, she was a

Managing Director and COO of Deutsche Bank's Absolute Return Strategies Group.

Kevin Ma (MBA '96), of Columbus, OH, and his wife, Margie, welcomed a son, Stephen Stanley Ma, on May 17, 2005. Kevin was also promoted to Director of Leveraged Loans for the Office of Investments Group at Nationwide Insurance.

John A. MacPhee (MBA '96), of Ridgewood, NJ, was promoted to President of the Branded Products Division at Par Pharmaceuticals Companies Inc., and elected a corporate officer by Par's board of directors. In his new position, he will continue to develop marketing and sales strategy and establish first priorities for the branded business, including identifying new markets and new products.

Yvonne K. Briggs (MBA '97), of Brooklyn, NY, has recently been appointed to Vice President of Business Development at IRIS International, a manufacturer and marketer of automated IVD urinalysis systems and medical devices used in hospitals and laboratories worldwide. Her role includes identifying, evaluating, and executing potential strategic initiatives in the area of new technologies and product opportunities.

Jonathan Eng (BS '97), of New York, NY, recently joined IBM Business Consulting Services in the Financial Markets Practice. In addition, he married Alice Teng at the Four Seasons Maui on May 27, 2005.

John T. Matwey (MBA '97), of New York, NY, was recently appointed as Director of Risk Management and Portfolio Services at Tremont Capital Management Inc. He will be responsible for managing several long-term initiatives for the firm's investment management group, including enhanced development and implementation of Tremont's risk analytics platform. He joins the firm from RiskMetrics Group Inc., where he had been a director in the Alternative Business Division.

Robert Reitz (MBA '97), of Orem, UT, has been named CFO of Whole Living, a manufacturer and distributor of all-natural whole foods. He has direct sales experience in Singapore, Hong Kong, Malaysia, and other international markets. He also spearheaded a successful entry of a US-based company into the Japan market.

Jed Fishback (MBA '98), of South Orange, NJ, and wife, Breena, welcomed their son, Jordan David, on September 29, 2004.

Frank F. Lin (MBA '98), of Las Vegas, NV, and **Desiree Marie Acosta (MBA '99)**, of Las Vegas, NV, were married on September 3, 2004.

Sharon Simon Mahan (MBA '98), of Anaheim, CA, and husband, George, welcomed a son, Nathan Thomas, on February 28, 2005.

Michael B. Munter (MBA '98), of Scarsdale, NY, has recently been promoted to Vice President of Operations for CareOne LLC, New Jersey's largest private owner and operator of long-term care and assisted living facilities.

Lori M. Rutt (MBA '98), of Edgewater, NJ, and Alvaro L. Serrano were married in New York City on August 19, 2005.

Daniel M. Cohen (MBA '99), of New York, NY, recently returned to the private sector after a three-year term in the Bloomberg administration, working at the city's economic development corporation. He now works for ING, financing development projects throughout North America.

Lisa C. Markowitz (BS '99), of Allentown, PA, and husband, Dr. Moshe Markowitz, announced the birth of their

His Life, His Card

Travelers take the American Express card with them all over the globe. The company behind the card also has a way of making sure its executives see the world.

Massimo Quarra (MBA '79)

In his 27 years with American Express, Massimo Quarra has worked in Latin America, Asia, and Europe, where the Italian executive serves as President of the company's European offices. Quarra joined the company in July of 1979, after receiving an MBA in international finance from NYU Stern, and spent the early portion of his career working in a variety of finance positions in both Latin America and Asia. He returned home to Italy in 1987 to serve as Chief Financial Officer of American Express Italy. Throughout this tenure, he continued to broaden his professional repertoire to include systems, operations, marketing, sales, customer service, and relationship management.

"Finance is a great starting point for a career in general management," he says. "But to succeed, you need to ensure that you gain a solid understanding of the other components of business as well."

Quarra was appointed Managing Director of American Express Italy in 1993, Regional President of Southern Europe in August 2000, and President of Europe in July 2004.

"The most exciting and challenging thing about working internationally is learning the different aspects of various cultures," he remarks. "Conducting business in different cultures and adapting and tailoring global strategies to specific countries is essential in order to win in the marketplace."

Quarra continually calls on the experience and knowledge he has gained throughout his career and at NYU Stern. "Receiving an international finance degree from NYU Stern really prepared me for a career in global business," he says. "At Stern, I was exposed to a wide variety of cultures and students. In addition, New York City is one of the greatest international cities in the world. Just being in the city on a daily basis and experiencing everything the city has to offer helps set you on the path to being a citizen of the world. I have made excellent contacts during my studies at NYU and I have kept in touch with many of them."

"Working internationally was my goal when I left Stern," he continues. "Combining my business education with the opportunities American Express has offered me has helped me achieve this goal."

daughter, Talia Esther, on June 21, 2005.

Stacey Widlitz (MBA '99), of New York, NY, was appointed Managing Director for Pali Research. She will serve as a retail analyst covering specialty retail equities. Prior to this, she was a retail analyst at Fulcrum Global Partners.

2000s

Kjerstin E. Barley (MBA '00), of San Carlos, CA, was recently appointed Senior Vice President at Origination, where she will be responsible for developing client relationships within the technology sector. She has more than 12 years of experience in technology and finance, most recently serving as Investment Banking Vice President for Bear Stearns.

Yuri Brodsky (MBA '00) and **Tammi Stegeman Brodsky (MBA '00)**, of New York, NY, welcomed their first daughter, Elizabeth Kathryn, on March 23, 2005.

Siranoush Dervogormiyaciyan (BS '00), of Cliffside Park, NJ, recently received her MBA from London Business School. She moved back to New Jersey in fall 2005 and has taken a position with Booz Allen Hamilton.

Stephane Kirkland (MBA '00), of Paris, France, has been appointed to the Board of Directors of SPE, the second largest Belgian electricity and gas company.

William F. Sawyer (MBA '00), of Brooklyn, NY, recently joined Leerink Swann, an investment banking firm that provides healthcare equity research for institutional and high-net-worth clients, as Director of Specialty Pharmaceuticals. He will focus his research efforts on generic manufacturers. Previously he worked at Merrill Lynch on an *Institutional Investor*-ranked specialty pharmaceutical research team.

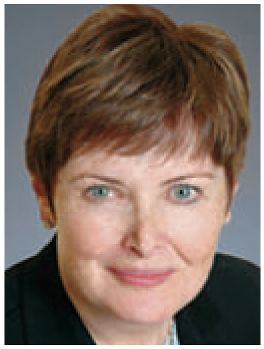
Garvis Toler (MBA '00), of Rockville, MD, recently joined the Center for Financial Research & Analysis as Director of Sales and Marketing. In addition, he and his wife, **Samantha Cherney Toler** **(MBA '00)**, welcomed their daughter, Grace Louise, on May 5, 2005.

Danny Bao (MBA '01), of Shanghai, China, and **Josh Kurtzig (MBA '04)**, of Beaverton, OR, have launched a new educational venture in Shanghai. The company, China Business Institute, aims to provide English-based business training to Chinese junior- and mid-management professionals.

Marcus Hadden (MBA '01), of South Orange, NJ, and wife, Tasia, announced the birth of their son, Maximilian John, on March 30, 2005.

Shahid Khan (MBA '01), of Princeton Junction, NJ, has joined Interactive Broadband Consulting Group LLC, a consulting firm advising top management in the broadband-related sectors of cable, mobile, technology, and digital media, as Partner. He will be responsible for leading major client engagements and

Early Adopter



Ann Reese (MBA '82)

Ann N. Reese is Co-director at the Center for Adoption Policy (CAP), which she co-founded in 2001. CAP's mission is to provide research, analysis, advice, and education to practitioners and the public about current legislation and practices governing domestic and inter-country adoption.

Prior to creating CAP, Reese spent more than 25 years in finance. After graduating from the University of Pennsylvania in 1974, Reese joined the Bankers Trust training program as one of the few women preparing for a career in commercial banking. At that time, the only commercial banking positions available were in the Middle East, where women weren't allowed to travel. Reese asked to be placed in the foreign exchange trading program, and landed on the foreign exchange desk. This experience led to a job offer from her client, Union Carbide.

She later worked as the Treasurer of Mobil Europe and as the Executive Vice President and Chief Financial Officer of ITT Corporation. Now, Reese serves on the Board of Directors of Merrill Lynch & Company, CBS, Jones Apparel Group, Sears Holdings, and Xerox.

Reese attended Stern part-time while working at Union Carbide and Mobil Oil. "I got a tremendous amount out of the part-time experience," says Reese. The MBA program exposed Reese to people working in different disciplines, giving her a better sense of how to advance her career. "Before, 'networking' was just a word; Stern taught me how to network."

In June of 2000, Reese and her husband, Stanley, expanded their family of three sons, (now 15, 19, and 22) by adopting two Romanian toddlers. Their son and daughter were developmentally delayed as a result of their time spent in institutions, and they needed speech and physical therapy. By the end of 2000, Reese had left her job to devote herself to her children's rehabilitation.

Frustrated by the process of her inter-country adoption, Reese founded CAP with a lawyer who also has a blended family. "There are 413 million orphans in this world, with half a million in foster care in the US alone, and 6 million adoptees here," says Reese. "My goal is to find a permanent home for every child who needs one."

Reese considers her decision to adopt and to create her nonprofit organization among the best she has made. "Adopting Ileana and Traian brought so much to our family, opened my eyes to a need I didn't know about, and [through CAP] helped me find a niche where I could make a difference in the world."

Attributing her career success to serendipity, Reese says, "I was lucky enough to be given opportunities, and smart enough to take them." She insists that she didn't map out a rigid path to reach the top ranks of finance. "My career was a lot of small steps. I never worried about titles or money, but focused on interesting experiences; the rest followed." Perhaps the best advice that Reese can offer to those seeking to follow in her footsteps is to "focus on the opportunities, not the roadblocks."

for the firm's thought leadership and public relations activities.

Andrew Pancer (MBA '01), of Tenafly, NJ, has been named COO of About.com, a content website which is a part of The New York Times Company.

Gregory Wilmore (MBA '01), of New York, NY, was married to Barbara, on July 30, 2005, in Lake Placid, NY.

Sandra Delmonte (BS '02), of Forest Hills, NY, and **Raphael Frydman (BS '02)**, of Forest Hills, NY, were married on May 7, 2005.

Olivier Neant (MBA '02), of Paris, France, and his wife, Miki, are pleased to announce the birth of their first child, Julia Ayumi, on April 13, 2005.

Lukas Neckermann (MBA '02), of Munich, Germany, was recently quoted in *Handelsblatt*, a German newspaper, in an article entitled "Is an MBA from US Business Schools Still Worth It?" While giving credit to the development of European programs, he stated that US MBAs are still the "be-all and end-all of MBAs." He is the Regional Leader for the NYU Stern Alumni in Germany Regional Group.

Ashwin Ramji (MBA '03), of Arcadia, CA, has accepted a position as Senior Strategy Analyst at Provision Ministry Group, a nonprofit company located in Irvine, CA.

Poupak Sepehri (MBA '03), of Boston, MA, has accepted a position as Global Communication Manager for GE Industrial Sensing.

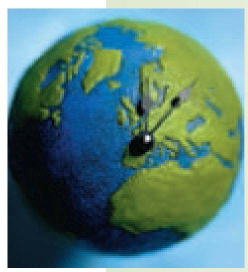
Breyt L. Coakley (MBA '04), of New Hartford, NY, and wife, Jane, announced the birth of their daughter, Olivia Jane, on December 1, 2005.

Petter Nore (MBA '04), of Oslo, Norway, has been named General Secretary of the International Gas Union, effective October 2007. The announcement was made in Beijing on October 19, with 81 delegates from member countries and associate members from most of the world's oil and gas companies present. He is currently the head of Hydro's office in Moscow.

Peter Williams (MBA '04), of Commack, NY, has been named Global Head of Hedge Fund Technology for UBS.

In Memoriam

George Forman (BS '39, MBA '52)
Joel H. Ettinger (BS '40)
Jerome L. Langer (BS '40)
William N. Roth (BS '47)
Joseph H. Gardner (BS '49)
Robert Warshaw (BS '49)
Kendrick B. Tibbetts (BS '50)
John J. Winkopp (BS '50)
Floyd L. Simmons (BS '56)
Samuel L. Pettit (BS '58)
Michael Mendelson (BS '64)
Deborah W. Solnit (BS '66)
Evelyn Gutman (BS '74, MBA '77, PhD '85)
Jan Stackhouse (MBA '87)
Charles Miller (MBA '02)
Rachelle S. Curry (MBA '04)



Save the Date Florence 2007:

Global Alumni Conference
June 8-9, 2007

Additional details will be available in the coming months.
Visit www.stern.nyu.edu/Alumni for updated information.

SEND US YOUR NEWS

Do you have a new job or promotion? An award, honor, or achievement to share? How about a marriage, new baby, or adoption? Let other alumni know about the things happening in your life.

Send us your news online through Class Notes in SWAP – the Stern Worldwide Alumni Platform – at **www.stern.nyu.edu/Alumni,** or mail in the following form, and we will publish it in an upcoming issue of *STERNbusiness*.

Name

Class Year(s) and Degree(s) from NYU Stern

Degree from Other Institutions

Job Title

Company Name

Business Address

Home Address

Work Phone Home Phone

Preferred E-mail Address

News to Share with NYU Stern Classmates

Please send or fax this form to: **Office of Alumni Affairs**
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44 West Fourth Street, Suite 10-160
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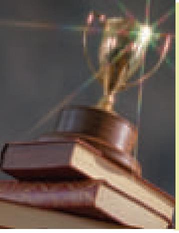
Fax: 212-995-4515



Past Performance

Half-Centennial Retrospective

By **Daniel Gross**

Abraham (Abe) Gitlow joined NYU Stern when it was, in his words, an academic "factory," focused on giving thousands of New York City residents the skills necessary to assume important roles in the emerging US post-WWII workplace. When he retired 40 years later, Stern had grown into a highly diversified institution with an international reputation for excellence in academic research and teaching.

Dean Abe Gitlow circa 1977

An Air Force veteran and Columbia PhD, Gitlow joined the School of Commerce, Accounts & Finance (as NYU Stern's Undergraduate College was then known) in 1947.

"It was a huge, educational factory – and I don't mean that in a pejorative way," said Gitlow, who served as dean of the School of Commerce from 1965 to 1985. With student ranks swelled by former GIs, "there were about 10,000 students registered. The graduating classes dominated the Commencement exercises of the University."

The offices, then in Shimkin Hall, were similarly packed. Faculty members shared desks.

"There were completely open department offices we referred to as bullpens," he recalled.

At the time, the School of Commerce was divided roughly equally between day and evening students. The classes were large and practical. Many members of the faculty did not have doctorates, and they focused more on teaching the application of business than on conducting academic research. "It was a true school of opportunity," he said. "And a very large number of the city's accountants, attorneys, and businesspeople in all spheres of industry graduated from that School."

But over time, as demographics shifted, the School's mission and ambition changed. With that change, new resources were attracted. Gitlow was named dean in 1965. Over the next two decades, the School's academic reputation grew – "with professors like Ernie Kurnow, Mike Schiff (PhD '47), Bob Kavesh (BS '49), and Jules Backman (BS '31, MBA '33, PhD '35), the School began to make what became an extraordinary transformation," Gitlow said.

The School acquired more real estate, backed by a large gift from the Tisch family. Working with famed architect Philip Johnson, who designed Tisch Hall, was one of the highlights of Gitlow's tenure. "Johnson told [former New York University President] Jim Hester that it was a pleasure to do business with us because we knew what we wanted, and consequently he had a very clear mandate," he said.

Over time, the Stern School acquired a more global outlook and a larger and deservedly earned reputation for attracting students from all over the world, and equipping them with the tools needed to become leaders in today's global economy. "If you tell someone that you're an alumnus of Stern, there's a little arching of the eyebrow, a kind of nod, and a great deal of respect," Gitlow remarked.

At 87, Gitlow is retired, but hardly retiring. In 1995, he wrote the Stern history, *NYU's Stern School of Business: A Centennial Retrospective*. And last year, Gitlow, who lives in Miami Beach, published *Corruption in Corporate America: Who is Responsible? Who Will Protect the Public Interest?* (University Press of America). As he looks up north, he likes what he sees. "The Undergraduate College today is a place for smart, ambitious kids who are going to be the creators of a greater society," he concluded.

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

CALENDAR OF EVENTS

For the most up-to-date information on events, visit the Office of Alumni Affairs website at www.stern.nyu.edu/Alumni or contact the Office at (212) 998-4040 or alumni@stern.nyu.edu.

UPCOMING EVENTS

April	**22**	**10th Annual All-University Conference on Self-Employment, Business Ownership & Entrepreneurship** 8:00 am – 6:00 pm; Schimmel Auditorium, Tisch Hall
	25	**Reality Investing at Stern: The Michael Price Student Investment Fund** 6:00 pm: Presentation, Rm 2-60, Kaufman Management Center (KMC); Networking Reception, Barr-Kawamura Commons (Rm 5-50), KMC
May	**16, 17**	**Salomon Center's Credit Risk Conference: "Recent Advances in Credit Risk Research"**
	18	**Author Lecture Series: Ben Friedman on "The Moral Consequences of Economic Growth"** 6:00 pm; Schimmel Auditorium, Tisch Hall
	18, 19	**NYU Pollack Center for Law and Business Directors' Institute** Thursday, 6:30 pm: Welcome Reception; Friday, 8:00 am – 5:00 pm: Conference; Kimmel Center; www.stern.nyu.edu/clb
	19	**Lifelong Learning Workshop: Real Estate with Professor Harry Chernoff** 8:30 am – 1:30 pm: Lecture, Rm 2-60, KMC; Luncheon, Douglas B. and Joseph H. Gardner Commons (The Commons), KMC
June	**15**	**Alumnae Network Author Lecture with Barbara Stanny, author of "Secrets of Six-Figure Women" and "Overcoming Underachieving"** 6:00 pm; The Commons, KMC

GRADUATION AND ALUMNI REUNION WEEKEND

May	**9**	**Undergraduate Baccalaureate** 6:00 pm; The Theater at Madison Square Garden
	10	**Graduate Precommencement** 12:00 pm; The Theater at Madison Square Garden
		Grad Alley 5:00 pm; West Fourth Street, La Guardia Place, and the NYU Plazas
	11	**NYU Commencement** 12:00 pm; Washington Square Park
		MBA Class of 1981, 1986, 2001, and Undergraduate Class of 2001 Reunion Receptions 6:00 pm; KMC
	12	**NYU Alumni Association Awards Dinner** 6:30 pm; The Roosevelt Hotel, New York, NY
	13	**Entertainment, Media, and Technology Panel: "Changing Channels: Reaching Consumers Through Today's Media"** 11:30 am – 1:00 pm; Schimmel Auditorium, Tisch Hall
		Luncheon with Dean Thomas Cooley 1:30 – 3:30 pm; The Commons, KMC
		All NYU Alumni Reunion Gala Dinner Dance 7:00 pm; Grand Hyatt Times Square, New York, NY

STERN ALUMNI PROGRAMMING

April	**22**	**Recent Graduate: NY Cares Spring Clean-Up Day** 9:30 am – 3:00 pm
	25	**EMBA Global Study Tour Student & Alumni Reception in Rio de Janeiro, Brazil**
May	**4**	**First Thursday: Recent Undergraduate Alumni Happy Hour** 6:00 pm; Midtown
July	**13**	**Undergraduate Alumni Summer Beer Blast** 6:00 pm; Rm 5-50, KMC
August	**17**	**MBA Alumni Summer Beer Blast** 6:00 pm; Rm 5-50, KMC

"NYU IN YOUR NEIGHBORHOOD"

Reservations required. For complete information, visit the website at **www.nyu.edu/alumni**.

May	**1**	**San Diego, CA**
	2	**San Francisco, CA**
	4	**Los Angeles, CA**
May	**23**	**Houston, TX**
June	**6**	**Boston, MA**

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