WOMEN ENTREPRENEURS ARE FLYING HIGH

The number of women starting their own businesses is surging as never before, and alumnae of the Stern School of Business are shining examples. In this issue we highlight the success stories of five women graduates of NYU Stern. Page 4
The fall semester of every school year always brings a sense of excitement to faculty, students, and administrators. I am no exception, as the Berkley Center has started a number of new initiatives as well as continued to expand upon its existing programs. We have a record number of students taking courses in entrepreneurship, two tracks in our thriving business plan competition, a large number of alumni involved with the Center’s activities, an exciting program in social entrepreneurship, and an increasing number of excellent faculty members whose areas of scholarship and teaching include entrepreneurship and innovation.

One new initiative is the **Stewart Satter Social Entrepreneurship Fund**. Just recently, the board of the fund approved grants totaling $250,000 to three Stern alumni-run social ventures, a large-scale research project proposed by Professor Jeff Robinson, and the second annual Social Entrepreneurship Conference. We received over 20 proposals from social ventures in only the first year of the program. I appreciate the work that Sarah Chiles has put into this program to get it off to such a great start.

A second new initiative is the **Stern Incubator**. We have secured office space, appropriate infrastructure (computers, phones, fax, etc.), and pro bono consulting from business and legal experts to help a few new companies get started. Some of these incubatees will be companies to whom we have awarded funds from competitions. However, some slots will be open to general applications. As with our other programs, all companies require some NYU Stern student or alumni participation. Liz Ingrassia has done a great job putting the incubator together in a short period of time. More information on this program and other Berkley programs can be found on our website by going to www.stern.nyu.edu/berkley.

This issue of the *Innovation Review* is focused on Stern alumnae who have distinguished themselves through their entrepreneurial activities. We are, of course, proud of their accomplishments and feel some sense of pride to have played a role in their educations. As we continue to expand our current programs and initiate new ones, we expect the entrepreneurial accomplishments of all of our alumni to increase and to enhance the reputation of the Stern School.

If you would like to contact me about the Berkley Center, please feel free to send me a note at rwiner@stern.nyu.edu.

Sincerely,

Russ Winer
The Berkley Center Welcomes New Faculty

Glenn A. Okun joined the Stern faculty in 2002 as a clinical professor of management and entrepreneurship. Professor Okun teaches courses in entrepreneurship, private equity, venture capital, corporate finance and investment management. He also advises corporations on financial and investment matters. From 1998 to 2001, Okun was president of Mitchum, Jones & Templeton, a merchant bank and broker dealer headquartered in San Francisco, California. He previously served as a director of Allen & Company Inc. in New York. Prof. Okun invested in early and later stage financing of private companies in various industries, and also ran a small capitalization emerging growth stock hedge fund and a special situations portfolio. Okun has advised corporate clients on mergers, acquisitions and restructurings, and has underwritten public offerings and private placements of securities. He began his investment career at the IBM Retirement Fund, where he invested in mezzanine private placements, real estate, public emerging growth equities, and oil and gas assets. He holds a B.A. degree from Wesleyan University and M.B.A and J.D. degrees from Harvard University.

Jeffrey A. Robinson joined the Stern faculty in 2003 as an assistant professor of management. Professor Robinson teaches courses and conducts research in the area of entrepreneurship. He is especially interested in the role of entrepreneurs and entrepreneurship in society, communities and in developing the competitive advantage of regions and nations. He is committed to research and informed policy-making in the areas of community economic development, social venturing, and social and institutional barriers to markets. Robinson is currently working on manuscripts related to his work on inner city business development, entrepreneurial churches, and social and institutional barriers to markets. As a graduate student in 2001, Prof. Robinson joined the Stern faculty in 2002 as a clinical professor of management.

Berkley Center Announces New Courses

Women in Business Leadership
Taught by Professor Sheila Wellington, this course explores the issues of women in management with a focus on the barriers and success factors that enable women to achieve their maximum potential as business leaders. Also explored will be the strategies that organizations can undertake to develop a more diverse and creative pool of leadership talent. It will analyze the historical, ethical and legal implications inherent in the exclusion of women from power positions, review empirical and anecdotal data involving women in corporate leadership and use “real life” experiences of successful women executives to create a broader appreciation of the benefits of advancing women in business.

Foundations of Entrepreneurship—Special Section on Social Entrepreneurship
Taught for the first time in fall 2004 by Professor Jeffrey Robinson, this course is designed to teach students about all aspects of the traditional business planning process, with particular attention paid to the challenges of social venture creation. Topics will include opportunity assessment, business models in the social sector, acquiring the necessary resources to grow a new venture, and the tradeoffs between social and financial returns on investment. Students are expected to complete a semester long project (a social venture plan or case study) to be evaluated by classmates, faculty and an outside panel of practitioners. Students will also be expected to attend one field trip during the semester.

The Family Business Management Course
To be launched in spring 2005 by Professor Ken Preston, this course will focus on the distinct challenges and potential competitive advantages of running family controlled businesses. The challenges are primarily the result of issues presented by the interaction of family, management, and ownership, particularly where the family wishes to perpetuate its influence and/or control from generation to generation. The course will explore and analyze family business continuity challenges and best management, family, and governance practices for leading family-owned businesses that constitute well over 80 percent of the world’s businesses.

Social Venture Capital: Finance with a Double Bottom Line
Taught by Professor Kerwin Tesdell, this course explores a spectrum of financial tools used to create social value. It examines the social capital markets and financial instruments designed to produce not only financial returns, but also social returns; these instruments are commonly known as “double bottom line” investments. The course will explore the structures, social missions, and effectiveness of these types of investment organizations and also will consider the challenges of quantifying these social returns. Guest lecturers will likely include executives from the Nonprofit Finance Fund, the Ford Foundation, Underdog Ventures, and the Rockefeller Foundation.
The number of women starting their own businesses is surging. Right now, 48 percent of all privately held U.S. companies are owned primarily or entirely by women. That percentage has gone up every year for the last seven years. In 2004, women owned businesses will spend almost half a trillion dollars on salaries and benefits. And they will generate $2.5 trillion in sales.

What's going on here? For one thing, more and more women are entering and staying in the workforce. For another, more and more women are earning college and graduate degrees. Indeed, women make up 30-35 percent of all MBA students at the leading business schools (and Stern has consistently run at the head of the pack). Thus, the pool of potential women entrepreneurs keeps growing.

But the increase in women entrepreneurs outpaces the increase of women in the employment pool. Why is this the case? When asked what made them business owners in the first place, women cite the proverbial “pull” of an entrepreneurial idea, the joy of seizing a marketplace opportunity, the challenge of controlling their own destinies. These reasons animate both women and men alike. But there are data from a 1998 Catalyst study indicating that women, in particular, appreciate the greater flexibility entrepreneurs have in determining when and where to work. And some women who made a career change to start their own businesses reported that they left established organizations because they felt their promotional opportunities lessen the higher they went up the organizational ladder.

Whatever the reason, women entrepreneurs consistently report that they thrive on what they do and how they do it. Happily, Stern women are part of that group. And just as happily, they appreciate the role that Stern has played in their success.

Recently, Innovation Review caught up with five outstanding Stern alumnae entrepreneurs to find out how they got their start, what their critical success factors are and generally, how business is going.

**Nearly 50% of all privately held companies are owned by women. That is 10.6 million women-owned firms operating in the U.S. alone.**

**And that number is on the rise. Growth in women-owned businesses was 28% for the seven years ending in 2004, versus 9% for all firms.**

**These firms generated $2.46 trillion in sales and employed 19.1 million people nationwide.**

**Women-owned businesses account for $500 billion in salary and benefit expenditures.**

All statistics refer to 2004 date of privately held, 50 percent or more women-owned firms in the U.S. Stats collected by the Center for Women’s Business Research based on census data.
Julie Chaiken  
CHAIKEN CLOTHING

What moved you to found your company? And when precisely did you found it?
I came out of business school knowing that I wanted to start a company of my own. I wanted to create something that spoke to who I am, and I came up with the idea of a clothing company to create clothes for women like myself. I founded the company in July 1994.

What have been the greatest obstacles that you have encountered so far?
Where do I start? The learning curve has been huge. But as long as you are willing to ask questions, you can figure anything out. However, one of the biggest obstacles I faced was breaking free from my business partner while maintaining the confidence of our customers. She and I parted ways in 1998, and since then I have seen my business double and add new product categories. It took a lot of work and relationship-building to make it happen, but at the end of the day, the efforts paid off.

What factor or personal strength do you view as contributing to your success?
Tenacity. Things don’t always turn out how you envision them the first time. Having the tenacity to keep going until you get the desired end result is really important.

How does being a woman affect your business?
I design the product to work with my lifestyle. As the customer, I am constantly fine-tuning fit or color.

Looking back, what role has your Stern experience played in the success of your venture?
Business school helped me to understand the big picture and to learn the language of business. Designing clothes is the sexy part, but at the end of the day, it is still a business like any other. I need to speak the same language as the banker, accountant, and marketing people in order to create forward momentum.

What does the future hold for you and your company?
In addition to the women’s collection, I also do maternity. This year, I am working on the launch of a swim collection. If all goes well, next year I will be working on retail stores. Never a dull moment!

““The learning curve has been huge. But as long as you are willing to ask questions, you can figure anything out.”
Maria Defino PAPERLINK

What moved you to found your own company?

It was the late nineties, and the majority of Internet start-up companies targeting the paper industry were seeking to eliminate the middleman via online marketplaces and auctions. Having spent twenty plus years selling paper, I recognized the crucial role that the distributor played in the supply chain. To succeed, online marketplaces and auctions would have to replicate (at a lower cost) all the services and functions performed by distributors and fundamentally alter the nature of the procurement process. I did not foresee either of those things happening, but I strongly believed that the emergence of new Internet-based technologies provided a unique opportunity to increase supply chain efficiency while simultaneously strengthening the existing relationship-based franchise distribution system.

And when precisely did you found it?

I started Paperlink in 1998 with three co-founders, two of whom were fellow Stern classmates (Kevin Groff, MBA 2000, and Linda Dumas).

What have been the greatest obstacles that you have encountered so far?

Since Paperlink is a technology solutions and service provider, one might anticipate that our greatest obstacles would be technology related, but they are not. Undoubtedly the greatest obstacles that we have encountered are 1) resistance to change, and 2) insufficient capital to enable us to grow more rapidly. The paper industry was one of the first to heavily invest in technology on the process side of the business, but it has traditionally been slow to embrace technology on the sales side. Convincing people to change how they do business is hard. Resistance to change contributes to a long sales cycle, but on a positive note, it also accounts for why the opportunity still exists in the first place.

What factor or personal strength do you view as contributing to your success?

In my opinion, the factors that matter most are 1) having a true passion for what you do, and 2) always treating other people right. I think the media often depict successful entrepreneurs as “Lone Ranger” types who buck the odds and essentially manage to succeed on their own. Nothing could be further from the truth. Frankly, I don’t know of a single successful person who has gotten to where they are by themselves. The most successful people I’ve met along the way are people who have genuinely cared about the success of others — their customers, employees, partners, vendors, etc.

How does being a woman affect your business?

I don’t think being a woman has affected my business. By the time I started Paperlink I had already raised my daughter, so I was spared from having to make some of the really tough decisions that I’ve seen friends (men and women alike) struggle with in trying to achieve an acceptable balance between work and family life.

Looking back, what role has your Stern experience played in the success of your venture?

If it were not for Stern and, more specifically, the support of the Berkley Center for Entrepreneurial Studies, Paperlink would probably not exist today. Our company’s first business plan was developed during an Entrepreneurial Retreat. Being able to draw upon and benefit from the real-life experience of our professors and mentors made a significant difference in the early formation and development of our company.

What does the future hold for you and your company?

I think one of the things that starting a company teaches you is that it is almost impossible and nearly always a waste of time to try to predict the future. Having said that, I can say that the present is an incredibly exciting and busy time for us. We have just finished setting up a fourth manufacturer on our web-based Information Service, and we have three new customers scheduled to start service with us in September. With the continued support of our customers and our partner, Instaknow.com, we expect 2004 to be our best year ever.

Maria Defino

PAPERLINK

www.paperlink.com

WHO Paperlink, co-founded in 1998 by Maria Defino (NYU School of Continuing and Professional Studies, NYU Stern).

WHAT A third-party technology solutions and software services provider to the paper industry, giving paper distributors and manufacturers the ability to deliver real-time inventory, pricing, and other status information to their employees and clients.

WHERE New Jersey

HOW Paperlink designs and develops custom software applications and provides software sales, implementation, training, and support.


THE M.O. “We earn money the old-fashioned way — through customer satisfaction.”
I really see being a woman as neither an advantage nor a disadvantage. Perhaps there are glass ceilings in major companies, but fortunately I am not affected by them. For me, and for all of the women who work at TransPerfect and Translations.com, it is a meritocracy. Success, new opportunities, promotions, and increases in pay are all completely related to results. Performance speaks for itself, whether one is a woman or a man.

Looking back, what role has your Stern experience played in the success of your venture?

Stern has been helpful in many ways. First of all, since I majored in languages in college and took no business courses other than economics, Stern provided me with the business and practical base that I did not get to enjoy at my small liberal arts college. Second, Stern offered a great number of extracurricular activities which served me well in preparing to start a business, namely the Entrepreneurs’ Exchange, which had a mentoring program as well as many fantastic guest speakers. Third, upon starting my first company, having the credential of an MBA from Stern opened the door to a lot of opportunities that an early-stage entrepreneur would not typically have. Fourth, since graduation I have been involved in seminars, panels, and networking events with Stern, and I have benefited greatly from all that I have been able to learn and gain from them. Above all, I met my business partner at Stern. Had that not happened, I am confident neither of us would have ever started our companies.

What does the future hold for you and your company?

Our vision is to become the world’s premier communications, staffing, and document services companies with offices in every major gateway city. Currently, we are located in 24 offices on three continents. We intend to accomplish this goal by adding more offices, five of which will open over the next 12 months, by further developing related lines of business, and, finally, by making strategic acquisitions.

AT A GLANCE

TRANSPERFECT TRANSLATIONS

www.transperfect.com
www.translations.com

WHO TransPerfect Translations, co-founded in 1992 by Elizabeth Elting (Trinity College, NYU Stern)

CLOUT Entrepreneur Magazine’s 2004 Woman of the Year

WHAT Translation, interpreting, typesetting, graphics, voice-overs, staffing, multicultural marketing, and document management for law, finance, life science, manufacturing, retail, advertising and marketing, and information technology.

WHERE Over 20 offices in America, Asia, and Europe

HOW Network of 4,000 certified linguists provide fast turnaround, highest possible level of accuracy.

CLIENTS Include ABC, American Express, AT&T, CBS, Coca-Cola, Dreamworks, Goldman Sachs, IBM, Marriott, Pfizer, Revlon, Sony, Standard & Poor’s, Time Warner.
What moved you to found your company? And when precisely did you found it?

On a very personal level, we wanted to be a catalyst for economic development in minority communities. That was extremely important to us. We started *The KIP Business Report* to fill a void. Although the New York metropolitan area has grown dramatically more diverse, that diversity is not reflected in the mainstream business press. The issues and concerns of minority business owners are ignored. For instance, in the aftermath of the World Trade Center tragedy, a massive amount of money flowed into New York City for the clean-up and rebuilding effort. *The KIP Business Report* was the only media outlet to ask whether or not minority business owners were getting a fair share of those contracts. As it turns out, they weren’t. There were—and are—gross inequities in how contracts are awarded in this town.

From a more practical business perspective, our goal was to create a publication through which advertisers could reach the minority business community, which is extremely lucrative, fast-growing, and largely overlooked and underappreciated by Fortune 1000 companies.

We started the paper in 1998 as an offshoot of an existing business. About two years later, we decided to devote ourselves entirely to growing the publication.

What have been the greatest obstacles that you have encountered so far?

Building a team and finding the right employees has definitely been a challenge. So has being able to move fast enough to take advantage of the many opportunities we’ve been fortunate to have come our way.

What factor or personal strength do you view as contributing to your success?

Faith: You have to have a tremendous amount of faith, otherwise you’ll never persevere through the inevitable tough times. Flexibility: Opportunity usually comes disguised as hard work and almost always at unexpected times. While it’s good to have a solid plan in place, it’s even better to be adaptable and creative. And fun: You have to love what you do. If I won the Lotto jackpot tonight, I’d be right back at my desk tomorrow.

How does being a woman affect your business?

I don’t think it has. That’s not to say I don’t encounter sexism regularly, because I do. However, I’ve become adept at recognizing when my gender might be an issue and adjusting accordingly. More often than not, I think my gender has been a business asset, especially when negotiating. Like most women, I’m good at reading people, I’m an excellent listener, and I tend to be underestimated—all things that I use to my advantage when negotiating.

Looking back, what role has your Stern experience played in the success of your venture?

The contacts I made and the friendships I formed are what I value most about my Stern experience—plus I can do a really mean SWOT analysis!

What does the future hold for you and your company?

We will continue to position ourselves as a diversified media company serving minority business owners and professionals, and being evangelists for minority business development—whether it’s through our flagship publication, *The KIP Business Report*, our online newsletters, our website, our relationships with broadcast media, or our conference and special events arm. The way we see it, we’re on a mission. So in the near future, we’re going to begin spreading the KBR gospel to other cities.

On a personal level, I’d love to teach college-level courses on entrepreneurship and on business journalism, particularly as it relates to covering the urban market. I also think I have at least one book in me on helping black entrepreneurs overcome the unique challenges they face.
Kelly Moylan  Hamilton Lane

What moved you to found your company? And when precisely did you found it?

After working in public accounting and senior financial positions for two small companies, I had grown restless working for other people. I liked the idea of creating something of my own and being able to influence its direction. I co-founded Hamilton Lane, a private equity advisory firm, at the beginning of 1991.

What have been the greatest obstacles that you have encountered so far?

The toughest obstacle was getting our first client(s). We were marketing to the large pension fund community, to institutions with billions of dollars in assets. We did not have a five-year track record for our advisory capabilities, which is the general prerequisite for being chosen as a service provider in that environment. We needed to find someone who would give us a chance to prove ourselves. After some audacious cold-calling, we were hired as a sub-contractor to an existing private equity adviser to CalPERS, which really put us on the map. From there we were hired by many prominent pension funds, both public and corporate, in the U.S. and abroad.

What factor or personal strength do you view as contributing to your success?

I am very persistent and hard-working. I do not give up easily. I have excellent attention to detail and the ability to execute well. On a macro level, I have established and maintained excellent working relationships with clients, service providers, and others in our industry, which have served the company (and me) very well.

How does being a woman affect your business?

Being a woman has often been an advantage in the private equity advisory business, as there were very few senior women when we started the firm. I have worked on long-term special projects in Europe, where there are even fewer women in senior positions. So if you are a woman who is professional, intelligent, and can create good, long-term working relationships, it is somewhat unique and therefore stands out in the industry.

Looking back, what role has your Stern experience played in the success of your venture?

Having an MBA (in addition to becoming a CPA after leaving Stern) has given me the credentials and confidence to work in a field with very intelligent and talented individuals, including top business executives, venture capitalists and buyout firm deal makers, chief investment officers, etc. The Stern name is recognized and respected, which enhanced my professional credentials in the early years of building our firm.

What does the future hold for you and your company?

The firm has done very well, growing to over 50 employees and significant assets under management/ advisement. In 2003, we sold an equity interest to a group of investors that includes Bill Gates’s personal investment group. I took that opportunity to sell my interest and focus on philanthropic activities while I consider various options for my next professional endeavor.

I am devoting time to charitable activities that are very important to me, including the American Field Service, one of the oldest intercultural exchange businesses in the world (under whose auspices I spent a year in France as a foreign exchange student in high school). I have also established the African Service Fellowship at Stanford University (my undergraduate alma mater), which provides funding for community service projects in Africa for Stanford undergraduates. My interest in Africa has continued to grow as a by-product of managing client investments in South Africa over the past several years.
Research on Women Entrepreneurship

A Sampling of Recent Research from International Scholars

Edited by Iftekhar Hasan

Catherine M. Daily, S. Trevis Certo, and Dan R. Dalton have published “Entrepreneurial Ventures as an Avenue to the Top? Assessing the Advancement of Female CEOs and Directors in the Inc. 100” in the Journal of Developmental Entrepreneurship, Norfolk: Spring 1999, Vol. 4, Issue 1, pp. 19-32. The purpose of this paper is to attempt to relate the increasing number of women entrepreneurs to the glass-ceiling phenomenon of women in the executive workforce. The authors find that women are making no progress with respect to becoming CEOs of entrepreneurial, high-growth firms nor are they being groomed for such a position, thus supporting the theory that women are leaving companies to start their own ventures.

John Watson published “Failure Rates for Female-Controlled Businesses: Are They Really Different?” in the Journal of Small Business Management, 2003, 41, (3) pp. 262-277. In attempting to determine whether female-owned businesses have higher failure rates than male-owned businesses, Watson surveyed more than 8,000 small- and medium-sized Australian firms. He found that the failure rates between female- and male-owned businesses were not statistically significant after controlling for industry-specific effects.

Miri Lerner and Tama Almor have published the article “Relationships among Strategic Capabilities and the Performance of Women-Owned Small Ventures” in the Journal of Small Business Management, 2002, 40 (2), pp. 109-125. In focusing on life-style ventures owned by women, the authors discovered that the performance of these companies was highly related to certain aspects of the owner’s skills and available resources. Based on the 220 Israeli female business owners studied, performance is determined more by marketing, financial and managerial skills than by innovation.

A. Chirikova authored “Woman as a Company Head: Problems of Establishing Female Entrepreneurship in Russia” in Problems of Economic Transition, Armonk: Jan 2001, Vol. 43, Issue 9, pp. 6-19. Female entrepreneurship in Russia is growing such that by 2005 between 30-35 percent of firms will be headed by women. This article examines the trend that a softer management style within the country is leading to new opportunities for both women and the country’s economic development as a whole.

Surendra P. Singh, Ruthie G. Reynolds, and Safdar Muhammad have published “A Gender-Based Performance Analysis of Micro and Small Enterprises in Java, Indonesia” in the Journal of Small Business Management, 2001, 39 (2), pp.174-182. Using a sample of Indonesian companies, the authors found that businesses operated by female entrepreneurs were more likely to be in less dynamic and lower growth industries. The authors also note that researchers need to be aware that results derived from developed countries may not necessarily apply to developing countries.

African-American Women Entrepreneurs

An NYU Stern Research Project

NYU Stern Professor Jeffrey Robinson is pleased to announce the launch of a pathbreaking research study on African-American women entrepreneurs. The purpose of this study, entitled “Doing It Our Way: Economic and Sociological Influences on the Success of African-American Women Entrepreneurs,” is to discover and interpret the economic and sociological factors that account for the viability, growth, and sustainability of African-American women entrepreneurs.

Professor Robinson is working in collaboration with Drs. Laquita Blockson, assistant professor of management, policy and ethics at the University of Northern Iowa, and Sammie Robinson, assistant professor of management at Illinois Wesleyan University.

Recent research projects have noted that women-owned businesses are the fastest growing segment of new business startups, and black women’s businesses are a larger share of black-owned businesses than white women’s businesses are of all white firms. Yet very little is known about the growth patterns of black women-owned firms. This study may provide valuable findings in an area of importance to researchers, policymakers and practitioners by focusing on the intersection of race, gender and entrepreneurial growth.

Beyond expanding the existing literature on entrepreneurship, this study may be used by scholars as a foundation for subsequent empirical studies on African-American women entrepreneurs. This study may also be used by small business development centers as a basis for creating new tools and methods that entrepreneurs, regardless of race or gender, use to attain and sustain profitability and competitive advantages, particularly those entrepreneurs whose ventures are in the nascent stage.

In a similar manner, professors who teach courses in entrepreneurship or women in business may also use the study’s findings to augment course content and pedagogy. Further, the study’s results may prove influential in creating new — or augmenting existing — policies and programs related to small business development and economic development.
Joachim Wagner published “What a Difference a Y Makes: Female and Male Nascent Entrepreneurs in Germany” as IZA Discussion Paper No. 1134, May 2004. Based on a survey of the adult population in Germany, the author attempts to identify why men are more than twice as active in entrepreneurship as women. The results of his analysis find fear of failure is a primary factor in the explanation of the gender gap with respect to entrepreneurship.

Deborah Walker and Brenda E. Joyner have co-authored “Female Entrepreneurship and the Market Process: Gender-based Public Policy Considerations” in the Journal of Developmental Entrepreneurship, Norfolk: fall 1999, Vol. 4, Issue 2, pp. 95-116. A study of public-policy programs designed to increase the number of women entrepreneurs indicates a possible increase in gender discrimination due to a resentment of these programs that are targeted toward women. Discrimination appeared to decrease with the use of SEA programs, which are discussed further in the article.


**Selected Ongoing Research by Stern Faculty**

**On Entrepreneurship, Venture Capital, New Ventures and Family Business**

**On the Decision to Go Public: Evidence from Privately-held Firms**, Ekkehart Boehmer and Alexander Ljungqvist. The paper tests recent theories of when companies go public which predict that 1) more companies will go public when outside valuations are high or have increased, 2) companies prefer going public when uncertainty about their future profitability is high, and 3) firms whose controlling shareholders enjoy large private benefits of control are less likely to go public. Based on the experience of 330 privately-held German firms that went public, the paper reveals that the likelihood of firms completing an initial public offering increases the firm’s investment opportunities and valuations.

**IPOs and the Growth of Firms**, Gian Luca Clementi. The paper constructs a simple, dynamic, stochastic model of firm behavior in which the decision to go public is modeled explicitly. The model predicts that the operating performance reaches its peak in the period before the offering and experiences a sudden decline at the IPO date. The model also predicts that the IPO coincides with an increase in sales and capital expenditures. The paper reports that the firm growth rate is negatively associated with age and size.

**Before and After the Stock Market Jolt: Managerial and Institutional Predictors of Performance In Internet Related New Ventures**, Theresa K. Lant, Frances J. Miliken and Andac Arikian. This paper investigates the relative impact of top management team experience and the status of institutional linkages on the performance of Internet-related new ventures in a turbulent environment that experiences a sudden environmental jolt—the NASDAQ crash of April 2000. The paper argues that the stock market crash marked a switch from an environment characterized by resource munificence to one characterized by resource scarcity, and predicts that management experience and institutional affiliation will have different effects on performance.

**Hot Markets, Investor Sentiment, and IPO Pricing**, Alexander Ljungqvist, Vikram K. Nanda, Rajdeep Singh, forthcoming Journal of Business. The paper models an IPO company’s optimal response to the presence of sentiment investors and short-sale constraints. Given regulatory constraints on price discrimination, the optimal mechanism involves the issuer allocating stock to ‘regular’ institutional investors for subsequent resale to sentiment investors at prices the regulars maintain by restricting supply. The paper resolves the apparent paradox that issuers—while shrewdly timing their IPOs to take advantage of optimistic valuations—appear not to price their stock aggressively.

**A Theory of Pyramidal Ownership and Family Business Group**, Heitor Almeida and Daniel Wolfenzon. The paper provides a rationale for attractiveness of pyramidal form of ownership (the control of a firm through a chain of ownership relations) that departs from the traditional argument that pyramids arise to separate cash flow from voting rights. It shows that pyramids are attractive when internal funds are important due to poorly functioning capital markets and when security benefits of the new firms are low.

**Entrepreneurial Pressure, Innovation, and Rent Cannibalization**, Manuel Amador and Augustin Landier. In the presence of behavioral or informational frictions, the most innovative projects are implemented in new ventures, and more focused firms innovate more. If the marginal innovation is done under pressure from outside, a better VC market increases the innovation rate. If the marginal innovation would have been implemented without outside pressure, a better VC market—by decreasing the rents of being the incumbent firm—decreases the rate of innovation.

**Entrepreneurship and the Stigma of Failure**, Augustin Landier. The paper introduces a model that captures the phenomenon that entrepreneurial activity varies substantially across regions and sectors and appears to be related to the stigma of failure. The paper also discusses the role of financial structure and legal environment.

**Financial Contracting with Optimistic Entrepreneurs**, Augustin Landier and David Thesmar. The paper looks at the effects of entrepreneurial optimism on financial contracting. It shows that when the contract space is restricted to debt, there exists a separating equilibrium where optimists self-select into short-term debt and realists into long-term debt. Long-term debt is appropriate for a realist entrepreneur, as it smooths payoffs across states. Short-term debt is appropriate for the optimist because it “bridges the gap in beliefs” by letting the entrepreneur take a bet on his project’s success, and also because it lets investors impose adaptation decisions in bad states.

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Muriel Orhan focuses her paper on the French female entrepreneur. Specifically, she looks at the way women forge their own paths in the male-dominated sphere of business and finance. She also looks at the financing of such ventures both from the financial institutions’ perspective and that of the women entrepreneurs.
This past year’s competition was a tremendous success for Stern entrepreneurs and the School. The Center added to the competition a Social Entrepreneurship track, designed for ventures that pursue the double bottom line of financial profitability or sustainability and social impact. We also hosted day-long, intensive business planning workshops, senior level coaching to help semi-finalists refine their pitches, and opportunities to network with potential investors and other entrepreneurs.

Four teams comprising NYU Stern students and alumni collectively won $100,000 in seed money at Stern’s fifth annual Business Plan Competition. The winning business plans range in focus from service businesses to food-related concepts to healthcare initiatives, and all earned the respect of a prestigious judging panel of venture capitalists and successful entrepreneurs.

This past year’s competition was a tremendous success for Stern entrepreneurs and the School. The Center added to the competition a Social Entrepreneurship track, designed for ventures that pursue the double bottom line of financial profitability or sustainability and social impact. We also hosted day-long, intensive business planning workshops, senior level coaching to help semi-finalists refine their pitches, and opportunities to network with potential investors and other entrepreneurs.

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“The top-notch quality of the business plans and the sophistication of the teams are a testament to the entrepreneurial zeal that runs through the Stern community,” said Russell Winer, deputy dean and academic director of the Berkley Center. “Many of the teams that participated are ready to go operational tomorrow, and the mentoring and funding provided through the competition will truly help make that possible.”

To register and for a complete calendar of events visit: www.stern.nyu.edu/berkley/competition

2003-04 Winners

Social Entrepreneurship Track

The winning social track team, SimulTel, featured Stern MBA alumnus Siddharth Rastogi, who leveraged the larger NYU network by partnering with physicians, researchers and linguists affiliated with the NYU School of Medicine. Their objective is to improve access to healthcare for individuals with limited English proficiency, who number more than one in five in New York City alone. To do so, their business will provide high-quality remote medical interpreting services so that patients and doctors can communicate simultaneously. Their patent-protected model takes only half the amount of time and is less error prone than other interpreting modalities currently on the market.

“Stern’s Maximum Exposure Business Plan Competition offered extensive workshops that were invaluable in helping us hone our pitch,” said Rastogi, who graduated from Stern in 2000. “It also gave us significant access to investors interested in social ventures. The
Stewart Satter Family Prize will enable us to incorporate SimulTel and execute key licensing and partnership agreements."

**Traditional Track — 1st Place**

NYU Stern alumnae Amy Graiwer and Karin Sloan, who recently left their financial services and consulting jobs to start their own businesses, came in first in the competition’s traditional track. A partnership grounded in a shared passion for creativity and friendship resulted in the conceptualization of Let-Me-Tell-You™, a new line of gift scrapbooking products. Although the term “scrapbooking” can’t be found in the dictionary yet, the hobby is popular and growing faster than any other hobby, according to the Hobby Industry Association. Let-Me-Tell-You™ facilitates the scrapbooking creative process to help more women capture significant life milestones from showers to graduations to weddings.

“By participating in Stern’s business plan competition we worked with mentors to refine our value proposition and to develop our go-to-market strategy, benefiting from the insights of accomplished entrepreneurs with firsthand experience,” said Karin, who graduated from Stern in 1999. “We were thrilled to reconnect with NYU Stern and are inspired by the School's encouragement of women entrepreneurs.”

**Traditional Track — 2nd Place**

NYU Stern's very own MTV documentary star Kenny Lao, a 2004 MBA graduate, won the second place prize in the competition for Rickshaw, his Asian dumpling, quick-casual dining concept that he plans to open in New York City's Chelsea later this fall. Having signed on Andy Stenzler (Stern '94) and founder of Cosi, and Anita Lo, owner of Annisa Restaurant in Greenwich Village, Kenny recently spoke with Innovation Review about his progress since the competition.

"Plans to open the flagship Rickshaw Dumpling Bar are in full swing," he said. "We are in the initial stages of our lease negotiation for our first store and are projecting to open this fall in downtown Manhattan. Needless to say, things are very busy with architecture meetings, kitchen equipment design and scheduled tastings with our consulting chef partner, Anita Lo. All of this is happening with an MTV camera crew in tow. MTV's news and documentary division has decided to choose me as the entrepreneur to follow around for a full year to document the opening of this business."

**Traditional Track — 3rd Place**

The Pregnant Juice Company, LLC, co-founded by Nandini Sinha and three NYU Stern alumni, Jean Hong (Class of 2003), Ashok Sinha (Class of 2002) and Prosenjit Chaudhuri (Class of 2003), won the $5,000 prize for their healthy, all natural juice drink designed especially for expecting mothers. Created to meet the unique needs of pregnant women, "Mama Juice" is low in sugar and sodium, high in fiber and has the right combination of nutrients needed for a healthy pregnancy.

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**Berkley Center Spearheads Development of The Stern Incubator Program**

**A Platform for Student Businesses to Get a Jump Start**

The Berkley Center for Entrepreneurial Studies, with support from the Entrepreneurs’ Exchange MBA Club (EEX), has announced the launch of the Stern Incubator. Complementing the excitement generated by the Maximum Exposure Business Plan Competition and the New Venture Mentor Program, the Stern Incubator provides additional start-up resources to high potential Stern entrepreneurs.

The Stern Incubator offers student- and alumni-led teams of entrepreneurs a unique platform for developing business concepts. In short, Stern Incubator participants are given the workspace and infrastructure — such as computers, cubicles, conference rooms, telephones and other business essential — to facilitate the process of launching their nascent businesses. Instead of stressing over how to pay next month’s rent and utility bills, entrepreneurs can devote their attention and energy to advancing their business to the next stage.

The Incubator also provides one-to-one mentoring by field experts and the Incubator’s resident management team, access to Berkley Center professors, workshops and resources, access to successful entrepreneurs and venture capitalists, and a forum to solicit creative ideas and feedback from the Incubator’s live pitch events.

The program is operated by the Berkley Center with assistance from the EEX. “The interest in entrepreneurship at Stern is great and is growing rapidly,” said Yorick Ser, co-president of EEX. “Many students come to us with business concepts just searching for a catalyst. Now, the best ideas will have a chance to be nurtured with great advantages. We are excited that the Stern Incubator will help bring entrepreneurs together with leaders in the Stern community to foster creativity and teamwork.”

“The Incubator helps its participants set and monitor their milestones and provides a mechanism to keep the team motivated and moving ahead,” said Incubator Director Elizabeth Ingrassia, “With the addition of this latest initiative, we’re really bringing together the pieces of a puzzle to help students successfully launch businesses.”

Each term, the Stern Incubator will host four “Incubating Pods.” Priority for two pods will be given to the social and traditional tracks winners from the Maximum Exposure Business Plan competition. The other two pods will be awarded to a graduate-student led team and an undergraduate-student led team. The Incubator will review its first round of at-large applicants on October 15th, the deadline for January admission.
The Stern School of Business’ Stewart Satter Social Entrepreneurship Fund has announced the first set of five grants that total $250,000 in funding. This year’s grant recipients were chosen based on their potential for social impact, sustainable venture plans, and relevant expertise of the management team. The inaugural request for proposals generated 25 applicants from throughout the Stern community, and the projects awarded span a broad range, from new social ventures in healthcare and the philanthropic sector to research on practicing social entrepreneurs to an educational forum on social venture financing.

The Satter Fund, launched this past spring as part of the School’s new Stewart Satter Program in Social Entrepreneurship, awards grants to Stern-affiliated new social ventures, School programs in social entrepreneurship, and research in the area. The fund, modeled on a real-world foundation or venture philanthropy fund and a first among business schools, operates like a competitive market run by highly engaged grant makers. Project proposals compete for grants based on their measurable return on investment, both financial and social. An advisory board comprising practitioners, faculty and administrators will award annual grants to support new projects.

“We’re delighted that the Satter Fund received so many top quality proposals in its launch year,” said Thomas F. Cooley, dean of NYU Stern. “By creating a new program in social entrepreneurship we’ve not only taken our commitment to social responsibility to the next level, but have also provided members of the Stern community with the resources to turn their innovative ideas into viable social ventures.”

The 2004 grant recipients are:

SimulTel — $100,000
SimulTel provides cost-effective, patent-protected remote simultaneous medical interpreting services to help improve access to health care for individuals with limited English proficiency (LEP). SimulTel’s services enable hospitals to comply with legislative mandates to provide access to LEP patients. The for-profit company also offers rewarding employment options to members of the LEP community.

The fund, modeled on a real-world foundation or venture philanthropy fund and a first among business schools, operates like a competitive market run by highly engaged grant makers.

The Satter Fund Advisory Board
Stewart Satter: CEO, Consumer Testing Laboratories
Russ Winer: Deputy Dean, NYU Stern and Acting Director, Berkley Center for Entrepreneurial Studies
Kerwin Tesdell: President, Community Development Venture Capital Alliance and Adjunct Professor, NYU Stern
Harvey Dale: Director, Atlantic Philanthropies and Director, NYU School of Law Center on Philanthropy and the Law
Janice Cook Roberts: Executive Vice President, New York City Investment Fund
Sheila Wellington: Professor, NYU Stern and former President, Catalyst
Richard Freedman: Professor, NYU Stern
Matt Klein: Executive Director, Blue Ridge Foundation
Sarah Kroon Chiles: Director, Satter Program in Social Entrepreneurship, Berkley Center for Entrepreneurial Studies
opportunities for volunteer mentors to guide Stern students and alumni as they and industry and professional representation. This latter session, which was popular among Stern alumni, caters to students and alumni who want to learn more about the legal mechanics of starting a new venture. It will be hosted again this academic year.

Philanthropists how organizations can best develop and execute successful financing plans. Becoming sustainable or profitable is often the top concern for social entrepreneurs. Participants will learn from leading experts how to develop their long-term financing plans, gain insight from accomplished social entrepreneurs who overcame challenges presented by the social capital markets, determine if a revenue-generating business is right for their organization, and meet philanthropists and investors seeking high potential investment opportunities.

“We're very pleased with the quality and commitment of all of our applicants,” said Sarah Chiles, director of the Satter Program. “Our advisory board worked diligently and with great care to make the difficult funding decisions.”

New Venture Mentor Program Enters its Third Year

New Challenges and Opportunities — On the Lookout for Volunteers

The Berkley Center has spent a busy summer putting the finishing touches on its newly launched Stern Incubator Program and Satter Fund. (See pages 13 and 14.) These new initiatives promise to create even more opportunities for volunteer mentors to guide Stern students and alumni as they seek to launch new business ventures.

“Last year, the New Venture Mentor Program provided guidance to 85 Stern students and alumni,” said Elizabeth Ingrassia, director of the Stern Incubator and New Venture Mentor programs. “With the addition of our latest programs, that number will continue to grow.”

Already the program has grown in terms of mentor support. “We’ve nearly doubled our mentor enrollment from last year,” said Loretta Poole, administrative director of the Berkley Center. “Now 300 New Venture Mentors volunteer to contribute their time, energy and expertise in assisting aspiring entrepreneurs evaluate and launch new ventures.”

Mentors include alumni advisers and other experts willing to share their skills in such areas as the law, marketing, sales, finance, general business, and social entrepreneurship. The program continues to seek new volunteers as it broadens the breadth and depth of skills offered and industry and professional representation.

The Berkley Center has recently created an alliance with SCORE, which will further bolster the pool of mentors as well as provide Stern entrepreneurs guidance in facilitating Small Business Administration loans.

Complementing the New Venture Mentor Program, made possible by its volunteer mentors, the Berkley Center has added several other new initiatives for students and alumni who have the entrepreneurial bug. The Center added several workshops and seminars to its calendar, featuring experts in entrepreneurship as well as law, discussing such topics as “How to Effectively Pitch a Business Plan to Investors,” “How to Identify and Evaluate New Business Ideas,” and “Legal Questions for Start-ups: Open Q&A Forum.”

This latter session, which was popular among Stern alumni, caters to students and alumni who want to learn more about the legal mechanics of starting a new venture. It will be hosted again this academic year.

“Given the popularity of this format, we hope to build on this concept and add new types of forums, such as an open Q&A on funding for start-ups, facilitated by venture capitalists,” said Elizabeth Ingrassia, who directs the forums.

For information about how to become a New Venture Mentor, enroll as a mentee, facilitate a workshop or forum, or to otherwise participate in any of the Berkley Center programs and initiatives, please visit our website: http://n4.stern.nyu.edu/berkley
What’s Happening 2004–2005

OCTOBER 24
Business Plan Competition entrepreneurs retreat: Business Skills Development.

OCTOBER 27
Family Business Seminar with Andy Inanue from Goya Foods and Francois deVisscher from deVisscher Private Equity Services. Sponsored by the NYU Stern Family Business Club.

OCTOBER 29
Deadline for Elevator Pitch Contest venture concepts.

NOVEMBER 12
Elevator Pitch Contest and Award Ceremony. Sponsored by NYU Stern Entrepreneurs’ Exchange and Law & Business Association at NYU School of Law.

DECEMBER 3
Deadline for Business Plan Competition initial venture concepts.

DECEMBER 6
Business Plan Competition quarterfinalists announced.

DECEMBER 8 AND 9
Business Plan Competition: Phase 1—Pitches.

JANUARY 11
Deadline for final revised venture concepts.

JANUARY 26
Workshop: Legal Advice for Start-Ups.

JANUARY 27
Business Plan Competition semi-finalists announced.

FEBRUARY 1
Deadline for Satter Social Entrepreneurship Fund applications.

FEBRUARY 15
Deadline for Incubator applications for the May term.

MARCH 4

MARCH 6
Entrepreneurial Boot Camp.

APRIL 29
Business Plan Competition Pitch-off and Award Ceremony.

JUNE 10
Satter Social Entrepreneurship Awards announced.

Additional events will be added throughout the year. For more information or to register, visit http://www.stern.nyu.edu/berkley or e-mail bces@stern.nyu.edu

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