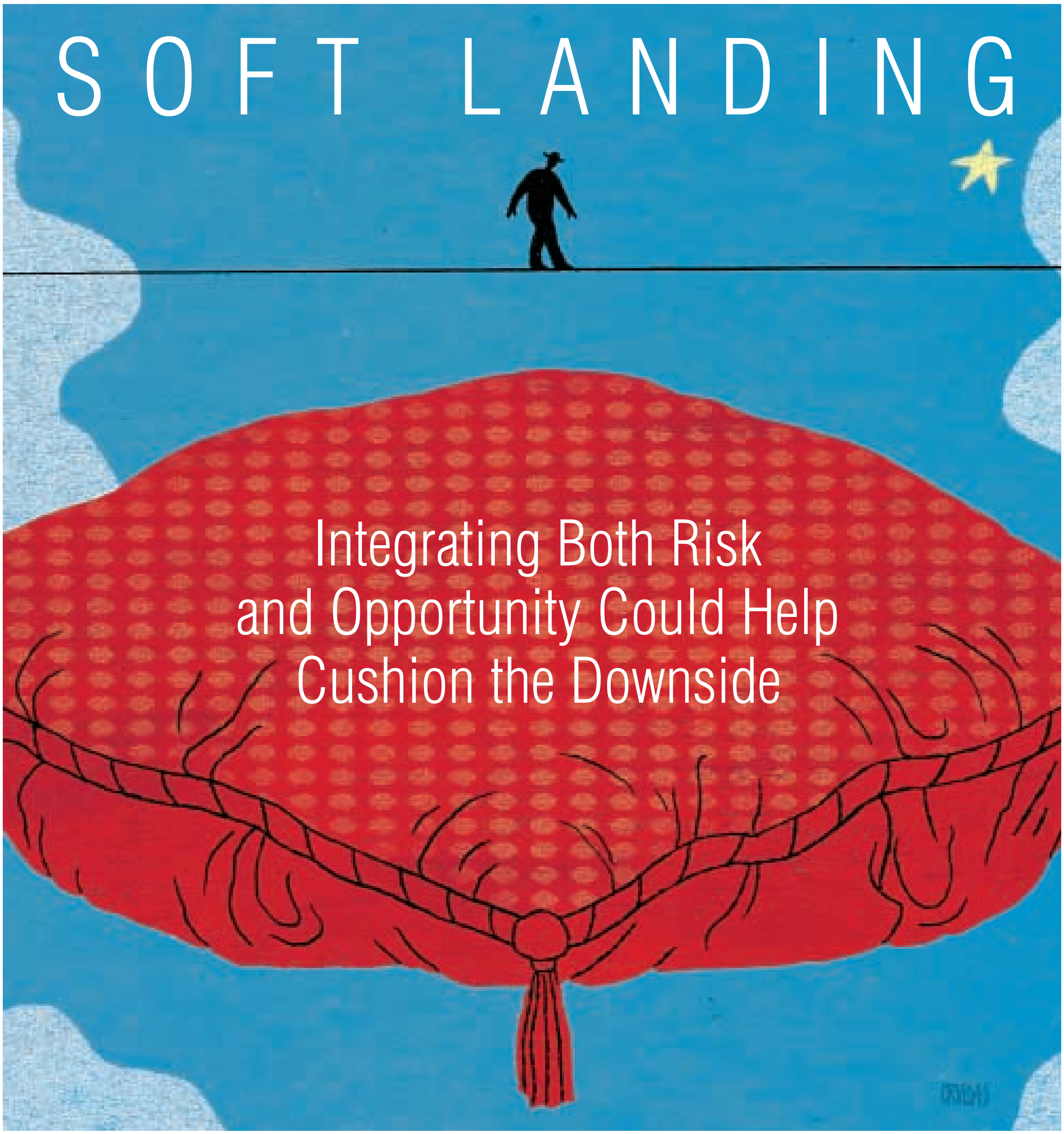
FALL/WINTER 2008

the Alumni Magazine of NYU Stern

# STERNbusiness




Alumni Peer into the Future ▪ What to Do About Oil ▪ How Long Will "It" Last? ▪ Power and Communications ▪ What's a Board Member To Do? ▪ Dr. Bob's Fan Club

# a letter from the dean

As the new academic year gets under way, we at NYU Stern are fully engaged in driving the dialogue between business and society. Our vigorous faculty, our ambitious student body, and the many high-profile business and government leaders who participate in our events make for a rich intellectual life. The past six months were no exception.

Alan Greenspan (BS '48, MA '50, PhD '77, Hon. '05), Paul Volcker (Hon. '83), and Henry Kaufman (BA '48, PhD '58) stopped by in May to fête our own Dr. Bob Kavesh (BS '49), whose long and distinguished service is being honored with an endowed chair, the Robert Kavesh Professorship in Economics (page 52).

A few hundred alumni, faculty, and administrators spent an evening uptown at the Plaza Hotel to present The Honorable John W. Snow, chairman of Cerberus Capital Management and former US Treasury Secretary, with the Charles Waldo Haskins Award, bestowed on an outstanding individual whose career has been characterized by the highest level of achievement in business and public service, and to celebrate the success of the *Campaign for NYU Stern* (page 3). Back at our Washington Square campus, Amazon.com CEO Jeffrey Bezos described himself as a "change junkie," and Colgate-Palmolive Chairman Reuben Mark and Marty Lipton, founding partner of Wachtell Lipton, talked about pressures in the boardroom during uncertain times (page 5).

Uncertainty in various markets was a theme of many of our distinguished speakers and panelists, and it appears throughout this issue. Richard Bernstein (MBA '87), chief investment strategist for Merrill Lynch, answered some pointed questions on volatility in the equity market (page 11). John Hofmeister, former CEO of Shell Oil, discussed the vicissitudes of the energy market (page 20). At the Alumni Business Conference in May, themed "A Look to the Future," some 300 graduates heard an impressive roster of faculty and business leaders discuss the emergence of social networks, but also the uncertainty in global credit markets (page 17).

Similarly, our cover story takes on the theme of dealing with uncertainty. Two finance professors, Ingo Walter, newly appointed vice dean of faculty, and Aswath Damodaran, our valuation guru, give a lot of thought to re-evaluating risk and its management – and though they come at it from different directions, both believe that a broader understanding of risk management is needed, and thus also its function within an organization (page 12).

We are proud of our faculty, of a student body that is focused on achievement on the global stage, and of our accomplished graduates. Our leadership position has attracted impressive new faculty this academic year, and we welcome them to our community (page 22).

One of the functions of a university is to give its scholars room to push the limits of knowledge, and our faculty is most prolific in this regard. In this issue, we mark the third anniversary of Hurricane Katrina with some important research into the interplay of hierarchy and communications during the disaster's aftermath, led by management professors Frances Milliken and Joe Magee. They used those well-documented events to parse the nuances of how the hierarchical power of the various players who responded to the disaster may have affected their communications and hence the response (page 24).

In our many activities, we are fortunate to have an involved body of alumni, and we are, as ever, grateful for your continued interest, participation, and support.

Thomas F. Cooley

Thomas F. Cooley
Dean

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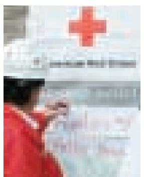




STERN*business*

**A publication of New York University Stern School of Business**

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# PUBLIC Offerings

## EXPERTS CONVENE AT NYU STERN TO DISCUSS RESTORING CONFIDENCE IN THE CREDIT MARKETS

(From left to right, top row) Dean Thomas F. Cooley, Robert Litterman, David Backus, (bottom row) Lionel Barber, Nouriel Roubini, and Robert Lucas suggested ways to restore confidence in the US economy.

Last spring, with housing prices plummeting, oil climbing toward $120 a barrel, and the global financial system in shambles, industry, media, and academic leaders convened at an NYU Stern breakfast forum to discuss how to restore confidence in credit markets and the economy. The event was part of Stern's Market Pulse Series, introduced by Dean Thomas F. Cooley to tackle pressing global issues affecting business and society. The event, "Economic Meltdown: Restoring Confidence in Credit Markets," was co-presented by Stern's Alumni Council Finance Committee and the Salomon Center for Research in Financial Institutions and Markets and attended by alumni, students, and the press.

Moderated by David Backus, Stern's Heinz Riehl Professor of International Economics and Finance, the panel included Lionel Barber, editor of the *Financial Times*; Robert Litterman, chairman of the Quantitative Investment Strategies group of Goldman Sachs Asset Management; Nobel Laureate Robert E. Lucas Jr., an economist at University of Chicago; and Nouriel Roubini, Stern professor of economics and international business.

Litterman noted that financial models are showing a relatively short recession with a strong recovery at the end of 2008 but warned that the current spike in inflation could easily lead to a prolonged inflationary period, as it did in the 1970s.

Barber suggested that the scale of the crisis represents excessive risk-taking, causing a crisis of valuation that warrants a re-examination of the US's regulatory framework. However, he cautioned against adopting the British model of "financial super-regulator," reminding the audience that the British Financial Services Authority failed dismally with its first stress test, Northern Rock. Without a mandate for intervention, he said, the Bank of England wasn't in a position to take the reins.

According to Lucas, the Federal Reserve's dramatic rate cuts mark an overreaction and conflict with Chairman Bernanke's earlier promised inflation-targeting strategy. He felt that one of the most serious issues is that we take for granted that it's the Fed's job to resolve the issues of the financial system. He is concerned about introducing new regulations designed to solve old problems.

Roubini predicted a long, deep U-shaped recession as a result of what he labeled a systemic financial crisis, involving the worst housing recession since the Great Depression, credit losses that could top $1 trillion, record oil prices, a credit crunch, and plummeting consumer confidence. The key lesson, he said, is that non-banks are subject to the same risks as banks and are systemically important, suggesting the need for similar regulatory oversight.

## NYU STERN HONORS JOHN SNOW AND CELEBRATES DONORS AT THE 2008 HASKINS DINNER


Dean Thomas F. Cooley (left) and William R. Berkley (right) honor John Snow with the 2008 Charles Waldo Haskins Award at a celebratory dinner in April.

On April 1, NYU Stern alumni and friends gathered for the 2008 Haskins Award Dinner at New York's Plaza Hotel. The gathering, which included Stern's most dedicated and generous alumni, faculty, and friends, celebrated a record $180 million raised over the last five years during the *Campaign for NYU Stern*, surpassing its goal by $30 million at the time.

At this event each year, the School bestows the Charles Waldo Haskins Award on an outstanding individual whose career has been characterized by the highest level of achievement in business and public service. This year's recipient was the Honorable John W. Snow, chairman, Cerberus Capital Management LP, and former US Treasury Secretary. In his acceptance speech, Snow provided a lively and optimistic perspective on the current economic situation, which he deemed in a healthy process of readjustment. "America will get out of this," he asserted. "We always do."

William R. Berkley (BS '66), chairman of the NYU Stern Board of Overseers, spoke of the importance of providing stability in uncertain times through education – which he called the great equalizer and builder of dreams. In such times, he urged, it's more important than ever to provide a strong education to future generations.

Ed Barr (BS '57), chairman of Stern's Campaign Steering Committee, noted that while Campaign donors comprised a cadre of long-term supporters, many new donors emerged in the last five years. He also talked about the 40 new research, community-building, and curricular initiatives the School launched through the support of the Campaign.

Rebecca Cohl, a second-year MBA student and recipient of the Harvey Becker Scholarship with a Moral Contract, announced that 125 new scholarships were made possible by the generous support of donors over the last five years. Adam Brandenberger, J.P. Valles Professor of Business Economics and Strategy, underlined the importance of creating the right environment for ideas to flourish and told donors they had funded 23 professorships and 10 faculty fellowships. Sally Blount-Lyon, vice dean and dean of the Undergraduate College, thanked donors for the more than 40 generous gifts that will help transform Stern's physical environment. Finally, Carl Greene (MBA '60) announced a 150 percent increase in Stern Fund dollars, describing these as the School's lifeblood. The Campaign closed in August with a total of $185 million, but there remain new opportunities to give back to Stern as the need for gifts continues.

## CHIEF ECONOMIST OF THE ASIAN DEVELOPMENT BANK SPEAKS AT JAPAN-US CENTER

Dr. Ifzal Ali, chief economist for the Asian Development Bank, presented the Bank's 2007 annual report on the economic health of Asian nations to Stern students and faculty at an NYU Stern Japan-US Center event held in early April.

Introduced by Edward Lincoln, director, Center for Japan-US Business and Economic Studies, Ali discussed the surging growth of several Asian economies. China led the group with the highest growth in 13 years, at 11.4 percent. The Philippines grew at 7.3 percent, a 30-year high, while India grew at 8.7 percent, marginally lower than the previous year. Ali predicted that the current economic slowdown in the US, Europe, and Japan, rising energy and food prices, and the credit crisis in the global markets would slow but not stop growth in 2008. He also predicted that inflation will reach decade-long highs in Asia this year.

## NEW DIRECTIONS IN A CREDIT CRISIS ENVIRONMENT: THE FIFTH ANNUAL CREDIT RISK CONFERENCE



NYU Stern's Salomon Center and Moody's Corporation convened leading academics and industry practitioners in May to discuss recent advances in risk management within the context of lessons learned from the credit crisis.

Matthew Richardson, Charles Simon Professor of Applied Financial Economics and Sidney Homer Director of the Salomon Center at Stern, introduced Moody's Chairman and CEO Raymond McDaniel, who cited the multiple factors that contributed to the credit crisis, including rising leverage, the overextension of housing credit, the deterioration of underlying assets and due diligence, and the complexity and opacity of products, which, combined, led to a loss of confidence in the markets. McDaniel acknowledged that, in the absence of asset transparency, the role of the ratings agencies had shifted from that of an information intermediary between lenders and borrowers to an incentive intermediary that markets relied on too much for recommendations. With this in mind, McDaniel argued for more availability of information in the public domain so that the opportunity for greater independent analysis is widely available.

Stern Professor of Finance Stephen Figlewski presented new research that explained the effect on credit risk of macroeconomic conditions such as inflation and real GDP, as well as economic


(Above, from left to right) Matthew Richardson, Stephen Figlewski, Edward Altman, and Raymond McDaniel (left) discussed the current credit crisis and recent advances in risk management at the annual Credit Risk Conference held at NYU Stern in May.

growth and financial market conditions. He based his conclusions, in part, on an analysis of defaults and ratings change data in Moody's Corporate Bond Default Database between 1981 and 2002.

Edward Altman, Max L. Heine Professor of Finance at Stern, discussed his research on the impact of credit markets on the overall economy, noting that when default is high, recovery rates – which he defined as the average price of bonds following a default – are low. He predicted that recovery rates will fall dramatically from the past few years.

(From left to right) Joseph S. Tracey; William T. Allen; Doug Conant, president and CEO of Campbell's Soup Co.; Richard J. Kogan, retired president and CEO of Schering-Plough Co.; and Reuben Mark

## SIXTH ANNUAL NYU DIRECTORS' INSTITUTE FOCUSES ON BOARDS DURING UNCERTAIN TIMES

The NYU Pollack Center for Law & Business, a joint initiative between NYU Stern and NYU School of Law, in May hosted its sixth annual Directors' Institute, "Service in the Boardroom during Uncertain Times." Panelists represented the US Securities and Exchange Commission, the Delaware Court of Chancery, and the NYU Pollack Center for Law and Business, as well as directors of Goldman Sachs Group Inc., Campbell Soup Co., and Schering-Plough Co.

Joseph S. Tracy, executive vice president and director of research at the Federal Reserve Bank of New York, discussing the economy, predicted a relatively short and shallow downturn due to aggressive policy response. Reuben Mark, chairman of Colgate-Palmolive Co., the keynote speaker, described the strong relationship between corporate culture and governance at Colgate-Palmolive. William T. Allen, director of the NYU Pollack Center and Nusbaum Professor of Law and Business, endorsed the legitimacy and importance of the poison pill strategy in defending against hostile takeovers and suggested that boards not preclude it from their arsenal, despite objections from institutional shareholders. Martin Lipton, senior partner at Wachtell, Lipton, Rosen & Katz and chairman of the NYU Board of Trustees, discussed corporate governance, and Krishna G. Palepu, Ross Graham Walker Professor of Business Administration at Harvard Business School, emphasized that strategy was a useful framework for all board responsibilities.

## AMAZON.COM CEO JEFFREY BEZOS SHARES HIS BUSINESS STRATEGY WITH STERN ALUMNI AND STUDENTS

In April, in partnership with *Condé Nast Portfolio*, NYU Stern hosted the magazine's signature interview series, C-Circuit, which brought Kevin Maney, contributing editor, and Jeffrey Bezos, CEO of Amazon.com, together on campus to speak to alumni, students, and guests. A self-described "change junkie," Bezos explained that having investors who focus on the long term has enabled Amazon to pioneer controversial products and strategies.

Jeffrey Bezos (left) and Kevin Maney discussed Amazon's ability to innovate.

## NYU STERN'S NET INSTITUTE CONFERENCE EXPLORES THE "EXPONENTIAL ECONOMY"

Nathan Myhrvold highlighted the emergence and influence of long-term exponential industries during his keynote address at the NET Institute Conference in April.

In April, the Networks, Electronic Commerce, and Telecommunications (NET) Institute and Stern's Entertainment, Media, and Technology Program co-sponsored the NET Institute Conference at NYU Stern. The conference featured new research on theoretical models of competition in network markets, Internet search, and issues in network industries presented by thought leaders from New York University, Harvard University, London School of Economics and Political Science, Stanford University, University of Pennsylvania, and Yale University, among others. Dean Thomas F. Cooley kicked off the day-long event with opening remarks.

Nathan Myhrvold, founder and CEO of Intellectual Ventures, a company focused on the funding, development, manufacturing, and marketing of inventions, delivered the keynote speech, "The Exponential Economy." He grouped technologies into three categories according to their rate of growth – exponential, ordinary/logistic, and mature – and highlighted the emergence of long-term exponential industries, such as personal computing and communications, emphasizing their influence in shaping the 21st-century global economy and guiding future research and development policies.

Nicholas Economides, executive director of the NET Institute and Stern professor of economics, commented that the conference "demonstrates how Stern and the NET Institute encourage thought leadership and remain on the forefront of research that influences business development in network industries and informs today's public policy."

## PHILLY FED CHIEF PLOSSER ADDRESSES INAUGURAL SOFIE CONFERENCE

Academics, business practitioners, and government officials convened for the inaugural Society for Financial Econometrics (SoFiE) Conference at NYU Stern in June to explore the ballooning field of financial econometrics.

Sponsored by Stern's Salomon Center and Beyondbond, Inc., the three-day event featured keynote speaker Charles I. Plosser, president and CEO of the Federal Reserve Bank of Philadelphia, as well as leading researchers from more than 15 universities, including NYU Stern, MIT, Princeton University, Stanford University, University of Oxford, and University of Pennsylvania.

"Having Philly Fed President Plosser and a number of distinguished scholars on campus demonstrates how the Stern School and SoFiE are leading the dialogue on financial econometrics," said Nobel Laureate Robert Engle, SoFiE's co-president and founder and Michael Armellino Professor of Finance at Stern. "The cutting-edge research discussed at SoFiE's conference will inform future public policies and influence financial markets around the world."

## THE WORLD OF GLOBAL PROFESSIONAL SERVICES TAKES THE STAGE AT CEDER CONFERENCE

Leading information systems academics, doctoral students, and IBM researchers gathered at NYU Stern for the Global Delivery of Professional Services Conference in May. Hosted by Stern's Center for Digital Economy Research (CeDER) and sponsored by IBM, the conference featured keynote speaker Joe Dzaluk, vice president of global infrastructure and resource management at IBM, and seven panel discussions with experts from more than 30 academic institutions from around the world, including NYU Stern, HEC Montréal, MIT, and University of Texas at Austin.

Panelists discussed risks and payoffs in outsourcing, sourcing models, enabling agility in sourcing, sharing knowledge for innovation, and the IT workforce. They compared the performance of globally distributed teams to collocated teams, discussed the impact a large number of vendors might have on innovation in knowledge-intensive activities, and described when to open a wholly owned subsidiary offshore. IBM's Dzaluk focused on the computer giant's operations in India, which, with an integrated workforce of 73,000, is its second largest hub worldwide, and the opportunities and challenges awaiting the company in China.

One session focused on MBA courses on global sourcing – an area where NYU Stern leads. Said Stern Professor Natalia Levina, conference organizer and global sourcing expert: "We have been offering this course since 2004. Given how new and critical this area is for businesses worldwide, it is important to develop and share good teaching resources such as cases, projects, and in-class exercises, and the conference provided us with that opportunity."


# First Responder

By **Rika Nazem**

Theresa Bischoff heads the American Red Cross in Greater New York.

"Public firms focus on maximizing shareholder value; the American Red Cross in Greater New York focuses on maximizing community value," said the organization's CEO, Theresa Bischoff (MBA '91). Named in 2004 by the *New York Daily News* as one of the 100 most influential women in New York City, Bischoff leads a small community herself: 200 paid staff and 4,000 volunteers who serve about nine million people in metropolitan New York.

While most people recognize the American Red Cross logo, the extent of the organization's activities may be less well-known. Bischoff explained: "The Red Cross provides humanitarian support to people who are impacted by disaster – everything from terrorist attacks, natural disasters, building fires, and water main breaks. My area deals with anywhere from eight to 10 incidents per day. It means finding homes for people who may have lost theirs, or working with a city agency after a flood, or aiding in completing paperwork. It may not sound like a big deal when, for example, a fire rips through neighborhood homes, but it is a big deal to the people who have to be relocated. That is where we come in."

But that's just the beginning. In addition to its humanitarian efforts, the Red Cross provides community programs to educate the populace on disaster preparedness, from kits to evacuation techniques, and trains volunteers. "Our volunteers are passionate about what they do and are committed to our organization. We rely on our volunteers as the bench strength, in addition to community and government support," she said. Volunteers have participated in relief efforts relating to the summer floods in the Midwest and the cyclone in Myanmar. "We work with organizations here and abroad to help people during a crisis. We wish we could reduce the number of incidents; unfortunately, we cannot. But what we can do is prepare people for disaster and give hope to those who find themselves affected by it." As of May 31, 2008, the staff and volunteers of the American Red Cross in Greater New York have responded to more than 1,200 fires, building collapses, blackouts, and other emergencies, and have assisted nearly 6,000 adults and children with food, shelter, and/or counseling following a disaster.

Bischoff said that while each day is different at the Red Cross, she uses her finance skills, which she gained from Stern while a student in the Langone Part-time MBA program, every day. While attending the Langone program at night, she began working at Squibb Corp., and then spent nearly 20 years at New York University Hospital Center, the last five years as president. There she experienced the ultimate in crisis management. "September 11th happened, and the proximity of the hospital and the medical examiner's office to downtown Manhattan drew a lot of victims and families there," she explained.

Aside from her work at the American Red Cross, Bischoff is known as one of the country's most effective and articulate advocates for academic medicine. "I recog-

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nized the value of good healthcare when my parents became ill, and have a passion for helping people in this way," she said. She has played important leadership roles, championing hospitals and medical schools on the local and national level. She has held many prominent positions in the industry, including chair of the Greater New York Hospital Association and the Association of American Medical Colleges, which represents 525 accredited medical schools and major teaching hospitals.

She is involved with NYU's School of Medicine, Wagner School of Public Health, and Stern, where she regularly speaks at events. Bischoff said she is especially impressed with Stern's program in social responsibility. "I think it's important that business students understand that becoming involved in the community creates a better environment for everyone," she added.

Bischoff said that leading an organization that is focused on service and the community has been rewarding. "I am passionate about waking up to work with people who are so committed to our mission. Our volunteers are amazing people and allow us to do great things." She added: "I am fortunate to find myself at the intersection of what I am good at and what I like. And that is my advice to people starting out. Find a way to do what you're passionate about and what you do well."



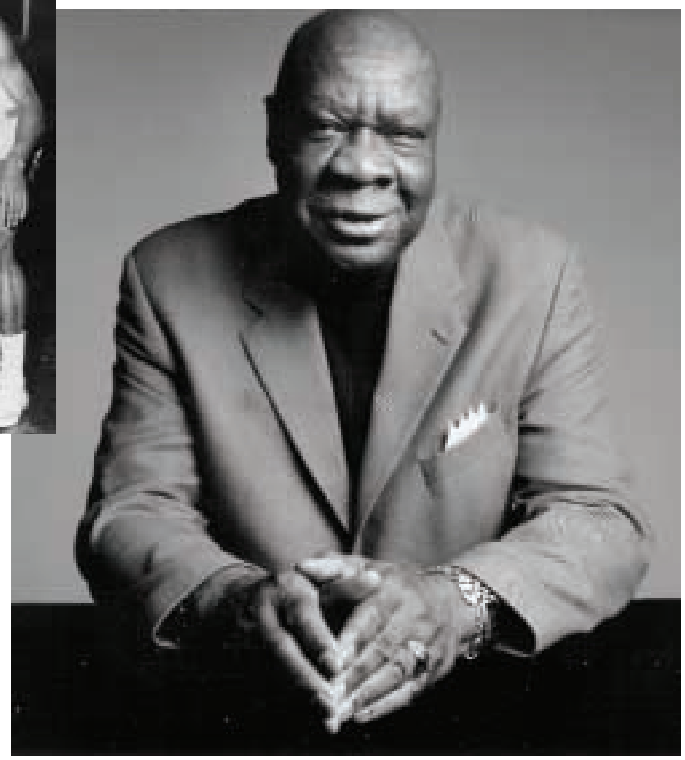
(Top) A Red Cross volunteer in the Greater New York Chapter staffs an emergency response vehicle during the May 2007 crane collapse in New York City.

(Middle) Volunteers set up disaster operations after a Bronx fire.

(Left) Members of the community attend a Red Cross Preparedness Event.

# Hoop Hero with a Heart

By **Jenny Owen**



(Left) Cal Ramsey played forward for the New York Knicks in 1959 and 1960. Today (above) he serves as the Knicks' director of special projects and community relations representative.

Former NBA forward Calvin Ramsey (BS '59) is a New York fixture and one of the City's home-grown heroes. Because of his long devotion to public service and to the New York Knicks, his community has dubbed him the Mayor of Harlem.

As director of special projects and community relations representative for the Knicks, he's a goodwill ambassador for the team and its affiliated New York Liberty women's basketball team, working with them on a host of community outreach efforts, including their Garden of Dreams programs, Read to Achieve program, Knicks Summer Basketball Camp, and Junior Knicks League.

Ramsey has been involved with the Knicks since playing for them in 1959 and 1960 after a handful of games with the St. Louis Hawks, who drafted him in 1959 following his graduation from NYU's School of Commerce, Accounts, and Finance, as Stern was then known. He averaged 11 points and seven rebounds per game, but the next year he was released and joined the Syracuse Nationals. "At the time, there was a quota system on African-American athletes in the NBA," he explained. "If you weren't a great player like Wilt Chamberlain or Oscar Robertson, you had a small chance of making the team. Remember, in those days, there were only eight teams in the NBA and 10 players on the team, so there were only 80 jobs. Now there are 30 teams with 15 players, so there are a lot more jobs. I wasn't great, but I was good."

After a short stint with Syracuse, Ramsey joined the Eastern League in Pennsylvania – now known as the Continental Basketball Association. But during a game, he tore his knee. "When I came out of surgery, my doctor said to me, 'Cal, it's a good thing that you were a good student and that you graduated college and that people like you, because you'll never play basketball again.' My knee was that damaged."

The injury "forced me to change careers," said Ramsey. His NYU Stern degree and skill in typing enabled him to become a teacher in the South Bronx, where he taught for about seven years. He also briefly served as dean and acting assistant principal at a Harlem public school and ran educational programs for the Urban Coalition and the New York Urban League, where he worked to reduce the size of schools.

Ramsey then took up basketball again, this time as a statistician for William "Red" Holzman, the longtime Knicks coach. Later, he began 10 years as a color commentator for the Knicks, and, in 1986, New York's then-Mayor Ed Koch appointed him chairman of the New York City Sports Commission. In 1991, he was appointed community relations director by then-Knicks President Dave Checketts, "who had a strong belief in working with the youngsters in the New York area."

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(Left) Cal Ramsey scores a basket in the NYU Violets' game against Cincinnati in 1958. Photo: courtesy of New York University Archives, Photograph Collection.

(Below) Ramsey (center) works with the Knicks' Read to Achieve program – one of the many community outreach efforts he supports.

Ramsey's passion for the Knicks began when he played for NYU, a Division I team that played its home games at Madison Square Garden, the Knicks' home court. He cherishes his Knicks experiences: "The first basket I made playing for the Knicks, when I had a jump shot over Elgin Baylor, and playing against the Detroit Pistons at the Garden and making 15 points and 15 rebounds are moments I'll never forget."

The NBA has changed significantly since Ramsey's tenure. "I signed my first contract for $7,000 and now they're signing contracts for $49 million. Players with my stats today would probably be guaranteed at least $3 million or $4 million," he asserted. As for Ramsey's NYU stats, he set 17 records, some of which still stand. He averaged a record 19.6 rebounds per game in his sophomore year – 17.4 for his career – and, in one game, grabbed 34 rebounds. He was inducted into the NYU Athletics Hall of Fame in 1978, and subsequently into the NYC Sports Hall of Fame, Brooklyn USA Hall of Fame, Basketball Old Timers of America Hall of Fame, and Holcombe Rucker Basketball Hall of Fame.

Ramsey remains deeply involved with his alma mater. He helps recruit, has been an assistant basketball coach for almost three decades, worked with the University's Alumni Relations Office for two decades, and serves on the advisory board of The Preston Robert Tisch Center for NYU's School of Continuing and Professional Studies. He received the NYU President's Alumni Achievement Award in 2004, and he was honored by NYU's Tisch Center for Hospitality, Tourism, and Sports Management as the namesake of the Cal Ramsey Distinguished Lecturer Series, an annual event inaugurated by NBA Commissioner David Stern in spring 2001. Ramsey came to NYU on the advice of his high school coach, who said: "'(1) it's a great academic institution; (2) they have a very strong alumni network, which will help you in the future; and (3) they play their games at the Garden,'" Ramsey explained. "All of those things proved to be very prophetic."

Ramsey is also a constant presence among the city's youngsters, encouraging them to stay in school. "I advise kids to develop their own skills and to apply themselves and to do the best that they can," he said. "I always tell them, 'If you like sports, you play hard – as hard as you can – but then you study a little bit harder.'" He is a member of the board of the Children's Aid Society, the advisory board of YES (Youth Education through Sports), and the Frank McGuire Foundation, which honors high school coaches in the tristate area, and he has been heavily involved with Special Olympics, among many other organizations.

He credits community agencies, such as the YMCA, and after-school programs in his neighborhood for instilling in him the importance of education as a youngster. "Those programs were very important in my development – they're where I went after school when my mom was at work," said Ramsey. "That's where I learned to play basketball and baseball."

His love for New York City – "You couldn't get me outta here with a gettin' out machine" – and his appreciation for the value of education drive Ramsey's commitment to serving his community. And despite his many honors, which include nearly 100 public service awards, Ramsey considers his biggest professional accomplishment his ability to "give back to the kinds of organizations that made a difference in my youth." ■

***Did you know?***
As one of the Big Apple's best-known and most-respected sports figures, Cal Ramsey was featured in a segment of "The Cosby Show" in October 1997.

# 8 QUESTIONS

**RICHARD BERNSTEIN (MBA '87),**
**chief investment strategist, Merrill Lynch & Co., Inc.**

*Merrill Lynch is one of the world's leading wealth management, capital markets, and advisory companies, with offices in 40 countries and territories and total client assets of approximately $1.6 trillion. Merrill's star investment strategist (and multiyear member of* Institutional Investor*'s All-America research team), Richard Bernstein has a carefully considered opinion that's heard and respected around the world. This fall he adds a stint as an adjunct professor at NYU Stern, teaching a class on investment strategies.*

***1. You address many constituencies. To name a few: You are the public voice of the firm on the stock market; you counsel institutional investors; you guide individuals and institutions on what sectors to buy; you call turns in the market. What do you feel is your most important job?***

My most important job is stewardship. Merrill is the biggest brokerage firm in the world, so a lot of people follow my advice. Because this position is so visible, people's livelihoods depend on what I say, both within the firm and externally. I take the notion of being a steward of people's futures very seriously – being able to benefit their lives is what is most fulfilling about my job. You can't ask for anything more.

***2. You're known for being a contrarian, and an exceptionally accurate one. How did you get that way?***

I tend to be a contrarian because that's the way to make money over the long term – as opposed to being a momentum investor. Even prior to going to business school, which I did part-time while working, I believed valuation was very important. People think you just want to buy cheap stocks, but that's not the reason. There's an economic reason why that works, and this is one of the things I took away from NYU Stern – that the links between the economic world and the financial world are tighter and more numerous than people realize. I often preface remarks with "As they taught us in business school…". I don't think people realize how tied in academe is to the real world.

***3. You use various quantitative models to guide you. Which ones are most useful?***

Funny enough, the model I find most useful is something I learned in my operations research class in business school: control theory. In manufacturing you use control theory for quality control purposes. I was playing around one day with the theory, when I was attending Stern and working at EF Hutton, and it turned out to be a great stock market timing model for the S&P 500, in terms of asset allocation, not for any short-term purposes.

***4. We're talking in July, and stocks have been disappointing recently. What's the outlook for the end of this year?***

Our big theme for 2008 is that the underlying trend for market volatility won't change. The credit bubble is not just a US event, it has impact globally on growth, and people will see how broad it is into 2009. Over the next 12 months, we believe we'll be looking at mid-single-digit returns.

***5. What is a reasonable time frame for an investment to pay off? Does it vary based on the economic cycle?***

There are three very easy ways to build wealth: Extend your time horizon; compound dividends; and diversify. Research shows the longer your horizon, the better. Day trading is basically luck. I don't believe this varies based on the economic cycle. You should review your portfolio based on time (quarterly, semiannually, annually), not on events.

***6. You were an early fan of the energy sector when others were captivated by technology. What do you think of energy and oil now? What do you think of technology now?***

We're bigger fans at this point of older tech stocks – the large-cap technology companies. They remain undervalued versus the S&P 500. Regarding the energy sector, we're still long-term bullish, but the group has gotten a little ahead of itself, and since it's traditionally a lagging sector, we think oil will probably come down in the next six to 12 months and energy stocks will underperform.

***7. How has your job evolved over the years?***

In November, I'll have been at Merrill 20 years. I started as a senior quantitative analyst in the equity strategy group. There were three of us at the time. Roughly three years ago, I was appointed chief investment strategist, with about 40 people in my department. As my interests have expanded over the years, the issues I get to deal with are proportionately broader, which is great. In my current position, the number of constituencies has increased. At first, equities accounted for 90 percent of the demands. Now I get demands from fixed income, trading, private client, and investment banking as well, and equities account for maybe 50 percent.

***8. How has your education at NYU Stern influenced your career?***

Attending business school part-time while working was difficult, but I found what I was learning could be completely integrated into my job. In fact, I wrote a journal article that incorporated what I was learning in my bond math class into a way of valuing equities.

# SOFT LANDING

## INTEGRATING BOTH RISK AND OPPORTUNITY COULD HELP CUSHION THE DOWNSIDE

By **Marilyn Harris**

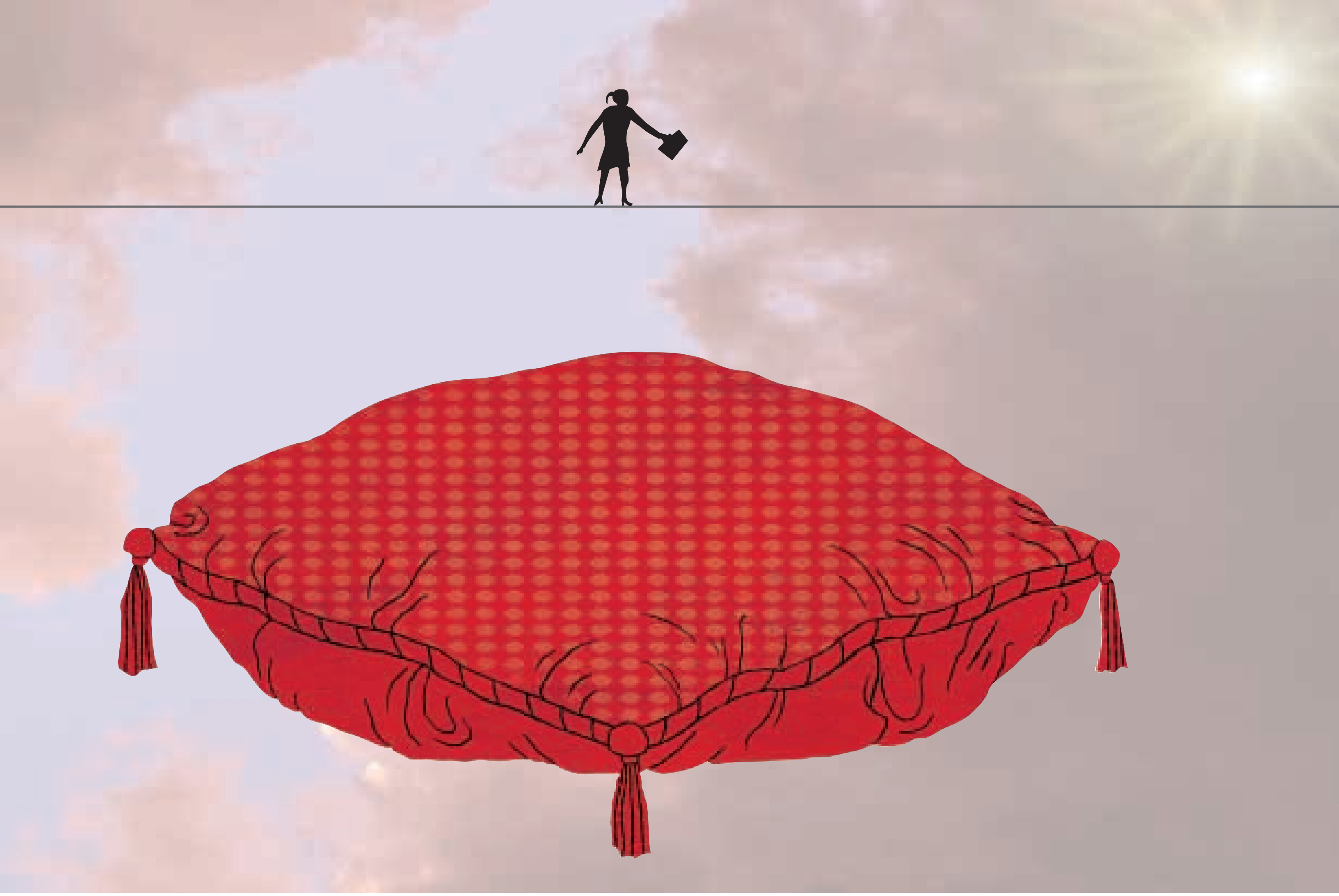
It's 2015. The subprime mortgage crisis, credit crunch, liquidity drought, and plunging stock market that began in 2007 are all bad memories. Wall Street recovered its appetite for risk a few years back. The latest fad: an innovative Chinese bank has packaged the debt of grassroots alternative energy collectives around the world and is marketing it aggressively. But the leading investment banks politely decline to partake. They've beefed up their risk management functions after losing billions in the last big crisis and kept them that way, and their CROs, or chief risk officers – they of the long memories and even longer statistical models – say nix.

Realistic? Perhaps. The right decision? Perhaps not.

If the past is any indication, it seems unlikely that civilization will proceed in a measured, cadenced manner. Boom and bust go together like yin and yang. So if you need a boom to move ahead, then you have to accept the risk that you may instead get a bust. How to manage that risk has, in the wake of the past 18 months, become topic A in the financial community. NYU Stern's valuation expert Aswath Damodaran, professor of finance and David Margolis Teaching Fellow, put it bluntly: "It's time for new thinking on risk."

Both Damodaran and Stern's Vice Dean of Faculty Ingo Walter, Seymour Milstein Professor of Finance, Corporate Governance and Ethics, have been pondering these questions, and each has produced results that move the discussion ahead. Walter has designed one of the first Executive MBA programs designed to produce a new breed of empowered risk management professionals, launching in April 2009, in partnership with the Amsterdam Institute of Finance. Damodaran has written a book, *Strategic Risk Taking: A Framework for Risk Management*, published in August 2007.

Both professors agree: Traditionally, the way to manage risk has been to hedge it. Risk management products, such as options and derivatives, are risk hedging products – defensive moves to cover the downside. The dangers fall into six interrelated categories: country risk, or the exposure that comes with investing in and lending to sovereign or business entities abroad; credit and counterparty risk, whether retail or wholesale; market risk, associated with the movement of prices; liquidity risk, commonly measured in the world of finance by the spread between bid and offer prices; operational risk, the possibility that transactions or operations will break down; and reputational risk, whether a particular event has done serious damage to the franchise and enterprise value of a firm. Key dimensions of these risk domains derive from the specific strategies and tactics of business firms, and they are interlinked in ways that are resistant



to modeling and often very difficult to understand. As current events show, nobody has all the answers, but some seem to do better than others.

Managing risk is traditionally a backward-looking operation involving the creation of models of statistical probability based on the steadily accumulating data that history provides. However, said Walter, "Once you have a reasonably workable risk management infrastructure in place, it still doesn't mean you do the right thing. After all, the business of business is taking risk. The objective is not to eliminate risk, but to get appropriately rewarded for assuming risk exposures."

Finding risk exposures that will produce an attractive reward is, of course, the rub. For some time prior to the current debacle, risk management professionals at the investment banks, mortgage giants, and hedge funds that got clobbered almost certainly had been uneasy, and to the extent they warned management about their unease, most seem to have been ignored or rolled over by highly compensated revenue-producers – much as the chief of Freddie Mac reportedly dismissed the explicit warning of his chief risk officer, according to *The New York Times*. When things are going swimmingly, cautionary notes are rarely welcome. After the full extent of the losses in sub-prime became known, several leading banks even sent their risk management guys packing. But it's not unlikely, said Damodoran and Walter, that the investment decisions were made prior to any thorough assessment of the associated risk, with the prospect of great gains driving the deals – with certain exceptions, such as at Goldman Sachs, where risk management advice was apparently taken on board in a much more balanced way than at some of the firm's competitors, resulting in appropriate (albeit expensive) hedging mechanisms being put in place.

More generally, the promise – and even the initial realization – of great gain had certainly not justified the billions invested in collateralized debt obligations (CDOs) and related structured instruments, according to Damodaran, because they represented the wrong type of risk and, ultimately, were not priced appropriately for the amount of risk they presented. Furthermore, the expertise for understanding these particular investments at the ground level – a *sine qua non*, in Damodaran's view – was lacking. "What did investment banks bring to the table that would have enabled them to take advantage of default risk at the household level?" he said. "The biggest weakness of the current risk management system is that it rewards trading success even if that success is the result of poor risk taking. You must reward those who take the right kinds of risk even if they lose money, and punish those who take the wrong type, even if it makes money."

That is a provocative notion. Damodaran has nothing against risk taking, believing it a cornerstone of human nature: "It doesn't matter whether it's tulip bulbs or CDOs based on subprime mortgages, people will take risks. The key is that they are exposed to the right kinds of risk."

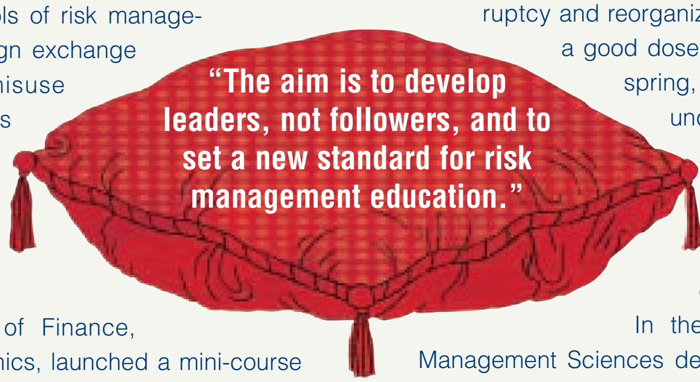
What is needed, according to Damodaran, is a more balanced approach than he believes is currently being practiced. "The more complete view of risk management encompasses both risk hedging at one end and strategic risk taking on the other," he said. Identifying the exposure should go hand in hand with identifying the opportunities an enterprise might pursue. Accomplishing this would require flexible organizations with better information and quicker decision making, small teams of people with greater freedom to make decisions, and a flatter structure that includes a generalist who can manage the portfolio of teams. It is a vision distinctly at odds with siloing. "The sequence now is that the strategy guys and revenue producers select an opportunity, the operations guys determine how to execute, and after that, the finance guys are asked to measure the risk," Damodaran said. "These activities should be concurrent."

Along those lines, Walter points out that Goldman's "strong traditional partnership mentality" may – even though it has been a public company since 1999 – have enabled a concurrence of decision making by the firm's various constituencies on how to prudently and profitably manage CDO-related business opportunities. This meant originating, structuring, and selling the various instruments to "sophisticated" investors to whom the firm had limited fiduciary responsibility, while avoiding warehousing those same instruments and hedging any residual risk exposure. In contrast, the rule at most banks seems to have been a structure that has systematically favored the offense over the defense, as against a more balanced approach to risks and returns. "I am trying to be optimistic that we will see a lasting change in the strategic role of risk officers, toward greater integration into key decision processes," he said. "Risk doesn't come in neat buckets, and sometimes the buckets we think we

## Never More Timely: NYU Stern Has Risk Management Covered

"Because the world deserves better risk management" – that's the tag line of the marketing initiative for an innovative new executive master's degree being offered by NYU Stern in partnership with the Amsterdam Institute of Finance (AIF), starting in spring 2009.

NYU Stern teaches the tools of risk management – financial hedges, foreign exchange management, the use and misuse of derivatives – in many of its undergraduate and MBA courses, and it has offered a selection of risk-oriented electives since the 1970s, a time when Vice Dean Ingo Walter, Seymour Milstein Professor of Finance, Corporate Governance and Ethics, launched a mini-course on sovereign risk a couple of years before the decade-long Latin American banking crisis that surfaced in 1982. Now, it is expected that current events in financial markets will propel a spike in the demand for more risk management education, and the School is ready.




This past May, more than two dozen Stern alumni from the banking, brokerage, and industrial sectors attended an intensive, two-day seminar on risk management. A similar open-enrollment session, expanded to three days, is planned for next May.

In the current academic year, Stern's finance department is offering two courses, Risk Management in Financial Institutions and Topics in International Finance, both focusing on financial risk control, as well as courses in global banking and bankruptcy and reorganization, both of which encompass a good dose of risk management. As of next spring, a new course, Credit Risk, gets under way, specifically focusing on modelling and analysis of lending and counterparty risks and credit-related instruments such as debt and credit derivatives.

In the Information, Operations, and Management Sciences department, the School is offering two risk-oriented courses: Risk Management Systems, considering how large-scale risk systems need to be evaluated, acquired, structured, and managed and identifying the business and technical issues, regulatory requirements, and techniques to measure and report risk across an organization or market; and Operational Risk, a new branch of risk management that assesses and mitigates the risk of operational errors to affect the profitability, or even the existence, of financial and non-financial firms.

understand pretty well are tied together in ways that are really hard to predict."

Change often germinates in the ferment of universities. At NYU Stern, a re-evaluation of the study of risk is already starting (see box below), albeit in an evolutionary, rather than revolutionary, way. Many of the traditional risk management tools are taught within the various finance courses, but a number of new risk-related electives are being offered, and the faculty expects student interest in these electives to grow, based on recent events. More new course design is being considered, focusing on what Walter would like to see as a "holistic" risk course that is driven by a shareholders' perspective – after all, not every risk needs to be managed when shareholders can use portfolio adjustments to do it themselves better and cheaper. An intensive mini-course aimed at alumni was offered in May, and will be expanded in both content and enrollment in May 2009. Integrating case-oriented teaching, along with lectures and technical exercises, the mini-course is intended to balance the appropriate use of risk modeling with a good dose of common sense. And the executive risk management masters program that Walter helped design for the European market could move the dial a little closer to a new vision of what risk really means, with its aim of creating a career track for bright young professionals and encouraging a new generation of senior management with a broad understanding of risk exposure and its core role in building the value of the business franchise.

If Professors Damodaran and Walter are right, the discipline of risk management looks to be in for a sea change, with a new generation of risk managers compensated as well for things that don't happen as the revenue producers are compensated for things that do happen. As any good football coach knows, this is a winning formula that requires consistent and persistent attention. So come 2015, it's entirely possible that the debt of the worldwide alternative energy collectives could well be judged a worthwhile investment. And civilization could lurch ahead a bit, fueled by visionaries who took the right kind of risks. ■

The headliner, though, is the new executive master's degree in risk management (EMRM), to be administered and taught jointly by Stern and AIF. Designed as a fast-paced, rigorous international master's degree program, possibly the only one of its kind, it is aimed at professionals in the banking and financial services sector, financial risk-management functions in non-financial firms, and regulatory authorities. Candidates will take 11 courses over the span of one calendar year, split between six three-day modules in Amsterdam and a two-week session in New York. The courses in Amsterdam will be taught by a wide variety of European faculty, along with Stern's Richard Levich, professor of finance and international business. The New York team will include finance professors Anthony Saunders, Edward I. Altman, Marti G. Subrahmanyam, Viral V. Acharya (PhD '01); and Walter. The degree will be conferred by NYU Stern, and participants will become Stern alumni.

The substance of the AIF program will be brought into the context of current and prospective regulatory environments encompassing each of the main functional dimensions of finance. The courses will focus on traditional and innovative ways of modeling risk, how firms' strategy and business drive risk exposure profiles, such less tractable risk domains as reputational risk, and what risk management is all about from the shareholders' point of view – including corporate finance views on optimal hedging.

"Clearly, the events of the past 18 months have demonstrated a continuing need for the expanded training of professionals in the field of risk management," said Walter, who helped design the new executive degree program with his colleague, Professor Theo Vermaelen, and AIF's managing director, Brenda Childers (MBA '90). "We thought risk was a topical issue in which we could build a strong competitive franchise in Europe," he added.

Graduates of the new program are intended to be capable of playing critical strategic roles on senior management teams – and compensated accordingly. The aim is to develop leaders, not followers, and to set a new standard for risk management education. "We're hoping the timing is right and that the hypothesis that we can elevate risk management as a function within organizations will be durable," said Walter.

Overall, Stern's finance faculty, since long before the current crisis, has maintained a strong interest in both refining and strengthening the discipline of risk management within its MBA program. Research into understanding and modeling a range of risk issues has been ongoing, and the case method has been successfully integrated with lectures to inject real-world situations into the classroom. Ultimately, said Walter, "I'd like to see the School continue to strengthen its research and teaching efforts in risk management. We have plenty of talent and a solid track record. It would be great to build on that in a sensible way going forward."

**Thank you** to the nearly 25,000 alumni, friends, faculty, and corporate sponsors for their commitment to our success during the *Campaign for NYU Stern.*

Your generosity raised **$185,000,000.**

## The Campaign for NYU Stern

**130** scholarships created

**24** professorships endowed

**11** faculty fellowships established

**43** research, community-building, and curricular initiatives launched

**44** gifts to transform our physical environment

**150%** increase in Stern Fund dollars

NYU STERN

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# ALUMNI MEET THE FUTURE HEAD-ON

**At NYU Stern's 2008 Alumni Business Conference, distinguished professors and business leaders anticipate trends as the School's profile continues to rise.**

By **Marilyn Harris**

Few subjects are more timely than the present, but the turbulence of the current present and recent past makes a conference about what's to come in global markets possibly even timelier. And so it was at the New York 2008 Alumni Business Conference, aptly titled "A Look to the Future." The first-ever alumni conference held at NYU Stern's home campus, in New York, the one-day event in May, co-presented by *Condé Nast Portfolio* and sponsored by MBT Shoes and Microsoft, attracted more than 300 attendees with a slate of speakers extraordinarily well qualified to observe, analyze, and prognosticate.

Alumni and guests traveled from around the country and the world to hear from industry leaders and scholars on current market issues on financial risk, investing, entrepreneurship, marketing, digital media, and social networking. Dean Thomas F. Cooley and Aswath Damodaran, professor of finance and David Margolis Teaching Fellow, provided keynote remarks, while Edward I. Altman, Max L. Heine Professor of Finance, and Mark Tercek, adjunct professor at NYU Stern and, at the time, director of Goldman Sachs's Environmental Markets Initiative, among others, offered their expertise in the breakout sessions.

In his welcoming remarks, "Future Shock: Dealing with Uncertainty," valuation guru Damodoran, a perennial favorite professor, struck the appropriate tone with his discourse on risk, which he defined as a combination of danger and opportunity. He observed that investors, particularly banks and hedge funds, are fixated on models, which is unfortunate in that the complexity of models cannot keep up with the complexity of the assets they are valuing; complex models require more data inputs, and hence more errors; and complex models create a more complex output. "Where there is an upside, there is a downside," he reminded the audience. "Risk is always relevant. Risk is everywhere."

Suitably advised, if not chastened, the crowd broke out into three different sessions. Frances Milliken, Stern professor of management and organizations and Peter Drucker Faculty Fellow, moderated "The Future of Green as a Business Strategy." Panelists included Steven Sturm (MBA '75), group vice president of Americas Strategic Research and Planning and Corporate Communications for Toyota Motor North America Inc.; Tercek; and Brian Dumaine, editorial director of *Fortune Small Business*. The panelists agreed that companies are increasingly exploring and implementing environmentally friendly practices to generate revenue and build good will.

Current conditions in global credit markets were the subject of another session, wherein Altman provided his annual forecast on default and recovery rates. He explained that the credit markets lead the real economy, noting that the last three recessions, including the current one, "were motivated and caused by issues in the credit markets." His advice to investors: Hold off three to six months before investing in distressed debt.

As befits a session on social networking – an appropriate lead-in to the lunch break – a full complement of five panelists took on "The Digital Future: What Social Networking and Marketing Tools Mean for Businesses and Entrepreneurs." Arun Sundararajan, associate professor of information, operations, and management sciences and NEC Faculty Fellow at Stern, led the lively group, which included Douglas Atkin, partner and chief community officer of Meet-up Inc.; Bant Breen, president of Interpublic Futures Marketing Group; Rob Master, director of media North America for Unilever; Kenny Miller, VP and creative director for MTV Networks Global Digital Media; and Marc Sirkin, lead social network strategist for Microsoft.

Along with a panel discussion on the need for defensive brand management on social networking sites, Sundararajan summarized the group's insights with several observations: social media needs a simple, elegant, and portable reputation system, much like eBay's; product reviews do not comprise a representative sample of "people like me"; and investments in social networking need to be quantified to justify their inclusion in advertising budgets.

Lunch provided an opportunity to connect the old-fashioned way – in person. The keynote address, by Dean Cooley and Dean of the Undergraduate College Sally Blount-Lyon, brought a recounting of milestones reached and those in the making. Alumni support, Dean Cooley said, helped make Stern, with one of the largest business school faculties in the world, "a hot place to do research." He reported that admissions to Stern remain strong, with more than 5,000 applications for 415 full-time MBA spots


and 900 applications for 22 PhD spots.

With gratitude to alumni, Dean Cooley announced that the *Campaign for NYU Stern* had raised to date a record $180 million over the past five years, helping the School establish 23 new faculty chairs, 10 new faculty research fellowships, 125 new scholarships, and $40 million in infrastructure improvements. He also described how the Campaign has made it possible for the School to offer a new joint MBA/MFA degree with NYU Tisch School of the Arts, an MBA/MS in Mathematics and Finance with NYU Courant Institute of Mathematical Sciences, an MS degree with Hong Kong University of Science and Technology, an increased portfolio of non-degree executive education programs, and new programs in the Undergraduate College, as well as the opportunity to offer the Langone Part-time MBA Program in Westchester, NY.

Looking ahead, Dean Cooley stressed the importance of disseminating the School's rich intellectual resources and increasing its visibility in the media. He also discussed Stern's plans for global engagement, such as partnerships with the government and top companies in India, joint programs with schools in Western Europe, and study and research opportunities in China.

Dean Blount-Lyon stated that undergraduate admissions to Stern remain strong with more than 7,000 applications for 500 freshman spots, and that the quality of the applications is high, with GPAs in the top percentile and average SAT scores around 1440. She explained that the academic programs are increasingly organized around a global perspective: as of this year, 50 percent of students will have spent at least one semester abroad, and the School has launched a world studies track and a BS in business and political economy. In addition, Stern now requires a four-course sequence in social impact that spans all four years of study.

Postprandial breakout panels focused on the future of innovation and how that affects brands; investing in a volatile marketplace; and venture capital in a digital media world. In the first, moderated by David Carey, group president of Condé Nast Publications; Stern's Scott Galloway, clinical associate professor of marketing; and Peter Golder, associate professor of marketing, engaged in a provocative debate on whether innovation helps or hurts brands. "The next breakthrough," said Golder, "is already on the market and sold by a company that will not benefit from the market breakthrough." Though Galloway acknowledged that a strong brand can shield a product, he asserted, "Perfection is the enemy of innovation."

As for the challenges of investing in today's and tomorrow's volatile marketplaces, there was an easy consensus among moderator Mary C. Farrell (MBA '76), a financial services consultant; and panelists Madelyn Antoncic (MPhil '81, PhD '83), managing director and global head of financial markets policy relations at Lehman Brothers; Audrey McNiff (MBA '89), managing director at Goldman Sachs; and Jessica Reif Cohen (BS '77, MBA '79), managing director at Merrill Lynch. Unsurprisingly, even the pros are finding areas of opportunity scarce. Reif Cohen, a media specialist, focused on select cable content providers; Antoncic advised looking at sectors that have already taken a hit; and McNiff suggested distressed assets and hedge funds that can short and build a portfolio.

One recent investment that has paid its backers handsomely is Facebook, and the panel on venture capital in the digital world offered a candid look at how technologies and trends in media consumption are making such nontraditional business models attractive to venture players. Said panelist Alan Patricof, the founder and managing partner of Greycroft LLC: "Every big media company has its own venture fund because of the 'Facebook syndrome.' They'd rather lose tens of millions of dollars than miss out on deals like Facebook." The discussion was led by Charles C. Koones, CEO of Rockmore Media LLP. Other panelists were Dennis Miller, general partner of Spark Capital, and Stephen Baker, chief revenue officer of EveryZing.

The riveting plenary session featured Andrew Zolli, a futurist and global trends consultant with Z+ Partners, whose multimedia presentation drew heavily on demography to forecast trends. Massive population shifts over the next several decades, caused by varied rates of growth and decline, will result in increased urbanization, he said, but in newly prominent cities rather than the current major ones. These shifts will drive change across many industries, and, as always, the race will be to the swift. "Innovation," Zolli said, "is the creation of new forms of value in anticipation of future demand."

Clearly, Deans Cooley and Blount-Lyon, charged with steering an ascendant NYU Stern, would agree.

# John Hofmeister

**president***

## Shell Oil Co.

**John D. Hofmeister has been president of Houston-based Shell Oil Co. since March 2005.* He joined Shell in 1997 as director of human resources for the Shell Group, based in The Hague, after having worked for nearly 25 years in marketing and human relations functions at General Electric, Allied Signal, and Northern Telecom. During his tenure as president, Hofmeister steered the company through the aftermath of Hurricanes Rita and Katrina, which not only affected thousands of employees and their families, but also threatened the US energy supply. Hofmeister has contributed greatly to helping the public understand the energy industry, launching a "National Dialogue on Energy Security" amid public frustration over rising gasoline prices. Hofmeister, who has bachelor's and master's degrees in political science from Kansas State University, is chairman of the National Urban League and former chairman of the Greater Houston Partnership, one of the largest economic development organizations in the country.**

***John Hofmeister was interviewed on April 8, 2008, by Vijay Vaitheeswaran, an award-winning correspondent for* The Economist*. Vaitheeswaran is the author of a book called* Zoom: the Global Race to Fuel the Car of the Future*, which was published last October and was selected as one of the five finalists for the* Financial Times *and Goldman Sachs 2007 Business Book of the Year. He is also a lecturer at NYU Stern, teaching a popular course on energy and the environment.***

**Hofmeister was president of Shell when he visited Stern in April. He retired the following month.*

**Vijay Vaitheeswaran:** *You have been on an energy policy discussion tour of the US, trying to take the pulse of the country. What motivated you to visit 50 cities?*
**John Hofmeister:** After Hurricanes Katrina and Rita, refinery production in the Gulf of Mexico and on shore was shut down, the nation lost 25 percent of its supply of daily oil and gas, and some 90 platforms just disappeared. The nation was struggling, and, because the market rations oil and gas according to supply versus demand, the price went up. We were being pummeled as villains. I had just gotten a letter from a customer that was just a drawing of yours truly hanging from the branch of a tall tree by the neck. I said, "We can continue living in a bunker, or we can go out and meet the people who are so upset." We decided we would do town halls across the country, which for us meant 100 people in a room and 10 chairs, a real town hall where we stood shoulder to shoulder, eyeball to eyeball, myself and ultimately 250 other executives who joined me from coast to coast. We called it a "National Dialogue on Energy Security."

**VV:** *What did you learn that surprised you?*
**JH:** We learned that there are some serious myths in people's minds about energy – for instance, that we are running out of oil. Another myth is that we control the price of crude oil. When a company like Shell produces about 3 percent of the daily global production, it's hard to have an impact. When you add up Exxon, Shell, BP, Chevron, Conoco, and Total, you don't even get to 15 percent of daily production. So how in the world do these five or six companies control prices? Another myth is that there is a silver bullet just awaiting technical research that will solve all our energy needs.

**VV:** *Tell us why you think that Hubbert's "peak oil" theory – that is, that global production could max out and the world could run out of oil – is not the right way to look at the problem.*
**JH:** If we just start with the US, the scarcity of crude oil in the US is purely a result of public policy. Believe it or not, there has been a 30-year moratorium on East or West Coast drilling or Eastern Gulf of Mexico drilling. For 30 years, the public policy has been "don't drill here, go somewhere else." That policy was formed when oil was about $7 a barrel. But technology has moved on and the price has moved up, and now it is a public absurdity to deny drilling to the nation that needs it the most – the US.

**VV:** *So, your argument is that as far as the US is concerned, regulation is a major impediment to the resources that exist?*
**JH:** Yes, for conventional oil and gas. The theory that there will be oil scarcity is predicated on a set of narrow assumptions that never imagined deep water exploration or public policy constraints. It was predicated on what was known at the time in terms of the geophysics of oil back in the 1950s. The fact that it happened to be correct – about US production peaking between 1965 and 1970 – was coincidental. I believe we are still adding to the resource base of the world by new discoveries, finds, and exploration. I think we will only peak because we will prefer other forms of energy and, therefore, will not demand as much oil.

**VV:** *If the regulations were removed or eased, is there enough oil on US soil or offshore to eliminate the needs for imports?*
**JH:** Probably not. The US today produces about 7 million barrels, and we consume 21 million.

**VV:** *So, doesn't this argue for an energy interdependence – rather than independence – model?*
**JH:** I think energy independence is a

John Hofmeister is interviewed by Vijay Vaitheeswaran at a CEO Series event held at NYU Stern in April.

crock. The world is interdependent. To think that we somehow as the United States of America can declare energy independence is nothing but pandering for votes, and I have said that to many elected officials. We want interdependence because it's a check on the global system. We want to have some voice in what happens elsewhere in the world. That is part of international trading. Another aspect is that we can flip this oil price on its head if the US could say to the world that we are going to open access to more areas – not 100 percent access, but how about half of the 85 percent of the outer continental shelf in the lower 48 states that's off limits?

**VV:** *Can we really drill our way to a solution? Department of Energy figures suggest that the US has less than 5 percent of the world's remaining reserves of conventional oil. The Persian Gulf has almost two-thirds.*

**JH:** Think of the next 10 or 20 years. Five percent is a lot. It will take a long time to produce 100 billion barrels.

**VV:** *It's not the most economic oil, though. It's cheaper in other parts of the world.*

**JH:** All of the off-limits oil could probably be produced for less than $50 a barrel. Think about what it would say to the world trading system if America put a plan together to produce three million more barrels per day, taking our seven-plus million barrels up to 10-plus million barrels – over half the US supply. With biofuel and other alternative fuels, we could say to the OPEC cartel, "We don't need you as much as we did before." That would immediately reduce a lot of the speculation. It would ease the geopolitical tension, which is inflating the price as we speak.

**"Think about what it would say to the world trading system if America put a plan together to produce three million more barrels per day, taking our seven-plus million barrels up to 10-plus million barrels – over half the US supply. With biofuel and other alternative fuels, we could say to the OPEC cartel, 'We don't need you as much as we did before.'"**

**VV:** *Is relatively expensive domestic oil really a contender compared to the alternatives that are being developed?*

**JH:** The answer will be a multiplicity of energy sources, including the somewhat more expensive American-produced oil. If this nation created a comprehensive national energy security strategy that dealt simultaneously with the supply side, via the technology to produce more oil and clean coal, for example, and also dealt with the demand side, via increased efficiency and use of clean energy or alternative energy, and if we dealt with the $CO_2$ issue, we could enhance oil recovery in many abandoned or existing fields that would produce more domestic oil at a fairly reasonable cost. Affordable, cleaner energy should be the goal. Let's face it: Alternative energy, whether wind farms, solar, hydrogen, or coal gasification, is not cheap.

**VV:** *Are we in an era of permanently higher oil prices?*

**JH:** I think it's still cyclical. The current cycle of high energy costs is unprecedented. But also, today's technologies demand hydrocarbon infrastructure. We don't have many mobility choices. Detroit is tired of having 99 percent of its product based on hydrocarbon.

**VV:** *Shell is a member of the US Climate Action Partnership, an association to promote federal legislation on capping $CO_2$ emissions in this country and using a trading system to provide incentives to find new technologies and ways of doing things to reduce $CO_2$. Why join an organization that lobbies government for a regulation that would potentially impose costs on you and reduce your sales?*

**JH:** We believe man-made greenhouse gases are not good for the world and that we, as a major producer of greenhouse gases, have a social responsibility to do something about it. We have reduced our own carbon footprint to below 1990 levels.

**VV:** *If you do this as a company voluntarily acting out of corporate social responsibility or to be a first mover, why do you need a government mandate?*

**JH:** Because it will keep the playing field level.

**VV:** *You are a division of a British-Dutch company, Royal Dutch Shell. Does your being an international player influence how you look at the world, compared to some American oil companies that are very much American in their roots?*

**JH:** There are influences that affect how we see the US. For instance, we would welcome more diesel engines in the US. We are part of the European change process where we see more miles per gallon, less emissions, less $CO_2$ in the atmosphere in Europe with the dieselization of the European fleet. On the other hand, some of the innovation in technology, the deep water work that we do, really started in the US.

**AUDIENCE QUESTIONS**

**Q:** *Any major executive of an oil company acknowledging the "peak oil" concept immediately drives up all the costs of production for his company and, most important, the costs of any acquisition target, thereby hurting his shareholders, including widows and orphans. Yet not to acknowledge "peak oil" also causes the country and the world as a whole to look at policy prescriptions that may be radically different from what is really required. I was wondering how you would resolve this dilemma.*

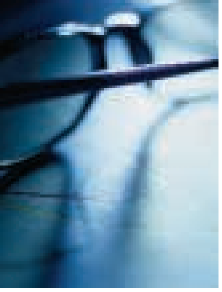
**JH:** We don't advocate at Shell that there is "peak oil" at this stage. We believe there will be at some point, but we believe there are enough resources that we should be out producing those resources. There is more than enough financial capability but not enough human capability on earth to over-produce, which is keeping the price up. We can't build infrastructure fast enough to exceed global demand unless demand falls enough to enable us to catch up.

**Q:** *To what extent is the desire for well-functioning global markets affecting US foreign policy, especially in regard to Saudi Arabia and Iraq?*

**JH:** I do think that because US public policy has been so flawed, the US has added to international tension by having such a heavy dependence on imports. Whether that is deliberate or whether that is an outcome of just avoiding our domestic problem of trying to produce more oil, the consequence is that we contribute to geopolitical tension.

**Q:** *Regarding the US cap on $CO_2$ emissions, one of the interesting components of that is that legislation rewards early actors in terms of the proposed regulation. Was Shell a part of crafting that part of the agreement?*

**JH:** Absolutely. First mover is always a nice place to be.



# Prospectus

## NYU Stern Boosts Faculty Roster

Building its research and teaching faculty, NYU Stern added a dozen new professors to its fall roster and, last spring, welcomed as a research professor Ralph Gomory, whose 30-year tenure in research at IBM will enhance the School's information systems research.

Joining the finance department is **Viral Acharya (PhD '01)**, who comes from London Business School, where he was professor of finance and academic director of the Private Equity Institute, a research affiliate of the Center for Economic Policy Research. An academic advisor to the Bank of England, he was appointed Senior Houblon-Normal Research Fellow there to study the efficiency of the inter-bank lending markets. His research focuses on regulation of banks and financial institutions, corporate finance, credit risk and valuation of corporate debt, and asset pricing with an emphasis on liquidity risk.

The finance department also added three assistant professors: **Ashwini Agrawal**, **Marcin Kacperczyk**, and **Philipp Schnabl**. Having earned his MBA in finance and PhD in economics from the University of Chicago, Agrawal studies empirical corporate finance and labor economics. Kacperczyk, who has a PhD in finance from the University of Michigan and taught at the University of British Columbia, studies institutional investors, mutual funds, socially responsible investing, and behavioral finance. Before joining Stern, Schnabl consulted for Boston Consulting Group in Europe, then earned his PhD in economics from Harvard University. His research interests are corporate finance, financial intermediation, and banking.

Three assistant professors have also joined the economics department. **Joyee Deb** earned her PhD in economics from Northwestern University's Kellogg School and earlier was a consultant in Accenture's strategy practice in India. Her research interests are microeconomic theory and game theory. **Kim Ruhl** joined Stern in 2006 as a visiting professor and has a PhD in economics from the University of Minnesota. His research centers on international economics, models of firm heterogeneity, and national income accounting. He has been awarded two National Science Foundation grants. **Allessandro Gavazza** is an applied economist with interests in industrial organization, contracting, and capital investment. Formerly, he was at Yale's School of Management and on the research staff of the Cowles Foundation. He earned his PhD in economics from New York University.

**Priya Raghubir (PhD '94)** joined the marketing department from the Haas School where she taught undergraduate and graduate courses in the US, China, and India. Her research interests are in the areas of consumer psychology, and include psychological aspects of prices and money; risk perceptions; and visual information processing. Joining the marketing department as an assistant professor is **Sam Hui**, who received his PhD from the Wharton School. His research centers on the interaction between marketing and statistics, the entertainment industry, and Internet retailing.

**JP Eggers** joined the management and organizations department as an assistant professor. He studies technological change, decision-making under uncertainty, and new product development, and earned his PhD in management from the Wharton School. Prior to joining Stern, **Gabriel Natividad** served as a strategy consultant. His research focuses primarily on how a firm's strategic and financial decisions are intertwined, especially in multidivisional companies. Natividad earned his PhD in management from UCLA.

**Prasanna Tambe** comes to Stern from the Wharton School, where he earned his PhD in managerial science and applied economics. As an assistant professor of information, operations, and management sciences, Tambe's research centers on how IT-related organizational change affects labor markets and human resource management.

In April, Stern welcomed as research professor **Ralph Gomory**, who served as president of the Alfred P. Sloan Foundation from 1989 to 2007. Prior to that, he had a 30-year career at IBM as head of its Research Division and then as Senior Vice President for Science and Technology. During his tenure, the firm's researchers invented RISC architecture and developed the concept, theory, and first prototype of relational databases, which resulted in two successive Nobel Prizes in Physics. Gomory earned his PhD in mathematics from Princeton University.

## short *takes*

Professor of Economics and International Business **Nouriel Roubini** was one of 15 economists selected by *Foreign Policy Magazine* for its "Top 100 Public Intellectuals" list. Roubini was also a panelist in January at the World Economic Forum in Davos, and, in February, he testified on the economy before the House of Representatives' Financial Services Committee.

**Edward I. Altman**, Max L. Heine Professor of Finance, was inducted into the inaugural class of the Turnaround Management Association's Turnaround, Restructuring, and Distressed Investing Industry Hall of Fame.

**Russell Winer**, William Joyce Professor of Marketing and chair of Stern's marketing department, was recently named an inaugural fellow of the INFORMS Society for Marketing Science (ISMS). The ISMS Fellow Award recognizes cumulative long-term contribution to the mission of ISMS, which is to foster the development, dissemination, and implementation of knowledge, basic and applied research, and science and technologies that improve the understanding and practice of marketing. Winer is currently the executive director of the Marketing Science Institute (MSI), an academic organization dedicated to bridging the gap between marketing science theory and business practice.

**William Greene**, professor of economics and Jules I. Backman Faculty Fellow, was recently appointed the Toyota Motor Corporation Term Professor. In June, he organized the largest scholarly conference ever held at NYU Stern, the fifth North American Productivity Workshop, sponsored by Toyota. Three hundred researchers from more than 30 countries attended.

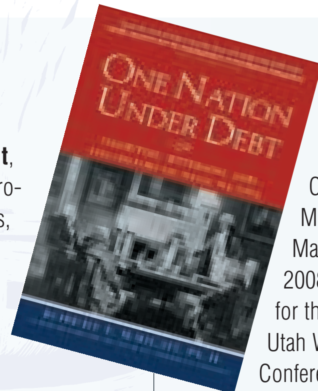
**Natalia Levina**, associate professor of information systems, was a featured speaker in June at the Financial Services Outsourcing Annual Summit, in New York, discussing leadership practices that enable the effective collaboration of onshore IT practitioners who manage offshore IT projects.

## research *roundup*

Nobel prize-winning economist **Robert Engle**, Michael Armellino Professor of Finance and director of the Center for Financial Econometrics, wrote *Anticipating Correlations: A New Paradigm for Risk Management*, to be published by Princeton University Press in January 2009. The book introduces a method for estimating correlations for large systems of assets. In addition, Engle was included in *Condé Nast Portfolio*'s "Brilliant" list, which noted that his model for predicting risk in a financial portfolio is used virtually everywhere on Wall Street.


**William Baumol**, Harold Price Professor of Entrepreneurship, academic director of the Berkley Center for Entrepreneurial Studies, and professor of economics, co-authored with Carl Schramm and Robert Litan of the Kauffman Foundation, *Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity*, which was named one of the top 10 "Books that Drive the Debate 2008" by the National Chamber Foundation, a public policy think tank affiliated with the US Chamber of Commerce. Baumol was recently made an honorary professor of Zhejiang Gongshang University (ZJGSU) and senior adviser of ZJGSU's William Baumol Center for Entrepreneurship Research. Another entrepreneurship research center in China was also recently named in his honor: the Wuhan Baumol Center.

**Robert Wright**, clinical associate professor of economics, published *One Nation Under Debt: Hamilton, Jefferson, and the History of What We Owe* in March with McGraw-Hill. The book explores the untold history of America's national debt. Wright shows how America's financial system supported the country's meteoric growth while amassing a stupendous level of debt.




A grant from the National Science Foundation was awarded to **Marti Subrahmanyam**, Charles E. Merrill Professor of Finance, and **Sridhar Seshadri**, Toyota Motor Term Professor of Operations Management and Information Systems, for "Collaborative Research on Risk Management in Supply Chains Using Market Information," co-authored with Professor Vishal Gaur from Cornell University and Xiuli Chao of the University of Michigan. The grant will provide financial support for three years. In addition, "Hedging Inventory Risk through Market Instruments," by Seshadri and Cornell's Gaur, was awarded the best paper in *Manufacturing & Service Operations Management*, the flagship journal of the Institute for Operations Research and the Management Sciences.

**Laura Veldkamp**, assistant professor of economics, was appointed a faculty research fellow at the National Bureau of Economic Research in April. Her co-authored paper, "Leadership, Coordination, and Mission-Driven Management," won the 2008 JP Morgan Prize for the best paper at the Utah Winter Finance Conference. In addition, two of her papers were recently accepted for publication: "Information Immobility and the Home Bias Puzzle," with **Stijn Van Nieuwerburgh**, assistant professor of finance and Charles Schaefer Family Fellow, at the *Journal of Finance*; and "Knowing What Others Know: Coordination Motives in Information Acquisition," with Christian Hellwig, at the *Review of Economic Studies*.

**Robert Salomon**, assistant professor of management and organizations, received the IABS (International Association for Business and Society) Best Article Award for 2006 for his article, "Beyond Dichotomy: The Curvilinear Relationship between Social Responsibility and Financial Performance," which was published in the *Strategic Management Journal*. Salomon also ran the first doctoral consortium at the 2008 Israel Strategy Conference, a joint effort of the three top Israeli universities – Hebrew University, Tel Aviv University, and Technion University – to promote the field of strategic management in Israel.

Research Professor of Marketing **Vicki Morwitz** and Associate Professor of Marketing **Amitav Chakravarti** were awarded the Best Overall Conference Presentation at the 2008 American Marketing Association Advanced Research Techniques Forum for their paper, "The Effect of Exposure to Fine versus Broad Survey Scales on Subsequent Decision Making," co-authored with NYU Stern alumnus Gulden Ulkumen (PhD '07) of the University of Southern California.

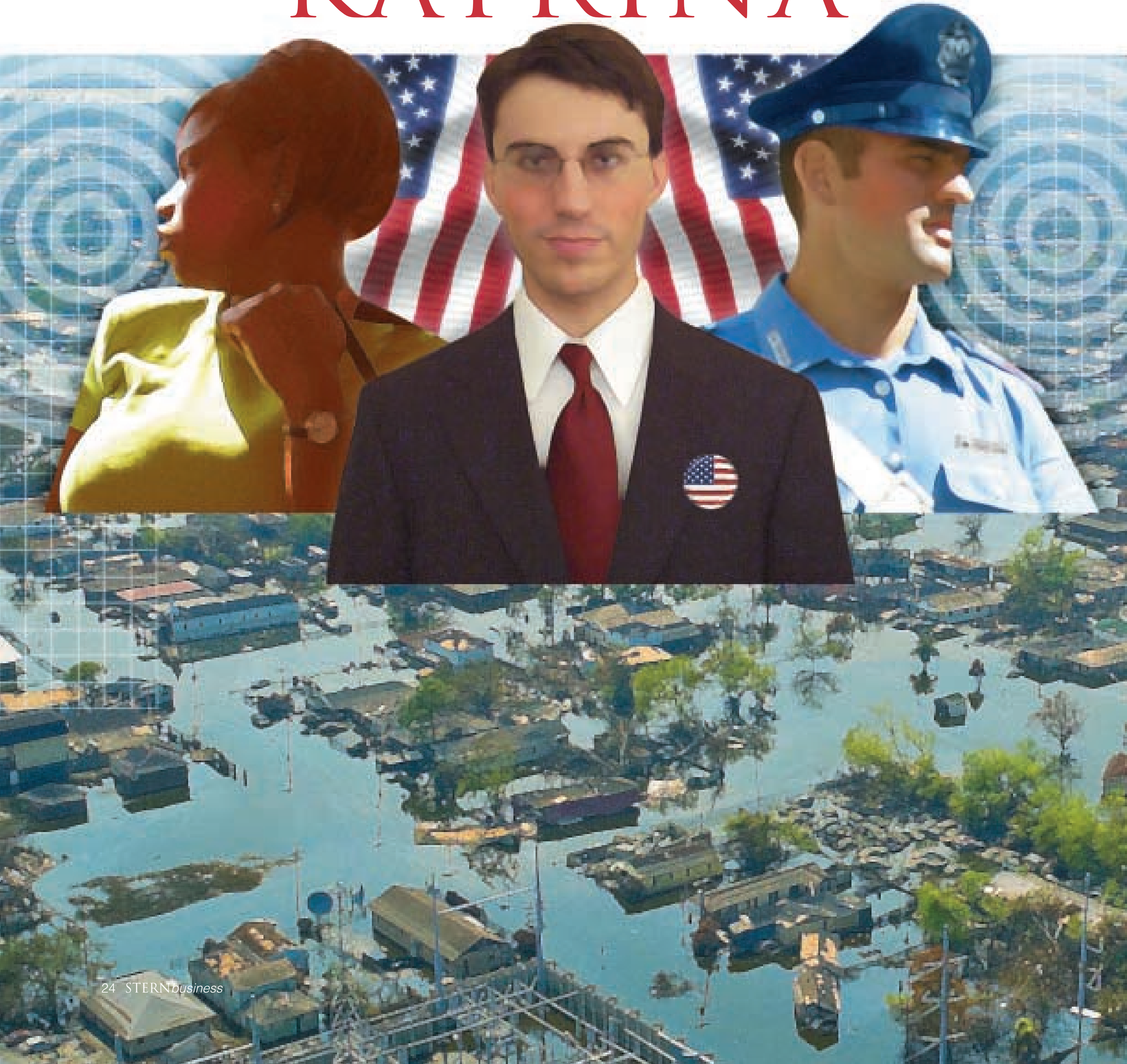
Professor of Marketing **Eitan Muller** was the recipient of the 2007 Best Paper Award of the European Marketing Academy, *International Journal of Research in Marketing*, for his co-authored article, "The NPV of Bad News." Muller also co-authored the paper, "The Role of Within-Brand and Cross-Brand Communications in Competitive Growth," forthcoming in the *Journal of Marketing*.

**Thomas Philippon**, assistant professor of finance and Charles Schaefer Family Fellow, and **Heitor Almeida**, assistant professor of finance, published their co-authored paper, "The Risk-Adjusted Cost of Financial Distress," in the *Journal of Finance* in December 2007 as the lead paper. The piece was awarded the 2005-2006 Honorable Mention for Best Working Paper in Finance from Stern's Glucksman Institute.

Assistant Professor of Accounting **Daniel Cohen**'s co-authored paper, "Real and Accrual-Based Earnings Management in the Pre- and Post-Sarbanes-Oxley Periods," was published in May in *The Accounting Review.*

**Anindya Ghose**, assistant professor of information, operations, and management sciences, co-authored the paper, "Competition between Local and Electronic Markets: How the Benefit of Buying Online Depends on Where You Live," forthcoming in *Marketing Science*.

# AFTER HURRICANE KATRINA



# THE EFFECTS OF HIERARCHY ON COMMUNICATION IN THE DISASTER'S AFTERMATH

By **Frances Milliken, Joe C. Magee, Nancy Lam,** and **Daniel Menezes**

An analysis of this real-world situation shows how the response was shaped by the different levels of power of those involved.

One of the most troubling aspects of Hurricane Katrina and its aftermath was the seemingly confused and slow response of government officials and of large nonprofit relief organizations to the crisis. It often seemed as if there was a "disconnect" between what was being conveyed by some of the most powerful people in the country and what we were seeing on television. Those who watched the coverage may remember the desperate calls to a television reporter from doctors and nurses stranded in a hospital in New Orleans with no electricity. Millions of people were aware of the worsening plight of these healthcare workers and their patients, yet government aid did not arrive for days after the August 29, 2005, disaster.

Why was the government's response to Hurricane Katrina so slow and seemingly uncoordinated? One possible explanation is that the officials in charge thought about the situation in a systematically different way than the first responders and victims did. These differences in the interpretations of the situation may have stemmed from actual differences in the amount of knowledge individuals had or from differences in the perspectives they had about the situation. In particular, the level of power they possessed may have affected how they thought about the situation.

Previous laboratory research has suggested that a person's level of power can affect how he or she interprets events. Research suggests, for example, that individuals with power may tend to perceive problems or crises as less threatening than those with less power. If this were found to be true in the context of a real situation, this could cause high-level officials to respond to an emerging problem in a way that people with less power perceive to be inadequate.

In our analysis, we sought to build a bridge between research on organizational decision making and research on the psychology of power by showing empirically how power-holders may have differed from those with less power in their interpretations of a high-consequence, real-world event. The aftermath of Hurricane Katrina, during which multiple interdependent individuals and organizations attempted to work together to respond to the storm, was an ideal setting for us to explore.

In the case of Hurricane Katrina, the loosely coordinated organization that was responsible for preserving lives and infrastructure shared many of the features of the traditional, pyramid-like structure of hierarchical organizations: a small number of federal government officials with a great deal of power at the top, state and local officials and military personnel in the middle, followed by an array of volunteers with relatively little power, and, finally, thousands of powerless victims.

## Talk to Me

Research on communication in hierarchies suggests that the transfer of information up and down the line is rarely smooth. Those at the top not only have the power to affect the outcomes of those at the bottom – thus creating incentives for those lower down to communicate selectively based on what they think power-holders want to hear – but they also may have a different perspective on the nature of the issues being confronted. Interviews and testimony suggest that communication up and down the hierarchy in the networked response to Hurricane Katrina was deficient, and it is widely believed that the suffering was significantly worse as

ILLUSTRATION BY GORDON STUDER

a result. Pinning down the exact causes of miscommunication, however, has been a topic of intense debate.

We present a unique reason why the response to Hurricane Katrina was deficient. We argue that differences in power among the people responsible for coordinating and delivering relief, and between those people and the hurricane's victims contributed to differences in their interpretations of the event as it was unfolding, which, in turn, impeded effective communications and a coordinated response.

In a crisis, those who anticipate, notice, or recognize problems must communicate with the people who have the power to make decisions about how to solve them, so how those problems are interpreted by the individuals who are in charge is critical. Further, those with the resources to solve the problems need to develop solutions that are then implemented by those in the field. Problem solving in organizations thus almost always involves information to be relayed up and down a hierarchy. If people at the top of a hierarchy tend to think in reliably different ways about issues, they may generate different solutions than what those lower down anticipated. Sometimes problem solving is further complicated by involving multiple organizations that are themselves nested in a hierarchy of power, as was the case after Hurricane Katrina. To develop our hypotheses about how individuals at different levels of this disaster relief hierarchy interpreted the storm and its aftermath in systematically different ways, we built on psychological perspectives of the effects of power on cognition and behavior.

**"We argue that differences in power among the people responsible for coordinating and delivering relief, and between those people and the hurricane's victims, contributed to differences in their interpretations of the event as it was unfolding, which, in turn, impeded effective communications and a coordinated response."**

### Transformative Power

Power is an intriguing lens through which to examine how people view the world. Our hypotheses were based on two well-researched theoretical frameworks of how power transforms individuals psychologically. The first proposes that individuals with greater power tend to focus more on the positive, rewarding aspects of their environment rather than on negative, threatening aspects. Studies have found, for example, that power is positively associated with the anticipation of positive outcomes in risky situations and with the experience of positive emotion. We hypothesized, therefore, that there would be a positive relationship between individuals' level of power and the extent to which their communication about Hurricane Katrina tended to be marked by the expression of positive thoughts. Similarly, high-power individuals faced with interpreting environmental threats or crises may tend to be more focused on the future in an effort to "find the positive" in the situation. Thus, we predicted that there would be a significant relationship between individuals' level of power and the likelihood of being future-oriented in their communication.

A second framework that we used to guide our research posits that any form of psychological distance – such as differences in power – affects how individuals interpret their environment. Hurricane Katrina could be described abstractly as "a vicious storm wreaking havoc on anything in its path" or more concretely as "a level 4 hurricane that is forcing people to climb up to their roofs and wave white towels for help." People who are very powerful may tend to construe their world in more abstract terms than others. Thus, we hypothesized that there was a positive relationship between individuals' level of power and how abstractly they communicated about Katrina.

Power, also is associated with a greater sense of perceived control and certainty about the future. Not surprisingly, high-power individuals perceive themselves as having more control than people with lower levels of power, which translates into their having greater confidence in predicting the outcomes of events. In addition, psychological distance tends to increase this confidence, because specific details that might present roadblocks are not a focus. This suggests power-holders had increased confidence during the Katrina crisis, and we investigated this hypothesis as well.

### The Method

To test our hypotheses, we analyzed the content of individuals' descriptions of the events during the 10 days following the hurricane, examining direct quotations of people involved in relief and recovery. These included victims as well as people who were organizing and informing the response.

To capture a range of media (e.g., local versus national; print versus radio and television), we chose *The New York Times*, *The*

*Times-Picayune* of New Orleans, *CNN*, and *National Public Radio*. Our final sample consisted of 888 unique quotations by 272 unique speakers. Federal officials and governors had the most power, followed by lesser state and local officials. Police, fire, and military personnel had more power than disaster responders and experts. Victims had the least power.

**"We found that the language that our speakers used to communicate about the hurricane varied as a function of the amount of power the speaker held."**

### Our Findings

We found that the language that our speakers used to communicate about the hurricane varied as a function of the amount of power the speakers held. As expected, people with more power tended to use more abstract language. The data also suggested that people who had power were more likely to focus on the future and to use positive language when they spoke about the situation. Finally, those with the most power in this situation (the federal officials) showed a tendency to use language that reflected a higher degree of certainty and confidence than that used by individuals with less power. Our findings, thus, provided strong support for our hypotheses.

Our study contributes to the literature on power and on sense-making and communication in organizations by showing that power appears to play a central role in the sense-making process, potentially producing a "sense-making gap" between high- and low-power individuals' interpretations of events. Given that most, if not all, organizations are characterized by a hierarchy of power, understanding this gap is important to constructing a more accurate model of organizations as information-processing and sense-making systems.

One could argue that high-level government officials, like other top managers, are supposed to "see the forest and not the trees." They should be thinking somewhat abstractly and searching for common features across situations so as to apply standardized solutions. One could also argue that it is useful for high-level managers to be positive and future-oriented in their thinking. But what if these ways of perceiving and interpreting events are systematically different from those of their subordinates? If leaders respond to a situation from a viewpoint that is misaligned with others' viewpoints, they could respond in ways that subordinates find surprising. For example, because high-power individuals are more likely to see the positive in a negative situation, they may be slower to respond to a crisis than their subordinates think they should be. They may also respond in ways that others lower down in the hierarchy perceive as insufficient given the magnitude of the problem. Leaders could also lose credibility with subordinates if they are perceived to not have a good understanding of events on the ground, which could damage communications within the hierarchy. Lower-level employees could then elect to withhold critical information about problems from their bosses, believing that their managers only want to hear positive news and, perhaps, are not really interested in solving problems. Over time, this could cause leaders to become out of touch with "the reality on the ground." If leaders are perceived to be out of touch, their effectiveness would eventually erode because they would not, in fact, have a good understanding of the complex issues and problems facing the organization. Elected officials could be voted out of office, and managers who have lost support – or subordinates who do not feel supported by management – could quit.

### Conclusion

The finding that powerful individuals interpret the world in very different terms than those with little power might not surprise anyone familiar with organizations. But that psychological theories of power can explain and predict this phenomenon in the context of a large-scale disaster is remarkable. Power colors how people perceive, interpret, and communicate about the situations they encounter in ways that are often not consciously recognized or understood. Understanding more about these effects will be critical to helping ensure effective communication and coordination up and down organizational hierarchies. ■

FRANCES J. MILLIKEN *is professor of management and organizations and Peter Drucker Faculty Fellow at NYU Stern.* JOE C. MAGEE *is an affiliated assistant professor of management and organizations at NYU Stern and assistant professor of management at the NYU Robert F. Wagner Graduate School of Public Service.* NANCY LAM *is a doctoral student in the management department at NYU Stern.* DANIEL MENEZES *graduated in May 2008 with a BA in Metropolitan Studies from the NYU Department of Social and Cultural Analysis.*

*The authors thank the NYU Center for Catastrophe Preparedness and Response for the grant that supported this research.*

# THE HOME COURT ADVANTAGE

## WHY INFORMATION-AGE INVESTORS STILL KEEP THEIR MONEY LOCAL


ILLUSTRATION BY BRYAN LEISTER

By **Stijn Van Nieuwerburgh** and **Laura Veldkamp**

Personal business magazines in the US frequently hector their readers to shift their investments to the Next Big Thing. One week it's emerging markets, the next, Japan's making a comeback, and a week later, don't forget about Europe. No doubt, the magazines' counterparts overseas preach a similar story in reverse. Thing is, despite all the information available in this Internet Age, most investors tend to weight their portfolios toward their local equities. Does this make any sense? We set out to understand this phenomenon, and what we found revealed that gaining an information edge was the critical factor in deciding where to invest, and where better to gain that edge than your own backyard?

The pattern persists even if you're a relatively sophisticated, worldly investor or portfolio manager with global access to information about international markets. Your portfolio is probably weighted toward domestic equities. Economists call this phenomenon the "home bias." Home bias is defined as a long position in the home asset that exceeds what is prescribed by the standard world market portfolio. We asked why global information access doesn't eliminate this asymmetry.

Returns on national equity portfolios suggest there are substantial benefits from international diversification, yet individuals and institutions in most countries hold modest amounts of foreign equity. While restrictions on international capital flows may have been a viable explanation for the home bias 30 years ago, the free flow of investments globally makes that explanation obsolete. An alternative hypothesis contends that home investors have superior access to information about domestic firms or economic conditions. This information-based theory of the home bias assumes that home investors cannot learn about foreign firms. It replaces the old assumption of capital immobility by the similar assumption of information immobility. Our critique of this information-based theory of home bias was that domestic investors are free to learn about foreign firms. It seemed logical that such cross-border information flows could potentially undermine the home bias – that when investors could choose which information to collect, initial information advantages could disappear.

Most existing models of asymmetric information in financial markets are silent on information choice. A small but growing literature studies how much information investors acquire about one risky asset or models a representative agent who, by definition, cannot have asymmetric information. However, instead of asking how much investors learn, we asked which assets they learn about. To answer this question required a model with three features: information choice, multiple risky assets to learn about, and heterogeneous agents so that information asymmetry is possible.

## Take your Pick

We developed a two-country, rational-expectations, general-equilibrium model where investors first chose what home or foreign information to acquire, and then chose what assets to hold. The prior information home investors had about each home asset's payoff was slightly more precise than the prior information foreigners had. The reverse was true for foreign assets. This prior information advantage may have reflected what was incidentally observed from the local environment. Home investors chose whether to acquire additional information about either home or foreign asset payoffs. The interaction of the information decision and the portfolio decision caused home investors to acquire information that magnifies their comparative advantage in home assets.

In our model, if home investors chose to undo their information asymmetry by learning about foreign assets, they sacrificed excess returns. When information indicated that the foreign assets' payoffs would be high, both home and foreign investors knew about it, demanded more of the foreign assets, and bid up their price. If home investors instead learned more about home assets than the average investor did, then when they observed information indicating high home asset payoffs, home asset prices would not fully reflect this information. Prices reflected only as much as the average investor knew. The difference between prices and expected payoffs generated home investors' expected excess return.

When choosing what to learn, investors made their information set as different as possible from the average investor's. To achieve the maximum difference, home investors began with home assets, which they started out knowing relatively more about, and specialized in learning even more about them. One of the main results was that information immobility persisted not because investors could not learn what locals know, nor because it was expensive, but because they chose not to. Specializing in what they already knew was a more profitable strategy.

The model's key mechanism was the interaction between the information choice and the investment choice. To illustrate its importance, we shut down this interaction by forcing investors to take their portfolios as given, when they chose what to learn. These investors minimized investment risk by learning about assets that they were most uncertain about. Our inquiry related to the theory that if there is sufficient capacity, learning can undo the initial information advantage, and therefore also home bias. Thus, this model embodied the logic that the asymmetric information criticisms are founded on.

**"The standard asset pricing and portfolio choice models typically assume symmetric information sets across agents. Our study shows that these models are subject to an important criticism: Investors have an incentive to deviate by learning information that others do not know."**

## Going Long

We next showed that when investors have rational expectations about their future optimal portfolio choices, this logic was reversed. While acquiring information that others did not know increased expected portfolio returns, that alone did not imply that home investors took a long position in home assets, only that they took a large position. But home bias is a comparatively long position in the home asset, not necessarily a large one, and it arises because home assets offer risk-adjusted expected excess returns to informed home investors.

Information about the home asset reduces the risk or uncertainty that the asset poses without reducing its return, hence the high risk-adjusted returns. How does information reduce uncertainty? An asset's payoff may be very volatile, high one period and low the next. But if an investor has information that tells him when the payoff is high and when it is low, the asset payoff is not very uncertain to that investor. Information drives a wedge between the conditional standard deviation (uncertainty or risk) and the unconditional standard deviation (volatility) of asset payoffs. While foreign assets offer lower risk-adjusted returns to home investors, they are still held for diversification purposes. The optimal portfolio tilts the world market portfolio toward home assets.

Considering how learning affects portfolio risk offers an alternative way of understanding why investors with an initial information advantage in home assets choose to learn more about home assets. Because of the excess risk-adjusted returns, a home investor with a small information advantage initially expects to hold slightly more home assets than a foreign investor would. This small initial difference is amplified because information has increasing returns in the value of the asset it pertains to: As the investor decides to hold more of the asset, it becomes more valuable to learn about. So, the investor chooses to learn more and hold more of the asset, until all his capacity to learn is exhausted on his home asset.

### Knowledge is Power

A numerical example showed that learning can magnify the home bias considerably. When all home investors received a small initial advantage in all home assets, the home bias ranged between 5 percent and 46 percent, depending on the magnitude of investors' learning capacity. When each home investor received an initial information advantage that was concentrated in one local asset, the home bias was amplified. It rose as high as the 76 percent home bias in US portfolio data, for a level of capacity that is consistent with observed excess returns on local asset portfolios.

A variety of evidence supported the model's predictions, connecting the theory to facts about analyst forecasts, portfolio patterns, excess portfolio returns, cross-sectional asset prices, as well as evidence thought to be incompatible with an information-based home bias explanation. In particular, the theory offered a unified explanation of home bias and local bias. While we cannot claim for any one of these facts that no other theory could possibly explain the same relationship, taken together, they constituted a large body of evidence that is consistent with one fully adequate theory.

### Conclusions

Our model studied a common criticism of information-based models of the home bias: If home investors have less information about foreign stocks, why don't they choose to acquire foreign information, reduce their uncertainty about foreign payoffs, and undo their portfolio bias? The answer to this question required a model where investors chose which risky asset payoffs to learn about. We showed that investors who did not account for the effect of learning on portfolio choice chose to undo their initial advantages. But, investors with rational expectations reinforced informational asymmetries.

We can conclude from this model that investors learn more about risks they have an advantage in because they want their information to be very different from what others know. Thus our main message is that information asymmetry assumptions are defensible, but not for the reason originally thought. We do not need cross-border information frictions. With sufficient capacity to learn, small initial information advantages can lead to a home bias of the magnitude observed in the data.

A problem that many asymmetric information theories face is that unobservable information makes them difficult to evaluate empirically. While information cannot be observed, it can be predicted. A separate contribution of our study is to connect the observed features of assets to predictions about investors' information sets. This connection provides a new way to bring information-based theories to the data.

An important assumption in our model is that every investor must process his own information. But paying one portfolio manager to learn for many investors is efficient. How might such a setting regenerate a home bias? Because monitoring information collection is difficult, portfolio managers have an incentive to lie about how much research they do. Investors may want to occasionally assess the portfolio manager's performance. Having a manager from the same region, with similar initial information, is advantageous because evaluating his investment choices is easier. Portfolio managers who want to maximize their risk-adjusted return and have the same initial information advantage as their clients would form a home-biased portfolio, for the same reason that an individual investor would. Thus, even with delegated portfolio management, home bias should emerge. Future work could use the framework in this model to build an equilibrium model of delegated portfolio management that connects a manager's ability to acquire or process information to the size, style, and fees of his fund.

The broader message is that investors choose to have different information sets. The standard asset pricing and portfolio choice models typically assume symmetric information sets across agents. Our study shows that these models are subject to an important criticism: Investors have an incentive to deviate by learning information that others do not know. ■

STIJN VAN NIEUWERBURGH *is assistant professor of finance and Charles Schaefer Family Fellow and* LAURA VELDKAMP *is associate professor of economics at NYU Stern.*

# THINK AGAIN

## First Instincts Aren't All They're Cracked Up to Be

ILLUSTRATION BY CHRISTOPHE VORLET

**Contrary to popular belief, whether you're taking a test or buying a stock, it may pay to rethink your choice.**

By **Derrick Wirtz, Justin Kruger, Dale T. Miller,** and **Pragya Mathur**

Whether you're an individual trying to build a college fund for your first-born, a hedge fund manager responsible for billions of dollars, or just a visitor to Las Vegas, at some point you're going to wonder whether you should do a tad more research or just plunk your chip down on the red because, well, it feels right.

When it comes to decision-making dicta, going with one's first instinct fits somewhere on a continuum from useful rule of thumb to guiding principle of life. A leader who "trusts his gut" is often admired for his self-confidence and decisiveness. That goes for CEOs, athletes, even presidents.

The common wisdom of going with one's gut is parroted in a diverse range of situations, from those with potentially disastrous consequences – say, going to war – to the life-changing – for instance, college entrance exams – to the perfectly mundane – having to choose a checkout line at the local supermarket.

Second-guessing is considered an also-ran in many spheres. Psychologists have persistently linked self-doubt to a variety of negative outcomes, including diminished attention and self-esteem, excessive reassurance seeking, greater conformity under pressure, greater materialism, and poorer performance in competitive situations. Does confidence in oneself, then, mark the path to optimal decision-making? Are first instincts truly more accurate, insightful, or more likely to lead to optimal decision-making? Or is it possible that first instincts are often false instincts? We set out to answer these questions and to understand how the common wisdom got that way.

## Guessing Games

Multiple-choice test-taking offers a paradigm in which to examine the effect of second-guessing on objective outcomes. Among the most commonly endorsed strategies for such situations is, of course, to "go with your first instinct," which appears as a staple in the test-preparation industry. As Barron's GRE guide admonishes: "Exercise great caution if you decide to change an answer. Experience indicates that many students who change answers change to the wrong answer."

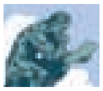
Indeed, research shows that roughly three out of four students believe that changing their answers will result in lower test scores; instructors appear to hold this belief as well. In a survey of faculty at Texas A&M University, 55 percent responded that changing one's first instinct to another answer was likely to lower test scores; whereas, a mere 16 percent thought that such a change would improve test scores.

The facts are to the contrary. The vast majority of the evidence on answer changing, we found, pointed to just the opposite: Answer changing actually *improves* test scores. In research spanning seven decades, most answer changes are from the *wrong* answer to the *right* answer, taking into consideration a wide variety of test formats (multiple-choice, true-false, achievement, aptitude, timed and untimed, computer-based, and paper-and-pencil). In a comprehensive review of the answer-changing literature, not one of 33 studies found that test takers fared worse because of changing their answers.

If sticking with one's first instinct is such a demonstrably suboptimal strategy – we call it the "first-instinct fallacy" – why is it so widely accepted? Our hypothesis was that it stems from the regret produced when a test taker chooses an erroneous answer. As an analogy, consider the seemingly universal experience of changing checkout lines in the supermarket only to see one's original line speed ahead. People seem to remember this frustrating experience far more often than they remember having failed to change lines when they should have. In much the same way, we argue that changing a correct answer to an incorrect answer is likely to be more frustrating and memorable than failing to change an incorrect answer to the correct one. When a test taker thinks about the consequences of past answer changing, he is most likely to remember those instances that produced the greatest frustration and self-recrimination, not the instances where he changed an answer appropriately or failed to change what turned out to be a wrong answer.

## Setting the Stage

To evaluate this theory, we constructed four steps. First, we asked test takers about their belief in the first-instinct fallacy, and then compared their intuitions with objective



> **"Answer changes were twice as likely to result in correct answers as incorrect ones."**

outcomes by scrutinizing their actual introductory psychology midterm exams. Second, we examined whether the regret and frustration resulting from changing a correct first instinct to an incorrect second guess was greater than that produced by failing to change an incorrect first instinct to a correct alternative. Third, we investigated whether this bias in regret produced a similar memory bias. Finally, we tested the full model to see whether the differing levels of regret and how the situation was remembered affected the relationship between answer changing and belief in the first-instinct fallacy.

In our first step, independent coders scrutinized the multiple choice midterm exams of 1,561 introductory psychology students at the University of Illinois for evidence of answer changing. Of the 3,291 answer changes on the exams, 51 percent were from wrong to right, 25 percent from right to wrong, and 23 percent from wrong to wrong. In other words, answer changes were twice as likely to result in correct answers as incorrect ones.

Did the very students who benefited from changing their answers realize this fact? Clearly not. Test takers' beliefs about the outcome of answer changing were consistent with the first-instinct fallacy. They believed that the most likely outcome of answer changing was an incorrect response, that answer changing would overall hurt test takers, and that in situations of uncertainty between two answers, the first answer was likely to be correct. In reality, the outcome of answer changing was exactly the opposite: the most likely consequence was a correct answer; more people were helped than hurt by answer changing; and the willingness to doubt one's first instinct, when another answer seems better, leads to objectively better results.

### *Je Ne Regrette Rien*

Why does belief in the veracity of first instincts persist in the face of considerable empirical evidence to the contrary? We hypothesized that the regret and frustration that follows from switching a correct first instinct to an incorrect alternative (an action) is more intense than the regret and frustration that follows from *not* switching an incorrect first instinct to a correct alternative (an inaction), as prior research has demonstrated that actions are more easily imagined than inactions.

To find out whether switching a correct first instinct to an incorrect second guess is more memorable than failing to switch an incorrect first instinct to a correct second guess, we asked a group of undergraduate participants to imagine a scenario involving a very important multiple-choice exam. The results confirmed our prediction. By a wide margin, participants clearly viewed changing a correct first instinct to an incorrect alternative as a more regrettable, foolish, and avoidable error than the (objectively) equally poor decision to stick with a first instinct when one's second guess would have been right.

Our model posits that belief in the first-instinct fallacy stems not from anticipated (or experienced) regret directly, but rather from salient memories of regrettable and frustrating actions. To examine the actual and remembered outcomes of going with one's first instinct versus switching to a second guess, we recreated a typical test-taking situation: a group of participants was given a 30-minute portion of the Scholastic Aptitude Test (SAT) or Graduate Record Exam (GRE), in which they attempted to answer a series of difficult multiple-choice questions. They were told that if they were unsure of the correct answer to a question, they could select two answers. In such instances, participants were then asked to indicate which of the two selected answers was based on their first instinct.

Our initial analysis focused on the *actual* outcomes of sticking with one's first instinct in these instances. As expected, we found that participants were more likely to answer a question incorrectly if they stuck with their first instinct than if they switched answers. Next, we compared the actual outcomes of sticking versus switching with the outcomes participants *remembered*.

Overall, test takers remembered the outcome of sticking with their first instincts as relatively positive and the outcome of switching answers as relatively negative. Whereas the actual outcome of the exam was such that second guesses led to fewer wrong answers than first instincts, participants remembered exactly the opposite.

### Final Answer?

When second-guessing oneself turns out poorly, the outcome is both regrettable and memorable. Is it the case, as our model proposes, that the resulting disproportionate regret and memory account for faith in the first-instinct fallacy? To find out, we created a mock game show patterned after television's "Who Wants to Be a Millionaire?"

We found that participants were more frustrated when the contestant repeatedly switched from a correct first instinct to an incorrect second guess than when the contestant repeatedly stuck with an incorrect first instinct.

Confirming our hypothesis, participants remembered the contestant as having been helped more by pursuing a strategy of sticking with his or her first instinct than by always second-guessing that instinct, even though we designed the experiment so that both strategies led to exactly the same number of right and wrong answers. Also, participants in the "stick" condition rated the contestant's strategy more favorably than participants in the "switch" condition – again, despite equivalent outcomes.

Our data enabled us also to determine that going against one's first instinct (versus sticking with it) led to greater frustration; that frustration, in turn, led to a memory bias for the negative consequences of switching; and that the memory bias reinforced participants' belief in "going with your first instinct" as an effective test-taking strategy. When the contestant pursued a strategy of switching answers, greater frustration resulted. In addition, the more frustrated participants felt, the more they remembered the contestant's strategy as hurting, versus helping. Of critical interest, the more participants remembered the contestant's strategy as hurting them, for example, the more poorly they evaluated the strategy overall and confirmed their belief in the first-instinct fallacy.

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## A Pinch of Self-Doubt

As might be expected, the reticence to go against one's first instinct is not unique to test-taking. For instance, in follow-up research, we have observed a similar tendency among investors. The effect of self-doubt, in general, on a variety of behaviors has been widely studied. Social psychological literature explores the fact that personal uncertainty is not only psychologically uncomfortable and must be managed or resolved, but also leads to such maladaptive behavior as an inability to act.

Our research on the first-instinct fallacy seems to suggest that contrary to conventional wisdom, self-doubt may, in some circumstances, be worth listening to. If more test takers or stock choosers were willing to second-guess their first instincts, our research makes clear that the outcomes of their choices would likely be objectively better. The hypothesis that individuals prone to doubt themselves would be more willing to second-guess a first instinct is intuitively appealing, but whether chronic high self-doubters would be more likely to attain objectively better outcomes than low self-doubters remains an open question.

It is not our contention that one should always second-guess oneself or that first instincts are always wrong. In many cases, a first instinct is correct – such as when one simply knows the answer to a test question. Rather, we advocate the careful weighing of decisional alternatives, accompanied by a strategy of revising one's first instinct when one comes to doubt it in favor of a better alternative. This strategy is not one of generalized self-doubt, but of the willingness to consider that an option that one suspects may be correct on second, third, or fourth look is no less likely to be accurate just because it came *after* an initial decision. ■

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*This article is forthcoming in the book,* The Uncertain Self: A Handbook of Perspectives from Social and Personality Psychology.

# PEER TO PEER Student Life in Washington Square and Beyond

## Stern Junior Hears the Roar of the Chinese Dragon

Nicole Fencel (above: front row, right; on right: right) learned firsthand the role of Asia's emerging economies after spending her spring semester studying abroad in Shanghai.

Nicole Fencel (BS '10) had listened long enough to news of China's explosive expansion. She was more than ready to experience it herself. "Every day we hear in the classroom and the media about China's rapidly growing economy and the possibility it could overtake the US as the world's foremost economic power. I knew I would be remiss if I didn't seize the opportunity to explore Chinese culture firsthand and understand how its growth affects America," explained the Stern junior, who spent last spring studying abroad in Shanghai, China's largest city and most important financial center. A finance and international business major, Fencel is among the growing number of Stern students seeking Asian experience.

"As China and India become increasingly critical markets in the world economy, business students are expressing greater interest in being exposed to these countries as a way to understand the interplay of forces moving them forward," explained Carmen Johnson, head of international programs at Stern's Undergraduate College. The number of Stern students who studied at NYU's Shanghai campus last spring jumped to nearly fifty, compared with just three when the site launched in 2006. "Thirty-six percent of all Stern students who went abroad to an NYU campus in spring 2008 went to Shanghai, versus 11 percent in spring 2007," Johnson added.

In response, Stern is developing new programs in Asia as well as leveraging existing relationships. Recent initiatives include the Indian Leadership Exchange Program, launching in 2009, and a new IBEX (International Business Exchange) partner school in Beijing. Shanghai, where Fencel studied, is an integral site in NYU's network of global campuses and an increasingly popular option with Stern students. "I was able to concentrate on my business studies, but approach topics from a different angle," said Fencel. "My professors there honed in on the Chinese perspective to really deepen our understanding of the culture." This included weekly guest lecturers as well as visits to Chinese companies. Some students gained hands-on experience with internships.

Fencel also participated in NYU's social and cultural offerings in China. Her fondest memory is of a day spent racing dragon boats and barbequing with local university students. "Bonding with the students and hearing their perspective on America really changed my worldview and opened my eyes to the vast cultural differences between us," she said.

Since her return, Fencel has decided to minor in East Asian studies and hopes to one day work overseas, particularly in China. "Earning experience there and gaining knowledge of international business customs will definitely give me an edge with prospective employers, especially those abroad," she said. "My time in Shanghai was an unforgettable, once-in-a-lifetime experience that took me out of my comfort zone and has helped me understand the role of Asia's emerging economies in the global marketplace."

Samuel Baumel (right) was a student in a new course that partners with Tribeca Film Festival executives such as co-founder Craig Hatkoff (left).

## Undergraduates Advise Tribeca Film Festival Execs on the Digital Revolution

Lights… camera… digital convergence? That's the new "action" for Stern Undergraduate College students, 25 of whom were selected for enrollment in a new partnership course, Convergence and Cinema at the Tribeca Film Festival, that was launched last spring with the Tribeca Film Festival. From February through May, students studied the impact on filmmaking of such multimedia as mobile platforms and new distribution channels.

"We grew up with new media – Facebook, texting, watching videos on our phone," said Samuel Baumel (BS '09), a Stern senior and co-president of the Stern Tisch Entertainment Business Association. "This is our native language. For everyone older than us, it's a second language they need to learn."

Gaining access to native new-media linguists was of particular interest to Festival management. "While film festivals are known as the discovery zone for emerging new filmmakers, we are thrilled to be scouting for a different kind of talent: business students," said Craig Hatkoff, Festival co-founder. "We are eager to hear their advice and ideas on the changing media industry landscape and how those changes may affect our Festival."

In the course, students were divided into five groups, each one dedicated to a particular aspect of new media, including mobile platforms, the digital revolution, the cable industry, the independent film sector, and the Internet. As the course capstone, each team researched and presented recommendations to Festival management on how best to leverage the digital revolution.

"We're teaching students about the business side of filmmaking, how to repurpose content, generate new revenue streams, and reach new markets," said Al Lieberman, executive director of Stern's Entertainment, Media, and Technology program, who plays a dual role as the visionary behind the course and its professor.

Baumel and his team advised adding a social networking platform to enable film enthusiasts and filmmakers to engage with one another and personalize connections based on genre preferences. "A social networking function would allow Tribeca to really target its marketing efforts at the niches that drive tastes," said Baumel in a *New York Sun* feature story on the new course.

What's in store for the future? Reflected Baumel: "The digital landscape is still largely unregulated and unsaturated. It's like the Wild West, and there's a gold rush ahead."

## Stepping Off Campus to a Latin Beat

(Above) Executive MBA students played drums and danced with the Meninos do Morumbi Band (left) during their spring Global Study Tour to Argentina and Brazil.

This spring, first-year NYU Stern Executive MBA (EMBA) students stepped off campus and into South America to expand their global business acumen and cultural well-roundedness.

Students traveled to Argentina and Brazil as part of a Global Study Tour (GST) course taught by Anat Lechner, clinical associate professor of management and organizations. GST courses, reflecting the curriculum's global perspective on business, are required for each of the students' two years of EMBA study. The course culminates in a one-week trip abroad during which students participate in meetings with leaders of industry, financial institutions, and government organizations. Past GSTs have traveled to Chile, China, India, Russia, and Turkey, among others.

Over the course of the week, students visited BOVESPA, the São Paulo Stock Exchange – the only stock trading center in Brazil and Latin America's largest stock exchange – and discussed the exchange's transformation into an electronic marketplace. They also met with leaders from The Votorantim Group, one of the largest private industrial conglomerates from Latin America, and from Tenaris, a global tube supplier for the energy industry, to learn about the latest in biofuels. Additionally, students spoke with representatives of the Central Bank of Argentina about the socioeconomic issues facing South America.

After studying Brazil and Argentina's economic, political, and social characteristics in class, many of the students found visiting the countries and speaking with the movers and shakers an eye-opening experience. First-year EMBA student and stem-cell biologist Dr. Raj Chadalavada (MBA '09) explained: "We talk about inflation every day in America and how it's topping out at 5 percent, but then you go to Buenos Aires, where they're facing 25 percent inflation, and it really puts your life into perspective. The Argentine people do not seem to plan for anything happening more than two years out. They just do not trust the future of their economy or believe that they'll still have jobs."

Reflecting on the most striking cultural difference he noticed in South America, first-year EMBA student and entrepreneur David Fiore (MBA '09) pointed to the prevalence of poverty in São Paulo. "It was a sobering experience to see so much poverty on our way in from the airport. We saw so many people struggling," he said. "Even though São Paulo is one of the largest cities in the world with 20 million people living in the metropolitan area, the average American knows little about it."

A highlight – and a more uplifting moment – was meeting the Meninos do Morumbi Band, said both Chadalavada and Fiore. Meninos do Morumbi is an after-school program for nearly 5,000 children from poverty-stricken areas of São Paolo that introduces kids to music, dance, sports, and education as a way to keep them off the streets. "Part of getting a well-rounded experience abroad is learning, not just about business, but also about culture in these countries," noted Fiore. "We drummed and danced with the Meninos do Morumbi, and that taught us about Brazilian music and dancing." But more remarkable, Fiore said, was witnessing the impact that efforts such as this have on the lives of these children and on the outlook for São Paolo: "People like founder Flavio Pimenta give us all a reason to be optimistic about the future."

## A Win/Win for IMI Participants

Daniel Fisher (MBA '09) spent most of his career working with nonprofit microfinance organizations, helping clients solve their business problems. So it's no surprise that when he decided to transition to management consulting, his past experience was a boon.

But to better make that move, Fisher applied for the Industry Mentoring Initiative (IMI), available to all first-year, full-time MBA students. IMI is a highly selective, yearlong program that is geared towards career switchers, offering an in-depth look, including specific industry information and career advice, at one of five different career tracks. "My career with small nonprofits offered me many things, but insight into management consulting in a corporate environment was not one of them," Fisher said. "IMI provides me an opportunity to get past the recruiting sales pitch and hear balanced accounts of day-to-day work experiences in the field."

Each IMI track group, which are consulting, media and entertainment, investment banking, marketing, and sales and trading, is given access to corporate partners, usually Stern alumni, who work in the business sectors and serve as mentors for the students throughout the academic year. Robert Kasegrande (MBA '04), a manager in Deloitte's strategy and operations consulting practice, serves as a mentor to the consulting track students. "Deloitte professionals meet with students every few weeks and offer advice on how to best transition into a consulting career. We generally cover identifying transferable skills, advice on handling informational interviews, résumé and cover letter review, and, most important, mock case interviews," he explained. "Between coursework, extracurricular activities, and career planning, the first year at Stern can be overwhelming. Through Deloitte's partnership with Stern, we are assisting students in navigating the MBA program while helping them to prepare for a consulting career."

Through IMI and with the support of the Deloitte corporate partners, Fisher landed a summer internship at a top global management consulting firm. "Our mentors helped me see recruiting from a firm's perspective and identify skills and characteristics I needed to highlight to demonstrate my potential as a consultant," he said. "The opportunity to hone my interviewing skills with industry professionals not only provided valuable tips, but gave me an added measure of confidence heading into my internship interviews. IMI helped confirm that consulting was the right field for me and gave me the tools that helped me break into the field."

Both students and mentors have benefited from the IMI experience. "The IMI program strengthens Stern's reputation among top-tier business schools and can be a prime source of talent for the IMI-track industries," noted Kasegrande. "Students gain from having mentors available to assist them through first-year recruiting, and, as alumni, we benefit from growing our network of Stern graduates in the industry."

**If you are an alumnus/a interested in learning more about the Industry Mentor Initiative, contact the New York Initiatives office at initiatives@stern.nyu.edu**

# ALUMNI AFFAIRS

Alumni News & Events

## NEW YORK 2008: ALUMNI BUSINESS CONFERENCE

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**1.** Alumni enjoyed a special presentation by Andrew Zolli on "A Brilliant Future."

**2.** Professor Aswath Damodaran addressed valuation in uncertain markets.

**3.** Dean Thomas F. Cooley delivered a luncheon keynote presentation on "The Future of Stern."

**4.** Sally Blount-Lyon, Vice Dean and Dean of the Undergraduate College, offered her thoughts on the future of the Undergraduate College.

**5.** Panelists Bant Breen (left) and Professor Arun Sundararajan discussed social networking and marketing.

**6.** Allan Boomer (MBA '04) (center), Chair of the Alumni Council; Susan Jurevics (MBA '96), Chair of the EMT Committee and former Chair of the Alumni Council; and Emmanuel Fordjour (MBA '03) reconnected at the cocktail reception.

**7.** (From left to right) Jessica Reif Cohen (BS '77, MBA '79), Audrey McNiff (MBA '89), Mary C. Farrell (MBA '76), and Madelyn Antoncic (MPhil '81, PhD '83) spoke on the panel about investing in a volatile marketplace.

**8.** Joan Bloom (MBA '66) (second from left), Alumni Council member, caught up with fellow alumnae at the breakfast keynote presentation.

**9 & 10.** Alumni from around the world came together to reunite, network, and hear business forecasts on timely topics.

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## NYU Stern Hosts First New York-Based Alumni Business Conference

More than 300 alumni, students, faculty, and friends from around the world reunited in May for New York 2008: Alumni Business Conference, Stern's first campus-based conference. At the Conference, industry leaders and scholars provided business forecasts and discussed current market issues on financial risk, investing, entrepreneurship, marketing, digital media, and social networking (see pages 17-19).

We thank all of you who were able to attend. For webcasts of the panels, photo galleries, and other information from the Conference, visit www.stern.nyu.edu/alumni/newyork2008.

## Catching Up With… the NYU Stern Barcelona 2009 Host Committee

The Barcelona 2009 Global Alumni Conference Host Committee is delighted to welcome all alumni to Spain next June for Barcelona 2009: Global Alumni Conference. As Host Committee members, these alumni are serving as ambassadors for the School, actively engaging alumni in support of the Conference. In addition, the Host Committee is advising and assisting the administration on topics for the Conference program, helping to obtain high-level speakers, and strengthening the community between alumni and the School.

Juan Antonio Samaranch Salisachs, Jr. (MBA '86), Founding Partner and Managing Director of GBS Finanzas, S.A. and Regional Leader for the NYU Stern Alumni in Spain Regional Group, is working closely with the other members of the Host Committee in the planning of the Conference. Members of the Committee also include Claudio Boada Pallerés (NYU Stern Parent '09), Chairman, Circulo de Empresarios; Fabio Canè (MBA '90), Head of Investment Banking, Intesasanpaolo, Milan; José M. Concejo Diez (MBA '97) of Allianz, Madrid; and Maria Pierdicchi (MBA '88), Managing Director, Standard & Poor's, Milan.

Barcelona 2009: Global Alumni Conference, the School's biennial international symposium, was developed by the Alumni Council, in conjunction with the Office of Alumni Relations & Development, to offer exclusive educational, cultural, and social opportunities to the global alumni community. The Conference will feature industry leaders and scholars discussing a range of current and future market issues.

To learn more about the Global Alumni Conference Host Committee, regional programs, or other ways to get involved with the School, visit the website at www.stern.nyu.edu/alumni. For more information about Barcelona 2009: Global Alumni Conference, visit www.stern.nyu.edu/barcelona2009.

## The Classes of 1998 and 2003 Celebrate their Reunions

Thousands of NYU alumni gathered on Washington Square in May for NYU Alumni Day and the NYU Stern five- and 10-year reunion receptions to reconnect and network with former classmates over cocktails and hors d'oeuvres. The Reunion Committees celebrated the commitment of those alumni who fulfilled their Legacy pledges and the members of the class that contributed financially to Stern over the past five years. Overall, more than 2,000 alumni and friends traveled from around the country and the world to join in the annual two-day celebration, making this year's celebration the biggest yet.







1. The MBA Class of 2003 reunited over an evening that included cocktails and hors d'oeuvres.
2. Friends from the MBA Class of 1998 celebrated their reunion.
3. Alumnae from the Undergraduate Class of 2003 re-enacted Grad Alley.
4. Lise Bardin Berenger (MBA '98) (second from left), Reunion Committee member, traveled from Paris to reminisce with members of her class.
5. Gary Fraser (MBA '92) (left), Dean of Students and Associate Dean, MBA Student Affairs, reconnected with Peter Gallagher (MBA '03) and Poupak Sepehri (MBA '03).
6. Olivia Fu (BS '03) (right), Reunion Committee member, caught up with fellow alumna Sung-Shim Kim (BS '03).

## LinkedIn Provides Alumni with More Opportunities to Reconnect

There is a new way to stay connected to your Stern friends and to the School. We are now working in partnership with LinkedIn, an online professional networking site, to help you identify and leverage professional opportunities with members of the Stern alumni community. The NYU Stern Alumni LinkedIn Network, which currently has more than 1,700 alumni subscribed, allows you to network and post or view online job listings with other Stern alumni.

Along with SWAP, the Stern online alumni community, LinkedIn is a great way to stay connected to your fellow Stern graduates. To join, visit LinkedIn at www.linkedin.com and search for the NYU Stern group.

Note that the NYU Stern LinkedIn group operates independently of SWAP. The two systems do not transfer data or share information. To keep your contact information up-to-date with the School, activate your e-mail forwarding for life, access exclusive career resources, and learn about upcoming alumni events, please visit SWAP at **www.alumnionline.stern.nyu.edu**.

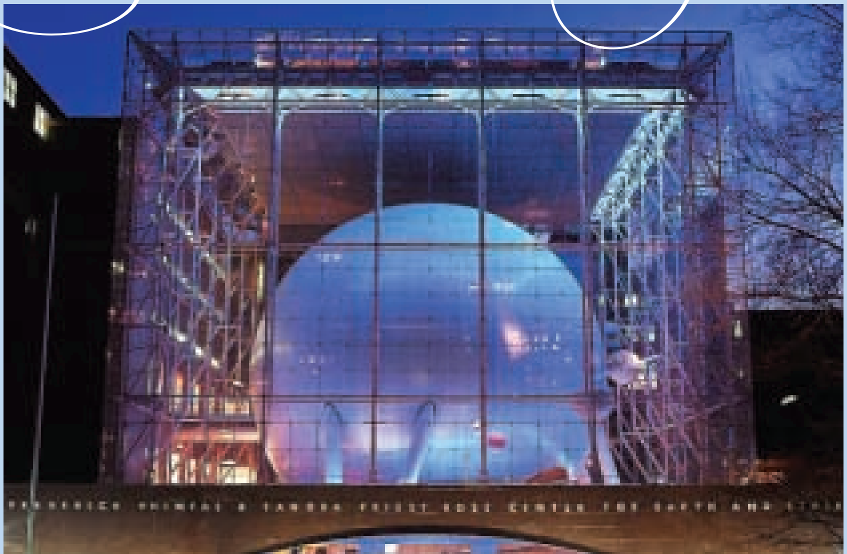
Take advantage of the opportunity to expand your network and enhance your career – join the NYU Stern Alumni LinkedIn Network today.

## Benefits for Alumni: Hotel Discounts

*NYU Stern offers special discounted hotel rates to our alumni at select hotels throughout the United States and Europe. The discounts are offered at a variety of hotels ranging from Club Quarters and the Holiday Inn Downtown, to the Soho Grand Hotel and the Tribeca Grand Hotel.*

*For information on how to take advantage of this benefit and to make reservations, please visit the University Development and Alumni Relations website at www.nyu.edu/alumni/benefits or call (212) 998-6912. Discounts change throughout the year, so check the website often for current offerings.*

# EIGHTH ANNUAL STERN Alumni Ball



## SATURDAY, DECEMBER 6, 2008

**8:00 PM - Midnight**

**Rose Center of Earth and Space at the American Museum of Natural History**
81st Street between Central Park West and Columbus Avenue

Join fellow NYU Stern alumni in celebration of the holiday season at one of New York City's most spectacular landmarks. Enjoy a private viewing of the Museum's Rose Center of Earth and Space, including the Big Bang Theater, Heilbrunn Cosmic Pathway, Gottesman Hall of Planet Earth, and the Cullman Hall of the Universe. Mix and mingle with both your former classmates and fellow graduates during a night filled with music, dancing, a buffet, and cocktails. In addition to the festive atmosphere, there will be quiet spots perfect for conversation with your friends new and old.

**General Ticket Price:**
Alumni from the classes of 2003 and prior (and their guests): $175 per person ($225 after November 3)
Recent alumni from the classes of 2004 - 2008 (and their guests): $125 per person ($175 after November 3)
At the door (alumni and guests): $300 per person

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

# class *notes*

## 1930s

**Stanley Strand (BS '38)**, of Florham Park, NJ, serves as a feature story writer in the *Florham Park Eagle*. Strand writes a column on seniors titled, "Strand on Seniors."

**Helen Steiglitz Weinstein (BS '38)**, of Wyncote, PA, received accolades in June 2008 by Governor Edward G. Rendell as a business teacher at Germantown High School in Philadelphia, PA. Weinstein continues to substitute teach at 90 years old.

## 1950s

**Morris Shulman (BS '50)**, of West Orange, NJ, was honored by the New Jersey Department of Military and Veterans with two Bronze Stars and the French Legion of Merit for his combat service in World War II.

## 1960s

**Kenneth G. Langone (MBA '60)**, of Sands Point, NY, was named to the Board of Directors at TI Automotive, a supplier of automotive fuel storage and delivery systems. Langone is Chairman and CEO of Invemed Associates, LLC, Vice Chairman of the NYU Stern Board of Overseers, and Vice Chairman of the NYU Board of Trustees.

**Eugene I. Zuriff (BS '60, LAW '63)**, of New York, NY, has joined PBS Real Estate, a New York-based commercial real estate firm specializing in representing high-end office and retail tenants, as its Vice Chairman.

**George J. Delaney (MBA '63)**, of Briarcliff, NY, was honored with the Distinguished Leadership Award from the Westchester Chapter of the American Diabetes Association. Delaney is the President of Summit Resources Inc., a consulting firm that works with CEOs to solve corporate problems.

**Robert F. Johnston (MBA '64)**, of Princeton, NJ, has been appointed Executive Chairman of the Pharmos Corporation's Board of Directors. Johnston, a venture capitalist, is President of Johnston Associates.

**Robert M. Donnelly (BS '65)**, of Hackensack, NJ, is currently Editor of a monthly online column called "The Entrepreneurial CEO" for *Chief Executive Magazine*.

**Stanley A. Glassman (BS '66)**, of Seattle, WA, has been appointed CEO of MetroPlus Health Plan, Inc., an operating entity of the New York City Health and Hospitals Corporation (HHC).

**Michael Berke (BS '67)**, of Woodbury, NY, has published his first novel, *Hot Cole*. Berke, now retired, spent 35 years in equipment financing and leasing.

**Max Leifer (BS '68)**, of New York, NY, opened CRAVE On 42ND, a bistro featuring Bravo's "Top Chef" finalist Dave Martin as Executive Chef. Leifer, a civil litigator, also owns Brandy Library in TriBeCa.

**Robert M. Beall (MBA '69)**, of Bradenton, FL, received the University of Florida Distinguished Alumnus Award. Beall is the Executive Chairman of Bealls Inc., the parent company of Bealls Department Stores, Inc., operating in Florida, and Bealls Outlet Stores, Inc., operating in Florida, Georgia, and Arizona. The company was founded by his grandfather in 1922.

**Steven Sonberg, Esq. (BS '69)**, of Boca Raton, FL, has been elected Managing Partner at Holland & Knight. Sonberg has been a partner at the firm for 15 years.

## 1970s

**Fred S. Zeidman (MBA '70)**, of Houston, TX, has been appointed Interim President of Nova Biosource Fuels, Inc. Zeidman is Managing Director of the law firm Greenberg Traurig and Chairman of the Board of Corporate Strategies Inc., a consulting firm. He is also the Chairman of the US Holocaust Memorial Council.

**Leonardo LoCascio (BS '71)**, received a Lifetime Achievement Award from the National Italian American Foundation (NIAF). He is the founder, CEO, and President of Winebow, Inc., a wine importing and distribution company operating in New York and New Jersey that deals in more than 3,000 wines from around the world.

**Thomas G. Cigarran (MBA '72)**, of Nashville, TN, is a member of the newly-formed Executive Board of Cressey & Company LP, a private investment firm that builds healthcare companies in partnership with executives. Cigarran is a founder of Healthways, a provider of comprehensive care enhancement and health support services, where he has been Chairman since 1988 and Director since 1981.

**Thomas F. O'Neill (BS '72)**, of Halesite, NY, has been appointed to the Board of Directors for The NASDAQ OMX Group, Inc. O'Neill is a founding partner of Sandler O'Neill & Partners L.P.

**Linda B. Strumpf (MBA '72)**, of Sands Point, NY, has been re-elected to the Board of Trustees of Pennsylvania State University. Strumpf is Vice President and Chief Investment Officer of the Ford Foundation, a nonprofit philanthropic organization.

**Geraldine A. Michalik (MBA '73)**, of New Canaan, CT, received the Loyalty to Alma Mater Award from St. Peter's College. She shares this award with other members of her family affiliated with the school. Currently, she is the COO and Director of Credit Research for Ryan Labs, a fixed-income portfolio management company.

**Robert N. Dangremond (MBA '75)**, of New York, NY, received the National Human Relations Award from the American Jewish Committee. Dangremond is Managing Director of AlixPartners LLP, a global business advisory firm.

**Steven J. Bensinger (BS '76)**, of New York, NY, has been appointed Vice Chairman of Financial Services of AIG, an international insurance organization. He has served as AIG's Executive Vice President and CFO since 2005, and has been with the company in a variety of roles since 2002. Bensinger has recently joined NYU Stern's Board of Overseers.

**Mary C. Farrell (MBA '76)**, of Madison, CT, has been elected to the Board of Directors of Yale New Haven Health System. Farrell has more than 35 years of experience as an investment analyst and strategist and is a consultant in the financial services industry.

**Peter Krause (MBA '76)**, of New York, NY, has been appointed Executive Vice President of Merrill Lynch; he will also continue to serve as a member of its management committee. Most recently, Krause was with Goldman Sachs, where he was Co-head of the Investment Management Division (IMD), Head of firmwide strategy, and a member of the management committee.

**Robert L. Steele (MBA '76)**, of New City, NY, has joined Rosen Seymour Shapss Martin & Company LLP, certified public accountants and profitability consultants, as a tax manager.

**Steven J. Heyer (MBA '77)**, of Altanta, GA, has been appointed to the Board of Directors of Omnicare, Inc., a provider of pharmaceutical care for the elderly. Heyer is the Co-chairman and CEO of Fathom Studios.

**Frederic Golchan (MBA '78)**, of Los Angeles, CA, produced "Chaos Theory," a film distributed by Warner Bros. Pictures.

**Richard Khaleel (MBA '78)**, of New York, NY, has been appointed as an independent board member to Jade Art Group Inc., a seller and distributor of raw jade sourced from China. From 2004 to 2007, he served as Executive Vice President and Chief Marketing Officer for The Bank of New York.

**Frank J. Skuthan (MBA '78)**, of Ridgewood, NJ, has been appointed COO at Hudson Valley Bank, where he has been since 2000.

**Arthur R. Williams (MBA '78)**, of Syosset, NY, has been appointed Chief Accounting Officer at Hamptons Luxury Homes, Inc. Prior to joining Hamptons Luxury Homes, Williams was co-founder of A&A Williams LLP, a certified public accounting practice on Shelter Island.

**Gerald L. Hassell (MBA '79)**, of Chappaqua, NY, has been elected to the Board of Directors at The National September 11 Memorial & Museum. Hassell is the President of Bank of New York Mellon.

**William J. Marshall (BS '79)**, of Stamford, CT, has been appointed President and CEO of Green Earth Technologies, Inc., a manufacturer and marketer of environmentally friendly consumer products. Marshall most recently served as Managing Partner of CRT Private Equity.

**Peter B. White (MBA '79)**, of Rye, NH, has been appointed CFO at Nascent Wine Co. Inc. Prior to joining Nascent, White served as Managing Director of Armillaire Advisors, a consulting practice he co-founded in June of 2005.

## 1980s

**Steve M. Cohen (MBA '80)**, of New York, NY, has been appointed Chief Marketing Officer at J.H. Cohn. He had been Senior Director of Marketing at RSM McGladrey.

**Richard J. D'Anna (MBA '80)**, of Freeland, MD, has been appointed Director of the Securities and Exchange Commission's newly created Office of Collections and Distributions. Prior to joining the SEC staff, D'Anna was Senior Vice President at First Bridgehouse Securities.

**Kenneth C. Johnson (MBA '80)**, of New York, NY, has been appointed to the Board of Directors for Jade Mountain Corporation. Johnson, a CPA, has served as Senior Vice President and CFO of Fairfax/MFX, an insurance and financial conglomerate.

**Neil D. Getter (MBA '81)**, of Huntington, NY, has been appointed Executive Vice President to the US aerospace practice of Willis Group Holdings Limited.

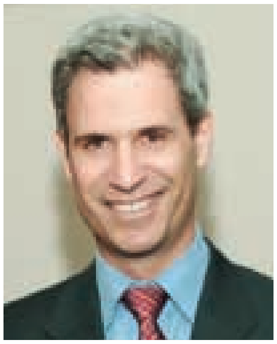
**Ronald J. Kramer (MBA '81)**, of New York, NY, has been appointed CEO at Griffon Corporation. Kramer previously served as President and Director of Wynn Resorts, Ltd.

**Badhia C. Soubra (MBA '81, PhD '85)**, has been appointed Senior Advisor for Transactions at MerchantBridge, an equities house investing in the Middle East. Previously, he was General Manager for product development at Qatari Islamic Bank Masraf Al Rayan.

**Raymond J. Quinlan (MBA '82)**, of Fairfield, CT, has been appointed to the Board of Directors of Doral Financial Corporation, a diversified financial services company. Quinlan is the founder and CEO of Citicorp Investment Services.

**Gretchen E. Shugart (MBA '82)**, of Pelham, NY, is CEO of

## Meeting Challenges



**Scott Berrie (MBA '99)**

A lifelong New Yorker, Scott Berrie still remembers the thrill of watching King Kong on the big screen at the Ziegfeld Theater on New Year's Eve of 1976. It's no surprise, then, that his latest venture is a film company, Impulse Creative Productions, which he founded in 2008 to produce thought-provoking independent films. "I want the audience to leave feeling challenged," he said. "I want them to be in a different place than when they began watching the movie."

Meeting challenges has been a theme throughout Berrie's career. Before founding Impulse, Berrie was already a successful entrepreneur. The spark for his first startup was lit in Stern's Executive MBA program, which he started while working his way up in his family's toy company, Russ Berrie. In one seminar, Professor Zenas Block asked each class member to come up with an idea for a company and then had the class vote for the best one. Most students, caught up in the 1990s' dot-com boom, proposed businesses centered on software and technology. When Berrie's turn came, he announced that he wanted to create a company with the mission of bringing up-close vision to everyone. When it came to the final show of hands at the end of class, he recalled with a laugh, "Not a single classmate voted for my idea!" Nevertheless, his idea spawned his first company.

Scojo New York LLC, which Berrie began with a business partner in 1999, designs and distributes fashionable and affordable reading glasses worldwide, including to such developing countries as Bangladesh and Ghana. The experience validated his vision that businesses can combine the interests of the public good and the private sector. He also discovered his own philosophy of business: as a founder, he wanted to create projects that motivated people, build sustainable businesses, and then move on. Scojo New York thrived under his leadership, and, in 2007, Berrie sold it and began his new film venture.

Berrie's motivations were socially-minded long before he entered the business world. Early in his career, he pursued his passion to bring peace to the Middle East, serving in the Israeli Defense Forces and earning a master's degree in Middle Eastern studies from Columbia University. His switch to business "took some convincing," he recalled, "of my family members and of myself." But ultimately, he found that business allowed him to be creative and practical at the same time, and to be committed to public service as well as the bottom line.

Outside of his business ventures, Berrie remains active philanthropically. He serves as vice president of the Russell Berrie Foundation, which invests in innovative ideas designed to promote Jewish life and to foster religious understanding and pluralism, among other causes. He also enjoys spending time with his wife and three children, and in his spare moments – that would be pre-dawn – he trains for triathlons. In July, he will compete as a member of the United States triathlon team at the World Maccabiah Games in Israel. For Berrie, life is all about finding the challenges that matter, and meeting them.

## Playing by the Rules

**Mark Lilling (BS '72)**

Mark Lilling is passionate about auditing. For more than 30 years, Lilling has worked to convey the importance of the role of auditors in the business world, believing that fair financial reporting, and public and investor confidence in it, is critical to any corporation's effectiveness.

Lilling began his career at a large accounting firm that eventually became Deloitte & Touche. Beyond the work itself, he learned there the importance of building relationships. "One of my mentors, a very successful businessman, told me the contacts I made in my twenties would turn into lifelong business relationships," he recalled. "They did."

In 1984, moved by an entrepreneurial spirit, he left to found his own company, Lilling & Company LLP, a public accounting firm specializing in auditing. In particular, his company performs peer reviews of certified public accounting firms. "I identified an opportunity," he said. "We didn't just do what everyone else did." In short order, his firm was performing the most peer reviews of CPA firms per year in New York State, as it has every year since it began.

One of the biggest career challenges for Lilling has been to figure out how to promote his small, local firm of professionals in the face of larger competition. He credits his experience at NYU Stern and at larger companies with teaching him how to communicate his firm's abilities. He has also helped promote dialogue in the financial community about the importance of audit quality by collaborating with Stern Clinical Professor of Accounting Seymour Jones and by endowing an annual forum on accounting at Stern's Ross Institute. Most recently, Lilling's book, *Advantage Audit*, was academically peer-reviewed by Professor Jones.

"I'm a big fan of Stern," he said. "There I had teachers who taught me how to think." He found that Stern was different from other business schools in that it gave him a theoretical education that extended far beyond vocational training in accounting. His experience at the School of Commerce – as Stern was then known – made a big impact on the way he approached business. "I agree with Dean Cooley that the role of a business school is to teach the next group of business professionals to think and evolve as leaders," he said.

Lilling enjoys the small firm environment, which has given him the freedom to explore his interests, take on new projects, and spend time with his family. For much of the year now, he works four days a week so that he can spend time at his vacation house and enjoy hobbies such as music and exercise with his wife of 34 years. They met at NYU, where she was studying at the School of Education. For all that he has accomplished in his career, Lilling said, "Meeting my wife was the highlight of my NYU experience."

TheaterMania.com after serving as an advisor to the company through her position as President of eMediaCapital LLC, an investment bank advisory firm specializing in the media and Internet industries.

**Fazel Fazelbhoy (BS '83)**, of Dubai, United Arab Emirates, has been appointed CEO of Dubai-based Topaz, one of the UAE's largest oil and gas service companies. Since 2002, Fazelbhoy had been heading the group's ship repair business, NICO International.

**George A. Gulla (BS '83)**, of New York, NY, has been appointed Vice President of Publications at The American National Standards Institute (ANSI). Gulla was previously with Standard & Poor's.

**Max P. Trescott (MBA '83)**, of Mountain View, CA, was named the 2008 National Certificated Flight Instructor of the Year by the General Aviation Awards Program. Trescott is known for his *Max Trescott's G1000 Glass Cockpit Handbook* and is a Master Certified Flight Instructor and Master Ground Instructor.

**Scott L. Kauffman (MBA '84)**, of Palo Alto, CA, has been appointed to the Board of Directors of Ubiquisys Ltd., a developer of mobile broadband devices. In 2006, Kauffman was named President and COO of BlueLithium, a performance marketing company.

**Maureen Tart-Bezer (MBA '84)**, of North Caldwell, NJ, has been elected to the Board of Foster Wheeler Ltd., a global company that offers, through its subsidiaries, a broad range of engineering, procurement, construction, manufacturing, project development, management, research, and plant operation services. Tart-Bezer most recently served as Executive Vice President and CFO of Virgin Mobile USA.

**Bruce T. Miller (MBA '85)**, of Plandome, NY, has joined Digital Risk, LLC, a New York-based risk mitigation solutions firm. Miller will lead Digital Risk's structured finance consultancy.

**Alexander P. Moon (MBA '85)**, of New York, NY, joined Pillsbury Winthrop Shaw Pittman as Partner. He was previously Partner at Duane Morris.

**Christianna Wood (MBA '85)**, of Sacramento, CA, joined Capital Z Asset Management as CEO. Previously, Wood served as Senior Investment Officer at CalPERS.

**Donald Correll (MBA '86)**, of Franklin Lakes, NJ, has been elected to the Board of Directors of New Jersey Resources (NJR), a company that provides retail and wholesale energy services primarily in New Jersey. Correll is President and CEO at American Water, the largest water services provider in North America.

**John T. Gaffney (MBA '86)**, of West Orange, NJ, has joined First Solar in Phoenix, AZ, as Executive Vice President and General Counsel. Gaffney was previously Partner at Cravath, Swaine & Moore LLP.

**Robert L. Hershey (MBA '86)**, of Bronxville, NY, has been appointed Vice President and SAP Consulting Pratice Leader for EDS Americas and Asia Pacific. Prior to joining EDS, Hershey was Senior Vice President and Global Enterprise Solutions Practice Leader at BearingPoint.

**Marti Murray (MBA '86)**, of New York, NY, has announced that her investment advising firm, Murray Capital Management, Inc. (MCM), has been acquired by Babson Capital Management LLC. Prior to forming MCM in 1995, Murray spent five years at Furman Selz Inc., a research, brokerage, and investment banking firm that is now part of Xerox Financial Services Inc.

**Joseph D. Stecher (MBA '86)**, of New York, NY, has been appointed Managing Director and Chief Investment Officer at Morgan Stanley Investment Management. Prior to joining Morgan Stanley, Stecher managed a global program of real estate funds at Goldman Sachs.

**Michael J. Christenson (MBA '87)**, of Summit, NJ, has been named President of Computer Associates. He will continue to serve as the company's COO.

**Robert Greifeld (MBA '87)**, of Westfield, NJ, has been appointed to the Board of Directors of Dubai International Financial Exchange Ltd. Greifeld is currently CEO of NASDAQ OMX Group.

**David A. Handler (BS '87, MBA '90)**, of New York, NY, has joined Centerview Partners as Partner. Centerview Partners is a financial advisory firm that operates an investment banking advisory practice and a private equity business. Handler is former Managing Director at UBS.

**Martin Katz (MBA '87)**, of Scarsdale, NY, has been named an independent director of Global Capacity, a telecommunications logistics company. Since 1985, Katz has served as the CFO of four public companies. He has also served as a consultant and assisted early stage companies in the initial public offering process.

**Michael R. Albert (MBA '88)**, of White Plains, NY, has published a new book, *An Artist's America*, featuring his cereal box mosaics. The founder of Sir Real organic fruit juices, Albert's art weaves pop icons into eye-grabbing works bursting with tiny, brightly colored pieces, an artistic style he has dubbed "cerealism."

**Edward C. Eppler (MBA '88)**, of New Canaan, CT, has joined the investment banking firm Moelis & Company as Managing Director. Eppler was previously Head of the Aerospace and Defense Finance Group at CIBC World Markets.

**Robert Graham (MBA '88)**, of South Orange, NJ, has been appointed Executive Director of the Virgin Islands Housing Authority (VIHA) by the US Department of Housing & Urban Development (HUD). In 2006, he consulted for the HUD recovery team on housing management. Graham is currently serving as Principal of APM Property Management, Development, and Consulting Services.

**Khaled T. Haram (MBA '88)**, of Rochester, MI, has been promoted to Senior Vice President and CFO at Handleman Company. Haram was previously Senior Vice President and Chief Information Officer at Handleman.

**James Holzer (MBA '88)**, of Rye, NY, has joined Brown Brothers Harriman as Head of Software and Technology-enabled Services. Holzer was previously Managing Director at Berkery Noyes.

**David A. Pizzo (MBA '88)**, of Ponte Vedra Beach, FL, has been appointed Market President of the West Florida region with Blue Cross and Blue Shield of Florida (BCBSF). Most recently, Pizzo was BCBSF's Vice President for Advertising, Brand Management, and Market Communications.

**Mark D. Alexander (MBA '89)**, of Upper Saddle River, NJ, has joined the Depository Trust & Clearing Corporation's Board of Directors. Alexander is Managing Director and Head of Global Operations for Merrill Lynch.

**Kathleen A. Corbet (MBA '89)**, of New Canaan, CT, has been appointed to the Board of Directors at Massachusetts Mutual Life Insurance Company. Corbet is the former President of Standard & Poor's.

**James L. Dunleavy (MBA '89)**, of Chatham, NJ, has joined ORIX Finance as Director of its media finance practice. ORIX Finance is a provider of structured finance credit products and select equity co-investments. Previously, Dunleavy worked at Merrill Lynch Capital, where he formed the media finance team.

**Jeffrey M. Fischer (MBA '89)**, of Mamaroneck, NY, has been named Director of the MBA Career Management Center at the University of North Carolina at Chapel Hill's Kenan-Flagler Business School. He was most recently co-founder and Managing Partner of a registered investment advisory firm specializing in hedge funds.

**Michael S. Geltzeiler (MBA '89)**, of Ridgefield, CT, has been appointed CFO and group Executive Vice President of NYSE Euronext, a family of global stock exchanges that includes the New York Stock Exchange, Euronext, Liffe, and NYSE Arca Options.

**Lars E. Holmquist (MBA '89)**, of Alpharetta, GA, has been appointed Chief Marketing Officer at Vesdia Corporation, a provider of marketing services. He was formerly President of TSYS Loyalty, a marketing firm.

**Scott J. Levy (MBA '89)**, of Short Hills, NJ, founded Corporate Edge, Inc., a major national distributor of promotional products, in 1990. Corporate Edge has grown to more than 140 employees and was acquired in 2007 by InnerWorkings, Inc., a leading provider of managed print solutions for corporate clients.

**Sanford R. Rich (MBA '89)**, of Darien, CT, has been elected to the Board of Directors at BenefitStreet, Inc. Rich is Principal and Senior Vice President for GEM Capital Management.

**John S. Santaguida (MBA '89)**, of Bridgewater, NJ, has been appointed CEO at investment management firm McMorgan & Company. Prior to becoming CEO, Sataguida was Managing Director and Head of McMorgan's client services, sales, and marketing teams.

**Nels Wangensteen (MBA '89)**, of Armonk, NY, has joined Integre Advisors, an asset management firm, as Principal and Portfolio Manager. Wangensteen was previously Managing Director and Portfolio Manager at Neuberger Berman.

## No Small Feat: Managing Risk, a Career, and Family Life


Yasmine Anavi (MBA '83)

Over the last few years, as the finance industry has come under intense scrutiny, and risk management in particular, Yasmine Anavi has risen to the challenge as Managing Director and Chief Administrative Officer for Citi Risk Management. She has more than 20 years of extensive experience in risk management across a broad array of consumer and commercial credit products, markets, channels, and customer risk profiles.

"Anytime you face a difficult challenge in business, you should see it as an opportunity to make an impact," she explained. "Managing through difficult times is a great chance to demonstrate your leadership ability and to make a significant contribution to your firm." She credits weathering the storms of her decades-long career in finance for her success in business.

Anavi has held numerous positions of successive responsibility in her 10 years at Citi, including Chief Risk Officer of the company's Global Consumer operations, where she led a risk management organization of more than 2,200 professionals in 50 countries. Prior to joining Citi, Anavi was a senior vice president and group credit executive at Chase, where she was responsible for risk management for the company's national consumer loan portfolio. She began her career at one of Chase's predecessor companies, Chemical Bank.

"I always knew I wanted to go into banking," Anavi recalled. "And the analytical, logical, quantitative nature of risk management appealed to me." Her ascent has been bolstered by a strong work ethic, resiliency, and an ability to tough it out regardless of how daunting the situation might seem. Anavi faced another challenge as a woman starting out in the finance industry in the early 1980s. "As a woman in business, your commitment to your career is always questioned, and even today I feel the pressure to continually prove myself," she said. Because of this pressure, Anavi said she "over-corrected," working twice as hard to prove her dedication and devotion to her chosen career – a habit that won't quit.

Yet, despite her demanding career, Anavi also makes time for her two "fabulous" sons and a husband with whom she routinely works on weekend projects that have included renovating a loft and building their dream home.

"Taking a concept of how one wants to live, translating that to lines on a sheet of paper, seeing it materialize, and then actually living in that space has been so rewarding," Anavi explained. Beaming with pride as she talks about her family, she has, it is clear, managed to find that much sought-after balance between work and family.

## 1990s

**Scott C. Butera (MBA '90)**, of Las Vegas, NV, has been appointed President of Tropicana Entertainment. Butera has been COO of the Cosmopolitan Resort and Casino in Las Vegas since January 2007.

**Rajiv Dalal (MBA '90)**, of Princeton, NJ, has joined Datamatics, a global information technology solution and services company, as Senior Vice President of Global Sales and Chief Marketing Officer. Most recently, Dalal was Senior Vice President and Head of Global Sales at Kale Consultants Ltd.

**John F. Furth (MBA '90)**, of New York, NY, has been appointed Managing Vice President of Business Strategies Services at Hitachi Consulting. Prior to joining Hitachi Consulting, Furth built and managed the US business for Roland Berger Strategy Consultants.

**Clyde R. Hosein (MBA '90)**, of Morgan Hill, CA, has been appointed CFO with Marvell Technology Group Ltd., a company that provides storage, communications, and consumer silicon solutions.

**Nuruz Z. Rahman (BS '90)**, of Westbury, NY, has been promoted from Senior Manager to Partner at Margolin Winer & Evens. MWE is one of the largest accounting and business advisory firms in the Northeast.

**Gregory D. Simon (MBA '90)**, of Stamford, CT, has been appointed Senior Vice President of the Strategies and Solutions Group at Van Wagner Sports and Entertainment. Prior to joining Van Wagner Sports and Entertainment, Simon led new business efforts for the consulting divisions at sports marketing firms IMG and Octagon.

**Alan R. Streiter (MBA '90)**, of Westport, CT, has been named Managing Director and will head the new convertible securities unit at Morgan Joseph & Co., Inc., an investment banking firm. Streiter was formerly Senior Managing Director and Head of Investment Banking at McMahan Securities Co. L.P.

**Richard Vogel (MBA '90)**, of Stamford, CT, has been appointed to the Board of Directors at Loeb Enterprises. Vogel is a founding partner of Loeb Enterprises and has served as the company's COO since its inception in 2005.

**Steven A. Weil (MBA '90)**, of Los Angeles, CA, has been named as the Executive Vice President of the Orthodox Union, an educational, outreach, and social service organization that serves as an umbrella organization for Orthodox Jewish congregations in the US. Weil is the Rabbi of the Beth Jacob Congregation in Beverly Hills, CA, the largest Orthodox synagogue in the US outside the New York area.

**Joe S. Eberhardt (MBA '91)**, of West Bloomfield, MI, has been appointed Chief Marketing Officer at the LexisNexis Group. Eberhardt was previously Executive Vice President of Global Sales, Marketing, and Service at DaimlerChrysler.

**Eric M. Leeds (MBA '91)**, of New York, NY, has been appointed Senior Vice President and Head of Global Investor Relations at Mylan Inc. Leeds most recently served as Senior Vice President and Head of Investor Relations of Primedia, Inc.

**David Naggar (MBA '91)**, of New York, NY, has joined iAmplify.com as President. Naggar was previously President of Random House Audio, Diversified, Information, and Travel Publishing Groups.

**Elizabeth R. Thornton (MBA '91)**, of Newark, DE, has been appointed Chief Diversity Officer at Babson College. Thornton was also appointed to the Massachusetts Workforce Investment Board by Governor Deval Patrick. She is founder and CEO of the training and consulting firm, Entrepreneurship Advantage, Inc.

**Gerald S. Cantini (MBA '92)**, of New York, NY, has been appointed to the position of CFO for Best Practice Insurance Services, LLC, a provider of underwriting, medical risk management, claims management oversight, and distribution services.

**Yau D. Chiang (BS '92)**, of Brooklyn, NY, has been elected to the Board of Fuda Faucet Works, a Chinese company that manufactures and distributes European-style brass faucets, spouts, and fittings to international markets. Chiang will also serve on the audit and compensation committees. He is currently Managing Director in the investment banking division of Northeast Securities, Inc.

**Hillary N. Latos (BS '92)**, of New York, NY, has signed a letter of intent with Real American Brands, Inc. to design a line of women's purses and bags.

**Gregg T. Michaelson (MBA '92)**, of Skillman, NJ, has been promoted to Executive Vice President, Customer Marketing, at Rodale, a company that produces media properties, trade books, subscription online properties, and integrated marketing solutions relating to health, fitness, and wellness.

**Patrick Philbin (MBA '92)**, of Naples, FL, has been appointed Executive Vice President and COO of Royal Palm Bank in Naples. Philbin previously held the same position at Community Bank of Naples.

**Mark E. Ross (MBA '92)**, of Beaver, PA, has been appointed Chief Information Officer at Sun Life Financial. Ross will oversee the company's IT functions in Asia.

**Jonathon E. Gold (BS '93, MBA '95)**, of New York, NY, has been promoted to Portfolio Manager with Federated Investors, Inc., an investment management company. Gold joined Federated Kaufmann in 2004 as a senior investment analyst.

**Bruce W. King (MBA '93)**, of Novato, CA, has been appointed CFO at SolarCraft. King was most recently the CFO and COO at the Coaches Training Institute.

**Wisdom Lu (MBA '93)**, of Los Angeles, CA, has been appointed CFO at Liberman Broadcasting, Inc. Most recently, Lu served as Treasurer and Chief Investment Officer at Health Net, Inc.

**Matthew J. Maslow (MBA '93)**, of Bedford, NY, joined Victoire Finance Capital, LLC as President. Prior to joining Victoire Capital, Maslow worked for eight years at Goldman Sachs.

**Maureen Morrin (MPhil '93, PhD '94)**, of Bala Cynwyd, PA, is a recipient of the 2008 Rutgers University-Camden Provost's Award for Teaching Excellence. Morrin is Associate Professor of Marketing at the Rutgers School of Business-Camden and recently completed a multi-year NASD Foundation grant that supported her research on how women select 401(k) funds.

**Philip Shawe (MBA '93)**, of Beverly Hills, CA, was named to *Crain's* "40 Under 40" list. Shawe is the co-founder of TransPerfect, a language services company he started in his NYU dorm room with fellow Stern alumna **Elizabeth Elting (MBA '92)**.

**Bryan C. Spielman (MBA '93)**, of New York, NY, has joined Centerview Partners as Partner. Previously, Spielman was Managing Director in UBS' Global Technology Group and was primarily responsible for covering the communications technology sector.

**Seth S. Appel (MBA '94)**, of Armonk, NY, has been appointed Director at investment banking firm Morgan Joseph & Co. Appel was previously Director with McMahan Securities Co.

**Frank W. Baier (MBA '94)**, of Summit, NJ, has been appointed CFO and Chief Administrative Officer of the Securities Industry and Financial Markets Association.

**Michael G. Parham (MBA '94)**, of Irvine, CA, has been promoted to Managing Director at RSM EquiCo Capital Markets LLC, a global investment bank. Previously, Parham was SVP and led RSM's energy team.

**Eric P. Richter (MBA '94)**, of Littleton, CO, has been appointed Portfolio Manager with Luminent Mortgage Capital, Inc. Previously, Richter was Vice President and Portfolio Manager for HarbourView Asset Management & Oppenheimer Funds Inc.

**Katherine A. Binns (MBA '95)**, of New York, NY, has been named Senior Vice President of Client Service for Knowledge Networks, a consumer information company that works with clients in business, government, and academia to facilitate consumer-brand connections, marketing and advertising, public policies, and social science research.

**Jorge L. Figueredo (MBA '95)**, of Mahwah, NJ, has joined McKesson Corporation as Executive Vice President of Human Resources. Figueredo most recently served as Senior Vice President of Human Resources at Dow Jones, Inc.

**Richard S. Foemmel (MBA '95)**, of Nashua, NH, has been named a trustee of Rivier College. He is a director of DecImmune Therapeutics Inc., a Boston-based early-stage drug discovery company, where he previously served as President and CEO. Before joining DecImmune, he founded CytoLogix Corporation, a medical products company.

**Dorothy Price Hill (MBA '95),** of Manhasset, NY, is the Director of Investor Relations and Business Development at SV Investment Partners LLC, a private equity investment firm that specializes in buyouts and buildups of business services companies.

**Thomas L. Monahan, III (MBA '95)**, of Chevy Chase, MD, has been appointed to the Board of Directors at Convergys Corporation. Monahan is Chairman and CEO of the Corporate Executive Board.

**Daniel A. Parisi (MBA '95)**, of San Francisco, CA, has been named one of the "10 Top Young Trainers" in the US for 2008 by *Training* magazine. Parisi is Executive Vice President for BTS, a company that produces business simulations and other discovery-based learning solutions for corporate clients. He is also Partner and Managing Director of BTS' San Francisco office.

**Sandip Gupta (MBA '96)**, of Fremont, CA, has been named President at NetMagic Solutions, an India-based managed IT service provider. Previously, Gupta was President and CEO of Ensim Corporation, a provider of management software.

**Colleen M. King-Rinaldi (BS '96)**, of Lake Worth, FL, owns and operates the Sabal Palm House Bread and Breakfast Inn, which has recently been awarded Four Diamonds from AAA.

**Praveen Kumar (MBA '96)**, has been appointed to Chief Information Officer at Babson Capital Management LLC. Previously, he was Director of Enterprise Systems at Wellington Management in Boston and Head of the US Technology Application Development Group at JPMorgan Private Bank in New York.

**James M. Marsh (MBA ’96)**, of New Canaan, CT, has been hired as Senior Research Analyst for Piper Jaffray. Most recently, Marsh was a co-portfolio manager with Hanover Square Capital Management. He has also worked for SG Cowen, Robertson Stephens, Prudential Securities, and UBS.

**Glenn M. Saldanha (MBA ’96)**, of Mumbai, India, is the CEO of Glenmark Pharmaceuticals, a drug research and development company loacted in Mumbai. Glenmark is ranked in the top four of Indian companies conducting drug innovation research.

**Xinyue J. Geffner (MBA ’97)**, of Great Neck, NY, has been appointed CFO at China Architectural Engineering, Inc. Geffner previously headed the China desk at HSBC.

**Steven G. Raich (MBA ’97)**, of Stamford, CT, has been appointed Managing Director of Littlejohn & Co., a private investment firm that applies an operational approach to building middle-market companies. Raich has been an employee of Littlejohn & Co. since 2000.

**Dave D. Whitmore (MBA ’97)**, of Lincroft, NJ, has been hired by Genesis Securities LLC, a trading technology developer, to be President of SogoTrade, a retail brokerage division. Whitmore most recently worked for TD Ameritrade.

**Wendy E. Burke (MBA ’98)**, of Houston, TX, has been selected from among 273 nominees as a winner in *Building Design & Construction* magazine’s third annual “40 under 40” competition. Burke is Vice President of Client Development at Linbeck, a national professional services company headquartered in Houston.

**Benjamin L. Daitch (MBA ’98)**, of Dallas, TX, has been appointed Senior Vice President and CFO of Cano Petroleum Inc., an independent Texas-based energy producer.

**Elena B. Gretch (BS ’98)**, of New York, NY, has launched her own pet training company, It’s a Dog’s Life, which was recently featured in *AM NY*’s Business section. Previously, she spent eight years at the New York Stock Exchange trading derivatives.

**David M. Hinsley (MBA ’98)**, of London, England, has been appointed as the Co-head of Latin American Capital Markets and Institutional Sales for Deutsche Bank, where he will assume responsibility for derivatives and structured products marketing for Latin American corporations and institutions. Hinsley has been with Deutsche Bank since 1999.

**Adrienne Johnson-Guider (MBA ’98)**, of New York, NY, has been promoted to Senior Vice President and Head of the Strategic Initiatives Group at AXA Equitable Life Insurance Co. Prior to her promotion, Johnson-Guider served as Vice President and Chief of Staff in the office of the CEO.

**William A. King (MBA ’98)**, of Old Greenwich, CT, has joined Citadel Investment Group, L.L.C., a global financial institution focused on alternative investment strategies and services, as Senior Managing Director and Head of Securitized Products. King previously served as Global Co-head of Securitized Products at JPMorgan.

**Matthew S. Miksic (MBA ’98)**, of New York, NY, has been hired as Senior Research Analyst by Piper Jaffray. Previously, Miksic was Senior Research Analyst at Morgan Stanley.

**Glen M. Petraglia (MBA ’98)**, of New York, NY, has been appointed Senior Vice President of Standard Life Investments, a global investment management company. Petraglia was previously a US equity analyst at Citigroup Investment Research.

**Duncan Still (MBA ’98)**, of New York, NY, has been appointed Chief Commerical Officer of Rail Europe. Still joined Rail Europe in 1997 as Vice President of Human Resources, Legal Affairs, and Administration, and, in 2003, was appointed CFO.

**Superna Kalle (MBA ’99)**, of Manhattan Beach, CA, has been promoted to Senior Vice President at Sony Pictures Television International’s (SPTI) Networks Group. Prior to her promotion, Kalle was SPTI’s Vice President of International Networks.

**Josephine Lee (MBA ’99)**, of Mamaroneck, NY, has published her first book titled, *New York City’s Chinese Community*.

**Karim Rozwadowski (BS ’99)**, of Great Neck, NY, has been promoted to Senior Analyst with the N.I.R. Group, LLC, an investment fund management company. He is the co-author of “Buyout Competition: The Emergence of Hedge Funds in a World of Private Equity,” published in the *Journal of Private Equity*.

**Lee Solomon (MBA ’99)**, of Hartsdale, NY, has been named COO of The Weinstein Company, a multi-media company. Solomon previously served as Principal at Grosvenor Park, a provider of equity, debt, and tax-based financing in the motion picture industry.

## 2000s

**Christopher Claps (MBA ’00)**, of Shrewsbury, NJ, has been named Vice President of Quantitative Analysis at Contemporary Healthcare Capital, a leading provider of senior mortgage, mezzanine debt, and equity to health-care service companies.

**Anthony A. Dertouzos (MBA ’00)**, of Oakland, NJ, has joined the New York office of Private Banking USA. Previously, Dertouzos was Managing Director of the relationship management team with Citigroup Global Wealth Management.

**Jessica A. Dowd (BS ’00)**, of Garden City, NY, and her husband welcomed their first child, Brendan Patrick Wilde, in October of 2007.

**Vivek C. Kamath (MBA ’00)**, of Edison, NJ, has been promoted to Director at Berkery Noyes, an investment bank providing mergers and acquisitions services to the global information, media, and technology industries.

**Laura P. Kiernan (MBA ’00)**, of Larchmont, NY, has been appointed to Director, Investor Relations, of Terex Corporation, a diversified global manufacturer of construction, mining, and road-building equipment. Previously, Kiernan was the Vice President of Investor Relations at Playtex Products, Inc.

**Louisa Hall Quarto (MBA ’00)**, of Upper Saddle River, NJ, has been appointed Senior Vice President of American Realty Capital Advisors. Quarto was most recently Executive Director and Chief Management Officer of Carey Financial, LLC.

**Peter Connolly (MBA ’01)**, of Boston, MA, has been promoted to Principal of Summit Partners, a private equity and venture capital firm. Connolly joined Summit Partners in 2004 and previously held the position of Vice President.

**Steven P. Huang (MBA ’01)**, of Port Washington, NY, has joined the Board of Directors of italki.com, a social networking website for language learning. Huang is Vice President at Shipston Group Limited, an international private equity firm.

**John C. Mitchell (MBA ’01)**, of Bedford, MA, has authored the article “Is VOC Killing Innovation?” that was published in the January/February 2008 issue of *iSixSigma* magazine. Mitchell is currently Principal of Applied Marketing Science.

**Eric S. Nonacs (MBA ’01)**, of Vancouver, British Columbia, Canada, is the Managing Director of Global Affairs at Endeavour Financial, Ltd. He is also a senior advisor to the William J. Clinton Foundation. From June 2002 until August 2007, he was the Foreign Policy Advisor to President Bill Clinton and the Clinton Foundation.

**Matthew R. Cook (MBA ’03)**, of Philadelphia, PA, has been elected to Principal at The Chartis Group, a health-care advisory services firm. Cook joined The Chartis Group in 2004 as Senior Accountant.

**Peter A. Lyons (MBA ’03)**, of New York, NY, has been promoted from Principal to Managing Director at Leeds Equity Partners. Lyons joined Leeds Equity in 1999 as CFO and as an investment professional.

**Einar O. Olafsson (MBA ’03)**, of Reykavik, Iceland, has been appointed to the Executive Management Board of Glitner Bank. Olafsson holds the position of Executive Vice President of Investment Banking Iceland.

**Itay Barzilay (MBA ’04)**, of Givataim, Israel, has been appointed CFO of MIND CTI Ltd., a provider of billing and customer care solutions for voice, data, video, and content services. Previously, he held financial management positions at Avaya, a telecommunications company, and also served as a consultant for the corporate finance group at Ernst & Young in Tel Aviv, Israel.

**Howard Stevenson (MBA ’04)**, of Greenwood Village, CO, has been appointed to the Board of Directors of Eaglecrest Explorations Ltd., a gold exploration company.

**Victor T. Cohen (MBA ’05)**, of New York, NY, has joined Vestar Capital Partners, an international private equity firm, as Principal.

**Sara L. Pesek (BS ’05)**, of Hyderabad, India, has been hired to open New Energy Finance’s office in Hyderabad. NEF is a provider of research and analysis in clean enery, biofuels, and carbon markets.

**David Wertheimer (MBA ’05)**, of New York, NY, has been appointed to Director of Strategy at Alexander Interactive, an e-commerce strategy, design, and development agency. Previously, Wertheimer served as Director of Internet Marketing for Clarins Groupe USA.

**Brian D. Finkelstein (MBA ’06)**, of New York, NY, has been promoted to Senior Associate at Fifth Street Management, an investment adviser to Fifth Street Finance Corp.

**Katherine E. Burton (MBA ’07)**, of New York, NY, has joined Big Arrow Group as Account Supervisor. Big Arrow Group is a New York-based full-service strategic consulting and communications firm.

**Mark McLaren (MBA ’07)**, of New York, NY, has joined Mediamark Research & Intelligence as Senior Research Associate, New Ventures. Previously, McLaren served as Music Director/Conductor for Broadway and touring musicals including CATS, The Phantom of the Opera, and Titanic,

## Read All About It: Stern Alumna Conquers Indian Media Market

**Smiti Kanodia (BS ’01)**

It happened at 30,000 feet up. Aboard a plane several years ago, an idea crystallized for Smiti Kanodia, one that had been just an inkling during her graduate studies at the London College of Printing: starting a media firm in her homeland of India, with *Time Out*, one of her favorite magazines, as the flagship publication. On her return to Mumbai following graduation, Smiti made it happen. She founded Paprika Media in 2004, the first foray into the publishing industry for her family’s business, the Essar Group, one of India’s largest corporations, with interests spanning the manufacturing and service sectors.

“Having being born and raised in Mumbai, I knew the potential of the city,” explained Smiti, Paprika Media’s Chairperson. “The crisp, colorful, and informative medium of providing honest entertainment news was what Mumbai needed.”

Prior to entering publishing, Smiti worked as a mergers and acquisitions analyst in the telecommunications sector at Lehman Brothers in New York, a dream job for most finance majors. But for Smiti, something was missing. She believed she needed “the right mix of creativity and finance,” which, after having interned at a start-up magazine in SoHo, she felt she could find in publishing.

Entering what she described as an unorganized industry in India, with problems in distribution, a lack of international English language-focused publications, and questionable integrity in reportage across some publications, Smiti had her work cut out. She has made great progress in four years and credits her success to surrounding herself with smart, experienced colleagues and her own perseverance. “When you commit to a product or an enterprise, go all the way with it,” Smiti said. “Believe in it and back it 200 percent. Along the way, you will encounter hurdles, but stay focused and absorb each of these as vital points on your learning curve.”

When asked what her biggest challenge has been as a young entrepreneur, she answered honestly: “Myself. But, I am aware that if I have confidence in my work and delivery, then I will be taken seriously.” To other young entrepreneurs, Smiti advised, “Believe in yourself and enjoy every moment of the journey.”

Paprika Media, through its dynamic team of 120 people, puts out both consumer and custom-published magazines. The flagships of a partnership with the UK-based Time Out Group, *Time Out Mumbai* and *Time Out Delhi* have become integral parts of the arts, entertainment, and lifestyle-related reading in Mumbai, Delhi, and Bengalaru.

and, most recently, was Assistant Conductor for the Broadway production of Chitty Chitty Bang Bang.

**Nicolas Peyret (MBA '07)**, of Senas, France, has been appointed to Technology Analyst at ITI Life Sciences in Dundee, Scotland. Prior to ITI Life Sciences, Peyret worked at Applied Biosystems in the US as a senior scientist and project manager.

**Manoj Chouthai (MBA '08)**, of Jersey City, NJ, was named "CIO of the Year" by the New Jersey Technology Council for his work as Chief Information Officer of Public Service Enterprise Group, a publicly-traded energy and energy services company based in New Jersey. Chouthai also serves on the Board of the Mental Health Association of Essex County.

**Randi Kirtman (MBA '08)**, of New York, NY, was recently married to Loren Forrest, Jr. Kirtman works for American Express as a manager in the finance group.

**Alejandro Sinisterra (MBA '08)**, of New York, NY, was recently promoted to Corporate Audit Manager, Americas, Unilever. Previously, he served as Associate Manager, Brand Finance, for the company.

**Marc Stephens (MBA '08)**, of Bergenfield, NJ, joined Bayer HealthCare as Assistant Brand Manager. He previously served as Media Supervisor at MPG (Media Planning Group).

To access the contact information of your fellow alumni and to update your own, log on to SWAP, Stern's online alumni community, at www.stern.nyu.edu/alumni.

## In Memoriam

**Archie Avidon (BS '27)**
**Philip Z. Feldman (BS '34)**
**Julian E. Hirschfeld (BS '36)**
**Heath Wakelee (MBA '42)**
**Adrian K. Compa (BS '46)**
**Donald J. Greene (BS '47)**
**Charles Sciara (BS '48)**
**Edward P. Harvey (MBA '50)**
**Jacob N. Yecies (BS '51)**
**Jerome H. Teitelbaum (BS '52)**
**Lawrence J. Banks (BS '55)**
**Louis M. Spadaro (PhD '55)**
**Francoise A. Clarens (MBA '57)**
**Henry E. Christofferson (MBA '58)**
**William Korchak (MBA '62)**
**Seymour Barcun (MBA '69, PhD '77)**
**Brian L. Silvert (BS '99)**
**Robert Hawkins (Professor)**
**Michael Keenan (Professor)**
**David Liebeskind (Professor)**

NEWS

## 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 may 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 Relations & Development
NYU Stern School of Business
44 West Fourth Street, Suite 10-160
New York, NY 10012-1126
Fax: 212-995-4515

# CONCOURSE PROJECT

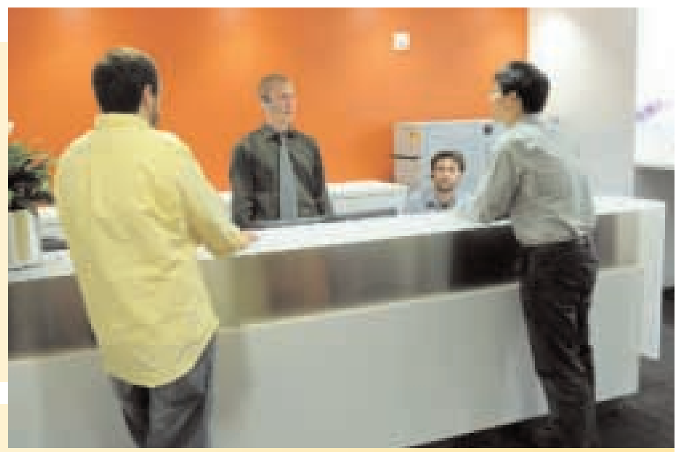
## AN UPDATE ON OUR PROGRESS


The generous support of our alumni, corporate partners, and friends moves us closer to our goal.

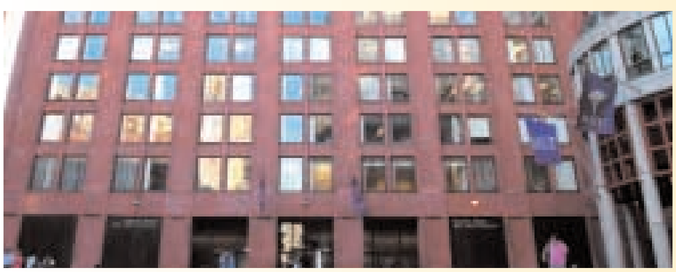
The Concourse Project, Stern's most significant physical renovation since the consolidation of the undergraduate and graduate programs at Washington Square 20 years ago, is well underway. Check out our progress below and in future issues, as well as on our website, **www.stern.nyu.edu/concourse**.

## OPEN FOR BUSINESS

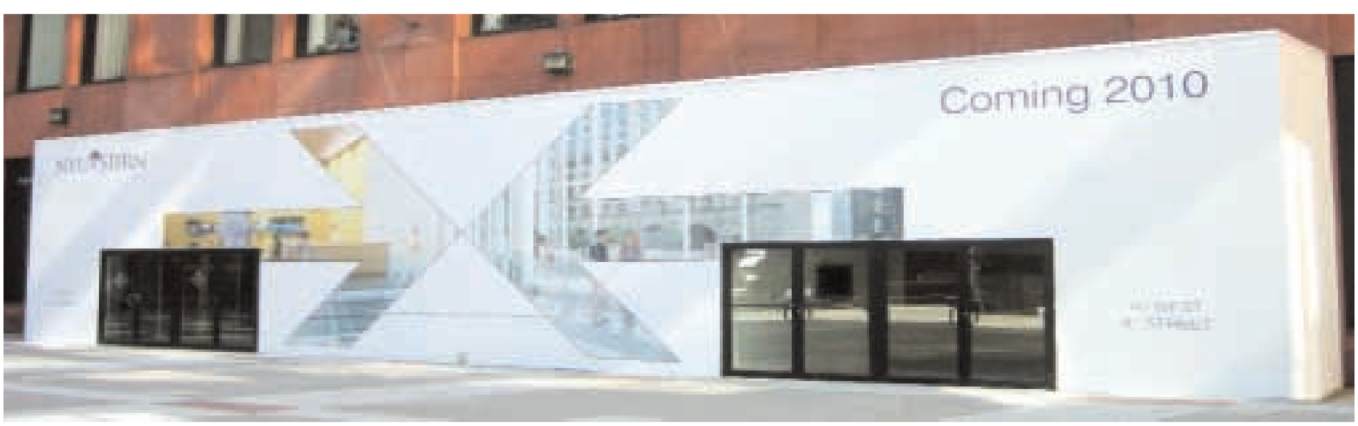
By reclaiming previously unusable space in Shimkin Hall, we relocated and renovated our IT Command Center (right), reserving its former home for a student lounge. This Center provides critical technical innovation and support to our more than 200 faculty and 5,000-plus students year-round.

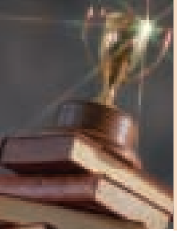


## WORK IN PROGRESS



With construction in Tisch Hall in full swing, a temporary and protective façade gives visitors a "sneak preview" of Tisch's forthcoming light-filled lobby (below). Demolition of Tisch's Lower Concourse started this past May to renovate classrooms and lounge space, as well as create the Ernst & Young Learning Center, which will open in Spring 2009.





# The World Belongs to Optimists

By **Marilyn Harris**

Mr. Chips had nothing on Dr. Robert Kavesh (BS '49). You know the type: The much-beloved poetry-quoting teacher who inspires his students through nearly five decades of economic and political turmoil, and who, as a student himself – and here the similarities end – argued economics and baseball, hummed Mozart, and ogled girls in post-war Washington Square Park with his NYU schoolmate (and, later, thesis advisee) Alan Greenspan (BS '48, MA '50, PhD '77, Hon.'05).

Mr. Chips, of course, was just the fictional protagonist of a cherished 1934 novel. Dr. Bob is the real deal. He taught more than 15,000 students over his career, and their tributes, piling up on NYU Stern's special website (www.stern.nyu.edu/kavesh), prove it: "spellbinding," "inspiring," "mentor," "intellect," "warmth," "perspective," "ingenious," "supportive." For a professor with a passion for his subject, his profession, and the fullness of life, it doesn't get much better than that.

Marcus Nadler Professor of Finance and Economics Emeritus, Kavesh has long been a leader at the School. His scholarship on inflation and deflation, interest rates, and the stock market continues to be influential, and he is widely known for his work as a forecaster and analyst of economic and financial developments. He has served on numerous boards, has testified before Congress on economic issues, and has served on the Economic Advisory Board of the US Department of Commerce.

Equally, if not more, important are the relationships and careers he fostered during his own long career. Some 200 Kavesh fans attended a reception in May to honor Dr. Bob Kavesh that was hosted by two former chairmen of the Federal Reserve Bank, Greenspan and Paul A. Volcker (Hon. '83), and Wall Street sage Henry Kaufman (BA '48, PhD '58). They reminisced about their long associations with Kavesh, as students, friends, and comrades in the field of economics. Volcker, a self-described pessimist, praised the sunnier outlook affirmed in one of Dr. Bob's poems, "The World Belongs to Optimists" (above right).


**The World Belongs to Optimists**

By Dr. Robert Kavesh

"The world belongs to optimists."<br>
That's all you have to say.<br>
Just keep your eyes on those blue skies<br>
And you will find the way...

To climb the mountain of success-<br>
Now here's the magic key:<br>
That while you earn, you have to learn<br>
To help humanity.

(Above) Bob Kavesh speaks at an event in May celebrating the establishment of a professorship in his name at NYU Stern.

(Right) Kavesh is honored by co-hosts (from left to right) Henry Kaufman, Paul A. Volcker, and Alan Greenspan with NYU Stern Dean Thomas F. Cooley.

With such a devoted following, it's no surprise that under Kavesh's early leadership and continued contribution, Stern's economics department has become one of the top programs in the country. In recognition, the School is establishing the Robert Kavesh Professorship in Economics to support the next generation of leadership in the department. The prestigious Robert Kavesh Professorship will attract the next generation of top scholars who possess the energy and vision to build upon his distinguished legacy.

Gifts to the Kavesh Professorship will be placed in a fund invested by the University, designed to exist in perpetuity. Income from the fund will support a top faculty member in his or her research and teaching. Special distinction is attached to such academic posts, which are supported by their own funds. Kavesh Professors will lead the School's economics department to even greater excellence. In a competitive market, endowed professorships are crucial to enabling Stern to attract this sort of visionary scholar, who possesses the kind of qualities that have made Dr. Bob a legend.

As one of his former students, Alan Levenson (MBA '84, PhD '87), chief economist at T. Rowe Price, wrote in appreciation: "Great teachers mold students as subject experts and as participants in larger human endeavors; I am privileged to be able to count Dr. Kavesh among my teachers." ■

MARILYN HARRIS *is editor of* STERN*business.*

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