FALL/WINTER 2005

the Alumni Magazine of NYU Stern

STERNbusiness

HIGH RISE

Sonny Bazbaz (MBA '04) enjoys the views at real estate giant Fisher Brothers

Jack Welch Headlines Stellar CEO Lineup ■ Stern Entrepreneurs Make Business Plans Pay ■ Is Your 401(k) OK? ■ Why Soap Costs $1.99
Digital Rights and Wrongs ■ Hollywood's Boffo Foreign Box Office

a letter from the dean

Welcome to the new and improved *STERNbusiness*. For many years, the magazine has functioned as a highly effective – and visually appealing – showcase for the prodigious and varied research of our faculty. With this issue, the magazine has been redesigned and re-imagined. Its vision, scope, and circulation have all been expanded.

Why change a good thing?

NYU Stern may be a group of buildings in Greenwich Village. But it's really a growing virtual and real community, comprising tens of thousands of students, faculty, staff, and alumni. Stern alumni constitute a growing and remarkably accomplished and diverse group of 70,000 people. Many of you continue to live and work in and around New York. But I've also enjoyed meeting with Stern alumni in Los Angeles, London, and Tokyo.

From these interactions, I've learned that there's a strong sense of community surrounding Stern. There's also clearly a strong desire among alumni to maintain and reestablish connections, to continue to learn. We thought that a revamped *STERNbusiness* – one that combines news about and for alumni, along with content about what's going on at Stern today – could help further strengthen the sense of community.

With the expanded news section and the addition of features on alumni, a good deal has changed about *STERNbusiness*. But some important things have not. Research remains at the center of the magazine, just as research remains at the core of our academic mission here at NYU Stern. Our professors are well-versed in the theoretical tools of their disciplines. Yet they routinely apply them, with great imagination, to real-world problems. And so the research articles in this issue offer insights into questions that companies and entrepreneurs face every day. Are companies offering their employees the best investment options for their 401(k) plans? Which Hollywood movies perform best in foreign markets? What's the best way for content companies to manage digital rights? Why does a six-pack of cola priced at $3.99 strike consumers as being a lot cheaper than a $4.00 six-pack?

As you read through the magazine, it will be clear that Stern regards New York City as not just its home, but as a classroom and laboratory. Because of our location, our students and faculty have the rare ability to see and experience things first-hand, to learn directly from practitioners at the highest levels in crucial fields. In an "only in New York" story (p. 10), Sonny Bazbaz (MBA '04), within two years of arriving in the city, became a teaching assistant and then a colleague to Richard Fisher of the real estate firm Fisher Brothers. The Public Offerings section details the many events that Stern hosts, including a gathering of prominent economists to honor Nobel laureate Paul Samuelson, and a corporate governance conference that drew both Citigroup CEO Charles Prince and Treasury Secretary John Snow.

Finally, I think the magazine conveys Stern's sense of dynamism – beyond the astonishing range of activities taking place, beyond the energy bursting from former General Electric CEO Jack Welch (p. 16), and beyond the impressive accomplishments of our students and alumni. At its root, education is about equipping people and organizations to compete in the future, tackling complex problems, and offering insight and solutions. It's an interactive, continually evolving, and challenging enterprise.

And so is this magazine. We'll continue to rely on our faculty and editors for much of the content, but we'll also be relying on you, our readers. Our Class Notes section affords ample space in which alumni can share thoughts, accomplishments, and milestones. And our editors are eager to entertain article ideas. As *STERNbusiness* re-launches, grows, and evolves, we invite you not only to read, but to connect, to respond, and to contribute.

Thomas F. Cooley
Dean

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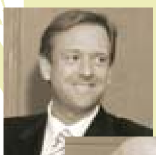

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New York University

President, New York University
John E. Sexton

Dean, Stern School of Business
Thomas F. Cooley

Deputy Dean, Stern School of Business
Russell S. Winer

Chairman, Board of Overseers
William R. Berkley

Chairman Emeritus, Board of Overseers
Henry Kaufman

Associate Dean, Marketing and External Relations
Joanne Hvala

Editor, STERN*business*
Daniel Gross

Managing Editor, STERN*business*
Stephanie Sampiere

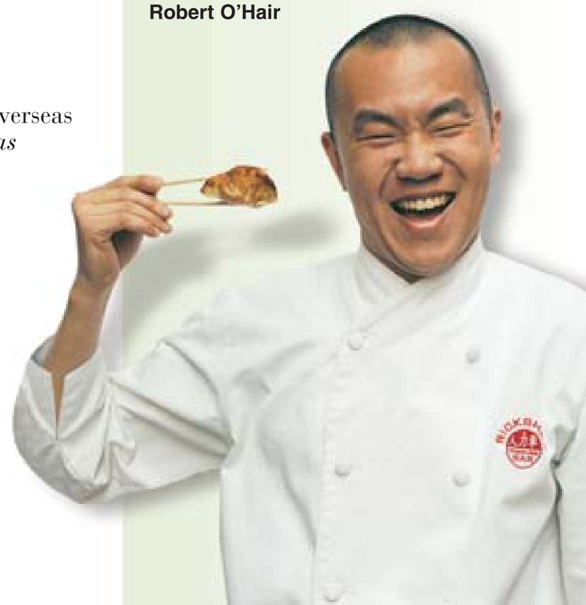
Assistant Managing Editor, STERN*business*
Jenny Owen

Contributing Writers
Angela Parks Antonelli, Rika Nazem, Jessica Neville, Susan C. Walsh, Lisette Zarnowski

Design
Esposite Graphics

Letters to the Editor may be sent to:
NYU Stern School of Business
Office of Public Affairs
44 West Fourth Street, Suite 10-160
New York, NY 10012
www.stern.nyu.edu
sternbiz@stern.nyu.edu

Illustrations by:
Juliette Borda, Steve Dininno, Steven Salerno, Doug Panton, Bryan Leister, Michael Caswell, Robert O'Hair



Public Offerings

From left to right: William Allen chairs the Directors Fiduciary Duty of Care panel; US Treasury Secretary John Snow joins NYU Trustees Ken Langone and Martin Lipton; Charles Prince delivers the luncheon keynote address.

DIRECTIONS FOR DIRECTORS

An NYU Stern event in early June attended by more than 80 experts and practitioners in the fields of law, business, and regulation brought new meaning to the term "high-level discussion." The Third Annual Directors' Institute, hosted by the NYU Center for Law & Business, featured both the US Treasury Secretary and the chief executive officer of the nation's largest bank.

The Center, a joint initiative between NYU Stern School of Business and NYU School of Law, created the Directors' Institute to help directors stay current on their legal, fiduciary, and ethical responsibilities.

In a keynote dinner address opening the event, Treasury Secretary John Snow underscored the need for balance in enforcing the Sarbanes-Oxley Act. "The American corporation has been and continues to be an extraordinary engine for economic development, innovation, and change. Sarbanes-Oxley was a much needed and timely tool for keeping that engine on track and running properly," he said. "We need to make sure it is not inadvertently applied in a way that cripples that engine."

The Directors' Institute included four sessions on such topics as the relationship between the board and the CEO; the governance role of the general counsel; the audit committee and the board's oversight of risk management; and the director's fiduciary duty of care, the Securities and Exchange Commission, and judicial expectations. It also featured expert panelists from Stern and NYU School of Law, the Securities and Exchange Commission, and the Delaware Supreme Court, as well as directors, chairmen, and CEOs of companies such as American Express, Ernst & Young, The Estee Lauder Companies Inc., McKinsey & Co., and TIAA-CREF.

Citigroup CEO Charles Prince, who delivered the lunch keynote address, spoke about Citigroup's efforts to establish a better balance between short-term and long-term thinking. Prince said rules are not enough to ensure that employees comply with the law. He explained that for Citigroup, compliance and controls serve as safety nets only, whereas common principles and values should set the tone and behavior for the organization's nearly 300,000 employees. The company has begun to emphasize a principles-based approach to governance, creating a common vision around shared responsibilities. In addition to establishing a Five Point Plan that systematically embeds these values into its culture, Citigroup has developed initiatives such as employee stock ownership and business practices committees that encourage employees to think for the long-term.

In his welcoming remarks, William R. Berkley (BS '66), chairman and CEO of W.R. Berkley Corporation, vice chairman of the NYU Board of Trustees, and chairman of the NYU Stern Board of Overseers, introduced a theme that would recur throughout the event. Berkley cautioned boards not to react to the aggressive enforcement environment by becoming risk averse. Martin Lipton, senior partner at Wachtell, Lipton, Rosen & Katz and chairman of NYU Board of Trustees, led a panel discussion at which members discussed whether the role of the CEO and chairman should be divided. Most panelists recommended that individual boards should be trusted to decide for themselves.

William Allen, director of the NYU Center for Law & Business and Nusbaum Professor of Law and Business, shared his thoughts on the Directors' Institute: "As an educational institution, we have a responsibility to debate and shape, in partnership with the business community, the thinking that will further inform corporate governance reforms and help restore investor confidence in the corporation."

NOBEL GATHERING

Economists often get criticized for equivocating. Fed up with advisers who constantly offered on-the-one-hand, on-the-other-hand arguments, President Harry S. Truman famously proclaimed that he wished for a one-armed economist.

But when a group of distinguished economists gathered at NYU Stern on April 8 to honor Nobel Laureate Paul A. Samuelson, their conclusions were emphatic and unanimous. The noted economic theorist, professor, and author, currently in his 19th and final year as Shinsei Bank Visiting Professor at NYU Stern's Japan-US Center, had significantly influenced their work – and their profession.

To honor Samuelson, NYU Stern's Japan-US Center, which is celebrating its 20th anniversary this year, assembled a panel of distinguished economists from leading universities. All members of the group, which included two Nobel Prize winners, had studied with Samuelson at the Massachusetts Institute of Technology.

Joseph Stiglitz, a Nobel laureate and professor of economics and finance at Columbia University, said that Samuelson had taught him the value of simple models, and that he "helped clarify thinking, constructing models to provide better distinctions on previous work."

Paul Krugman, professor of economics and international affairs at Princeton University and an op-ed columnist for *The New York Times*, discussed how Samuelson's open mindedness helped him realize that things we may find uncomfortable may be true. Jeremy Siegel, Russell E. Palmer Professor of Finance at the Wharton School of Business, noted that Samuelson, who turned 90 last spring, also has a deep respect for the knowledge of people who came before him.

The commentary reflected on a common theme. Samuelson is a great mathematician and economic theorist who is grounded in the real world, and who has the capacity to regard his own positions critically as the world around him changes.

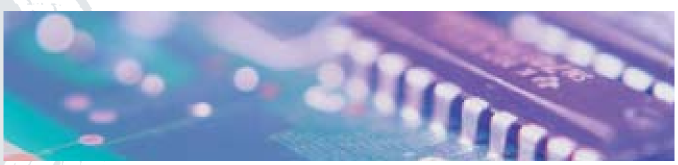
Robert Shiller, Stanley B. Resor Professor of Economics at Yale University, related Samuelson's policies of yesterday to one of today's hottest topics – Social Security – saying that President George W. Bush's Social Security reform plan was inspired in some ways by Samuelson – although he wishes it had gone further.

But not all the day's discussion revolved around economic research and public policy. Ryuzo Sato, C.V. Starr Professor of Economics and director of the Center for Japan-US Business and Economics at NYU Stern, who translated Samuelson's *Foundations of Economic Analysis* textbook into Japanese, described how Samuelson boarded the wrong train in Tokyo – without tickets, passport, or other belongings. Although the incident left Sato in a "cold sweat," he and Samuelson were happily reunited a few hours later with the assistance of several helpful train conductors.

In sharing tips on winning a Nobel Prize, Robert Merton, a Nobel laureate and John and Natty McArthur University Professor at Harvard Business School, joked, "It's simple. To win a Nobel Prize, you go to MIT, you go into Paul's office, and you listen."

Alan Blinder, Gordon S. Rentschler Memorial Professor of Economics at Princeton, aptly concluded the conversation by noting, "There will probably never again be another economist with as much influence on our discipline as Paul Samuelson."

Professor Rama Ramachandran (left), head of the Japan Center, welcomes panelists honoring Paul Samuelson. From left to right: Ryuzo Sato, Stephen Figlewski, NYU Stern professor of finance; Paul Krugman; Richard Sylla, Henry Kaufman Professor of the History of Financial Institutions and Markets at NYU Stern; and Robert Merton.



CONFERENCE CALLS

The Networks, Electronic Commerce, and Telecommunications (NET) Institute, a non-profit devoted to research on network industries, in conjunction with the NYU Center for Law & Business, hosted its annual conference at NYU Stern on April 1.

Nicholas Economides, professor of economics at Stern and executive director of the NET Institute, chaired the conference, which showcased cutting-edge global research in a variety of network industries – electronic commerce, telecommunications, the Internet, and "virtual networks."

Professors at institutions including Stern, Carnegie Mellon, George Washington University, London School of Economics, University of Chicago, University of Pennsylvania, and the University of Tokyo, presented research on topics such as electromagnetic spectrum auctions to be used for wireless telecommunications, shareware and adware pricing, competition among airlines, video game platforms, and ATM networks.

These areas represent fertile ground for research. "In contrast with non-network industries, in network industries, there are very significant inequalities in market shares and prices but not full monopoly – it is a winner-takes-most world, not a winner-takes-all," said Professor Economides. "In network industries, competition is more 'for the market' rather than 'in the market.' "

Stern Professors John Asker, Adam Brandenburger, and Paris Cleanthous and PhD student Christian Dezso made short presentations as discussants in the day's events, and Stern Professors Economides and Arun Sundararajan chaired the telecommunications and computer network sessions, respectively.

The NYU Center for Law & Business, a research center of the Stern School of Business and the NYU School of Law, aims to enhance educational and research opportunities of students, faculty, and practitioners interested in areas where law, finance, and economics intersect.

Raymond Beier speaks about corporate governance; Abby Joseph Cohen addresses the audience; panel participants; Seymour Jones greets Abby Joseph Cohen.

CURRENT ACCOUNTING EVENT

The Sarbanes-Oxley Act, which Congress passed in 2002 in response to a cascade of corporate accounting scandals and bankruptcies, was the most far-reaching corporate governance legislation enacted in more than 50 years. Its provisions include requirements that chief executive officers sign off on corporate earnings and that a majority of the board of directors be independent.

One of the most important components of the act is Section 404, which requires companies to develop a system of internal controls and then to issue annual reports attesting to the effectiveness of those controls. One year after the implementation of Section 404, NYU Stern's Vincent C. Ross Institute of Accounting Research convened leaders from academia and from the investment, legal, and accounting industries to discuss the impact of Section 404 – its costs, benefits, and impact on public companies, corporate governance, and consumer confidence. NYU Stern Accounting Professor Seymour Jones moderated the panel discussion.

NYU Stern Accounting Professor Eli Bartov noted that establishing and maintaining adequate internal control structures and procedures for financial reporting is an enormously costly enterprise. But he wondered: "Will Section

NETWORK NEWS

At many academic meetings, networking is one of the key activities. But at a workshop for doctoral students held by NYU Stern's Center for Digital Economy Research (CeDER) on June 15 through 17, networking and the role of networks was the dominant topic of discussion and debate.

The workshop was attended by more than 40 PhD candidates from a range of universities who are interested in the economics of information technology (IT). Consisting of tutorials and informal discussions led by prominent economics and IT scholars, the workshop was designed to improve the students' research skills and to better connect them with the community of IT economics scholars. The sessions, which included topics such as bounded rationality, IT and organizations, and complex networks, featured experts from Stern, INSEAD, Stanford University, and University of California, Berkeley.

In her opening remarks, Lee Sproull, Stern's vice dean of faculty and professor of information systems and management, encouraged students to view the forum as an opportunity to strengthen the worldwide community of IT economics scholars.

Vasant Dhar, co-director for CeDER and professor of information systems at Stern, said the forum was unique because it brought together students who would not otherwise realize that they belong to the same research community. "IT economics has generated interest among people in economics, information technology, marketing, and sociology," said Dhar.

In a tutorial on complex networks, workshop co-organizer Arun Sundararajan, assistant professor of information systems at Stern, explained how models of complex networks like those used to study the route of transmission of infectious diseases and the structure of social networks can be applied to IT economics research in a number of ways. Workshop co-organizer and Stern Professor of Economics and Information Systems Roy Radner discussed the continuing importance of understanding bounded rationality when studying IT economics. Stern Economics Department Chairman Luis Cabral shared his research on the importance of reputation and trust between buyers and sellers in online markets and on mechanisms to study reputation in IT economics. He argued that eBay would not be as successful if its users did not have a system by which they could establish trust among sellers and buyers.

University of California at Berkeley Professor Joseph Farrell's session explored the models of standards formation and unbundling and leverage. A former chief economist of the FCC, Farrell explained the three models of standards formation: bandwagon, authority, and consensus. A preceding panel on networks featured a lively debate between Farrell and Nicholas Economides, professor of economics at Stern, on the success of the Telecommunications Act of 1996.

Timothy Bresnahan, chair of Stanford University's economics department, and a former chief economist of the US Department of Justice Antitrust Division, discussed the relationship of IT to growth and business cycles. In detailing the '90s boom and bubble, Bresnahan noted that IT led the growth, but wasn't accepted as quickly as initially anticipated. Erik Brynjolfsson, the Schussel Professor at MIT and one of *BusinessWeek*'s EBiz 25 Visionaries, described the organizational changes essential for successful corporate IT investments, and drew a parallel between the current IT revolution and the adoption of electricity.

Current Accounting Event continued

404 prevent or even reduce deceptive behavior by top management or financial statement fraud?"

Lynn Turner, former chief accountant at the Securities and Exchange Commission, acknowledged that the initial costs of complying with 404 are steep. But he suggested they will fall over time. What's more, they're a drop in the bucket when compared to the costs of financial accounting fraud.

Alan Annex, a partner at the New York law firm Greenberg Traurig, LLP, highlighted another benefit. Companies, who would rather be "more safe than sorry," are reporting any and all accounting deficiencies – even if they are not considered material weaknesses.

Douglas Carmichael, chief auditor of the Public Company Accounting Oversight Board, discussed the history behind Section 404. He emphasized that while it was established to reduce the probability of fraud, it can not entirely eliminate risk.

Mark Lilling, CPA, of Auditing Committee Consulting Team LLC, outlined Section 404's requirements. And Raymond Beier, a partner at PricewaterhouseCoopers, and Thomas Knudsen, a partner at Ernst & Young, described the effect of Section 404 on corporate governance. There has been greater involvement of audit committees and boards with respect to financial reporting and insuring that the numbers companies report are accurate. Marti Subrahmanyam, professor of finance and economics at NYU Stern, and a member of several corporate boards, noted that he had already seen the positive impact Section 404 has had on corporate governance.

Abby Joseph Cohen, chief US portfolio strategist at Goldman, Sachs & Co., noted that Section 404 has helped restore consumer confidence. Most Goldman Sachs clients, she noted, said they saw immediate benefits to 404 – either because they discovered problems they were able to fix before they became larger problems, or because 404 provided a spur to redesign their accounting systems.

In a sign that management of all types of companies are taking Sarbanes-Oxley to heart, panelist James Feely, director and chief financial officer at TDI Transistor Services, discussed why TDI, a private company, was considering complying with Sarbanes-Oxley now – in case management decided to go public in the future.

FASHION FORWARD ALUMNUS

New York City is the capital of many things, among them, luxury retailing. As a result, NYU Stern graduates frequently don't have to travel far from campus to make their careers in this rapidly expanding field. Jorge Figueredo (MBA '95) has come a long way since graduating from NYU Stern, yet as president of Liz Claiborne International, he works in midtown, just a few miles from Washington Square.

This spring, NYU Stern's new Luxury and Retail Club welcomed Figueredo back to campus. At an event attended by MBA students, alumni, and professors, Figueredo offered a broad overview of Liz Claiborne and its 40 brands, which include Juicy Couture, Kenneth Cole, and DKNY Jeans, and described the company's global expansion – particularly in China.

A 1982 graduate of Fairfield University, Figueredo joined Liz Claiborne in 1984. After rising through a series of human resources posts, he was named president of the international division in 1999.

During a question and answer session, Figueredo talked about the importance of marketing in the retail industry. As part of an effort to cross-sell brands, the company each week reviews its top revenue-generating products for synergies. He also cited specific examples of top brands and their markets. The company's Mexx store in Moscow, Russia, is one of its most profitable stores, for example.

"Mr. Figueredo is a wonderful example of how MBA graduates can lead in retail," said Jennifer Hong, vice president of marketing for the Luxury and Retail Club. "By combining his strengths in finance, strategy, and marketing with his passion for this exciting industry, he has helped to propel Liz Claiborne into a $4 billion business."

Jorge Figueredo joins members of Stern's Luxury and Retail Club: (from left) Thomas Jonchere (MBA '04 and Liz Claiborne analyst), Yi-Hsian Huang, Ron Klein, Figueredo, Sonali Palkhiwala, and Jennifer Hong.

From Mott Street to Main Street

by **Jessica Neville**

"Chairman Mao is smiling down on this 'zen-like' dumpling spot that brings 'Mott Street to Main Street'…Patron's only complaint, 'I'm so full, where's my Rickshaw ride home.'"

This was the hypothetical *Zagat*'s restaurant review that Kenny Lao (MBA '04) used to pitch and win over the judges of NYU Stern's 2004 Maximum Exposure Business Plan Competition. With prize money, his MBA degree, and investor support in-hand, Kenny made his business dream operational. He opened his first Rickshaw Dumpling Bar unit in New York City's Chelsea neighborhood just one year later.

Zagat has already weighed in, citing "lines practically out the door at mealtimes at this big, sleek newcomer indicate that Chelsea was in need of a dumpling fix." And with favorable reviews in *The New York Times*, *New York Magazine*, *TimeOut New York*, and others, an on-premise visit from tastemaker Martha Stewart to cook dumplings for the day, and a business that is already beating projections, Rickshaw is off to an astounding start.

"We've really caught the imagination of the public with dumplings," explained Lao, 28. "Dumplings aren't something you need to learn how to love. We just brought a food people really like to a mainstream audience."

But opening a new fast casual restaurant in the most competitive food city in the United States is not as simple as it sounds. After all, in New York there are eateries on literally every block, and the restaurant industry is known for having a high mortality rate. With restaurant consulting experience already under his belt, Lao recognized early on that to be successful, he needed to differentiate himself. Getting his MBA was the fast-track way to do it.

"I had lived and worked in New York City for about five years and had started making some great contacts," said the native of Pasedena, CA. "I knew that NYU Stern would give me not only an opportunity to get a world-class MBA, but also the chance to do so in the very city where the restaurant industry has its heartbeat."

For Lao, the Stern MBA experience began to pay off during his first week in the program in the fall of 2002 when he heard Stern alumnus Andrew Stenzler (MBA '94), founder and former chairman and chief executive officer of the popular urban snackery Cosi, Inc., speak on campus. Driven by perseverance and entrepreneurial zeal, Lao persuaded Stenzler over lunch and several subsequent meetings that his Rickshaw concept was viable, and today thanks him for inspiring a long-term vision for size, scalability, and expansion in New York and beyond. And with Stenzler and other investors on board, Lao was able to secure the imprimatur of a great chef, Anita Lo, of

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New York Media Rave about Rickshaw

"The dumplings themselves, showcased in steamer baskets behind the spic-and-span kitchen's glass walls, are plump and tender, adroitly made, and filled with ingredients that are fresh and tasty…" New York Magazine

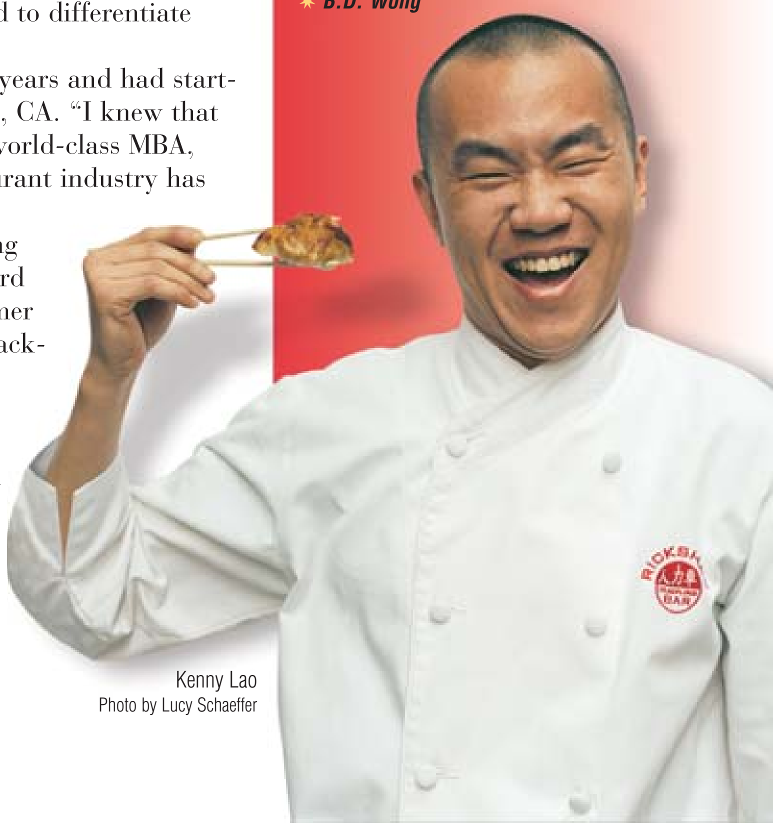
"It will serve five different dumplings and was conceptualized by Kenny Lao, a graduate student at New York University." New York Times

"Rickshaw will change the way you look at dumplings forever." Gotham Magazine

"Chef Anita Lo has come up with five almost too-good-for-lunch dumplings… tofu-wrapped pork dumplings will thrill carbophobes; mochi-wrapped chocolate dumplings will delight the rest of us." Daily Candy, New York

Rickshaw Celebrity Patrons

- ***Matthew Broderick and Sarah Jessica Parker***
- ***Linda Evangelista***
- ***Lucy Liu***
- ***Diane Sawyer***
- ***Martha Stewart***
- ***B.D. Wong***



Kenny Lao
Photo by Lucy Schaeffer

Let Me Tell You…

by **Stephanie Sampiere**

Let-Me-Tell-You co-founders Karin Sloan (left) and Amy Graiwer (right) and their first product, "The Bride-to-Be Scrapbook."

Most graduates of NYU Stern see scrapbooks as a good place to store nostalgia-inducing photos from important events. But while thumbing through scrapbooks, two recent Stern alumnae discovered the seeds of a new business, "Let-Me-Tell-You," a line of gift scrapbooks and related celebration products that help women plan for and capture significant life milestones from birthdays to graduations to weddings. And a Stern business plan competition spurred them to turn it into a reality.

Having made countless scrapbooks for friends' weddings, Karin Sloan (MBA '99) and Amy Graiwer (MBA '99), realized that there was an untapped market for wedding gift scrapbooks. But both were busily pursuing finance-related careers, Sloan as a turnaround and restructuring consultant at FTI Consulting, and Graiwer as an executive compensation expert at Merrill Lynch.

In 2003, however, Sloan approached Graiwer with her idea of starting a scrapbooking business. "At almost 30 years-old, we had the confidence to try something new," Sloan said. "I don't think we could have taken the same risk at 25. We needed the years of work experience behind us, and the ability to realize that sometimes you don't know everything, but that's OK, you figure it out."

While still working their day jobs, the two traveled to gift trade shows and researched the industry after hours. During their research, they discovered NYU Stern's Maximum Exposure Business Plan Competition, sponsored by The Berkley Center for Entrepreneurial Studies. The duo credits the competition with helping them develop a business model, hone the presentation skills necessary for generating business partners, and build a network. "The competition put us in contact with other Stern alumni who helped by providing advice and mentoring. We were even offered financial support," said Graiwer.

In order to focus on the business while participating in the six-month-long competition, the partners left their jobs in November 2003 and January 2004. And the risk was rewarded. In May 2004, Graiwer and Sloan won the competition's first prize of $30,000 in seed money to support their new business concept. They used the funds to trademark the Let-Me-Tell-You name, hire an illustrator, attend tradeshows, and supplement their business needs.

The victory did more than help pay expenses. "Everyone loves hearing that we won a business competition," said Sloan. "It takes us from the cute girls with a cute idea, to professionals who have the credibility of going to business school, executing on a plan, and winning a competition."

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New York City's highly-regarded Annisa.

"People are very conscious of the quality of food they're eating these days. In urban areas, this speaks for itself. Having a chef like Anita gave Rickshaw immediate validation," Lao said. "Like any good business school student, I had a copy of my business plan in my bag when we met, and two weeks later, we were talking dumpling flavors." Patrons can have their dumplings steamed or fried, with a salad, in noodle soup, or solo. An assortment of choices such as "Classic Pork and Chinese Chive," "Peking Duck," "Vegetarian," and even a low-carb option flavor the menu. And many find the dessert "Chocolate Soup Dumplings" of melted chocolate in a black sesame mochi wrapper a must-have.

Throughout his two years at Stern, Lao took advantage of every opportunity to hone his business concept. He credits Stern's competition with giving him the impetus to develop his first business plan at a high-caliber level.

"The amount of homework I had to do to prepare for the presentation in the competition was extremely useful," he reflects. "What this ended up doing was helping me internalize all of the information I needed so I could be ready to convince someone to invest over coffee."

As a business plan competition winner, Lao was automatically invited to become one of the first "incubatees" in Stern's Incubator Program, which like the competition, is run by the School's Berkley Center for Entrepreneurial Studies. The Incubator provided grounding and office space while Rickshaw was in the construction phase.

Today, as an entrepreneur and manager, Lao relies on good communication with his staff to get the job done well. He recognizes that a strong team is critical, a theme Stern stressed to him throughout his MBA experience.

"The hardest part for me is letting go, trusting my people to get us through the lunch rush," said Lao. "If you're unable to let go, you haven't created a company that's scalable. You've failed as an entrepreneur."

What's next for Rickshaw Dumpling Bar? An MTV documentary and a feature in Martha Stewart's new daytime show, "Martha," are planned for the coming months. And Lao is already raising capital for eight potential new units, with plans underway to open his second within the year.

"I wouldn't have been able to do this if I wasn't in New York," remarked Lao. "At the end of the day, you have to take the lead and just do it."

For a preview of the menu, visit www.rickshawdumplings.com ■

Sloan (left) and Graiwer (right) launch their new Scrapbook at the National Stationery Show.

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Since the competition, Let-Me-Tell-You has teamed up with EK Success, the country's leading scrapbooking and creative consumer products company to launch its first product. "The Bride-to-Be Scrapbook," a wedding keepsake gift book that friends and family personalize with memories, wishes, and advice for their favorite bride, became available nationally in September 2005. And the line is already getting attention – Joyce Washnik included the book in her "Design, Decor & Demographic Trends" seminar at this year's National Stationery Show.

The company is now a bi-coastal business, with Graiwer working from Los Angeles and Sloan from New York. While working from different time zones presents a challenge, they are grateful for the flexibility that entrepreneurship provides and the benefits of their close partnership.

In offering advice to potential business owners, Graiwer said, "Don't be afraid to call on people you don't know. It's amazing how open and helpful people are, especially when you are part of the same alumni network."

Sloan has one final piece of advice. "Make sure you are having fun. Celebrate every little success because that is why you are doing this. And keep a scrapbook of your milestones."

For more information on Let-Me-Tell-You, visit www.let-me-tell-you.com; for more information on EK Success and where to find Let-Me-Tell-You products, visit www.eksuccess.com. ■

Interested in participating in Stern's Maximum Exposure Business Plan Competition? All Stern alumni are eligible. Contact Loretta Poole in The Berkley Center at lpoole@stern.nyu.edu.

8 QUESTIONS

ROBERT GREIFELD (MBA ’87), President & CEO of NASDAQ

1. What was the most useful course you took at Stern?

I had an undergraduate degree in English, so Stern was my first real exposure to business content. And in that light, all the courses I took at Stern have been incredibly useful. At the time, I was in the technology field, and the courses I took on relational databases had incredibly valuable direct applications for me.

2. Your thesis at Stern was about the NASDAQ. What did you conclude?

I concluded that as the NASDAQ Stock Market became increasingly automated, the verbal interaction between traders during the day would become less and less important, and the efficiency of the market and the price discovery process that electronics afforded would become more important. And I think we’ve seen that play out.

3. Why does NASDAQ need to be in New York?

Our customers are here, and our first and foremost mission is to satisfy market participants. New York is the global center for capital markets activity.

4. We've seen a good deal of consolidation. Are there too many exchanges and trading platforms in the US?

There clearly will be two very large exchanges. But there’s room for many other competitive exchanges. If you have a good handle on your technology costs and the ability to manage order matching technology, you can be successful in the US.

5. Convincing Google to list on the NASDAQ was a major triumph. How did you persuade the hottest IPO of the last few years to become a NASDAQ stock?

They didn’t see their IPO as a branding event. And they didn’t come here because other technology companies like Yahoo!, Amazon, and eBay were here. They approached the decision based on what would be the most efficient trading platform for their investors.

6. What skills/characteristics do you look for in new hires?

We always go for what I call the best available athlete. We understand that the job they hire into won’t be the one that they stay with for their entire career. So it’s the abilities and the desire to work that we’re looking for. Skills and experience, while important, are secondary.

7. What has been the most pleasant surprise in your tenure?

We had to transform NASDAQ from an institution that was part of a regulatory body into a for-profit entity that answers to investors in the public market, and to its own shareholders. The most pleasant surprise is the true willingness of my colleagues to embrace this transformation. We’ve moved along a lot faster and more successfully than we would have assumed.

8. You’ve run four marathons. Is training for a marathon good training for being a CEO?

Yes. I certainly tell my colleagues that we’re engaged in a marathon, and that we have to be focused on the mission over an extended period of time.

SINCE ARRIVING IN NEW YORK THREE YEARS AGO, SONNY BAZBAZ, BORN IN MEXICO AND RAISED IN TEXAS, HAS BECOME A TEACHING ASSISTANT AND VALUED EXECUTIVE FOR ONE OF THE CITY'S REAL ESTATE TITANS.

HIGH RISE

By **Susan C. Walsh**

With real estate a booming industry in New York City and around the country, it is no surprise that MBA students are increasingly entering the field. Few, however, can boast of the prize that **Sonny Bazbaz (MBA '04)** lays claim to: a dream job in real estate. Bazbaz landed a coveted position at legendary Fisher Brothers prior to graduation thanks to a unique relationship forged with **Richard L. Fisher**.

Bazbaz has an eye for opportunity. When he graduated from the University of Texas with a degree in business economics in 1998, Bazbaz thought he would follow the same path most of his peers were seeking: a job on Wall Street. But before interviewing with financial firms, he assisted his father, who owned a plastic packaging business based in Houston, by drawing up a business plan for a new project.

The Bazbaz family is from Mexico, and Sonny was born and lived there until the family moved to Houston when he was seven. And because he was familiar with Mexico, he saw the need for a similar packaging operation there. His father was so impressed with his son's plan that he suggested that Sonny handle the project personally. Deciding that starting his own company would provide a broad experience, Bazbaz accepted the challenge.

He moved to Monterrey and established Superbag de Mexico in 1998. He was involved in all aspects of getting the business off the ground – building warehouses, buying machinery, meeting potential customers, and personally interviewing the first employees. Not one to tackle a challenge half-heartedly, Bazbaz devoted all of his waking hours to the company, literally living in the warehouse for the first nine months. Although this entailed daily altercations with snakes and scorpions, Bazbaz made the commitment because, "if I wanted the company to be successful, I had to be there 24 hours a day."

All that hard work paid off. With the help of a large account in the early stages, Superbag de Mexico soon established itself as a major player, supplying polyethylene bags for the grocery and retail business. The company enjoyed prosperity while Monterrey was undergoing a period of economic expansion. Within two years, Bazbaz had repaid all debt involved in starting costs. As the number of clients rose, his duties shifted from project management to running the company. And they still kept him busy from morning until night.

During his five years at Superbag de Mexico, Bazbaz discovered the hidden value in real estate. After a few years, economic conditions became less favorable for the company. The exchange rate in Mexico shifted, raising operating costs. And as the demand for labor increased rapidly in Monterrey, fueled in large part by a torrid economic expansion, higher labor costs cut


AND
SHALL
ABILITY

into margins as well. But as his company's profit margins fell, the value of its real estate surged. By 2002 the warehouses were more valuable than the company itself. This turn of events inadvertently sparked an interest in real estate, and Bazbaz made the decision to switch gears and start a new career. After training an MBA graduate from Mexico to take over the reigns, he focused on the next phase in his life.

With solid experience at Superbag de Mexico under his belt, Bazbaz felt confident in his project management, operations, and construction skills. The realization that real estate is heavily driven by finance solidified his desire to get an MBA. He set his sights on New York because "Manhattan is home to the kings of real estate," and chose to attend NYU Stern. But he never imagined that he would be working as a student side by side with one of those kings.

The realization that real estate is heavily driven by finance solidified his desire to get an MBA. He set his sights on New York because "Manhattan is home to the kings of real estate."

Sonny Bazbaz (left) joins Richard Fisher (right) during their class' tour of Rockefeller Plaza.

Once on campus in the fall of 2002, Bazbaz became friendly with Jeremy Wiesen, associate professor of business law and accounting. Wiesen, in turn, is friends with Richard L. Fisher, a senior partner at the Manhattan-based Fisher Brothers, a multigenerational family business that is one of New York City's preeminent builders and managers of commercial real estate.

Fisher had committed to teaching a real estate course at NYU Stern in the spring of 2004. Professor Wiesen's rave review of his student's capabilities convinced Fisher to appoint Bazbaz as his teaching assistant (TA). As Fisher puts it, Bazbaz came in "on clouds of glory." And Bazbaz was eager to learn from a real estate expert.

Few people possess the depth of knowledge about real estate that Richard Fisher does. Founded in 1915 by Martin Fisher, his family's firm owns, manages and successfully leases over 6 million feet to major corporate tenants. Fisher Brothers' portfolio of office space includes Park Avenue Plaza, 299 Park Avenue, 1345 Avenue of the Americas, and 605 Third Avenue. The firm, in partnership with Morgan Stanley & Co., co-sponsors the City Investment Fund, an investment vehicle created to pursue opportunistic real estate investments within the five boroughs of New York City. And Richard Fisher is primarily responsible for real estate acquisitions and finance for the Fisher Brothers portfolio, which has more than $4 billion in assets.

During a five month period, the teacher and the teacher's assistant met once a week to design the course that became Real Estate Finance. Now one of the most popular classes in the MBA program, the course emphasizes "real world" issues, and guest speakers are brought in to present case studies. With a roster that includes prominent real estate executives like Jerry Speyer, president and chief executive officer of Tishman Speyer Properties, Larry Silverstein, president of Silverstein Properties, Inc., and Sam Zell, chairman of Equity Group Investments, L.L.C., the course offers insider information about the New York City real estate market. Bazbaz believes that real estate professionals would "pay thousands of dollars for the chance to sit in on this course." For their part, students jump at the chance to add Real Estate Finance to their schedule. "I would have felt lucky to simply have [Fisher] as a guest lecturer for one class session," says Dan Poehling (MBA '05). "But to have the opportunity to learn from him for an entire semester was an invaluable experience."

Fisher describes the course as "real world real estate in 12 weeks." The course culminates in a case study of Rockefeller Center. A four-week process, the case study attempts to replicate a real-world scenario in an acquisition where students must negotiate, underwrite, and ultimately present a bid to "sellers." The project, which Fisher refers to as the "jewel" of his course, includes a talk with the president of Rockefeller Center and a property tour. Fisher is refreshingly honest, openly discussing his firm's failed attempt to purchase the property in 2001. Fisher Brothers was ultimately outbid by a partnership between Tishman Speyer and the Chicago-based Crown family. Fisher's eagerness to invite Jerry Speyer to be a guest speaker in the class – and Speyer's willingness to accept – speaks volumes of the level of professional respect he enjoys.

Today, Bazbaz has a lot on his plate. Before he graduated from NYU Stern, Fisher offered him a full time position in acquisitions and development at Fisher Brothers. Although Bazbaz humbly says that Fisher "just popped the question," Fisher says he realized what a tremendous asset Bazbaz would be to the organization. Bazbaz, 30, does not have an official title – probably because he handles so many different tasks. He has responsibility for expanding Fisher Brothers' activities outside of the New York area and travels frequently to Washington, DC, South Florida, Boston, and Las Vegas. When not traveling, Bazbaz commutes from the Tribeca apartment he shares with his wife and 11-month old daughter to Fisher Brothers' Park Avenue building. On any given day his responsibilities include sourcing opportunities, financial analysis, marketing strategy, and project management.

The job description also includes one other non-negotiable task: Bazbaz had to continue working with Fisher on Real Estate Finance. Not that he minds. "I told Richard, you can't fire me from being a TA." Bazbaz catches up with the course on weekends, grading papers and fielding phone calls and e-mails from students. Knowing that Fisher remains dedicated to the course even with his busy schedule strengthens Bazbaz's commitment. He enjoys staying connected to Stern, and believes that as a recent graduate, he is a good resource for students. Recognizing how fortunate he was to find a mentor in Fisher, Bazbaz is happy to share his experience with current students. "Understanding the [real estate] landscape can be a challenge without a guide," he says.

Fisher cites "intellectual stimulation" as his reason for adding teaching duties to his hectic schedule. He takes the course very seriously, and was intent on designing a rigorous curriculum. "There is a misconception in business schools that practical advice from the business world is always less rigorous an intellectual experience than the work of pure academicians," said Professor Wiesen. "In Richard Fisher's case this is not true because the quantitative and qualitative analysis he performs before committing significant sums of his own money and that of others is very rigorous indeed. And that is why Stern students have fought to get into his course."

Despite the intellectual rigor, students should not enroll in the class thinking that it will be a theoretical exercise. As Fisher says, "I don't even know what 'theory' is in real estate." He warns students to avoid "paralysis through analysis," an admonition Bazbaz has taken to heart. "Quantitative analysis is, of course, useful and necessary in this industry," he says. "But it is also about managing people and, ultimately, trusting your instincts."

Bazbaz's experience starting a company and now working at a top real estate firm has convinced him that communication skills should not be underestimated. "There are a lot of 'smart' people in the city," he says, but "street smarts" are often overlooked in today's market, where space is often leased before it is built. As a result, Bazbaz believes that the essential skill for success is the ability to convey a vision to others and promote that vision with confidence. He notes: "communication is critical."

When asked if he has any advice for current MBA students, Bazbaz emphasizes taking the initiative. "Don't think anything will be handed to you. Start to hustle. You have to find opportunities for yourself." At the same time, he stresses the importance of acknowledging a powerful factor in life: luck. So far, looks like luck is on his side. ■

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Bazbaz (back row, second from right) and members of the Real Estate Finance class after they admired the views from high above Rockefeller Plaza (above).

Craig Donohue

chief executive officer

Chicago Mercantile Exchange

Craig Donohue is chief executive officer at the Chicago Mercantile Exchange, known as the Merc. Founded in 1898 as a not-for-profit corporation, the Merc became the first publicly traded financial exchange in the United States in 2002. Today, it is the largest futures exchange in the country, and the largest futures clearinghouse in the world. Mr. Donohue, who joined the Merc in 1989 as a lawyer and held a series of legal and managerial posts before being named CEO in January 2004, has played a leading role in the Merc's transformation. A graduate of Drake University, he holds an MBA from Northwestern's Kellogg Graduate School of Management, a JD from John Marshall Law School, and an LLM in financial services regulation from ITT Chicago Kent College of Law. In February, he appeared at NYU Stern to discuss the Merc's transformation with students and faculty.

Mr. Donohue was interviewed by Jeffrey Kutler, assisting managing editor of* Institutional Investor *magazine.

Jeffrey Kutler: *When you joined the Chicago Mercantile Exchange in 1989, you got a job there as an attorney. Did you have any idea what you were in for over the next decade and a half?*

Craig Donohue: I had practiced corporate securities law, and had become very interested in derivatives. But I had no idea what the Merc was. I thought it was just a place where they traded cattle, hogs, and probably pork bellies. As I got there, I realized it was actually this enormous institution. In 2004 we did about $463 trillion of financial trading. I knew that I had a lot of opportunity there just because we were growing so rapidly. As time went by I really felt I had the ability to take the Merc to a different level – to go beyond being a mutual organization with a floor-based trading background.

JK: *What happens in Chicago? What is the comparative advantage?*

CD: Our distinctive advantage was our origins and our understanding that we can facilitate risk transfer in a way that is efficient and valuable to market participants. It started with agricultural products. For the last 150 years, people have been wanting to protect against the risk that there would be too much supply of crops at the time that they actually came to harvest. We started out trading butter and eggs on South Water Street. We actually had to deliver the butter and the eggs. And then we evolved into livestock. There was a major innovation by Merc Chairman Leo Melamed in the 1970s where we took the concepts of hedging and risk transfer that farmers and agricultural producers had been using for decades and decided they had an application in financial instruments: foreign exchange, interest rates, Treasury notes, and bonds.

The other advantage is talent. We have thousands of people who grew up at the Chicago Board of Trade, or the Merc, or the Chicago Board of Options Exchange – where the first equity options began to trade. And so there's a tremendous intellectual talent pool of people in Chicago who understand how to trade derivatives.

JK: *The Merc changed from a mutual organization to a for-profit company and then went public in December 2002. What drove that decision?*

CD: In the 1990s, it was increasingly evident to us that major winds of change were sweeping over financial markets. Technology had the potential to really change the way in which people trade our products. Fundamentally the markets were going to be electronic. Consolidation and concentration in the financial services world was driving a need for enhanced efficiencies, a lower cost way of doing business. With deregulation, we had lower barriers to entry and new well-capitalized competitors coming into the market. We recognized that we could not compete effectively as a mutual organization. We needed to be a more efficient, streamlined organization. We needed to find one unifying principle. For us, that was customer-focused decision-making and shareholder value metrics.

JK: *Today, how much of the trading at the Merc is electronic?*

CD: Roughly 70 percent, up from 10 percent five years ago.

JK: *Since the IPO, your stock has risen from $35 to over $200. What's driving that growth?*

CD: As an industry, we've spent 30 to 35 years really raising people's awareness about the concepts of risk transfer and hedging and risk management. The products we trade have become more mainstream because whole generations of people have gone through business curricula in which finance and derivatives and hedging is a staple. Also, I think people have come to expect the prudential use of derivatives for hedging and risk management. As a fiduciary today, you have an obligation to intelligently use these products to protect against adverse price fluctuations that impact the value of portfolio holdings. Obviously, electronic trading is a big part of it because it has the potential to expand access and distribution. But perhaps the single most important factor is the depth of liquidity that we have and the low transaction and frictional costs. We trade more in the first two weeks of the year than the New York Stock Exchange will in an entire year.

JK: *Being a public entity now, how has your accountability changed? Do you, like other CEOs, find Sarbanes-Oxley to be a burden?*

CD: We're a new public company. And I think the transparency and disclosure associated with being a public company is a very, very good thing. Our whole business system is based on transparency. It's a huge part of our success. And so I'll be the last person to argue against transparency, even as it relates to accounting and internal risk management and financial controls.

JK: *How do you make sure the Merc continues to have the necessary human capital?*

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James H. Quigley

chief executive officer

Deloitte & Touche USA

Since June 2003, James H. Quigley has served as a chief executive officer of Deloitte & Touche USA, the nation's second-largest accounting firm. In more than 30 years in the accounting industry, Mr. Quigley, a graduate of Utah State University, has managed Deloitte's northeastern US practice, led its national manufacturing practice, and served as vice chairman. Mr. Quigley visited Stern to discuss his career and recent developments in the accounting industry with students and faculty.

Mr. Quigley was interviewed by Bill Holstein, editor-in-chief of **Chief Executive** ***magazine.***

Bill Holstein: *You grew up on a farm. Tell us about that and how you got from there into this path that you've chosen?*
Jim Quigley: If you were to come to my conference room you'd find on one wall a beautiful picture of an Aspen forest and on the other wall a picture of the Great Lawn in Central Park. I'm from a small rural community, and there were 92 people in my high school graduating class. But most of my career has been spent in New York, and I really do think of myself very much as a New Yorker.

BH: *Well, how did you enter the accounting/auditing path?*
JQ: I'm a pragmatist. My father was a forester and his father was a forester and I love the outdoors. But in my freshman year I checked on the employment success of the graduating class of forestry majors at Utah State University. Two of the 100 were successful in obtaining jobs in forestry. The accounting majors were doing much better. As someone who was married and wanted to be able to provide for my family, I shifted into the school of business and into accounting. I haven't looked back.

BH: *You worked your way up the ladder the old fashioned way, by doing audits, right?*
JQ: The lion's share of my 31 years have been directed to serving clients. I spend tons of time, even today, speaking with and serving clients.

BH: *And how was it that you got all the way to the top?*
JQ: The CEO is recommended to the Board by a nominating committee, which got input from about 900 of our 2,600 partners. The committee makes the recommendation and the partners elect you to a four-year term. You can be re-elected one time.

If a young recruit says he wants to be a partner, I ask them, "How about if we start with you being a successful consultant? And then after you're a successful consultant, let's have you become a successful senior consultant." And so on. I really believe that I obtained the seat that I have by working aggressively to try to succeed at each step in the process, not by trying to plot a course toward the corner office from the day I was recruited.

BH: *This has been an intense period for accounting, with all the corporate failures and new legislation like Sarbanes-Oxley, enacted in 2002. Do you believe the corporate system was fundamentally rotten or it was just a few bad apples?*
JQ: I believe that the sustained expansion of the 1990s caused management, boards, perhaps even to some degree auditors, to start to become a little complacent with their essential roles in our capital markets process. It wasn't just a question of a few bad apples. There were some fundamental flaws in that corporate governance model that needed to be addressed. And thus we were given Sarbanes-Oxley, the most sweeping changes in our securities laws in the last 75 years.

BH: *What are the major elements of change you see?*
JQ: We're now a government regulated profession after 105 years of self-regulation. Audit committees must comprise independent directors. Management is required to certify, under penalty of law, the veracity of their financial disclosures. And then the last and very important and costly requirement was the requirement by management to design systems so they could produce timely, reliable financial information and then document and test those systems. I believe strongly that the risk of fraud in financial reporting has been reduced as a result of all that has been layered into this new model.

BH: *What's your estimate of how much more time an American CEO is now spending on regulatory and compliance issues versus five years ago?*
JQ: Because CEOs are subject to criminal penalties built into Sarbanes-Oxley, you're seeing a lot more time spent on that activity. Companies have put in place disclosure committees, which review items that should be considered for inclusion in their periodic securities filings. When I sit in the audit committee room and I watch that CEO, he asks the leader of the disclosure committee to provide their report. And I believe the efficacy, the transparency, and the completeness of those financial disclosures has been enhanced as a result. The amount of time that that executive is

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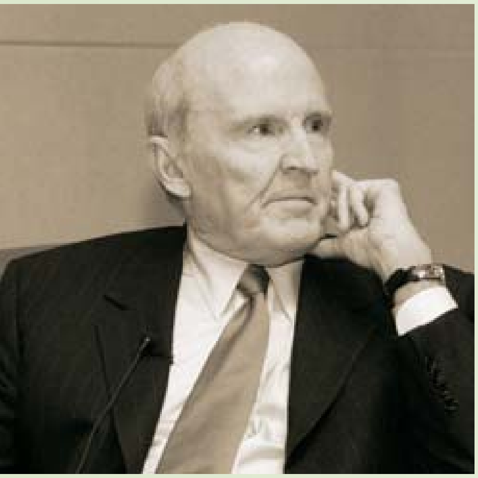


Jack Welch

former chief executive officer

General Electric

Jack Welch, one of the best known and most influential chief executive officers of the 20th century, began his career at General Electric Company in 1960, and in 1981 became the company's eighth chairman and CEO. During his 20-year tenure at the helm of GE, Welch reshaped the massive company and its culture, and increased GE's market capitalization by an astounding $400 billion. After his retirement in 2001, Welch launched his own firm, Jack Welch, LLC, to advise a small group of CEOs of Fortune 500 companies. In 2005, he published the best-seller, *Winning*, which he co-authored with his wife, Suzy Welch.

In an April 19 appearance at NYU Stern, Welch discussed leadership and management with students and professors. Batia Wiesenfeld, Stern associate professor of management and organizations, moderated the discussion.

Batia Wiesenfeld: *What are the top three qualities that led to your success at GE? And what personality and character traits do you see as being essential to the modern manager?*

Jack Welch: Without question, it's the understanding that the only way you win is to get great people around you. You always want to hire somebody smarter than you are. Then, I think I really care a lot about people. I love to see them flourish. To me, it's the most exciting part of the business. And then, I got lucky.

BW: *What was the most difficult managerial problem you faced during your tenure as GE's CEO?*

JW: The early days. I took over a company that was perceived to be doing very well and that was well respected. But it was not right for its time. It had too much bureaucracy – 430,000 employees doing $25 billion of business. We had 146 people in planning at corporate. Today we do $150 billion and we have 300,000 employees. So it was not pleasant to be "Neutron Jack." It was not pleasant to have to take out a lot of the overhead. IBM went through the same thing, but 15 years later. It took 100,000-plus people out of the company, and it was a jolting experience because they had promised lifetime employment. The hardest thing you'll ever do is to let people go.

BW: *How did GE sustain conglomeration and actually thrive. What were you doing differently than everybody else was doing?*

JW: I recognized that the core or the center had three real jobs: people development, the resource allocation of people and dollars, and the transfer of intellectual capital between businesses. The conglomerates of the '60s were three-person headquarters where somebody phoned in the results quarterly. At GE we liked to call it integrated diversity rather than a conglomeration. At our quarterly meetings we would not have somebody come in and drone on about NBC or the airline business. They would come in with a generic idea that could be useful in every business. We developed leaders. And we didn't second-guess people. We didn't worry about picking the colors of refrigerators.

BW: *What made it integrated?*

JW: When we had trouble with a compressor in appliances, we'd bring materials scientists from aircraft engines to fix it. Integration is using the strengths of the company to transfer intellect across all businesses, not having silos.

BW: *GE is known for the concept of market leadership. If a business couldn't be number one or two, you weren't interested in it.*

JW: Clearly it's a lot better to be one or two. When you sneeze, number four and five get pneumonia. This was a great mantra to clean out the portfolio. It was a communication tool to tell everybody: "Look, we're not going to carry weak businesses." But it ends up being stupid. In financial services to try and be number one and number two is outrageous – the playing field is so large. And we carried it about two steps too far. In the end, we had people saying they were number one or two "in the market for brown chairs with curved arms that were this big," instead of "furniture" or "leather chairs."

BW: *How do you instill integrity in an organization?*

JW: You do it through a series of processes and an educational process where you're constantly putting people on the line for integrity tests. But it's beyond the imagination that you've got the only 10,000 good people, or 200,000 good people in the world. Arthur Andersen was a great accounting firm. Then they decided accounting was boring, and they went into consulting. Now, the money was all being brought in by the consultants, the accountants resented it, and they had no fabric left. Enron was a terrific pipeline company, first class. It got energy from Point A to Point B very well. They had coveralls and wrenches to do that. Then they decided they could trade anything, and they had no systems in place to deal with it. Companies like GE, DuPont, IBM – we've made every mistake. When I joined the company we had just come off a price-fixing scandal. So these scandals have to be dealt with and systems have to be put in place to deal with them.

BW: *So are you saying that there's no such thing as a culture of integrity, just systems of integrity?*

JW: Of course there are cultures of integrity. I'm saying if you train people every single day and you're running tests on them, and you preach integrity every meeting, you will develop a culture of integrity. But in the end, don't be naive enough to think 300,000 people are perfect.

BW: *How do you view the role of CEO as changing, especially as it regards the board of directors.*

JW: A couple of things have come out of Sarbanes-Oxley. One is the idea of independent directors. I'll give you two examples of how stupid this idea is. If Coca-Cola put a poet or a musician, no offense to either one, on the board, they'd be independent. Warren Buffett, who has billions invested in Coca-Cola and adds all kinds of wisdom, is not independent on the Coke board. Now, you tell me who's going to make the biggest contribution to the company's growth. Boards are there to make the company win, to support the CEO and

Jack Welch (center) with Batia Wiesenfeld (left) and NYU Stern Dean Thomas F. Cooley (right).

look at the general strategy. Not to micromanage the company. And what you're seeing now is a lot of micromanaging by scared directors. We used to send our board out to the field three times a year by themselves, visiting the businesses without us. They got a feel for what was happening.

BW: *What should MBA programs be doing to prepare students for today's business world?*
JW: I think there's not enough emphasis on what you're going to be doing when you graduate. You're not going to be studying disruptive technologies, you're going to be dealing with people, promoting people, motivating them. I mean, I had a PhD in chemical engineering. After a year at GE, I never saw a test tube again, thank God.

BW: *What kind of advice do you have for people starting out? What do they have to do right in the first couple of years?*
JW: There's one piece of advice I'd give you. Over deliver – make your boss look good. It's as simple as that. And forget all the other stuff about what you wear, how you look, how you say hello. Always surprise them with more than they ask for, and your career will take care of itself.

BW: *In your last book, you talked about deep dive projects. And I was wondering what role those had in terms of institutionalizing innovation and leading a large conglomerate?*
JW: When you're a CEO, you don't have much, but you have a lot of power. In the book, I used the example of our ultrasound business. It was a $50 million business, floundering around. I went in there and I made the ultrasound project my thing. It was in the back room of a manufacturing place when I got there. We put in money to make it look pretty, and we made it the place to be. I knew nothing about ultrasound. But I knew about making it a big deal. Today ultrasound is a $1.7 billion business; we're by far the market leader; all the good people gravitated to it. So a CEO can go in and put resources behind it. It's one of the luxuries of the job.

BW: *Could you just say a few words about how you think the emergence and inclusion of China and India in the market will change the world that we're going to see in the coming decades?*
JW: We're going to see low-cost, intelligent labor coming at us as far as the eye can see, and we have to move up the food chain. But I see the cup is clearly half full, not half empty. I'd like to give you perspective of what it was like to become CEO of GE in 1980. The prime rate was 22.5 percent. Inflation was 14 percent. Unemployment was 12.5 percent. The Japanese were going to take over everything in the US. Let's look at us today. Unemployment is at 5 percent. GDP is growing at 4 percent a quarter and has been doing so for the last eight quarters. The prime rate is at four. These are great times. How many people have jobs here? We have entrepreneurs out building businesses and creating niches. We have great ingenuity, and we've got a culture here that accepts everybody from every land. ■

Craig Donohue continued

CD: It's very hard for us to go out to the market and hire people who know what a Eurodollar interest rate contract is or who can help us design weather derivatives. So we have a very strong culture of training and mentorship and nurturing and developing people. It's mostly an experience-based process.

JK: *How are you attacking globalization in your marketplace and what is the role of technology in that?*
CD: We have an open access system. As long as you have a guarantee to trade from a member clearing firm like Goldman Sachs or Morgan Stanley, anyone can trade directly on our Globex platform. We've become more sophisticated at marketing our product on a global basis. In the past, we were not particularly good at identifying the unique needs people have in China versus Frankfurt. Now, we hire local market experts. Also, since connectivity from various parts of the world can be prohibitively expensive, part of our strategy recently has been introducing telecommunications hub infrastructures throughout Europe and Asia, where we aggregate demand for long distance connectivity. We can reduce the cost of monthly connectivity for our customers by as much as 70 percent.

JK: *There are some global highly electronic competitors taking aim at you. Does it keep you up at night?*
CD: Some nights. Clearly we're in a very competitive environment. We have direct head-to-head competition. But we also have other kinds of less obvious competition. People are very smart in this business. And there are a lot of different ways in which people can execute trading strategies. I like to think that we do more than just focus on what's going to happen today. We give a lot of thought to what's going to happen six months from now, and five years from now. One of the key things about the Merc is that we're not ideological about anything, including floor-based systems. Our job is to satisfy clients. And if clients want to trade electronically, well, then, let them trade electronically at the Merc. ■

James Quigley continued

spending is significant. And I think that's healthy.

BH: *Some CEOs would say that the reforms are cascading so broadly through the organization that they're spending so much time implementing and monitoring them that it has taken away from the fundamental challenge of taking risk in the marketplace. Do you agree?*
JQ: When I go around the country and talk to CEOs, I ask them very specifically: "Are you doing something different from a risk management point of view or from an investment point of view than you were in the past?" And the vast majority would say that the new project opportunities, the business acquisitions they would have considered five years ago, they're considering today. They're moving forward.

BH: *When the government indicted Arthur Andersen after the Enron scandal, a huge firm disappeared. Did that create a shortage of manpower in the industry? And has the profession cleaned itself up since then?*
JQ: I'm not an Andersen apologist, and I'm not sure there was the need to 'clean up' the entire profession. Are we performing at a high level? Absolutely. Do we take our professional responsibilities and our commitment to the public interest to heart? And are we executing in a way that we believe we earn that sacred trust and right and that high standard to which we're held? I believe the answer to that is yes. And we're working aggressively to try to be even more effective in executing. We've added 2,000 people to our audit team in the past two years. We've spent tens of millions of dollars in training and our people have worked very, very hard to execute this new layer of responsibility imposed by Sarbanes-Oxley.

BH: *And you said earlier that you would hire another thousand this afternoon if you find them.*
JQ: I would indeed. ■

Prospectus

NYU Stern Welcomes New Faculty

A new group of scholars has joined NYU Stern's faculty – seven new professors and two from NYU who are now also affiliated with the Stern School. Three are joining the marketing department; two each in accounting and finance; and one new member is being added to the management and organizations and economics departments.

"We are fortunate to attract such an outstanding group of scholars, whose depth and breadth of experience will enhance the intellectual life of the School," said Lee Sproull, vice dean of faculty. "In turn, they are becoming part of a stimulating academic community in a city that offers tremendous resources for their work."

Justin Kruger, an award-winning teacher and widely published researcher, has joined the marketing department as an associate professor. He teaches the psychology of consumer judgment and decision-making, one area of his research focus, to undergraduate, graduate, and PhD students.

Yaacov Trope, professor of psychology at NYU, has joined the Stern School as a professor of marketing psychology. A former Fulbright Fellow, Professor Trope studies the cognitive, motivational, and affective mechanisms that underlie social judgment and decisions.

Professor **Eitan Muller**, who chaired the marketing department at the Recanati Graduate School of Business at Tel Aviv University, has joined Stern's marketing department. A prolific researcher, Professor Muller investigates the managerial issues of new product development and received the 1990 Harold H. Maynard award for his contribution to marketing theory.

Daniel Cohen and **Christine Petrovits** have joined the accounting department as assistant professors. Professor Cohen received his doctoral degree from the Kellogg School of Management at Northwestern University. He teaches financial accounting and statement analysis and studies financial reporting and disclosure, with an interest in the effects of regulation on corporate governance. Professor Petrovits, a former KPMG auditor and PhD graduate of the University of North Carolina, looks at the effects of financial reporting information on capital markets. One of her current projects investigates the initial reporting decisions made by incoming CEOs.

The finance department has also added two assistant professors, **Enrichetta Ravina** and **Alexei Tchistyi**. A graduate of the Kellogg School, Professor Ravina is currently studying the effect of social interactions and behavioral biases on consumption and borrowing decisions and on stock market investments. Professor Tchistyi, who recently received his doctoral degree from Stanford Graduate School of Business, has research interests in agency theory, security design and performance pricing in debt contracts, and asset pricing and credit ratings.

Robert Salomon has joined the management and organizations department after several years on the faculty of the Marshall School of Business at the University of Southern California. Professor Salomon, who earned his MA and PhD degrees from NYU Stern, focuses his research on the management and economics of international expansion. His first book, *Learning from Exporting: New Insights, New Perspectives*, will be published next year by Edward Elgar Press.

Professor **Alessandro Lizzeri** has been a member of NYU's Graduate School of Arts and Science faculty for five years and now has an affiliated appointment at NYU Stern in the economics department. His research interests are wide-ranging, encompassing industrial organization and political economy.

Also new to Stern is NYU Professor **William Baumol** who has an associated appointment. (See article below).

For more information about these new faculty members, or Stern's other faculty and their research, please see the faculty index on Stern's website, http://w4.stern.nyu.edu/faculty/facultyindex.cgi.

The Berkley Center

On July 1, **William J. Baumol** was named Academic Director of the Berkley Center for Entrepreneurial Studies and Harold Price Professor of Entrepreneurship and Economics.

Baumol, a professor of economics at New York University, and professor emeritus and senior research economist at Princeton University, is a giant in the study of entrepreneurship. "I'm delighted to have such an accomplished thinker as Will join the Stern faculty," said NYU Stern Dean Thomas F. Cooley.

A member of the National Academy of Sciences, Professor Baumol is the author of several books – his most recent being *Downsizing America* (co-authored with Alan S. Blinder of Princeton University and Edward N. Wolff of New York University) – and more than 500 journal articles. Professor Baumol was awarded the 2005 International Antonio Feltrinelli Prize, Italy's highest cultural and scientific award.

Alexander Ljungqvist, associate professor of finance at NYU Stern, has agreed to serve as the Center's research director, while **Deputy Dean Russell Winer**, William Joyce Professor of Marketing, continues in his role as the Center's acting director.

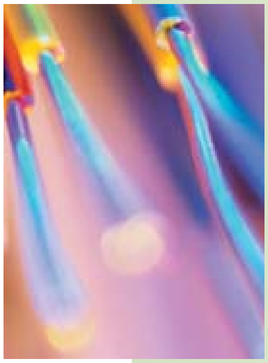
First Berkley Term Professor

Fabrizio Perri, associate professor of economics at NYU Stern, has been named the first Berkley Term Professor in Economics and Business.

Funded by William R. Berkley (BS '66), chairman and CEO of W.R. Berkley Corporation, vice chairman of the NYU Board of Trustees, and chairman of the Stern Board of Overseers, these term professorships are designed to attract and retain the best young scholars from around the world.

A 1992 graduate of Bocconi University in Milan, Italy, Professor Perri received his PhD in economics from the University of Pennsylvania in 1999. His research concentrates on international macroeconomics with a particular focus on risk sharing. Professor Perri has published extensively in journals such as *Econometrica* and the *Journal of Economic Theory*. He is a faculty research fellow of the National Bureau of Economic Research, and senior economist in the research department of the Minneapolis Federal Reserve Bank.

The professorship, awarded for a three-year term, began on September 1, 2005.



Faculty and Students Net NET Institute Grants

Six of the 23 summer research grants awarded by The NET Institute to fund projects in network industries went to NYU Stern professors, PhD students, and graduate students.

The NET (Networks, Electronic Commerce and Telecommunications) Institute is a non-profit institution devoted to research on areas such as wired and wireless networks, electronic commerce, telecommunications, and the Internet.

NYU Stern recipients included:

Miguel Campo (PhD student) for "The First Deal Might Be the Last: Building Long Term Relationships in the Venture Capital Community."

Anindya Ghose and **Arun Sundararajan**, assistant professors of information systems, for "Pricing and Product Line Strategies for Software: Evidence from E-Commerce Panel Data."

Anindya Ghose for "Used Good Trade and Adverse Selection: A Cross-Country Comparison of Electronic Secondary Markets."

Arun Sundararajan for "Local Network Effects and Optimal Network Access."

Siva Viswanathan (PhD '02) of the Robert H. Smith School of Business, University of Maryland, for "Quality, Uncertainty, and Bidding Behavior in Sponsored Search."

Mingdi Xin (PhD student) and **Evangelos Katsamakas** (PhD '04) of Fordham University, for "An Analysis of Enterprise Adoption of Open Source Software."

research *roundup*

Leif D. Nelson, NYU Stern assistant professor of marketing, co-authored with Evan L. Morrison, professor of psychology at Stanford University, "The Symptoms of Resource Scarcity: Judgments of Food and Finances Influence Preferences for Potential Partners," which was published in *Psychological Science*. The article explores the psychological reasons why men in cultures with scarce resources tend to prefer heavier women, while men in cultures with abundant resources prefer thinner women.

Panagiotis G. Ipeirotis, assistant professor of information systems, co-authored with Alexandros Ntoulas and Junghoo Cho of the University of California at Los Angeles, and Luis Gravano, at Columbia University, a paper entitled, "Modeling and Managing Content Changes in Text Databases," which won an award for the best paper at the 2005 International Conference of Data Engineering. The article details a study of how 152 real web databases evolved over a period of 52 weeks.

Geeta Menon, chair of the marketing department, and Sucharita Chandran, of Boston University, co-wrote "When a Day Means More than a Year: Effects of Temporal Framing on Judgments of Health Risk" for the *Journal of Consumer Research*. The article examines how people perceive health risks differently depending on how one frames the timing in which people can get sick – i.e. every year 400,000 Americans die of smoking-related cancers; or every day, 3,000 teenagers start smoking. They conclude that every-day framing makes risks appear more concrete than every-year framing.

short *takes*

Robert Engle, Nobel Laureate and NYU Stern Michael Armellino Professor of Finance, was one of 72 new members elected to the National Academy of Sciences. Engle joins Roy Radner, NYU Stern professor of economics and information systems, and Thomas Sargent, W.R. Berkley Professor, a joint appointment by NYU's Faculty of Arts and Science and the Stern School of Business, as members.

ITT Professor of Creative Management **William Starbuck** received the Academy of Management's Distinguished Scholarly Contributions Award at its annual meeting in Hawaii in August. Professor Starbuck retired in 2005 after 20 years with NYU Stern.

Edward Altman, Max L. Heine Professor of Finance and Salomon Center Director of Research in Fixed Income and Credit Markets, was named one of the "100 Most Influential People in Finance" in the June 2005 issue of *Treasury & Risk Management*.

Luis Cabral, chair of the economics department, appeared in the CNBC documentary "The eBay Effect – Inside a Worldwide Obsession," discussing how eBay's Feedback Forum "created the possibility of trust within, essentially, a very large community of anonymous traders."

ILLUSTRATION BY BRYAN LEISTER

The Best-Laid Plans

With each passing year, 401(k) plans become more central to the retirement plans of American workers. Are companies offering their employees the best possible choice of investment options?

By **Edwin Elton, Martin J. Gruber,** and **Christopher R. Blake**

The US system of saving for retirement has been transformed in recent decades. Companies have moved away from offering defined-benefit plans and instead are increasingly offering defined-contribution plans like 401(k). Today, more than one third of all US workers are enrolled in 401(k) plans, which collectively hold more than one trillion dollars in assets.

The value of any 401(k) pension plan to any participant is determined by two factors: the set of investment choices plan administrators choose to offer to participants; and the set of investments participants choose. While a large amount of research has focused on participants' investment behavior, none has examined the way in which the choice of investments offered affect the ability of plan participants to construct desirable portfolios. The lack of research in this area is odd, given that an investor faced with an inappropriate set of choices cannot construct an efficient portfolio.

There are two ways that the choices offered can be inappropriate. A company can offer an insufficient number and type of choices to allow the construction of desirable portfolios. And it can offer poor-performing investment choices of any given type. In theory, the first problem could be alleviated if employees hold funds outside the plan. But for more than 60 percent of plan participants, the 401(k) investments are their sole financial assets. And even for participants who hold other financial assets, 401(k) plans are likely to be the bulk of their savings.

In the best-case scenario, a company should offer a sufficient set of investment alternatives so that the investor can construct the same efficient frontier – a balance between reward and risk – that he or she would obtain if there were choices from a reasonable set of alternatives. We set out to examine how well companies are doing in trying to meet that objective by gathering data, constructing a series of tests, and looking at how a variety of factors – from the use of company stock in 401(k) plans to the hiring of outside consultants – affect performance.

The 401(k) data we examined was provided by Moody's Investor Services, which surveys pension plans offered by both for-profit and non-profit entities. We identified 680 401(k) plans that offered their participants publicly available mutual funds. Of those, 417 hold mutual funds with at least five years of monthly total returns. For each of these plans, we collected data on the returns, names, and characteristics of the mutual funds offered. **Table 1** shows the number of distinct investment choices offered by the plans. The median number of offerings was eight, approximately 12 percent of the plans offered four or fewer investment choices, and about 11 percent offered 13 or more investment alternatives. The most common investment choice (offered by 97.4 percent of plans) was a domestic equity fund, followed by an alternative such as a guaranteed investment contract or money market fund (86.8 percent). Other common offerings were domestic bond funds (71.5 percent), domestic mixed bond and stock funds (80.6 percent), and international bond and/or stock funds (75.1 percent). Finally, 22.9 percent of the 401(k) plans offered company stock as an alternative for their participants.

— TABLE 1 —

PERCENTAGES OF 680 401(k) PLANS OFFERING DIFFERENT NUMBERS OF INVESTMENT CHOICES

Number of Investment Choices	*Percentage of Plans*
1	2.21%
2	2.35%
3	3.09%
4	4.85%
5	8.97%
6	12.06%
7	12.06%
8	13.82%
9	11.76%
10	9.85%
11	5.59%
12	2.21%
13	2.50%
14	1.91%
15	1.18%
16	1.03%
17 or more	4.56%

Adequate Choices?

In order to determine if 401(k) plans were offering their participants appropriate investment choices, we needed to hypothesize an adequate set of alternative investment choices. To do so, we drew on the field of financial economics, where extensive literature discusses indexes that are necessary and sufficient to capture the relevant return characteristics for a range of investment choices. For common stocks, we used four indexes of small and large value and small and large growth as advocated by economists Eugene Fama and Ken French. All four indexes were taken from Wilshire Associates. For bonds, we combined a general bond index, including governments and corporates (the Lehman US Government/Credit index for the general bond index), and a mortgage-backed index (Lehman Fixed-Rate Mortgage-Backed Securities index). In addition, we used the Credit Suisse First Boston High-Yield index for the high-yield bond index. We also included the Salomon Non-US-Dollar World Government Bond index for international bonds and the MSCI EAFE index for international stocks. Since returns on all mutual funds are computed after expenses, we deducted expenses from each of our indexes. We refer to

these eight indexes as "Research-Based," or RB indexes.

To examine whether the choices given investors allow construction of an efficient frontier similar to that obtained by the eight RB indexes, we drew from the literature on spanning tests. These types of tests let us know whether, given a riskless rate, a particular set of benchmark assets is sufficient to generate the efficient frontier, or whether including members of a second set of assets would improve the efficient frontier at a statistically significant level. In our spanning test, the benchmark assets were chosen from the mutual funds offered by any plan, while the eight RB indexes were the non-benchmark assets. The results of the tests are shown in **Table 2**. Plans holding four or fewer funds rarely offered a set of funds that span the eight RB indexes. For plans holding six or more funds, we found that about 60 percent of the plans offered investment choices that span the relevant space for investors. Of course, the glass was also half empty: 40 percent of the plans leave investors unsatisfied. Finally, it is not until plans offered 14 or more investment choices that virtually all plans offered investment choices that span the space investors should be interested in. Of the 417 plans, only 53 percent spanned the space obtainable from the eight RB indexes.

— TABLE 2 —

SUFFICIENCY OF PLAN INVESTMENT CHOICES IN SPANNING EIGHT RB INDEXES

Number of Investment Choices in Plan	*Total Number of Plans*	*Number of Plans that Span (Offer Sufficient Choices)*
1	10	3
2	18	4
3	37	18
4	57	28
5	53	33
6	58	24
7	44	26
8	39	22
9	45	25
10	14	8
11	11	8
12	11	5
13	2	1
14	4	3
15	7	7
16 or more	7	6
Total	417	221

Does this lack of choice affect returns? Yes. For the 249 plans that do not span the space, to have the same Sharpe ratio – a reward-to-variability ratio – as the optimum portfolio comprising the eight RB indexes, average return would have to increase by 2.18 percent per year. Thus, investors in 401(k) plans were sacrificing significant return because plan administrators offered an incomplete set of investment alternatives.

Adjusting for Risk

We also wondered whether management was selecting individual mutual funds that outperform random selection from similar types of funds. To determine this, we constructed a model to measure performance. Mutual funds were divided into three types – stock, bond, and international – and their returns were compared with relevant indexes. We computed alphas – a measure of how the fund performs independent of the market – for 27 months following the date of our sample. The overwhelming evidence is that alpha is on average negative for mutual funds. Thus a negative alpha for the mutual funds offered by 401(k) plans would not indicate that the manager of these plans selected funds that performed more poorly than random selection. To ascertain whether management was doing a good job of selecting funds, we subtracted from the alpha of each chosen fund the average alpha from a randomly selected sample of funds from the same category. We labeled this difference the "differential" alpha. We found that although 401(k) plan administrators selected funds with negative alpha, they selected funds that had smaller negative alphas than random selection. However, the average differential alpha was significantly different from zero for only one category – bond funds. Our results also showed that the difference in performance is due to the managers choosing funds with lower expense ratios.

We know that there is a tendency for plan participants to place a disproportionate fraction of their plan assets in company stock. On average, we found that companies offering company stock as an investment choice offered the same number of mutual fund choices as those that do

— TABLE 3 —

PLAN CHARACTERISTICS GROUPED BY PLAN ASSET SIZE DECILES

Average Plan Asset Size Decile	*Asset Size (Thousands)*	*Avg. Number of Investment Choices*	*Percentage of Plans that Use Sophisticated Strategies*	*Percentage of Plans Offering Company Stock as Investment Choices*	*Percentage of Plans that Vote Proxy*	*Percentage of Plans that Hire Outside Consultants*
1	$ 2,124.579	4.42	13.16%	7.89%	13.16%	2.63%
2	$ 6,045.974	5.21	7.69%	7.69%	7.69%	5.13%
3	$ 10,857.308	6.21	10.26%	5.13%	15.38%	5.13%
4	$ 16,882.821	5.23	7.69%	20.51%	2.56%	12.82%
5	$ 24,754.590	6.08	12.82%	20.51%	7.69%	5.13%
6	$ 37,363.923	7.28	10.26%	17.95%	12.82%	23.08%
7	$ 57,851.154	6.72	17.95%	12.82%	7.69%	28.21%
8	$ 88,923.718	7.82	20.51%	38.46%	23.08%	7.69%
9	$173,890.667	7.85	28.21%	41.03%	15.38%	28.21%
10	$780,277.821	8.18	46.15%	46.15%	17.95%	20.51%

not. Our analysis also showed that only four more firms spanned the space when company stock was included. Furthermore, although the inclusion of company stock led to risk increasing, the risk was more than offset by an increase in return. Considering the 401(k) plan as the participant's sole financial asset, the inclusion of company stock in a plan seems to neither improve nor harm the investor making intelligent 401(k) plan choices. However, since a plan participant's labor income may be highly correlated with the performance of the company stock, a portfolio including labor income, 401(k) mutual funds and the company stock may be significantly more risky than a portfolio excluding the company stock.

Size Matters

In our sample, there was a wide variation in the size of the plans. The average plan in the top 10 percent was over 300 times as large as the average plan in the lower 10 percent. Many investors tend to think that bigger is better. We set out to examine whether this might be the case when it comes to 401(k) plans. When we ran our tests, it turned out there was a clear and statistically significant relationship between plan size and the number of investment choices offered. A higher percentage of larger plans also hired outside consultants and engaged in more sophisticated investment strategies than did smaller ones. Not surprisingly, large plans showed a stronger tendency to include company stock in the plan than did small plans. But it turns out that hiring outside consultants may not necessarily result in an improvement of offerings. We found that the use of outside consultants or sophisticated strategies did not result in a significantly greater likelihood of the company offering fund choices that spanned the investment space.

To a degree, the 401(k) revolution represents something of an experiment. For the first time, millions of workers have been asked to direct and manage their own retirement savings. This places the burden of making smart decisions about whether to invest, how much to invest, and what to invest in, squarely on the shoulders of employees. And every year, companies devote significant resources to make sure employees have the necessary information to make appropriate decisions. But our research suggests that for 401(k) plans to live up to their full potential, employers have to devote time, attention, and resources to make sure that they are making intelligent decisions as well. ■

EDWIN ELTON AND MARTIN J. GRUBER *are Nomura Professors of Finance at NYU Stern.* CHRISTOPHER BLAKE *is professor of finance at Fordham University.*

This article, the first to examine the reasonable choices offered to investors, is based on the authors' upcoming article in the Journal of Public Economics.

ILLUSTRATION BY JULIETTE BORDA

Ever wonder why soap retails for $1.99 instead of $2.00? Behind this prevalent feature of retail gimmickry lies some sound psychology.

By **Manoj Thomas** and **Vicki Morwitz**

A PENNY SAVED

At gas stations and at Wal-Mart, on television infomercials or on magazine subscription reply cards, it's common for items to be priced at $2.99 instead of $3.00, or at $99.99 instead of $100.00. Why? Can it be that economically rational consumers perceive a price ending in nine to be significantly lower than a price that is only one cent higher? This question has attracted researchers' attention since 1932, when Louise Bader and James P. Weinland investigated the topic in the *Journal of Retailing*. And much research – not to mention conventional wisdom – suggests that consumers do not respond to very small price changes.

But more recent research suggests that the last digit of a price can have a significant impact on firms' revenues. One commonly cited explanation for the popularity of nine-ending prices is that consumers underestimate their true magnitude. For example, if a product is priced at $2.99 rather than at $3.00, consumers might focus on the left digit and perceive the price to be closer to $2.00 than to $3.00. To investigate why that may be the case, we developed a conceptual framework that draws on the analog model of numerical cognition. Such a cognitive approach makes sense because it seems that the effect of a left digit change – i.e., from 3 to 2 in the above example – on magnitude perception is a consequence of the way the human mind converts numerical symbols to analog magnitudes on the mental scale.

The analog model (also known as the holistic model) of numerical cognition suggests that when people compare two multi-digit numbers, they assess the numbers' quantitative meaning by spontaneously mapping them onto an internal, analog magnitude scale. And this conversion affects the precision of the numbers being encoded. Our basic proposition is that the effect of price ending on magnitude perception occurs during this conversion. There are three effects that support this proposition: the left digit effect, the distance effect, and domain invariance.

The Left Digit Effect. Lets say a consumer is comparing the prices of two pens: a target pen priced at $3.00 and another pen priced at $4.00. When she automatically encodes these prices into mental magnitudes on an internal analog scale, the $3.00 price is likely to be mapped on to the lower end of this scale while $4.00 will be mapped on to the relatively higher end of the scale. But what if the target pen were priced at $2.99? Even though people read three separate digits in $2.99, these digits would be represented as one analog quantity on the internal scale. And because we process data from left to right, the encoded magnitude of $2.99 could, at least in some situations, be significantly lower than that of $3.00. One possible explanation for this left digit effect is that encoding the magnitude of a multi-digit number begins even before we finish reading all the digits, perhaps beyond consciousness. So we hypothesized (**Hypothesis 1**) that nine-ending prices will be perceived to be smaller than a price one cent higher only if the left-most digit changes to a lower level (e.g., $3.00 to $2.99) but not if the left-most digit remains unchanged (e.g. $3.60 to $3.59).

The Distance Effect. Before two numbers – the price of a target product and the price of a comparison standard product (e.g., a competing product) – can be compared, the numerical symbols must be mapped onto the internal analog scale. The closer the perceived distance between the two analog magnitudes, the greater the difficulty in discriminating between them – and the more time it takes to compare them. This phenomenon has been labeled the distance effect. A 1981 study showed that when asked to judge whether a given two digit number is higher or lower than 55, participants took significantly more time to judge numbers in the 40-70 range than in the 10-40 or 70-100 ranges. So we hypothesize (**Hypothesis 2**) that a left digit change caused by a nine ending price is less likely to affect the price's magnitude perception when the comparison standard is perceived to be far apart. Stated simply, $4.00 versus $5.00 is not quite the same as $3.99 versus $5.00; but $4.00 versus $10.00 may not be perceptibly different from $3.99 versus $10.00.

“Because we process data from left to right, the encoded magnitude of $2.99 could, at least in some situations, be significantly less than that of $3.00.”

Domain Invariance. Past research has often attributed the popularity of nine-ending prices to tried-and-true retailing practices. Based on a survey of published material and informal conversations with consumers and retailers, Robert Schindler of Rutgers University proposed a list of 14 meanings that price endings are likely to communicate to consumers, such as “low price,” “discount price,” or “low quality.” But if consumers' favorable responses to nine-ending prices are solely based on such images, then these effects should be confined to the domain of prices. On the other hand, if these effects are, at least partly, due to left-to-right processing, then they should be seen in other areas. So, we hypothesize (**Hypothesis 3**) that decreasing the distance between the numbers being compared will increase the left digit effect not only in the domain of prices, but also in other types of nine-ending numbers.

Pricing Pens

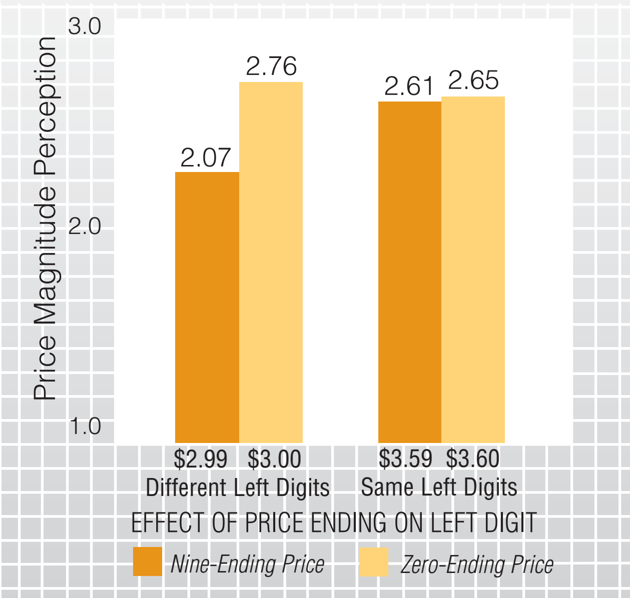
We set out to test our hypotheses through a series of tests in which we asked students to evaluate prices. First, we asked 52 undergraduate students from a large Northeastern university to examine and evaluate prices for four pens: two ballpoint pens and two fountain pens. In each category, one brand was the target and the other was the comparison standard pen. Half the participants saw nine-ending prices ($2.99 and $3.59) and half saw zero-ending prices ($3.00 and $3.60) for the target pens. The price of the target ballpoint pen was chosen such that the price-ending manipulation resulted in a nine-ending price with a lower dollar-digit ($3.00 vs. $2.99), while that of the target fountain pen was chosen so that the nine-ending manipulation did not affect the dollar-digit ($3.60 vs. $3.59). The prices for the comparison standards were always held constant at $4.00.

Participants were given a booklet with advertisements for all four pens with price, inclusive of delivery charges. Participants then indicated the degree to which they agreed or disagreed – on a five point scale from one equaling “strongly dis-

— FIGURE 1 —

PERCEIVED MAGNITUDE OF TARGET PRICE

LOWERING THE PRICE BY ONE CENT TO A NINE-ENDING PRICE AFFECTS MAGNITUDE PERCEPTION ONLY WHEN THE LEFT DIGIT CHANGES



agree" and five equaling "strongly agree." – with the following statement, "_____ pen's price is high" for each brand and type of pen. We found that nine-endings increased the difference in perceived price magnitude between the zero- and the nine-ending prices only when the dollar digit changed, supporting Hypothesis 1 (**See Figure 1**).

Next, 63 undergraduate students from a large Northeastern university were asked to compare two brands in each of three different categories of writing instruments: fountain pens, ballpoint pens, and pencils. Target brand price level was manipulated within subjects at three different levels ($3.20 vs. $3.00 vs. $2.80); the price-ending manipulation changed the left-most dollar digit only when the price level was $3.00/$2.99. The comparison standard was $4.00 across conditions. Participants indicated their magnitude perceptions for each brand by placing an "X" on an uncalibrated 110 millimeter long horizontal line anchored at "low" and "high." Again, the results were consistent with the left digit effect hypothesis. When the target level was $3.00, such that the nine-ending condition (i.e., $2.99) resulted in a lower dollar digit, then the nine ending price was perceived to be significantly lower. However, when the target level was $2.80 or $3.20, the nine-ending price had no effect.

Distance Effect

In a 1967 study, Stanford University psychologists Robert Moyer and Thomas Landauer measured the time participants took in comparing two Arabic numbers. They found that as the numeral distance between them decreased, the response time for the comparison task increased – a phenomenon which has come to be known as the distance effect. The distance effect should exacerbate the primacy effect of left digits. The closer the prices being compared, the higher the cognitive load, and therefore the greater the error there would be in encoding their magnitudes. We set out to test this hypothesis by asking 154 undergraduate students to evaluate two brands of pens sold by an online company. We used the same dependent measure of perceived price magnitude employed in the first study.

We manipulated the target brand's price ending ($3.99 or $4.00) and the comparison standard's price level ($2.00, $3.00, $5.00, or $6.00). The comparison standards were selected such that they were either $2.00 higher or lower or $1.00 higher or lower than the target price. For all levels of comparison standard, nine-ending target prices were perceived to have lower magnitude than zero-ending ones. And when the distance between the target and the comparison standard was small, i.e. $1.00, there was a significant difference in the magnitude perceptions of nine- and zero-ending prices. But there was no significant difference between these prices when the distance was $2.00. The results of this study are consistent with our assertion that the underestimation caused by the left digit effect occurs during the magnitude encoding process.

Non-Price Domains

In a third study, we examined the process underlying the left digit effect and also tested whether the left digit effect manifests in non-price domains. Participants were asked to judge whether a given three digit number, between 1.00 and 9.00, was lower or higher than 5.50. We predicted that participants would take significantly more time to make magnitude judgments when the target number was closer to 5.50. More importantly, we also examined how the response times varied for nine-ending numbers.

Sixteen numbers were chosen as target numbers, half with nine- and half with zero-endings, ranging from 1.99 and 2.00, to 8.99 and 9.00. Fifty-three undergraduate students from a large Northeastern university were then asked to judge whether a target number presented on a computer screen was higher or lower than the comparison standard 5.50. (The comparison standard was not presented on the screen.) The computer recorded the time participants took to click one of two buttons labeled "HIGHER" and "LOWER" as the numbers flashed on the screen. Participants took more time to make comparisons when the target numbers were close to the comparison standard. For numbers lower than 5.50, as the magnitude increased towards 5.50, the response latency (in milliseconds) also increased. (**See Figure 2**). For numbers higher than 5.50, the response latency systematically decreased as the magnitude increased away from 5.50. These observations suggest that the closer the number to the comparison standard, the greater the difficulty in magnitude comparisons. More interesting was the significant interaction between distance and number ending. When the magnitudes of the target numbers were four or lower, then nine-endings did not affect response times. However as we predicted, in the case of 4.99 versus 5.00, a change in left digit significantly reduced the response time, and in the case of 5.99 versus 6.00, a change in left digit significantly increased the response time.

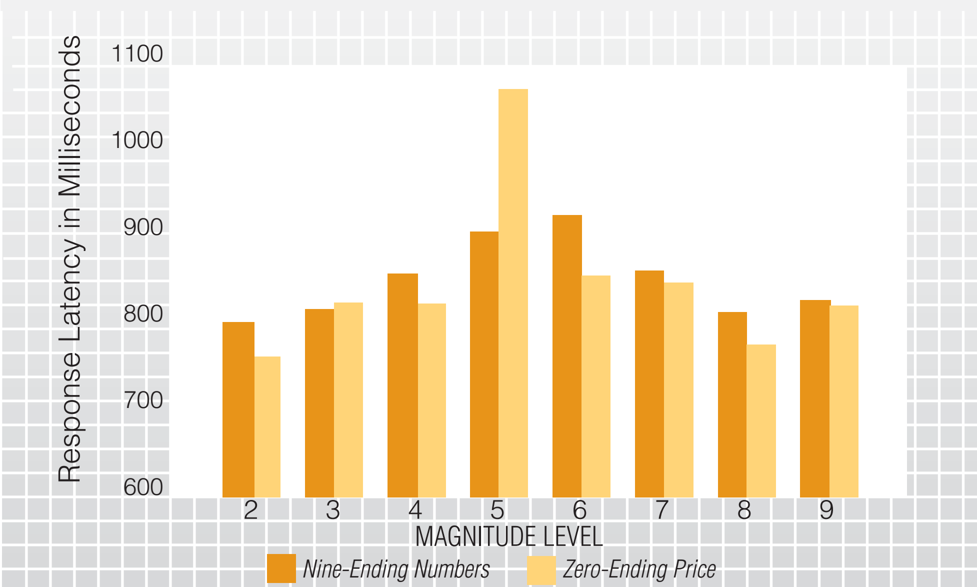
There's more to the story of nine-ending digits. For example, it is the psychological distance between numbers and not the nominal distance that affects how they are processed, and the psychological distance depends on the reference frame. Say a person is comparing three numbers. Whether the number five is perceived to be high or low will depend on whether the stimulus range is 0-6 or 4-10. We conducted studies in which we asked study participants to compare the quality rating of three products. And when the psychological distance between the product's rating and the stimulus endpoints was low, the nine-ending effect was strong.

Sure it's tempting to scoff at seemingly transparent strategies to price a gallon of gasoline $2.99 instead of $3.00, or a pair of jeans at $69.99 instead of $70.00. But retailers and advertisers have always known that there's a great deal of psychology involved in marketing and pricing a product optimally. Some observers may continue to think that a penny doesn't make much of a difference to consumers who are making purchasing decisions. But because of the way humans process numeric information, sometimes a penny can be worth a lot more than one cent. ■

> **"Retailers and advertisers have always known that there's a great deal of psychology involved in marketing and pricing a product optimally."**

— FIGURE 2 —

CHANGE IN LEFT DIGIT AFFECTS RESPONSE LATENCY ONLY WHEN THE DISTANCE FROM COMPARISON STANDARD IS SMALL



Note: The nine-ending numbers are 1.99, 2.99, 3.99, 4.99, 5.99, 6.99, 7.99, and 8.99. The corresponding zero-ending numbers are 2.00, 3.00, 4.00, 5.00, 6.00, 7.00, 8.00, and 9.00. These numbers were compared with 5.50.

VICKI MORWITZ *is an NYU Stern professor of marketing and the Robert Stanksy Faculty Research Fellow.* MANOJ THOMAS *is a doctoral candidate in marketing at NYU Stern.*

This article is adapted from an article that appeared in the June 2005 issue of the Journal of Consumer Research.

DIGITAL RIGHTS & WRONGS

As old media transforms into new media, executives are grappling with how best to manage the pricing and packaging of digital movies, music, and books – all while keeping piracy at bay. A new model offers some guidance on how to approach this thorny and crucial challenge.

By **Gal Oestreicher-Singer** and **Arun Sundararajan**

In the many industries making the wrenching transition from physical to digital products – music, video, publishing – the effective management of digital rights is a crucial challenge. Increasingly, products once sold exclusively as tangible goods are now available as pure digital goods. These digital goods have a number of attractive properties for sellers. They're much cheaper to produce and deliver, and they may include electronic features that enhance the user experience.

But the process of transition toward digitizing products is uncertain, and currently incomplete. This presents sellers with difficult technological and business decisions. On the one hand, most current sales continue to be in the form of tangible goods, and digital goods are seen as imperfect substitutes for their physical counterparts. On the other hand, technologically savvy customers are likely to view digital products as being of higher value, and possibly as better substitutes. And most crucially, digital goods are subject to piracy, which can affect demand for both nascent digital goods and the corresponding physical goods.

How can companies price digital goods in a way that both maximizes profits and minimizes the incentives for piracy? How can they control the quality of digital goods and the extent to which their presence leads to piracy? The answer lies in the management of the rights associated with digital goods.

Yes, the technological challenges of digital rights management (DRM) are gradually being addressed by the emergence of viable industry-specific platforms like iTunes, which uses the FairPlay DRM technology to secure its music. But effective DRM requires the striking of a delicate balance. An insufficient level of digital rights can result in the premature failure of a digital initiative, as illustrated by early emusic services. And granting digital rights that are too extensive can lead to cannibalization of established sales of physical goods – or to widespread digital piracy, which can wipe out a nascent digital industry. For example, the right to download (rather than stream) digital audio files increases the desirability of purchasing legal digital music. But it also increases the threat of digital piracy over file-sharing networks. The right to print a digital book encourages ebook adoption, but enables the creation of pirated PDF copies.

ILLUSTRATION BY STEVE DININNO

As part of an effort to better understand the role of digital rights, we developed an economic model that characterizes the value of digital rights when products are sold both embedded in tangible physical artifacts and as pure digital goods, and when granting digital rights may also affect the extent of digital piracy. Then we tested it by examining sales of one form of digital content: ebooks.

"Sellers should focus on enhancing the digital consumption experience and not on trying to digitally recreate their physical products."

An Economic Model of Digital Rights

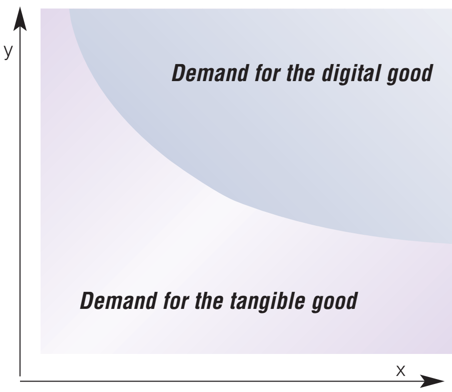
We analyze the decisions of a seller who produces two versions of a product: a physical (tangible) good and a digital good. Consumers are familiar with the tangible good and perceive it to be of a constant and well-understood level of quality. The quality of the digital good, on the other hand, is determined by the level to which the seller grants rights to buyers of the digital goods – the right to print an ebook, to backup a downloaded video file, or to burn music CD's, for example. The range of possible settings for each digital right is determined by the DRM platform used by the seller and has prespecified minimum and maximum levels. Under Adobe's DRM platform for ebooks, for example, a seller can offer unlimited printing, or no printing whatsoever, or can specify a fixed number of pages that can be printed during each time period. As a general rule, granting a buyer a higher level of digital rights imposes no direct costs on the seller and increases the value the buyer realizes from the digital good.

Of course, in addition to the legal physical and digital versions, there may be a pirated digital version of the good. And the quality of the pirated good is also determined by the level to which the seller grants different digital rights to buyers of the digital good. Why? Because, as previously mentioned, increasing the level of rights granted to legal users often has an unintended consequence: it facilitates the creation and spreading of higher-quality pirated versions as well.

Our model, which is mapped out

— FIGURE 1 —

SUMMARY OF DEMAND IN THE ABSENCE OF PIRACY



in **Figure 1**, posits that customers are heterogeneous along two dimensions. First, how much they value digital quality, or the granting of digital rights (represented by the parameter on the y axis). The higher the value of y, the more the customer values digital goods of fixed quality. The second dimension (the x axis) represents the customer's relative preferences for tangible versus digital goods. All else being equal, customers with a higher value of x place a higher value on the digital good and a lower value on the physical good than a customer indexed by a lower value of x.

To further capture diversity in customer preferences for the tangible good, the digital good, and the pirated good across industries, we use a preference diversity parameter t. A higher value of t indicates that, on average, customers vary more in their relative preferences for the tangible and digital goods. We, therefore, use this as a (inverse) measure of the technological sophistication of the seller's target customers. As shown in **Figure 1**, when piracy isn't an issue, customers in the upper-shaded area prefer the digital good to the tangible good, after accounting for the price differences between the two goods.

So, what happens to prices when customers choose between the tangible good and the digital good in the absence of piracy? The price customers are willing to pay for the digital good (1) rises as the price of the tangible good rises; (2) rises as the quality of the digital good rises, and consequently, as the level of each digital right granted to its buyers rise; (3) and falls as the technological sophistication of its potential customer falls. Given this, if there is no risk of piracy, sellers should grant buyers the maximum level of digital rights possible. They have nothing to lose by doing so, since they can manage cannibalization by their strategic control over price. And offering the highest level of quality provides the seller with maximum pricing power.

In practice, however, pretty much every seller restricts the rights of its digital goods. Why? Of course, it is because granting unrestricted digital rights will ultimately result in the increased and widespread prevalence of free pirated goods. When piracy enters the picture, buyers thus choose between three substitutable versions – the tangible good, the digital good, and the pirated good. And there will be a group of technologically savvy consumers who are willing to find and use pirated goods. The demand for tangible, digital, and pirated digital goods can be mapped as in **Figure 2**. The customers in the red region prefer to pirate the good, and the seller loses these customers.

Note that in **Figure 2**, customers purchasing the digital good are in the right upper portion of the customer space. They place a high value on digital rights, but also have a strong preference for digital goods over physical goods. This suggests that digital rights that enhance the digital experience of a good are likely to have a more positive impact on seller value than those that allow buyers simply to replicate the consumption experience they associate with a physical good. In other words, sellers should focus on enhancing the digital consumption experience and not on trying to digitally recreate their physical products. For example, the right to play one's purchased digital music files on multiple authorized rendering devices (enhancing the digital experience) is likely to have a higher positive effect on pricing than the right to burn these music files on a CD (replicating the physical good experience). Additionally, the optimal price of a digital good should rise not only with the increase in price and the quality of the tangible good, but also should rise along with the difference in quality between the digital good and the pirated good.

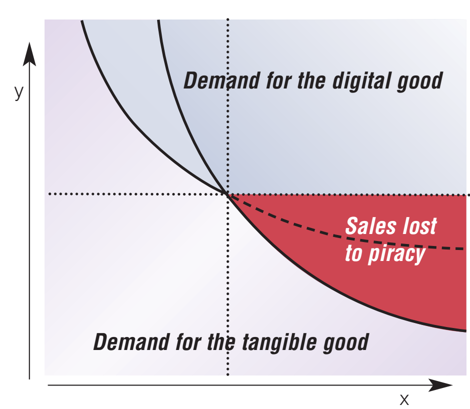
Evidence from the Ebook Industry

Our economic model predicts that if digital rights are assessed as being valuable by customers, but don't really affect the prevalence of piracy, they will have a positive direct effect on quality and price. Correspondingly, if digital rights are not assessed as being especially valuable by customers of the digital good, but substantially increase the quality and availability of pirated substitutes, they will have a negative direct effect on price and demand.

We set out to test those assumptions by analyzing the prices and digital rights of ebooks sold by a specialty Web-based ebook retailer. We constructed hedonic price equations for these ebooks (similar to those

— FIGURE 2 —

SUMMARY OF DEMAND IN THE PRESENCE OF PIRACY



used in constructing the consumer price index). We analyzed books in three categories that we believed would have target customer sets with different levels of technological sophistication: computers, philosophy, and science fiction. The smallest of these categories had 596 ebooks in our sample.

Every ebook is available in the Adobe eBook format – the format whose DRM platform offers the widest range of digital rights. In addition to its price and category, each ebook has five digital rights associated with it: printing, copying, expiry, lending, and reading aloud. The printing and copying rights have three kinds of settings: unrestricted, none, and partial. And the partial rights allow for different levels of volume and frequency.

When we estimated the equation, the signs of the coefficients were quite striking. (**See Table 1**) They indicate that granting two of the four digital rights – copying and reading aloud – result in significant increases in ebook prices. However, granting printing and lending rights result in significant (and substantial) decreases in prices. Moreover, this direction of change persists as one increases the level of printing and copying rights granted to buyers. In other words, the right to print ebooks increases the value of pirated substitutes for books substantially more than it increases the value of the digital good. Based on our economic model, this has an intuitive explanation. Given that the set of customers who purchase ebooks are those whose tastes favor digital goods over physical goods, the ability to create printed copies of their ebooks is unlikely to have much of a positive direct effect on ebook quality. On the other hand, the PrintAll right facilitates the creation of near-perfect copies of many ebooks, which results in a negative differential effect. Similarly, our results suggest that lending rights do not increase ebook quality significantly, but create high-quality free substitutes. Our data therefore confirms that, rather than easing the transition, replicating the physical consumption experience can often simply lower a seller's pricing power.

In contrast, copying rights enhance the ebook digital experience. While copying may facilitate piracy, current copying rights are restricted only to text, and not to figures or images; moreover, pirated versions created by copying text lose the typesetting and layout of the original. Our results indicate that the positive direct effect that copying rights have on ebook quality dominate any differential effect. As currently implemented, the read-aloud right does not make pirating an ebook any easier or more difficult, and, therefore, is likely to have both a positive direct effect and a positive differential effect.

The empirical results, which support the predictions of our model, suggest some important new guidelines for managers in industries that are progressively being digitized. In the absence of piracy, digital rights are always valuable through their direct effect on increasing the quality of digital goods. And any concerns relating to the cannibalization of the sales of physical goods can be effectively addressed by a strategic choice of pricing. However, when the threat of piracy is real – and it is, perhaps more so in music and video than for ebooks – choosing one's digital rights carefully is crucial when balancing product value, cannibalization, and piracy. Our research thus presents new evidence of the importance of an informed and judicious choice of the different digital rights permitted by one's DRM platform, and it provides a simple framework for guiding managers in the growing number of industries that are being transformed by information technology.

Of course, this work is just a first step. We have collected more data over the last year, and we are currently carrying out more extensive empirical validation of our theory. And it's likely that consumer tastes and behavior will continue to evolve as more and more people become comfortable with buying and using digital products. The next time we present our findings, perhaps they'll be simultaneously available as a tangible good – i.e. in a magazine like this one – and as a digital product. ■

— TABLE 1 —

THE EFFECT OF DIGITAL RIGHTS ON EBOOK PRICES

Variable	Coefficient	Corresponding impact on price
CopyAll	0.560 *** (0.201)	Increase of 75%
CopyPartial	0.219 ** (0.101)	Increase of 24%
PrintAll	–0.636 *** (0.188)	Decrease of 47%
PrintPartial	–0.208 * (0.115)	Decrease of 19%
Lend	–1.11 *** (0.105)	Decrease of 67%
ReadAloud	0.461 *** (0.048)	Increase of 59%

GAL OESTREICHER-SINGER *is a doctoral candidate and* ARUN SUNDARARAJAN *is an associate professor of information systems at NYU Stern.*

This article is adapted from a paper presented at the Twenty-Fifth International Conference on Information Systems, which won the award for Best Overall Research Paper.

FOUND IN TRANSLATION

Culture has a profound influence on all aspects of behavior. It determines how individuals perceive and interpret pheno[illegible] and the meaning they [illegible] material goods [illegible] Cultural bo[illegible] as barriers and impede the flow of ideas and communication. But culture has long since ceased to be the exclusive preserve of anthropologists. In an increasingly global economy, the receptiveness of ideas and products that originate in other cultures in markets around the world is a central issue. And the failure to consider the impact of cultural forces has been behind many mistakes made in international markets.

Culture's impact varies depending on the product. Power tools and heavy construction equipment have very few cultural connotations, for example. By contrast, food, clothing, and modes of artistic expression may be strongly embedded in a particular culture, and differ markedly from one culture to another. And individuals' acceptance of such products from other cultures depends in part on the compatibility of the product with their own value and belief system. What's more, individuals in a

ILLUSTRATION BY DOUG PANTON

Hollywood movies are one of America's greatest exports. What can the prevalence of the Golden Arches – and the acceptance of US culture generally – in foreign markets tell us about the likelihood of movie producers finding commercial gold overseas?

By **C. Samuel Craig, William H. Greene,** and **Susan P. Douglas**

particular culture may want to emulate the life-style and behavior patterns of another culture. Think of how consumers in other countries have embraced American cultural icons like McDonald's, Coca-Cola, and Levi's.

Few studies have attempted to assess systematically the influence of culture on acceptance of a culturally embedded product. So we set out to examine the extent to which both the cultural content of a product and the context (i.e. the country) in which it is sold affects sales. We chose film, a highly complex product that is rich in cultural meaning. Films inevitably reflect the view and visions of writers, actors, and directors, all of whom are influenced by the cultural context in which they operate. Further, each film is unique and represents a new product offering. Best of all, sales data on many films are available on a country-by-country basis, making success relatively easy to measure.

Exporting Culture

The global film industry has come to be dominated by US studios, and film entertainment represents a major US export. Of the 256 top grossing films of all time in terms of non-US box office (gross revenue of $100 million or more), all but six were American. In 2002 the top five films in Germany, The UK, Australia, Spain, Argentina, The Netherlands, Japan, South Korea, and China were US films.

In 2002, US theatrical release revenues were over $9.5 billion, and US studios could expect to receive equivalent theatrical revenue from foreign markets. But the box office represents just a small slice of the pie. Studios generate revenue from multiple "windows" – pay-per view, DVDs, and broadcast television. The theatrical release window is the most critical, as it establishes the value of the film for subsequent windows, and for licensing, merchandising, and related products such as books or theme park rides. But in 2002, US theatrical revenue represented only 9.7 percent of the total revenue studios received from key film release windows.

In addition to their economic importance, films play an important role in the transmission of cultural values and mores. French films by Francois Truffaut, Swedish films by Ingmar Bergman, Italian films by Federico Fellini, and Japanese films by Hayao Miyazaki all reflect the vision of the directors and the cultures that produced them – just as surely as Steven Spielberg's blockbusters are representative of America.

To date, the studies that have examined the performance of US films in foreign markets have focused on developing models to predict box office performance. And while both demonstrated that a film's box office performance in the US is a strong predictor of its success outside the US, neither examined how the cultural context in which films are released influences their success.

For the purposes of our study, we broke down culture into three different components: the intangible elements or values and beliefs, the material aspects, and communication and language. Each plays a role in influencing the success of US films in foreign markets and interacts to provide a climate varying in the degree of receptivity to US films. And each give rise to a hypothesis that we set out to test.

Understanding Culture

Values and belief systems have been widely used in assessing the impact of cultural context on behavioral phenomena in cross-cultural psychology as well as management studies. There is a rich tradition in the international business literature examining the impact of national cultural values on foreign market entry, selection of mode of entry, and new product development. In general, societies with similar cultural values are expected to exhibit more similar response patterns than those with different values. So insofar as US films reflect US values, we hypothesize that the more culturally similar a country is to the US, the more likely a US film will be successful at the box office in that country.

The range and variety of material goods available in different cultures also provide an important indicator of their receptivity and openness to products from other cultures. Of course, countries vary in the extent to which they emulate a US lifestyle and use consumer products that are seen as American in origin. People in other countries may also embrace other aspects of US culture – whether it's rooting for golfer Tiger Woods or eating fast food. Consequently, we hypothesize that the higher the degree of Americanization in a country, the more likely a US film is to be successful there.

Language is an important element of culture. It provides a cohesive bond among members of a shared language group, and it can also establish a major barrier between cultures. With film, language is important not only for effective understanding of the film's content, but also because it is an important component of culture. In non-English-speaking countries films need to be dubbed or subtitled, which may diminish their effectiveness and impact. In some cases there may also be inconsistency between the scenario and the language spoken, for example when an American Western is dubbed into Mandarin. More importantly, one may expect speakers of the same language to have similar cultural beliefs, attitudes, and behavior patterns. So we hypothesize that US films are more likely to be successful in English-speaking countries than in non-English speaking countries.

It is also important to consider how different types of films will be received by different cultural groupings. At the extreme, Westerns are unmistakably American. Comedy tends to be embedded in a particular culture and appreciation of a particular type of humor. Notions of romance and courtship vary considerably from culture to culture and may not correspond to contemporary US mores. On the other hand, fantasy and science fiction are not necessarily anchored in any particular culture, although members of a particular culture may exhibit preferences (or dislike) for these genres. Since prior research on US films in foreign markets has demonstrated that genre has an impact on a film's performance in different countries, we also set out to determine how well different genres translate.

"Films had higher per capita box office receipts in countries that had more McDonald's outlets per capita."

In order to examine these hypotheses, we developed a hierarchical regression model specifying the impact of both film-level and country-level independent variables on box office receipts. The dependent variable consisted of foreign box office receipts in eight different countries for the top 50 US films between 1997 and 2002, compiled from Variety.com. (To place in the top 50, a film had to have a minimum domestic gross revenue of approximately $50 million.) Corresponding data for the same films were obtained for the eight foreign countries available on Variety.com (Australia, The UK, Austria, Germany, Argentina, Chile, Mexico, and Spain). These data were adjusted to per capita values and expressed as logs.

The independent variables consisted of two groups. The first group measured film characteristics, such as US box office revenue and film genre. The film's genre was obtained from the Internet Movie Data Base. (**Table 1** contains a listing of 12 of the genres. The 13th genre was crime.) The second group measured country characteristics – cultural distance, degree of Americanization, and language. Cultural distance was measured based on distance from the US on a composite index of Dutch management scholar Geert Hofstede's four value orientations: Individualism/Collectivism, Power Distance, Uncertainty Avoidance, and Masculinity/Feminity. The degree of Americanization was assessed based on the number of McDonald's outlets per capita in each country. (There is some precedent for using the presence of McDonald's in novel ways. *The Economist* has found that the price of Big Macs is a useful measure of currency disparities and annually publishes its Big Mac Index.) All the films save two – "Chocolat" and "Crouching Tiger, Hidden Dragon" – were originally released in English.

Golden Arches

The results of our regression tests can be seen in **Table 1**. What do they tell us? As we hypothesized, cultural distance had a significant effect on the performance of films. The coefficient was negative (-0.157) and highly significant. Films released in countries that were culturally closer to the US were more likely to perform better. Conversely, films released in countries that were more distant culturally from the US did not perform as well.

Films had higher per capita box office receipts in countries that had more McDonald's outlets per capita. The coefficient for the number of McDonald's outlets per capita was positive (0.0399) and highly significant. And when films were released in other English-speaking countries, The UK and Australia, they performed better than when they were released in non-English speaking countries. Seven of the genres had a significant impact

— TABLE 1 —

ESTIMATED REGRESSIONS FOR LOG PER CAPITA BOX OFFICE, ALL COUNTRIES AND BY LANGUAGE GROUP

	All	All	English	German	Spanish
	Nonrandom Parameters				
Macs Per Capita	0.0399 (0.0033)**	0.070 (0.001)**	0.0274 (0.002)**	0.0329 (0.0031)**	0.238 (0.017)**
Cultural Distance	-0.157 (0.012)**				
English Speaking	0.140 (0.0593)**				
Drama	-0.0933 (0.0919)	-0.0832 (0.0933)	-0.269 (0.085)**	-0.260 (0.060)**	-0.154 (0.176)
Romance	0.177 (0.129)	0.171 (0.132)	0.362 (0.124)**	0.770 (0.088)**	-0.118 (0.229)
Comedy	-0.0942 (0.0901)	-0.0927 (0.092)	0.0208 (0.084)	0.0362 (0.058)	-0.395 (0.171)**
Action	0.179 (0.089)**	0.185 (0.092)**	0.132 (0.084)	0.303 (0.058)**	0.0531 (0.171)
Fantasy	0.557 (0.133)**	0.558 (0.136)**	0.462 (0.124)**	0.816 (0.085)**	0.252 (0.252)
Adventure	0.197 (0.107)*	0.204 (0.109)*	0.0896 (0.101)	0.0356 (0.0682)	0.139 (0.205)
Family	-0.287 (0.101)**	-0.189 (0.103)**	-0.027 (0.099)	0.0216 (0.0701)	-0.764 (0.189)**
Animated	0.281 (0.108)**	0.284 (0.110)**	0.168 (0.101)*	-0.351 (0.069)**	0.450 (0.208)**
Thriller	0.0827 (0.113)	0.081 (0.115)	-0.132 (0.107)	-0.202 (0.075)**	0.172 (0.209)
Mystery	0.685 (0.201)**	0.679 (0.207)**	0.256 (0.185)	1.176 (0.145)**	0.803 (0.375)**
Science Fiction	0.162 (0.117)	0.166 (0.119)	0.207 (0.111)	0.251 (0.076)**	-0.0478 (0.228)
Horror	0.279 (0.108)**	0.294 (0.111)**	0.132 (0.100)	0.251 (0.026)**	0.276 (0.206)
Sample Size	2198	2198	597	559	1042

Note: Estimated standard errors are in parentheses
* Indicates 95% significance level
** Indicates 99% significance level

on how films performed in foreign countries. Action, Fantasy, Adventure, Animated, Mystery, and Horror all performed significantly better in foreign countries, while Family performed significantly worse. For the other five genres, the coefficients were not significant.

The combined effect of cultural distance and language suggested that it would be useful to analyze the data by three language groupings: English, Spanish, and German. And here, the genre effects revealed some important differences that were not evident in the all-country analysis. Genre effects were most pronounced in German-speaking countries, with nine of the 12 genres having a significant effect. In English-speaking and Spanish-speaking countries only four genres had an impact on performance and only one of these, Animated, was common to both.

The findings have a number of implications for studio executives and film distributors. For studios that work through independent distributors in overseas markets, enhanced knowledge of how a film is likely to perform in a foreign market can strengthen their bargaining position with independent distributors. For films that a studio distributes itself, the knowledge of likely performance can help it effectively allocate promotional efforts. It is particularly important to take into account the popularity of different genres. In English-speaking countries eight of the 12 genres enjoyed the same degree of success as they did in the US. Romance, Fantasy, and Animated films were more likely to be successful. However, as in Germany, Drama was less likely to be successful. In Spanish-speaking countries, Comedy and Family were less likely to be successful, and Animated and Mystery were more likely to be successful.

This research has broader implications beyond film. After all, films are not the only products laden with cultural content and symbolic meaning. Television shows, music, theater, dance, and opera are equally replete with cultural content. In addition, products such as sports, games, and household décor reflect strong cultural influences. Other products and brands, such as Coca-Cola, Marlboro, sushi, futons, and fish and chips, are all seen as symbols of the culture from which they emanate. The results of our study suggest that for an expanding range of products, the cultural context can be as important a factor to consider as price, design, or manufacturing cost. ■

C. SAMUEL CRAIG *is the Catherine and Peter Kellner Professor of Entrepreneurship, Media, and Entertainment,* WILLIAM H. GREENE *is a professor of economics, and* SUSAN P. DOUGLAS *is the Paganelli-Bull Professor of Marketing and International Business at NYU Stern.*

This research will be appearing in an upcoming issue of the Journal of International Marketing.

PEER TO PEER

Student Life in Washington Square and Beyond

Consulting with Care

This spring, the Volunteers of America (VOA), one of the nation's oldest and largest faith-based human service organizations, hosted Stern Consulting Corps' (SCC) MBA interns at its corporate headquarters. VOA executives from finance, operations, and human resources offered students an in-depth view of the organization and the challenges it faces in the not-for-profit world.

SCC and VOA intern Rifki Zable investigated development possibilities for low-income housing and options for relocation of Bronx schools. She also researched New York City locations for VOA's early learning centers for children with disabilities. The goal was to find spaces that were comparable to the current leases, but that could accommodate more children and better suit their needs. In her final presentation, Zable evaluated the strengths and weaknesses of several options available to VOA.

Joseph Auld, director of capital projects at VOA, said Zable's observations have made a profound impact on the organization: "Her analysis of our present lease structure, along with her spreadsheet models for the development of a new school, are now being reviewed by our development team. Rifki's work will be expounded upon and will ultimately be part of the development work towards building a $14 million, state-of-the-art, educational facility for children with learning disabilities."

Zable described her experience at VOA as truly gratifying. "Working at Volunteers of America was an eye-opening experience. Getting exposure to their executives during our visit to corporate headquarters really put the project I worked on into context by seeing how it fit into the bigger picture."

SCC programs enable Stern MBA students to put into practice the skills and knowledge they gain in the classroom to help revitalize small and minority-owned businesses and benefit nonprofit organizations in New York City. Stern students gain invaluable consulting experience that is directly transferable to their future careers, as well as an opportunity to express their social consciousness and sense of community involvement.

To date, Stern has partnered with more than 75 New York City-based organizations, including Seedco and the Clinton Foundation's Harlem Small Business Initiative, and more than 250 Stern MBA students have served as business consultants through this program.

ILLUSTRATIONS BY STEVEN SALERNO

Stern Alum Graduates to Hollywood

Every year, thousands of ambitious young men and women audition for a ticket to Hollywood on "American Idol." Pamela Nemoto (BS '05) found her way to Tinseltown by excelling in a contest with her writing – not her voice.

Nemoto bested 1,600 fellow contestants in the *Variety*Careers' "Ultimate Hollywood Agenda" contest, sponsored by *Variety*'s media and entertainment job website. Entrants competed by submitting resumes and answers to three entertainment-related questions. A panel of judges from *Variety* selected Nemoto as the winner based on the creativity and intelligence of her answers.

Nemoto, who graduated in January with a major in marketing and finance and a concentration in entertainment, media, and technology (EMT), chose to attend NYU Stern primarily because of the School's city location. "I was excited to live in New York City and knew Stern could offer a lot of opportunities. I got the sense I could open a lot of doors at Stern," she noted.

Once she began taking classes in the EMT program, the doors opened wider. "Students in the EMT concentration are constantly exposed to people from the entertainment industry, through in-class speakers, guest seminars at Stern Tisch Entertainment Business Association (STEBA) student club events, and internship opportunities," she said. "This exposure, coupled with the concentration's dual business/creative focus, enables students to feel more comfortable and knowledgeable when meeting with entertainment professionals outside of school."

"I am excited and delighted that Pam, whom I know well from her participation in our classes and club activities, won this valuable opportunity," said Al Lieberman, executive director of the EMT program. "From our perspective, her selection was the next logical step from our courses in the EMT program at Stern: understanding the business, having a dream, and acting on it. We will be watching her career success closely."

As the winner, Nemoto will fly to Los Angeles and meet with entertainment executives who work in film buying, her area of interest. She will also attend a Hollywood event and dine with *Variety* and entertainment industry executives, where "I will definitely be putting my Stern, EMT, and STEBA experiences to good use," she said. "And since the entertainment industry is especially volatile, it is always interesting to meet other professionals and hear their perspectives on the future of entertainment."

Beyond the learning and networking opportunities this contest has provided, Nemoto explained, "I've learned to explore as many opportunities as possible, regardless of how remote they may seem."

From Wunderkinds to Wonderwomen

Anjela and Diana Kniazeva, sisters who are 20 and 18 years old, respectively, recently became NYU Stern's youngest graduates to date. In May, the Russian sisters received master's degrees in financial economics. For each, the degree represents the sixth college degree in seven years.

Their secret is an intensive, condensed educational program developed by their mother, Yulia Kniazeva, a childhood-development expert and researcher at a Moscow university. She home-schooled the sisters in Russia, where they covered elementary and high school subjects in five years, along with foreign languages, gymnastics, drawing, and classical dance.

After completing high school, the girls, then 12 and 10, enrolled in Russia's Finance Academy, one of the country's top universities in finance and economics. Three years later, in 2000, they earned degrees in economics equivalent to bachelor's and master's degrees, which were personally awarded by the Russian Education Minister. A strong interest in corporate, financial, and banking law, next led to them to complete a five-year full-time program in law at the Russian New University. Then it was on to Stanford University, where they both received master's degrees at the university's international policy studies program.

"In some of the classes at Stanford, the professors didn't even suspect that we were younger than our peers," Diana explained. "In one case, after the class was over, we mentioned it in passing to the professor: 'There's just one curious thing we bet you don't know about us.'"

As if five degrees each were not sufficient, Anjela and Diana went on to study financial economics at NYU Stern, where they received their master's degrees in May. They remain at Stern continuing their studies in pursuit of doctorates, on their way to becoming the university's youngest PhD graduates.

"Stern is obviously one of the best business schools in the country and has a top PhD program," Diana said when explaining why she moved across the globe to study in New York City. Anjela was quick to add, "The challenging and high-ranked program that Stern offers to doctoral students has been a great factor in our professional development. Stern has the right ingredients to give us the necessary knowledge, experience, and research skills in our chosen areas."

Stern's youngest graduates: sisters Anjela (left) and Diana (right) Kniazeva.

The genius sisters think they'll be done with school in two years, and then will work in corporate finance research. Their hope is to attain academic positions at the same top US business school, where they could collaborate on research in corporate finance and financial economics.

Though they are working on separate projects with Stern faculty and have developed interests in different topics within the same field, Anjela said, "If there is an opportunity to create synergies from co-authoring work, we definitely won't shun it. She is my sister."

"Well, it's not just that we're sisters and best friends," chimed in Diana, "but we've worked closely for a very long time, so we understand each other, and if we have the opportunity for the both of us to contribute to the work that's being done, that's great."

For now, the sisters live with their father in Greenwich Village and play tennis and badminton, go to the movies, and on walks through the park. When asked if they are interested in earning any other degrees after they receive their PhDs, Diana smiled and answered, "Never say 'never.' But in the foreseeable future, I'd say there's mostly going to be work and research in finance."

Bon Voyage! Gute Reise!

Imagine tasting delectable schnitzel served in a medieval tavern; exploring world famous collections of applied arts and Masterpiece paintings at the Museum of Art History; and taking in a concert at the Kursalon, where Johann Strauss performed some of his most notable works. This year, NYU Stern students did just that, stepping outside of the classroom to expand their intellect and cultural well-roundedness by touring Vienna, Austria.

Valerie Galinskaya (second from right) and a group of her fellow Stern Scholars visit the historic Schonbrunn Palace on their trip to Vienna, Austria.

In January, select sophomores and seniors traveled to Vienna and discovered its artistic and musical heritage as part of the Stern Scholars Program. The Program taps top students in each class who have proven academic achievement and leadership potential and awards them an annual merit scholarship as well as access to a rich combination of seminars, executive lectures, international travel, community service, and social activities, all designed to shape students into sophisticated, global ambassadors and civic-minded business leaders. Past Scholars have also visited Prague and Paris.

Over the course of a week, the Scholars toured the staterooms of the Schonbrunn Palace, the summer palace of Maria Theresa and Kaiser Franz Josef; the monumental buildings of the Ring Strasse, including the Gothic town hall, Parliament building, and State Opera House; and the Vienna Woods for a view of the ruins of the home of the Liechtenstein dynasty and Mayerling's hunting lodge. Scholars were also educated on 20th century Vienna by faculty at Vienna University.

A highlight of the trip was catching a performance by the Vienna Opera, noted Valerie Galinskaya, a Stern Scholar and junior marketing and finance major who enjoyed Mozart's "The Magic Flute," despite waiting in line for two hours to get standing seats. But what Galinskaya valued most about her trip to Vienna is the greater knowledge and appreciation of arts and culture that international travel offers. "The Vienna trip enhanced my view of the world and gave me a broader understanding of Europe and of Vienna's history and culture," she said. "In the long run, it's going to make me a more well-rounded person no matter what field in business I ultimately pursue."

Reflecting on the most striking cultural difference she noticed in Vienna, Galinskaya pointed to an observably less hectic pace of life: "People wait patiently at the street lights for the light to turn green before crossing the street, which as a New Yorker, I found just absurd. The cross walk is an example of the high value attached to order and organization in Vienna. The city's train system, the U-Bahn, is immaculate too. I remember a sign that said 'the next train will arrive in 1 minute and 40 seconds,' and it literally came in 1 minute and 40 seconds."

class *notes*

1930s

Margaret Charters Ross Thrailkill (MS '38) of Spokane, WA, served 10 years on the Audit Committee of the Board of Directors for the Washington Water Power, an electric and gas utility. She was the first woman on the board in 89 years. She was also awarded the Whitman College Walla Walla Lifelong Achievement Sally Rodgers Award.

1940s

Leonard J. Smith (BS '39, MBA '40) of Los Angeles, CA, was honored as one of two living founders of the Society for Human Resource Management at their 57th Annual Conference, where they introduced their 200,000th member.

Stanley Turkel (BS '47) of Kew Gardens Hills, NY, published his first book, "Heroes of the American Reconstruction," a history of African-Americans in the 19th Century post-Civil War period.

Mort Reichek (BS '48) of Monroe Township, NJ, retired in 1989 after serving as Washington Correspondent and Senior Editor for *BusinessWeek* magazine for 31 years. He has been listed in "Who's Who in America" and has served as a freelance contributor to *New York Times Magazine and Book Review, The New Republic, Columbia Journalism Review, New Leader Magazine*, and others. He is currently married with two children and three grandchildren.

Roland Sigal (MS '48) of Allentown, PA, was awarded a doctorate in Community Service by Cedar Crest College, Allentown, PA. He has been a Trustee at Cedar Crest for 27 years.

Irwin Spivak (BS '49) of Palm Beach, FL, is the author of the *Palm Beach Post*'s column "Second Time Around." He also teaches creative digital photography and the history of jazz at Florida Atlantic University, where he was voted "Professor of the Year" in 2003.

1950s

Carl Steinhouse (BS '52) of Naples, FL, recently published his second book "Righteous and Courageous." This book and his first book, "Wallenberg is Here!," published in 2002, are based on events surrounding the Holocaust.

Howard Stone (BS '57) of Palm Beach Gardens, FL, authored the book "Too Young to Retire," a guide for individuals 50 years old and older looking for ways to enrich their lives post-retirement. He has built a coaching practice on helping other mature people discover their own later-life callings and passions.

Jerry L. Cohen (BS '53, MBA '59) of New York, NY, was named "Israel Cancer Research Fund (ICRF) 2004 Real Estate Man of the Year." Cohen is a Partner with Tishman Speyer Properties and serves on the NYU Stern Board of Overseers. He is also a Partner of the Yankee Global Enterprises and was previously President of the New Jersey Nets.

Jack A. De Santis (BS '55) of Staten Island, NY, has been elected as Director Emeritus of Northfield Savings Bank. He is a CPA and has previously served as an advisor to the Northfield Savings Bank Board of Directors.

Eugene Miller (MBA '59) of Boca Raton, FL, celebrated his 55th year as a professor. He has been an adjunct professor at NYU Stern, the Graduate Business School at Fordham, Northeastern Illinois University, and University of Houston, and for the last 14 years he has been Adjunct Professor and Executive-in-Residence at the College of Business at Florida Atlantic University in Boca Raton, Florida.

1960s

Cesar Navarette Sarino (MBA '60) of Mutinlupa City, Philippines, is the former Secretary of the Department of Interior and Local Government. He is currently President of Government Service Insurance System and Presidential Adviser for Southern Tagalog.

John Francis Dill (MBA '63) of Naples, FL, was awarded the "American Medical Publishers Association Lifetime Achievement Award" on March 13, for his contributions to the growth and development of medical publishers. Prior to his retirement nine years ago, he was Chairman, CEO, and President of Mosby-Year Book Company.

John Hyde (MBA '63) of North Hollywood, CA, has been appointed to the Board of Directors of Mainframe Entertainment, Canada's leading computer generated animation production company.

Richard Berman (BS '64, MBA '73) of New York, NY, was named in January to the Board of Directors for Dyadic International Inc., a leading biotechnology company. Since 1980, he has been a private investor in real estate development and currently owns seven commercial or office properties in New York City. He is also a Director of five other public companies and Chairman of two private companies.

Peter J. Leveton (MBA '64) of Columbine Valley, CO, was appointed CFO of Zynex Medical Holdings. He was previously Vice President, Sales & Marketing with Integrated Financial Systems. Zynex is a leading provider of therapeutic devices for patients with functional disabilities.

Rafael B. Buenaventura (MBA '67) of Metro Manila, Philippines, was named "Management Man of the Year" from the Management Association of the Philippines. He is the Governor of the Central Bank of the Philippines. Prior to his appointment to the Central Bank, he had a distinguished career in private commercial banking.

Martin Lippe (BS '67) of Fairfield, CT, was recently featured in *The New York Times* for his work as a forensic accountant. He worked for the IRS for 27 years in the criminal division before retiring in 1997 and starting his own investigative firm.

Farooq Kathwari (MBA '68) of New Rochelle, NY, is Chairman, President, and CEO of Ethan Allen Global Inc. He was recently featured in *The New York Sun* discussing his plans to reinvent the Ethan Allen company.

Jorge Irizarry (BS '69) of San Juan, Puerto Rico, has been named Executive Vice President of Financing at The Government Development Bank, which acts as financial adviser and conduit issuer for Puerto Rico.

Gary Pokrassa (BS '69) of Ronkonkoma, NY, has been appointed as CFO for Lakeland Industries Inc., a leading manufacturer of industrial protective clothing.

1970s

John R. Buran (BS '71, MBA '77) of Massapequa, NY, has been named President and CEO of Flushing Financial Corporation upon the retirement of the current officer. He joined Flushing Financial Corporation as Executive Vice President and COO in 2001 and was named a Director in 2003.

George Zoffinger (MBA '71) of Skillman, NJ, has been inducted as a public member of Rutgers – The State University of New Jersey Board of Governors. He was nominated last year by former Governor James E. McGreevey. His term on the board will be six years. Zoffinger currently serves as President and CEO of the New Jersey Sports and Exposition Authority.

Andrew J. Barile (MBA '72) of Rancho Santa Fe, CA, has authored textbooks on finite insurance, including "A Practical Guide to Financial Reinsurance" and "A Practical Guide to Finite Risk Insurance and Reinsurance."

Martin Cass (MBA '72) of Palm Beach Gardens, FL, recently opened a new office with his accounting firm Cass, Levy & Leone L.C., in Stuart, FL. Cass, Levy & Leone is known for its expertise in partnership, corporate, estate, and international taxation. Cass also serves on the boards of the Cancer Alliance of Health and Hope, American Cancer Society, and the Palm Beach County Jewish Federation.

Linda Fayne Levinson (MBA '72) of Santa Monica, CA, was appointed to Vendare Media's Board of Directors. She most recently was a Partner at GRP Partners where she served as Director of several private companies that successfully transitioned to public companies. A nine-year veteran of McKinsey & Company, she holds the distinction of being the first woman elected a partner of the firm.

Richard Daly (BS '73) of Palo Alto, CA, was appointed to the Board of Directors for Aerogen Inc. He most recently was employed as CEO of Visible Genetics Inc., from 1999 to 2002.

Sandra Lamb (MBA '73) of New York, NY, was recently named to the Board of Directors for Biomet Inc. She is currently President and CEO of Lamb Advisers, providing strategic management consulting services to nonprofit organizations.

Kevin M. Dunn (BS '75) of Bedford, NY, was named President and CEO of Great Lakes Chemical Corporation's subsidiary BioLab Inc., and Corporate Executive Vice President of Specialty Products. Prior to this role, he was President of Playtex Products Inc.'s Consumer Products Division.

David Shedlarz (MBA '75) of New York, NY, has been appointed to Vice Chairman on the newly formed Pfizer Executive Committee for Pfizer Inc. Shedlarz, who oversees operations including finance, strategic planning, global sourcing, and information systems, will also take on responsibility for Pfizer Human Resources. With his promotion to Vice Chairman, he will end his tenure as CFO, a position he has held since 1995. Shedlarz also serves on the NYU Stern Board of Overseers.

Steven J. Bensinger (BS '76) of New York, NY, was elected Executive Vice President, CFO, Treasurer, and Comptroller of American International Group Inc. (AIG).

Glenn M. Rogers (MBA '78) of Montclair, NJ, was recently hired as COO of Audible Inc.

Moshe Lifshitz (MBA '79) of Roslyn Heights, NY, was appointed to serve on the American Mobile Dental Corporation's Advisory Board. He is currently Managing Director of G&S Merchandising Corporation and has served in a variety of executive positions at G&S over the past 30 years. Lifshitz is also the founder and Chairman of the Board of Everyday Office Inc./Everyday Print Inc., co-founder of YL Ventures LLC, and serves on the executive boards of real estate companies including Rolling Hill.

Doug Young (MBA '79) of Los Gatos, CA, has been named President and CEO of the NeoMagic Corporation. He has also been appointed to the Board of Directors. Prior to this promotion, Young served as the company's Vice President of Worldwide Sales.

1980s

Jack Abernethy (MBA '80) of Ridgewood, NJ, has been named CEO of the Fox Television Stations. In his new position, he will oversee the 35 TV station group and Twentieth Television.

Jim Cracchiolo (BS '80, MBA '85) of Lynbrook, NY, has been named CEO of American Express Financial Advisors once it spins off from American Express as an independent public company this fall. He has been Chairman and CEO of the American Express Financial Advisors since 2000.

Peter Langerman (MBA '80) of Short Hills, NJ, along with **Bill Lippman (MBA '57)**, is leading the newly formed Franklin Value Group, a $50 billion umbrella for Franklin Templeton Investments' Franklin and Mutual Series value investment products. In his new role with Franklin Value Group, he will be rejoining Mutual Series, where he has 16 years of previous experience and will serve as CEO and Chairman of Franklin Mutual Advisers LLC.

The Tax Woman


Patricia McConnell (MBA '75)

Patricia McConnell runs the accounting and taxation group in equity research at Bear, Stearns & Company Inc., where she is a Senior Managing Director. For the past 15 years, she has been named to *Institutional Investor*'s "All-America Research Team" of financial analysts. Her group provides technical support to Bear Stearns' industry analysts and to Bear Stearns' clients in financial accounting and corporate taxation. She often meets with institutional clients, explaining and interpreting the accounting policies and financial reporting of companies in which they invest.

McConnell received her MBA in finance from NYU Stern. While at Stern, Professor Lee Seidler, who also worked for Bear Stearns, assisted McConnell in obtaining a position at the company in 1974. Seidler, who left Stern to serve as Senior Managing Director for Bear Stearns, has served as a lifelong mentor for McConnell.

As a woman, McConnell was in the distinct minority on Wall Street in the 1970s. "Bear Stearns was willing to give me a chance when many others were not. I was looking for someone to offer me the same opportunity they would anyone else, and they did," explained McConnell. "There were no other professional women in my department when I started, only the administrative assistants, who were called secretaries then."

In an era when professionals frequently change positions, companies, and careers, McConnell's tenure at Bear Stearns is something of a rarity. She has stayed at the company for 30 years because, "Bear Stearns has always been good to me. They have been supportive of my career and given me the same opportunities they would have anyone else. We have an excellent relationship."

A CPA, McConnell chairs the Corporate Disclosure Policy Committee of CFA Institute (formerly AIMR). She considers her membership in the International Accounting Standards Board's Standards Advisory Council to be her highest professional achievement.

Pushing Papers

Tom Jozefacki (MBA '02)

Tom Jozefacki is the head of Regional Bureaus at the *Gazeta Wyborcza* newspaper in Warsaw, Poland. He oversees the country's leading daily newspaper's 19 regional sections and its online initiatives. Previously, he worked in marketing and product development at NYTimes.com for six years, and served in various marketing and advertising positions at Cain Associates and the International Advertising Association. The breadth and depth of Jozefacki's experience has served him well in the media business, an industry that is increasingly global and multi-platform.

Happy in New York for 13 years and successful at *The New York Times*, Mr. Jozefacki had no plans to return to his native Poland. However, after being recruited by the *Gazeta Wyborcza*, the choice was clear. "*Gazeta Wyborcza* is the leading newspaper in Poland, an important emerging media market, and I was excited at the opportunity to play a leadership role in the organization," explained Jozefacki. "*Gazeta Wyborcza* is trying to affect positive change in Poland. It is important for me to be involved with organizations whose values I share, which is what brought me to Poland and also why I chose NYU Stern for my business degree."

In moving to Poland, Jozefacki took with him the education, skills, and experiences he gained in New York. Serving as head of a major national newspaper, his staff of 500 is geographically widespread and diverse. He is honing the attributes that would serve him well at any large and influential media company in the world. "I manage all types of personalities," he remarked. "I have the opportunity to work with the intellectual journalists, the creative designers, the extroverted sales force, and everyone in-between on my team. It is my responsibility to learn what makes them each tick, motivate them, and bring out the best they have to offer."

"Good leadership is where the fun and results are in business," he continued. "You have the resources to affect change within your organization and the opportunity to do so."

"We live in very interesting times in a dynamic environment," said Jozefacki. "Open-minded people who are willing to see value in change are the ones who will succeed. There is no better school to prepare students to tackle this head-on than NYU Stern."

George J. Silver (BS '80, MBA '92) of New York, NY, was recently elected a judge of the Civil Court, New York County.

Eric B. Weekes (MBA '81) of Lake Mary, FL, has been appointed Vice President and CFO at Embry-Riddle Aeronautical University in Dayton Beach, FL. Previously, he served as Treasurer of OGE Energy Corp., in Oklahoma City.

Cristina Schwarz (BS '82) of Guttenberg, NJ, has been appointed Vice President, Government and Community Relations for Univision Communications, the leading Spanish-language media company in the United States.

Marc Belzberg (MBA '83) of Bronx, NY, is Chairman and CEO of e-Sims, a simulation software company, formerly known as Emultek. He also is CEO of ODF Electronics and was CEO of the now defunct Versaware, which converted books into electronic versions on the Internet and CDs.

Ellen Breyer (MBA '83) of Minneapolis, MN, is currently President and CEO of Hazelden, and is the first woman to lead one of the world's top alcohol and drug addiction treatment and recovery organizations. She also serves on the Boards of Directors for the Minnesota Book Center, Freedom From Hunger, and the National Association of Addiction Treatment Providers.

Lauren Rich Fine (MBA '83) of Cleveland, OH, is an Equity Analyst for Merrill Lynch where she leads a New York-based team from her home office in Cleveland. She was recently profiled in *Editor & Publisher Magazine* and described as "perhaps the most influential outside observer of the newspaper industry."

Michael E. Hess (MBA '83) of Brooklyn, NY, has been nominated by President Bush to be Assistant Administrator for the Bureau for Democracy, Conflict and Humanitarian Response at the United States Agency for International Development.

Anna Iacucci (BS '83, MBA '85) of New York, NY, joined Banc of America Securities in the firm's Financial Institutions corporate and investment banking group. She will serve as the Principal and Global Head of the Financial Institutions Group ratings agency advisory team. Prior to joining Banc of America, she served as Executive Director of Credit Risk Management and Advisory at Goldman Sachs International in London.

Barbara L. Rambo (MBA '83) of New York, NY, has been elected to the Board of Directors for PG&E Corporation and for the utility unit of Pacific Gas and Electric Company. She is the CEO of Nietech Corporation, a payments technology company serving financial institutions and payment processors.

William R. Allan (MBA '84) of Schenectady, NY, has been named President of Verizon Delaware by Verizon Communications. He previously served as Vice President of Regulatory Affairs for Verizon New York, a position he held since 1995.

Frank J. Fanzilli (MBA '84) of Norwalk, CT, was appointed to the Board of Directors for Open Source Development Labs. He retired from Credit Suisse First Boston as Managing Director in 2002. Fanzilli serves on the board of public software company Interwoven and on the boards of two private companies, CommVault and nLayers.

Kenneth E. Quinn (MS '84) of Marietta, GA, has been appointed to the Board of Directors and as CEO of Citibank Canada. Prior to his appointment, he was Market Manager for the US Midwest and South markets of the Global Relationship Bank.

Janet Avery (MBA '85) of New York, NY, is the founder and Chairperson of the Board of Directors of Vehicles Inc. She co-teaches a nonprofit management class at Baruch College, New York.

Charles Horne (MBA '85) of Woodinville, WA, has been named Senior Vice President and Controller of Safeco.

Steven F. Kluger (MBA '87) of Allendale, NJ, spoke at the Vassar College President's Community

Breakfast on April 7. He is President and CEO of GE Capital Markets Services and Senior Vice President of General Electric Capital Services.

Ronald L. Mintz (MBA '87) of Berwyn, PA, was recently named Principal of The Vanguard Group.

Bruce L. Pompan (MBA '87) of Studio City, CA, has been appointed to the Board of Directors for Genius Products Inc. He is a Managing Director of Cappello Capital Corp. and has advised numerous growth companies in financings, recapitalizations, and merger and acquisition strategy.

Tim Herlihy (BS '88) of New York, NY, co-wrote the film "The Wedding Singer" with Adam Sandler. The film has been developed as a Broadway show, set to open in 2005. Herlihy wrote the adaptation of the screenplay and contributed two songs to the score.

Laurie Rhodes (MBA '88) of Woodside, NY, was recently featured in *Professional Photographer*, which detailed her successful career transition from television executive to award-winning wedding photographer. Her images have been published in *The New York Times, Glamour,* and *Modern Bride Magazine*, among others, and she was one of the winners of the 2004 *Photo District News* Top Knots Fuji contest.

Y. David Scharf (BS '88) of New York, NY, was recently named to *Crain's New York Business'* "40 Under Forty Executives to Watch" list. He has built a reputation as a successful legal strategist and crisis manager for high profile clients, including Donald Trump and Leona Helmsley.

Margaret M. Smyth (MS '88) of New York, NY, has been appointed Vice President and Chief Accounting Officer of 3M. Prior to her appointment, Smyth was a Senior Partner in the accounting firm of Deloitte & Touche LLP.

Kathleen Corbet (MBA '89) of New Canaan, CT, published an article entitled, "Credit Where Credit is Due," in *The Wall Street Journal*, on May 31. She is the President of Standard & Poor's.

Denis A. O'Connor (MBA '89) of Hamburg, NJ, has been appointed President and CEO of OmniCorder Technologies Inc. He will also join the company's Board of Directors.

Joseph G. Schiavo (MBA '89) of Scotch Plains, NJ, has been promoted to Managing Director at The Bank of New York, where he leads the transformation of the company's financial reporting processes. In this role, he focuses on implementing a number of leading practices across the bank's finance organization.

1990s

Kelly Mathieson (MBA '90) of New York, NY, is the Senior Business Executive for J.P. Morgan Invest Inc. She is the President of the Financial Women's Association and a Managing Director at J.P. Morgan Chase. She was recently featured in *eFinancialNews* discussing her successful career path and how networking inside and outside her company has been vital to this success.

John Gonsalves (MBA '91) of Edison, NJ, was appointed as Managing Director at Gupton Marrs International. Prior to GMI, he was Vice President and Partner at Adventis, a hi-tech strategy consultant firm.

Banking on Miami

Carlos Menendez (BS '71)

Carlos Menendez left Cuba 45 years ago. But after more than three decades in New York, the banker found his way back to what many people regard as the closest thing to Cuba: Miami.

As Chairman of the Board of Intercredit Bank in Miami, Menendez oversees the operation of a community bank that holds approximately $443 million in assets and caters primarily to small and medium-sized businesses. Previously, he spent 27 years at Irving Trust Company, where he started as a clerk in the Latin American area and wound up running the Latin American Group.

Born in Havana in 1938, Menendez began his banking career as a legal assistant in the largest bank in the country, Banco Continental Cubano. He was also working toward a law degree. But when private universities were shut down after the advent of the Castro government, Menendez decided to leave Cuba.

In December, 1960, Menendez and his wife moved to New York City and asked for political asylum. He supported himself with a number of clerical jobs until he joined Irving Trust Company in 1963. "Leaving Cuba affected my life – period," said Menendez. Because Cuba is much smaller than New York, he viewed his new home as a tremendous adventure. "New York City opened my horizons. There was a sense of satisfaction knowing that I could make it in a tough place."

After joining Irving Trust, Menendez began studying business at New York's Baruch College, and later transferred to NYU Stern. "Business knowledge shaped my career, and Stern was an excellent education," noted Menendez. He has a fondness for his alma mater, and gave his daughter Marie a "gentle push" to attend Stern. Now a Senior Credit Officer at Moody's, Marie earned both a BS ('83) and MBA ('85) at Stern.

Menendez left Irving Trust in 1990 to become CFO of Pacific International Services, an affiliate of the Noboa Group. In 1991, he purchased a small local community bank for Noboa, which became Intercredit Bank. Although his heart is in New York, Menendez decided to move to Miami to develop the bank. He considers his current work not only his greatest career challenge, but also his greatest triumph. "In a large organization like Irving Trust, you are given a lot of support," he said. "At a small bank, you are the support. It is nice to build something from the ground up."

Menendez advises banking industry newcomers to trust their intuition. "The world has changed. I was able to carve out a 27-year career at one institution. I can't imagine someone doing that today."

Quinten Stevens (MBA '91) of Darien, CT, was named Managing Director and head of Wachovia Securities' Equity Division, spearheading the bank's push to join the ranks of Wall Street's leading equity firms.

Jill S. Krutnick (MBA '92) of Scarsdale, NY, has joined Warner Music Group as Senior Vice President, Investor Relations and Corporate Development. Prior to joining Warner Music Group, she was a Managing Director of US Equity Research of Citigroup's Smith Barney where she covered entertainment and leisure industries.

Robert E. Massengill (MBA '92) of Morristown, NJ, is Managing Director and co-founder of SES Advisors Inc., an ESOP advisory firm with four East Coast offices. SES Advisors was recently selected as a "Philly 100" company, one of Philadelphia's fastest growing companies.

Manish Somaiya (BS '92) of New York, NY, has joined Banc of America Securities LLC, as a Managing Director and Senior High Yield Analyst, covering the industrials, services, and aerospace and defense sectors.

Peggy Yu (MBA '92) of Jersey City, NJ, is founder and Co-president of dangdang.com, the largest Chinese language online store of books, movies, and music.

Dr. Michael D. Jacobson (MBA '93) of Greensboro, NC, is currently lobbying Congress to direct tax money for stem cell research. Dr. Jacobson, who has Parkinson's disease, is working with his local chapter of Hadassah, a Jewish service and educational organization, in this lobbying effort to support stem cell research used to fight the effects of diseases such as Parkinson's, multiple sclerosis, and juvenile diabetes.

J. Stuart White III (MBA '93) of Harrison, NY, has joined Wachovia Securities as the Managing Director in the Mergers and Acquisition practice. Previously, White was a Managing Director in the Mergers and Acquisitions group at CIBC World Markets.

Global Retail Guru

Jorge Figueredo (MBA '95)

The world may not be flat, as *New York Times* columnist Thomas Friedman suggests. But according to Jorge Figueredo it is getting smaller. "Understanding different cultures and how to conduct business on a global scale is critical in business today and especially tomorrow," he said. "My passion is managing business on a global scale."

As President of Liz Claiborne International, a position he has held since 1999, Jorge Figueredo is responsible for the sales, marketing, and merchandising of New York-based Liz Claiborne Inc., brands in Asia, Canada, and Latin America. Liz Claiborne Inc., distributes over 18 brands in these regions including Liz Claiborne, Claiborne, Dana Buchman, Sigrid Olsen, Ellen Tracy, Lucky Brand Dungarees, Mexx, and Monet. He was previously responsible for the company's European operations.

During Figueredo's tenure, Liz Claiborne Inc.'s international business has grown from 5 to 25 percent of the company's sales. He led the acquisition of Mexx Europe and Mexx Canada, and has introduced a number of new brands into international markets, helping to make the International division one of the fastest growing and dynamic areas of the company over the past five years.

Before becoming President of the International division, Figueredo, who joined the company in 1984 after graduating from Fairfield University in 1982, was the Senior Vice President of Human Resources with responsibility for all human resource functions within the company. Working alongside the Chairman and CEO, he led the "people strategy" of transforming Liz Claiborne into a high-performance culture.

"Having started a career in human resources, transitioning to an international, operational role was something of a challenge," he said. "Stern was the stepping stone that allowed me to gain the business knowledge. Coupled with my practical experience, it gave me the added credibility that I needed to make the switch."

Figueredo has served as a member of the company's Leadership and Executive Councils since their inception in 1994, has been a Board Member of the Liz Claiborne Foundation, and was a Co-executive Sponsor of LizACTS, an employee involvement program.

"This business is an exciting place to be. I have always enjoyed the energy and pace of the fashion/retail industry and the opportunity to interact with consumers," he said. "Over the last 10 years, this industry has evolved into a more traditional professional environment, attracting more business professionals and MBAs. The need for this group will continue to grow as retail/fashion companies compete to be global players."

Michael A. Carrazza (MBA '94) of Denver, CO, has co-founded Bard Capital Partners LLC, a private equity investment company where he will serve as Managing Director.

James Fogarty (MBA '94) of Ardsley, NY, has concluded his role as interim CFO for Levi Strauss & Co. He and his firm, Alvarez & Marsal, were hired by Levi's as turnaround specialists to help the company cut costs and restructure its business.

Jeremy Miller (BS '94) of Metuchen, NJ, has recently launched *Down*, a new magazine dedicated to Southern hip-hop music and culture. Prior to launching his magazine, Miller spent 14 years as an executive with *Source* magazine.

Gerald V. Thomas (BS '94) of Atlanta, GA, has been named Partner at Alston & Bird LLP, in Atlanta, GA. He practices in the federal income tax group, focusing on corporate and partnership taxation.

Jason Hirschhorn (BS '95) of New York, NY, runs the digital music and media division of MTV Networks Group. He is responsible for all interactive entertainment for MTV, MTV2, mtvU, VH1, VH1 Classic, CMT, Comedy Central, and LogoTV.

Roland Marchand (MBA '95) of New York, NY, has been promoted to Senior Managing Director at Bear Stearns.

Natalie Butto (MBA '96) of Seattle, WA, has joined the Starbucks Coffee

Company as Director, Corporate Counsel, and has relocated to Seattle. Previously, she was Counsel and Assistant Secretary at Tropicana Products Inc.

Stefan D'Annibale (MBA '96) of New York, NY, joined RBS Greenwich Capital, a leading fixed-income investment bank, as Managing Director.

Ronald W. Holt Jr. (MBA '96) of Plantation, FL, travels around the world to select stocks for the Harris Insight International Fund. He was recently profiled in Westchester County's *The Journal News* for his work in recognizing superior investment opportunities in global markets.

H. Christopher DeCotiis (MBA '97) of Westfield, NJ, has been named to Milacron Inc.'s Board of Directors. He currently serves as Vice President - Senior Credit Officer at the Royal Bank of Scotland in New York.

Victoria Chu Pao (MBA '97) of New York, NY, has been appointed President of Platts, The McGraw-Hill Companies' global energy information business.

Elizabeth J. Moran (MBA '98) of Mountain Lakes, NJ, has been elected to the Board of Trustees for Roots & Wings, a New Jersey-based nonprofit that works with foster care children. She has also been elected to serve as Treasurer for the organization.

Michael Taggart (MBA '98) of New York, NY, has been promoted to Managing Director of US Trust, a wealth management company.

Hally Bayer (MBA '99) of Brooklyn, NY, was recently named Vice President, Promotion at Scholastic Book Clubs.

David Hernandez (MBA '99) of West Palm Beach, FL, received the "Hispanic Entrepreneur Award" from *Hispanic Magazine*. He was chosen from a field of over 200 candidates. Hernandez is Chairman and CEO of the national retail electricity provider, Liberty Power Corp.

2000s

Halie O'Shea (MBA '00) of Philadelphia, PA, was named a Principal with Turner Investment Partners, becoming an equity stakeholder in the firm. She joined the firm in 2004 and is currently a Security Analyst/Portfolio Manager.

Bill Tan (BS '00) of Astoria, NY, is Founder and President of Transcendent International LLC. The company is launching a suite of software applications, named LanguageMate, to help bridge the language gap in areas of health care and social service.

Tal Kimmel (MBA '01) of New York, NY, is Vice President in the Investment Banking Group for Stanford Group Company. He joined Stanford from Lehman Brothers where he advised companies in the media and telecommunications sectors on private equity, M&A, and public equity transactions.

Geoffrey Morris (MBA '01) of Ridgefield, CT, is President of Morris Media Group, and has launched a second regional, high-quality glossy bi-monthly magazine. *Bedford Magazine* is a subscription-based lifestyle publication for the people of Bedford, Pound Ridge, and Katonah, NY. It follows its successful sister publication, *Ridgefield Magazine*, launched in Connecticut in 2003.

Cliff Seltzer (MBA '01) of Scarsdale, NY, was named Industry Leader for the Steel, Metals & Mining markets at GE Commercial Finance, Commercial & Industrial Finance. In his new role at GE, he will be responsible for driving organic growth in the steel, metals, and mining industries.

Matteo Gottardi (BS '04) of Pine Brook, NJ, and **Michael Leen (BS '04)** of Warner Robins, GA, opened a new brand and retail store, Operations, in the Soho district of New York City.

Dr. Jeffrey Schor (MBA '04) of Port Washington, NY, is Director of the Pediatric Emergency Department at New York Hospital Queens. He recently opened PM Pediatrics, a practice that sees patients after hours.

Daniel R. Smith (MBA '04) of White Plains, NY, has been appointed Executive Vice President and CFO of Principia Partners. Prior to Principia, he was Senior Vice President of Finance and Administration at Viewpoint.

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NEWS

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Past Performance

Poetry in Motion

By **Daniel Gross**

For nearly five decades, Robert Kavesh, emeritus professor of economics and finance, has been injecting a little poetry into his economics courses.

A Navy veteran and graduate of New York University's undergraduate school of business, Dr. Bob – as he asked students to call him – received his PhD from Harvard University. After a brief teaching stint at Dartmouth College, he joined the faculty of NYU's graduate school of business in 1958.

The school was housed in a building adjacent to Trinity Church in lower Manhattan, on the site of what is now Merrill Hall. The environment was spartan – there was no air conditioning – and sounds filtered in from the streets below. There also wasn't much in the way of extracurricular activities. "Most of the students in those days were male, and most were veterans of World War II," Kavesh recalled. "The classes were all part-time, the students went to school at night, and the conditions were very crowded." But, he adds, "it was a joy to teach. The students appreciated what you were doing."

Kavesh, who taught the Current Economic & Financial Problems course, was part of a cadre of Stern stalwarts with long tenures, such as economist Marcus Nadler, statistics professor Ernest Kurnow, and Dean Joseph Taggart, who spearheaded the creation of the full-time MBA program in the early 1960s.

Although he had never taken a literature course as an undergraduate, Kavesh became interested in literature in graduate school – "I wrote a monograph 50 years ago about businessmen in fiction," he recalls. In the 1960s, he realized that many full-time students didn't have much background in history or literature. So he began to think of ways to inject small doses of liberal arts into the science of economics. "I began to look for little snatches of poetry that might serve as a text for the lecture we were going to have," he said.

Dr. Bob Kavesh circa 1960

And so he would kick off a session with a quote from Ezra Pound, or Lord Byron, or Carl Sandburg, or songwriter Yip Harburg (a favorite was the lyrics from Harburg's 1931 classic, "Brother can you spare a dime?"). While it helped draw students into the material, the use of poetry had a more far-reaching effect. "Over the years, and this is what makes teaching for me, I've had literally hundreds of comments from students who said they became interested in poetry or 19th century literature as a result of this," he said.

After 47 years at Stern, Kavesh, who taught this summer, continues to enjoy the sense of engagement that teaching can bring. "Right now, I'm impressed by the fact that the students with whom I come into contact seem to be concerned with worldly affairs," he said. But he also continues to be gratified by their interest in a well-constructed verse. "Every so often, a former student sends me a line or two from a poem, and asks if I can recognize it," he said. "If I can, I'll e-mail them back." ■

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

CALENDAR OF EVENTS

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

UPCOMING EVENTS

OCTOBER	**19**	**CEO Series: Janet Robinson, CEO of The New York Times Company** 4:30 p.m.; Cantor Boardroom, KMC, 11th Floor
	28	**Lifelong Learning Workshop: "Distressed Debt" featuring Professor Edward Altman** 8:30 a.m. - 1:30 p.m.; KMC
NOVEMBER	**15**	**CEO Series: Mel Karmazin, CEO of Sirius Satellite Radio** 4:30 p.m.; Cantor Boardroom, KMC, 11th Floor
	17	**Author Lecture Series: John Bogle, Author of "The Battle for the Soul of Capitalism"** 6:30 - 9:00 p.m.; Schimmel Auditorium, Tisch Hall
DECEMBER	**2**	**Alumni Regional Leaders Summit** KMC
	3	**Alumni Conference** **Topics: "Globalization and Its Impact on the World Economy: Winners and Losers"** 10:00 a.m. - 3:30 p.m.; KMC
		Fifth Annual Stern Alumni Ball 8:00 p.m. - Midnight; The Museum of Modern Art
	8	**Committee of 200 Annual MBA Seminar** Keynote speaker: Ann S. Moore, Chairman and CEO, Time Inc.
FEBRUARY	**8**	**CEO Series: Susan Whiting, CEO of Nielsen Media Research** 4:30 p.m.; Cantor Boardroom, KMC, 11th Floor
MARCH	**24**	**Citigroup Ethics and Leadership Conference**

STERN ALUMNI PROGRAMMING

OCTOBER	**6**	**First Thursday: Undergraduate Alumni Happy Hour – Welcome Class of 2005** 6:00 - 9:00 p.m.; NYU Torch Club
NOVEMBER	**3**	**First Thursday: Undergraduate Alumni Wine Tasting** 6:00 - 8:00 p.m.; Abbe-Bogen Faculty Lounge
	10	**MBA Alumni Happy Hour – Welcome Class of 2005** 6:00 - 9:00 p.m.; NYU Torch Club
	18	**"The Future of Television: Beyond the Box – An Executive Forum"** 8:00 a.m. - 5:00 p.m.; Schimmel Auditorium, Tisch Hall; www.televisionconference.com
JANUARY	**12**	**Reception for the January 2006 Graduates of the Langone Program** 6:00 - 8:00 p.m.; The Commons
FEBRUARY	**2**	**First Thursday: Undergraduate Alumni – "Navigating Your Stern Alumni Network"** 6:00 - 8:00 p.m.
	23	**Sixth Annual Wine Tasting Hosted by Alumni of the Langone Program** 6:00 - 8:30 p.m.; The Commons
MARCH	**2**	**First Thursday: Undergraduate Alumni – "How to Get Into a Top MBA Program"**
	14	**MBA Alumni Networking Reception – "Navigating Your Stern Alumni Network"** 6:00 - 8:00 p.m.; Room 5-50, KMC

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

NOVEMBER	**9**	**Long Island, NY**
	17	**Los Angeles, CA**
	29	**Greenwich, CT**
JANUARY	**8**	**Los Angeles, CA**
FEBRUARY	**28**	**Albany, NY**
MARCH	**23**	**San Francisco, CA**
APRIL	**1**	**St. Pete Beach, FL**

STERN STUDENT CLUB CONFERENCES

OCTOBER	**21**	**Association of Hispanic and Black Business Students (AHBBS) Conference**
NOVEMBER	**4**	**Graduate Finance Association (GFA) Conference**
	11	**Graduate Management Association (GMA) Conference**
FEBRUARY	**3**	**Stern Women in Business (SWIB) Conference**
	10	**Media and Entertainment Association (MEA) Conference**
	24	**Global Business Conference**
MARCH	**3**	**Association of Investment Management (AIM) Conference**

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