



STANFORD INTERNATIONAL ALUMNI CONFERENCE IN

London

MARCH 11 & 12, 2005

HEAR FROM UNIVERSITY PRESIDENT JOHN HENNESSY, BUSINESS SCHOOL DEAN ROBERT JOSS, AND DISTINGUISHED BUSINESS SCHOOL AND UNIVERSITY FACULTY MEMBERS. IN ADDITION TO STIMULATING PRESENTATIONS AND DISCUSSIONS, THE CONFERENCE WILL PROVIDE A GREAT OPPORTUNITY FOR YOU TO RENEW TIES WITH YOUR FELLOW ALUMNI/AE FROM ACROSS EUROPE.

FORMAL INVITATIONS WITH COMPLETE PROGRAM AND REGISTRATION DETAILS WILL BE MAILED IN EARLY JANUARY 2005.

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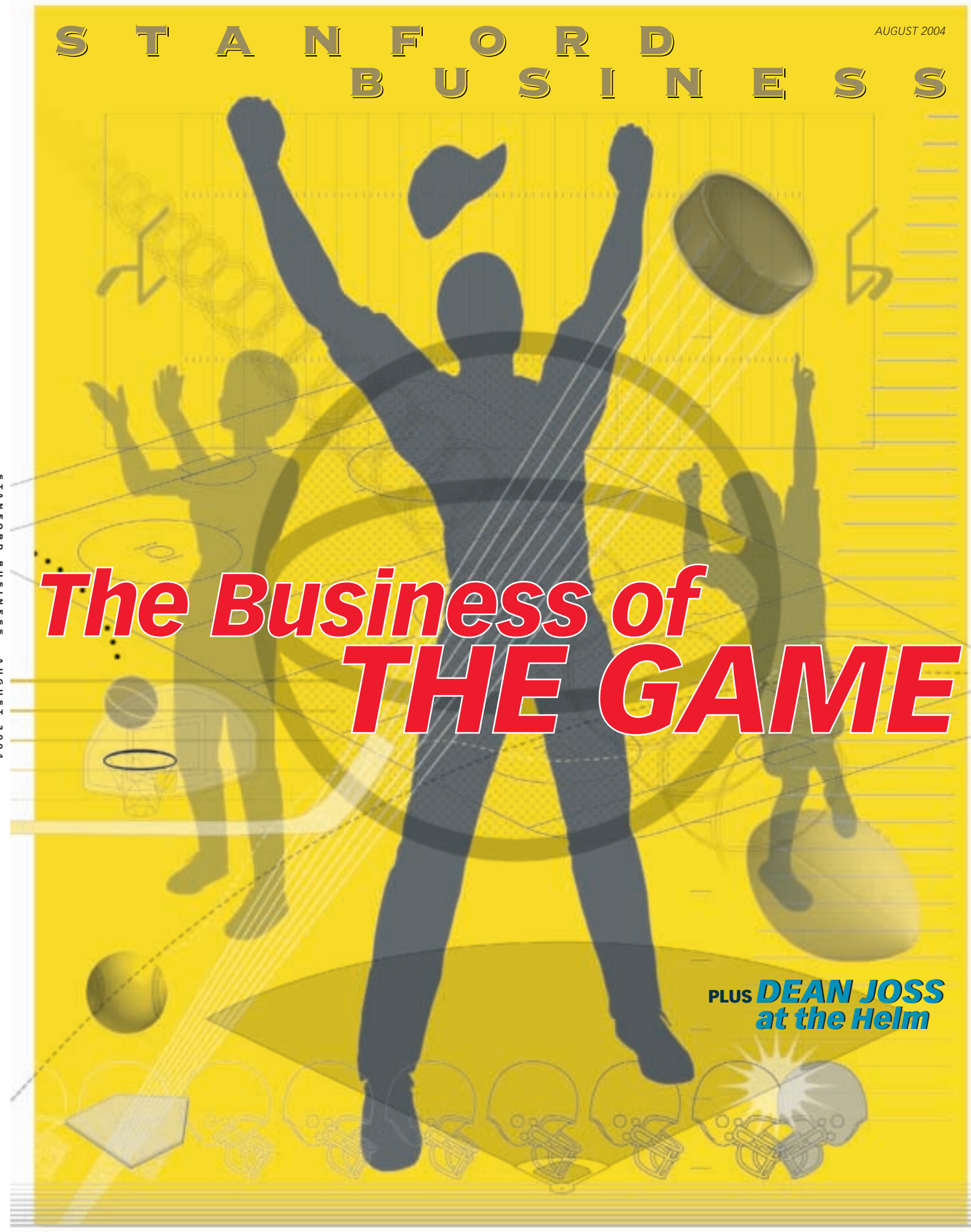
STANFORD BUSINESS AUGUST 2004

STANFORD BUSINESS

AUGUST 2004

The Business of THE GAME

PLUS **DEAN JOSS** at the Helm



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A QUARTERLY PUBLICATION FOR
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about this issue

Sporting Lessons

ON A STIFLING AUGUST SUNDAY the summer before I began high school, my grandmother took me aside in the church vestibule to give her view of baseball. “No lady, or gentleman,” she said in a whisper, would wear a radio earplug to listen to the play-by-play of a game while waiting in a reception line at a wedding. Where were my manners?

This August, as another baseball pennant race heats up, you will find conversation in this magazine about sports and what they can teach us about how to live. Business School alums who are marketing managers in both professional and college sports discuss how they go about building life-long fans, as surely as my grandmother tried to build lifelong ladies, out of gawky kids. You can read another story about the Business School’s popular sports management courses under the leadership of Professor George Foster and Bill Walsh, former 49er and Stanford football coach. Their offerings include an executive education course for managers in the National Football League and its players association. Their cases cover a wide range of sports, from car racing to Australian football.



In Barbara Buell’s profile of School Dean Bob Joss on page 22, we learn that his patience and determination are honed partly by playing competitive sports. Unlike me, who has been known to stomp off a tennis court when I couldn’t match an opponent, Joss, in middle age, has happily played zone and man-to-man defense against basketball pros!

This magazine issue also includes alumnus Jim Thompson’s account of his work retooling sports coaches who aren’t always encouraged by our society to teach the best life lessons to young people. And while video games aren’t in the Olympics yet, we learn on page 8 about their power to compete with sports and movies for consumers’ discretionary income.

If that is more than enough sports for your taste, we offer a tantalizing tale of news media bribery on page 30 in our research section, plus findings on how election years shape presidential decision making, how large banks can help build an underdeveloped economy, and why theater managers practice price discrimination. On page 10, Rick Booth, MBA ’96, offers an inside view of the “touch-feely” course that the School offers now for alums, and on page 12, California Controller Steve Westly, MBA ’83 and a Democrat, writes about his unusual teamwork with Governor Schwarzenegger, a Republican.

Thinking back to my early education as a team player, sports fan, and lady, I have to thank Grandma for dragging me to operas and ballets, and I have to thank my father, Jackie Robinson, and the New York Yankees for dramatizing some of life’s tougher lessons through sports. After observing coaches replace neighborhood ballplayers who weren’t team stars, Dad built a team around rejects and taught all of us on the field and in the stands about the power of persistence and practice. I personally am doubtful the civil rights movement of the sixties would have accomplished as much as it did without Jackie Robinson’s courageous example with the Dodgers. And then there’s the Yankees, always around to teach us humility—how ’bout them Yankees?

Kathleen O'Toole

EDITOR

Why We Want Some Early-Career Students

BACK IN THE 1960S when I went to the Business School, most of us were straight out of college or had less than two years of post-college work experience. Among them, Phil Knight, MBA '62, went on to found Nike. My classmate Hank McKinnell, MBA '67, is now CEO of Pfizer. Bob Scott, MBA '70, went on to be president of Morgan Stanley. Jeffrey Bewkes, MBA '77, went on to become chairman of the entertainment and networks group at Time Warner. Even in the 1980s, people still came directly from college, as exemplified by Robert Kagle, MBA '80, now general partner with Benchmark Capital, and Ann Livermore, MBA '82, an executive vice president at Hewlett-Packard.

Over time, however, the post-undergraduate work experience of applicants to business school has grown. The range is great but the average is now four or five years. A myth has developed that you *must* have four years or more of experience or top business schools won't look at you. That's not true at Stanford. Yet the myth has deterred outstanding early-career applicants from applying. While those who have worked longer bring valuable experience to class discussion, we want to see a few strong early-career students in the mix too.

What do I mean by early-career?

Generally, applicants with fewer than three years of full-time work experience. This group includes individuals who want to pursue an MBA directly following undergraduate study, with no prior full-time work experience.

Why reach out to these prospects?

First, remember that the Business School's philosophy is to have maximum impact on the management effectiveness of leaders at different career stages. The Sloan Master's Program is aimed primarily at mid-career managers. Executive Education supports practicing mid- and senior-level managers. The MBA is a transformative experience for those who know, no matter their career stage, that leadership of organizations is their lifelong calling. That's where we have a tremendous opportunity to accelerate the development of rising leaders.

Second, we think we're missing out on some talent. I know at least two current chief executives of major corporations who years ago were denied admission to the Graduate School of Business partly because they applied too early, but they were ad-



mitted elsewhere. We don't want to lose outstanding candidates to other programs because we are perceived as unnecessarily rigid.

Third, the opportunity cost of being out of the workplace for two years is the largest cost component of an MBA, and that cost is lowest in the early-career stage. In addition, for candidates thinking about when to begin a family, early entrance to business school is often an attractive option. Women now earn the majority of undergraduate degrees in the United States and will be increasing in the MBA applicant pool as a result. Evidence suggests that women and men are at parity in law and medical schools partially because many women are able to establish their post-professional school careers before taking time out for children.

What are we doing to recruit early-career candidates?

Over the past several years, we have increased our efforts to reach undergraduate students by visiting 50 colleges to discuss the merits of an MBA education in general and at Stanford specifically. For the first time this year, the Business School offered the GSB Summer Institute for liberal arts and science undergraduates and early-career individuals to provide an early exposure to management education.

What do students with less work experience contribute?

Professors observe that early-career students are able to contribute along with those who have more work history. Early-career applicants may have fewer work experiences, but it is the quality of their experiences and not the quantity that matters, and we select all our students for the quality of what they bring. Different early-career applicants make different contributions, just as is the case with other demographic groups that make up the class—and that's the point: We admit people as individuals, and by having outstanding early-career applicants in the pool, we have a stronger pool from which to select.

Recruiters strongly support the presence of some early-career students in the program. These students are sometimes more flexible about the location and types of positions they consider, and they can be more patient in the career years immediately after the MBA—factors that lead to considerable placement success for them. Our emphasis has always been *quality* of experience rather than quantity, focusing on what applicants have achieved relative to their opportunities. If you know an outstanding prospect who has demonstrated strong leadership qualities, please encourage him or her to apply—no matter what the person's career stage. ■

We have increased our efforts to reach undergraduate students, visiting 50 colleges to discuss the merits of an MBA education in general and at Stanford specifically.

Spreadsheet

WHAT'S UP | News About the GSB and Its Graduates



Merger with Twins

FOR DOUG OKUN, MBA '95 (right) and Eric Ethington, same-sex marriage came down to a matter of family values. They had pledged their commitment to each other before some 100 friends and family more than three years ago, but when the opportunity to legally marry presented itself last February, they couldn't pass it by. Accompanied by their 4-month-old twin daughters, the couple took their vows at San Francisco City Hall. Okun told the *San Francisco Chronicle*, "It was less about the ceremony than it was about the girls, in hopes this would somehow make their own future more secure."

The Upside of Down Times

COMPANIES WIN OR LOSE the battle for market share during the tough times, not the boom periods, Cisco Systems CEO John Chambers told the School's first Technology Industry Conference on April 7. Successful leaders must build change into their

organizations, be extremely attentive to market transitions, and react quickly, he said.

The 2001 crisis struck Cisco so hard that in 45 days it went from 70 percent growth to minus 30 percent. As soon as Cisco executives realized the crisis would last for a long period, they designed a strategy to lower expenses, focus on future

opportunities, and increase productivity, and implemented it in 51 days. That strategy brought them back to normal profitability in nine months.

Chambers has reason to be optimistic, but the situation is still fragile, he said. More important, one should always be skeptical with businesses that are doing too well. "If you aren't making mistakes, you're not taking enough risks; and, in my industry, if you don't take risks, you get left behind."

Biotech Exodus?

MOVING DRUG development outside the United States in the preclinical phase can reduce cost, now estimated at \$800 million per product, speakers told the School's fifth annual Health Care and Biotech Symposium.

Developing drugs overseas, particularly in East Asia, can bring the price down 21 to 40 percent, said Glenn Rice, vice president of pharmaceutical discovery and development for SRI International. "You get an educated workforce, remarkable infrastructure, a lot of government support. These governments have made life sciences a top priority—and they have a great venture capitalist community there."

Fred Volinsky, managing director of RCT BioVentures, agreed, but added a cautionary note: "Forty to sixty percent of postdocs in the United States are from the People's Republic of China and Taiwan. In 10 years, there will be a reverse brain drain in U.S. biotech. The people who will be leaving are the same people who are doing our best research here."

Lemurs Entertain You

LUNCH WITH PHIL KNIGHT, dine with Myron Scholes, or belly dance the night away at Heidi Roizen's home entertainment center, aka "the Casbah."

The choice was up to more than 500 people who paid to attend the School's 17th Charity Auction in April. The event raised more than \$77,000 for Special Olympics and Ronald McDonald House charities.

Faculty Nobelist Scholes and MBA alums Knight, '62, and Roizen, '83, were among 200 contributors to the auction. Not all the items involved food and wine with the heavy hitters, however. One of the most sought after was an afternoon at the San Francisco Zoo, up close and personal with the zoo's collection of lemurs, endangered prosimian primates found chiefly on the island of Madagascar.

The unusual item was offered by second-year MBA student Kassia Yanosek, a lemur lover since she saw a documentary about the animals in high school. Yanosek is such an advocate of the little tree-



PHOTO BY SAN FRANCISCO CHRONICLE

ALL ILLUSTRATIONS BY SARAH WILKINS

dwellers, she says, that last summer she had a lemur-themed wedding complete with furry bride and groom on the wedding cake, then spent her honeymoon in Madagascar, tracking them in the jungle. The critters raised \$125 for the two charities.

PHOTO BY ANNE KNUDSEN



Video for Applicants

MBA APPLICANTS are getting a firsthand view of life on campus and beyond. Fifteen current students and alumni share thoughts about the School and careers in a new video launched in March on the MBA Admissions Web page. They are backed by music composed by Nathan Hubbard, MBA '04, and his band, Rockwell Church. The page can be viewed at www.gsb.stanford.edu/mba

Media Out of Focus

THE MEDIA TOOK A BEATING at a Stanford conference in March. According to journalists and academics taking part in discussions on the media and finance, it missed and misreported elements of the world's economic boom in the 1990s and also often ignored the darker side of corporate life in order to puff powerful and charismatic business leaders.

Speaking of her emerging study of CEO "superstars," Ulrike Malmendier, assistant professor of finance, suggested that the media was inclined to glorify many of the wrong people. In an analysis of various awards, cover stories, and kudos accorded by such finan-

cial magazines as *BusinessWeek*, *Fortune*, and *Financial World*, Malmendier found that companies led by superstar CEOs enjoyed a brief jump in stock price but saw share value dwindle two years out.

An excited question interrupted Malmendier's presentation. "Do you mean to say that I should short stocks led by winners of these awards?" an audience member asked Malmendier. "Yes," she said, adding that her results are preliminary and that work continues.

Minority Perspective A Business Plus

NETWORKING CAN AND DOES open a seat at the table for minorities despite the fact that racism still exists in the United States, panelists agreed at the 21st annual Black Business Students Conference.

"It's more subtle, but it's still here," said keynote speaker Kathryn Leary, MBA '77, president and CEO of the Leary Group, an international marketing, trade development, and executive training firm.

But Leary added, for example, that African Americans actually have an advantage in the global economy. "You're so



A Family of Products

Don't tell Leonard Lauder he runs the family business. "Our credo is we're not a family business—we're a family *in* business," the longtime chairman of Estee Lauder Companies told a View from the Top audience in March.

With 19 brands sold in more than 130 countries, the company is one of the world's leading manufacturers and marketers of prestige-line beauty products. The brands—Clinique, Aveda, Tommy Hilfiger, among them—are seldom linked in consumers' minds.

"I had the idea in 1968: Let's put different brands in competition," Lauder said. "Everyone shops at a different counter and thinks they're dealing with individual entities. Talk about sibling rivalry!"

used to being a minority in this country, you don't mind being a minority in another," she said. "You listen. You don't try to force your way on others."

Doctoral Studies Draw More Interest

OF ALL THE ACADEMIC programs in the Business School, the doctoral program was most selective in its admissions this year. Out of 690 applicants, 18 new PhD students are expected to enroll in the fall.

The recruiting success is due in part to a new push for visibil-

ity. Last year Stanford and Harvard invited other doctoral business programs to join them in presenting a one-hour panel with faculty members, followed by a Q&A and a mini-admissions fair. They expected 80 people; 230 showed up. The first event was held at Harvard, and a second will be hosted by Stanford October 6.

CEOs, Invest Your Ego in Your Company

DOZENS OF CEOs HAVE BEEN willing to sacrifice the well-being of major corporations over the past 10 years for the sake of their own egos and short-term gains, Bill George, former chairman and CEO of Medtronic, told a Business School audience.

George lamented that his generation—the bright and idealistic men and women of the Kennedy years—had somehow dropped the famous "torch" that had been passed on to them. "Corporate executives destroyed \$7 trillion of shareholder value and lost people's trust to the point where CEOs are now ranked below politicians and attorneys" in public esteem, George said.

What went wrong? "We have to be honest and admit that stock market dominance and the market for corporate control had a big role," he said. "We're now plagued by the fear of takeovers and increasingly



Spring Event Raises Bucketsful for Charity

Stanford dominated the athletic events at this year's Challenge for Charity weekend. The fun and games marked the culmination of a year's volunteering and fundraising by the West Coast's seven major business schools. More than 1,200 MBA students gathered at Stanford to celebrate raising a total of \$450,000, including \$80,000 by Stanford MBA students. The proceeds will go to Special Olympics and other charities. Members of the Stanford bucket brigade are: (left to right) Chris Battles, Ryan Caldbeck, and Laela Sturdy.

PHOTO BY ANNE KNUDSEN

Spreadsheet

FOR THE RECORD



Class of 2004 Commencement

DEGREES GRANTED

TOTAL MBAs	381	Dana Bloom
MBA	377	Anne Lasker Brody
JD/MBA	4	Anatoly Bushler
PhD	19	Erin Catherine Casey
Master's in		Brian Patrick Cassidy
Business Research	7	Thomas D. Fountain
MS (Sloan)	52	Johannes Richard Haller

CERTIFICATES

Global Management	130
Public Management	134

MBA AWARDS

Alexander A. Robicsek Award

Achievement in finance courses:
Johannes Richard Haller

Ernest C. Arbuckle Award

Contributed most to the fulfillment of the goals of Stanford Business School in and out of the School:
Lisa Hersch

Henry Ford II Scholar

Top scholar: Timothy Raphael O'Hara II

Arjay Miller Scholars

Top 10 percent of the class:
Sophie Aleton
Melissa Lucas Artabane
Christopher Lee Battles
Barak Ben-Gal
Jerome Gabriel Marie Bertrand

Elizabeth Schellie Hanson
Travis William Hopp
Mark Peter Joing
David Michael Kidd Jr.
Elizabeth Hren LaRowe
Hanson Chung-Chi Li
Eric C. Liu
Kevin J. Looi
Alfredo Antonio Marti
Ryan Scott Nichols
Timothy Raphael O'Hara II
Hiram Perez
Elena A. Perron
Gayathri Rajan
Marcella Kanfer Rolnick
Maria Parad Seidman
Elliot Shmukler
Steven Wayne Sibley
Joshua Clayton Stirling
Frederick Kenneth Swaniker
Nathaniel Herbert Taylor
Paul Douglas Todgham
Andre Denis Vanier
Steven Patrick Vassallo
David Leonard Weickhardt
Eleanor Page Darby Wilkinson

Source Registrar's Office

intense adherence to quarterly results. People are no longer investing in companies; they're just looking for trading vehicles. We've stopped attending to the fundamental things: how you build the earnings per share of your company, what's the cash flow, what's the ROI. Today, if you beat the analysts' numbers by a penny every quarter, you're a hero."

Boards are also partly to blame, he said. "They started looking for CEOs to come in overnight and save them by manipulating a few numbers," he remarked. "They chose charisma over character."

George called for a new kind of leader to emerge, one who checks his ego at the door and maintains an attitude of serving others. "If you do that well, you'll have people following you to the ends of the earth, buying your products and services, and investing in your company."

School Honors Scott at New York Dinner

ROBERT G. SCOTT, MBA '70, received the School's 2004 Excellence in Leadership Award before nearly 200 guests at New York's Union Club in April.

"Bob Scott has demonstrated his leadership as an executive who led the merger of two enormous financial institutions, led rebuilding efforts after the September 11 losses at Morgan Stanley's World Trade Center offices, and championed social issues and community investment," said School Dean Robert Joss.

During his 34-year career at Morgan Stanley, Scott held virtually every major post in the company, including president and COO. He was part of the senior management team that structured the 1997 merger

with Dean Witter Discover and was named CFO of Morgan Stanley Dean Witter at the time of the merger, becoming its president in 2001. Scott also led Morgan Stanley's diversity efforts in hiring staff development, and in the community at large.

Rock Throwing Encouraged

ONE OF THE MEN AT the heart of the AOL-Time Warner merger, Jeff Bewkes, MBA '77, says he believes openness—including honest internal discussion with opportunities for real criticism—is necessary for a successful merger.

"Many books are being written about why the AOL-Time Warner merger didn't work," said Bewkes, chairman of Time Warner's entertainment and networks group. "And my conclusion is that if you can't have an honest conversation in your company about what you are doing, and invite everyone to come in and criticize and throw rocks, you will fail. It's as simple as that."

Blunt-spoken and witty, Bewkes described how he has always been puzzled that so many high-powered, highly educated business people spend their entire careers "managing up" to get to the top. "If you think about it, you realize how illogical that is," he said. "They are working and working to get to a place where the one thing that they have been practicing won't work any more." What business leaders really need, said Bewkes, "are skills managing out and across as much as up and down."

Special Class for Major Donors

A LIVELY DIALOGUE led by Professor Rod Kramer reconnected alumni and friends of the School via a traditional classroom setting in May. Kramer told a group of major annual donors that "there is a thin line between genius and folly. The same traits that help leaders rise to the top often lead to their demise once they arrive."

He engaged the group in an interactive session titled “All Fall Down? Why So Many High-Flying Leaders Are Taking a Fall.” Drawing on such examples as Lyndon B. Johnson and Richard Nixon, Kramer facilitated a spirited discussion about history and how frequently we have witnessed these transgressions.



Buzz for Showbiz Biz

CAREERS IN THE entertainment industry are attracting increasing attention from the current generation of MBA students. Last year, more than 70 students, some 10 percent of the entire MBA population, joined the student-run Arts, Media, and Entertainment Club, which sponsored speakers, a confer-

ence on the future of entertainment, and career treks to Los Angeles and New York City. Career Management Center Director Andy Chan, MBA '88, says acceptance of full-time jobs and internships in the sector is at its highest level in seven years.

Naivete, Inexperience Spawn Success

TEACH FOR AMERICA, the volunteer teaching organization, has 3,000 corps members, 16,000 applicants, and a \$30 million budget. Wendy Kopp, the group's founder and president, told a View from the Top audience in April.

When she conceived the idea during her senior year at Princeton, few would have believed it would thrive. Fifteen years later, she attributes much of its success to the power of inexperience, which kept her from being jaded or discouraged. The timing was also perfect. Teacher shortages were constantly in the news, and campus leaders were looking for careers beyond popular Wall Street training programs.

But times have changed and so has Teach for America. Ignoring managerial details, Kopp started the organization hoping it could be run in a non-hierarchical way. She learned after some missteps that “effec-



Gore Gets Heated Over Global Warming

The industrialized world is on a collision course with nature, said former Vice President Al Gore, noting that global temperatures have skyrocketed over the past 50 years.

Gore cited a Ford Motor Co. plan to buy hybrid engine technology from Japanese auto giant Toyota, the manufacturer of the enormously popular and fuel-efficient Prius sedan. “Instead of hiring more engineers to solve the problem, Ford hired more lawyers to fight against the [government] requirement they do the right thing. And so now they're having to buy the technology from Japan in order to catch up.”

Gore, who was a guest of the Environmental Club and View from the Top speaker series, urged Business School students to take action to save the environment. “Deciding to be part of the solution instead of part of the problem is critical,” he said.

“tive management is everything.”

Today, Kopp concentrates on Teach for America's core mission instead of getting distracted by side initiatives and programs. She describes herself as obsessed with finding and retaining great people focused on “clear outcomes” and trying to measure

the group's fundraising success and programmatic effectiveness. Lastly, she realizes the value of culture and tries to instill the organization's core values at every level. “I think internal management ‘stuff’ is why Teach for America is thriving,” she said. ■

NEW VENTURES

What does a new venture need as it grows? A payroll specialist, for one. Longtime technology entrepreneur **David Kahn**, MBA '79, is founder and CEO of **PERQUEST**, which offers small and medium-sized companies round-the-clock, online access to payroll services. Kahn has more than 10 years' experience in the payroll industry and previously designed and implemented both a human resources information system and a benefits administration program. After two years' beta testing, Perquest was launched last November and now has clients throughout the country.

When the kids are ready for kindergarten, parents face a

labyrinth of possibilities—public school or private; charter, magnet, or home school. And that's just the beginning. To the rescue comes **Ozzie Ayscue**, MBA '88, who recently founded **ARMCHAIR PRESS**, a publishing company specializing in parenting/education books. Armchair's first title, released in May, is *Picky Parent Guide: Choose Your Child's School with Confidence, the Elementary Years (K-6)*. Picky parents will find additional insights and support at the website www.pickyparent.com

Then comes college. **Susan Rothstein** and **Diane Brandt**, both MBA '78, saw their firstborns enter college woefully unprepared for real-world problems like paying bills,

managing credit cards, and taking charge of their own health care. The two mothers of invention came up with the **CollegeCase**, a sturdy organizer built to last through four years of college that includes storage space for bills, receipts, and other paperwork, a “mailbox” to trap unsorted papers, and tips on banking, health, property, insurance, and more. Rothstein and Brandt's company, **CAPTIO**, has more life-transition products in the pipeline. See www.captio.com

For news junkies whose interests aren't quite the same as those of the masses, **Greg Linden**, Sloan '03, has launched **FINDORY.COM**, a website with technology that

presents a user with suggestions for articles selected by what has been viewed by other people who have displayed similar interests. A software engineer, Linden worked for Amazon.com on personalization of its site before leaving to attend the Sloan Program. He has since applied for patents on the algorithm behind his news search and a broader Web search that he ultimately hopes to launch, according to the *Seattle Post-Intelligencer*. “The idea is that you come to Findory and you just read news like you normally would, and the site just gets better and better. It keeps showing you more interesting and relevant news,” Linden said. For privacy, use of the site is anonymous.



The Reality of Virtual Games

Game makers face knotty problems as the curtain rises

on a new generation of virtual entertainment.

WE'VE PLAYED *Super Mario*, the *Sims*, and *EverQuest*. But are we ready for the metaverse? It's getting ready for us. "Ten years from now, we'll be spending as much time in the virtual world as the real one. We'll log in to a metaverse created by game developers, where we'll explore and play in a personalized way," Microsoft home entertainment vice president Peter Moore told a Business School audience in April.

"Released from the normal world, our avatar—a holographic image of oneself—will be right there in the lounge," he said. "We'll meet up with friends, drive to clubs. There'll be game arcades, shops, and millions upon millions of people with whom to interact. And every night, stories will be told. We'll be telling our own stories, the stories of our lives."

Such is the heady future of electronic games, according to a panel of industry leaders at the Business School's 2004 Future of Entertainment Conference.

In the meantime, innovations like wireless control and voice control will give people new ways of playing existing types of games, predicted Jeff Brown, vice pres-

ident for corporate communications at Electronic Arts. Electronic games, he said, "are the only form of entertainment where we cede authorial control to the user." By 2010, players will determine most of the challenges and plot twists. "The AI [artificial intelligence] is going to be just that much better," said Brown. "It won't be like the movie you walked out of because you didn't like the ending—you'll get to decide the ending."

Already, pubescent gamers may be turning their backs on the box office. Mark Jung, MBA '87, CEO of IGN/GameSpy, noted that 13- and 14-year-old boys now spend more time playing electronic games than going to movies. Most gamers today aren't kids, however. As the industry has matured, large numbers of players have, too. The demographic sweet spot now, said Brown, is a man of 27—about the same age of the average game console owner.

Recent figures show video games are a \$10 billion industry in the United States. In a business with such apparent promise, are there looming problems, bubbles that could burst? Absolutely, the panelists said. The gaming industry, like any action hero, must negotiate

obstacles in order to fulfill its destiny.

OBSTACLE 1. Rising costs, short life cycle. A video game is typically made for seven different platforms and distributed in three major North American markets, said Doug Lowenstein, president of the Entertainment Software Association. Yet its life cycle on the market may be only six weeks. That's one shot at success, with a very expensive bullet.

How expensive? Making a next-generation immersive role-playing game might cost \$20 million to \$30 million, said Moore. The figure is lower for sports games, "where you can keep the engine going a few years," he said.

Introducing a new video game is a big risk for all but the biggest companies with the greatest volume, said Jung. "How long can you go on building games and losing money on every single game? Where are you going to recoup profit?" With titles already priced at up to \$59, mass-market

When I look at the reliance on the Harry Potters, the Lord of the Rings, the James Bonds, the Terminator 3s, I worry that the creative juices are drying up.

players seem unlikely to pay more for any but the most spectacular games.

"This is where I get to apologize to [accounting professor] George Foster for skipping his class," Jung added. "Because cost accounting is actually really important, and in this industry, it is screwed up."

OBSTACLE 2. Piracy. The industry is essentially shut out of 90 percent of the world—regions like China, Russia, Eastern Europe, and the Middle East, where the black market predominates. Opening up these markets with effective international laws and firm enforcement is "a big, long-term challenge," said Lowenstein. "But it offers hope of building more volume for more titles in far more markets than we're able to compete in now."

OBSTACLE 3. Talent pipeline. "Our biggest problem right now is [finding] talent—in particular, executive producers who have background in both engineering and art and all the other things you need to do to make video games," said Brown. "That is a very, very scarce commodity, and I do not see the pipeline to fill it."

Moore, lamenting the "sequelization" of the industry, added, "We're starting to live a little bit vicariously through other people's IP

[intellectual property]. When I look at the reliance on the Harry Potters, the Lord of the Rings, the James Bonds, the Terminator 3s, I worry that the creative juices are drying up, that we don't have the creativity, maybe, that Nintendo started with many years ago, when everything was your own IP."

The people making games today are, for the most part, the same people who've been making them for the past 10 years, observed Lowenstein. "Where's the new thinking coming from? If we don't innovate," he said, "we're going to grow more inward; we'll go the way of the comic books."

Brown brought up a trend in his organization that could spawn a new breed of game maker. Industry giant Electronic Arts, which franchises Hollywood blockbusters, has begun hiring scriptwriters, producers, and executive producers from the movies to help create the games. "When they get done and they understand interactive," Brown suggested, "what's to say that the next thing they do isn't going to be [an entirely original] game property with that hybrid sensibility and great storytelling?"

OBSTACLE 4. Cultural backlash. "We have some extraordinarily violent content today," acknowledged Lowenstein, who has successfully negotiated regulatory challenges in the past. "In five to ten years, it will be almost indistinguishable from reality. If you get to a point where the people you're killing in these games look like your friends, we may face a renewed threat to our medium."

The industry is known for its clear-cut rating system, designed to inform parents as well as players. "Our message has been all along that it's the responsibility of the parent to manage that interaction in the home," Moore noted.

Brown, calling himself an absolutist, questioned the distinction between watching someone get killed in a Tarantino movie and watching it happen in a video game. "I think the only thing that would heat the issue up again would be the question of how many people are doing this instead of watching television," he said. "And then, my prediction for the next 10 years would be: Get ready for a lot of TV news documentaries on how video games are screwing up your kids and you've got to get them back to watching TV."

The question is, will there be television in the metaverse? ■

Laurie J. Vaughan is a former senior editor with Stanford magazine and managing editor of Science News in Washington, D.C.

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Touchy-Feely (Re)visited

A highly structured quant jock takes a risk on the course he avoided in B-school, with good reviews from his coworkers and spouse.



THE EMAIL MIGHT HAVE BEEN WRITTEN just for me: “Have you always regretted not taking Touchy-Feely when you were at the GSB? Would you like to take it now?”

During my years at the Business School I had been far too serious to take many of the “soft” classes. While my classmates were taking *Interpersonal Dynamics*, I was auditing a PHD elective in options theory. Seven years later, as a partner in a consulting firm, I had yet to use options theory, but I had often felt the impact of my interpersonal skills—or lack thereof. My life increasingly revolved around managing relationships, yet I often felt trapped in my preferred analytical style of interaction.

The course description seemed perfect for me. In one week we would cover much of the material from both *Interpersonal Dynamics* and *High-Performance Leadership*. It promised both a rigorous intellectual foundation and plenty of hands-on practice. I signed up immediately, even calling to follow up on my email to confirm they had room for me.

The pre-readings were excellent but voluminous, and I began to feel the first faint stirrings of doubt. The course required getting peer feedback on our interpersonal style, and mine clearly showed that I had, shall we say, “lots of opportunities for growth.” My wife was supportive, but some of my partners asked, “How can

they teach you interpersonal dynamics in a week?” and, incredulously, “Do you really want to get involved in all that stuff?”

By the time I boarded my flight to California, I was really nervous. I was fumbling with unfamiliar concepts and theories, and at the same time my memory was dragging up every T-group story I had ever heard. (For example, that the experience was “so powerful you can’t describe it.” Worse, that “everyone cries.”) By the time I arrived, I had half convinced myself I’d be met by a pack of hippies in tie-dyes and love beads!

Reality was much less “out there” than I had feared. The group was composed of approximately 25 Business School alums who had been out of school for anywhere from 6 to 30 years. Their organizations ranged from universities and not-for-profits to Fortune 500 companies and the consulting firms that support them. About a quarter of the group had taken *Interpersonal Dynamics* at the GSB and was back for a tune-up. The rest of us milled around in a mild state of confusion.

One thing that hadn’t changed was the immediate sense of connection I felt with Stanford alums. I’m shy by nature, but I soon found myself drawn into meaningful conversations with people from all over the world. When we finished introductions and settled in, we really went to work. Most days began with a mini lecture summarizing a key concept or tool and included both unstructured T-group time and more structured exercises. The exercises used all available tools to help us practice our growing skills, including videotapes, role-playing, and lots of feedback from classmates. The approach was much more interactive and application-oriented than anything I remembered from the GSB, and I pushed myself intellectually, emotionally, and physically in ways I could not have anticipated before I arrived. And yes, I did cry.

The heart of the experience revolved around a group exercise called a T-group. (Don’t worry, the “T” stands for training, not therapy.) A T-group comes together to create a learning laboratory with minimal structure. The concept is difficult to explain, especially for a left-brain, recovering quant jock like myself. My best description is that you take 10 to 12 overachieving MBA types, put them in a room, and give them no assignment other than to pay attention to the group’s dynamics and learn.

From that improbable beginning, incredible things happened: People struggled with their need for structure and the desire to do things right, and the group provided feedback and coaching to itself under the watchful eyes of Stanford faculty and highly trained PHD facilitators.

One of the most remarkable outcomes is that each person got something different out of the experience, yet everyone found it valuable. Unlike traditional training, the learning that occurs in T-groups is individualized, since all participants have individual goals.

Our initial meetings were awkward and somewhat hesitant, but soon we were grappling with real issues. It was fascinating to observe the same dynamics we had read about and discussed in the lectures play out in real time, with each of us acting simultaneously as observer, participant, and coach. The overall lesson—to trust the group and accept that unstructured exercises could have good outcomes—was especially valuable for me, as I tend toward a highly structured approach to almost everything.

The combination of activities was intense and rewarding. By the end of the day we were totally overloaded and saturated in a way that was both exhausting and exhilarating. Each morning we woke with new insights into our own and others' behaviors, and each day we plunged into the work with a fresh burst of energy, ready to experiment anew. The learning was cumulative and the sense of progress and struggle was palpable. We were always challenged and sometimes overwhelmed, but we were never bored.

FALL 2004 ALUMNI OPPORTUNITY

Interpersonal Dynamics for High-Performance Leaders is being offered Sept. 28–Oct. 2 in San Jose, Calif. It is open to GSB alumni/ae only and will be held in a retreat environment where distractions are minimized. To learn more about the course and how to register, visit <https://alumni.gsb.stanford.edu/lifelonglearning>

PROGRAM READING LIST

"Power Talk" Power Up: Transforming Organizations Through Shared Leadership, **David L. Bradford and Allan R. Cohen**, *John Wiley and Sons*, 1998

"T-Groups and the Nature of Experiential Learning," **David L. Bradford and Carole Robin**, *Stanford University Working Paper*, 2003

"What Makes a Leader?" **Daniel Goleman**, *Harvard Business Review*, NOVEMBER/DECEMBER 1998

"If You Want Honesty, Break Some Rules," **Ginger L. Graham**, *Harvard Business Review*, APRIL 2002

"What's So New About the New Economy?" **Alan M. Webber**, *Harvard Business Review*, JANUARY/FEBRUARY 1993

By the end of the week I felt like a sponge that could absorb no more. Professor David Bradford reassured the class with data suggesting the effectiveness of T-group training actually increases over time, but I still worried about whether I could actually apply all of this knowledge back in the real world.

Now, six months after the experience, I can confirm that Professor Bradford was

right. There is something about the intensity of the week and the combination of theory and practice that seems to have burned in many of the lessons of the course. I know I'll never be a warm and fuzzy manager, but my partners and staff have commented on the change in my demeanor. In particular, I have found that I am much more able to pay attention to people's underlying emotions and adjust my reaction to match. For example, now I am likely to table a sticky item for later discussion, rather than take a bulldozer-like approach to it. One unanticipated benefit my wife notices is that I am more relaxed after work, and so it is easier for us to enjoy ourselves at home.

I'm of two minds as to whether I still wish I had taken *Interpersonal Dynamics* while I was at the Business School. On the one hand, I regret not having had access to some of these tools until now, but on the other, there was a depth and richness to the work that I'm not sure we could have achieved without the significant experience everyone brought to the room. Perhaps the ultimate answer would have been to do both. ■

Rick Booth recently joined EMC Corporation after four years as a partner in the Boston office of Mercer Management Consulting.

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Strange Bedfellows

The Democratic state controller describes his partnership with the Republican governor.



THE ROUGH AND TUMBLE OF California politics captivated the world last fall as we experienced a takeover even merger-and-acquisition folks would envy. The recall was not about Gray Davis or Arnold Schwarzenegger. It was a call for change, an end to politics as usual. And the voters got what they demanded.

I ran for public office to reform and make government more effective. As chief financial officer of the state, my top priority is putting our financial house in order. Each day, I use the lessons I learned and taught at the Business School.

With Governor Schwarzenegger, I recently cochaired a bipartisan initiative to fix California's budget problems. Propositions 57 and 58 refinance the state's debt at low interest rates and require the legislature to pass a balanced budget without deficit financing. We won a resounding victory at the polls in March. Here are a few common sense strategies from the campaign that produced positive results for California.

COMPROMISE. The willingness to step out on a limb and work across party lines is unheard of in Sacramento. Some asked if I was crazy, and entrenched politicians called it "political suicide."

At the beginning, being a statewide Democratic officer

allied with the Republican "Governator" was lonely. But I didn't make the decision to fight for these reforms because it was popular. I wasn't about to let California run out of money because of petty partisan bickering. The two propositions were the only solutions to ensure that operations would not shut down on June 16 when our bills came due.

The governor and I will not agree on every issue. A positive future for California's economy is one on which we are able to see eye-to-eye.

COMMUNICATE SIMPLY. Just as a CEO should be clear with investors about the course and direction of a company, politicians should be clear with the public. We all admire thoughtful, nuanced leaders, but the electorate chooses plainspoken straight-talkers. Their simple, uncomplicated style and message—whether right or wrong—works.

During the campaign, the governor and I explained that Propositions 57 and 58 do for California what any family dealing with mounting debt should do: Consolidate at a lower interest rate and tear up the credit cards. I described how, without 57 and 58, cuts to education, health care, and law enforcement would be even greater than already necessary to balance the budget. We communicated this message in an effective way. As a result, we earned support across the political spectrum.

WORK AS A TEAM. We went from 33 percent in the polls just three weeks before Election Day to a 63 percent victory. This kind of turnaround is possible only with teamwork.

The governor and I weren't the only political odd couple involved. A myriad of unlikely allies came together to make this happen: the Chamber of Commerce and the AFL-CIO, the Farm Bureau and the United Farm Workers, the state Republican and Democratic parties. Ending partisan gridlock to solve our problems is what California and the country want. These days, common cause matters more than party lines.

Despite all our differences, there are problems that we can agree need solving: education, job growth, health care. The time has come to build teams willing to stop working against each other and start working toward universal goals.

In business and in politics, the principles of success are unchanging: compromise, effective communication, and teamwork. Just the other day the governor and I disagreed. We decided to compromise and arm wrestle, best two out of three.

Maybe next time he wins. ■

Steve Westly, MBA '83, is California State Controller. A former senior vice president of eBay, he also was a lecturer at the Business School from 1990–1994, when he taught Politics and Management at the State and Local Level.

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Coaching for the Future

Kids play sports for fun. Jim Thompson believes lessons learned on the playing field can trickle up and positively influence future generations.



Breaking baseball's color barrier in 1947, Jackie Robinson (right) endured death threats and verbal abuse from hostile fans and some players. Dodger teammates who showed the moral courage to pose publicly with Robinson in this 1947 photo are Spider Jorgensen, Pee Wee Reese, and Ed Stanky.

with it and gain the advantages that sports offer. But could we go beyond that?

The powerful potential in youth sports, as Common Cause founder John W. Gardner pointed out, is that character is tested on the playing field all the time. Character education in the classroom can be remote, abstract, and theoretical. Character education on the playing field is intense, immediate, and in-your-face. The opportunities to teach life lessons are never-ending when coaches and parents are aware of them and prepared to create and seize teachable moments as they arise.

What if we could transform youth sports to the point that athletes learn positive character

THE EMAIL MESSAGE WAS INTRIGUING: “Does lying in Little League lead to Enron?” The sender, legendary sportswriter Robert Lipsyte, wanted my response for an article he was writing for *USA Today*.

Since founding the Positive Coaching Alliance in 1998, I have often talked about how professional sports pollute youth sports with a win-at-all-cost mentality. This may have some justification in an entertainment business like pro sports, but it has no place in the educational endeavor of youth sports. Lipsyte turned that issue upside down: Can youth sports, done badly, lead to an ethical pollution in the larger society?

Lipsyte's question caused me to rethink the impact that the Positive Coaching Alliance might have. We will not abandon our goal, which is to make sports a positive experience for kids and encourage them to stick

traits that would cause them to do the right thing when they grow up?

When Jackie Robinson broke the color barrier in major-league baseball, he suffered tremendous abuse from opposing players, fans, and even some of his own teammates. At one game in Cincinnati in 1947, Robinson's first year with the Dodgers, the abuse included a death threat. Pee Wee Reese, the Dodgers' captain, dramatically made a point of walking over to Robinson and putting his arm around him. It was his way of saying, “This man is good enough to be on my team and I stand with him.”

Robinson's physical and psychological courage in facing the pressure that dogged his career in the major leagues was amazing. Reese showed a different kind of courage, what we call moral courage: the public exercise of personal power to stand up for what's right, even

when others disapprove. Reese, the only Southern-raised Dodger who refused to sign a petition against him, went against the grain of his upbringing to stand shoulder to shoulder with Robinson, who later remembered Reese's support as something that helped him succeed.

This historical example stands in stark contrast to the hazing incidents reported in Mepham, N.Y., and other places in which older high school athletes have abused, sometimes quite violently, younger athletes on the team. In many of these hazing situations, a single voice raised against the practice might have brought it to an end or at least to the attention of the appropriate authorities, but no Pee Wee Reese equivalent emerged. Where was the player with the moral courage to risk the approbation of his teammates and stand shoulder to shoulder with the young men being abused?

Can youth sports inspire athletes to emulate Pee Wee Reese and stand up for what they believe is right even when the crowd is against them? Yes, if athletes are shown a higher standard and given the tools and encouragement to reach that standard. This is exactly the approach the Positive Coaching Alliance has taken with youth coaches.

We have defined a higher standard of coaching—the “double-goal coach,” who strives to win but has the even more important goal of using sports to teach life lessons. We intend to win the battle of minds and hearts among youth coaches and parents to make the double-goal coach the norm and displace the dominant win-at-all-cost model of coaching.

We are doing that by “unfreezing” coaches who tend to work the way they themselves were coached or to emulate what they see done by coaches on television. By engaging them around a set of principles and providing them practical tools that help them with both goals (I have rarely met a coach at any level who doesn't appreciate tools that will help bring more victories), we have been able to win the support of youth coaches across the United States as well as elite coaches such as the Los Angeles Lakers' Phil Jackson, Detroit Pistons' Larry Brown, and New York Jets' Herm Edwards.

We intend to do the same with athletes: to inspire, encourage, and equip them to embark on a journey from participant to principled competitor. What we describe as the high-road framework in our advanced coaching workshops will be a central part of this journey. When bad things happen, on the playing field or in life, we have a choice. We can take the low road and see

the setback as a problem. Or we can take the high road and see it as a challenge. The most painful disappointment can spur personal growth and develop increased strength and integrity when one consistently chooses the high road in sports and in life.

Anyone who comes out for a team is a participant. However, it requires hard work, commitment, and personal growth to become a principled competitor, an endeavor that involves three important relationships: the athlete's relationship with himself, with her teammates, and with his sport.

A principled competitor would not stand by and watch her teammates being abused. He would not look the other way when an employee of his company engages in illegal behavior.

A principled competitor does not rely on the scoreboard to evaluate his performance. He knows that one can look good against inferior competition and less stellar against a top-flight opponent. A principled competitor focuses on mastery and continuous improvement.

The Positive Coaching Alliance principle we call the ELM tree of mastery stands for Effort, Learning, and Mistakes. Effort means giving it everything you have. Learning is continuing to learn and improve, even in situations in which winning on the scoreboard is not an option. And Mistakes stands for developing the mental toughness to bounce back from mistakes with renewed determination and to not let fear of mistakes stop one from trying new things.

A principled competitor works to be the very best athlete and person he can be. He understands that this is a lifetime pursuit and recognizes that competitive sports provide a powerful platform for preparing oneself for this lifelong goal.

A principled competitor is someone who makes her teammates better and who plays the role of player-coach, constantly analyzing what is going on and what can be done to improve performance. She focuses on playing her role on the team well but also looks for opportunities to encourage and support her teammates. She understands the Positive Coaching Alliance principle of filling emotional tanks and helps fill the E-tanks of her team members and coaches. She thinks about the bigger picture of what will make the team successful and offers

suggestions for the direction the team as a whole should take as well as individual team members.

A principled competitor understands and embodies the Positive Coaching Alliance standard of honoring the game. A principled competitor shows respect for what we call the ROOTS of positive play (the Rules, his Opponents, the Officials, his Teammates, and his Self). A principled competitor wants to win and competes fiercely to win, but will only strive to win within an ethical context of honoring the game. A principled competitor is intent on becoming a person that his team, his school, and his family can be proud of.

All three of these relationships bear on the question at the beginning of this essay. A principled competitor would *not* stand by and watch her teammates being abused. He would not look the other way when an employee of his company engages in illegal behavior. She would not go along with the crowd, because as much as she wants to be accepted by others, she has respect for herself and is committed to living up to a higher standard.

Our efforts include workshops for high school- and middle school-age athletes in which the journey from participant to principled competitor is portrayed as a hero's journey. We also will develop tools for coaches to mentor and encourage athletes along the road to becoming a principled competitor, such as teaching stories like that of Pee Wee Reese and Jackie Robinson.

Will it be easy? Not necessarily, but it is the kind of challenge that energizes me and the hundreds of individuals all over this country who are committed to creating what writer Malcolm Gladwell calls a social epidemic of positive coaching.

I believe we can look forward to many Pee Wee Reeses emerging from youth sports. Imagine, if you will, the beauty and power of an individual demonstrating the moral courage to blow the whistle on illegal and unethical behavior with the words, “I couldn't stand by and let that happen. I didn't want to let my coach or myself down.” ■

*Jim Thompson, MBA '86, is founder and executive director of the nonprofit Positive Coaching Alliance (www.positivecoach.org). He is the author of three books about youth sports, most recently *The Double-Goal Coach* (HarperResource, 2003). He was one of five social entrepreneurs from the United States elected fellows of Ashoka, a global nonprofit organization that supports individuals who are developing innovative ways to bring change to their communities.*

Champions of the Turnstiles

ALUMS CHARGED WITH FILLING BALLPARKS, STADIUMS, AND ARENAS

FIND SPORTS MARKETING A CREATIVE PLAYING FIELD.

● BY DAVID MARKUS



TIME WAS, IN THE NOT-SO-DISTANT PAST, your average sports fan was only too happy to plunk down a few bucks for a seat at the ballpark, drop six bits on peanuts or Cracker Jack, and root (root, root) for the home team. Today, the average fan has a few more issues to consider—and considerably more choices to ponder—before coughing up the big bucks it now takes to get a seat at the stadium.

For starters, season tickets for any of America's big four professional sports (football, baseball, basketball, and hockey) are a four-figure financial investment, and that's if you buy a ticket or two per game. Taking the whole family? Not an option for the vast majority of fans, unless you opt for a partial plan, miniplan, or some other arrangement that lets you attend some but nowhere near all the games. But there looms a larger issue every fan must face: Is watching the sport worth it when the mall, the beach, the cinema, even the ski slopes, or the local golf course can provide possibly more fulfilling and often less costly diversions?

Turning these matters over in their minds, today's sports executives know one thing: Fan attendance at the game, no matter how profitable media contracts and other ancillary revenue streams may make the franchise, is still the *sine qua non* of long-term success. And so, these execs stand astride two incongruous and not easily reconciled worlds and try to make them work together. On the one hand is the pro sports marketplace, driven by higher-than-ever-imagined salaries for athletes, pressures to expand geographic markets with new, ever more comfortable stadiums, and a growing, cut-throat competition with other entertainment industries. On the other is the fan, who, clutching his fistful of discretionary dollars, wonders if watching the team play



Jessamy Tang

**MBA '94
MIAMI DOLPHINS**

Photo by JEFFREY SALTER

ILLUSTRATIONS BY JOHN HERSEY



Bryan Perez

MBA '96
DALLAS STARS

Photo by BRENT HUMPHRIES

will make him happy—or just make him default on his mortgage.

The good news for the industry and for the fans of tomorrow is that today's sports execs, with more than a few Business School alums among them, are integrating these disparate realities with some innovative strategic planning, good old-fashioned community-based marketing, and inspired but uncomplicated uses of email and other inexpensive means of communication.

"It all begins with research, research, research," says **Bryan Perez**, MBA '96, executive vice president for sales and marketing for the National Hockey League's Dallas Stars. "We are gathering data on our fans all the time. Not just age, income, and gender. But ... what does he like outside of hockey? How much time does he—or she—spend on the computer? How do they spend leisure time away from hockey?"

Perez's mission is multiplex. Hockey is the smallest of the big four sports in total fan base, television dollars, and sponsorship. However, the NHL fan base is the most affluent and well educated of the four, making the season ticket package a possibility for many. With the Stars an established franchise vying for the playoffs almost every year, season ticket marketing is a big part of the team's strategy.

"The number of season ticket holders who bail out of their season package during their first two years is high relative to those who drop out later," says Perez. "If we can hang on to a customer for five years, we believe we will have him for a long while."

Perez's aggressive surveying of Dallas Stars fans—online, in the arena, and through various blind survey efforts—revealed that most were computer literate, liked to travel, and loved to play golf. Virtually all were eager to receive more residual value for their season ticket investment.

Inspiration: In a cashless barter deal, the Stars licensed its name to a top-flight local golf and country club with two much-ballyhooed courses, automatically making all Stars season ticket holders members and giving them access to affiliated clubs around the country. Conversely, all prior members of the club received the complete package of amenities and concierge treatment Stars season ticket holders enjoyed at the team's





Mike Golub

MBA '88
MEMPHIS GRIZZLIES

Photo by JOE MURPHY

arena—plus four free games per season and discounts on the rest. Hockey fans and golfers alike flocked to the opportunity, and both the team and the club are still counting their new customer acquisitions.

AS SENIOR VICE PRESIDENT for business operations for the National Basketball Association's Memphis Grizzlies, **Mike Golub**, MBA '88, faces a slightly different challenge. His franchise is new to its city, having relocated to Memphis from Vancouver, British Columbia, three years ago. It is the only major pro sports franchise in a city whose traditional fan loyalties tilt to the legendary college football programs of the Southeastern Conference. As the new sports kid on the block, the Grizzlies faced some sobering small-market facts of life. Memphis is the smallest market in the NBA, with the smallest corporate sponsor base in the league. The number of people in the area with the discretionary income to spend on professional sports is likewise modest by NBA standards, and the region's broadcast rights are nowhere near as lucrative as those in the larger metropolitan areas.

So filling the arena, not just in the short term but for many years to come, is foremost on Golub's strategic agenda. His job, he says, is "building fans for life." He enjoy-

ed two huge assists in his mission this year. First, the opening of the team's new arena, the FedEx Forum ("best arena in the country," Golub opines unabashedly), and second, the Grizzlies first-ever trip to the NBA playoffs, under the leadership of the league's newly named coach of the year, Hubie Brown.

But no amount of good news on the sports page will make a smaller pool of potential fans substantially larger, so in a

competitively reduced universe, what's the model for building a fan for life? Golub points to the National Football League's Green Bay Packers as perhaps the best-known small-market case. "In Green Bay," he says, "people are branded Packer fans practically from birth, and they stay that way right through their adult lives. We want the same. It starts with the 8-year-old kid, making him a fan forever."

Not always easy in a world where the

image of the professional athlete is not the beacon for youth it once was. Golub and especially his boss, former Los Angeles Lakers superstar and NBA icon Jerry West, now Grizzlies president of basketball operations, have made character, philanthropy, and community service the hallmark of the franchise. The Grizzlies, through its ownership, have donated more than \$13 million to various community groups in the three years they have been in Memphis. Grizzlies players have taken up the cause as well, regularly reading to kids, serving meals to the homeless, participating on community boards, and being a visible presence throughout the year. "With Jerry West as our model, we put the players out front as we build our image. We want to break the negative stereotype of the insensitive professional athlete," Golub says.

And as much as Golub wants parents to approve of and encourage their kids to embrace the Grizzlies players, he also wants those families, especially the kids, to be able to attend some games. So before every game, 500 tickets go on sale for \$5 apiece. "Memphis is not only a very evenly balanced city racially, but is very diverse socio-economically. Everyone should have access," Golub says.

EVERY SPORTS MARKETER is looking for a way to pitch his sport as high-quality, low-cost entertainment for the whole family, but few will embrace as bold a strategy to

As the new sports kid on the block, the Grizzlies faced some sobering small-market facts of life. Memphis is the smallest market in the NBA, with the smallest corporate sponsor base in the league.

achieve it as **Dave Kaval**, MBA '03. Next summer, Kaval will launch a new West Coast minor-league baseball circuit using a business model he developed in a Business School entrepreneurship course that has birthed a number of companies. Kaval's Golden League plans to debut with six teams and quickly expand to 10 and ultimately 20. He has adopted a cost-saving, single-entity ownership structure that allows

Continued on page 20

MBA Students Sign up for Front Office #560

IT MIGHT BE FAIR TO SAY that the Business School's popular elective courses in sports management got their start at the Shark Tank in San Jose. At least that's where Business School faculty members first discussed the idea.

During a lull in the action at a San Jose Sharks game in November 2001, George Foster told fellow hockey fan Jerry Porras he was planning to set up an MBA elective on sports management the following academic year. Porras, who for years had been Stanford's NCAA faculty representative, immediately recommended Foster get in touch with Bill Walsh, the Hall of Fame NFL coach who at that time was working with the San Francisco 49ers.

"Bill's response was 'Love to, but why wait until next year?'" recalls Foster. He and Walsh—with an assist from **Roni Almog**, MBA '02, who had covered the National Football League for the Mexican media before enrolling at the Business School—began planning. Six weeks later they were in the classroom offering a nine-session MBA course in sports business management. "We used the format I'd been using in my entrepreneurship courses," Foster says, including a case for each session with a related guest speaker.

Winter quarter, Foster, the Paul L. and Phyllis Wattis Professor of Management, and Walsh, a former Stanford coach who has recently rejoined the Stanford athletic department, offered a full 19-session elective, *Sports Business Management*. In the spring, Foster offered two half-courses, *Sports Business Financing* and *Sports Marketing*.

The classes are popular, not because hundreds of current MBA students want to work in the front office of a professional football team or baseball league, but because the cases and guest lecturers offer a tantalizing look into some of the stickiest and most highly publicized problems in business today. "It is possible to combine substantive academic content with contemporary issues facing key areas of the sports industry," says Foster.

"In many sports, you're managing a group of twenty 17- to 35-year-olds who are being paid enormous amounts of money and whose behavior can be difficult to predict. There can be difficult ethical issues, and the media is hungry. It's a huge industry that attracts tremendous attention," says Foster. There are byzantine financial structures concerning stadiums and player salary caps, broadcast issues that could give a hockey player a headache, and the challenges of founding a minor league or running a franchise.

The issues are so compelling that Foster, who has written or supervised over 20 sports-related cases; Walsh; and Stephen A. Greyser, who teaches similar sports management classes at Harvard Business School, are working together on a book that will include discussions of nine major areas of sports management. The book, says Foster, will provide faculty at other schools enough content and teaching

materials to develop similar sports management courses.

One upside of the work in sports management can be seen in executive education. The National Football League has spent two summers at the Business School with executives from the league and its 32 teams participating in an intensive one-week program directed by Foster and Walsh.

"I've been fascinated with the business end of sports for many years," says Foster, a native of Australia whose first sports were rugby, soccer, and cricket. "In the 1990s, I was lucky enough to join touring rugby teams and see behind the scenes. I was staying at the team hotels, and it was natural to chat with the executives who had lots of time while the players practiced. An important part of my life revolves around sports, and many of my friends are in that area."

Some of his guest speakers would raise the pulse of any armchair athlete: Brent Jones and Steve Young of the San Francisco 49ers and Chicago Cubs coach Dusty Baker, to name a few. Others have made headlines in the business arena. They include Peter Magowan and Jack Bair of the San Francisco Giants; Brian Grey, general manager of Yahoo! Sports; **Charles Hoeveler**, MBA '69, founder of US Sports Camps, the country's largest network of summer camps; Tom Shepard of Visa International, who oversees all international sponsorships; and **Leo Hindery Jr.**, MBA '71, who pioneered the Yankees

The classes are popular because the cases and guest lecturers offer a tantalizing look into some of the stickiest and most highly publicized problems in business today.



Professor George Foster (left) and Bill Walsh, Hall of Fame NFL coach, have teamed up to offer sports business management courses at the Graduate School of Business.

Entertainment and Sports Network (YES Network) that has changed cable sports programming.

"They bring in sports figures as speakers only if they have experience on the business side," said **Amy Wustefeld**, MBA '02, who took the first class offered. A Stanford basketball player as an undergrad, Wustefeld was president of the Sports Management Club as an MBA student and found that the class provided a bonus, introducing her to sports managers she might not have met elsewhere. She did projects for **Wally Walker**, MBA '87, president and CEO of the Seattle Sonics, and an independent study project on women's sports leagues that grew into a case study. Her connection with Hindery and the YES Network also resulted in a case. "I really got deep into the network without working there," said Wustefeld, who is now a consultant with Bain & Co. "There are only a few times in life that you can sit down with someone like Hindery and share thoughts." ■



Dave Kaval

**MBA '03
GOLDEN LEAGUE**

Photo by TIMOTHY ARCHIBALD

for maximum focus on building fan followings in league locales. His target markets are the exurban bedroom communities of Northern and Southern California, southern Oregon, and western Arizona.

As coauthor of the widely acclaimed book *The Summer That Saved Baseball*, the story of his 38-day tour of all 30 of the major-league baseball stadiums in 1998, Kaval has learned a thing or two about what makes people come out to the ballpark. “We are building our league focused squarely on serving and entertaining the family, to the point where we will have local kids, ages 6 to 12, name the teams and create concepts for their mascots,” says Kaval. Kids also will be able to run the bases mid-innings and be photographed with their favorite players. Even moms and dads will have a chance at a season-long home run derby after games.

Target communities are semidistant from the larger metropolitan areas where territorial rights bar big league teams and their minor-league franchises from expanding. “The Golden League will give these folks a chance to interact with their neighbors, eat

some great, locally prepared food, and enjoy a day out with their kids. We provide baseball as a catalyst for family, for culture, for history. In return we get fan support, long term, we believe,” says Kaval.

In Miami, home of the nation’s third largest Hispanic population, Jessamy Tang keeps the Spanish-speaking fan top of mind as she pursues broadcast television, radio, cable, and satellite television agreements.

SECURING THE ALLEGIANCE of the traditional fan is one thing, but what about the other half of the nutshell, winning the hearts and mindshare of those outside the target demographics? Perhaps the most coveted of these “new demographics” is the Hispanic audience. In Miami, home of the nation’s third largest Hispanic population, media consultant **Jessamy Tang** keeps the Spanish-speaking fan top of her mind as she pursues broadcast television, radio, cable, and satellite television agree-

ments for the NFL’s Miami Dolphins. The 1994 MBA reports that for the first time the Dolphins are planning Spanish-language television broadcasts of their preseason games in South Florida, where the Spanish-speaking audience is almost evenly split between Cuban Americans and the families of immigrants from Mexico and Latin America.

The Dolphins also will enlist their Spanish broadcasting partners’ support in youth football clinics in Hispanic communities. Tang is working to expand radio coverage of the team’s games and other programs across Mexico, Latin America, and Spain. Efforts are under way to continue to broadcast the team’s magazine-style television program in some of these international markets. Says Tang, “The countries much of South Florida’s community came from represent potential fan bases, and our goal is to strengthen our relationship with them and continue to build loyalty to the Dolphins.”

Mike Golub’s Memphis Grizzlies found their way to a larger Spanish-speaking audience by way of their recently acquired star center from Spain, Pau Gasol. Like other overseas NBA players, Gasol is something of an international star, and the team has leveraged that interest to appeal to Spanish-speaking fans with Web coverage *en español* on its official Grizzlies site. In Dallas, where

there are significant Hispanic (largely Mexican American) communities, Bryan Perez’s focus is on youth. “We are looking for kids, many of them the second-generation sons and daughters of immigrant parents, who, like their non-Hispanic peers, are learning to enjoy hockey as a fast, hard-hitting sport. We don’t make the ethnic pitch as much as we count on the innate appeal of the sport and our general youth marketing efforts to convert these young people to paying customers when they get older.”

And if Perez has his way, those same kids may soon find their way to a Stars game by online networking—a medium growing in leaps and bounds across the pro sports landscape. No spam here, just old-fashioned free ticket offers via the Net. The plan was built as a friendly competition within the Stars organization. Every employee was encouraged to send out emails to friends, family, and other acquaintances offering the chance to win tickets in a special drawing. Each email contained the employee's company ID number as did the response form. In addition, the response had to contain answers to basic customer data queries—name, address, phone number, and so on. Internally, the employee whose ID number came back most frequently won a prize.

With the email addresses in hand, the Stars were free to try to cultivate an online relationship with all contest participants, especially those who won the drawing. After the winners attended their free game, the team sent each of them offers for 25 percent discounts on subsequent games and options on various partial season ticket packages.

The results swiftly became a marketing hat trick and a watershed moment for the Stars. The first day of the contest drew 20,000 responses. By week's end, there were 60,000, all registered as potential customers. Lastly, the company was galvanized internally by the friendly competitive drive to be the employee to bring in the most responses. The winner, who alone triggered 10,000 responses, received a cash bonus equivalent to a week's pay. The tidbit unearthed in Perez's fan survey about Stars fans being avid computer users yielded a gold mine.

And gold will continue to be what smart marketing is worth to team owners hungry for a better return on their dollar. There are no guarantees for success, other than perhaps a championship caliber team in combination with an affordable ticket. But these advantages, falling together in tandem, are becoming more and more difficult to produce as sports leagues expand across multiple cultural and national borders and the costs of stadiums and athletes continue to climb. Sports team marketers will have no shortage of challenges and opportunities. In an environment where success is measured by ubiquitous clicks of the turnstiles, they will have to eat their Wheaties if they want to compete. ■

David Markus is a San Francisco-based writer, editor, and producer.

A Different Game in College Sports

THERE IS A DIFFERENT GAME BEING PLAYED on the nation's college campuses—on the field and in the athletic departments, where a different but no less resourceful breed of sports execs are directing athletic competition for tens of thousands of student athletes every year. In the pro ranks every franchise is a business whose ultimate goal is to make money, have its (single) team capture championships, and build positive ties in local communities (in that order, in most cases). At the college level, the tasks are multiteam and more varied, though arguably less cutthroat in matters to do with the “bottom line.”

“In addition to developing teams for NCAA competition, we have a mission to provide sporting recreational options and opportunities for our entire student body—gym access, club sports, intramurals,” says Stanford Senior Associate Athletic Director **Debra Gore-Mann**, MBA '87. Which isn't to say there are not major financial pressures and marketing challenges. “We have a budget of \$50 million for everything we do, the recreational as well as NCAA competitive programs,” she said. Thirty-four programs, to be precise. Football, men's and women's basketball and soccer, and baseball draw the largest crowds and financial opportunities.

That's important because the Stanford athletic department's varsity sports program is not funded from a general university fund but from its own revenues and endowments, which must equal about \$40 million per year to make the program go. “So yes, we undertake marketing campaigns, seek corporate sponsors and radio and television revenues where we can,” says Gore-Mann. “When the Notre Dame football team comes to town, or next year, USC, we do everything we can to fill the stadium. But in the end, with all we do, we just break even. Collegiate sports at Stanford is a nonprofit enterprise.”

Like Gore-Mann, Princeton Associate Athletic Director **Jamie Zaninovich**, MBA '01, helps direct an athletic program of 38 men's and women's sports as well as a large recreational series of programs. However, the athletic department is funded entirely by the university and does not live off any of its own revenues. As much or more as revenue, community outreach to the Princeton area drives the marketing efforts of Zaninovich and his colleagues.

“For instance,” says Zaninovich, “Princeton has a new football stadium. With 27,000 spectators seated close to the field, it provides a great viewing experience. There is a temptation to drive up the ticket cost, but we don't. We ‘cost down’ the tickets because the football experience is one of the ways we introduce people to the university,” he explains. “We want families in the area to be able to come to campus and enjoy themselves at an affordable price.”

Like his pro sports counterparts, Zaninovich reaches out to a host of community groups to bring their members to Princeton football games. Boy Scouts, Girl Scouts, YMCA, to name a few. And, likewise, he is building registration campaigns online to create a database of Princeton sports fans for whom single game and season ticket plans can be crafted. Strategically, Zaninovich is targeting high-profile contests like basketball games against perennial top-ranked University of North Carolina or Kansas, which bring larger crowds and wider TV and radio audiences, to push online registrations. “We think this trend in managing customer relationships with a personal touch will be a good one for us,” he concludes. ■



THE MAN AT THE HELM

Robert Joss has just completed five years as dean, the midpoint of a typical deanship. What is the strategic vision of the School? And what drives Joss's passion for the job?

by Barbara Buell

IN 1968, BOB JOSS HAD A CHOICE. Finishing his doctoral studies at the Stanford Graduate School of Business, he had a junior faculty position waiting at the University of Michigan. He also had Business School dean and mentor Ernie Arbuckle supporting his application for a prestigious White House fellowship. Joss took Arbuckle's advice and the fellowship. Three years later, after a stint in the economic policy office at the U.S. Department of the Treasury, he again set aside academic ambitions when Arbuckle, by then chairman of Wells Fargo, talked him into taking a job at the bank. Starting as a staff analyst, Joss spent 22 years there, eventually rising to vice chairman. In 1993, he went deeper into global finance as CEO of Westpac, one of Australia's largest banking groups.

Then five years ago, after his detour from academia, Joss was selected as the GSB's first dean from industry in 17 years. The search committee saw in Joss a seasoned business leader who also appreciated the intellectual properties of the School. "He's interested in ideas for their own sake," says management professor Chuck Holloway, who chaired the search team. "This is an important opportunity for him to help shape busi-

ness education, to be seen as someone who made a lasting difference in management through education."

An agile tennis player, Joss loves any kind of competitive sport. On and off the court, he is persistent, according to present and former colleagues. He is also modest, though the accomplished pianist has been known to play jazz alongside saxophonist and labor economist Bob Flanagan and sing karaoke with economist Yossi Feinberg. He believes in personal integrity as the essential ingredient for any leader.

Very importantly, say those who know him, he understands the need for process, especially at Stanford, where the academy, which he greatly respects, has a lot to say about how the institution evolves. "Bob is deliberate and unrelenting," says GSB finance professor and longtime friend George Parker. "He's both a quick study and a careful study of his resources and the environment in which those resources have to function. Then he finds a way and charts a course. He doesn't tell people only things they want to hear."

Guiding the School toward a vision for the 21st century has not been easy. When Joss arrived as dean in 1999, the atmosphere was euphoric. The Internet explosion was driving Silicon Valley's biggest economic boom in a generation. Venture capitalists had

Photograph by THOMAS BROENING

bottomless pockets. Most students were graduating with two or three job offers each. They also were founding or joining startups in record numbers. The School even sailed past a \$75 million fundraising target for its 75th anniversary, netting \$150 million.

But in 2000, after Joss was less than a year on the job, the economy suddenly imploded. The dot-com bubble popped. The stock market plunged. Endowments tumbled. Surpluses (including the School's) became deficits. Then, the events of Sept. 11, 2001, wiped away what was left of the optimism that had gone before. Worst of all, executives were doing perp walks on national television. Employees lost retirement savings and railed against out-of-control CEO pay and corrupt executives. There was a tremendous loss of faith in the business community.

That loss of confidence in management is something that troubles Bob Joss deeply. This is because he believes, with a passion, that management is a calling—a noble calling—as essential as medicine, as important as the law. After all, he says, tens of millions of us spend whole lifetimes in managed institutions, whether they are corporations or nonprofits. How well those institutions are managed largely determines what kind of day we've had, what kind of retirement we end up with, what kind of health care benefits we get, what kind of tax base the community has to fund schools and social programs, what kind of environment we live in, and what kind of investment gains shareholders reap from their trust in public companies. As evidenced by the crisis in business over the last several years, there isn't enough good management to go around.

JOSS, WHO SPENT HIS PROFESSIONAL life in the world of real-time organizations, came to his post as dean armed with a Sloan Program certificate, an MBA, and a PhD, all from Stanford. He is keenly aware of what his education gave him—knowledge and critical thinking skills. He believes in the need to constantly test the knowledge we have to be sure we have it right—an important role that Stanford, as a research institution, plays. But Joss also learned some of his most important lessons through experience.

“The times of greatest personal growth are when you are most challenged,” says former Wells Fargo Bank chief executive Paul Hazen, who was Joss's colleague and boss for many years. For example, when Mexico defaulted on its loans in 1982, banks in Texas and New England collapsed under the loan failures, and regulators began breathing down the necks of U.S. banks to ensure their capital reserves were adequate. Hazen remembers Joss was part of the team that had to extract Wells, which had about \$3 billion in loans across 22 countries, from that mess. “We made a major strategic decision to get out of the international business—

which we did by 1984,” said Hazen. “We had to restructure those loans and sell.”

The leadership challenge was significant: Bank officers had to work not only with zealous regulators, but with other banks whose funds were tied up with the bad loans. That meant Joss, a member of the international management group at the time, had to help negotiate the loan restructuring to the satisfaction of all parties involved. Says Hazen: “There was no template, no background; it was real-time problem solving.”

A taste of that sort of learning through working on tough problems with others is what Joss would like to see injected into the MBA Program. After discussion with faculty and alumni and working closely with senior academic deans David Kreps and Mary Barth, Joss has articulated a strategic direction for the School. The new vision adds a dimension of experiential learning aimed at teaching students how to integrate and put into action the analytical skills and knowledge the School delivers to them. “It's not enough to be smart about the functions, such as accounting or finance or operations,” says Joss. “It's learning about how you can be smart about yourself and how you handle your relations with other people so you can accomplish things that are beyond your own individual accomplishments.”

JOSS BELIEVES A COMPLETE MBA EDUCATION rests on four critical components: leadership, entrepreneurship, global awareness, and social accountability. Leadership means developing high ethical standards, strong self-knowledge, teamwork, and the ability to positively motivate people to change an organization for the better. Entrepreneurship means having a sense of ownership and an entrepreneurial mindset with a bias to innovation—whether your company is large or small. Global awareness is managing across cultural, political, geographic, and economic divides, and knowing the world standard for best practice. Social accountability means understanding the responsibility of managing businesses, which are not only economic institutions but also social institutions that profoundly affect their communities. “We are moving in a very positive direction,” says Steven Denning, MBA '78, managing partner of General Atlantic Partners and a member of the School's Advisory Council. “He understands the underlying importance of leadership and the other centers the School is developing.”

These four areas correspond to four key centers the School has developed or is developing. Each center, modeled after the School's successful Center for Entrepreneurial Studies launched in 1996, creates a critical mass of cases, courses, forums, projects, work

“It's not enough to be smart about the functions, such as accounting or finance or operations,” says Joss. “It's learning about how you can be smart about yourself and how you handle your relations with other people.”

Four Cornerstones

LEADERSHIP

Developing high ethical standards, strong self-knowledge, teamwork, and the ability to positively motivate people to change an organization for the better.

1

ENTREPRENEURSHIP

Having a sense of ownership and an entrepreneurial mindset with a bias to innovation, whether your company is large or small.

2

GLOBAL AWARENESS

Managing across cultural, political, geographic, and economic divides and knowing the world standard for best practice.

3

SOCIAL ACCOUNTABILITY

Understanding the responsibility of managing businesses, which are not only economic institutions but also social institutions that profoundly affect their communities.

4

experiences, and research, which will help integrate the already strong Stanford tradition of cross-disciplinary teaching. The new Center for Global Business and the Economy, for example, kicked off with a major international conference this year. The three-year-old Center for Social Innovation, which builds on the School's 32-year-old Public Management Program, launched an important new journal, the *Stanford Social Innovation Review*, in 2003.

The School's initiative in leadership and a new Center for Leadership Development and Research is of keen interest to many alumni/ae. The School has introduced a cocurricular "leadership development platform" through which students experience simulations, teamwork, and personal coaching to evaluate their communication and behavioral styles as well as clearly understand their personal values. Sixty students enrolled in the program last year, and the School wants to scale it up to accommodate many more. "It has been one of the most exciting and differentiating elements of what Bob and the GSB are doing," says Advisory Council member John Donahoe, MBA '86, who is worldwide managing director at Bain & Co. "It's an unconventional, spot-on view to what's required to lead organizations in today's world."

The small size of the School's student body—less than half that of Harvard Business or Wharton—makes experiential learning that much more effective. Each entering class is composed of 370 students drawn from about 5,000 applications, making Stanford the most selective business school. The personal atmosphere that results is a hallmark of the School, an advantage it is committed to maintaining.

IN FIVE YEARS, JOSS WOULD LIKE TO SEE all four centers fully supported and throwing off cases, forums, projects, and research in a sufficiently expansive way that "our students not only leave here learning how to think deeply and critically for themselves, as they always have, but also how to think and act with confidence and impact." The School will support the new centers, its traditional programming, and an initiative to bring management education to other graduate students at Stanford with the largest fundraising effort in its history, to get under way early next year.

Skeptics, of course, are not in short supply. There's plenty of controversy in the academic community over whether leadership, in particular, is something that can be taught. Joss has had to juggle the concerns of six constituencies: faculty, staff, students, alumni, the Advisory Council, and the University administration. "It's difficult to span that breadth," says GSB finance professor Jim Van Horne, who was Joss's PHD thesis advisor. "The fundraising is a

critical component. The complexity of the job and serving so many constituencies is a real challenge."

But persistence and patience are among Joss's assets. "He's the ultimate leading-from-the-middle leader, which is the only way you can lead in an educational atmosphere with such talented individuals—and is increasingly true of most corporations," says Donahoe. "He has hired very good people; he lets his team take the credit, both faculty and staff."

Pfizer CEO Hank McKinnell, MBA '67, PHD '69, who met Joss on their first day of class in 1965, says he has never known him to give a direct order. "He's not a command and control leader," says McKinnell. "He is the kind of leader who helps others to achieve a vision."

Joss has reassured faculty that he fully supports the disciplines and strong research that made Stanford an intellectual powerhouse in the 1960s and 1970s. "I am sympathetic with the way Bob is turning the tiller," says Parker, who lived next door to Joss during their PHD days. "You don't take a big ship and put it in a right-angle turn. He is looking at areas of emphasis and opportunity. He is not abandoning the gut subjects."

To share ideas, Joss has invested in face-time with faculty, including junior faculty, among whom he is especially popular. A basketball fan whose wife, Betty, sent him to a Michael Jordan camp for over-35 athletes as a birthday gift a couple of years ago, Joss sometimes invites faculty to share his season tickets to Stanford ball games. "Of the deans I've known, he's done an effective job with a faculty that is larger than the other deans have had," says Van Horne, who has worked for six of the eight School deans. Adds Donahoe: "The faculty I know give Bob high marks for his integrity and honesty. There are no hidden agendas."

Having been mentored by his own dean, the legendary Ernie Arbuckle, who put the School on the road to national recognition, Joss genuinely enjoys consulting with students. "I was impressed by the time Bob provided in the mentoring role and by how approachable and down-to-earth he was," says David Weickhardt, MBA '04, who had Joss for his alumni mentor. "He always made an effort to help. He emphasized the value of getting real-life experience. A piece of his advice that struck a chord for me is that life is more like a long marathon than a brisk race."

Denning sums up the dean's role this way: "You've got to have real conviction and have this in your heart and soul. You can have enormous impact with a relatively small fulcrum," he says. "There are people who love the intellectual challenge of business in its broadest dimension, and that's Bob Joss." ■

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BRANDI EASTER

Business with Heart

DUNCAN ROBINS, MBA '93

DUNCAN ROBINS IS SITTING in Sacred Grounds coffee shop in Arcata, Calif., watching his tea cool as he talks about his four years at Yakima Products, the company that brought him to this funky coastal outpost six hours north of San Francisco. It changed his life.

In 1998, when Robins took over Yakima as CEO, the heart had been ripped out of the company. Arcata's largest manufacturer had been sold in a leveraged buyout four years earlier. Known nationally for its fine automobile roof racks, around town the company was prized for its employees' after-hours forging of "kinetic sculptures," the people-powered fantasies of sheet metal, bicycle wheels, and pontoons that race the dunes, sloughs, and cow pastures of Humboldt County each Memorial Day. The new owners didn't understand Yakima's culture—or Arcata's. In 1997, they moved assembly to Mexico. Forty local jobs were lost.

Enter the outsider Robins, recruited from Easton Sports in Southern California. Robins could see that Yakima, though profitable, was going sideways. It was a two-product company that saw no need to grow. Robins convened a town hall meeting of the remaining local employees and proceeded to introduce the notion that profit for a company is not intrinsically a bad thing. Then he and his managers boarded a couple of kinetic sculptures and careened up Highway 101 for a retreat in Redwood National Park. "It was all about creating a

business plan from the heart," he says.

The plan worked. Yakima took off—in large part, he believes, thanks to "relational management," in which networks of small entrepreneurial teams work in an environment of trust and tolerance. Four years later, with Yakima launching 50 to 100 new products a year, Robins left the company. But he remains in Arcata, where he has founded or cofounded five companies in the past two years. He also consults to large equity firms and has written a book based largely on his Yakima experience called *Business Euphoria: Powering Relational Organizations with Gangs, Gall, and Gossip*.

The book's cover shows a smiling team of people and a blue moon rising. "Blue moons are thought to be mythical," Robins writes, "but actually occur every two to three years, roughly the time it takes for a relational organization to achieve business euphoria, the ultimate organizational experience."

Curtain Calling

LESLEY KOENIG, MBA '01

AS GENERAL MANAGER of the San Francisco Ballet, Lesley Koenig does just about everything but dance.

Koenig is in charge of all productions at the company, which she has managed since 2002. She is responsible for touring, facilities, computer services, and budgets, and oversees the creation of new productions—10 last year alone. She also negotiates contracts with individual dancers, choreographers, and designers, and in her first year as general manager concluded collective bar-

gaining agreements with all seven of the company's unions.

She loves her work. "I'm not happy unless I'm someplace where a big gold curtain goes up," Koenig says. At 17 she got a job as a stage manager with the San Francisco Opera and at 23, became the Metropolitan Opera's youngest director. After 18 seasons at the Met directing upward of 30 operas, she decided she wanted to run her own opera company.

"Management and directing operas are not all that different," she explains. "I directed all three of the Three Tenors, and if you think getting Luciano Pavarotti to do what you want ..."

Koenig spent a year arming herself with calculus and statistics and, at age 42, enrolled at the Business School. It wasn't an easy transition. "I just didn't speak the language," she says. "They kept saying, 'You



have to think outside the box,' and I spent two years looking for the box." But Stanford was like any big job. "You can't walk in and fail. When people give you a big chance, you can't fail.

"I have used everything I learned," she says. And she has—in her own way. "I didn't do all that well in operations or accounting, but now I deal with finances all day long. I'm perfectly comfortable reading a spreadsheet. Every number is like a story, I tell myself, like an opera. I just look at the story behind the numbers."

Koenig still wants to run an opera. "I always want to do something I haven't done before," she explains. "I'm not happy if I'm not out on a cliff." ■

ANNE HAWERSKY

Bendor, Bulow Named to Learned Society



Jeremy Bulow (left) and Jonathan Bendor were elected to the American Academy of Arts and Sciences.

is composed of the world's leading scientists, scholars, artists, business people, and public leaders. It is dedicated to promoting service, study, and public engagement.

David Baron, a leader in the area of political economy and a former associate dean, was selected by the faculty to receive the 2004 Robert T. Davis Award for his service to the School. Baron, who is the David S. and Ann M. Barlow Professor of Political Economy and Strategy, was honored at a dinner in March.

Baron came to Stanford in 1981 after spending 13 years on the faculty at Northwestern University. He "has continued to break new ground here in economics and particularly in political science," said fellow faculty member **John Roberts**. "He has been a dutiful, generous, and responsible colleague and an outstanding teacher."

While serving as an associate dean, Baron conceived the idea of a residential building that could be used during the academic year by MBA students and participants in executive programs the rest of the year. The result was the Schwab Residential Center, dedicated in 1997.

In 1999, Baron was the first recipient of the PHD Distinguished Faculty Award, given by PHD students.

NEARLY 10 YEARS AGO, **Hau Lee** and **Seungjin Whang**, codirectors of the Stanford Global Supply Chain Management Forum, started blaming the bullwhip effect for a host of expensive problems in the manufacturing supply chain. As information about demand for a product moves upstream in the manufacturing process, they argued, it becomes distorted, like the wave movement down the length of a whip after it is cracked.

This spring, "Information Distortion in a Supply Chain: The Bullwhip Effect" was

named one of the 10 most influential papers published during the past 50 years in *Management Science*, the journal of the Institute for Operations Research and the Management Sciences.

Authored by Lee, the Business School's Thoma Professor of Operations, Information, and Technology; Whang, the Jagdeep and Roshni Singh Professor of Operations, Information, and Technology; and V. "Paddy" Padmanabhan, now a professor at INSEAD, Singapore, the paper was published in 1997 and is the most recent of the top 10 cited.

Work by two other Business School faculty members was cited among the top 50 papers from the journal. The editors named "Investing in Reduced Setups in the EOQ Model," published in 1985 and authored by Evan Porteus, the Sanwa Bank, Limited, Professor of Management Science; and "A Simplified Model for Portfolio Analysis," by William F. Sharpe, the Stanco 25 Professor of Finance, Emeritus, published in 1963. Sharpe received the 1990 Nobel Memorial Prize in economics for his work in portfolio theory.

ACCOUNTING PROFESSOR **William Beaver** completed the cycle of the teaching awards presented by Business School students when he was honored this spring by the PHD Student Association with its 2004 Distinguished Service Award.

In 1985, he received the MBA Distinguished Teaching Award, and in 1999, he garnered the Sloan Teaching Excellence Award. The Joan E. Horngren Professor of Accounting, Beaver has been a part of the Business School faculty since 1969. Doctoral students praised Beaver for his sound research advice and his approachability. "He is so unpretentious and so approachable that it is easy to overlook how silly I must sound to someone who had dozens of publications in top journals before I even learned to walk," second-year doctoral student Yaniv Konchitchki said during ceremonies. Beaver's former students include GSB faculty members **Mary Barth** and **George Foster**.

In other teaching awards, assistant accounting professor **Mark T. Soliman** received the 2004 Distinguished Teaching Award

POLITICAL ECONOMIST **Jonathan Bendor** and economist **Jeremy Bulow** have been elected to the American Academy of Arts and Sciences. They bring to 14 the number of academy members on the School's faculty.

Bendor, the Walter and Elise Haas Professor of Political Economics and Organizations, is a past director of the doctoral program. In 1996, his paper "A Model of Muddling Through" revitalized the debate over whether to make large, radical changes in programs and organizations or to take small, incremental steps. Bendor argued that there are some problems that are simply so complex and difficult that even the smartest, most persistent leader will be unable to find an optimal solution. As a result, decision-makers typically muddle through with small changes in the status quo.

Bulow, the Richard A. Stepp Professor of Economics, served as director of the U.S. Bureau of Economics of the Federal Trade Commission from 1998 to 2001. Spanning economics and finance, his research topics include industrial organization, international debt, pension funds, and auctions. Some recent papers have questioned the uses of money raised through a national cigarette tax, examined the causes of gasoline price spikes, and explored the effects of the Hatch-Waxman Act governing drug patents.

The academy to which they were elected

presented by MBA students, and **Peter DeMarzo**, professor of finance, was honored by the 2004 Sloan class.

Students recognized Soliman for his accessibility, ability to communicate difficult concepts, eagerness to share his research, and sense of humor. “He pulled off a miracle ‘rookie season,’” said one MBA student in nominating Soliman.

“Peter did an outstanding job teaching us financial theory in a very practical way,” said Sloan student Carlos Salinas in making the presentation to DeMarzo. “I am sure he spent many hours building the class materials and the Excel models to explain options theory and bond pricing.”

THREE NEW ACADEMIC CHAIRS at the Graduate School of Business will be filled for the first time this fall, bringing the total number of endowed chairs at the School to 54. The newest chairs are the Adams Distinguished Professorship in Management III, to be held by **Kenneth Singleton**, and the Stanford Investors Professorship, to be held by **John G. McDonald**. In addition, the Thomas M. Siebel Professorship in Business Leadership was created in 1999 but had not been filled previously. Its first holder will be **William Barnett**.

Singleton, who directs the doctoral program, is a financial economist whose work has involved economic analysis of dynamic asset pricing models. The Adams III chair is one of three created by the Adams Family Foundation, founded by Denise and Stephen Adams of Santa Barbara, Calif.

The Stanford Investors Professorship was created in McDonald's honor by former students and close friends to recognize his 35 years of teaching at the Business School.

Barnett's field of research is organizational ecology—an area that studies the full range and diversity of corporations. He developed a popular MBA elective in entrepreneurship.

Two faculty members have been named to endowed chairs for the first time: **Madhav V. Rajan**, an accounting professor, and **Steven Grenadier**, a finance professor. In September, Grenadier becomes the William F. Sharpe Professor in Financial Economics, and Rajan, the Gregor G. Peterson Professor of Operations Management.

Two faculty members who previously held endowed chairs will have new titles. **J. Michael Harrison** was named to the Adams Distinguished Professor of Management I chair created in 2000, and **Paul Pfleiderer** was named the C.O.G. Miller Distinguished Professor of Finance. ■

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David Aboody, Mary Barth, and Ron Kasznik
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Anat Admati and Paul Pfleiderer
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Anusha Chari and Peter Blair Henry
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Kathryn Shaw
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Matthew Jackson and Ilan Kremer
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M. Buntin, Alan Garber, M. McClellan, and J. Newhouse
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Angela Lee and Jennifer Aaker
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Dynamic Scheduling of a Multi-class Queue in the Halfin-Whitt Heavy Traffic Regime
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S. Kulp, Hau Lee, and E. Ofek
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James Baron
Industrial and Corporate Change (Vol. 13, No. 1), FEBRUARY 2004

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Glenn Carroll and William Barnett
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C. Boone, Glenn Carroll, and A. van Witteloostuijn
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Edward Lazear
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Laura Bottazzi, Marco Da Rin, and Thomas Hellmann
Journal of Private Equity (Vol. 7, No. 2), SPRING 2004

Save the Biggest Bribes for Television



IN SEPTEMBER 2000, the government of Peruvian President Alberto Fujimori collapsed amidst a bribery scandal of breathtaking proportions. Legislators, supreme court justices, media barons, and others were on the receiving end of a seemingly unending stream of dirty money dispensed by Vladimiro Montesinos, head of the feared secret police.

Corruption rarely sees the light of day. But the now-imprisoned head of the national intelligence service kept meticulous records of his illicit transactions, demanding signed contracts and receipts, even videotaping bargaining sessions with other corrupt politicians and owners of the nation's major media outlets.

When the illicit network finally came to light (a small television station broadcast one of "Vladi's" videos), the government fell, leaving prosecutors and researchers to pore through the records of more than \$40 million in bribes.

John McMillan, the Jonathan B. Lovelace Professor of Economics, and doctoral student Pablo Zoido studied the fall of Montesinos and will publish the results of their work in a forthcoming issue of the *Journal of Economic Perspectives*. "The records gave us a unique opportunity to get under the table and see how the money changes hands," McMillan said.

What they found was a stunningly bold and effective effort to circumvent three institutions key to maintaining democracy in Peru: the judiciary, the legislature,

and the media. "Montesinos and Fujimori maintained the façade of democracy—the citizens voted, judges decided, the media reported—but they drained its substance," McMillan and Zoido wrote. What's more, by analyzing the size of the bribes, the researchers demonstrate that the media, or more specifically television, has become the most forceful of the checks and balances that underpin constitutional government.

"The typical bribe paid to a television-channel owner was about a hundred times larger than that paid to a politician, which was somewhat higher than that paid to a judge. One single television channel's bribe was five times larger than the total of the opposition politicians' bribes. The strongest of the checks and balances on the Peruvian government's power, by Montesinos's revealed preference, was television," they wrote.

Although the scandal was unearthed by Peruvian investigators, the painstaking work of gathering, summarizing, and totaling the details of hundreds of separate transactions was completed by the Stanford researchers. "One of the initial reasons we were attracted to this topic was the seeming accessibility of the data," McMillan said. "It turned out we were wrong." The data was scattered among accounts in the media, records of criminal investigators, the website of the Peruvian Congress, and an aide to Montesinos.

McMillan and Zoido found that four major TV channels shared some \$26 million in bribes, while two others got much smaller amounts in cash or political favors. Mainstream newspapers were paid about \$2.5 million to distort the news, while smaller circulation papers and magazines favored by the intelligentsia got nothing. A *vladivideo* shows Montesinos saying he was unconcerned. "What do I care about *El Comercio*? They have an 80,000 print run; 80,000 newspapers is shit. What worries me is Channel 4.... It gets to 2 million people."

So complete was Montesinos's domination of the media that he even held a daily "news meeting" to inform the journalists which stories to feature.

Twenty-one top justices, including members of the supreme court and the appeals court, and a justice on the national elections board received bribes ranging from \$2,500 to \$55,000. More than a dozen other judges were involved, but data on bribes allegedly paid to them was not available.

Government officials and politicians also got non-cash bribes, such as a car or a house. A judge on the national elections board, Rómulo Muñoz Arce, negotiated jobs for his wife and son as well as payment for his daughter's education in the United States. Montesinos threw in a first class airfare for her, exclaiming when the judge remarked on this, "First class? Of course. I wouldn't send her coach!"

Numerous members of opposition political parties were bribed, some receiving payments of \$10,000 to \$20,000 a month. Even members of Fujimori's own party were paid off to ensure their continuing loyalty.

Why did the TV stations command payments that were so much larger than those given to judges and politicians? On the simplest level, the owners of TV stations are much richer than their corrupt colleagues; it takes more cash to buy them. And because it takes only one TV station to let the cat out of the bag, each station has enormous bargaining power.

Looking deeper, though, it is clear that the media commanded a high price because it is the trigger of the ultimate check in a democracy—an informed citizenry, said McMillan. Without an honest mass media, Peruvians had little recourse to other sources of information. And even an informed citizen is unlikely to act without the knowledge that other people know what he or she already knows. "What's the good of exposing a corrupt politician if no one is willing or able to spread the news?" McMillan asked.

Some critics say that McMillan and Zoido paint too heroic a portrait of the media. "We don't deny that the media can use its power in the wrong direction," McMillan said. The point is the power of the media to be a key force in a working system of checks and balances. What it does, or fails to do, with that power is a separate question.

McMillan and Zoido's research on Peru is useful in other areas. "Understanding the ways in which democratic institutions can be subverted—where the weak points are and how the parts of the system interact with each other—might be useful in designing governance systems elsewhere that are less corruptible," McMillan said. "Montesinos's bribes reveal which of the checks is the most expensive to undermine."

— BILL SNYDER

"How to Subvert Democracy: Montesinos in Peru," John McMillan and Pablo Zoido, Journal of Economic Perspectives, forthcoming.

Politics, Public Policy

When Do Presidents Ignore Public Will?

ARE UNPOPULAR INCUMBENT PRESIDENTS likely to pander to wrong headed popular opinions in the hope of winning re-election? The conventional wisdom says yes.

But work by Kenneth Shotts, associate professor of political economy at the Business School, indicates that the conventional wisdom is wrong.

When Shotts and Brandice Canes-Wrone, associate professor of political science at Northwestern Univer-

sity, looked at presidential responsiveness over time, they found the expected—presidents are more responsive to public opinion when elections are imminent—and the unexpected. "Presidents with approval ratings that are significantly above or below average have the greatest propensity to take unpopular positions," they wrote in a paper that will be published in the *American Journal of Political Science* in October.

Beyond its scholarly significance, Shotts' carefully nuanced work is important for the light it sheds on the mechanics of decision making in the White House and for developing a definition of political "pandering" that should prove useful during the current political season.

The researchers examined 235 budgetary issues that were acted upon between 1972 and 1999. Overall, the study showed that the president and the voters agreed only 51 percent of the time, but for three of the issues—health, crime, and Social Security—they agreed more than 90 percent of the time. Agreement is relatively rare on foreign policy issues; the White House and the public agreed 32 percent of the time about defense spending and foreign aid. This variation suggests that presidents are more likely to take popular positions on the issues that voters encounter in their daily lives.

Drilling deeper, the researchers found that: When the next election is distant, whether the president chooses a popular policy is unrelated to his public approval.

When the next election is soon and the president's popularity is below 50 percent, the likelihood of the president choosing a popular policy rises along with the president's approval rating. An unpopular president can only win re-election by achieving a major policy success. He therefore has an electoral incentive to choose the policy he believes is correct, even if it is unpopular.

When the next election is soon and the president's popularity is above average (60 percent or greater), the likelihood of the president choosing a popular policy decreases as the president's approval increases. Choosing an unpopular policy hurts his popularity a bit, but not enough to cost him the election, Shotts explains.

A president of average popularity tends to be the most responsive to public opinion when an election looms, "even if he believes it is not in their [the voters'] best interest," and that, says Shotts, is pandering.

Leadership, on the other hand, "is doing what is in [voters'] interest, even if the people disagree," he said. "The bad news is that the electoral system provides an incentive to pander; the good news is that it doesn't happen all of the time."

Other related areas that could be the subject of future research include the effect of snap elections—such as those that occur in parliamentary systems—on popularity, and the effect of limiting or changing the length of a president's term in office.

— BILL SNYDER

"The Conditional Nature of Presidential Responsiveness to Public Opinion," Kenneth Shotts, and Brandice Canes-Wrone, American Journal of Political Science, October 2004.

Presidents with approval ratings that are significantly above or below average have the greatest propensity to take unpopular positions.

Big Banks Can Expedite Emerging Markets

IN THE WORLD OF AMERICAN BUSINESS, anything that stays too big for too long is likely to get the sledgehammer. Oligopoly and monopoly are nearly profane terms in the lexicon of most U.S. economists. But big is not necessarily bad, argues Business School professor Thomas Hellmann, particularly when it comes to banks in developing countries.

In fact, most of Europe might never have industrialized without the influence of large, universal banks that gave national economies financial support. He recommends rethinking the notion that government intervention is the only mechanism for promoting large-scale

development. He found that the ability of such countries to move into rapid, coordinated industrial growth was due to the financial muscle provided by large universal banks, defined as banks able to engage in both commercial and investment banking activities. Countries that were not able to industrialize successfully, such as Russia and Spain, he discovered, lacked such banks—generally because there was a legal impediment to their formation. “The U.S. and the U.K. developed by means of a stock market, but our historical analysis clearly shows that the stock market is not the only financial system for promoting a healthy economy,” Hellmann says.

The study by Hellmann and Da Rin is the first to demonstrate from a game-theoretical perspective how banks may be catalysts for economic development. First, they must be large enough to finance a critical mass of industries that can work in concert, such as the mining, steel, and railroads example above. Such monetary flexibility is particularly important given that banks will initially incur losses before industrialization is up and running.

Second, such banks must have the right incentives. Naturally, these come from the pursuit of profits, and this requires market power, the freedom to charge above-market interest rates. “Banks need to be in a position in which competition does not dissipate all profits,” Hellmann says. “Market power allows them to charge loan interest rates or rates of return on equity that are higher than those the market would otherwise bear. Only this will give them the means of eventually recouping their losses from jump-starting the economy. Market power is, at

least in the beginning, a necessary evil.”

development. Hellmann, assistant professor of strategic management, and Marco Da Rin, assistant professor at the University of Turin, come to these conclusions in a study of why banks seem to play a creative role in some but not all emerging markets.

Hellmann’s work leverages previous research showing that various parts of an economy must rise up simultaneously if a country is to avoid the underdevelopment trap. “In other words, you can’t just have one industry—such as coal mining, steel, or railroads—because any one of these is useless without the other,” he says. “You need coal to make steel and railroads to transport them all. To develop successfully, therefore, a newly industrializing economy needs a big push, and the financial system might be key in providing that.”

Hellmann examined early industrialization in several Western countries, notably Belgium, Italy, and Germany.

Previous studies have concluded that government intervention may provide the only viable means for catalyzing economic development. “Given the inefficiencies of government, however, this solution has been problematic,” says Hellmann. “We show that private instruments can provide the necessary mobilization. You don’t need the government to coordinate a big push.”

Acknowledging the aversion most American theorists have to limiting competition, he says: “We’re arguing that oligopolistic banks may actually be useful in helping to mobilize industrialization. They’re not the only answer, but they do have their usefulness. We’re simply putting in a word of caution about the blind trust that many economists seem to have in competition as the only solution to all development problems.”

Hellmann and Da Rin’s paper, titled “Banks as



JORDIN ISP

Catalysts for Industrialization,” won the *Journal of Financial Intermediation*’s best paper prize in 2002 for bringing new insights to an old debate.

— MARGUERITE RIGOGLIOSO

“*Banks as Catalysts for Industrialization*,” Thomas Hellmann and Marco Da Rin, *Journal of Financial Intermediation*, Vol. 11, 2002.

Consumer Economics

Discount Tickets Star on Broadway

MANY THEATERGOERS KNOW there are differences in Broadway ticket pricing but don’t realize the variety of prices available for a single show. That person sitting next to you in the back of the orchestra might have paid a premium by ordering over the phone. Or stood in line at a discount ticket booth and forked over half of what you did. Or received a coupon in the mail and ...

For Phillip Leslie, assistant professor of strategic management, this multitiered pricing practice, called price discrimination, is an avenue into the study of consumer-related information economics. Leslie figured that by studying the ticket sales data of one Broadway show he could investigate whether it was ultimately better for consumers, as well as businesses, if those firms charged one price or many. How would the two pricing approaches affect both consumer welfare (the difference between what consumers have to pay and are willing to pay) and producers’ profits?

Leslie evaluated the data for all 199 performances of *Seven Guitars*, a play that ran on Broadway in 1996. Using a complex series of econometric models, he concluded that consumers weren’t particularly hurt or helped by multiple pricing, while producers benefited slightly. “There has been a lot of theoretical literature about whether price discrimination was good or bad in terms of consumer welfare,” he says. “My study was the first to answer that based on an analysis of data.”

Price discrimination is a practice used by companies that lack good information about customers, Leslie says. In the case of *Seven Guitars*, producers were particularly creative in their use of multiple pricing. They designated a whopping 17 categories based on everything from seat quality to special discounts. “I thought it was amazing that these guys had figured out how they could sell their product at so many different levels,” he says.

To conduct the study, Leslie figured it would be too complicated to use all 17 categories. So he condensed them into five: low-, medium-, and high-quality seats, tickets purchased through coupons sent through the mail to potential customers, and seats bought at a booth located near Times Square, where tickets were sold at a 50

percent discount the day of performance. Then he constructed mathematical models with which he could determine how sales would be affected by tickets sold at this revised multi-price approach versus one price for all.

Ultimately, Leslie found that consumers were largely unaffected by price discrimination relative to uniform pricing, even though producers experienced a 5 percent increase in profits. With a uniform fee, some of the consumers were forced to pay higher prices, while others were able to purchase tickets at a lower cost than they might have paid otherwise. (The optimal uniform price was about \$50.)

“But on average, it looks like it didn’t make much difference to consumers whether there was price discrimination or not,” Leslie says. “In this one example, it looks like price discrimination is a good thing. Firms make more profit without harming consumer welfare.”

One of Leslie’s most significant findings concerned the use of discount ticket booths. While the booths provided a significant source of revenue for the show’s producers, Leslie concluded they would have made more money if the booths had reduced ticket prices 30 percent rather than 50 percent. The reason: A 30 percent discount would not be large enough to justify the inconvenience of waiting in line for some consumers, who would be likely to buy pricier discounted tickets over the phone.

But even at the higher discount rate, shows sold a significant number of tickets through the booth that would have otherwise gone unsold. “You’re better off having a 50 percent discount than no sales at all,” Leslie says.

Leslie also studied why producers didn’t lower prices or institute uniform pricing even in the face of fluctuating demand. About halfway through its run, for example, *Seven Guitars*’ popularity plummeted after it failed to win a Tony Award for best play. As a result, more tickets were sold through the discount booth after that event than before. Leslie found that if the show’s producers had used uniform pricing, they would have lost money when demand slipped. “[Price discrimination] helps them out when there’s less demand,” he says. “The firm doesn’t end up losing as much money as it might otherwise. It’s a safety net.”

His study has implications for other industries. According to Leslie, implementing a wide-scale multiple-pricing strategy, such as that used by the airline industry, involves installing costly computer systems. For that reason it’s not applicable to most businesses. But, in some cases—like the hotel industry, where chains can spread the fixed costs over a large number of units—it might be an effective approach. Additionally, says Leslie, “as computing costs continue to come down and more and more information is being collected about consumers, we may see an increasing number of firms starting to do this type of thing.” — ANNE FIELD ■

“*Price Discrimination in Broadway Theatre*,” Phillip Leslie, *Rand Journal of Economics*, forthcoming, (www.stanford.edu/~plesiel/broadway.pdf).

If the show’s producers had used uniform pricing, they would have lost money when demand slipped.

Newsmakers

WHO'S IN THE NEWS | A Roundup of Media Mentions



Unfulfilled Promises Irk Frequent Fliers

DOES IT MAKE SENSE for U.S. Airways to hire famed chef Wolfgang Puck to make testimonials for its food or for Virgin Air to promise first class customers massages? **Seth Godin**, MBA '84, gave an emphatic no in a *New York Times* column describing his frequent-flier experiences. Airlines need to do a better job of managing their customers' expectations, argued Godin, whose latest book, *Purple Cow*, has spent nearly a year on *BusinessWeek*'s bestseller list for hard-cover business books. When airlines improve their on-time record, they exceed customer expectations and win points that help their businesses, he says. But given the history of airline food, no passenger is likely to believe the food will be good just because a famous chef promotes it. Never promise what you can't deliver, says Godin, who was once seventh in line for a massage on a Virgin

flight. Time ran out, and he got a wallet card promising him first place next time.

"I didn't need a massage, but once they promised one, it bummed me out not to get it," he wrote. "When people ask me about flying to England, I just show them my card and say, 'I was seventh.' That card's been in my wallet for about four and a half years."

Citigroup Taps Banamex Leader

AFTER INCREASING Citigroup's profits in Mexico, **Manuel Medina-Mora**, MBA '76, was chosen in March to lead all of the Latin American banking operations of the world's largest financial services company. Analysts and Mexican corporate executives interviewed by *Bloomberg News* attributed Medina-Mora's success to his strong administrative and political skills, plus his "serenity and cool head."

Medina-Mora joined the Mexican government-owned bank Banamex in 1971 and led

Airlines shouldn't raise expectations without being able to deliver on those promises, says Seth Godin, MBA '84, author of Purple Cow.

its privatization in 1990. He was appointed CEO after Citigroup bought Banamex in 2001. In the following 12 months, Mexican operations generated more than 7 percent of Citigroup's earnings.

Course on the Course

YOU CAN'T TAKE basket weaving at the Graduate School of Business, but students can sign up for nighttime golf, thanks to a donation to Stanford from Tiger Woods. Woods, who majored in economics as a Stanford undergraduate, donated \$180,000 to the University to expand its golf offerings, the *San Jose Mercury News* reported. Among the beneficiaries were Business School students. The newspaper quoted MBA students who saw golf as part of their business training. Rumor has it, they said, that deals are cut on the links.

"As a woman, I don't ever want it to be a disadvantage to me to not be able to participate in a deal-making event," said first-year student Alyssa Rapp.

But the course isn't a cakewalk, she said. "Consistency is obviously the most challenging" aspect of the game.

Love of Baseball Inspires Art

RAISED IN ISRAEL outside the pull of towering homerun balls, **Sarah Gopher-Stevens**, MBA '80, fell in love with America's pastime anyway—on a date with her future husband at Yankee Stadium. "I didn't understand

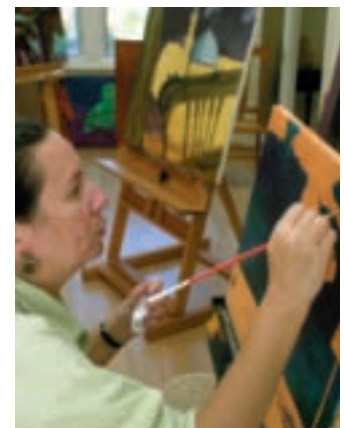
all of it right away, but I thought it was a game of contradictions. It was complex, yet beautifully simple. A team game, yet very individual," she told the *Contra Costa Times*.

Gopher-Stevens creates oil paintings depicting the relationships in the game, often using her Little League son as a model. A Lafayette, Calif., coffee shop displayed her work last spring to celebrate the opening of the town's Buckeye Field.

Mike Wranovics, MBA '94, also loves baseball, not to mention film. He put his passions together to make *Up for Grabs*, a documentary about the skirmish between two San Francisco Giants fans for Barry Bonds' 73rd homerun ball of the 2002 season. In June 2003, a judge ordered the fans to auction the ball and split the proceeds, \$450,000—less than one of the lawyers involved in the lawsuit contended he was owed in fees.

Wranovics, who taught himself filmmaking with the project, told the Associated Press that investors were hard to find until he had a short demonstration

Sarah Gopher-Stevens, MBA '80, turned America's pastime into an artistic outlet.





RICHARD MORGENSTEIN

Sean Maloney, SEP '00, is charged with expanding Intel's neophyte wireless communications division.

reel to pique their interest. With his Crooked Hook Productions, he hopes to make another documentary on the Stanford men's basketball team. "I'm enjoying this more than anything I've done in my life," he said.

Lo-Carb, Hi Finance

LIVING OFF THE FAT of the land, the diet food sector did well last year promoting low-carb diets. That has led some on Wall Street to anticipate an initial public offering soon by Atkins Nutritionals, the company founded by the late diet doctor Richard Atkins. His widow sold the company to a partnership of Goldman Sachs and Parthenon Capital, a Boston private equity firm cofounded by Ernest Jacquet, MBA '85. An IPO is "not imminent, but it's one of the alternatives that we are evaluating to raise growth capital for the company," Jacquet told *Fortune*.

The company doesn't talk about its profits, but according to a company that tracks retail sales, it sold \$148 million in food products last year, up 22.5 percent from 2002. It also sells cookbooks and licenses low-carb menu items with TGI Friday's and Subway.

He's on the Line for Wireless

INTEL CEO Craig Barrett is banking on **Sean Maloney**, SEP '00, to build the chip manufacturer's hoped-for markets in communications, especially through WiMax, its new wireless technology for providing high-speed Internet access to users anywhere within the 30-mile range of an antenna. Maloney, executive vice president of the communications group, is third in command at Intel, according to *Fortune* magazine.

WiMax reportedly can serve a metro area for as little as \$100,000; however, it still faces a battle for market share with copper wire and fiber-optic cable networks, because some of the major broadband providers already have sunk costs into those technologies, the magazine said.

Restructured Strategy at Capital One

NOT EVERY INVESTIGATION by regulators leads companies into financial trouble, but it might make them more bureaucratic. Take the case of Capital One Financial Corp., where **Richard Fairbank**, MBA '81, today is in charge of a somewhat more bureaucratic hierarchy, according to *BusinessWeek*. An investigation by banking regulators led the company to sign an informal memorandum of understanding in July 2002. Since then, the company has restructured its decision-making processes to increase accountability.

Cofounder Nigel Morris, who has left the company, told the magazine he and Fairbank used to hash out company strategy "driving up I-95 in a black Ford.... It just doesn't work anymore," he said.

The company still encourages innovation bubbling up from the ranks, but Fairbank now shares responsibility with eight heads of major business units. They track who makes decisions and why, the magazine said. Meanwhile, the company's business model of customizing con-

sumer products based on data testing has proven valuable, as Cap One's bad-loan and charge-off rates remained in check during the recession while those of many other lenders ballooned.

Cell Phone Mechanics

NEW TECHNOLOGY changes companies in ways their founders can't predict. Take the case of **Kevin Taweel**, MBA '92, and **Jim Ellis**, MBA '93, who bought a small company in 1995 that provided roadside assistance to motorists with new fangled cell phones. Today their company, Asurion, earns \$400 million annually, most of it by insuring, repairing, and replacing cell phones that go haywire, not cars. The company repairs about 50,000 cell phones, and ships about 140,000 phone replacements a month, CEO **Bret Comolli**, MBA '89, told the *Nashville Tennessean*. With partners in Asia, the Nashville-based company recently added 300,000 Korean subscribers in seven months.

Hospital Facelift

IF YOU THINK DESIGN is about the shape of a car fender or a dress bodice, consider *Fast Company's* selection of **Bob Porter**, MBA '82, to its first "master of design" list. Under the subcategory of "collaborator," Porter is recognized for reacting to the chaos of a St. Louis hospital by forging an alliance with the San Francisco design firm IDEO to remake wards from a patient's perspective. Together they created central kiosks at SSM DePaul Health Center for family members to find hospital information, streamlined staff communication processes, and redecorated patient rooms to make them less clinical. The effort is believed to have contributed to the bottom line of that city's fastest growing hospital. "We're only beginning to fundamentally reexamine how to create a human-centric approach to delivering health care," said Porter, the hospital's executive vice president.

Hi-Tech Détente

AFTER YEARS OF PUBLICLY bashing each other, executives of Microsoft and Sun Microsystems announced détente in April. Sun's CEO **Scott McNealy**, MBA '80, and Microsoft's CEO **Steve Ballmer**, Class of '81, both the sons of Detroit auto executives, exchanged autographed Detroit Red Wings jerseys at the start of a San Francisco news conference in which Microsoft announced it would pay Sun nearly \$2 billion to settle their legal feud. McNealy, meanwhile, promised Sun would cooperate with



Putting their companies' differences to rest, Sun Microsystems' Scott McNealy (left) and Microsoft's Steve Ballmer vowed to work together.

Microsoft to make Sun servers and Microsoft operating systems compatible. After three years of losses, Sun also announced that layoffs loomed for 3,300 of its workers.

San Francisco and San Jose newspaper analysts speculated that the hatchet was buried not just because of Sun's financial difficulties. Other threats are a European Union ruling against Microsoft on antitrust issues, and the threat to both firms from the spread of cheap open-source software.

Sun sued Microsoft in 1997, contending Microsoft was trying to undermine Sun's Java programming language. Sun also sued in 2002. ■

AP PHOTO/GEORGE NIKITIN

Earth Matters

Classmates and friends of Conradin von Gugelberg have made his conservationist bent an ongoing force at the School.

THE DIRECTOR OF GREENPEACE, the group chief executive of BP, and the “CE-YO” of yogurt maker Stonyfield Farm have one important thing in common. All advocate an ecological balance between business and the environment, evidenced by initiatives in their corporations.

Since 1990, an unlikely cross-section of activists and industrialists has visited the School courtesy of the Conradin von Gugelberg Memorial Fund, which supports the annual lecture on the environment as well as public sector internship opportunities for MBA students, case studies in environmental management, and activities to encourage recycling.

“Conradin was a friend, hiker, skier, and outdoorsman who studied engineering in Switzerland and worked in venture capital and management consulting,” recalls Robert Cohen, MBA ’87, one of the fund’s founders. “We knew him as a gentle soul—a gentleman and a conservationist.” Classmates Adam Stern, Peggy Branigan, Louis Boorstin, Debbie Cohen, plus Robert Cohen joined von Gugelberg’s friends and family in Switzerland to create the fund.

Cohen remembers how when they were students, von Gugelberg would retrieve the School’s only two recycling bins from the basement after Friday afternoon student parties, haul them up to the courtyard, and “put all the cans and bottles in them because he knew if he didn’t, they’d go into the trash.” Von Gugelberg’s legacy to the School has been not only a plethora of recycling containers but also the annual discussion of the environment that continues today in his name.

Over the years, BP CEO John Browne, a graduate of the School’s Sloan Program, explained his energy company’s approach to reducing greenhouse gases; Stephen Schmidheiny, founder of the Business Council for Sustainable Environment, showed how bankers must figure environmental factors into their lending and investment decisions; and Body Shop founder Anita Roddick described how her international cosmetics empire oper-

ates under a strict, environmentally friendly code.

In 1996, Barbara Dudley, director of Greenpeace USA, acknowledged that her organization is confrontational but argued it is a necessary approach. “At this time there is no international body with the power to stop environmental degradation. We have the World Trade Organization, but we do not have the World Environmental Organization,” she said.

Seven years later, architect and author William McDonough described the Hannover Design Principles—written for the German city—that cover the interdependence of humanity and nature, spirit and matter, and urge responsibility for the long-term consequences of design decisions.

Many speakers have shared their belief that sound environmental policies make economic and strategic sense for businesses at large. “Mankind is heading for a new age of industry in which environmental responsibility leads to better business, profits, and long-term sustainability,” Paul Hawken, author and founder of the Smith & Hawken specialty garden retailer, said in his 1998 address.

And this year’s speaker, environmentalist and yogurt maker

Gary Hirshberg, pressed the point. “Organic foods are now a \$13.7 billion business in the United States,” said the founder of Stonyfield Farm, the nation’s leading manufacturer of all-natural and organic yogurt products. “I believe business is the most powerful force on the planet,” he said. “Business has the power to create a sustainable future, but if business doesn’t, it’s not going to happen. We’ve got to demonstrate the economic advantages of this cultural revolution.”

Hirshberg, who started the business in 1983 with seven cows and a recipe, sees organics as a sea change, with mainstream food companies entering the field “because they see the market going there and don’t want to be left out.” People don’t eat organic yogurt because it’s good for the environment, Hirshberg said. “They buy organic food because it tastes better. We’re clearly paddling with the waves of society.” ■



Conradin von Gugelberg

upcoming events

August 18: “Managing for Both Bottom- and Top-Line Performance,” an executive education breakfast briefing by Jeff Rodek, chairman and CEO of Hyperion, provider of business performance management software; Oak Lounge, Tresidder Union

September 15: “Fear of Feedback,” an executive education breakfast briefing by Jay Jackman, psychiatrist and human resource specialist, and Myra Strober, professor at the Stanford schools of Education and Business; Stanford Faculty Club

September 28–October 2: “Interpersonal Dynamics for High-Performance Leaders,” a Lifelong Learning leadership program open to GSB alumni/ae only; Hayes Conference Center, San Jose

October 13: “Corporate Social Responsibility—Commerce and Justice,” an executive education breakfast briefing by Jeffrey Swartz, president and CEO of Timberland Co.; Stanford Faculty Club

October 20: Fall Career Conference for current MBA students. Alumni/ae who would like to volunteer to speak on an industry panel to share their career path and advice may contact the MBA Career Management Center

October 22–23: Alumni Weekend and reunions for MBA classes of 1954, 1959, 1964, 1969, 1974, 1984

October 25–November 19: Job recruiters conduct on-campus interviews of second-year MBA students. For assistance in scheduling to meet

your organization’s needs, contact the MBA Career Management Center.

November 10: “Creating Game-Changing Innovation,” an executive education breakfast briefing by Scott Cook, founder and chairman of the executive committee of Intuit; Stanford Faculty Club

January 6–12: Executive forums in India: New Delhi on January 6 at Taj Mahal Hotel; Bangalore on January 10 at Taj West End Hotel; and Mumbai on January 12 at Taj Mahal Palace & Tower. For updated information: <https://alumni.gsb.stanford.edu/events/execforums>

To register for an event listed here, send an email to gsb_newsline@gsb.stanford.edu. We will send you the appropriate Web link by return email. For events not open to the general public, you may need your GSB password to register.

 Executive Education offerings on page 53

information center

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<https://alumni.gsb.stanford.edu>

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Alumni Consulting Team (ACT)
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Email: info@stanfordact.org



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Jackson Library Database Access
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Lifelong Learning
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Executive Program for Growing Companies
July 17 – 29, 2005

**Stanford – National University of Singapore
Executive Program in International Management
(in Singapore)**
July 24 – August 12, 2005

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Finance and Accounting for the Nonfinancial Executive
November 14 – 19, 2004, and May 1 – 6, 2005

Credit Risk Modeling for Financial Institutions
April 17 – 22, 2005

Financial Management Program
July 10 – 15, 2005

Marketing

Strategic Marketing Management
August 14 – 24, 2005

Negotiation

Negotiation and Influence Strategies
October 17 – 22, 2004, and April 3 – 8, 2005

Advanced Negotiation Program
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**Human Resource Executive Program:
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