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FEATURES



David Mount, left, Emma Wendt, and Aldo King show a model built to estimate a home's energy use. The three graduated with joint MBAs and MS degrees in environment and resources.

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Hot Causes Revolutionize Markets

Social activists are key players in the creative destruction and rebuilding of markets, says Professor Hayagreeva "Huggy" Rao. —By KATHLEEN O'TOOLE

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It's Not Easy Going Green

Everyone takes a free green grocery bag, but how do you lure stressed-out consumers and businesses to walk the green walk more consistently? Marketing students look for levers of change. —By MARGARET STEEN

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Natural-Resource Degree for MBAs

A new Stanford joint-degree program permits some MBAs to also earn an MS in environment and resources.

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Unexpected Revolutionaries

WHEN I MOVED TO CALIFORNIA, coworkers advised my husband and me to buy property as quickly as possible because house prices in the Bay Area rose faster than wages. We bought a two-bedroom condo in '75 and replaced it with a three-bedroom house costing 37 percent more the following year. We upgraded to a slightly larger three-bedroom the following year at a price higher by 47 percent. Our rapidly growing equity made this possible even before there were no-down, delayed-interest loans.

I was reminded of this personal history when editing the articles on social activism in this issue.

Until the late 1970s, I thought all activists wore their hair long and chanted slogans as they marched in the streets. In 1978 California, however, the activists turned out to be my preppy-dressed, 9-to-5-working neighbors. In those days, property taxes were skyrocketing with home prices, so much so that local city and school officials could pat themselves on the back for keeping tax rates unchanged while adding millions of dollars to each year's budget. Homeowners, meanwhile, were cursing as they wrote ever-larger checks to the tax collector. A couple of activists named



Jarvis and Gann saw a hot cause in the making, and 31 years later, the taxpayer revolt they led (known as Proposition 13, which placed state constitutional limits on property tax rates and assessed value of real estate until a property changes hands) still shapes public finance. It also keeps many Californians, like me, from changing homes because of the tax implications.

This is an example of social activism reshaping not just the public sector but also the private. Business School Professors Hayagreeva Rao and Sarah Soule are specialists in how social movements create lasting change. In his new book, which he discusses on page 14, Rao explains how group identities formed around a hot cause can reshape markets for products such as automobiles, wine, and medical devices. On page 24, Soule explains that social activists are most effective before they become too radical and develop more critics. (She reminds me that the property tax revolt spread from 1978 California, but later anti-tax ballot measures were less extreme.) She is team-teaching a new seminar this fall with Professor Jesper Sørensen on "social networks, careers, and markets" that will explore, among other things, new internet tools of social coordination such as Twitter, Ning, and LinkedIn.

In this issue we also present examples of social activism by alumni and students. On page 10, you can read about alums who are working to reshape what we eat, which affects the agriculture and food processing industries. On page 12, we describe students learning how to design products or services that they hope will improve the lives of the world's extreme poor. Some may be designing handheld grinders or fuel pellets in order to make a financial profit, but others, clearly, are motivated by a desire to change the social status quo. On page 20, we describe other students enrolled in a new joint degree program that they hope will allow them to improve natural resource use and the environment.

In thinking back to '78, I am reminded how local officials were blindsided by the movement that led to Proposition 13. At the time, I was a newspaper reporter covering local governments, and rarely saw citizens show up at hearings to testify against taxes. The meetings were mostly dominated by business people seeking licenses, contracts, or zoning changes. The game changers were not in the room, and that is a lesson history keeps repeating.

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WHAT'S UP: NEWS ABOUT THE GSB AND ITS GRADUATES

Quotable



"Don't let fear of failure hold you back, but rather, use it to drive yourself."

David Morgan, director of BHP Billiton Ltd., speaking to GSB students in April about how arriving a month late to classes at the London School of Economics could have provided an excuse for failure, but instead motivated him to catch up and succeed.

Groups Suffer from Lack of EQ, Not IQ

Most of the business train wrecks witnessed by Jeff Bewkes, MBA '77 and CEO of Time Warner, are from a lack of EQ, not IQ. That emotional quotient, or common sense, seems to have been lacking in the institutions creating the current global banking crisis as well as in the rooms where the AOL-Time Warner merger was worked out in 2000, he told other Business School alums recently.

The occasion for his remarks was the April 14 Excellence in Leadership dinner at New York's Rainbow Room, where the Business School presented Bewkes with its leadership award. About a month later he announced the spinoff of AOL from Time Warner. The pared-down company, he said, would concentrate on its core content businesses-TV and film production, television networks, and publishing. Bewkes, who had headed Time Warner subsidiary HBO at the time of the AOL merger, has been dealing with fallout from it since he became CEO in January 2008.

Referring to that well-intentioned but myopic merger in his speech to alums, Bewkes reflected on the skills he and others were taught through the case method in Stanford Business School classrooms.

"Had a group of MBA students been presented with a case where one company is trying to buy

another with stock valued 100 times over earnings, they would have asked if it was a trick question," he said. "The fact that stuff like that happened in the real world says something about the way people perform in groups."

"So many companies want to be tough and smart," he added. "But sometimes saying 'let's talk through this again' is tough and smart."

Alumni Awarded **New Fellowships**

When Brian Lehnen came up with an idea for breaking the cycle of poverty in East Africa in the late 1980s, fewer students and even fewer funders were interested in social-innovation startups. Lehnen couldn't afford to quit his biotech job, so he borrowed just enough money to buy a Macintosh Plus and devoted his weekends to the new venture, the Village Enterprise Fund.

Now the School's Center for Social Innovation, in partnership with the Robertson Foundation, is beginning a 3-year pilot program to enable mission-driven Stanford MBAs to devote their full energy after graduation to addressing an important social or environmental problem. Yearlong fellowships with \$80,000-\$120,000 stipends are to be awarded on such criteria as project viability, including strength of innovative approach and likelihood of success, and applicant qualifications and commitment.

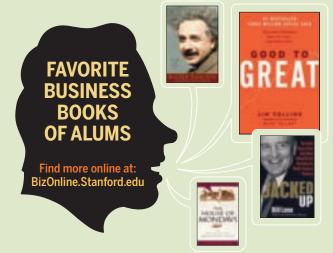
To help students strengthen their proposals, the Center last winter invited them to hear advice from several successful social entrepreneurs.

Lehnen, whose organization has helped clients start 17,000 businesses in Africa since 1987, urged the students to emphasize action over long periods of planning. He cited Matt Flannery and Jessica Jackley, MBA '07, who were told they needed to raise \$50,000 to \$200,000 to launch Kiva, now a successful web-based micro-lending program matching individual lenders and small business people. Lehnen worked with the founders to figure out the minimum action they could take.

"We got it down to a little demonstration for less than \$20,000. If you start out small," he advised, "it means the mistakes don't have huge effects."

The first Social Innovation fellows, announced in June, were graduating MBA students Federico Lozano Fernandez and Jayampathy "Chari" Ratwatte Jr. Ratwatte received a summer

Alumni Snippets



Einstein: His Life and Universe by Walter Isaacson

"Shows tenacity in focusing on scientific achievements [despite] suffering enormous personal and career problems." — David Simpson, SEP '67

A Primer on Decision Making: **How Decisions Happen**

by James G. March, GSB professor emeritus "Professor March draws on research from all the disciplines of social science to show how decisions are actually made in organizations.'

Jason C. Nelson, MA '01

The Intelligent Investor: The Classic **Text on Value Investing**

by Benjamin Graham

"The best, most cogent, and sage book on investing I've ever read."

Thomas Livelli, MBA '06

Jacked Up: The Inside Story of How Jack Welch Talked GE into Becoming the World's Greatest Company

by Bill Lane

"Communication, communication, communication. Describes and understands its power."

- Robert Munro-Hall, SEP '07

Good to Great: Why Some Companies Make the Leap and Others Don't

by Jim Collins, MBA '83

"Based on data and offers a long-range perspective on business success." - Byron Roberts, MBA '90

The House of Mondavi: The Rise and Fall of an American Wine Dynasty

by Julia Flynn Siler

"Deals with the rapid growth of a family business, which has been transformed to a private company."

— Gary Steele, MBA '75



research fellowship to develop his proposal to empowering Sri Lankan rice paddy farmers, while Lozano plans to develop an employment agency matching poor, semi-skilled Mexican laborers with employers in Spain experiencing labor scarcity.

Alumna Defends Merits of Schools' JROTC

Company president and football mom Quincy Yu, MBA '85, never expected to become a political activist. But a decision by the San Francisco Unified School District board three years ago propelled her into an electoral battle.

In 2006, the board voted to phase out its Junior Reserve Officers' Training Corps program in all San Francisco public high schools by June 2009. Board members reasoned that JROTC. as a recipient of military funding, discriminates against openly gay instructors because of the militarv's don't-ask-don't-tell directive. Additionally, they worried that the program might be used for military recruitment.

Yu is the founder of SeaYu, an eco-friendly pet cleaning prod-

Sloan Fellows, spouses, and partners jump-started a study trip to China, Vietnam, and Hong Kong with a visit to Beijing's Bird's Nest Olympic Stadium in July 2008, six weeks before the Summer Olympics events began there. From left, Caroline Barlerin, Sloan '08; Patricia de la Maza Calderon; Dolores Paz Saguier; June Yang, Sloan '08; Michelle Boyapati; Suzanne Jensen; Kiirsti Haatanen; and Jill Gillialand. A study trip outside the United States is the culminating event for each Sloan class. This year's class went to Brazil, Argentina, and Chile.

ucts company, and mom of a blended family of five kids plus "one large furry dog." Although her high school-age son was not a member of JROTC, she knew kids who were and believed they were getting invaluable handson training in leadership as well as forming important peer relationships through the afterschool program.

JROTC, she learned, had been serving 1,600 students in San Francisco, some openly gay and 80 percent of them from minority populations. Contrary to the JROTC opponents' claims, she said, the organization forbids its instructors to recruit.

With support from parents, teachers, school administrators, and students, Yu led the campaign for an advisory measure on the November 2008 ballot that would direct the school board to save JROTC. It won by 10 percentage points.

Despite the measure's passage, the school board signaled its intention to go through with the

plan to close the program. Yu and her fellow activists kept up the fight and during an emotional meeting just two weeks before the program was to end, the board voted 4–3 to keep JROTC.

Shower of Love from '91 Class

Taking a shower became a monumental ordeal for Henry Evans, MBA '91, after his 2002 stroke, which left him quadriplegic. He was also unable to speak, which made communicating even more difficult. That has changed. thanks to his GSB classmates and a member of the Class of 1990.

When Evans showed up to his class's 15th reunion in a wheelchair, alumni asked him and his wife, Jane, what they could do to help and were told that the Evans' cramped bathroom made showering an often painful experience, because muscle spasms caused Evans to kick the wall and injure himself.

Allyson Campa, Karen Mel-

Students Take the Mound with Business Plans

Ramy Adeeb, MBA '09, left photo, pitches his idea for a new startup to seasoned venture capitalists, including Ray Schuder, MBA '02, left, and Ken Ebbitt. Informal Pitch-It sessions, like this one sponsored last May by the Entrepeneur Club and focusing on social ventures, occur every quarter at the Business School.







Karen Melchior, Henry Evans, both MBA '91, and Jane Evans in the bathroom rebuilt with funds raised by his classmates.

chior, and Katie Roper organized a "Work One Day for Henry" campaign that encouraged classmates to donate a day's wages to help expand the Evans' bathroom, allowing for more space and multiple shower heads. By the next year the bathroom was finished and leftover funds were applied to the more than \$60,000 in medical bills not covered by insurance. Finishing touches were made to the bathroom last May.

Meanwhile, **Jim Shea**, MBA'90, read about Evans in the Class Notes section of *Stanford Business*. Shea had recently joined DynaVox, a provider of communication devices for people with disabilities. He flew out to meet Evans (they had never met dur-

ing the year they overlapped at the GSB, nor during their undergrad years at Notre Dame) and set him up with a pre-release version of the company's latest device. As a result, Evans is able to speak, use email, surf the web, and control his environment via infrared remote control.

"The bathroom was the beginning of rebuilding our lives," Evans said. That and the technology Shea introduced have enabled him to be a more independent and active member of his family.

Alums Help Vets Re-enter Civilian Life

Reading the war news from Iraq and Afghanistan, **Dana Hendrickson**, MBA '77, felt he was not shouldering his share of the burden. He had visited the Palo Alto Veterans Hospital looking for ways to help but found no

volunteer opportunities that fit his particular skills. "I thought I could do something with technology," he recalls, "but I couldn't think what."

Then he learned about Kiva, an online site where potential investors meet entrepreneurs in the developing world who need financial help. Hendrickson's nonprofit, Rebuild Hope, is built on that model, offering a site where donors read the stories of military service members who need a financial boost to get their lives in order.

Successful applicants are post-9/11 veterans or service members who received life-altering injuries while in active service and who demonstrate a realistic plan to balance their budgets over 6 to 12 months. Recipients are offered counseling—financial or otherwise-and awarded up to \$3,000 total, paid in monthly installments, to help them overcome their short-term financial problems. The stipends may be small, but they are meant to act as a stimulus to get the recipient past an emergency situation.

Each situation is different. Awards may pay for a car to carry a veteran to school for job training, allow distant parents to visit a hospitalized soldier, provide vital home repairs for an injured vet who can't yet do it himself, or help straighten out a troubled credit history.

Simply compiling an application can be a first step toward getting a life—or a military family—back on track. "We're trying to change the model," Hendrick-

son says. "Assuring a 12-month cash flow helps them see where they are going."

Rebuild Hope cofounder **Wes Rose**, MBA '80, helped with the organization's incorporation and remains on the board of directors. Silicon Valley venture capitalist **Jim Anderson**, MBA '77, came aboard in January as an advisor on fundraising strategy.

Meanwhile, John Reynolds, MBA '79, has launched the non-profit Veterans2Work. Its mission: to improve the employability and job success of special-needs veterans and their caregivers. He leads an enthusiastic, all-volunteer staff advised by current and retired military officers and GSB classmates such as Dave Torrey, Jim Russell, and Phil Gioia.

Novogratz Pays Tribute To Faculty Mentor

"You should focus on being more interested than interesting," the tweedy professor said to the young MBA student who wore purposely mismatched earrings. She wore them, she told him, to "make people think."

Thus began in 1989 a 12-year friendship between the late **John Gardner**, a favorite professor of many GSB students who were interested in social welfare, and **Jacqueline Novogratz**, MBA '91, the eventual founder of Acumen Fund, a nonprofit global venture fund that tries to bridge the gap between grant-based philanthropy and capital markets.

In her recent autobiography, *The Blue Sweater*, Novogratz



I'll Have a Cold One

Alan Sorensen, associate professor of economics and strategic management, takes a cold one for charity at a Business School carnival in April. The event capped a week-long drive to raise money for the Stanford Management Internship Fund, which helps support MBA students who have summer internships at public, nonprofit, and social-purpose for-profit organizations.

relates her experiences working with Rwandan bakery employees who later became caught up in their country's genocide, but she also reflects on her time at the Business School under Gardner's wing. She came looking for ways to be more effective at improving the lives of the world's very poor, she says, and wasn't thrilled to find herself studying "vector analysis" but felt it might give her more power.

Gardner, an advocate of volunteerism who was also instrumental in creating Medicare, taught in the Public Management Program and listened to Novogratz with an almost monk-like stillness, she writes, but he also insisted she "root yourself more strongly in your home's own soil" before trying to save the world.

"John was right: It didn't matter if the people lived in Bangladesh or Bangor, Maine. Everyone wanted the same things. Lowincome people the world over were challenged by similar constraints."

More of how Gardner shaped her actions is excerpted from the Rodale Press book at BizOnline.Stanford.edu.

Health Care Costs Plague U.S. Automakers

"Change is inevitable, but progress is optional, and that's where unions come in," said Andy Stern, head of the Service Employees International Union.

The world is undergoing a profound economic revolution, he told the mostly student audience at an April View from the Top event. National economies are being transformed to international ones, and America is shifting from a manufacturing base to a service/knowledge/ financial/green economy, he said. Employers used to manage the work lives of employees, but the next two decades will see a shift toward more worker selfmanagement as contract assignments, freelancing, and working from home grow in popularity.

Asked about the U.S. auto industry's crisis, Stern pointed to

For the Record



Class of 2009 Graduation

DEGREES GRANTED			
Total MBAs	354		
MBA	330		
MBA/MA Education	13		
JD/MBA	6		
MBA/MS Environment and			
Resources	5		
PHD	17		
MS Business Research	4		
MS Business (Sloan)	66		
CERTIFICATES			
O E IX T II TO X I E O			
Global Management	81		

MBA HONORS

Frnest C. Arbuckle Award

Contributed most to the fulfillment of the goals of Stanford Business School in and out of the School: Jose Shabot Cherem

Henry Ford II Scholar

Top scholar: Willard Carlisle Butcher

Alexander A. Robichek Award

Achievement in finance courses: Willard Carlisle Butcher

Arjay Miller Scholars

Top 10 percent of the class:

Ramy Magdy Adeeb David James Antosh Daniel Rodrigues de Azevedo Emily Sarah Bailard Michael Edward Bannon Alex Naum Beregovsky Anne Louise Berry Raymond Stephen Bradford Brittany Heather Bragg Willard Carlisle Butcher George Howard Capps Brian Chia-ning Chang Nemil Dalal Johan Aubin Duramy Kieran Patrick Plunkett Furlong Manuel Alberto Garcia Podesta Kemal Gocer Lauren Marie Hult Michael David Kahn Daniel Geoffrey Kilpatrick Arsen Sebastian Kitch Benjamin Lowery Kornell Zamir Lalji Patrick Joseph Linarducci Armando Martinez Alarcon Garrett Benjamin Miller Charles Marques Gibson Moore David Barker Mount Andrew James Nash-Webber Sophie Phillips Pinkard Jose Shabot Cherem **Brendon Shvetz** Benjamin Robert Sloop Jeremy Daniel Utley Liana Valentina Vetter Christopher Jon-Meng Yip Rachel Naomi Zimet

a lack of planning by company managers and union leaders. He said the union worked well when all automakers had essentially the same labor costs, but it didn't adjust quickly enough to face global competition, which allowed non-U.S. auto companies to produce vehicles far less expensively.

The firms' costs for employee health care, which are covered by governments in many of the competition's home countries, also put U.S. automakers at a disadvantage, he said.

The son of lawyers, Stern urged students to figure out their passion and follow it, but also to be aware of the dangers of rising to the top of an organization. "You can get really seduced, become arrogant, and believe the rhetoric that you're responsible for a company's success," he said.

"So many of us are caretakers of organizations others built."

Students Tackle **Electric Car Retrofit**

Cars and trucks powered by domestic electricity rather than imported oil is an exciting but daunting vision. The first step could be retrofitting a million vehicles to run on electricity as well as gas, say Stanford Business School Professor Robert A. **Burgelman** and Lecturer Andrew S. Grove, former chairman of Intel. They describe this as the "minimum winning game," a significant step toward a long-term objective.

To start the ball rolling, the two asked MBA students to research how the country could reach that goal. As part of a seminar last year, teams developed

strategic action plans for four areas: batteries; manufacturing retrofits; retrofit marketing, sales, and delivery; and public policy and legislative action. The richly detailed plans are contained in a Graduate School of Business research report titled "The Drive Toward the Electric Mile—A Proposal for a Minimum Winning Game." It is available online through BizOnline.Stanford.edu.

Among the conclusions: Lithium ion batteries show the most promise; independent, possibly franchised, garages that already have service facilities, trained employees, and loyal customers should do the retrofits; government support will be necessary; and half the retrofits should come from affluent, environmentally conscious consumers and the other half from fleets.

Garth Saloner to Lead School as New Dean



Originally from South Africa, Saloner brings a global perspective and a focus on innovation.

ALUMNI WILL FIND A FAMILIAR FACE in the dean's office when Garth Saloner becomes the ninth dean of the Graduate School of Business Sept. 1. Many will remember him from the classroom, where Saloner has taught management, strategy, entrepreneurship, and e-commerce as a faculty member since 1990. "With Garth the classroom is very different," said Peter Kaval, MBA '09, who had Saloner for Formation of New Ventures. "If you state a fact, he'll press you on your beliefs. He's forcing you to think on your feet and enabling you to get to 'Aha!' moments that you wouldn't otherwise." Added Leo Linbeck, MBA '94, who took Strategic Management from Saloner in 1993: "He wouldn't

let you get away with sloppy thinking."

A two-time winner of the Distinguished Teaching Award from MBA students, Saloner, 54, is not only a master in the classroom but also a leader in the evolution of management education. He was a key architect of the School's innovative MBA curriculum introduced in 2007. A supporter of the move to a more multidisciplinary approach to education and closer ties between the Business School and the rest of Stanford University, Saloner launched the Summer Institute for Entrepreneurship, a program to teach entrepreneurial skills to graduate students in nonbusiness fields. He has taught courses to undergraduates, MBA students, Sloan master's students, and doctoral students. He also has taught in the Executive Education program around the world.

Stanford President John Hennessy and Provost John Etchemendy announced the dean's appointment in May after a 7-month search by a 14-member committee that included students, faculty, staff, and alumni. Among them were two GSB Advisory Council members-Goldman Sachs Managing Director and Council Chair Gene Sykes, MBA'84, and former Heidrich and Struggles Chairman Thomas Friel, MBA '73. The committee was impressed with the breadth of Saloner's experience and the widespread respect he has earned across the academic spectrum, according to co-chair John Roberts, the John H. Scully Professor of Economics, Strategic Management, and International Business.

Enthusiastic and entrepreneurial, Saloner has figured in many of the School's new programs. He served as associate dean for academic affairs, and director for research and curriculum development from 1993 to 1996. He was one of the founders of the Stanford Computer Industry Project, a major study of the worldwide computer industry, and a founder of the Center for Electronic Business and Commerce in 1999, which for five years

was instrumental in disseminating research and teaching in the new field. After becoming director of the Center for Entrepreneurial Studies in 2004, he designed the first Summer Institute for Entrepreneurship the following year.

Then in 2006, he led the review committee that undertook a major overhaul of the MBA curriculum. The result injected more critical thinking, leadership development, expanded global content, and a global experience requirement into the program. The new curriculum also allowed students more flexibility in customizing their coursework to account for their increasingly diverse pre-MBA experiences.

Linbeck, who served on the committee, recalls Saloner putting up a straw man for what the new MBA program might look like, which helped focus the group. He then let the members fine tune various pieces. "He built consensus around a broad approach and let individual groups really engage so we ended up with a stronger program than if he had tried to micromanage it," said Linbeck, who now teaches Family Business as a lecturer at the School. "He spent a lot of time communicating with other stakeholders including keeping senior faculty who were not on the committee, alumni, and the dean's office informed. It was a classic example of great organizational leadership." While traveling for alumni events, Saloner sought feedback from alumni in Hong Kong, Tokyo, London, Los Angeles, and San Francisco about their learning experiences.

Global content and social innovation have been strong interests of Saloner's. He led student study trips to India, China, Thailand, the Philippines, Jordan, Egypt, Kenya, Uganda, and Ghana. He will venture to the United Arab Emirates and Saudi Arabia next year. He introduced a new microfinance case that grew out of his Ghana trip into the required Strategic Leadership course. He also championed the one-week Women's Perspectives on Entrepreneurship, one of two classes he will continue to teach as dean. Its objective is to encourage women to consider their own startups.

As the Jeffrey S. Skoll Professor of Electronic Commerce, Strategic Management, and Economics, Saloner has been known for his pioneering work on network effects, which underlie much of the economics of electronic commerce and business. His research has focused on entrepreneurship, strategic management, organizational economics, competitive strategy, and antitrust economics. His most recent work has been devoted to understanding how firms set and change strategy.

A native of South Africa, Saloner received a BCom (bachelor of commerce) and MBA (with distinction) from the University of the Witwatersrand in Johannesburg. He received an MS in statistics, an AM in economics, and a PHD in economics, business, and public policy from Stanford between 1978 and 1982. He joined the faculty of Massachusetts Institute of Technology as an assistant professor in 1982 and became a tenured full professor in both the economics department and the Sloan School of Management. He also has taught at Harvard.

Saloner may have three degrees from Stanford, but his family has four more. He and his wife, Marlene, have three daughters, all of whom also have Stanford degrees or are earning one, including an MBA.

When an MBA student reporter for the Reporter, asked him how he expects his leadership role to change as dean, Saloner noted he has always been entrepreneurial. "I like to start new projects and get them going," he said. "I love to find a gap and think about a way to fill it. The role of dean is different. The role of dean is much more that of facilitating other people's ideas and creative energies, and helping them to be successful. So it's less a doer and more facilitator, and that's a transition that I have to make."

In June, Saloner announced his dean's office team. Finance Professor Peter DeMarzo and operations Professor Sunil Kumar will join as senior associate deans. Kumar, who served on the Curriculum Review Committee, will oversee the MBA program. Organizational behavior Professor Glenn Carroll will continue as senior associate dean along with Dan Rudolph, MBA '81, who has overseen staff operations for nine years.

During the next 18 months, Saloner will direct completion of the Knight Management Center, the new \$350 million Business School campus. When completed in 2010-2011, the complex of eight buildings around three quadrangles is expected to achieve the highest level LEED Platinum certification for environmental sustainability from the U.S. Green Building Council.

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→ ELECTRIC CARS Faculty-student research on how to get electric cars rolling



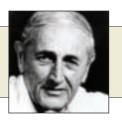
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→ VOICES Essays, blogs, and interviews of alums and others



→ JOHN GARDNER, MENTOR Alumna Jacqueline Novogratz on the late John Gardner



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Smorgasbord of Ideas for Healthy Eats

Alums tap into tastebuds, marketing psychology, and legal machinery to make eating a healthier activity.

UNHEALTHY EATING HABITS have been catching up with Americans' waistlines and health. Over a third are now considered obese, and another third are overweight, according to the National Center for Health Statistics. Heart disease and diabetes, which can be triggered by diet, continue to alarm the medical community.

Several Business School graduates are among those trying to transform an average meal, or at least create healthier eating options for

Christine Johnson, MBA '02, seeks change through government regulation and buying power. Brian Wansink, PHD '90, educates individuals to make small, calorie-limiting changes in their dining habits. Diane Del Signore, MBA '84, markets locally grown food products, which, she argues, are healthier and more environmentally friendly. Amanda West, MBA '05, is rebuilding fast food, a frequently blamed culprit for growing waistlines.

BANISHING TRANS FATS

All health-conscious foodies begin with a basic question: What makes our diet so unhealthy? Christine Johnson first focused on trans fat, which is usually artificially created by adding hydrogen to vegetable oils. The process, called hydrogenation, is often used to create solid fats such as margarine or shortening. Trans fats provide baked goods with a longer shelf life and remain stable at higher temperatures for frying than do regular oils or butter. But they have come under fire for raising "bad" LDL cholesterol levels and lowering "good" HDL cholesterol. Nutritionists also blame trans fats for promoting heart

In 2006, the U.S. Food and Drug Administration began requiring the labeling of trans fats on manufactured foods. In 2008, Johnson helped write regulations that made New York the first large American city to limit the amount of trans fats in restaurant and bakery food.

Johnson first worked with healthy food during Business School, when, as part of the School's Board Fellows program, she sat on the board of the Chez Panisse Foundation of Berkeley, Calif., which promotes gardening of edibles in schools. After managing donations for a food bank, she was hired in 2006 by New York City's Department of Health and Mental Hygiene to work on food policy. Studying the city's restaurants, bakeries, and suppliers, she discovered half used trans fat oils, a number that did not budge after a concerted effort to educate restaurateurs about trans fat dangers. This lack of progress was "what really demonstrated a need for regulation," she says.

Despite early concerns, the regulations do not appear to have cost food businesses their livelihoods. Once regulations changed the market shifted, so that today anecdotal evidence indicates healthier oils cost about the same as hydrogenated oils cost prior to the new rules. Some worried that their beloved cannoli wouldn't taste the same, but chefs found ways to tweak recipes without sacrificing flavor. "You can eliminate and fully replace trans fat, and the consumer is never going to know the difference," Johnson says. "It's been quite a seamless transition."

New York's rules have set a new standard. The state of California, for instance, is banning trans fats in restaurants by 2010 and in retail bakery goods by 2011, and San Francisco has a voluntary trans fat elimination program now. National restaurant chains like Wendy's and Taco Bell have pledged to remove trans fats.

Johnson's other recent initiative could also shape food markets. She helped create nutrition standards for food served by city agencies, influencing the buying practices for some 225 million meals annually provided at schools, nursing homes, hospitals, and more. Agencies must offer five servings of fruits and vegetables daily and eliminate deep fryers. "We're the first major city to set nutrition standards across all city agencies," she says. "It's an opportunity to make a market for healthier food."

Next on Johnson's and New York City's health agenda: bringing down salt in processed and restaurant foods. "High salt consumption leads to high blood pressure, which can lead to heart attack and stroke," says Johnson, who is working on an effort to reduce the amount of salt eaten by New Yorkers by 20 percent in the next five years. "We're asking processed food and fast food manufacturers to reduce sodium in their products," she explains. The city estimates that if salt levels could be lowered by 50 percent in the next decade, it could prevent 150,000 deaths annually.

SMALLER PLATE = SMALLER WAIST

Brian Wansink disagrees with New York's approach. When asked if eliminating trans fat will have a good impact on health, the founder and director of Cornell's Food and Brand Lab says, "I doubt it. First of all, just because it has no trans fat doesn't mean it's healthy. And if people see it's trans fat free, it will give them more of a license to overeat."

Wansink, who wrote his dissertation at the GSB on how to get Americans to eat more fruits and vegetables without realizing it, teamed up more recently with Pierre Chandon of France's INSEAD to present people with two types of food: some labeled low fat, some not. Average-weight test eaters consumed about 22 percent more calories if food was labeled low fat, and overweight people ate up to 50 percent more. "People have this gross tendency to overeat something labeled low fat," says Wansink, a Cornell professor, "and it disproportionately influences overweight people."

Two years ago, he took a leave to serve as executive director of the USDA Center for Nutrition Policy and Promotion, where he helped develop new dietary guidelines to be released in 2010 and made the center's MyPyramid website the most accessed federal site, with 5.6 million hits a day.

In his book Mindless Eating: Why We Eat More Than We Think, Wansink explains that Americans take in large quantities of food without thinking about it because of factors like lighting, placement of serving bowls, package sizes, and the diameter of their dishes. For example, one study shows that pre-plating food in the kitchen before placing it on the table leads people to eat 30 to 33 percent less than if they keep a serving plate in front of them. One famous study from his lab centered around a soup bowl that refilled from below, encouraging diners to consume more—73 percent more—without knowing it. He also found that eating from a 12-inch plate causes people to consume 22





Diane Del Signore, MBA '84, in her Oakland raspberry bed with Susy Q, a goat from her children's 4-H project on animal care. Signore directs a nonprofit that advocates locally grown food.

percent more calories at a meal than eating from a 10-inch plate. So just by shifting to smaller plates, Americans could lose weight. "They won't realize they've eaten less, and they won't feel any more hungry," Wansink says.

In 1996, Wansink showed that larger package sizes lead people to eat more, so he climbed into his Jeep to deliver the message to megafood-producers. He told Nabisco, Mars, and Kellogg's that they could "sell people less food, and they'll pay more for it." The companies balked at this free advice initially, but one by one, they gave it a try. The 100-calorie "snack pack" was born, saving "mindless" consumers countless calories.

Back at Cornell after his stint in D.C., Wansink is planning the Small Changes Institute, which will explore little things that companies, government, and academics can do to help people eat better. Already, he is distributing cell phone reminders about cutting empty calories and printable eating charts via his website, www.mindlesseating.org.

FRESH FROM THE LOCAL FARM

Small changes may help people cut calories, but Diane Del Signore is working toward a big-picture shift on where and how people buy food.

She is executive director for Davis, Calif.-based Community Alliance with Family Farmers (CAFF), one of the largest, oldest nonprofits advocating sustainable agriculture, and a member of Slow Food, an organization that views locally grown and produced food as healthier. Eating locally not only means that food has retained

more of its nutrients and flavor because it's consumed quickly; it also contributes to local economies and helps keep family farms alive. And local food cuts down on the gas needed to transport farmgrown food farther afield.

If each American ate one meal of locally, organically grown food a week, this country's oil consumption would drop by 1.1 million barrels each week, according to environmental studies scholar Steven L. Hopp.

To make local food more available to California consumers, the 30year-old group has launched a growers' collaborative that's opening new markets for small farmers. CAFF runs two distribution centers for family-farmed produce, in Ventura and Davis, which provide produce to institutions including the University of California's Berkeley and Davis campuses, Kaiser Permanente, and Bon Appétit Management Company, a food service that provides meals at worksites including the Business School, eBay, and Yahoo. As the program rolled out, these organizations have been willing to pay slightly more for CAFF's fresher, sustainably grown produce, which typically goes from field to customer kitchen within 48 hours.

Now, Del Signore, a former tech executive who is the first businesstrained leader of CAFF, is working to keep these clients and gain more by controlling costs and managing the collaborative like a growing business. She is seeking partnerships with large, established food distributors to offer a new line of locally produced foods to their existing clientele. The idea comes from consumers themselves: "Distributors have been getting pressure from buyers to have a local buying option," Del Signore says.

At home, Del Signore practices what she preaches, growing food that she and her family consume. Her family runs a mini farm in the

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Product Design Where Every Rupee Matters



Over two quarters, students hone a process for making useful designs for the very poor.

THE PEDAL-DRIVEN EXTRUSION MILL rumbles like a runaway cable car barreling down Nob Hill. Graeme Waitzkin, MBA Class of '10, shouts above the cacophony and points to the tiny pellets popping out. Made from biomass and agricultural waste, the pellets can be used to fuel cooking stoves in rural Ethiopia, he explains, where women now spend 20 percent of their waking hours collecting firewood.

The pellet mill and a business plan for it are the final product of a team of Stanford graduate students from the engineering and business schools. Theirs is one of 10 teams that has just finished a two-quarter class called Entrepreneurial Design for Extreme Affordability. The goal for each team was to come up with a service or product, like the mill, designed for specific cultural contexts.

What exactly does designing for a cultural context mean? It's easier to explain what it doesn't mean. Take the example of a charitable organization that ordered a gas-powered corn miller to help Rwandan women grind cornmeal faster. It worked until the first tank of fuel ran out, and the group didn't have any money for more. Over the years, charitable organizations trying to improve the standard of living in extremely poor communities have discovered they often fail because Western-designed and -built products and services often don't fit the needs of people in other cultural contexts.

> Before her team chose a product to design. Laura Jones, MBA '09, met with farmers in the Irwaddy River delta of Myanmar and tried a traditional way of irrigating a field.

Design reviews like this take place throughout the course and provide feedback on everything from drafting a mission statement to manufacturing fuel pellets.

"Extreme Affordability has fundamentally changed the way that I think about and tackle problems," says Jane Chen, MBA '08, a student from two years ago whose team developed a portable incubator for infants that is being further developed outside of the classroom. Her success story is inspiration for the 40 students of the 2009 class who have designed things like water pumps, stoves, affordable battery-operated devices, and systems to fortify water and flour with micronutrients.

Yes, the course has bragging rights for being the birthplace of successful products, services, and companies that impact the very poor in predominantly rural areas. Without undercutting that point, however, the class exists to provide a collaborative experience where students learn to solve complicated problems, a skill that can be applied to a variety of scenarios. "You can't be a good product manager if you don't understand manufactur-

ing," says Laura Jones, MBA '09, who took the class knowing she wants to pursue a career as a product manager.

The course—open to medical, business, law, education, science, and engineering students-kicks off in the winter quarter at the Hasso Plattner Institute of Design, or d.school for short. Co-taught by the Business School's Jim Patell and the Engineering School's David Beach, with assistance from design fellow and former student Erica Estrada, classes are held near the center of campus in a beige stucco building that belies its colorful, near whimsical interior working space.



Couches, rolling white boards, breakout meeting rooms, and a Chinese gong: Is this really the environment that serves as an incubator for concepts to be taken to market in developing countries?

Empathy training, an early-on requirement, places students behind the counter at the GSB's Arbuckle Cafe taking sandwich orders or assisting the Stanford Police Department on calls. Through listening and asking the right questions, they are able to understand workers' needs, needs that are often not well articulated because they have become embedded in everyday routine. Professors call this need-finding, a conscious period of observing and listening that proves to be critical to success. For example, in rethinking a former class project—a solarpowered LED light-students found customers needed not only a light to replace lamps fueled by costly kerosene, but also a rechargeable battery that ran other devices. By asking the right questions, the team was able to come up with a battery that powered not only efficient LED lights but also a radio, fan, and cell phone.

A big step between need-finding and the actual development of a product is prototyping. Students get their feet wet literally in the first week of class: Limited to using \$20 worth of materials such as tarps, duct tape, and Styrofoam boxes, they try to trap water from a simulated monsoon in Patell's backyard. Collecting the most water is each team's goal, but observing the process and examining all the prototyped water collectors is a prime opportunity to learn from each other.

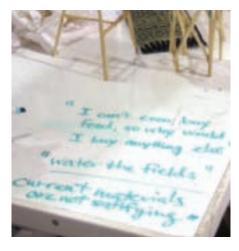
By the final weeks of the first quarter, students are familiar with need-finding and prototyping and have been introduced to design concepts associated with the developing world. They have broken off into 10 teams, each having at least one GSB student. Two members of each team use the break between quarters to visit partner organizations that will set up meetings with potential customers.

Their trips to Rwanda, Ethiopia, Myanmar, India, and Nepal involve multiple interviews with subsistence farmers, flour millers, shopkeepers, and women who cook for their families. A farmer from Myanmar tells Laura

Jones, "I can't even buy food, so why would I buy anything else?" Daunting words for a team trying to come up with a low-cost product or service, but it shows that every cent matters to these customers.

Returning from their trips invigorated, the students kick off the second quarter by sharing information gleaned from their journeys. The teammates that didn't travel for the class need to be attentive, as they will make presentations to the entire class about the trips.

In the weeks following, teams hone their points of view, basically mission statements for the products or services they will produce. As they become more focused, the prototypes change. One team originally thought it would explore trough gardens that would hang on the side of a home or sit on its roof, allowing for more growing space. Now it is working on fortifying well water with micronutri-







Notes from a trip to Myanmar, top, set a high bar for making affordable products. Professor Jim Patell, center, draws on his background in engineering and business to help teams develop products. Engineering student Santhi Elayaperumal demonstrates how a stove skirt works.

ents. Another team was going to explore the manufacture and sale of water pumps but changed course when it observed women in the marketplace manually shredding and pulverizing chili peppers.

The flexibility offered in the class, which allows teams to wander from initially intended projects to an area where they might see more need, often sparks ideas that stick. "It doesn't matter which idea you choose," Patell tells the class, "as long as you're passionate about it."

Once teams establish the product or service they will pursue, they go through rounds of design reviews, where members from other teams, as well as faculty, critique and question not only the prototyped products but also the business plans presented. There are no secrets and there is no competitiveness among teams, just shared learning. One team is working on shredding peppers and another on exhaust hoods for cook stoves, yet they still ask each other pointed questions to better understand their own customers.

"How do you get creative accidents to happen on schedule?" Patell asks the class during one discussion. Through trial and error, he says. Not only do teams continually rewrite business plans, they also constantly refine the functionality of the products and services being designed. Guest lecturers talk about manufacturing in foreign countries or about product design.

The second quarter of the course is a haul for everybody involved. The class reaches a fever pitch in its last weeks, and several students say they average 30 hours a week on this class alone, while faculty, staff, and volunteers on call to be resources or sounding boards often sacrifice Saturdays to meet with and coach the teams. The prototypes and a viable implementation plan will count toward a grade. Final presentations are polished for delivery to faculty, staff, fellow teammates, potential investors, and the partner organizations each team paired with during the course.

As the hundreds of guests trickle out of the studio after the final exposition, there's a feeling of closure as students toast each other and ask where they're off to after graduation or during the summer break. The 20 weeks of class, the student trips, and the constant inter-

action with partner organizations and fellow teams is now history for many. The ideas and prototypes that line the tables, however, will live on, some with the help of students from the class, some through the partner organizations with which each team initially paired, and some a year or two later, when a new team from a future class revisits an idea.

The academic component benefits 40 students. The products produced as a result of the class, however, could ameliorate the lives of hundreds, thousands, and, hopefully, millions of people in other cultural contexts.

Stanford Business magazine Associate Editor Arthur Patterson closely follows the Entrepreneurial Design for Extreme Affordability course. His journal can be found at BizOnline.Stanford.edu.

Market Rebels

AS A TEENAGER IN 1970S INDIA, Hayagreeva "Huggy" Rao was struck by the way his city competed against other cities for jobs. Citizens lobbied the federal government for a steel plant, and later, activists organized residents to stop eating and block trains with their bodies. These protests led to Rao's lifetime fascination with collective action. Today the sociologist, who is a professor of organizational behavior at the Business School, studies rebels who shape new markets and upset old ones, not with "invisible hands" but with highly visible, clasped ones. They define "hot causes" and use "cool techniques of mobilization" that can make or break markets for products and services, he writes in a new book, Market Rebels, Editor Kathleen O'Toole interviewed Rao for this article

O'TOOLE: Your book is about rebels who shape markets. Who are they?

RAO: Normally when we construct an account of any industry, technology, or market, we rely on the great-man theory. So Bill Gates matters. Henry Ford, Sam Walton, Philip Knight matter. These founders of great companies are important, but we don't understand what made their accomplishments possible. That's where collective action plays a big role. A rebel, by definition, is one who defies authority. For me, a market rebel is one who bucks conventional wisdom, who challenges existing norms, who's so committed to a cause that he or she doesn't mind incurring the costs of organizing collective action. In fact, the cost of *not* acting is what impels many of them. They construct a hot cause, which taps deep-seated emotions of anger or pride, but they also get people to engage in new behaviors through unconventional or cool techniques of mobilization.

Take, for example, the automobile industry in America. Most books give pride of place to Henry Ford, who introduced mass production. But why did he believe there was a mass market when early reactions to the automobile were that it was a devilish contraption-evil, strange,

Photograph by **PETER STEMBER**





unreliable, and of poor quality? Farmers said it would cause havoc to farmland. Anti-speeding activists said it was a threat to pedestrians. Yet it came to be accepted, and the unsung heroes were automobile enthusiasts, many of them physicians, who formed automobile clubs. They realized they needed state speed limits, not a maze of regulations. They also lobbied for licensing of drivers and the registration of automobiles, which then became a source of tax revenue. They also asked, "How do you show other people that a car is viable?" You don't give 15 speeches. You have 10 cars climb Pike's Peak, 15 cars go on an endurance run, or 20 cars seek to shatter a speed record. These organized events made audiences realize the car could do a bunch of things. When that happened, Henry Ford, who had observed assembly-line techniques in butcher shops, realized he could sell a bunch of cars. So I argue, without the automobile enthusiasts between 1895 and 1912, you wouldn't have had mass production.

Similar arguments could be made about the personal computer industry. There was a priestly class entrusted with the responsibility of managing the computer, and activists said, "Wait a minute. Why do we need that priestly class in between us and the computer?" They came together in hobby clubs. Out of these meetings of tinkerers, we have early products that paved the way for the personal computing industry.

For too long, we have been enamored of the invisible hand of the market or the visible hand of large enterprise. What we need to pay attention to is the joined hands of activists.

Nike is an iconic American company, and if you asked Philip Knight [MBA '62], I imagine he would acknowledge that the running movement, where running wasn't something five university athletes did but something everybody did, made Nike possible. These are examples of how social movements and market rebels make new industries, new niches, and new markets possible.

O'TOOLE: Do people driven by a hot cause also block innovations?

RAO: Yes. Let me give an example that is both current and historical. The chain-store revolution in America occurred in the 1920s. Chains allowed for convenience and large product selection, but mom-and-pop stores quickly realized they couldn't compete with the efficiency of chain stores. They organized to pressure legislators,

and a number of states passed laws to punitively tax chain stores. The chain stores responded through collective action and established new links with farmers' cooperatives to overcome the threat

Now to contemporary India: When we visited as part of a GSB program, Indian business journalists extolled chain stores, and we said, "You better worry about social upheaval and an anti-chainstore movement." They looked at us and said, "I think you're being a little bit far-fetched." Fast forward two years later: Quite a few chain stores have been targets of social protest—unfortunately, sometimes violent protest. So you can have hot causes and collective mobilization that supports innovation or rejects it.

O'TOOLE: Give us examples of how a hot cause can impede adoption of new technology.

RAO: Cochlear ear implants were designed to make deaf children hear. Their manufacturers were completely taken aback when deaf-rights activists said, "You're killing the deaf sign language, and if you're killing the deaf sign language, you're killing our community." Their hot cause was save our language, save our community.

More recently in the Barolo and Barbaresco wine-growing districts of Italy, a group of rebels said, "We need to stop using age-old botti." These are huge casks that contain thousands of liters of wine. They wanted to use smaller French casks that

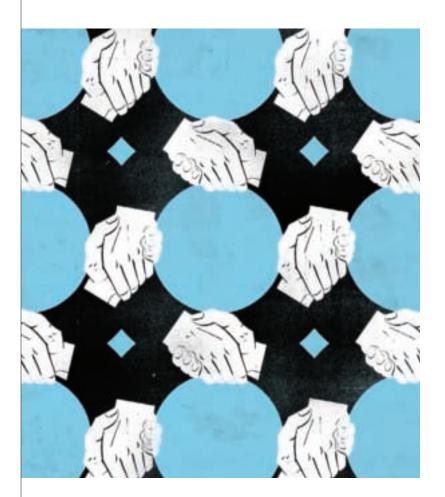
> contain 100 to 300 liters of wine. Their idea was to reduce the tannins in Barolo and Barbaresco wines to make them more palatable to an international audience.

> When they did that, the traditionalists launched a counter-movement. They said, "Wait a minute. You're actually erasing our identity, our uniqueness. You're removing local diversity. Why should you have a wine that tastes the same the world over? Why should Barolo wines taste like California wines?"

If you make wines in an international way, you get better ratings from the critics, which means you can charge higher prices. So the obvious thing for a rational person to do is to make international wine, but instead you have this movement to preserve diversity, uniqueness, local identity. My colleague Mike Hannan and I at the GSB and Giacomo Negro of Emory University are trying to understand it.

For too long, in my view, we have been enamored of the invisible hand of the market or the visible hand of large enterprise. What we need to pay attention to is the joined hands of activists. Market rebels play a big role in our lives. When you and I buy organic food in a grocery store, that is possible because we had an organic food movement that got the big cereal companies to say, "We better buy these specialty organic companies or introduce our own kind of organic product lines on the market."

O'TOOLE: In your book, you write that rebels tend to take advantage of unexpected events, such as the public outcry over Robert Nardelli's large severance pay from Home Depot. Do you think the scandal in financial services will lead to more collective action?



RAO: I think that is a real likelihood. Historically, more regulation has been the outcome of collective pressure. One area where we've already seen an upsurge of collective action is in student loans. Campaigns were organized where the hot cause was predatory lending to students. The pressure led to laws governing disclosure, but soon, I would expect pressure to regulate the conduct of firms, not just force them to disclose.

The investor-rights movement seeks to establish constraints on executive compensation and so forth. People are realizing we live in an organizational society where large global corporations play very important roles and sometimes are formidable. They can lobby government through their political action committees and influence regulation. So what's the option for consumers and other stakeholders? One option is to organize social movements that target corporate bodies.

O'TOOLE: Should managers take advantage of collective action or guard against it?

RAO: It varies by company. Some firms rely on collective action. Look at all the companies that use Linux software. The cadres of programmers for the Mozillas of the world are coming from the anti-Microsoft Windows movement. One of the arguments of the open software movement is, hey, we need to exchange programs very much like you exchange cookie recipes.

On the other hand, if you were a company that's going to be targeted by urban sprawl activists, you do everything possible to defuse that. Walmart is seeking to do that by saying, "We'll put our dollars behind the green cause."

If you're an oil company, you're faced with a movement for

renewable energy. How can you channel that to your benefit at the same time there may be an anti-gasoline movement that will put substantial pressure on you? Should you be worried about activism in Nigeria? Of course. You've got to realize both the potential opportunities and poten-

O'TOOLE: What advice do you have for leaders of social change organizations?

RAO: I think many of them already know this. Everybody can learn from individuals involved in social enterprises by looking at the challenges they surmount. They deal with disinterested audiences. They have no authority. They have very few resources. Yet they're able to attract a base through a hot cause and mobilize action.

One example is a small nonprofit organization called the Institute for Healthcare Improvement, We have a Stanford GSB case study on them. This organization with a nucleus of 100 people, based in the Boston area, wanted to deal with the problem of deaths caused by preventable medical errors in American hospitals. Conservative estimates suggest that 95,000 people a year die from medical errors. Now if an ordinary person went to a hospital to speak to someone about deaths caused by preventable medical errors, they would be put in touch with legal counsel.

This organization did something wonderful: They named their hot cause-saving lives. The enemy was quality defects. They used many cool techniques of mobilization but two come to mind. One is that they organized a campaign relying on unconventional techniques such as a radio show that allowed people to share ideas. In each state they identified catalysts in hospitals, and these catalysts got other hospitals interested. They also came up with a battery of six ideas for intervention, each evidencebased, easy-to-do things, and they said, "Use any of these ideas." One intervention was to reduce infections by making sure people wash their hands. Another was to reduce death counts by pneumonia due to ventilator-based problems by inclining the bed at a 45-degree angle. These were simple things that involved daily changes in behavior.

Within a span of a couple of months, more than 3,000 hospitals signed on to the cause. They started their campaign in, I think, 2004. It ended in 2006. By then, the estimates were more than 100,000 lives had been saved. Now, of course, this movement didn't directly save the lives. People in hospitals saved the lives, but the interesting thing to me is what made them fired up.

O'TOOLE: In our culture, "hot" can mean romantic or emotional and "cold" means rational or hard-headed. What is cool about mobilization?

RAO: Cool has a lineage that starts with jazz in the American vernacular. Cool jazz is improvisational, edgy, uncon-

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The Psychology and Economics of **GREEN BUSINESS**

Everyone takes a free green grocery bag, but how do you lure stressed-out consumers and businesses to walk the green walk more consistently? Marketing students look for levers of change. By Margaret Steen

Photograph by HOLLY LINDEM



ONE DAY LAST YEAR, marketing Professor Baba Shiv stood outside a Trader Joe's near Stanford for more than an hour approaching shoppers who were leaving the store with reusable grocery bags. He gave them his business card and asked if he could call them later.

These shoppers were trying to do their part to solve a big problem: Each year, retailers pay billions of dollars to supply customers with plastic bags that are littering the planet, killing marine life, and poisoning our food chain. Paper sacks also have costs, both monetary and environmental.

But when Shiv called the shoppers later and asked if they had brought the bags with them on their next shopping trip, almost all of them said no. They knew they should have, but they forgot. Did they buy additional reusable bags? No, they went back to single-use bags.

"When people have already paid for being green but they

forget next time, they're not willing to invest more in their behavior," Shiv said.

Shiv carried out this informal research to prepare for a week-long seminar on green marketing that he taught last September with colleague Sridhar Narayanan, assistant professor of marketing. Shiv does research on consumer decision making and decision neuroscience, especially the role of emotion in decisions. Narayanan's research focuses on empirical analysis of marketing problems. The course was one of several seminars offered to second-year MBA students at the beginning of the school year. The short, intense seminars let both students and faculty members explore topics that aren't part of the traditional MBA curriculum.

In the green marketing seminar, students discussed how green products are marketed differently to businesses than to consumers. They heard from speakers from product design



firm IDEO, Toyota's Prius division, and VC firm Kleiner Perkins Caufield & Byers. They visited Cisco to learn about its advanced videoconferencing technology. Shiv gave them a primer on how our emotions affect our decisions. And they tried to solve the grocery bag problem.

First, though, the students confronted an even more basic question: "Everyone is talking about 'green,' but they don't know what green is," Shiv said. Does it depend on where the product is produced or sold? Can a company that produces oil or paper products ever be considered green?

Ultimately, the professors and students concluded that green is a relative concept: Is the product better for the environment than the alternatives? The Prius, after all, is a car that uses gas. It is not a green solution if someone gives up biking to work in favor of commuting in a Prius. But compared with a traditional car it is.

"My takeaway out of the class was that being green is a process," said Aldo King, MBA/MS'09, who is part of a joint degree program called E-IPER, or the Emmett Interdisciplinary Program in Environment and Resources. King will also receive an MS in environment and resources. "A lot of people argue about whether something is or not, which is very binary thinking."

The definition of green is not just an academic question. Trae Vassallo, MBA '00, a partner at Kleiner Perkins Caufield & Byers, focuses on investing in green technology. She said her firm defines green broadly, from renewable energy generation to products that help businesses and consumers reduce their energy consumption.

Emma Wendt, a student in the seminar who later earned the joint degree, spent the summer of 2008 as an intern at Continued on page 21

>>> Stanford Offers Joint Degree in Business and Environmental-Resource Issues



David Mount. MBA/MS '08

During his time at Stanford, **David Mount**, MBA/MS '08, spent his share of hours in Business School classes learning how to run a business. But he also tested the efficiency of solar panels and used light meters to measure the efficiency of compact fluorescent vs. incandescent lights.

"I sat in the computer lab on Thursday nights doing problem sets with classmates," he said.

This shift from "very high-level strategic thinking" in business classes to "very specific problem-solving" was part of Mount's joint degree: Along with his MBA, he earned an MS in environment and resources.

The joint degree program, which was approved in 2007, allows MBA students to apply during their first year to complete a joint MS/MBA degree in collaboration with the Emmett Interdisciplinary Program in Environment and Resources, or E-IPER.

Once accepted, students continue their MBA courses and simultaneously take classes toward the MS. Typically students take two years plus two or three additional quarters to complete both degrees, which are awarded simultaneously because it is a joint degree program.

The Emmett program in the School of Earth Sciences has offered doctoral degrees since 2001, and it also offers joint degrees with the Law School and the School of Medicine.

Students in the joint degree program design

their own course of study, choosing classes from a range of departments, said Helen J. Doyle, associate director of the program. Faculty advisors guide them, and the students also help one another. The program has about 70 affiliated faculty members from all 7 schools at Stanford.

"It's so daunting to say, 'What classes at Stanford should I take for my areas of interest?'" said Emma Wendt, an MBA/MS '09. Because her focus is on green building and energy efficiency, she took most of her classes in civil and environmental engineering.

In the first two years of the joint degree program's existence, 10 students from the Graduate School of Business have enrolled, and 18 have been accepted for Fall 2009. Once there, they find themselves moving between very different worlds.

"Engineers think totally differently about problems," Wendt said. For example, when engineers talk about "efficiency," they mean energy. At the Business School, a discussion about "efficiency" would likely focus on finances.

"That's what I really enjoy about the program: that I get to play in these two different worlds," Wendt said. "In my engineering classes, I'm the business guru. In the Business School, I'm the environmental science expert."

Aldo King, in the MBA/MS '09, took a class on energy-efficient building in which he had to make a model of a house and estimate its



Emma Wendt, MBA/MS '09

DECEMBERGED /S AND BANDOVED



Aldo King, MBA/MS '09

energy use. This "very practical, hands-on" knowledge is a step toward his career goal of working in real estate development with a focus on green building. It's just one example of how graduates hope to combine business knowledge with technical expertise.

Wendt is interested in "the intersection of policy and business" and is now working for Pacific Gas & Electric on renewable and clean energy within the energy procurement department.

Mount has used the knowledge he gained by earning his degrees in his work as a member of the green tech investing team at Kleiner Perkins Caufield & Byers. For his MS degree, he focused on the fundamentals of how energy works.

"I thought I would become a better investor or a better manager in the energy world if I had a better fundamental understanding of energy processes," he said. Now, "I know enough to be able to comfortably ask questions when I see new things come around." — MARGARET STEEN

Joint Degrees Available to MBA Students

- JD/MBA
- **MBA/MA IN EDUCATION**
- **MBA/MASTER IN PUBLIC POLICY**
- MBA/MS IN ENVIRONMENT AND RESOURCES

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Chevron, working on a project that examined the potential for voluntary carbon offsets to meet greenhouse gas emissions reduction targets. Given her longstanding interest in environmental issues, most people reacted with "first surprise and then understanding" when she told them where she was working.

"If you want to work on energy issues, then it absolutely makes sense that you need to understand where the vast majority of our energy comes from," she said. She also realized that even small gains made by a huge oil company could have a large impact.

GREEN PSYCHOLOGY

To sell a green product, marketers must understand how people are motivated by incentives.

Businesses, for example, have different motivations than consumers. "It's not that companies want to be green," Shiv said, though some do use environmental initiatives to give them an edge in recruiting employers. "At the end of the day, they're looking at, 'Am I able to cut costs?"" Cisco's teleconferencing technology, for example, though it does cut down on pollution from travel, may be a bigger hit with companies because it reduces costs and increases productivity.

For companies focusing on consumers, the proper use of incentives is key to changing consumer behavior. Shiv's research shows that both positive and negative incentives help people achieve goals, but they work better at different times.

Despite their intentions, most people won't be able to keep up a good habit without positive reinforcement.

"Goal adoption is much more powerful if there is a potential slap on the wrist for not adopting," Shiv said. The fear of a heart attack may inspire people to eat well; fear of looking bad may make them decide to exercise. But despite their good intentions, most people won't be able to keep up a good habit—whether it's exercising or bringing reusable bags to the grocery store—without positive reinforcement along the way.

Social stigma, or the negative consequences that Shiv talks about, may be needed to change consumer behavior, said **Akshata Murty**, MBA '06, a senior associate at Siderian, a venture capital fund that is a spinoff of a tech incubator called Tendris. Murty was previously director of marketing for Tendris, helping its portfolio companies expand into the U.S. market. Simply explaining, for example, what a difference it would make if 100,000 households changed just one light bulb apiece to a low-energy version, rarely works. "People say, 'Why should I be one of the 100,000? Why not my neighbor?'" she said.

Emily Bailard, MBA '09, spent the summer of 2008 exploring ways to get consumers to care about saving energy. "Do consumers care about green?" said Bailard, who was an intern with IDEO and worked on the project for the U.S. Department of Energy. "How do you get them to care about green? Do you frighten them? Do you

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ignore green altogether and get them to care about something else that just happens to be green?"

These psychological considerations mean companies need to look beyond the traditional market research elements of company, customers, and competition, Narayanan said. Champions and community are also important.

For a green product to succeed with mainstream consumers, the community has to want its benefits, but if the community is to see those benefits, the product first needs champions. These early adopters are likely more committed to environmental causes and "willing to take a chance," Shiv said.

Some consumers use green products such as the Prius for identity signaling.

There's a risk, though, for product designers in catering to champions, who are "more willing to tolerate inconveniences," Narayanan said.

For example, the first electric cars had a range of just 40 miles. This may not have bothered the small number of customers for whom reducing their carbon footprint was paramount, Shiv said, but a product that demands that level of sacrifice is unlikely to have broad appeal. "Even though champions are telling you they don't care about inconveniences, talk to the mainstream market."

MAKING GREEN PAY OFF

key question about marketing green products, which became even more urgent as the economy slid, is whether people will pay more for them.

"If you look at the marketplace today, most green products are being sold as premium products," Bailard said.

But there is only so much room in the market for premium green products. "I do not believe the mainstream consumer will pay more for green products," Vassallo said. Thus she looks to invest in companies "that are driven by economics but also have benefits on the environment. We don't invest in companies that are relying on what we call 'green goodwill.' It's not going to build long-lasting, big companies."

With products that involve new technology, the price may start out higher, acceptable to its champions, and then decline as the technology improves. "When new technology comes out, it's always more expensive," Murty said. "Over time it will be on par with the wider competition."

In addition, as energy costs rise, the price of energysaving products, for example, looks better in comparison to the competition.

Even if consumers won't pay more, a product's environmental benefits can be a powerful part of the brand. Shiv said some consumers use green products for "identity signaling," citing the Prius as an example. Some of these consumers will pay more for the green product, though even those who won't may choose the green product over a comparably priced non-green one.

Just as most consumers won't pay more for green products, most will not choose products that don't work as well as the alternatives. Vassallo, for example, said when her firm was looking at investments in electric cars, they wanted a "zero tradeoff" vehicle, not one with a limited range or questionable safety ratings.

Narayanan said companies must apply the traditional marketing rule about establishing points of parity and points of difference between a product and its competitors. Consumers must be convinced that the green product will solve their problem just as well as non-green competitors. After that, they will consider points of difference, including whether one product has environmental benefits that the other doesn't.

Thus, Shiv said, the next generation of plug-in vehicles is more promising than the first: The cars have a gas tank in addition to a battery and can go as far as an all-gas model.

Marketing green products, then, may not be all that different from marketing any other product: "It comes down to: How does this affect me and my family?" Vassallo said.

Nonetheless, several of the students who took the seminar said they hoped its contents could be incorporated into the Business School's broader marketing curriculum.

"It's a perspective that's not often taught or emphasized in a normal marketing class," King said. He was interested in the focus on product design: how to come up with a green product that will sell, as opposed to, as he said, "Here is a product; let's make it green."

Shiv and Narayanan will teach the class again over two weeks in October.

The class also has sparked ideas for research, Narayanan said: the role of social networks and celebrities in product adoption, for example.

THE GROCERY BAG SOLUTION

he principles of green marketing may seem like common sense, but applying them to real-world problems is still tricky. Considering the target audience and its psychology, students brainstormed solutions to the grocery bag problem.

"What can we do to design an experience where the customer remembers to bring the bags back?" asked Liana Vetter, MBA '09.

Should the government outlaw single-use bags so no one store has to be the first to risk alienating its customers by not providing a bag? Could carmakers add a bag-holder to make it easier for people to store the bags? Should stores use positive incentives, like a discount or a faster checkout line, for shoppers who bring their own bags? Or should they try negative incentives, like a slower line for those who need bags provided?

No single solution seemed like it would work for everyone. Shoppers like Wendt, who rides her bicycle to the grocery store, have different needs from those like one of her classmates, a father who buys large, bulky items like diapers.

A 5-cent rebate for bringing your own bag may motivate some shoppers, but "that's not going to work for the busy person who doesn't bother clipping coupons," Bailard said. "As people, we can only have so many priorities. Bringing your own bag to the grocery store for most people is not going to be near the top."

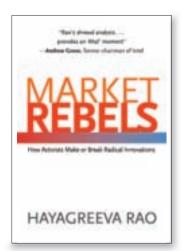
At the root of the grocery bag problem is an issue that faces those marketing many types of environmentally friendly products, Vassallo said. When one individual's behavior seems insignificant, it's very difficult to get people to change. "Changing behavior is really hard."

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ventional. Marshall McLuhan uses the term cool media to actually talk about the fact that they engage not one sense but many senses, which are your eyes and ears, with something like television.

So for me, cool techniques of mobilization are unconventional and engage many of the senses, but most important, they get people to do things. Cool doesn't mean cold. Cold means rational, impersonal, boring, fact-based. Cool means insurgent.

Let me give you an example. Many organizations have town-hall meetings with their employees. What happens in a town-hall meeting? Usually the boss comes in and says a bunch of things. Everybody listens and goes away. It's oneway communication. Now, what would a cool technique of mobilization be? The



Market Rebels was published in 2009 by Princeton University Press.

boss would say, "Let's have an upside-down town-hall meeting." The bosses listen and the audience asks questions. What are you doing when you get them to ask questions? First, you're engaging them. Second, you're empowering them. Third, you're saving, "Hey, we're upending the existing order." And that's the way you actually hook employees and get them to do things.

Associations are the wellspring of collective action. East German churches synchronized their services so all of a sudden 2,000 people flooded the town square.

There are lots of ways of doing cool techniques of mobilization. The point is, you've got to actually be insurgent, unconventional, and a little bit edgy. You've got to be a little bit different. If you're not all of that, if you do more of the same, people are going to say, "More of the same." They're actually going to be turned off.

O'TOOLE: That's an everyday example most of us can relate to. Give us your coolest example of mobilization.

RAO: I go back to Mahatma Gandhi and his cause of Indian independence. His challenge wasn't to get the urban elite out on the street. They're too small in number and also probably too keen to go to England to study. He needed to hook rural Indians into the cause when they don't read newspapers or have access to radio. And in any case, what does independence mean to them?

He brilliantly used a symbol—the salt tax levied by the British on Indians. He took a bunch of people to the seashore at Dandi, where he said, "You know, why can't we make our own salt? It's

coming from the ocean. Why should we pay tax to anybody else? It's free." When he got people to make the salt using water from the sea, he was able to very crisply communicate the nature of the injustice. And he said, "That's what independence is. You can make your own salt." If you look at any language, you will find salt is part of every proverb, every piece of wisdom that's transmitted from one generation to another. That's what I mean by a cool technique of mobilization.

A lot of the things that we take for granted are the outcomes of collective action. Think of Sinclair Lewis' novels that became a lightning rod and led to the Food and Drug Administration or the way Rachel Carson set the stage for the environmental movement. When we buy a car or a TV we look at Consumer Reports. How was it created? The consumer movement. If you go back to the early 1910s, 1920s, housewives played a central role in collective action about the prices of butter, of meat. Until then, we never had a political category called consumer.

O'TOOLE: Is collective action more possible in democratic countries?

RAO: It's easier to organize because associations are the wellspring of collective action. In America, everybody is a member of some club or whatever. But in a repressed society, the incentives to organize are very high, because that's how you're going to change the regime. In East Germany under Communism, if you gathered in a public meeting vou would be jailed, but one way people got around that was that churches synchronized services, so you have four or five ending at 11:30, and all of a sudden, 2,000 people flood the town square.

O'TOOLE: How do you fit your theory with economic theory about people behaving in their own self-interest?

RAO: In most economic accounts, collective action is a matter of your interests shaping your incentives. The way sociologists look at collective action, interests are important but identity is much more important. Who you are shapes your understanding of your interests.

To be fair to economists, they are getting interested in the study of identity. I think the real issue is how identities are the building block of collective action. Because if you don't identify with a particular group, it's very hard for you to actually join in that collective action. In the anti-chain-store movement, it was in the interest of every mom-and-pop store, irrespective of whether they owned a grocery or a drugstore, to band together. But it turned out they couldn't actually join together. Why? The identity of the druggist is different from the identity of the mom-and-pop person who owns a grocery. That's what I mean by identity.

Sarah Soule on Effective Social Movements

SOCIAL ACTIVISM HAS A LONG AND STORIED HISTORY in the United States. American protest dates back to the 1773 Boston Tea Party, when colonists tossed 45 tons of tea into Boston Harbor to voice their opposition to the British government's policies. Organizations dedicated to causes continued to grow through the 19th and 20th centuries. In recent decades, Americans have marched, rallied, and lobbied for civil rights, women's legal equality, and environmental protection, among many

But how exactly do social movements create change? And at what stage do these movements have the most impact on governments and even on corporations?

Sarah Soule, the Morgridge Professor of Organizational Behavior, has looked at thousands of protests staged over numerous causes to find the answers. Her conclusions? Movements have their greatest effect in the early stages of policy debate on a given issue, before the debate becomes too broad and acrimonious and before cause supporters become too outspoken. And, she says, activism often begets more activism as groups that come together over one issue find future ground for agreement and take on yet more issues.

As social movements evolve, they produce vocal critics, sometimes resulting in counter campaigns.

Before 2000, researchers had not proven empirically the power of protest to create change, says Soule, who joined the Business School's organizational behavior faculty in 2008 after teaching at Cornell and the University of Arizona. She and colleagues set out to find evidence of whether social movements make a difference, and if so, when they have the most impact.

To do so, they drew on a huge dataset Soule compiled with three other researchers-Stanford's Susan Olzak and Doug McAdam, and John McCarthy of Pennsylvania State University, all professors of sociology. Specially trained Stanford, Penn State, and Arizona students gathered data from newspaper accounts and coded evidence of 22,000 protests, public displays covering a wide range of causes, between 1960 and 1995.

Using a statistical model known as "discrete time event history analysis," Soule systematically analyzed the data to isolate the key points in time when these movements were most effective at achieving their policy goals.

By carefully examining the timing of protests, she was able to show that they had specific effects on congressional actions, such as the scheduling of hearings and roll call votes on issues related to the protests.

Along with sociologist coauthors, she has written extensively about the Equal Rights Amendment (ERA) movement from 1972 to 1982, which was an unsuccessful effort to promote legal equality for women by amending the U.S. Constitution. More recently she has focused on the environmental movement.

In the process, she uncovered a provocative concept: Movements have their greatest effect in the early stages of policy making, when an issue is first being considered by legislators and an agenda is being set. Her work shows that women, ethnic minorities, gays and lesbians, and environmentalists have been able to have a greater impact on what legislators do at the outset of policy making, around the time that bills are being introduced.

Soule paints a picture of a typical movement's effects on policy in this way: When an issue first appears on legislators' radar, activists may be able to convince them to introduce bills sympathetic to their cause because lawmakers feel that they have little to lose. "In the earlier stages, there's less at stake," Soule says. After all, decisions are not yet being made, and the issue may be relatively unknown to constituents, so public opinion may not have been formed or solidified about the issue.

Later, when a bill comes closer to a vote, legislators face much higher risks. A decision could produce a law that some constituents may not like. The potential law often "becomes much more controversial and the public becomes much more engaged," she explains.

As movements evolve, so do their tactics. As time passes, they tend to adopt more radical forms of protest that produce vocal critics and may even prompt a counter-movement against their cause. At that stage, legislators, fearful of alienating voters, may get cold feet because

> they do not want to jeopardize re-election. The bill may die or be watered down.

> The case of the ERA movement demonstrates Soule's theory. Beginning in the early 1970s, women's organizations sought to pass a constitutional amendment that would have stated, "Equality of rights

under the law shall not be denied or abridged by the United States or by any state on account of sex." The movement met with success in its first years—the amendment was ratified by 22 states in 1972 alone, and soon by 35 states. But public opinion began to shift as the years passed. Pro-ERA women's groups were perceived as "extreme" when they began staging sit-ins and mass demonstrations that led to arrests. These actions went against the commonly held image of women as homemakers, Soule says. The "Stop ERA" movement formed and worked to reinforce a more traditional image of women. While pro-ERA activists were carted off to jail, Stop ERA women countered by baking bread for legislators. Eventually, the ERA fell short of ratification by three states.

Such research "tells movements when they should focus their efforts," Soule says.

Some of Soule's recent work has focused on the impact of social movements on corporations. Both groups that operate within firms and those that protest businesses from the outside have succeeded in changing companies in important ways, she says. Employees were involved in a successful drive for domestic-partner benefits in the 1990s and early 2000s, for example. "The movement sold this issue as being good for business, and as soon as a few key players in the Fortune 500 began to adopt it, it became disadvantageous for others not to do so—they couldn't compete for talent," she says.

In a recent research paper, Soule examined outside protesters' effect on stock prices and investor confidence in corporations. She and coauthor Brayden King of the Kellogg School of Management showed how vocal protests and boycotts-coupled with new, negative media coverage of the company involved—could significantly bring down its stock price and, in turn, create policy changes by influencing investors.



Professor Sarah Soule, who has researched thousands of social protests, stands in front of a mural on social activism painted by teenagers in San Francisco's Mission district.

A key example was Lebanon, Tenn.-based Cracker Barrel, a restaurant chain that in 1991 created a policy against employing gays. After highly publicized protests and boycotts by the National Gay and Lesbian Task Force, stock prices fell 26 percent, even though sales had not actually declined. This stock price crash inspired shareholders to introduce a resolution to force the company to change its policy. Executives reconsidered their approach and orally retracted it in response. Then in 2002, the company finally made a written change to their nondiscrimination policy, adding sexual orientation.

Focusing efforts on the most efficient forms of protest is also smart. Soule has found that groups with strong elite allies, such as legislators sympathetic to their cause, make much more progress. For example, she found that "insider forms of activism, like lobbying and letter writing," increased the number of congressional hearings on women's issues such as equal pay and abortion rights in the years between 1956 and 1979.

The ties that form among individual protesters are another critical element in social movements' development. In a sense, activism begets more activism. As people come together to work for a cause, they forge relationships—network ties. Later, as that movement's influence wanes or as that movement dies out, those same people find ways to work together to form the next wave of social activism around new causes, often creating new organizations and new coalitions.

Today's politics offers one example. Soule says that the tide of political engagement that helped elect Barack Obama president in 2008 has the potential to spark more activism. Obama's successful campaign mobilized people, many of whom may not have participated in politics before. These individuals now have the interpersonal connections and the training to focus on other challenges,

like racial discrimination, she says.

Soule says she was lured to the School by its "incredible" organizational behavior group, home to some of the "best social scientists in the world." An award-winning teacher, she was also eager to offer courses to business students. "I was looking for a new challenge, and I was ready to try teaching at a business school."

Exploring the role of women in the workplace and in business leadership will be central to a revamped Women in Organizations course scheduled for winter quarter 2009. Last taught by Professor Joanne Martin prior to her retirement, the course has been redesigned by Soule to cover "a whole lot of issues related to gender in the workforce." She plans to include discussion of gender within teams on the job, discrimination, sexual harassment, and work/life balance.

Colleagues point to Soule's own work ethic and innovative thinking as secrets to her success as both a researcher and a teacher. Her work bridges the worlds of sociology, political science, and organizational behavior to uncover new insights into social movements-which makes her approach unique among her colleagues, says Olzak, who has been a colleague of Soule's since her master's studies.

Given Soule's expertise on the subject, it's natural to ask whether she practices activism herself. She does—and in fact, first became interested in the 1980s through her own involvement in the American student movement to end apartheid in South Africa. That movement later became the subject of her Cornell University dissertation.

Soule has recently focused on promoting women's equality in academia. Social science research shows that women's names are not recalled as easily as men's, she says, and as a result, "when a group is brainstorming about who we're going to bring for speakers, or who should be on our board for external review, men's names come up first." She inserts herself, saying, "Let's think about women's names," and soon prominent women are added to the list.

It's an example of how speaking up can make a difference—and multiplied over thousands of people, over thousands of protests, it's the kind of act that can lead to change. •

Space Junk: What Goes Up Must Come Down

>Faculty Research

IN A BAND 1.000 KILOMETERS above Earth. mechanical debris is accumulating. Old rocket boosters, retired satellites, and even pieces of an intentionally exploded Chinese satellite threaten to destroy millions of dollars' worth of orbiting surveillance, weather, and telecom satellites that we increasingly rely on in our daily lives.

On Feb. 10, 2009, a first-ever collision occurred between two large satellites: a defunct Russian military orbiter and a live American commercial satellite. And in March the crew of the International Space Station was forced to take refuge in their escape ship as junk whizzed by, missing the facility.

Mathematical analysis by two Stanford researchers, including Lawrence Wein of the Business School's operations faculty, suggests that if space programs could be forced to take out their own "garbage," the chance that a live satellite would be damaged by space debris collisions could be reduced to less than 1 in 1,000.

NASA's mathematical simulations calculate that the odds of space collisions are on the rise. Because objects in orbit are moving on different paths, at different inclinations, and at speeds of 17,500 miles per hour and faster, NASA estimates something as small as a grain of sand can strike with the power of a bowling ball moving at 100 mph. When China sent up

a missile to demolish one of its satellites in 2007, the resulting explosion brought home the fact that any such accident could exacerbate the space debris problem exponentially.

NASA researchers have suggested removing the debris accumulation from orbit by creating 1,000-kilometer-long (roughly 600-mile) tethers to literally lasso some of the fragments and drag them closer to the atmosphere, where friction eventually would burn them up. "The problem is there's no cost-effective technology for doing it," says Wein, the Paul E. Holden Professor of Management Science at the Business School and coauthor of "Space Debris: Assessing Risk and Responsibility," published this year in the journal Advances in Space Research.

He and Andrew Bradley, a doctoral student at Stanford's Institute for Computational and Mathematical Engineering, say a better approach is to achieve compliance with rules already on NASA's books requiring objects be removed from orbit within 25 years of their launch.

"Spacecraft are supposed to have enough 'gas' in their tanks to propel them downward toward the atmosphere when their life cycle is concluded," Wein says. "But international compliance, while perhaps greater than 50 percent, is not extremely high."



Enforcing current rules to clean up space junk could stem the growing threat to millions of dollars' worth of orbiting satellites.

"It appears that if full compliance of the 25-year spacecraft de-orbiting guidelines can be achieved within the next few decades and no anti-satellite weapons (ASATs) are used or tested in the future, then the lifetime risk from space debris ... may be sustainable at a tolerable level," Wein and Bradley wrote. Future policy should focus on achieving full compliance with the rules and make it taboo to intentionally blow up equipment in orbit.

The researchers also suggest setting fees for every launch and penalizing those who ignore their floating trash. The fees would be used to compensate for operational spacecraft destroyed in future collisions and to partially fund research and development into space debris mitigation technologies.

"The political and economic issues associated with the establishment of such fees are fairly daunting," Wein admits, "but if we could get high compliance, this problem could stay under control."

He sees the problem in the low Earth orbit as an example of environmental economics, with that region representing a renewable resource. Compared to the length of time humans have been contributing to ocean pollution, space is just beginning to suffer from our encroachment, he says. Taking action now will protect communication satellites today as well as protect a resource.

Wins Must Triple Losses to Satisfy Gamblers

AS GAMBLING CASINOS AND LOTTERIES PROLIFERATE, people debate whether gambling is more of an addiction or entertainment. Mostly the latter, according to a study by two marketing professors. Most people have strict "loss thresholds" that they will not cross when gambling.

However, casinos' efforts to market to gamblers—giving free chips, drinks, hotel rooms, and shows to lure them to the tables—are especially successful at encouraging gambling activities among people who already exhibit addictive behavior.

"These are important findings for both casino owners and policymakers, because they will help us understand if the industry needs to be regulated—or regulate itself—when it comes to advertising," says researcher Sridhar Narayanan, assistant professor of marketing at the Stanford Business School. Narayanan and Puneet Manchanda, associate professor of marketing at the University of Michigan's Ross School of Business, performed a real-world study of behaviors that had previously only been tested in laboratories but which were believed to apply widely to human decision making. Their work is published as GSB Working Paper #2003.

Using data collected over two years from a panel of consumers on casino trips, the two analyzed individuals' "play decisions"—whether to continue gambling or stop after a win or loss-and the size of the bets they placed.

They asked three questions: Is gambling addictive? Do consumers display "irrational" beliefs in their gambling behavior? And finally, how effective are the marketing incentives from casinos?

The answer to the first question was in line with medical studies: 8 percent of the gamblers exhibited addictive behaviors. "Medical researchers have estimated that between 5 percent and 8 percent of all gamblers show evidence of addiction," says Narayanan, who in his study used a widely accepted definition of addiction from economics literature. (An addiction exists when a person's past "consumptive" behavior has a strong positive effect on his or her current behavior.)

"There's no doubt that gambling addiction exists, but these results indicate that the casinos are primarily entertainment destinations," he says. "After all, a lot happens there other than the gambling-there's the opulence to look at, the ability to sit and have a drink, or watch

The research also provided insights into gambling as entertainment. "People seem to be satisfied with relatively small wins and will tolerate even smaller losses," he says, which is why he is convinced



Sridhar Narayanan

gambling is, for the vast majority of people, entertainment. "It's like going to the movies. They set a budget and enjoy the time that passes while they spend it. It's not a completely irrational activity."

The results are consistent with a classic work by Nobel laureate Daniel Kahneman and the late Stanford psychologist Amos Tversky, who in 1979 formulated prospect theory. They offered laboratory evidence that people in general are more averse to losses than they are happy with wins. In their real-world study,

Narayanan says, "we find that people are two or three times more averse to losses than satisfied with wins, which is consistent with lab results."

The new study also confirmed that gamblers display irrational behaviors such as a belief in "hot hands" in games of chance. The hothand myth, whether held by gamblers, investors, or basketball freethrow shooters, is the belief that one's chance of winning increases after a string of wins. The opposite "gambler's fallacy" is the belief that one is less likely to win after a string of wins. "We found evidence that both myths are prevalent among gamblers-even the ones that don't exhibit addictive behaviors."

The final conclusion of the study was that marketing efforts by casinos do result in people making decisions to play more often and to bet more. Narayanan and Manchanda also found evidence that marketing works particularly well on those consumers who already exhibit addictive behavior. "We need to do further work to determine precisely what kind of marketing works best, and on what kind of gamblers," Narayanan says. "Casinos themselves want to understand what is happening so they can self-regulate and avoid having onerous regulations imposed upon them. Policymakers need to know so they can safeguard consumers against exploitation. In either case, there's a lot more research to be done in this area." -ALICE LAPLANTE

Developing-World Growth

MANY COUNTRIES IN THE DEVELOPING WORLD were posting economic growth recently at the amazing rate of 7 percent annually. Yet it will still take on average 50 years for these nations to move from poor into the economic mainstream. Business School Dean Emeritus A. Michael Spence, chairman of the Independent Commission on Growth in Developing Countries, made this point about the commission's findings in a speech last January to the Stanford Institute for Economic Policy Research.

According to the commission's report, fast, sustained growth is not a miracle; it is attainable for developing countries with the "right mix of ingredients." Countries need leaders who are committed to achieving growth and who can take advantage of opportunities from the global economy. They also need to know about the levels of incentives and public investments that are necessary for private investment to take off and ensure the long-term diversification of the economy and its integration in the global economy.

"We chose to focus on growth because we think that it is a necessary condition for the achievement of a wide range of objectives that people and societies care about," Spence said. "One of them is obviously poverty reduction, but there are even deeper ones. Health, productive employment, the opportunity to be creative, all kinds of things that really matter to people seem to depend heavily on the availability of resources and income, so that they don't spend most of their time desperately trying to keep their families alive."

A videotape of Spence's lecture is available through this magazine's website at BizOnline.Stanford.edu.

Want More?

More research details available online at GSBresearch.stanford.edu

Marketing, Accounting, Finance Profs Honored



Lauded by GSB students for their teaching are, from left, professors Baba Shiv, Alan Jagolinzer, and Ilya Strebulaev.

ing in the first place," said doctoral student Abninder Litt. Others appreciated that Shiv fostered a greater sense of community among PHD students by generously volunteering even his family members' time to student projects.

Sloan students honored Jagolinzer and cited his dedication to students, integrity, and innovative teaching. The assistant professor of accounting impressed students with his ability to tailor his two courses to their differing ability levels and prior experience. "He kept every class interesting, and really made an effort to incorporate students' feedback throughout the course," said John Matsushima, Sloan '09.

Jagolinzer and Strebulaev have been at the School since 2004; Shiv since 2005. For a list of previous years' award recipients, go to www.gsb.stanford.edu/facultyawards.

>Faculty News

"GET THE STUDENTS BEFORE THEY GET YOU!" That's the strategy that Business School faculty member Ilya Strebulaev decided upon when he arrived at the Business School five years ago. It worked so well that students in the MBA program recently selected him for their 2009 Distinguished Teaching Award. Other faculty honored this year were Baba Shiv and Alan Jagolinzer, selected by students in the School's PHD and Sloan Master's programs, respectively.

Strebulaev, an associate professor of finance, inspired MBA students with his mastery of classroom dynamics, "including the use of the technique every MBA student, worldwide, is taught to fear-the cold call," said MBA student Roanak Desai. Strebulaev sets high expectations, draws on the day's headlines, and demonstrates a sincere enthusiasm for helping students.

When he first came to the School, Strebulaev said colleagues told him: "First-year professors are usually scared, and MBA students can go after them.' Well, I did get scared, and when I thought about what to do about it, I decided that I should get you before you could get me. That is the origin of cold-calling, and it seems that this strategy has worked." Several student nominators also noted that Strebulaev learns everyone's name and background prior to the first class.

Doctoral students lauded Shiv, a professor of marketing, for his personal warmth, infectious enthusiasm, and motivational energy. "His positivity can electroshock back to life things that have started to seem stale, and in a way that reminds us, especially when wracked with doubt and self-questioning, why we thought they were interest-

Harrison's Achievements Recognized

J. Michael Harrison, an operations researcher who admits "I live in a pretty abstract world," but whose work has addressed issues of staffing telephone call centers or how data packets are routed through the internet, is the 2009 recipient of the Robert T. Davis Award, presented by the Stanford Business School deans to recognize a colleague for a lifetime of service and achievement.

The Adams Distinguished Professor of Management, Harrison was honored at a faculty dinner that included some good-natured jibes at the abstract nature of his work. "Operations," joked colleague James Patell, "is the study of words that are 80 percent vowels."

The award is the most recent recognizing his work. Harrison was elected to the National Academy of Engineering in 2008; he received the 2004 John von Neumann Theory Prize from the Institute for Operations Research and the Management Sciences and the 2001 Lanchester Prize from the same organization.

In addition to his work in operations management, Harrison is the coauthor of two influential papers in mathematical finance that developed the mathematical foundations of option theory.

"For the most part, my research has been supported by my School, not by outside funding agencies," said Harrison, who has been at the School 39 years. "Three crucial factors in my research career have been the School's stability, its commitment to developing junior faculty, and its scholarly orientation."

The Davis Award has been presented 10 times previously. It honors the late Robert T. Davis, a faculty member for 37 years.

Six Faculty Named to Endowed Chairs

Anat Admati, a financial economics theorist whose work focuses on the dissemination of information in financial markets, is the first George G.C. Parker Professor of Finance and Economics. She is a recipient of the Batterymarch Fellowship and two awards for best paper.

The chair was created last year by alumni and friends to pay tribute to Parker, who joined the Business School faculty in 1973. He has served as associate dean and director of most of the School's academic programs and has been recognized as an outstanding teacher. Today he is the Dean Witter Distinguished Professor of Finance, Emeritus.

Dale Miller, a professor of organizational behavior and director of the School's Center for Social Innovation, is the first Class of 1968/Ed Zschau Professor of Organizational Behavior, named for the businessman, professor, and former member of the U.S. House of Representatives. An anonymous donor endowed the chair to honor Zschau, MBA '63, MS '64, PHD '67, who has taught at the Business School and founded the computer products firm System Industries. The chair recognizes scholarship in nonprofit management.

Miller is a social psychologist whose recent work has focused on motivations underlying volunteerism and the conditions under which individuals and organizations abandon one course of action and pursue another.

Endowed professorships are the highest honor the University can bestow and are crucial to the School's ability to recruit top scholars by offering recognition of academic achievement. Chairs may be created to honor individuals or organizations.

Jonathan Berk, whose research includes delegated money management, asset pricing, valuing growth potential, and interaction between labor and financial markets, is the new A.P. Giannini Professor of Finance. The chair was established in 1977 in memory of the founder of the Bank of Italy, the San Francisco institution that became Bank of America.

Macroeconomist Charles "Chad" Jones, whose research includes economic growth, income equality, and most recently the macroeconomics of spending on health care, is the STANCO 25 Professor of Economics. The chair was established in 1993 by a group of MBA alumni from the Class of '68.

Sarah Soule, who joined the Business School in 2008, is the latest Morgridge Professor of Organizational Behavior, a chair established in 2002 by John and Tashia Morgridge. John Morgridge, who today is a Business School faculty member, joined Cisco Systems in 1988 and served as president, CEO, and chairman.

Soule works on the sociology of social movements, addressing the diffusion of social movements and the impact those movements have on share prices of corporations they target. She has shown that the greatest impact on corporations occurs when labor or consumer issues are involved rather than environmental or moral issues. (See story on

Jesper Sørensen, the Walter Kenneth Kilpatrick Professor of Organizational Behavior, mixes labor market processes with organizational sociology. He specializes in the dynamics of organizational and strategic change, and their implications for individuals and their careers. His work on the dynamics of teams has led to new insights concerning how people respond to changes in the racial composition of their work groups. Sørensen is engaged in a large-scale project on the determinants of entrepreneurial behavior, exploring questions such as how work environments shape rates of entrepreneurship.

The Kilpatrick chair, created in the 1950s, honors a 1908 U.S. Naval Academy graduate who served as chief of staff for the commander-inchief of the U.S. Atlantic fleet and earned the Legion of Merit and Gold Star for outstanding service.

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Vewsmakers

WHO'S IN THE NEWS: A ROUNDUP OF MEDIA MENTIONS



Barry Rand, Sloan '72/MBA '73, returns to his hometown of Washington, D.C., to head AARP.

No Retirement Yet for AARP Leader

After running Avis and selling Equitant to IBM, Barry Rand, Sloan '72/MBA '73, retired to just being the chairman of the board of trustees of Howard University. Now at age 64, he's taking on the fight for health care reform as the CEO of 40 million member AARP, the fearsome lobby for people age 50 and over.

Reform is necessary for employees and for businesses that want to stay competitive in the global economy, Rand told the Hill newsletter, which covers Congress and lobbying activities in Washington. A newcomer to lobbying per se, Rand made it clear he understands why he's a rock star on the hill. People reach out to him, he joked, because "they know I'm a good guy ... because I represent AARP."

Secrets of Happiness

Writing a blog on maximizing happiness, Slate magazine blogger Gretchen Rubin interviewed Michael Melcher, JD/MBA '93, a career coach and author of a book and blog called Creative Lawyer.

What repeatedly interferes with his happiness? she asked. His answer: "Comparing myself with others."

And what is "a simple activity that consistently makes you happier?" she asked.

"Giving someone directions on the subway or helping them carry a bag up a flight of subterranean stairs," he said, "makes me almost bizarrely happy."

Days of Wine and Cows

As a GSB student, Courtney Kingston, MBA '97, drew up the business plan for a vineyard on

Courtney Kingston, MBA '97, saw red, as in grapes, when Chilean vintners told her to stick with white. her family's cattle ranch in Chile. Chilean growers warned her against planting red grapes in the cool, coastal area, where white wine grapes flourish. Kingston, who lives in Ladera. Calif., told the Almanac. But she persevered, and when local winemakers wouldn't pay full price for her pinot noir grapes, she recruited a Napa Valley winemaker to show them how good

a Chilean coastal red can be.

Kingston Family Vineyards' reds and whites have drawn favorable reviews from critics, as well as from Kingston's husband, Andy Pflaum, MBA '99, who works in Silicon Valley but "moonlights as a taster."

Kingston's parents, brothers, and aunts are involved in the company and even the family animals play a role. The wines are named after ranch horses and, Kingston says, the cows have an important job ahead as the vineyards go organic.

Shot of Mousse

What happens when you pair a business-trained cheesecake maker with a French-trained pastry chef in Northern California? They decide to introduce Americans to European-style gourmet, individual-sized desserts. Since it is America. however, they figure out how to make and sell them in large quantities to restaurants, retail bakeries, and through the mail.

After graduation. Paul Levitan. MBA '91, bought a bakery specializing in cheesecakes and 10 years ago paired up with pastry chef Jean-Yves Charon to create Galaxy Desserts, a Richmondbased bakery that specializes



PHOTO BY PAUL MORSE; BOTTOM PHOTO BY CONSTANZA BRUNNER HALPERN



in individual tarts, crèmes, cakes, and ultra-buttery croissants that Oprah has touted. One of Galaxy's innovations, according to Baking Management, is a mousse duo, which is a pairing of two mousse flavors, in individual plastic shot glasses, that keep the glamour up and calories high for less cash.

Battling Indifference with Mentoring

The "worst part" of mentoring high school students, says Jim Noves, MBA '74, is "working with those who are indifferent." But, he adds. "it. in some way, fills my glass of difference back up."

Noves, whose career has included marketing timeshare resorts, lives in Carbondale, Colo., where he loves the skiing but spends much of his time volunteering with Habitat for Humanity and mentoring middle school and high school kids whose parents never went to college, according to the Glenwood Springs Post Independent. One way he recently filled up his glass of difference was to help a high school senior design her own Habitat summer program for the Latino population of the Roaring Fork Valley.

Love the Game

After his parents nearly made Eric Reveno, MBA '95, give up basketball in high school when Paul Levitan, MBA '91, uses catalog retailers like Williams Sonoma to sell Galaxy Desserts.

his attention to academics slipped, he changed his tune and the 6-foot-8 player got into Stanford twice. After graduating from the Business School in 1995. he became an assistant coach helping Stanford men's basketball to seven 20-win seasons. He then became the head coach of the University of Portland, where he has revived the Pilots men's team after 11 losing seasons.

"I went to business school, and I realized that there were a lot of interesting things out there," he told the Portland Oregonian. "But to be successful and happy, you should go into what you're passionate about, and I'm passionate about teams."

The best times, he said, occur when he borrows ideas from other coaches or mentors and applies them to the specifics of his team.

Candidate's Wife: Perfect Is Boring

As San Francisco Mayor Gavin Newsom campaigns for governor, his wife, Jennifer Siebel Newsom, MBA '01, reserves her right to say the wrong thing. As a child growing up in Marin County Jennifer sometimes felt like making a mistake was "the end of the world." she told the San Francisco Examiner.

Now, she said, "I tell my hus-

band all the time, 'I'm going to say something stupid, and either city hall or your campaign is going to be frustrated with me. But really, I'm human, and it's not the end of the world. There's going to be another headline the next day, and if people are so fixated on being perfect, what a boring world."

Green Reds and Whites

The first carbon-neutral winery in the country, according to the Ukiah Daily Journal, is Mendocino County's Parducci Wine Cellars, owned partly by **Thomas** Thornhill, MBA '77. "Our aim is to craft quality wines and a healthier planet," he said. The 35-employee winery does this by making wine from locally grown grapes and using certified sustainable farming practices, 100 percent green power, and earthfriendly packaging. In 2007, the winery received the California Governor's Environmental and Economic Leadership Award.



Javed Ahmed, MBA '84

Sweet on Ahmed

The stock market value of troubled Tate & Lyle, which makes Splenda sweetener, soared to a seven-month high after the announcement that Javed Ahmed, MBA '84, would take over the company. Ahmed was plucked from consumer products group Reckitt Benckiser, where he was executive vice president, Europe, and widely credited with helping "to transform a tired portfolio into world-beaters," said the Times of London.

Tate & Lyle has been on a downward slide, culminating this year in the loss of its listing on the FTSE 100. The Times called the appointment of Ahmed "a

symbol of Tate's determination to prove that it is not a dull commodity player but a specialist operator worthy of a higher stock market rating."

No Lost Sleep over Bear Market

In the midst of the market downturn last March, Preston Athey, MBA '78, told *Forbes* magazine: "I haven't lost 10 minutes of sleep. If you manage your affairs prudently and you do the right thing, you don't have to worry."

Athey, who manages T. Rowe Price's Small Cap Value Fund, also sings bass in a six-man a cappella group, blasts Beethoven in his Toyota Camry, and has the "frump and charm of a history professor," the magazine reported. His fund, which was closed to new investors for about 10 years until May 2008, returned an annualized 10.6 percent since he took over in 1991.

Self-Financing Primer for Entrepreneurs

The Business School's Center for Entrepreneurial Studies offers students practice in pitching their business plans to venture capitalists, but sometimes entrepreneurs are better off without investors, according to two alumni who advise entrepreneurs.

Investors "don't just write a check and disappear," Tim Berry, MBA '81, told Thomson Reuters. The founder of Palo Alto Software once had a venture capital investor that he bought out. Yet he also confided that self-financing is stressful. "When I brag that I own my company and it's a good company, I could also mention that my wife and I at one point had three mortgages and owed \$65,000 in credit-card debt."

Bruce Maxwell, MBA '88, who runs Venture CFO, suggested putting profits first and growth second during the recession. "Only grow where the deal has an attractive profit margin," he said. "When better times return, you will have a small war chest of working capital that you have amassed, which you can risk on investment in your own expansion." •

Continued from page 11

Oakland Hills housing 8 chickens, 13 goats, 45 fruit trees, and a vegetable garden. Her two daughters and their friends pick fresh vegetables to cook together, nurturing a love of good-for-you food. Says Del Signore, "I believe in inspiring people through their tastebuds, not by finger-wagging."

REBUILDING FAST FOOD

But many families don't have time to grow their own food. That's why Amanda West is rebuilding classic American fast food, making it a more nutritious option.

Fast food is important, she says, because it can offer a protein-rich meal quickly, at a low price. But it's a nutritional bad boy because of its fried, fatty ingredients. West thought she could change that. "Our pace of life is not slowing down at all, but we are more interested in what we eat and how it impacts ourselves and the world," she says.

West interned at Niman Ranch, a natural meat producer emphasizing sustainability, then based in Alameda, Calif., during a Business School entrepreneurial study program, where she was inspired to widen the reach of high-quality, natural meats beyond high-end markets. She fleshed out her vision of a healthy burger joint in a business plan she wrote during the School's two-quarter class Evaluating Entrepreneurial Opportunities.

She fleshed out her vision of a healthy burger joint during a Business School entrepreneurial class.

The result is Amanda's Feel Good Fresh Food restaurant, which opened in 2008 on busy Shattuck Avenue at Center Street in Berkeley, Calif. Amanda's offers all-natural beef burgers, baked sweet potato fries, and organic salads. Diners can top off their meals with Amanda's homemade sodas, her most innovative menu item, sweetened with organic agave nectar rather than corn syrup. (The nectar is less processed and has a lower glycemic index, making it better for diabetics.)

West works to ensure the quality of all her ingredients. "We are slow food for fast people," she says. A dozen meals on the menu are less than 600 calories each, and the average tab is \$7.50. West struggles to keep consumers' costs low by sticking to a simple menu, doing minimal training, and increasing volume. If she has her way, the restaurant could expand to 25 units in 10 years.

FOOD WARS?

Each of these alums takes a unique approach to promoting better eating. Which leads to the question: Are we about to witness some kind of healthy food war over how to change Americans' behavior?

Not likely. Health-conscious foodies can and do unite in the hopes of getting people to eat better. All share the goals of improving health and decreasing obesity. These snapshots of alums show just how farreaching the overall effort has become.

In that spirit, all of these perspectives on healthy eating could work together. Maybe someday, a family living in any U.S. city will buy the corner bakery's trans-fat-free bread to eat with locally produced tomatoes and cheese and a take-out organic salad, all on 10-inch plates, and wash it down with a swig of cold agave-sweetened soda-feeling a sense of fizzy satisfaction with their choices. •

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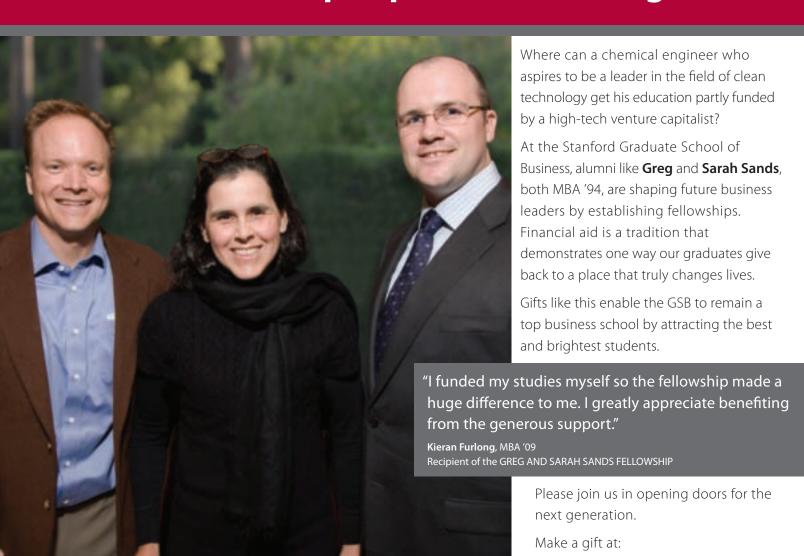
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How Did You Get to the GSB?

Fellowships open doors, change lives.



From left, Greg Sands, Sarah Sands, and Kieran Furlong





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All GSB alumni, especially MBA Reunion Classes of 1959, 1964, 1969, 1979, 1989, and all Sloan alumni, are invited to attend the 2009 Alumni Weekend and Fall Reunions.

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Join us for a fun and inspiring weekend with opportunities to reunite with friends and classmates, and reconnect with the Business School.

https://alumni.gsb.stanford.edu/reunions



