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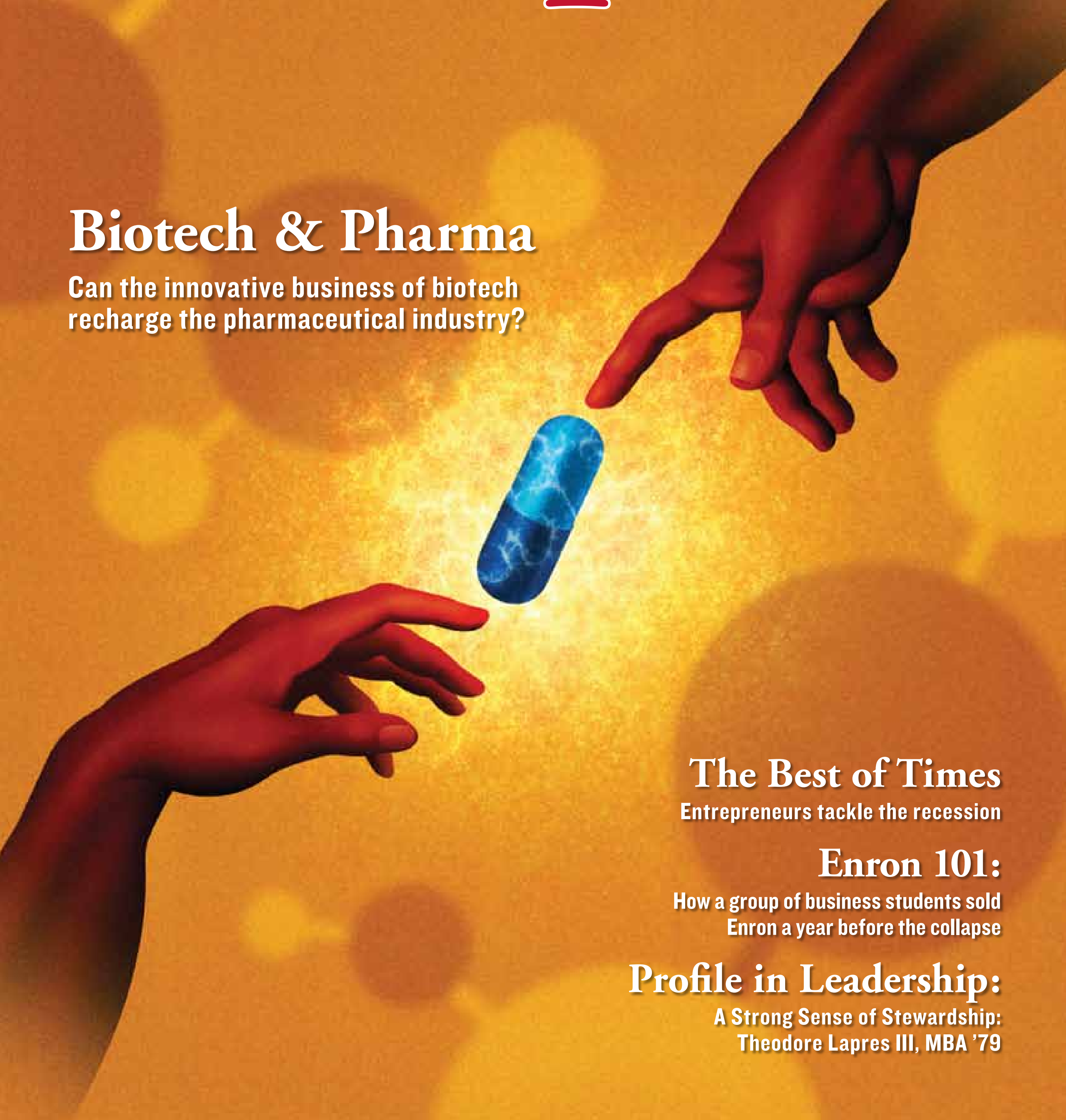
THE JOHNSON SCHOOL AT CORNELL UNIVERSITY

FALL 2009



Biotech & Pharma

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Working together to achieve excellence

I am happy to report to you that the school is very strong. The students in all of our MBA programs are outstanding. They all bring valuable work experience to the classroom, and our residential two-year MBA students have the highest GMAT scores ever. Our Executive MBA programs continue to grow. With 72 new students, the EMBA program in Palisades is at full capacity. The Cornell-Queen's EMBA continues to expand as we add new markets; this year, we enrolled 122 new CQEMBA students.

We are making progress implementing all of the initiatives in our strategic plan. Addressing a commitment to program innovation, we are adding to our elective curriculum and have introduced five "breadth" and seven "depth" elective concentrations in the residential curriculum to empower students to customize their MBAs and brand themselves for the marketplace. For example, students may choose a breadth concentration in consulting or sustainable global enterprise and a depth concentration in financial analysis or marketing analytics.

Ethical leadership is more important than ever in the current environment. We are extending our leadership focus by offering all students the opportunity to analyze their leadership style, and work with coaches to address areas of concern and assess progress.

This will be another difficult year for job placement. You can help! If you know of a job, post it on our listserv, JohnsonJobs, or contact our Career Management Center. If you can offer career advice, consider signing up as a coach through JS-Coaches. Our Web site describes these opportunities, and it also presents the many career services we offer our alumni. For example, the Management Library is offering alumni access to sophisticated career and business research tools, and we held a career resources forum for alumni in New York City on November 5 (see pp. 8-9).

Some goals will take longer to achieve due to financial restrictions. I'm proud to report that even in this difficult year our alumni came through, and annual fund giving was extraordinary — second only to fiscal year 2007-2008. Yet, we need help from each and every one of you to accomplish our goals. Small and large gifts matter; participation is key financially and in rankings.

The fall semester has been filled with exciting events. H. Fisk Johnson '79, MEng '80, MS '82, MBA '84, PhD '86, chairman and CEO of S. C. Johnson & Son, Inc., met with our students October

We have introduced five "breadth" and seven "depth" elective concentrations in the residential curriculum to empower students to customize their MBAs and brand themselves for the marketplace.

22 when he was on campus to speak as the Robert Hatfield Fellow in Economic Education. In November, Johnson School students, faculty, and staff organized the 16th Net Impact Conference, focused on exploring ways businesses can contribute to alleviating poverty and addressing environmental issues. Our Center for Sustainable Global Enterprise worked with many other schools and colleges across Cornell. The conference brought 2,000+ students and business professionals to campus, including over 100 alumni. Speakers included Jeff Immelt, CEO of GE; Yogesh Chander Deveshwar, chairman and CEO of ITC Limited; and Kevin McGovern '70, chairman of the Water Initiative. Our students also organized excellent symposia in marketing, health care and biotech, and strategic human resources, leadership, and organizational effectiveness.

Our faculty continue to do fascinating research that contributes to business practice and win awards and recognition. The list is long, so please visit our Web site, ThoughtLeadership@Johnson, to read about their research.

Challenging times make me appreciate more than ever the value of being a part of the Johnson School community. Thank you for all that you do for the school and for each other. Please stay in touch with news about yourself and your ideas for us, and best wishes for health and success.

L. Joseph Thomas

L. Joseph Thomas
Anne and Elmer Lindseth Dean

Photo: Robert Barker, University Photo

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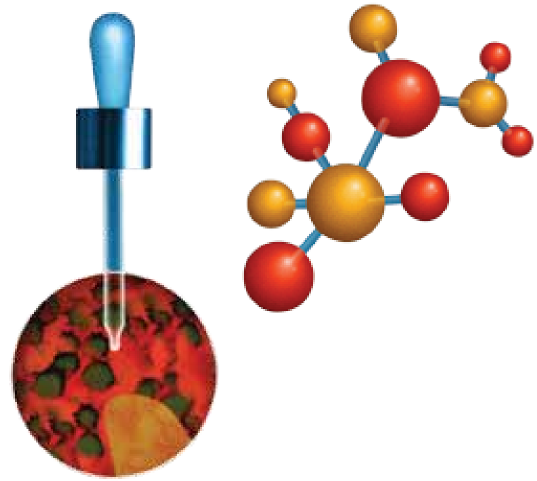

Departments

COVER ILLUSTRATION: Stuart Briers

Inside Johnson moves to Cornell Enterprise Online

In August 2009, the Johnson School recast Inside Johnson, the magazine's news and events page, as an e-newsletter and multimedia Web site, designed to be a window to news and events about the Johnson School and its alumni, students, faculty, and staff. Sent to all members of the Johnson School community nine times per year, Inside Johnson also includes updates about the school's programs and services.

Cornell Enterprise Online, the magazine's Web edition, went live in August with a new design featuring Web-only elements that complement the print edition, including videos, links, and Web-exclusive stories. We invite readers to use the interactive feature to comment on the stories, or to tell us what you think by emailing enterprise@johnson.cornell.edu.

Web Exclusives

Look for these stories, videos, and podcasts online at [www.johnson.cornell.edu/alumni/enterprise]

Coaching Connection

How many graduate students can tap senior executives at major corporations for career advice? Marketing students at the Johnson School do exactly that through the annual Marketing Executive One-On-One Coaching Program, conceived and coordinated by Warren Ellish '77, MBA '78, visiting senior lecturer in marketing and president and CEO of Ellish Marketing Group. This November, 23 executives and more than 40 students got together for private conversations that often lead to ongoing mentoring relationships. Executives help students with everything from interviewing tactics to strategies for their long-term careers.

Jason Koski, Cornell University Photo

Slide show: Students with their career coaches

Net Impact 2009

Advancing Sustainable Global Enterprise: Changemakers, Innovators, and Problem Solvers

The Johnson School's Center for Sustainable Global Enterprise hosted Net Impact 2009 on campus Nov. 13-14, 2009, a student-run conference that brought together key players in the sustainable global enterprise movement. More than 2,000 professionals, MBAs, and other students convened to explore what it really takes for individuals and organizations to be change makers, innovators, and problem solvers. The event featured 350 speakers and panelists, including prominent keynote speakers Jeff Immelt, CEO of GE, and Seth Goldman, president and TeaEO of Honest Tea.

Video: Net Impact 2009: Cornell President David Skorton interviews Jeff Immelt, CEO of GE.

Robert Barker, Cornell University Photo

Watch David Skorton's interview of Jeff Immelt on stage in Barton Hall at the opening session of Net Impact 2009, Nov. 13, 2009. During their exchange, focused on how organizations can innovate and reposition themselves to succeed in the new green, global economy of the 21st century, Immelt said that the U.S. needs to become an exporter again, of high-tech goods and services. "There will be 10 million new jobs in clean energy by 2015," he said. The question is where — in the U.S. or somewhere else?

Profile in Leadership: Randy Papadellis, MBA '81 Keeping the Owners Aligned

As CEO of Ocean Spray Cranberries, Randy Papadellis answers to 700 grower-owners who rarely agree on anything. In 2000, the firm was on the brink of failure; in 2009,

Jason Koski, Cornell University Photo

it earned record profits. It takes a careful listener with a flexible approach, a thick skin and sense of "restless dissatisfaction" to lead that kind of turnaround and keep everyone pulling in the same direction.

Video: An interview with Randy Papadellis, MBA '81

In this videotaped interview, Papadellis talks about Ocean Spray's unique challenges and his approach to dealing with them, and speaks candidly about his own leadership style.

Joyce Carver

The Johnson Family Legacy

H. Fisk Johnson '79, MEng '80, MS '82, MBA '84, PhD '86, chairman and CEO of S. C. Johnson & Son, Inc., and his father, the late Samuel C. Johnson, discuss the role of business in creating a better life for people across the globe.

The Truth About Cap and Trade

Finance Professor Jerry Hass explains cap and trade and its economic benefits.

Secrets of Retail Forecasting

Operations professor Vishal Gaur shows how he uses public financial information to infer retail performance.

Podcasts

Entrepreneurship in a Down Economy

Steven Gal, visiting clinical professor of entrepreneurship, started a successful company during the dot-com bust. Hear what he learned from that experience, as well as a subsequent failure.

Kathleen O'Connor on Negotiation

Kathleen O'Connor, associate professor of management and organizations, is an organizational psychologist who studies negotiation, teamwork, and decision making.

Hear her explain some of the errors typically made in negotiations, and learn about her approach as an experimental researcher.

Jason Koski, Cornell University Photo

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Newsmakers

Courtesy of Linda Lockhart

Global Give Back Girls Come Full Circle

Inspired by Bill Clinton's call to service in a 2005 speech, Linda Latsko Lockhart, MBA '85, founded the Global Give Back Circle (GGBC), a nonprofit that enables high school girls in Kenya to make the leap to higher education. So she was thrilled when GGBC was selected and highlighted as a great success story at the opening session of the fifth annual Clinton Global Initiative in September 2009. Lockhart, who is global director of the Cohen Brown Management Group, a management consulting firm, is featured in a Forbes.com "Forbes Women" article, "Helping Kenyan Girls Into College" (9/24/09). Lockhart and several GGBC members, teenage girls from Kenya, are also featured in videos of the opening and closing ceremonies at this year's CGI meeting, posted on the CGI Web site. "It truly was a Cinderella story," says Lockhart. "I owe so much to Cornell for giving me the 'commercial skills' to take on a social intervention like this with confidence."

AMBAs in the real world

A *Wall Street Journal* article about the downside of fast-track MBA programs (no summer internship) cites a Johnson School success story that illustrates the school's approach to filling this gap. In "No Foot in the Door" (9/16/09), Randy Allen, associate dean for marketing and corporate relations, and Accelerated MBA graduate Jon Parrish, MBA '07, describe a course offered to AMBAs that provides similar advantages to a semester-long internship. The program matches students with companies in September, entails weekly remote meetings with company managers, and culminates in a two-week, on-site, apprentice-like experience that provides students with the real-world consulting practice they need to make themselves more marketable. Allen notes that the course is critical, "because it gives students 'stories' to tell in job interviews and strengthens their networks." Parrish, formerly a chemist, credits his two-week experience working for a pharmaceutical company with helping him land his current job as a health-care consultant. The experience "helped me organize my thoughts when I talked about bringing a drug to market or how science meshes with business," Parrish says in the article.

MBAs — inspired, and prepared, to make a difference

The Johnson School was featured in a *Wall Street Journal* article about the popular business school trend of aligning a desire to affect social change with an entrepreneurial spirit. In the article, "MBAs Seek Social Change" (10/15/09), Dean Joe Thomas notes that startups with a social conscience can do more than help alumni launch sustainable businesses by attracting investors — "they can also help rebuild credibility of businesspeople on a larger scale." The article cites the Johnson School as the home of the Center for Sustainable Global Enterprise, and highlights a course that focuses on best practices for social change.

In a series of video clips for BusinessWeek.com, Thomas cites the school's performance learning model as a unique hallmark, and offers insight into what spurs students to seek the added focus and earning power an MBA education can provide. He also affirms the value of an MBA: "I don't see the value of an MBA going down ever, because more than ever, the world needs people who understand business and can lead the organizations, can make a difference for them."

"Price trumps quality"

Research on pricing and consumer behavior conducted by Ori Heffetz, assistant professor of economics, was featured in an article in BNET, a Web site for management professionals. In "Cornell's Heffetz: Price Trumps Quality Perception in Purchasing Decisions" (10/20/09), Heffetz discusses the extent to which price influences a consumer's perception of a food product and subsequent purchasing decisions. "When something is more expensive, consumers do think it's better, but they also think it's more expensive," he says in the article. "With this specific set-up, economics won by a large margin." Heffetz explains that while there will always be a few items that move at a higher price point for various reasons, if a company's ultimate goal is to move as many units of a product as possible, then economics should be the main factor to consider when deciding the price.

Who's New at the Johnson School

Courtesy of Ya-Ru Chen

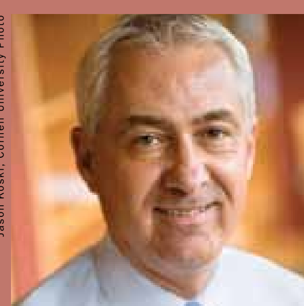
Ya-Ru Chen is a new professor of management and global business. Her research focuses on cross-cultural differences and similarities in employees' behaviors and attitudes. She has compared the ways in which employees in different cultures react to performance feedback, relate to their own groups and other groups, and negotiate with their business counterparts. Her recent work examines how employees obtain, maintain, and experience status and power in their different cultural environments, and in globally diverse settings. She also looks at how status concerns affect leadership effectiveness and influence business interactions across cultures. Chen earned her PhD in psychology from Columbia University and has published extensively in leading psychology and management journals, including *Psychological Review*, *Journal of Personality and Social Psychology*, *Journal of Experimental Social Psychology*, *Administrative Science Quarterly*, *Management Science*, *Organizational Behavior and Human Decision Processes*, and *Organization Science*. She formerly served on the faculty at New York University's Stern School of Business and at Rutgers Business School.

Jason Koski, Cornell University Photo

Andrew Karolyi is the new Alumni Chair in Asset Management and professor of finance and global business. His research interests focus on investment management with a specialization in international financial markets. He actively consults with corporations, banks, investment firms, and stock exchanges, and his research has been covered throughout the business and news media. Karolyi earned his MBA and PhD in finance at the University of Chicago's Graduate School of Business and has published extensively in financial and economics journals, including the *Journal of Finance*, *Journal of Financial Economics,* and *Review of Financial Studies*, in addition to several books and monographs. He serves as an associate editor for a variety of journals, including the *Journal of Financial Economics*, *Journal of Finance*, *Journal of Empirical Finance*, *Journal of Banking and Finance* and the *Pacific Basin Finance Journal*. He formerly served on the faculty at Ohio State University's Fisher College of Business.

Jason Koski, Cornell University Photo

Suresh Muthulingam is a new assistant professor of operations management. His research interests lie at the intersection of operations management and environmental management, and he uses empirical methods to investigate behavioral issues that influence the adoption of sustainable operating practices. In one ongoing project, he investigates the underlying factors that influence the depth of adoption of voluntary LEED (Leadership in Energy and Environmental Design) standards for green buildings. Another project investigates the managerial biases that influence the adoption and non-adoption of energy efficiency initiatives, using a database of more than 100,000 recommendations provided to more than 13,000 small- and medium-sized manufacturing firms. Muthulingam previously worked on the leadership team that established the operations consulting practice for IBM Global Services, PricewaterhouseCoopers, and Coopers & Lybrand in India. He earned his PhD in operations and technology management from UCLA's Anderson School of Management.



Jason Koski, Cornell University Photo

Fred Staudmyer '77, MBA '79, is the new director of the Johnson School's Career Management Center. A former member of the advisory council for Cornell's Entrepreneurial and Personal Enterprise Program, Staudmyer came to the Johnson School from his role as CEO of Garrett Sayer Group, a leading provider of technology staffing professionals. There, he was responsible for business development, best practices, and client management, and also acted as the company's chief financial officer. Previously, Staudmyer headed executive recruitment and staffing for Chase Manhattan Bank (now JP Morgan Chase) and acted as chief human resources officer for Ziff Communications. "Fred's experience and longtime connection to the Cornell community make him an ideal fit for students facing an increasingly dynamic employment environment," said Dean Joe Thomas. "He knows what employers today are looking for, and I have every confidence that he and his team will be able to arm our graduates with the most current tools and information possible to help ensure their lifelong success."

Use the right resources to get the right job

By Elena MacGurn

Whether you are looking for a new job or just entertaining the possibilities, you'll be interested in the career and business research tools now available to Johnson School alumni. State-of-the-art industry resources like CareerBeam, EBSCO's Business Source and Academic Search can help you navigate through the challenging economic cycle and achieve your career goals. These are accessible via the Career Services link on the Alumni Affairs Web site at [www.johnson.cornell.edu/alumni/career.html].

Jason Koski, Cornell University Photo

Elena MacGurn, a research and outreach specialist at the Johnson Graduate School of Management Library, provides career research support for current students and alumni, including interview preparation and internship and job research.

CareerBeam

This comprehensive and user-friendly program helps you determine what you want in your career by offering the steps to achieve it. It is a self-paced process to help you clarify your career goals, develop a professional résumé and cover letter, prepare for interviews, develop a network, and implement a strategic career search. "Over the past year, the Career Management Center reviewed a number of career-oriented programs that could assist both our existing students and alumni," says Fred Staudmyer '77, MBA '79, CMC Director at the Johnson School. "CareerBeam was easily our top choice in that it helps any job seeker accomplish two major goals. First, it helps candidates prepare in terms of résumé, pitch and overall goals. And second, it provides a substantial amount of industry and company research that can help a candidate prepare for interviews."

CareerBeam Tips:

- **Be Strategic:** It's a known fact that 80 to 90 percent of job seekers will not find their next opportunity through open job postings. This is why having a strategic approach to career planning and to securing your next position is imperative. Log into CareerBeam (mgt.buffalo.edu/apps/aluCareerBeamLogin) and click on the **Be Strategic** section on the left to create and implement a comprehensive job search strategy.
- **Be Clear and Compelling:** Take advantage of numerous assessments and exercises, and the professional résumé and cover letter builders offered in the **Be Clear** and **Be Compelling** categories.
- **Research Companies:** Look up company overviews, key information and business intelligence in the **Company Search** feature. You will have access to millions of industry contacts, many with biographies and contact information, which are especially useful in connecting with other alumni.
- **Know Your Space:** Be sure to click on the **Industry** tab and look up Hoover's First Research profiles offered for hundreds of industry sectors. You'll find critical analysis, statistics, and forecasts to save you valuable research time, enhance interview performance, and give you a competitive edge.

Business Research Databases

EBSCO's Business Source and Academic Search databases let you search through company, market and industry reports, whitepapers, and trade journals. Be sure to look up the company you are interested in as well as your industry space.

- **Business Source: Alumni Edition** has a business and management focus and includes Datamonitor Reports, global industry and country reports, as well as trade publications.
- **Academic Search: Alumni Edition** is more broad-based and includes whitepapers, journals, and publications in areas such as science, education, and energy.

Tip: Enter your keywords at the top and look on the left-hand side of the page to choose industry, market, and company research reports.

"We'll be looking for feedback over the coming year to learn if these two databases fill a niche for our graduates," says Management Library Director Angela Horne, MBA '07. "When combined with CareerBeam, alumni will have access to a range of resources to support career and general business research."

How to access CareerBeam and EBSCO

Alumni can register for CareerBeam and EBSCO's Business Source and Academic Search databases via the Career Services link on the Alumni Affairs Web site at [www.johnson.cornell.edu/alumni/career.html].

For a full listing of the Management Library's alumni resources, go to [www.library.cornell.edu/johnson/library/general/alumniinfo.html].

Making Networking Work

Networking can pay big dividends if you have the proper pitch.

By Susan Spielberg

Most professional job seekers know they should invest a lot of time and energy in networking in order to hook up with potential career opportunities. For some, the process is stimulating and satisfying because it produces results. For others, it is nothing more than a frustrating waste of time.

The way to take maximum advantage of networking opportunities is to develop what career consultant Laura Allen dubbed the "15-Second Pitch" — a concise and compelling way to summarize who you are and what you want to do. Allen is cofounder of 15SecondPitch.com.

"Very few people are born salesmen," said Allen in her humorous and engaging presentation at a Career Resource Forum for Johnson School alumni held at the Cornell Club in New York in November. "But if we master this, then we write our own ticket," she asserted, explaining that if we do not grab the attention of the people we address right away, we have lost them for good.

The forum, jointly sponsored by Alumni Affairs and the Career Management Center, attracted 50 alumni, who listened to Allen's advice and then broke into small groups to craft their own personal 15-second pitches and get feedback from their cohorts.

Allen pinpointed four elements of a successful 15-second pitch. The first step is to introduce yourself, using your full name and your title or tagline. The second is to say what you do, being as specific as possible.

"Avoid the 'kitchen sink' pitch. Don't tell your entire career history," Allen cautioned. "Focus on one thing and be specific." She advised preparing separate pitches for different things that you want to do, or "a pitch for every niche."

The third element of the successful pitch is to say why you are the best person for the job or the go-to person in your field. Allen noted that lot of people, especially women, are uncomfortable with this step because they don't like to brag. But she maintained that you have to include this step or else you are not giving your potential contacts a reason to remember you or return your phone calls.

The fourth and last element is to indicate what action you would like people to take next. Be direct — and be more specific than "Um...let me know if you hear anything," Allen advised.

Once you've crafted and polished your pitch, send it out to 10 friends, Allen suggested. She predicted that several friends will realize they had forgotten about your particular accomplishments; this fresh reminder will prompt them to put you in touch with the right person.

"Send that pitch out and then they can send it along," urged Allen, noting that this is a more effective strategy than sending out a resume.

Shelley Kusnetz

Clockwise from top left: Laura Allen, cofounder of 15SecondPitch.com, speaks to alumni at a Career Resource Forum at the Cornell Club in New York City; Alumni participants try out their newly crafted pitches – the challenge, they found, was in keeping it short.

How to create your successful pitch

Use these four prompts to create a 15-second pitch that is concise, compelling, and conversational, advises Laura Allen. Then practice it and try it out at your next networking opportunity.

1 WHO YOU ARE. Introduce yourself using your full name and your title or tagline.

2 WHAT YOU DO. Be as specific as possible.

3 WHY YOU'RE THE BEST. Articulate why you are the go-to person in your field.

4 YOUR CALL TO ACTION. Say what specific action you would like your listener to take next.

A Social Scientist's View on Climate Change

By Benjamin Ho

There has been too much climate science driving the public debate on climate change. That kind of sentiment, coming from a former economist for the Bush administration, may remind you of everything that you thought was wrong with the Bush administration and its alleged "War on Science." Yet I maintain that any administration would do well to not let climate science dominate policy decisions.

Let me be clear: I have nothing against climate science. Let me be even clearer: there is a scientific consensus that the earth is warming, and at least part of the warming is due to human activity. We should acknowledge that there are reasonable dissenters, and that no paradigm in science can be guaranteed with 100 percent certainty. But, as a non-climate scientist, I think it more than reasonable to go with the consensus scientific opinion and acknowledge mankind's role in climate change.

However, what we should do about climate change is a very different question, and one that climate scientists are not best equipped to address. An old adage avers that "When you're a hammer, everything looks like a nail." Climate scientists see climate change as a scientific problem to be solved with scientific solutions. But good public policy requires many inputs. Sound policy requires not only science and engineering, but also an understanding of social science.

For far too long, climate scientists have dominated the expert opinion within the public debate on climate change, and that has created a large blind spot when it comes to thinking about public policy. While most Americans are exposed to natural science in high school, their exposure to social science is limited. Climate scientists first identified the problem, they have been thinking about it the longest, and, up until recently, they have also done most of the research. For reporters looking for stories on global warming, it was natural to turn to climate science.

Those who doubt the scientific consensus are pilloried in the media as closed-minded yokels, yet the same people who rail against junk science turn around and use junk economics. Some advocate policies that fail every conceivable cost-benefit analysis test, and claim that regulating carbon will increase economic growth, even though the evidence is strong that added taxes and regulation, even when worthy, dampen growth.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The economists writing for the Nobel Prize-winning Intergovernmental Panel on Climate Change, which is cited in describing the scientific consensus on climate change, predict that the economic costs of implementing climate policy will be on the order of trillions of dollars over the next 25 years. Such policies will increase poverty by the millions; increase deaths from conditions like flu or hypothermia, which are associated with the cold; and decrease potential growing seasons in large parts of the world, such as Canada and Russia.

That said, the economic analysis is clear that the potential consequences of doing nothing to stop global warming easily outweigh the cost of climate action. Trillions of dollars to implement climate policy sounds like a lot of money, but that amount accounts for only a couple percent of world output over 25 years.

Some would say that informing people of the truth about the costs of climate policy is ill-advised because it will only confuse them. While I share the goals of those who advocate strong action to address climate change, I believe the public is

“For far too long, climate scientists have dominated the expert opinion within the public debate on climate change, and that has created a large blind spot when it comes to thinking about public policy.”

better served when they are more informed, especially because increased public understanding can ensure more carefully designed climate policies.

Economists, for example, are fairly certain about specific principles that should drive climate policy. Policy to curtail emissions should begin modestly and increase with time, because science and technology and economic growth all make action cheaper in the future. Policies should be built on market-based instruments such as taxes or cap-and-trade (preferably taxes), which are far more effective and less prone to political manipulation than heavy-handed regulation. Market-based policies help ensure that only actions whose benefits outweigh their costs are taken. More generally, costs and benefits should be balanced, and a changing climate creates benefits in addition to costs. Moreover, while the consequences of climate change are indeed costly, other human dilemmas such as poverty and disease are arguably costlier and thus might be more deserving of our attention.

At a meeting held at the Cornell Center for a Sustainable Future, we discussed how the electric power grid needs to be upgraded to handle renewable power. While the engineers were focused on the optimal location of new power lines and the technology of power transmission, I was reminded of a study by a group of economists at Resources for the Future. They found that it isn’t lack of money, or technology, or government involvement that impeded the upgrading of the electric power grid, but, instead, it is primarily NIMBY (Not In My Backyard) — the social phenomenon whereby locals protest any new construction in their backyard, which often means that obtaining the rights to build a single power line can take decades.

It is promising that in recent months, as the debate has taken more center stage in Congress, more nuanced debate has started to emerge, and economic concerns have begun to enter the public discussion. But public perception is slow to shift. A concrete example that illustrates how bad economics has played a role in the recent debate is the politician’s favorite catch phrase: Green Jobs. This term frustrates economists, who see it as a dishonest slight of hand. Government policy can create jobs, but, in general, the net long-term employment effect of government regulation is effectively zero: Any green jobs created will come at the expense of jobs lost elsewhere in the economy. Note that we are all hammers looking for our nails. Although I began this discussion by criticizing the narrow-mindedness of climate science, I must also recognize that my own perspective is similarly economics-tinged. I just urge more humility and open-mindedness in public discourse.

Economists often dream up policies without considering the politics, dismissing the political difficulties in securing international cooperation and navigating well-established international treaties, or the impact domestic policy has on international negotiations. We often underestimate these difficulties in navigating our own democratic political process.

Economists have also largely ignored the power of social movements, of social pressure and moral obligation, to effect change. By working with colleagues at CALS to incorporate insights from sociology and psychology, behavioral economists like myself have been trying to understand how social pressures — such as feelings of guilt, altruism, responsibility, status, self-expression, or pride — can be marshaled to aid the environment.

Research has shown that how much people are willing to pay to combat climate change depends on the information you give them and how you frame that information. We know that social comparison — ranking our behavior against that of others — is a powerful determinant of our behavior. These insights should inform climate policy.

There are many contributions social science can and should be making in the climate change discourse. And, to be fair, a fuller understanding of all the aspects of climate change, including climate science, is essential if we are to responsibly address the challenges climate change presents.


Robert Barker, Cornell University Photo

Benjamin Ho, an assistant professor of economics at the Johnson School, uses economic tools such as game theory and experimental economics to analyze social institutions, employing insights from sociology and psychology. His research focuses on how behavioral economics can inform the policy debate on climate change, and how social factors like identity and social networks influence our consumption decisions. Ho was the lead economist for energy and transportation at the White House Council of Economic Advisers. At Cornell, he also serves as a faculty fellow at the Institute for the Social Sciences.

Startup Snapshots:

’Net Gains: Making the most of the Web

The following four startups take advantage of some of the Internet’s unique capabilities, including its ability to reach an infinite number of readers at low cost; to evolve, virus-like, within days, minutes, or even seconds; and to sprout online communities centered around a common interest. These entrepreneurs have capitalized on all that and more: They use social media to market themselves, promulgate information about their services, and generate user input that they then use to enhance their sites.

Event horizon

Josh Gooch MBA ’06: Founder and CEO, Pogby.com

Shelley Kusnetz

Josh Gooch has no reservations about revolutionizing an industry. His startup, Pogby.com, is positioned to dramatically change how people plan and book their social events.

The concept is simple: If you’re planning an event (say, a corporate party), you choose from a list of venue types (say, ballrooms and restaurants). The site brings up a list of venues (main dining room, bar, roof terrace), which link to corresponding photos, capacity, availability, menus, amenities, and prices.

“Right now, it’s a headache for planners,” says Gooch: You call a venue and don’t get a response; you can’t find a place with the availability you need. Pogby.com aims to streamline all that, enabling planners to search by all the relevant parameters. The site is a boon to venues as well, enabling them to market their capabilities more effectively than the usual print or Web ads. “Sites should push something transactional, show solid evidence of delivering business,” says Gooch.

Venues and planners are definitely interested: Gooch has received a wide variety of inquiries, from movie theaters to zoos to art galleries, and from locations as varied as Dallas, Lisbon, and Tokyo. For now, he’s concentrating on New York City and San Francisco.

A former JetBlue Airways’ technology program management director, Gooch notes that reservation systems are extraordinarily complicated; that’s why Pogby is the first of its kind. He conceived the idea two years ago, conducted intensive market research, and launched the site’s first beta release to a handful of eager venues early in 2008. He cites three Johnson School classmates for invaluable help: Steve Adelkoff, a partner at K&L Gates, LLP, on legal and investment strategy; Sam Goichman, national manager at SCG Capital, on investment strategy; and Amy Chow Hutchins, a strategy consultant at IBM, on product strategy.

Keeping it real

Colleen Padilla, MBA ’03: Founder and CEO, ClassyMommy.com

For decades, marketers have tried to leverage the power of the “real person’s” voice – the man on the street, the homemaker noted for sparkling laundry. Social media is the newest wave in “real-people” marketing, and Colleen Padilla is riding it to the top. Her website, ClassyMommy.com, offers reviews of some 1,400 products for moms and kids along with her personal blog, product giveaways, and videos. Viewed by 75,000 unique visitors each month, the site has been featured on all major TV networks, while Frito-Lay and Wal-Mart have placed Padilla on their short list of influential people.

Padilla, whose mom-next-door approachability belies her obvious superpowers (on top of singlehandedly running the Web site, she’s a full-time mom to her two young children,), talks about “word of mom” — shorthand for the instant rapport and credibility that springs up among mothers. “Moms trust other moms,” she says simply.

Padilla conceived of ClassyMommy.com in 2006 while on maternity leave with her first child, and started out reviewing products for moms and babies to help moms navigate the overwhelming universe of offerings. She enlisted her husband to design the site.

Padilla has kept her brand evolving to stay ahead of the social-media groundswell, constantly adding new site features (photos of celebrities with their baby strollers, for one), and becoming a spokesperson for corporations such as Energizer. She is also editor of the product review section of Lifetime network’s new Web site for moms.

Marveling at marketers’ inventiveness in engaging moms, Padilla cited a Tide-sponsored fashion show during Fashion Week in New York that included Padilla on the catwalk beside professional models. “I have a whole post about the experience — and of course Tide is in there,” says Padilla.

Shifting into high gear

Charlotte Ye, MBA '00: Founder and CEO, Webcars.com.cn

The ability to spot and capitalize on a trend is the hallmark of a successful entrepreneur.

"In 2002, for the first time, China sold over one million new vehicles," says Charlotte Ye, who was then Internet business director at Goodyear in Akron, Ohio. Fascinated by China's exploding auto business, Ye returned to China in 2003 to get a foothold in the growing car market. After gaining experience at a local Internet company (raising $10 million in venture capital as CFO), she decided to start her own company, Webcars.com.cn, in 2006. It is now one of the top five automotive sites in China and partners with a couple of major U.S. automotive sites.

Ye's site provides consumers with a comprehensive car buying and owning experience. "We have auto reviews, market reports, ratings, specifications, pictures, and consumer reviews," says Ye. "We host hundreds of dealer microsites and provide consumers with dynamic dealer inventory and promotions." And Ye calls My Auto Center, Webcars.com.cn's social-networking feature, "an automotive Facebook."

Webcars.com.cn has nearly doubled its employee base over the past year, from 80 to 150, and expanded beyond Beijing to Shanghai and Tian Jin. Noting that the Chinese auto market, which sold more than 10 million new cars this year, is maintaining double-digit growth, Ye says, "We can grow at least at the same rate, possibly much more." She also plans to explore beyond Webcars.com.cn's current market (new cars) to auto services and used cars.

Ye says she benefited from the counsel of Johnson School classmates Geoffrey Lim, managing director at Founder China Partners; Tony Jian, executive director of China Outsource Group; and venture capitalist Kuantai Yeh, MBA '98, managing director at Highland Capital Partners.

Focused now on building a strong management team, Ye says, "Anyone interested in working in a fast-growing automotive Internet company in China, let me know!"

Cruise control

Bob Haefliger, MBA '89: Founder and CEO, CruisePortInsider.com

If you've ever taken a cruise, you might know the feeling of docking in an unfamiliar place and not having the slightest notion of where to go or what to do. Even with a guidebook, you may still have had only a rudimentary idea of what the port offered.

This is the niche Bob Haefliger is filling with his website, CruisePortInsider.com. The site offers comprehensive cultural, historical, culinary, entertainment, geographic, and excursion information on ports visited by popular U.S. cruises. He has personally visited most ports, and fills in the gaps with information from colleagues and travel writers.

Haefliger first got the idea for the site after taking a cruise from San Juan to Acapulco. "Although I did some cursory research on the ports we were going to visit, once I got there, I quickly realized I didn't know enough about them," says Haefliger. He started CruisePortInsider.com shortly afterwards. The site now features ads from tourism-related services and attractions, and Haefliger is exploring additional revenue-generating opportunities.

When the site launched in September 2008, the San Francisco Chronicle noted that CruisePortInsider.com digs much deeper than even commercial travel guides — whether it's insight into local Mexican delicacies or tips on building your own excursions on the cheap. "We tell our readers what to expect in terms of commuting times, how to get there, what to bring — and what not to bring," says Haefliger.

Crediting his Johnson School experience with valuable exposure to strategy and marketing, Haefliger also acknowledged valuable counsel from classmates Stuart Shim, financial consultant at Pacific Financial Management; Gene Mage, partner and principal at Capital H Group; and Vafa Michael Mavaddat, executive vice president at Decision Strategies International, Inc.

— Irene Kim

Jason Koski, Cornell University Photo

Finding Values in Frozen Markets

In an award-winning paper, Maureen O'Hara and Cornell colleague David Easley explain what happened in the financial crisis and describe how to value assets even when trading stops.

By Robert Preer

> "There's no perfect price in a world in which there is no trading. What you are looking for is the best estimate of this true price. Our model suggests that when uncertainty is high, this best estimate is the midpoint."
>
> — Maureen O'Hara, Robert W. Purcell Professor of Management and professor of finance

A striking and ominous feature of the financial crisis of 2007 to 2009 was the freezing of markets. First to shut down were markets for complex instruments, such as mortgage-backed securities and collateralized debt obligations. Then, illiquidity spread with alarming speed to everything from commercial paper, to money markets, to almost every other credit market.

"Markets for auction rate securities—which are viewed as almost perfect substitutes for U.S. Treasury securities—froze," says Maureen O'Hara, the Robert W. Purcell Professor of Management and professor of finance at the Johnson School. "For the most part, housing froze. You couldn't sell a house in Detroit or Phoenix."

O'Hara and David Easley, the Henry Scarborough Professor of Social Sciences in Cornell's Department of Economics, developed a model that explains what was behind the recent market seizures. They went on to outline an accounting strategy that permits the valuation of assets, even when markets have effectively ceased to function.

Their model and conclusions are published in "Liquidity and Valuation in an Uncertain World," which recently won the Western Finance Association's prestigious award for best paper in asset pricing.

In crafting their model, Easley and O'Hara, draw on the insights of early 20th century economist Frank Knight, whose 1916 economics doctoral dissertation at Cornell highlighted the importance of uncertainty in economics. Knight's influential work, later published as the widely read book, *Risk, Uncertainty and Profit*, drew a sharp distinction between risk, which typically can be calculated, and uncertainty, which has unknowable probabilities.

Why Markets Froze

In the financial crisis, market participants were unable to calculate the risks they faced, according to O'Hara and Easley. The turmoil in markets was so great that participants were unable to attach probability estimates to possible outcomes. Thus investors faced both risk and uncertainty as to future outcomes.

"What we discovered in the recent market events is that when people can't figure out what to do — when they don't know whether to buy or to sell — it causes them to freeze," O'Hara says.

The financial crisis also has presented a challenge to the economics discipline. Economic analysis has long assumed that individuals can weigh risks in the marketplace and assign an optimum price for an asset. Below that price, an individual is a buyer; above it, a seller.

But during the financial crisis, these assumptions appeared to no longer hold. Traders could not identify optimum prices. Bid and ask prices existed, but no trades took place.

"You didn't know whether you should buy more of it or whether you should be selling it," says O'Hara. "You were just stuck."

The mathematical model developed by Easley and O'Hara depicts how trade takes place in an economy and how traders make decisions when faced with such uncertainty. To capture what happened during the financial crisis, the researchers introduced a "shock" in the form of a dramatic drop in the expected future value of assets. In this scenario, traders could not determine the magnitude of the decline, and so could not come up with preferences for their portfolios. Models of incomplete preferences are not standard in economics, but as the authors demonstrate, such models provide very useful insights into how markets behave in uncertain times. Under these conditions, there is a range of bid and ask prices for assets, but no price exists at which supply and demand intersect. Trading comes to a halt.

"Equilibrium in this uncertain economy is thus characterized by a range of prices, and trades occur at none of them," the authors write. "In effect, while nominal bid and ask prices can be calculated, the economy is in fact illiquid, with buyers and sellers unwilling to trade."

Valuing Assets when Trading Stops

But even when markets are frozen, values still must be attached to assets. The Financial Accounting Standards Board, a private agency relied on by the U.S. Securities and Exchange Commission, requires firms to assign prices to assets to ensure transparency and to allow investors, creditors, auditors, and others to evaluate assets and to make financial decisions.

One solution, recommended by the FASB, is to use the bid price to set asset values in markets where trading has ceased. Easley and O'Hara argue against this approach.

"In a world where these spreads have become extraordinarily large, reflecting the uncertainty out there, the bid price is really not a good estimate and typically will be biased downward," O'Hara says.

Similarly, the ask price is not a good measure. "The ask price is set by the least optimistic trader about the best possible outcome," the authors write in the paper. "Again, when uncertainty is large, there is no trade occurring at this price either."

Applying statistical and theoretical analyses, O'Hara and Easley conclude that the most accurate valuation comes by taking the midpoint of bid and ask prices. In situations where trading has ceased and the precise value is simply unknown, "it seems reasonable to suppose that on average, the decline in the value of the asset is the simple average of the best and worst possible cases," the authors write.

O'Hara stresses that using the mid-point between bid and ask prices does not guarantee accuracy, but she argues the approach is the best way to reduce errors, which are more likely to occur if points on the extremes are used. "The way to look at it is that there's no perfect price in a world in which there is no trading. What you are looking for is the best estimate of this true price. Our model suggests that when uncertainty is high, this best estimate is the midpoint," O'Hara says.

The New Model and Economic Principles

O'Hara and Easley have long been interested in uncertainty and risk. They were preparing their award-winning paper when the financial crisis hit. "This was written as we watched things happen that we didn't think could be explained by existing models," O'Hara says. "The approach that we were developing definitely seemed to make sense. The problem of markets freezing obviously was not something well covered in standard economics."

Yet rather than disavowing basic principles of economics — such as the assumptions that individuals are rational and that they maximize utility — the new model "allows for the problem that people sometimes do not have the information or the ability to calculate possible outcomes," O'Hara says.

ThoughtLeadership@Johnson is a quarterly e-newsletter and multimedia Web site that highlights Johnson School faculty research and draws on their expertise. View the current issue at [www.johnson.cornell.edu/thoughtleadership].

Hedge funds reshaped:

A once high-flying industry, shaken by the financial crisis, is recovering with a new look

By Robert Preer

Wade Slome, MBA '98, launched his hedge fund in January 2008, just as financial storm clouds were gathering. A cascade of disasters followed: Bear Stearns, Lehman Brothers, AIG, Bernie Madoff, General Motors, and Chrysler. Slome's fund absorbed big losses.

As the crisis continued, Slome, president of the investment firm Sidoxia Capital Management, decided to try to capitalize on it. With stocks at what appeared to be rock bottom, he began buying.

"The valuations that some stocks and securities were trading at was mind-boggling," Slome recalls. "There were so many opportunities, it was like shooting fish in a barrel. Then prices dropped another 10 percent, so I bought more. You would put a toe or pinkie in the water, and it would get chopped off."

Eventually, the strategy paid off. Markets finally rallied, helping to lift Slome's fund, which he started with his own money and has not yet opened to outside investors. By fall 2009, its value was up approximately 70 percent from the start.

For hedge funds big and small, these have been turbulent times. The global financial crisis dealt a serious jolt to the high-flying industry, which serves wealthy individuals and institutions with nimble, lightly regulated investment vehicles. As the crisis unfolded, investors withdrew billions in assets, forcing scores of hedge funds to close. Total hedge fund assets plunged from over $2 trillion to approximately $1.3 trillion in early 2009.

"Assets under management crunched," says Andrew Karolyi, professor of finance and global business at Cornell's Johnson School. "The number of new fund launches basically dwindled to nothing. And many, many funds disappeared from the map."

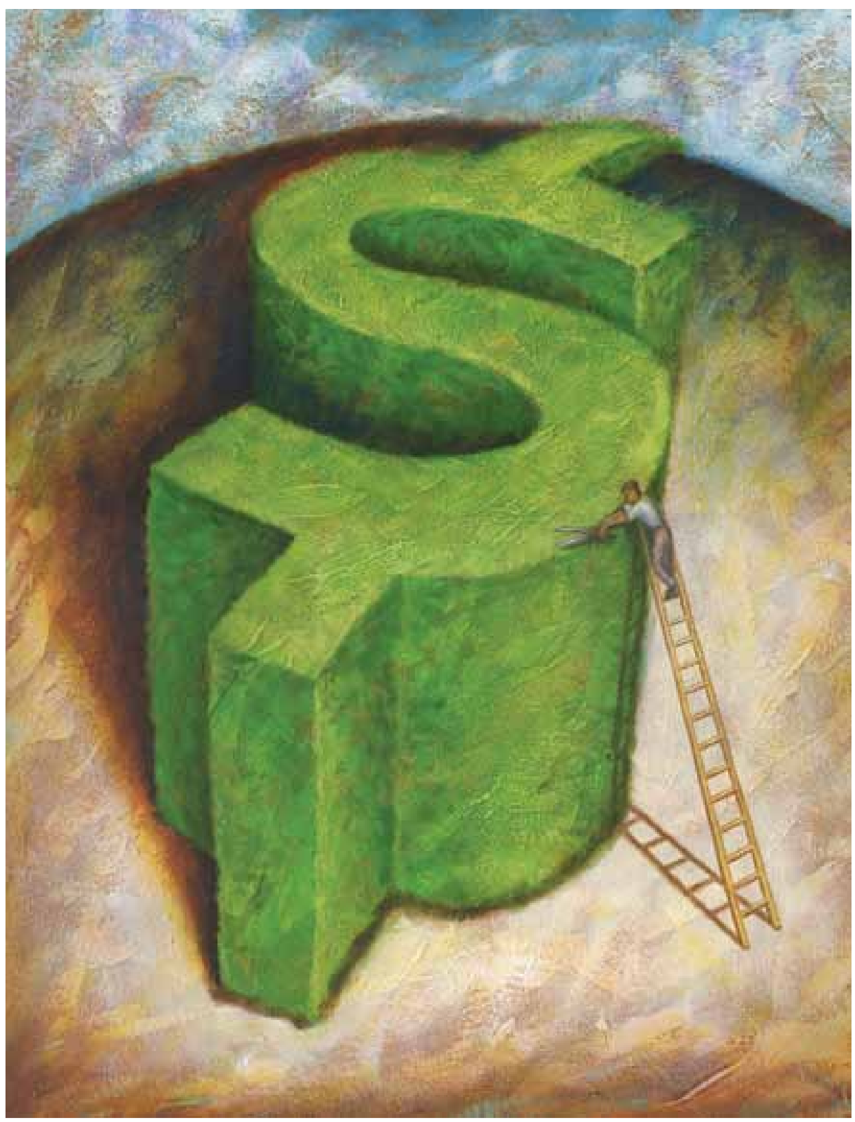
Associate professor of accounting Sanjeev Bhojraj says, "Hedge funds did not live up to the expectations that investors had built for them. The question is, 'Is it the death knell of hedge funds?' I would say, 'Definitely not.' "

A comeback but with a difference

Indeed, the industry has bounced back significantly in 2009. In the same way that Slome's small fund rebounded, hedge funds in general have revived with the recovery in equity markets. In the second quarter alone, total hedge fund assets were up 6 percent, and assets under management began inching toward the benchmark $2 trillion figure again.

Investors also began a cautious return. Throughout the summer of 2009, inflows surpassed outflows. And according to HedgeFund.net, 75 percent of hedge funds reported positive performance for the first eight months of the year, and 25 percent of funds reported gains of more than 20 percent.

But even if hedge fund indices do return to pre-crisis levels, the industry has been permanently altered. Collectively, hedge funds are


Jay Belmore Designs

very different from what they were before the Wall Street meltdown, according to those who follow them.

Big hedge funds have gotten bigger, while smaller ones have fallen by the wayside. Investors have become more demanding, seeking more transparency, as well as changes to the generous compensation schemes hedge fund managers have enjoyed. And waiting in the shadows is government, both in the United States and elsewhere, eyeing curbs on what has been a largely unregulated industry.

Senior Lecturer Richard Marin '75, MBA '76, teaches the popular course "The Search for Alpha," which explores how hedge funds operate. "I've had to redo my course every fall that I've been teaching it," Marin says. "That's how much change is coming."

"The financial crisis has changed the hedge fund landscape significantly," says Bhojraj. "It used to be that just about anybody who could find some money could start a hedge fund. Now it's going to be a lot tougher to raise money, and you have to show that you're good."

The crisis has, in effect, thinned the herd, leaving only the strongest still standing. According to Morgan Stanley's prime-brokerage unit, the 100 largest hedge funds now control about 70 percent of hedge fund money, up from slightly less than 50 percent at the end of 2003. The approximately 300 hedge funds that are worth $1 billion or more now control about 85 percent of the business.

The surviving hedge funds are, for the most part, sophisticated operations with top-notch managers, independent administrators, and high quality auditors, according to Marin. "Three guys and a dog won't cut it anymore," he says.

If hedge funds have changed, so too have their investors. For many years, hedge funds were vehicles for the very wealthy, an exclusive club of individuals for whom a million-dollar minimum investment was simply a matter of writing a check.

Jason Koski, Cornell University Photo

"Hedge funds did not live up to the expectations that investors had built for them. The question is, 'Is it the death knell of hedge funds?' I would say, 'Definitely not.'"

– Professor Sanjeev Bhojraj

But in recent years, individuals have been elbowed aside by institutions. Pension funds and private endowments discovered hedge funds and quickly developed an appetite for the extraordinary returns they promised. Many pension funds face huge future obligations, which can be met only by outperforming the stock market, and hedge funds offer that possibility. In the aftermath of the financial crisis, institutions now are under even more pressure to achieve big gains.

At the same time that institutions were moving into hedge funds, shell-shocked individual investors were heading for the redemption windows.

"This was a trend over the last five to ten years but the crisis accelerated it," Marin says. "Individuals suddenly were saying, 'Oh my God, I don't know what this stuff is all about. I don't know who to trust.'"

The stock market collapse was bad enough, but then came the Madoff revelations. Some hedge funds had invested with Madoff, and they lost billions in the financier's Ponzi scheme. "Bernie Madoff took a scary market and made it a lot scarier," Marin says.

Courtesy of Scott Carter

"Investors are looking for a longer duration to capture the performance fees of the managers. The other thing they are looking for is transparency."
– Scott Carter, MBA '95, Deutsche Bank

Scott Carter, MBA '95, head of Deutsche Bank's global prime finance sales in North America, sees the hedge fund investor today as more wary, looking for safeguards against the calamity that befell the industry in 2008. Deutsche Bank finances hedge fund investments and is one of the few big institutions thriving in that role in the aftermath of the crisis.

"Investors are looking for a longer duration to capture the performance fees of the managers," says Carter. "The other thing they are looking for is transparency. Some hedge funds have been extremely transparent. Others have been less transparent."

Performance fees — traditionally 20 percent of profit — are a distinctive feature of hedge funds and a source of the extraordinary incomes that managers earned over the years. (The industry's troubles notwithstanding, in 2008 the average salary of the managers of the top 25 hedge funds was $464 million, according to *Alpha Magazine*.) Carter says that some of the larger pension funds want to lengthen the time horizon for calculating fees, so that rewards come only after long-term success.

Jason Koski, Cornell University Photo

"The number of new fund launches basically dwindled to nothing. And many, many funds disappeared from the map."
– Professor Andrew Karolyi

Marin sees investors wanting to tinker with the 20 percent standard, perhaps offering 10 to some and 30 to others. "You're going to have more disparity between fund managers," he says.

Investors also want to know what hedge fund managers are doing with their money, according to Carter. "Investors need risk transparency so they can be comfortable investing in these funds," he says.

What will government do?

As the hedge fund industry struggles to recover, a looming influence is regulation. In the United States and in Europe, officials have debated new rules, including registration requirements, investment disclosures, and other changes to promote transparency. Either the U.S. Securities and Exchange Commission or Congress could set new rules for hedge funds.

Slome thinks more regulation is coming, probably from Congress. "You just put yourself in the politicians' shoes," he says. "They're trying to get votes, and hedge funds are easy targets because of the compensation."

Government would do better to enforce existing regulations instead of adopting new ones, according to Bhojraj. "Think about Madoff," he says. "It wasn't that there were not rules. The SEC just didn't do a good job of enforcing those rules."

Regulation could have the effect of further separating strong and weak funds, according to Doug MacLean, JD '00, MBA '00, who deals with hedge funds as counsel at Bingham McCutchen in Boston. Funds that have qualified administrators, sound bookkeeping, and tested procedures will find regulation easier to deal with, he says.

"Those funds that have the best practices that are currently in compliance will probably continue to survive and attract new investors," says MacLean. "Those funds that can't afford additional compliance and are not engaged in best practices probably won't survive."

One hedge fund that has come through the crisis in good shape is the Johnson School's Cayuga Fund, a $14+ million, student-run fund that tracks the S&P 500. In 2008, the fund actually made money, gaining .42 percent.

Bhojraj, who is faculty advisor to the Cayuga Fund, believes the industry will recover, although the days of fast, easy money are over. "The fad part of it is gone, and now the hard work begins," Bhojraj says. "Only the best are going to survive."

[YOU]

Out with the old, in with the new.

In January 2010, Johnson Alumni Connection (JAC), the old online alumni directory, will become **JS-Connect**, an exciting new resource that offers more networking features to help **[YOU]** connect with fellow alumni, career tools, the Johnson School, and the broader Cornell community in a safe, secure domain.

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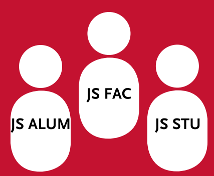

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Biotech & Pharma

The Next Wave

BY LINDA MYERS

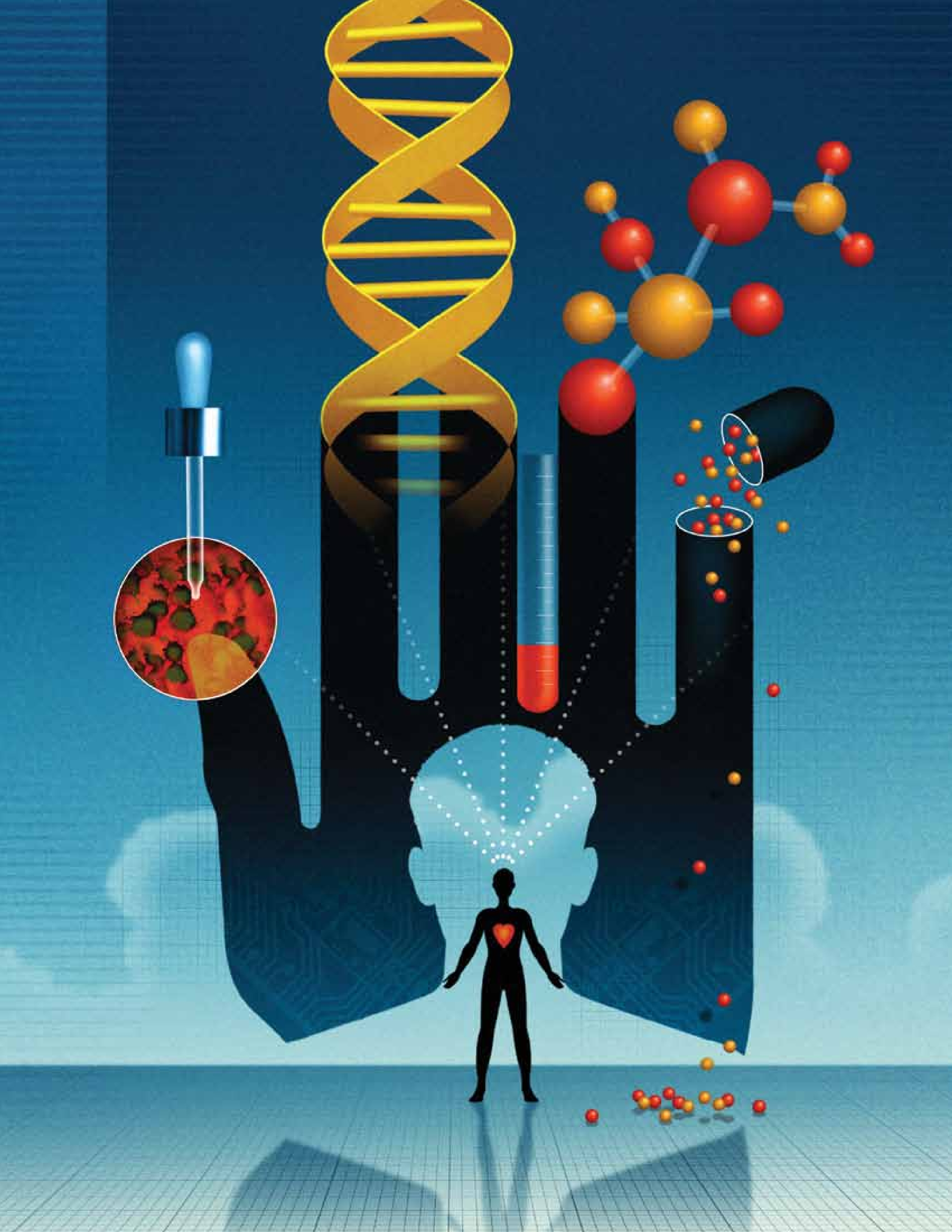
Can the innovative business of biotech recharge the pharmaceutical industry?

Can biotechnology's newest innovations rescue pharma, inject life and jobs into our economy, and lead to the latest, greatest growth industry?

Sounds like a job description for a superhero, doesn't it?

But perhaps it isn't so far-fetched, say a handful of Johnson School alumni and faculty who know something about the business of biotech and the related healthcare products industry, and declare that they are areas well worth watching.

Illustration: Stuart Briers



Who's Driving Innovation?

"It's only a matter of time before we will see actual stem cell–based therapies being used for cancer and degenerative diseases, replacing needed tissues or organs," says Zhu Shen, MBA '98, founder and CEO of San Diego-based BioForesight. Zhu, who consults on biotech investment opportunities in Asia, also believes that advances in molecular diagnostics will lead to a more-personalized, targeted approach to medical care, edging out blockbuster drugs as the driver for economic growth among the makers of pharmaceuticals and other healthcare products. "It's a really exciting new frontier for medicine," says Shen, who was a co-founder and treasurer of the Biotechnology Club when she was a student at the Johnson School.

The future may be now. "There's a whole new class of MEMS-based [micro-electromechanical systems] medical implants — monitoring and therapeutic devices," says Jonathan Greene, MBA '04, CEO of Ithaca-based Widetronix. "Our firm's technology, betavoltaics, enables MEMS to be deployed in the body for such applications as glucose monitoring and real-time monitoring of cancer markers in at-risk patients," Greene says.

After several years of collaborative work with customers, Greene says the path forward is clear for him and his team, but it wasn't always so obvious. When he started working with the company in early 2007 the market opportunities for its semiconductor technology were limited. "Simply stated, it was a crowded market space, capital was tight, and our IP [intellectual property] position was limited," he says.

The turning point was a chance conversation that year with people at Lockheed Martin. "They were searching for small batteries with 25 year lifetimes, which is nearly unheard of for traditional lithium technology," says Greene. The team resurrected a product development effort completed at Cornell nearly three years earlier, applying its new semiconductor materials technology. "We didn't think there was demand for a nuclear-powered battery, but we were wrong," Greene says. Widetronix is now working collaboratively with customers in prototyping and testing its technology in a variety of defense and medical applications.

Courtesy of Zhu Shen

"If you are a market leader you always have to innovate," observes David Parmelee, MBA '00, who manages a product development team at Genzyme. An established and successful biotech firm based in Boston, Genzyme started out developing cures and treatments for rare diseases with fewer than 5,000 patients. It now also makes remedies such as Synvisc, a top treatment for pain from common knee arthritis. A senior director for program management, Parmelee oversees the team responsible for its product development strategies.

"There's a growing need for ways to manage everyone's healthcare issues less expensively and with fewer side effects," says Brad Siff, MBA '85, founder and CTO of Connecticut-based Biowave. The company makes medical devices that comfortably deliver proprietary therapeutic electrical signals through the skin into deep tissue below to dramatically reduce acute and chronic pain and improve function. Users of Biowave's three products, Deepwave, Homewave, and Sportswave, include professional and college sports teams, Veterans Administration and military hospitals, weekend athletes, and older people with significant chronic pain issues.

> "The cost of successful drug development is $1 billion for one drug, and it escalates every year."
>
> – Zhu Shen, MBA '98, BioForesight

Ironically, while awaiting FDA approval of his product, the physically active Siff went skiing and tore essential ligaments in his knee. "Following knee surgery, the pain was so excruciating I could barely get out of bed," he relates. "I used our product as part of my recovery, and within one minute, pain went down to a much lower level and stayed down after I turned the device off. It gave me insight into how it could be used."

With injuries like the one Siff sustained, "You need to get a range of motion back quickly," he asserts. "If you don't, scar tissue forms. With Biowave therapy I could soon bend my knee an extra 25 degrees, so it facilitated and accelerated recovery. I was on the tennis court in five weeks."

Expiring Patents and the Cost of Prepping New Products

The high cost of bringing drugs and other healthcare-related products to market may be the most pressing problem that biotech and pharmaceutical companies face. "The cost of successful drug development is $1 billion for one drug, and it escalates every year," says Shen. Adding to the squeeze, "major pharmaceutical companies face financial pressure due to the expiration of patents on top-selling drugs," she says, with generic versions of those drugs waiting in the wings to take over the market. "Yet pharmaceuticals are expected to keep growing their revenues. With that price tag, continued growth becomes difficult to sustain," Shen comments.

"The easy diseases have been cured," observes Bruce Ganem, the Clark Professor of Entrepreneurship and Roessler Professor of Chemistry at Cornell, who advises the Biotechnology Club at the Johnson School. "What's left are the toughest: diabetes, Alzheimer's, stroke, cancer. Biotech companies take 15 to 20 years to develop a product, but tackling ambitious problems will take longer. There's the potential for great breakthroughs, but with great risk at every level."

Much of the cost of developing healthcare-related products comes from health and safety concerns in a highly regulated industry, says Parmelee. "At Genzyme we're also in a state of change because of the healthcare bill. The government wants to create a more efficient system that can treat more people. It's part of our company's culture to ask, 'How does this impact the patient?'"

Added to those worries is the economic downturn that began last year, which hit Big Pharma and biotech research development budgets hard, says Greene. "They are spending less money in the R&D pipeline."

Courtesy of David Parmelee

David Parmelee, MBA '00, product development manager, Genzyme

Some criticize the rules that govern patents for pharmaceuticals and healthcare products in the United States for deterring new, needed medications. "We have an absurd intellectual property arrangement," says Alan Biloski, a Johnson School finance faculty member who, together with Ganem, will teach a new class in spring 2010, Innovation in Pharma/Biotech: The Challenge of Change. "Copyrights like the one for Mickey Mouse are protected for 50 to 100 years, while, because of the Waxman-Hatch Act, someone can copy your recipe for a pharmaceutical and sell it at 95 percent off just 20 years after you filed a patent on it. It takes ten to 15 years for a new drug to get approved, so that's only five to seven years protection. If drug companies can't get their money back, they won't pursue it."

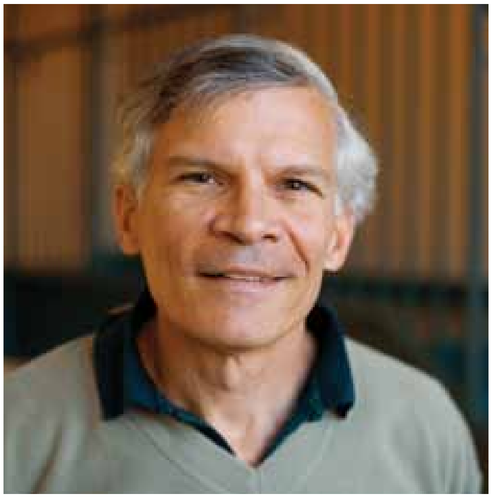
"Generics grew out of traditional pharma, from drugs that are easy to copy," explains Ganem. But with such biotech products

Gary Hodges

"The easy diseases have been cured. What's left are the toughest: diabetes, Alzheimer's, stroke, cancer. Biotech companies take 15 to 20 years to develop a product, but tackling ambitious problems will take longer."

– Professor Bruce Ganem

Jason Koski, Cornell University Photo



"Biotechs wouldn't look like such high performers to investors if all the mergers and acquisitions were taken away. But pharmaceuticals are getting smaller and biotechs are getting bigger, and eventually the game will come to a halt."

–Alan Biloski, lecturer in finance

as monoclonal antibodies, which are used to treat blood cancers; nucleic acids, used in gene therapy; and others, Ganem says, "it's hard to make an identical macromolecule." That makes making an uncontaminated generic version difficult to impossible.

A short patent life for drugs leads to the overvaluation of biotech products, which accounts for Genentech, a biotech, being acquired for $60 billion by the Roche Group, a giant pharma, in 2009, asserts Biloski. "Biotechs wouldn't look like such high performers to investors if all the mergers and acquisitions were taken away. But pharmaceuticals are getting smaller and biotechs are getting bigger, and eventually the game will come to a halt," he predicts.

Are Biotech and Pharma the Best Bedfellows?

"The lines have blurred significantly over the last few years between biotechs and pharmas," says Parmelee. "Pharmas are now making more biologic or protein-based products for smaller groups, which is what biotechs do. Genzyme has always been known as a biotech. We're not there yet, but as you grow you start to look more like a pharma."

There are pluses to such changes, he says. "We're now hiring more people with needed business skills from industries where there has been an emphasis on efficiency, on bringing products to market quickly"—something that biotechs haven't always been good at, Parmelee says.

"Historically, pharma and biotech have built successful alliances, and they have mutual needs," says Shen. "Biotech's goal is continuous innovation, while pharma has not been the best at R&D. Some companies have grown from biotechs to mini-pharmas as they've acquired new marketing skills, although it's still the exception, not the norm." She cites Gilead Sciences in the San Francisco Bay area, which makes anti-HIV and anti-hepatitis drugs, as an example.

"The culture of the two industries is different," says Ganem. "Traditionally pharma has been more vertically integrated, whereas the biotech culture has been more freethinking, independent, with less structure. You don't have to wear a jacket and tie to work. But fast-forward to 2009. Pharma companies that acquire biotechs have learned they need to give them the freedom to innovate, but that takes a certain management approach. I'm optimistic that pharma can get the biotech goose to keep laying golden eggs. The two cultures will co-exist."

With or without coexistence, the competition for the best ideas remains fierce. "At Genzyme we tap all the sources we can," says Parmelee. "We have teams that scour the scientific literature and talk to small companies that have innovative product ideas. To find out where we want to place our bets we conduct a lot of advisory boards that include academics, medical doctors, and community thought leaders. We have a process for evaluating opportunities, risk, and the probability of success." When good ideas emerge, Genzyme has done everything from signing confidentiality agreements to licensing the ideas to outright acquisition, he says.

Vanishing Venture Capital

"Finding the funding to develop new products can be challenging in today's economic climate, especially for startups," says Shen. "While every sector is affected by the downturn, there's much less venture capital investment in the biotech sector today than there was two to three years ago, and it's not likely to change for another two to three years."

"It's true that the amount of money invested by VC firms has dropped significantly since late 2008," says Adele Oliva, MBA '93, a partner with Quaker Bioventures, a venture capital firm specializing in biopharmaceuticals, medical diagnostic tools and devices. "That doesn't mean venture capital is not available as a source of capital to the most promising companies. But the bar, which has always been high, given the risk, may be even higher now with the scarcity of capital."

"The lack of venture capital dollars has created more opportunities for Genzyme to partner with smaller companies," says Parmelee. "We can be a source of investment dollars. It's a challenge to get in earlier. We adapt as opportunities arise."

"With venture capital dollars almost nonexistent for new startups and tight terms for existing startups, where does innovation occur so you create new medical devices?" asks Greene. "I would argue, through government-funded university-based efforts, using traditional research methodology to get them. Some companies are doing a good job of going to universities and saying, 'Help us.' And Cornell does a good job of reaching out to companies. It's got to be a partnership."

Courtesy of Adele Oliva

"The bar, which has always been high, given the risk, may be even higher now with the scarcity of capital."

–Adele Oliva, MBA '93, Quaker Bioventures

Global Competition: Opportunity or Threat

Not unlike the Chinese character for "change," which is made of two ideograms said to represent "opportunity" and "danger," Shen believes global competition offers all parties the chance to prosper, while Greene sees China's anticipated growth as a potential threat to the United States.

"China as a market is huge," says Shen. "Its pharmaceutical market is the seventh largest in the world but is likely to jump to number one within 20 to 30 years because of the anticipated growth of China's economy, the country's mandate for universal health care coverage, and an aging, wealthier population that will demand the best healthcare, medication, and diagnostics."

Steering economic development will be China's so-called "sea turtles," business leaders who grew up in China and have returned after studying and working abroad, where they built business networks and gained insights into what makes companies succeed, says Shen. "If China grows it's a good things for the U.S. Competition drives competitiveness and spurs innovation."

But in the wake of the recent heparin and melamine contamination scandals, which caused illness and death in China and abroad, more incidents involving poor quality control and corruption are likely to surface, Shen predicts. While "the FDA is establishing offices in China to keep a closer eye on things," Shen notes, it will take time for China to establish and enforce measures that will protect the public from the actions of the handful of "morally corrupt people who behave as if profit, not the public good, is the ultimate goal."

"While we face strong challenges from China and East Asia, we still have the advantage of being able to fund very innovative research in the United States," says Greene. "The U.S. can be foundational in funding this cutting-edge research that drives the biotech industry — it's one of our best aspects.

"But in the semiconductor industry it's said that Japan took an 80-percent good idea and made it 99-percent better, helped by a well-educated work force and a culture for perfection, as well as a government ready to fund innovation," comments Greene. "China is now poised to do the same. We can learn much from this paradigm in the U.S. Finding ways to drive innovation in our society is ultimately going to require changes, many of which are unpopular and painful. The good news is there is opportunity. Whether we chose to capitalize on it remains to be seen."

Linda Myers, founding editor of *Cornell Enterprise* and a freelance writer who lives in Ithaca, N.Y., enjoys writing about new developments in business and interviewing Johnson School faculty and alumni, many of whom she knows well from her long association with the school.

THE BEST OF TIMES

Entrepreneurs Tackle the Recession

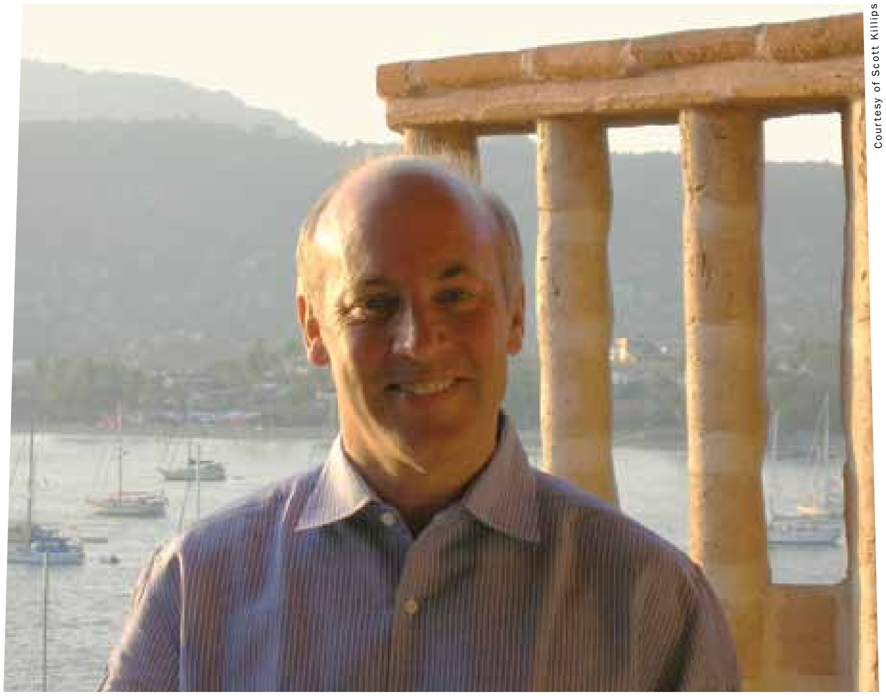
BY SHARON TREGASKIS

Charles Hamilton '95, MBA '04, spent the first three quarters of 2009 on a self-imposed sabbatical. As national unemployment numbers hit a 15-year peak, the 36-year-old career entrepreneur cut timbers on his family woodlot. He spent time with his children and reconnected with his wife. He attended non-profit board meetings, trained for bicycle road races, and sifted through the discoveries being generated by scientific researchers on a quest for the seeds of his next business venture.

As summer slid toward autumn, Price Waterhouse Cooper released stark statistics: In the first two quarters of 2009, venture capital investments plummeted to just 40 percent of the previous year's first-half activity. Analysts forecast total investments for the year at just $11 to $14 billion, levels last seen in 1996 and 1997. Meanwhile, pundits catalogued early signs of what might prove to be a recovery from the worst recession in a generation and debated which letter — U, V, or W — might best approximate the economy's trajectory. One thing seemed fairly certain: the nation's return to financial vigor will take years.

Undeterred, Hamilton got back in the game in mid-August, when he unveiled Adenios, an Ithaca-based startup slated to deploy Vet School findings on control of the blood-brain barrier to enhance treatments for Alzheimer's, Parkinson's, and Multiple Sclerosis and dull the vicious neurological side effects associated with chemotherapy. "I'm a big fan of entrepreneurship," says

Illustration: Jill Iacovelli



Courtesy of Scott Killips

companies launched in a downturn. "The biggest opportunities are in times of economic uncertainty," says Scott Killips, MBA '75, a partner at the San Francisco Bay Area venture capital firm, Preserve Capital Group, which specializes in natural, organic, and green startups. "Five years from now, we will look back on this as a great time to have made investments."

In their 20-page report "Entrepreneurship & Innovation: The Keys to Global Economic Recovery" released in June, Ernst & Young expand on that sentiment, noting, "There's no time like a downturn to take advantage of entrepreneurial thinking." "A large body of academic research and real-world business experience has established a clear connection between entrepreneurship, innovation, and economic growth," the authors write. "By developing new products and services, revamping organizational processes, or adopting fresh approaches to partnerships, companies can take advantage of the downturn to transform their businesses. Now is the time for policy makers and business leaders to focus on the long term – by identifying, supporting, and inspiring entrepreneurs and innovators at all levels of the economy, in every market."

Already, innovation and high-growth entrepreneurship feature in U.S. President Barack Obama's American Recovery and Reinvestment Act. In May, New York State Governor David Paterson appointed Cornell University President David Skorton to head a task force charged with analyzing and recommending strategies to diversify the New York State economy through industry - higher education partnerships. "Anything the nation can do to stimulate high-growth businesses through venture investments will be in the direction of increasing employment to the maximum degree," says David BenDaniel, the Don and Margi Berens Professor of Entrepreneurship. "If you want to increase employment, that's where there should be a national stimulus."

"The biggest opportunities are in times of economic uncertainty."

— Scott Killips, MBA '75, Preserve Capital Group

Hamilton, who launched his first enterprise with Johnson School classmates even before they'd completed their degrees, and in January 2009 handed off the reins of his second, Novomer, a green plastics firm that has raised $21 million in funding to date. "If someone has the stomach to deal with the risk, the vision to identify what needs to be done, and the capacity to make that happen, then by all means they should be an entrepreneur — whether the economy is going gangbusters, or not."

GOLD FROM STRAW

In fact, startups hatched in tough times just might be the ticket to economic recovery. Firms less than five years old accounted for all net job growth in the quarter-century spanning 1980 – 2005, and in "The Economic Future Just Happened," the Ewing Marion Kauffman Foundation notes that more than 50 percent of the companies on the 2009 Fortune 500 list trace their roots to a bear market — including fast-food purveyor KFC, Microsoft, and Johnson & Johnson. Likewise, nearly half of the firms on the 2008 Inc. list of America's fastest-growing

BRUTAL REALITIES

Over the last two decades, Visiting Associate Professor of Clinical Entrepreneurship Steven Gal has weathered macroeconomic peaks and valleys, co-founded and grown six venture capital-backed companies, and raised more than $100 million. The enterprise he rates most successful, ID Analytics, Inc., launched at the bottom of the 2002 dot-com bust. "We had a great time because there were a lot of people out there looking for new things to do, and everything was cheaper – rent, equipment, even people were willing to work for less because the alternatives were not as great," says the professor. Perhaps even more important, the rigors of raising money in such an environment can hone and perfect a business plan to stand the tests of time. "The discipline you need to really nail the business model in a down economy is much higher," says Gal. "When I raised money for my first company, I had to go through such a painful process of fundraising, I had already dealt with some of the toughest aspects of my business before I got outside capital. With the last company, I was raising money even before I'd thought through the details."

That last venture, a service to halt junk mail and connect consumers with online promotions instead of their paper analogs, raised more than $15 million and tanked in July, at the bottom of the recession, as cash flow stalled and the environment for series C funding evaporated. But don't blame the economy, says Gal; he credits the bust to leadership failures. "This was my idea," he says. "I'm the one who made all of the key decisions on where money was spent, what we did." While he managed to position his personal investments for a downturn, he fooled himself into thinking it wouldn't affect the business, confident that as in recent years, the rising tide of outside capital would lift all boats. "I thought … that I had some magical ability to sidestep failure," he says. "I still believe that there is a level of planning, diligence, and discipline that I could have applied to keep that company from auguring into the ground."

NIMBLE AND QUICK

Revolution Money founder and CEO Jason Hogg, MBA '02, has employed some fast footwork to sidestep a similar fate as shifts in the economy threatened his alternative credit card company's business model over the last two years. "You have to have a degree of flexibility and creativity," says the entrepreneur, who overhauled Revolution Money's business plan and developed new partnership opportunities to grow the company's customer base as the economy slowed. "It's frustrating, because the amount of time you have to take to adapt or change your model, and things you do to keep the business alive and moving, distract from the fundamental effort of growing the business. It's an evolution that startups go through and the ones that are good at those adaptations survive; the ones that are too rigid go under."

Zero Energy Design President David Wax, MBA '04, credits the downturn with improving the green residential design firm he founded with a trio of fellow Cornell grads who met on a team to build a super-energy efficient off-grid home for the U.S. Department of Energy's 2005 Solar Decathlon. "[The crash] forced us to look at what we do best, what we can sell, and what we have to do to sell in a market that is so broken," says Wax. Adapting to the brutal economic climate has made the firm "smart and scrappy," he says. "If you can survive [a downturn], you're extremely strong. There are fewer competitors and you've honed your business, cut out all the fat."

STRATEGY FOR SUCCESS

If policy makers are serious about deploying entrepreneurs to turn the economy around, they're going to have to take a more creative approach than they have in the past, says economic geographer Susan Christopherson, a professor of city and regional planning in Cornell's College of Architecture, Art, and Planning. "I don't think we can expect entrepreneurs to transform a lousy economy," says the professor. "They haven't been supported by policy and we've made it very difficult for them to create new jobs."

Federal trade policies and artificially low transportation costs have promoted outsourcing, she notes, introducing a structural weakness into

"THE DISCIPLINE YOU NEED TO REALLY NAIL THE BUSINESS MODEL IN A DOWN ECONOMY IS MUCH HIGHER."

— Steven Gal, visiting associate professor

Lindsay France, Cornell University Photo

TRICKS OF THE TRADE

The school of hard knocks can be a powerful teacher.

We asked seasoned entrepreneurs to coach someone eager to follow in their footsteps.

STICK TO THE PLAN. "The business plan is your guide and the way you identify, as your own boss, what you need to achieve – this week, this month, this year, this decade — and what are those tough questions that you can't answer, yet," says Steven Gal, visiting associate professor of clinical entrepreneurship. "Test yourself, step by step, and measure: Did I get the result? How do I tinker with this in my next effort?"

RUN THE GAUNTLET. "A lot of really smart people beat the tar out of my idea for well over a year before I founded the company," says Revolution Money founder Jason Hogg, MBA '02, who credits the process with interrogating the quality of his thinking, the technological viability of the scheme, and realistically assessing the market opportunity. "It's very important to give an incredibly stringent look at what you're getting yourself into; you need honest opinions from people with expertise."

PARTNER UP. "If you think you can do it by yourself, you're wrong," says Cayuga Venture Fund managing partner Zach Shulman '87, JD '90, a senior lecturer in entrepreneurship at the Johnson School. "Find partners." Assemble a team whose strengths complement yours.

BE FRUGAL. "Capital is going to be more scarce and more expensive than it was in the past so you need to be very careful about how you spend dollars as you start up," says Preserve Capital partner Scott Killips, MBA '75.

CULTIVATE ADVISORS. "If you can't think of anyone you can go to with your tough problems and questions, you've got a problem," says Gal, who recommends commencing the search for mentors early in the start-up process. Digital Certainty CEO Kelsey Kohler, MBA '03, notes that, in a downturn, people's time for mentoring may contract, making a broad network even more valuable than in bull markets. "Cultivate those relationships, seek out help, and be able to learn from anybody."

SEEK BALANCE. It's easy to get consumed by the latest venture and burn out in the process, with negative personal and professional consequences. "Find that balance so that, emotionally and physically, you can continue," says Gal. "You can have massive success in business and the rest of your life become a disaster, and it's not a recipe for happiness."

BUCKLE DOWN FOR A BUMPY RIDE. "There are lots of highs and lots of lows," says San Diego entrepreneur Richard Jaffe '75, who left the Johnson School after his first year, when he launched Nutri-Foods International. Coca Cola bought the frozen dessert enterprise in 1985 and Jaffe went on to found Safeskin, Forbes magazine's 1996 "Best Small Business in America" and most recently Safe Life. "You have to withstand the many rejections, embrace them as learning opportunities, and see each time you get knocked down as an opportunity to do better. It's an attitude of perception and persistence."

CREATE YOUR OWN OPPORTUNITIES. "My grandmother always told me, 'This, too, shall pass,'" says Jaffe. "When things are going well, you prepare for when they aren't and when they are going badly you remember that someday soon they will go well again." When Novomer President Charles Hamilton, MBA '04, left the company in January 2009, he funded his own sabbatical. "If you look at the average, and if you plan for it as a career choice," he says, "you can get by, and you can do it full-time."

courtesy of Jason Hogg

"YOU HAVE TO HAVE A DEGREE OF FLEXIBILITY AND CREATIVITY. …STARTUPS THAT ARE GOOD AT [ADAPTING] SURVIVE; THE ONES THAT ARE TOO RIGID GO UNDER."

— Jason Hogg, MBA '02, Revolution Money

business models that currently count on cheap foreign inputs. As the rising cost of fossil fuel extraction boosts prices associated with the manufacture and international distribution of components, the margin between profits and costs will narrow. Reversing the trend won't be simple. "It will take an analysis of how we can rebuild our supply chains in the U.S. to provide our own inputs," says Christopherson, whose article, "Manufacturing: Up from the Ashes," in Democracy: A Journal of Ideas, details how such industrial hubs as Pittsburgh, PA, and Rochester, NY, could cultivate what she dubs "phoenix industries," which develop and manufacture high-tech components like circuit boards, sensors, and prototypes. "We have to replace a portion of what we've been getting internationally with our own suppliers," she says. "That infrastructure has disintegrated because of cheap fuel and trade liberalization."

Policy makers also have a role in promoting the availability of flexible startup funds for entrepreneurs dedicated to commercialization, a capital-intensive process that can span years. "There's been a lot of attention placed on venture capital," says the professor, "but the entrepreneurial, startup firms in high-tech industries that I've talked to — in photonics, environmental systems, flexible electronics — need a variety of different types of capital." That's especially true if an entrepreneur hopes to retain control of the business as it grows, or remain in place, rather than moving to such VC-rich hubs as the San Francisco Bay Area, Boston, Austin, or Minneapolis. "People go where the money is and the money goes where the talent is," says Steve Golding, a senior consultant to Cornell President David Skorton who has worked closely with Governor Paterson's task force on industry-higher education partnerships. "It's a self-fulfilling prophecy."

Charles Hamilton relied heavily on federal research and development grants to get Novomer off the ground and keep the business — and jobs — in Ithaca; he plans to pursue a similar tactic with Adenios. Yet as Novomer grew and pursued B-series funding from big-city venture capital firms, its business operations moved to Boston, where its VC partners are based; the two-dozen employees on the science side of the operation have remained in Ithaca. To combat such trends, policy makers in some areas have established revolving loan funds for small businesses and created incentives to encourage banks to provide transition loans at low rates, says Christopherson. "The key is to offer a range of capital sources," she says, "which can help advanced manufacturing firms at different stages."

Regional policy makers can also play a vital role in the successful marketing of technology, says Christopherson, by facilitating connections between local entrepreneurs and global markets. "Chambers of commerce can do a very good job promoting their locale, but they often don't have the connections with, for example, large overseas companies that are looking for U.S.-based suppliers of advanced technology," she says. As a New York State senator, Hillary Clinton identified overseas markets for upstate businesses, and then introduced prospective customers to her constituents. "She would go with these visiting trade delegations, set up meetings in Rochester with photonics firms," says the professor, noting that Empire State Development, the state's lead economic development agency also has a role to play. "There has to be an advocate, an intermediary who will be there from one year to the next. It's the connection."

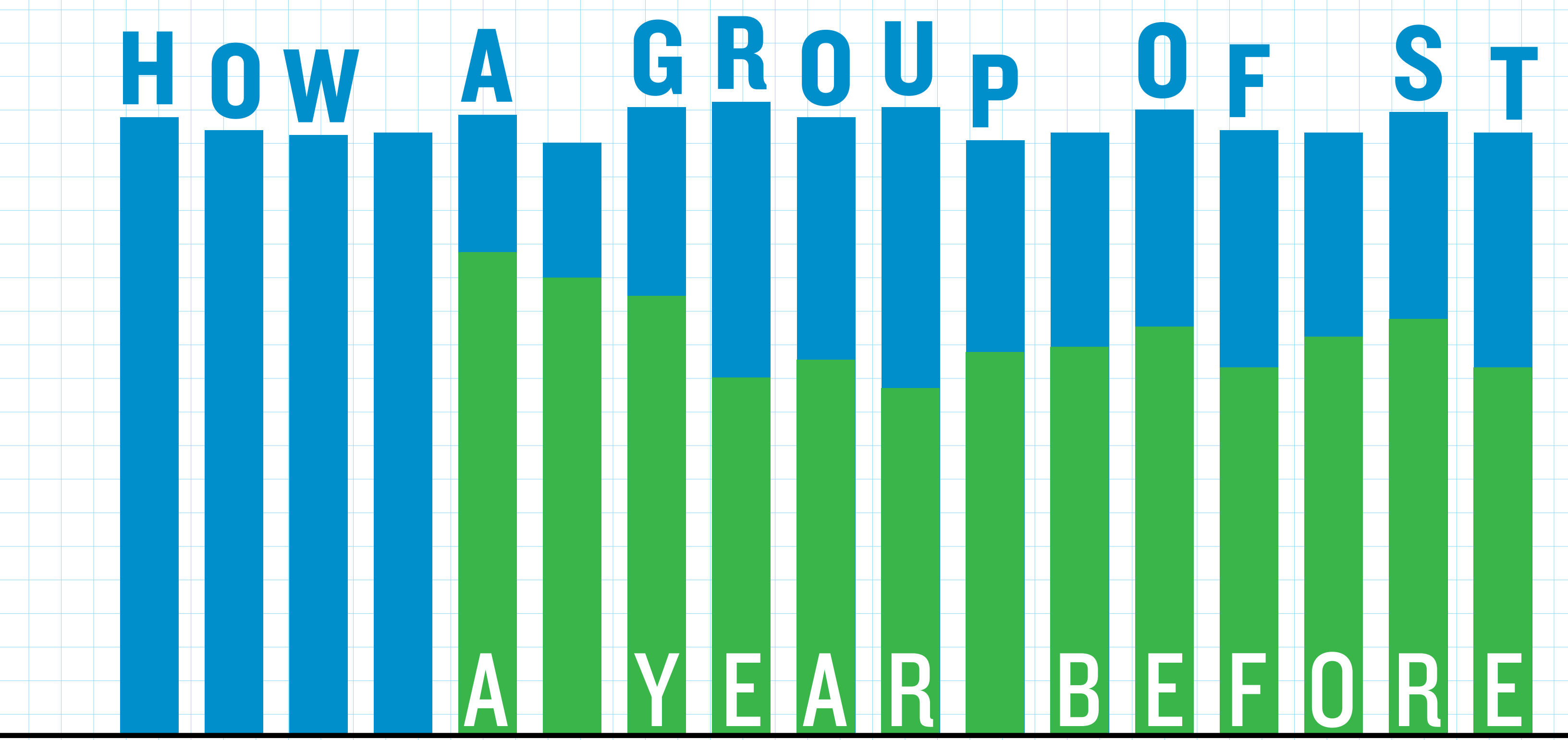
Like a rare bird that thrives only in a unique ecosystem, high-growth entrepreneurs require a tailored niche, says Golding: "There's an environmental issue related to where all of the key elements come together." In addition to transportation infrastructure, access to capital, and robust international connections, those key elements include a skilled workforce and access to expertise, elements state and local policy makers affect through higher education funding and reform. "I don't see entrepreneurs as islands unto themselves," says Christopherson. "If we want these kinds of firms to thrive, we have to pay much more attention to what they need."

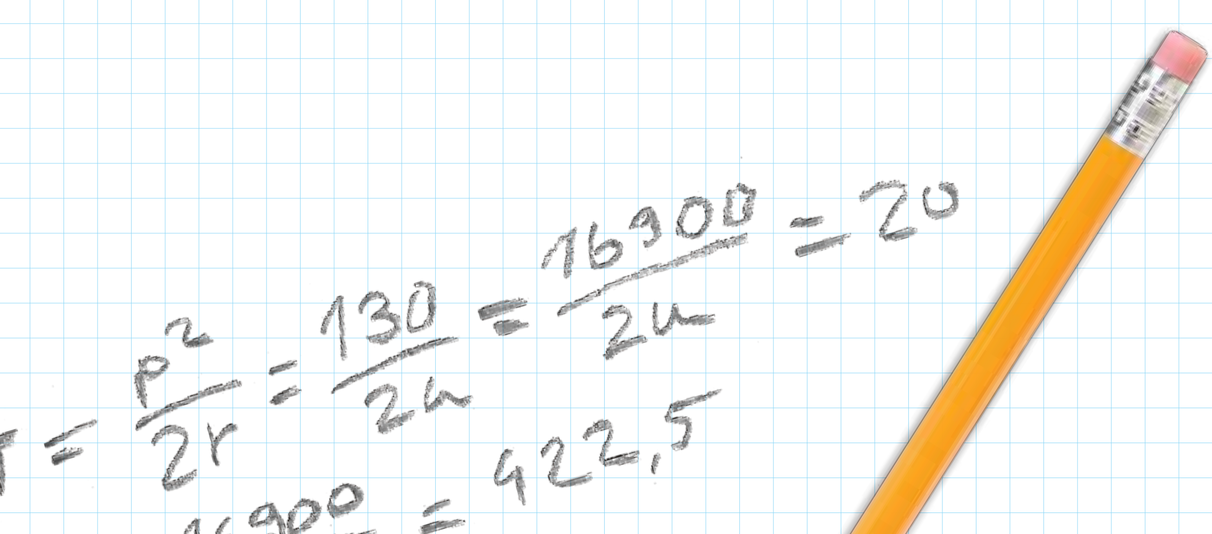
Sharon Tregaskis '95 reports on business, healthcare, and the environment from her home in Ithaca, NY. As a freelance writer and beginning farmer, she took special interest in comparing her own perspective on self-employment in touchy economic times with those of the high-growth entrepreneurs she interviewed for this story.

"I don't think we can expect entrepreneurs to transform a lousy economy. They haven't been supported by policy and we've made it very difficult for them to create new jobs."

— Professor Susan Christopherson

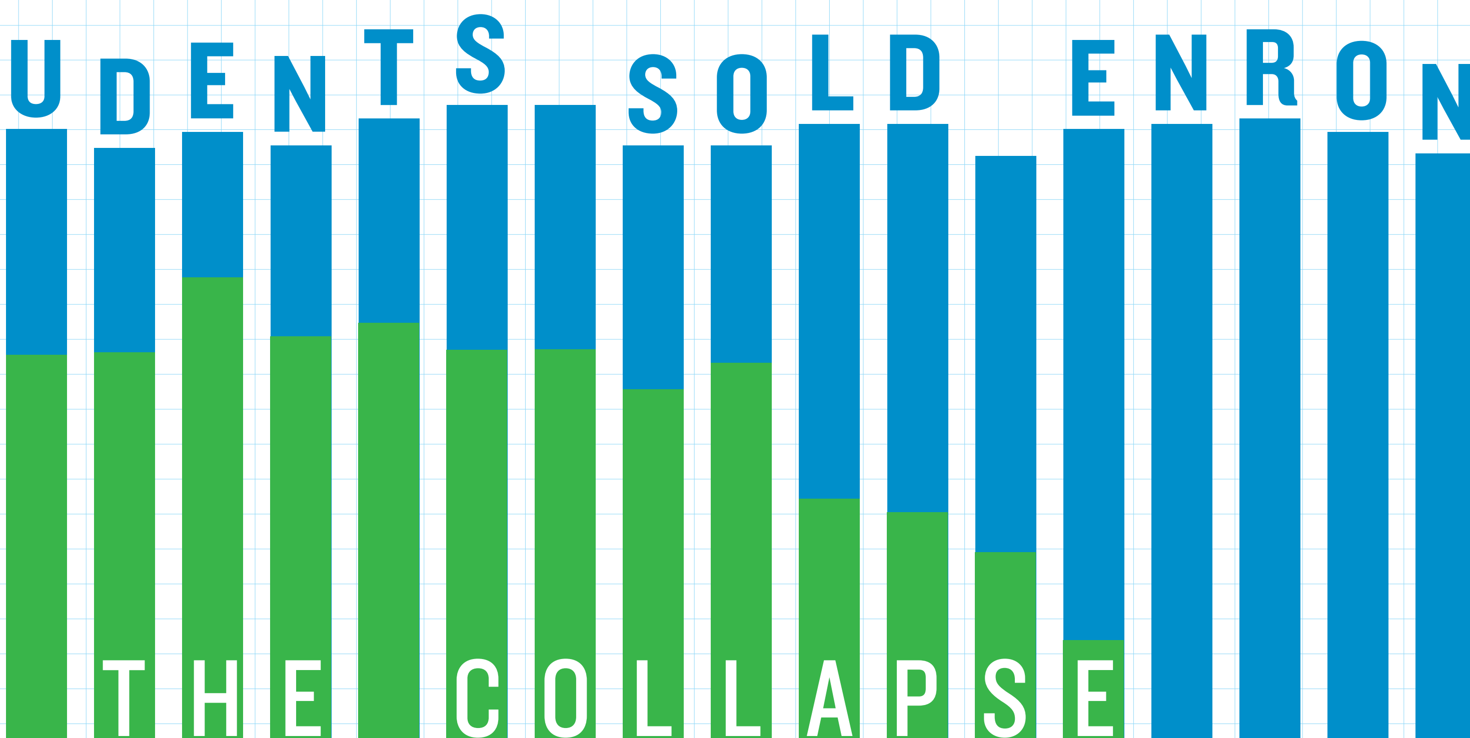
ENRON 101:

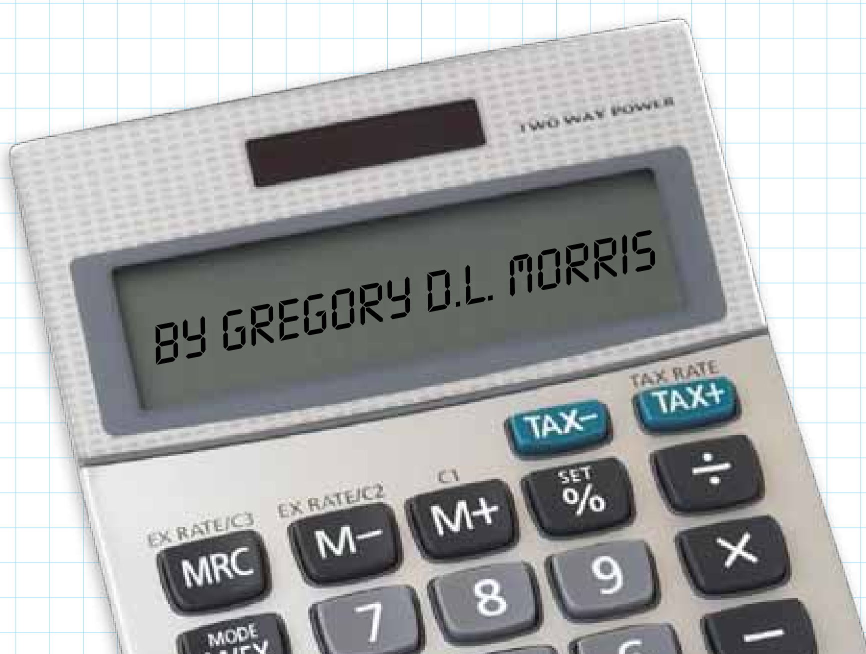




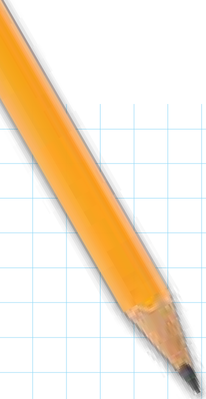
UDENTS SOLD ENRON

THE COLLAPSE





BY GREGORY D.L. MORRIS



Wall Street lore says that no one saw the collapse of Enron coming. Chairman Kenneth Lay, CFO Andrew Fastow, COO Jeffrey Skilling, and their band of brigands had done such a good job of fooling accountants, auditors, investors and regulators that the implosion was a shock to all. Like much conventional wisdom on Wall Street, this is not entirely true.

In May 1998 a team of students at the Johnson School selected Enron as the subject of their term project for Professor Charles M. C. Lee's course in financial statement analysis. At the time, ENE was trading around $40/share and was widely touted by analysts as being the company best placed to take advantage of accelerating deregulation in energy markets.

To their own surprise, the team returned a "sell" recommendation based on the strict application of the fundamental tools Professor Lee had taught them. Although the team did note that the eight-variable Beneish model indicated possible earnings manipulation, their sell recommendation was based primarily on an intrinsic value of about $35/share versus the then-current price of $48/share in a 52-week range of $35 to $51.50/share.

Later that year, the Johnson School started the Cayuga Fund, a live-money investment opened with $650,000. The sell call on ENE had proved prescient, and the fund took a modest position in ENE in December 1998 at around $27/share. A separate purchase in October 1999 at $40/share gave the fund a holding of 720 shares (including splits) at an average purchase price of $29.40.

The very next year the sell call was taken up again, this time in greater urgency. A role in managing the Cayuga Fund is part of the required curriculum for select second-year students. Two of them, Feidhlim Boyle and Tyger Park, both MBA '01, were assigned the energy, mining and manufacturing sectors, including Enron. As Boyle and Park settled back into the class routine that fall of 2000, nothing was hotter than ENE, which was trading higher than $90/share.

Boyle and Park were in Professor Lee's analysis course and were familiar with the 1998 evaluation. Again the recommendation was sell on ENE, but this time it involved real money. Boyle and Park stood in front of their class and made a case to sell one of the highest fliers on Wall Street.

The class accepted their argument, as did the faculty and staff supervisors.

The Cayuga Fund sold its entire position in ENE at $67.38 on December 1, 2000, booking a return of 129 percent. To be sure, neither the 1998 team nor Boyle and Park saw at the time the enormity of the Enron fabrication. But their recommendations were hardly a lucky call. They didn't believe the hype, but they did do the math.

Exactly one year and one day later, December 2, 2001, Enron filed for bankruptcy.

THEORY IN PRACTICE

Joe Thomas became dean of the Johnson School in 2007, but has served on the faculty for more than 30 years. While exceedingly proud of the fundamental analysis done by the students, he is quick to note that there was no sense of clairvoyance at the time. "It was mostly a non-event," Thomas recalls. "There was some feeling that Enron was too good to be true, but no one was prescient enough to foresee what actually happened. Our students simply did careful analysis that showed that what was going on with ENE was not sustainable. No one knew the level of fraud."

Doubling its money on Enron stock is certainly a point of pride, but it is just one of many good picks made at the Johnson School and at several of the other top B-schools in the country. Thomas says he and his fellow deans have explored the idea of monetizing the analysis that students, faculty and alumni do.


University Photography

"We've discussed it, and we've realized that it would take resources that we don't have."

Occasional interest has also come toward B-schools from Wall Street firms. Thomas says he cannot comment on any such feelers, but it is known that at least one financial firm has approached the Johnson School, and sources in the financial sector and in academia suggest there have been several such contacts at other schools as well.

The attraction is clear: pure, fundamental analysis that is essentially free from bias. But the devil is the details, most importantly how to insulate the schools from liability and maintain that objectivity, and secondly how to make reporting regular and consistent.

"We can do the analysis," says Thomas, "and we have discussed selling the output. But it would have to be at arm's length. There would have to be legal protection." He adds that there is nothing along those lines underway at present.

For the time being the only real money at stake is in the Cayuga Fund. Thomas stresses that the Cayuga Fund "is not just play money. We do seriously want to make money, and we are very proud of the return, especially as this is an educational fund and we don't use any leverage."

As of May 2009, the fund had assets under management of $11.6 million, according to Lakshmi Bhojraj '95, MBA '01, director of the Parker Center for Investment Research at the Johnson School. She is also a classmate of Boyle and Park. The center was established in 1998 concurrently with the creation of the Cayuga Fund and the school's move from a Modernist box on the edge of campus (Malott Hall) to Sage Hall, a lovingly restored Queen Anne complex in the very center of the university.

Bhojraj says that the Parker Center is a state-of-the-art facility, comparable in capability, if not size, to any trading floor on Wall Street. "We have cool data walls with live feeds. The software and analytical tools alone would cost $1.8 million just for fees at a commercial operation. Some is donated, most comes at a discount, and in return we help the vendors with their beta testing," she adds.

According to a recent survey by Brian Bruce, director of the Alternative Asset Management Center of the Cox School of Business at Southern Methodist University in Dallas, there are at least 275 schools that have student-managed live-money investments. Total assets under management were about $340 million, but that was pre-recession. "It may be as low as $250 million now," says Bruce. "That is why we are renewing our survey and hope to have results later this year."

Most B-school funds are quite small, with average assets under management of $1.4 million and the median holding of just $400,000. Ohio State and the University of Minnesota had more than $20 million in the last survey, the latter split evenly between a growth and an income fund. Cornell and the University of Texas are the only other schools with more than $10 million.

Bhojraj notes that Cornell is one of the few institutions to combine a full-scale trading floor and a live-money fund at a research university. "The University of Michigan is probably most comparable to us, but that is because it was modeled after us," she says. "The University of Texas at Austin also has a trading room and a fund."

She further differentiates among the educational funds. "I believe that many of the larger funds hold a lot of Treasuries and are man-

Digital ticker in the Parker Center at Cornell University.

University Photography

How did teams of B-school students see plainly what professional analysts, asset managers, and regulators missed? They did the math.

aged more passively. We are among the largest actively managed." Bhojraj also notes that many educational funds handle mostly endowment money. "We have real investors. The endowment is one of them, but it is not a significant investor."

The Cayuga Fund uses both a quantitative and a fundamental approach, and a proprietary model to screen stocks. Screened stocks are passed to student sector managers for fundamental analysis. The faculty director and Parker Center director supervise and manage the risk of the portfolio all year. This includes taking positions as hedges and supplementing student recommendations with quant picks. They actively rebalance and manage the portfolio when the students are not in session. The fund also has its own board of directors, while the dean and the faculty director are the designated managers (equivalent to general partners) of the fund.

The Johnson School is also host to the annual intercollegiate MBA Stock Pitch competition held the first week of November every year since 2003. Cornell placed highly in the first few years, but has not fared as well recently. "The winners are based on how convincing their pitches are, not on how their picks perform," says Bhojraj. "Our picks have done well on a performance basis, so starting this year we are going to track performance, and also back-test our picks for the last couple of years."

Bruce adds that intercollegiate stock picking and pitching competitions are growing. He notes the Texas Investment Portfolio Symposium is held every March, with the winners going on to the CFA Institute regional and global challenges. Doug Vieland, executive director of the Association of Collegiate Business Schools and Programs, says his organization is looking into several different ways to raise the profile of the research conducted by students at member institutions. Those could include tracking and communicating the number and performance of student-managed funds as well as the various competitions.

PARSING THE RED SEA

All that was years into the future when Partho Ghosh, MBA '98, Juan Ocampo, MBA '99, Lori Harris, MBA '99, Erik Simpson, MBA '99, Jay Krueger, MBA '99, and Jay Vaidhyanathan, MBA '98, all put Enron's numbers to the test in Professor Lee's class. "For the capstone project of the class, each team selected a company and applied the tools," says Lee, now a visiting professor at the Graduate School of Business at Stanford University.

"Partho had an internship with an energy company, and I think was talking to Enron about an opportunity," says Krueger, now chief strategist for PMSI, a medical services and benefits management company for workers compensation, based in Tampa. "He had a passion for the energy business, and he was a second-year student, so seniority ruled in our company selection."

Krueger recalls that "Enron's core energy business was easily comparable, but we really struggled to find some way to compare

University Photography

the energy trading business. The company's business model was changing, and there was a great deal of complexity. There was a lack of clarity in the capital and trading unit."

The professor recalls that their findings were "no biggie. They ran through their paces, made their presentation, got a good grade, and we posted the paper online. They did a nice job, but a lot of good work is done by students." Lee stresses that students don't have any incentive issues the way many professional analysts and asset managers might.

The following year, Boyle and Park picked up the trail. Boyle's father Phelim is a professor of finance at Wilfrid Laurier University in Waterloo, Ontario, and clearly the apple does not fall far from the tree. The younger Boyle is today a principal at Tirgarvil Capital, a private asset management firm in Waterloo. Park is an asset manager with the large hedge fund Millennium Partners.

Boyle is quick to credit Lee with providing the tools and critical thinking skills to him and his classmates — although not without some stress: "those first few months were like drinking from a fire hose," says Boyle. By October of 2000 the students turned to run their analysis. "We saw weakening for ENE on the quant scores. As in the earlier analysis, the Beneish model showed likely earnings manipulation." Boyle recalls, "Also, we could not understand the footnotes in the annual report. We took them to Professor Lee, and he found them obscure as well."

Boyle remembered a comment from Benjamin Graham's disciple Warren Buffet to the effect that if you can't understand the footnotes it is because management does not want you to. That led Boyle and Park to the Parker Center to take a closer look at the raw data feeds and histories. "I remember pulling up the insider trading chart for ENE and it was a sea of red. It was just crazy, unreal. I remember it very vividly. There were consistent multiple insider sales in large amounts. It was like an epiphany, it was so striking."

Those harsh red lights overshadowed the many positives for the company, Boyle says. "This was a highly admired company. Their managers were so bright, and they were in everything from natural gas to broadband to yak milk. Their valuation was 50 times earnings. But they had lots of debt, and they were not paying taxes because they had no cash flow. They had derivative contracts going out 25 or 30 years on interest rates. There were a lot of ways that things could go wrong. We were not convinced there was fraud, but it was clear the finances were very confused, and we were just not comfortable holding the stock. We pitched to the class selling 100 percent of the holding."

How did teams of B-school students see plainly what professional analysts, asset managers, and regulators missed? They did the math. "There are three lessons," says Krueger. "First is don't invest in anything you don't understand. Second, leverage can get you sideways in a hurry. And third would be diversify. All those people who lost everything when the stock became worthless — it's just a very sad story." *FH*

This article first appeared in the Spring/Summer 2009 issue of Financial History *magazine, published by the Museum of American Finance, NYC. It has been adapted for publication in* Cornell Enterprise*, and reprinted with permission.*

Gregory D. L. Morris '87 (CALS), once a student intern for *Cornell Enterprise*, went on to found Enterprise & Industry Historic Research, where he specializes in company histories and executive profiles. He is an active member of the editorial board of the Museum of American Finance.

A Strong Sense of STEWARDSHIP

BY MERRILL DOUGLAS

Ted Lapres never dreamed of sitting in the CEO's chair. Yet that's where he found himself in 2006, at the head of Nypro, the global plastics manufacturing firm where he had worked for the past 18 years. He felt a bit like Harry Truman, suddenly made president when FDR died, or like Katherine Graham taking over at the Washington Post upon the death of her husband.

Lapres' ascension wasn't as dramatic as Truman's or Graham's, but, like them, he would have to prove himself quickly. Nypro badly needed a leader to renew its sense of mission.

In 1998, longtime owner Gordon Lankton (Cornell '53, mechanical engineering) had sold Nypro to its employees, making it one of the largest employee-owned firms in the U.S. Then, in 2002, Lankton moved up to serve as chairman. His successor as president and CEO began pushing in directions that many felt conflicted with Nypro's core principles.

"He wanted to grow much more quickly than we could sustain as an Employee Stock Ownership Plan company," Lapres says.

"It was a rocky time. There was a lot of unrest and tension," recalls Aaron Lazare, MD, dean and chancellor emeritus at the University of Massachusetts Medical School and a member of Nypro's board.

When the position opened up in 2006, the board tapped Lapres, then chief financial officer, as interim president and CEO. Five months later, they made it a permanent appointment.

"It came out of left field for me," says Lapres. "I stepped into this CEO role unexpectedly and knew right from the beginning I would have to do a lot of learning on the job."

Clearly, Lapres has learned well. Since 2006, in his quiet and purposeful way, he has led Nypro through the biggest reorganization in its 50-plus year history. He also has steered the company safely through the global recession. Now, he's helping Nypro to fashion a strategy for future growth.

Based in Clinton, Mass., Nypro designs and manufactures injection molded plastic parts for products that touch our lives in many ways: cell phones, home appliances, drug dispensers, cosmetics packaging, and beverage containers, to name just a few. When Lapres joined the firm as corporate controller in 1988, Nypro had $80 million in revenues. By 2008, annual sales had climbed to nearly $1.2 billion.

Lapres came to the CEO's post with strong credentials, of course. "He's totally honest, and he's a very smart guy," Lankton says. "Everybody respected him."

His background in finance was impeccable, Lankton adds, and Lapres had learned about other aspects of corporate operations while chairing the board of Nypro's business unit in Singapore.

But Lapres understood that to succeed as CEO he would need a crash course in all things Nypro. "I had to step away from the things that I was comfortable with on the financial side — to let other people handle that — and spend much more time with the customers, with our engineers, with people in the plants," he says. "In the first two years, I made a vow to visit all of our 30 to 40-plus operations around the world, and as many of our customers as possible."

He listened to everyone he met and also used those visits to outline the vision that his leadership team was creating for Nypro.

NEW AGENDA

Under a new, more customer-focused strategy, Lapres and his team have redesigned the firm. First, they got Nypro out of ventures that didn't match its strengths. For example, one subsidiary manufactured robots. "Making robots wasn't something we were good at," Lapres says. So Nypro sold that unit, plus others that made a poor fit.

They also transformed the heavily-matrixed, regional organization into a company composed mainly of three global business units. The first business serves the consumer electronics market, with an emphasis on wireless. "Nokia has been our largest customer for a number of years," Lapres says. "RIM [Research in Motion] will be our largest customer this year, making plastic housings for Blackberry devices."

The second unit serves customers in health care: Nypro makes precision parts for medical devices such as insulin pens for Eli Lilly and asthma inhalers for GlaxoSmithKline. The third global business focuses on packaging. "Procter and Gamble, for instance, is our largest customer in packaging," Lapres says.

Within these markets, Nypro forms strategic relationships with

Patrick O'Connor for Nypro

PROFILE IN LEADERSHIP

THEODORE LAPRES III, MBA ’79
PRESIDENT AND CEO, NYPRO

“He’s got a clear, clear focus, but he’s not out pounding the drum and being strident... He does things in a quiet and determined manner.”

– Jim Peck, corporate VP and general counsel, Nypro

select customers. “We serve them very broadly and deeply, with engineering services, global capabilities, design, tool building and support, along with molding the plastic parts,” Lapres says.

Each unit largely runs itself, while Lapres and his corporate team focus on the bigger picture. “How do we bring a parenting advantage to these various businesses, driving synergies among them so that there’s more value to being under the Nypro fold than not?” he asks. “And then, what are the new markets that could drive our growth in the future?” The sustainable energy market, for instance, might offer significant opportunities, he says.

While making these changes, Nypro also had to move fast to stay afloat during the global economic crisis. As money grew tight, people started buying fewer wireless devices, home appliances, and other products that are central to Nypro’s business. After 22 years of straight increases, Nypro saw sales drop by about seven percent in fiscal year 2008, compared with 2007.

In response, the firm cut expenses wherever it could. “As an employee-owned company, we like to go carefully there,” Lapres says. But the crisis forced Nypro to work harder than ever to control costs and stimulate cash flow — with good results. “Even though we ended up with profits down, we still remained profitable.”

The recession also made the company reassess the role of wireless products in its portfolio. Wireless is a high-risk industry for a contract manufacturer, since wireless products go obsolete every six to 12 months. As manufacturers prepare to introduce their next-generation devices, Nypro must continually compete for their business.

“A health care program, if you win it, you might have for seven to ten years,” Lapres says. Packaging programs last five to six years. So Nypro has been working to balance its customer portfolio more evenly among the three markets, he says.

QUIET, DETERMINED

Lapres has taken a remarkably low-key approach to leading Nypro through these critical changes, say observers. “He’s got a clear, clear focus, but he’s not out pounding the drum and being strident about things,” says Jim Peck, corporate vice president and general counsel at Nypro. “He does things in a quiet and determined manner. It’s quite interesting and effective.”

Lapres’ calm demeanor helps to keep people focused at meetings, says Lazare. “When everybody’s hysterical, he is never hysterical.” Also, Lapres knows when to tap others for help, he says. “He’s confident enough to feel that he’s not losing anything by reaching out to people with their particular strengths.”

In fact, relying on the strengths of others, and empowering them to succeed, is a basic tenet of Lapres’ leadership philosophy. “One of my challenges is to step back more, get more hands-off,” he says. “Then I need to have the right ongoing communications process to stay up to speed, to reinforce where it’s necessary, or to point out areas to think about.”

Besides learning to stand back, Lapres strives to work with people who don’t see the world the same way he does. “It’s challenging to try to understand what’s important to another person, how they are viewing something, when I don’t naturally think that way.” But diversity is a virtue in a management team, he says. “To be successful, you need a wide range of different personalities.”

While growing into the role of CEO at Nypro, Lapres has kept in mind his duty to maintain the company’s heritage and culture. Leading a firm owned by its employees is different from leading another kind of corporation, he says.

“I have a strong sense of stewardship. Gordon left a legacy, and I view that I’ve been entrusted to take that for a period of time and try to improve on it, and then hand it off. We remain committed to the values of staying an employee-owned company.”

Lapres takes his job as steward very personally, Peck says. That’s why, for example, when he learned of a fatal accident at a Nypro plant in Kentucky in 2008, Lapres responded with speed and passion.

“In so many words, he said, ‘On my watch, we are going to make safety number one. We want to do well by employees. We’re a profit-making enterprise. But we are going to make sure our people are safe,’” Peck recalls.

Lapres continually reinforces that commitment, Peck says. “Now, safety is the first thing we talk about in every management meeting and in every board meeting.”

Lapres’ blend of integrity, care and quiet determination has helped Nypro emerge as a unified global firm, driven by its desire to serve its customers. “Everyone feels very good about where we are,” Peck says.

“His greatest contribution has been to instill a sense of confidence and direction,” says Lazare. “It’s a sense that someone’s in charge, someone you can trust, that we should all work hard, and that this company is worth working for.”

MERRILL DOUGLAS, A BUSINESS JOURNALIST IN VESTAL, N.Y., HOMES IN ON BUSINESS LEADERS’ VALUES, PERSPECTIVE, AND STRATEGIC APPROACH IN HER PROFILES IN LEADERSHIP FOR *CORNELL ENTERPRISE*.

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(E) denotes a graduate of the Executive MBA program

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THE 1960s

CLASS OF 1969

Nestor Cruz, JD '70, published an article, "The Sources of Cuban Official Conduct," in the Feb. 2009 issue of *Cuban Affairs*, the journal of the Cuban Studies Institute at the University of Miami. He borrowed the title of the article from Ambassador George F. Kennan's 1946 "long telegram" from Moscow. Nestor practices law in Annandale, Va.

Peter Orthwein '68 reports the birth of a son, Benjamin Peter, in June. Benjamin joins big sister, Sophie. Peter is VP at Spring Capital Partners II LP, in Baltimore, Md.

THE 1970s

CLASS OF 1974

William W. Huling, Jr., '68 is interim associate dean of Alumni Affairs and Development at the Johnson School. He was named to this position after having served in development and alumni affairs at Cornell and the Johnson School for over 21 years.

CLASS OF 1975

Scott Killips is a partner with Preserve Capital Group. He participated in a panel, "Uncensored VC Confessions," presented in October by the Johnson School Club of the Bay Area and the Cornell Entrepreneur Network in Palo Alto, Calif.

Irene Blecker Rosenfeld '75, MS '77, PhD '80, CEO of Kraft Foods Inc., was featured in two September articles: "What you See is What You Get" (Forbes.com – 9/8/09), and "Kraft Chief has History of Success" (*New York Times* – 9/8/09).

CLASS OF 1977

Dave Bowen is CIO of the Federal Aviation Administration in Washington, D.C. He was included in InformationWeek's first-ever compilation of top CIOs in federal, state, and local government (InformationWeek.com, 9/26/09). Dave holds an FAA commercial pilot's license and participates in air shows on the East Coast.

THE 1980s

CLASS OF 1982

Charles Goldsmith and his wife, Julie Bender, became Peace Corps volunteers. They began their service in Mexico in September.

CLASS OF 1984

Masa Watanabe writes: "Time flies like an arrow," noting how hard it is to believe it's been 25 years since commencement. His elder son is "fortunately or unfortunately" attending Kellogg School of Business, "at exactly the same age as I attended BPA at Cornell when he was only three years old." Masa has enjoyed working on Wall Street at Salomon Brothers, at the World Bank in Washington, D.C., and now, "flying across the globe as an independent management consultant based in Tokyo." His wife suffered ovarian cancer last year but has recovered. Masa plans to come back to Ithaca for Reunion 2014. Meanwhile, he writes, "I wish all the best for my friends, professors, and staff of the JGSM."

CLASS OF 1989

John R. Hayashi was promoted to president of HTH Corp. in Hawaii. He began his career at HTH in 1979, and his most recent position, assumed in 2003, was corporation general manager. John and his family live in Honolulu.

David Kearney, CEO of email marketing firm Boomerang. com, was featured in an August article: "Email Marketing Firm Boomerang.com's Tools for Twitter Keep Pace with Increasing Uses of Social Media in Conjunction with Email Campaigns" (*IT Backbones* – 8/7/09).

THE 1990s

CLASS OF 1992

Eugene LeCouteur earned a master's of divinity from Union Theological Seminary, and is an associate for Christian formation and education at St. Stephen's Episcopal Church in Richmond, Va. Eugene reports he is "still using my MBA…to start up a farmers' market as part of our environmental and community outreach ministries."

CLASS OF 1996

Tejpreet Singh Chopra, president and CEO of GE India, published an article, "Lo-Cal, Hi-Protein: Building capacities and nurturing talent is the need of the hour," in OutlookIndia.com, Sept. 28, 2009.

Christopher Heffernan is VP, product development and marketing, at Wolverine World Wide Inc. in Rockford, Mich. On he and his family's move from Bellingham, Wash. to East Grand Rapids, Mich., Chris says that although they will miss the Pacific Northwest, the next chapter of their lives, "on the 'West Coast' of Michigan," promises "plenty of amazing kayaking."

CLASS OF 1997

Jamia Jasper is founder and president of the American Israeli Shared

Values Fund, an Israeli mutual fund started in 2007 to satisfy those looking to "'buy Israeli', whether for investment purposes or for a show of solidarity….it is a niche…which makes it stand out," and "the performance is good."

CLASS OF 1998

Rick Cleary is COO of Sharpridge Capital Management, L.P., a fixed-income asset management company in Waltham, Mass. Sharpridge Capital is also co-manager of Cypress Sharpridge

Mario Alfano, MBA '84:

THE DIGITAL newsman

The decline of the American newspaper is much-reported, but, as Mario Alfano, senior vice president of marketing and strategy at ImpreMedia, would tell you, one segment of the media is navigating these choppy waters quite well — the segment that serves the media needs of Hispanic Americans.

ImpreMedia is the largest Hispanic news and information company in the country in online and print media offerings, with newspapers in the top seven U.S. Hispanic markets, and a reach that extends to almost two-thirds of the U.S. Hispanic population. As other papers have seen their subscription numbers drop precipitously, papers such as New York City's *El Diario* have actually been growing, says Alfano. And ever since Impre.com, the company's online news portal, was launched in April 2008 under Alfano's direction, the number of visitors has increased from 300,000 to over one million.

"They're an interesting, particular group," Alfano says of ImpreMedia's readership. He explains that, traditionally, Hispanic-Americans have looked to Latin American sources for news from back home. Impre hopes to bring those services to the same readership under a U.S. umbrella, so readers can receive news of their homeland and the U.S. all in one place. "We think of ourselves as a U.S. site that happens to cater to people who speak Spanish." As one would expect, the content on ImpreMedia's Web site and in its hard-copy newspapers is shaped to satisfy the unique interests of its readership — immigrant alerts and soccer news get top billing, as did the confirmation hearings for Judge Sonia Sotomayor this past summer. Not satisfied with increasing user visits to the Web site, Alfano is also exploring different ways to deliver content: since recent Hispanic immigrants are ten times more likely to have a mobile phone than a computer, Impre has ramped up their mobile offerings, which now include such paper newspaper staples as classified ads and personals.

Alfano understands what it's like to crave news from back home; he frequently reads newspapers from his parents' birth country of Italy to see what's going on in the world of his distant relatives, and, earlier in his work life, he was based in Hong Kong, Canada, and Argentina, and had to make the effort to seek out news from the 'States.

Thus far, he's enjoying the challenge of strategizing for this special slice of the media pie. "Since we don't do TV, it's a smaller footprint, but that leaves me more freedom to be creative," Alfano says. "And that part I really enjoy."

– Mark Rader, MFA '02

Janet Carr, MBA ’90:

A STRATEGY for fashion

Janet Carr is not a fashionista. As an undergraduate zoology major and a graduate student in biology, Carr was more likely to be found tromping around in the woods in muddy boots than hosting cocktail parties in a pair of Manolo Blahniks. Even today, as senior vice president of strategy for NYC-based Coach, Inc., Carr is more likely to spend a Saturday afternoon browsing the bins at a factory outlet than window shopping in downtown Manhattan. So what attracted the self-described former hippie to the top strategy position at one of the more prestigious manufacturers of handbags and leather goods in America? It wasn’t the 50 percent employee discount, she says, though she can’t deny that it’s a nice perk.

“I’ve always liked to look at the big picture. And that’s what this job is. You get to see how all the puzzle pieces fit together and do something about it. Geographically, functionally — you get to see it all.”

Coach, Inc., a company once known primarily for their American-made leather goods, has become equally known for their line of handbags, most priced in the $300 - $500 range, as well as accessories like bracelets, wallets, and belts. Luxury brands often attract buyers motivated by status: the pricier the product, the better it must be. The ethos of Coach is more egalitarian, Carr says. What the company strives to give its customers is what she calls “accessible luxury” and, above all, a product that is stylish and made well from quality components. Contrary to luxury brands like Louis Vuitton, which are hesitant to adjust their line of goods year-to-year (if a woman buys for status, Carr says, she wants the product to signify the same status year-to-year), Coach has made it a priority to offer new products every single month, in an effort keep shoppers constantly interested, and to encourage multiple purchases. It’s a strategy that has kept the company ahead of the curve during the recent recession.

Before taking her current position at Coach, Carr had a similar job at Gap — what she calls “a wonderful brand,” but a company on the downside of its growth curve. By comparison, Coach, Carr believes, is very much on the upside: beyond firming up its business in the United States and Japan, the company is looking to expand its reach into China in the next four to eight years.

The key to knowing how to shape the image of the brand in the future, Carr says, will be to keep closely monitoring and responding to the changing desires of its customers. And in this regard, she says her relative ambivalence about what’s hot and what’s not is actually one of her greatest assets: “I’m not imposing my point of view that way. Instead, I’m really listening.”

– Mark Rader, MFA ’02

Investments Inc. (www.cysinv.com), where Cleary serves as COO and assistant secretary. He reports that Cypress Sharpridge IPO’d June 12, 2009; its symbol is CYS on the NYSE.

CLASS OF 1999

Geoff Archer received his PhD in business administration from

the Darden School of Business at the University of Virginia. His research focus on green microfinance can be explored on his website (www.researchingmicrofinance.com). Geoff, his wife, Brigitte, their two kids (and two dogs) have moved to Victoria. B.C., where he is an associate professor at Royal Roads University, teaching entrepreneurship and writing his book on environmental entrepreneurship.

Alex Christou reports that his company, Hoffman-LaRoche, merged with Genentech, and his job relocated to San Francisco. He writes: “although we have enjoyed living in northern NJ, we are happy to leave the cold, and the garbage so often seen by the side of the road in NY/NJ, behind.”

Deborah King Garber and **Joe Garber** “have both weathered the job cuts.” Deb is still with HP, and Joe is a senior director at Renew Data, based in Austin, Texas, but working out of Boise. Daughter, Sydney, is "finally old enough to start at the Montessori School…and loves it." Deb was able to attend the tenth Johnson School reunion, where she caught up with classmates **Geoff Archer**, **Greg Balet '93, MEng '00**, **Paul Belle Isle '90**, **Dave Benini**, **Rafael Borbon, MEng '97**, **Sarah Brubacher**, **Marshall Chapin**, **Katharine Christmas**, **Michael Clouser '90**, **Alex Ghebru**, **Tami Gordon**, **Steve Jasa**, **Heather Kientz**, **Kevin Lindquist**, **Jim Mirenda**, **Andy Orth**, **Abdias Ortiz**, **Mike Princi**, **Thorsten Suder**, **Laura Sullivan**, **Cathleen Tobin**, **Shannon Monigal Wadsworth**, and **John Wolff '90, MA '91**.

Rafael Herrera-Lasso has is a global brand marketing manager at Reckett Benckiser, a health and personal care product company. He is also opening a restaurant in Park Slope, Brooklyn, called "Fonda" (which means "diner" in Mexico), serving Mexican "home-style food with unexpected flavors."

Gautam Khanna is director and portfolio manager with MBIA Asset Management in Westchester County, N.Y., managing a high-yield fund as well as running a publicly traded closed-end bond fund. He and his wife, Mitali, have "two delightful children," elder daughter, Ruhi (whose name means "of the soul"), and younger daughter, Ashna (whose name means "beloved").

Tony Lau '90, MEng '92, and his wife, Yvonne welcomed their second daughter, Elyse, in April. "She and big sister, Sophia, have taken up all our time. Yvonne is back to work at E&Y after a three-month maternity leave and I am still at MetroPCS overseeing our handset an accessories portfolio."

Steven Miska is a task force commander in Iraq, headquartered in Diwaniyah and Najaf provinces, and embedded with the provincial

reconstruction teams. He says, "There is never a dull moment and the best fiction writers could not dream up some of the things we see on a daily basis in Iraq."

Molly Rihn Meyer says, "Bill and I are happy to announce the

birth of our daughter, Elisa, born Dec. 8. She joins big brother Evan, who loves to give her hugs." Molly continues to "spend most of my day doing all things baby."

Glenn Squire is a marketing strategy consultant with Epsilon, a Dallas-based database marketing company. He says, "We help companies, mostly direct-to-consumer but some B2B, improve the efficiency and returns of their direct marketing efforts. I love the field." He and his wife, Helen Silver, live in Frisco, Texas, with two cats.

Mike Torek and his wife welcomed Carson Walter to the Torek clan July 1. Carson joins older brother, Michael, one-and-a-half.

THE 2000s

CLASS OF 2000

Adam Kramer is a portfolio manager at Fidelity Investments in Boston. He and his wife, Marcy, have three children: Jordan 6, Jill, 3, and Brandon, 1.

Suk Hyun (Steve) Kim has joined a renewable and carbon emission abatement project developing company, SCC MENA Holding B.S.C., based in Bahrain.

Matt Azzara is director of business operations for the specialty and oncology commercial unit for emerging markets at Pfizer, which is the marketing group for Asia (except Japan), Eastern Europe, Africa, the Middle East, and Latin America. Matt and his wife, Kasia, and their children have moved to Manhattan.

Alex Chen and **Denise Kampf** report that Alex's firm, John Hancock, "continues to chug along…though I always have one eye open on potential layoffs," while Denise's firm, Windward Investment Mgmt., continues to grow. Their family has "done our best to stimulate the economy by buying a house and moving to the 'burbs."

Sally Chin married Peter Severy in January, in Newton, Mass., and closed on a new home within a few weeks of being married. "After six months…we finally found time to go on a honeymoon…Venice, a few days in Nice/Monaco, and a whole week in Paris…can't wait to go back."

Jay Chong reports that his assignment with Intel in Shanghai has been extended until June 2010. He got together with **Charlotte (Jing) Ye** and **Geoffrey Lim in** Beijing for a "nice Chinese dinner," and "had a three-week work/vacation in the US…travel is always fun until you see a credit card bill."

Kelly Cunningham, MEng '00, lives in Chicago and works for Delphi Automotive, and is "hoping for good things as we emerge from Chapter 11 next month!"

Palash Desai is working in Rabat, Morocco, on a two-year expatriate assignment with Tessara. He says the Moroccan government has "a long-term vision to establish itself as a global provider for technology…information systems to nanotechnology to microelectonics." Palash and his family are "loving every minute" of living in Morocco, "a wonderful country that is undergoing a tremendous social transition."

Don Douglas says he is "still running Woodside Electronics, and we are lucky to be busy during this tough economy." Don and his wife, Alyson, and boys, Blake, six, and Will, four, live in Woodland, Calif.

Johanna De Jesus Finley married Brian Thomas Finley in June. To "celebrate and dance the night away with us" were **Nancy Emmons Harrison, MILR '01**, and her husband, Jerry. Johanna and Brian live in Pennington, N.J.

Matthew Flippen is president of Cooper Stone Corp. He reports, "Business is steady. We recently bought some more land in Northwest Texas to open a new quarry. Our distribution model is working well and we have roughly 40 large distributors nationwide." Matthew and his family live in Cedar Park, Texas.

Jared and **Heather Tannen Hobson, MILR '01**, went to Boulder "for Kevin Callahan's wedding (woohoo!) where we got to spend some quality time" with **Chip Tatlow**, **Nathan Roe**, **Charles Ribaudo**, and **Jean Mathews**. Heather and Jared also had a weekend visit from **Laurel Greenberg** and **Peter Bright** and their children.

Doug Kenner got married June 13. And, "just as important to my wife," also started a new position with Wells Fargo's private banking division, in mortgage financing.

Keigo Kuroda is director, financial and investment management, with the Blackstone Group in Tokyo, where he is "trying…to keep the office alive" in the current financial climate. On the personal side, he and his wife, Natsuko, traveled to Korea during Japan's Golden Week in early May, and had dinner with **Jin Oh** and his wife.

Geoffrey Lim is managing director at a venture capital firm, Founder China Partners.

Nick Neil-Boss is director in transaction advisory services with Ernst & Young in London, where he's "been less busy on transactions the past year, but doing a lot of corporate restructuring work." Nick's wife, Jeanne, has begun a master's program in psychology. Son, Joshua, 10, is a keen musician, playing violin in a local youth orchestra; daughter, Jessica, 7, is starting piano lessons.

Kyle Oetker is a manager with Deere & Co., and recently transferred to its electronics business in Fargo, N.D. He and his wife, Danielle, have three children: Dylan (born 2008), and twins, Nathan and Maya (born 2009). He says, "The twins were a BIG surprise."

Jin Oh was promoted to managing director of Blizzard Entertainment Korea, where he is "crazy busy but loving it." He reports that it was great to see **Keigo Kuroda** when they visited Seoul, and speaking on the phone with **Dave Bell**, who was briefly in Seoul for business, brought back great memories.

Dave Parmelee and his wife, Nancy, proudly announce the birth of their daughter, Lucy Evelyn, born Easter Sunday, March 23. On the professional front, Dave is in his fifth year at Genzyme Corp in Cambridge, Mass. He says, "Biotech has turned out to be a good place to be in this economy." He has also been running and biking, and recently completed a seven-hour, 50-mile mountain bike race, the Vermont 50.

Daniela Peiser resigned from Deloitte Consulting after nine years, and has started her own business, Bold Aspirations: Commitment-driven Consulting and Coaching. Based in Cape Town, South Africa, the business has "potential to deliver across South Africa and in the states. ...Stay tuned for more details," she writes.

Matthew Pickus is "still working for myself and consulting to small companies and entrepreneurs." He is also owner and president of a non-profit corporation, 60-Mile Men Inc. (www.60milemen.org), dedicated to the fight against breast cancer: "Look for a feature on the company in the October issue of *Women's Day* magazine."

Charles Ribaudo works in Seagate Technology's corporation development group, "partnering with digital media companies." He lives in San Francisco.

Austin Rothbard is president of Brunswick Billiards, "the initial company that started the Brunswick Corporation 165 years ago.…Bain to Brunswick, and bowling to boats to billiards. I have finally identified my core strength; industries and companies that start with the letter 'B'." Austin, his wife, Pamela, and their children have moved from California back to the Chicago area.

Uresh Sheth is VP at Credit Suisse. He says they're "still trying to survive the mortgage-backed security market and I'm still trying to figure out how I'm getting paid even though we have little to 0 revenue…a new business model!"

Bernard Tsang is "temporarily retired since Bear Stearns shut down last year and glad that I married well, so I can rely on my wife." Bernie is helping a friend who is running for New York City Council, Kevin Kim.

Charlotte Jing Ye lives in Beijing and owns her own company, Webcars (www.webcars.com.cn), an Internet automotive business.

Jeff Zivan is senior director of global marketing with JohnsonDiversey (formerly Johnson Wax Professional Products), working with the firm's sales force in each region and also improving new product development, including mergers and acquisitions. Jeff, his wife, Ann Carmen, and sons, Sam and Jack, live in Beech Mountain, Wisc.

CLASS OF 2002

Christine Hewitt Belin married Daniel Belin July 4. Christine's

bridesmaids included classmate **Beth Watson**. Other alumni in attendance were **Joslyn Tacorda Faust** and **Maria Scaltro '90** (both **'02**), and **Susan Olsen** and **Trish Murison** (both **'03**). Christine is director of finance with Amgen Inc. and Dan is an environmental consultant with Walsh.

Pierre Devaux and **Robin Dean, JD '04**, were married aboard a boat

on the Seine River in Paris on May 23. Classmates celebrating with them were **George Hung, Peggy Liao**, **Pierre Mattenberger**, **Eirik Underthun**, and **Bruno Vivet**. Robin and Pierre honeymooned in Vietnam and Cambodia before returning home to Oakland, Calif. On the professional front, Pierre joined Manex Consulting in San Ramon, Calif., as director of business development.

William Hildreth, formerly a consultant with Accenture,

bought Mill House Antiques & Gardens, an internationally known antiques dealer established in 1964 in Woodbury, Conn., in 2008. "Twenty years in corporate America sealed my fate," he says, "I am too independent and needed the creative freedom that corporate America could not give me." He also enjoys being able to spend more time with his family, now that he's not commuting and traveling.

CLASS OF 2003

John Kallassay was promoted to CFO of Speedus Corp. in August. He will continue to serve as CEO of Zargis Medical Corp, a majority-owned subsidiary of Speedus.

CLASS OF 2004

Charles Hamilton served the Johnson School as its second Entrepreneur-in-Residence, spring 2009. Most recently the president of Novomer, a Cornell technology-based company making plastic from carbon dioxide, Charles has focused on leading high-technology startups.

John Hillen (E) is president of Global Strategies Group and CEO of the firm's Public Sector Defense business, Global Defense Technology & Systems Inc., which registered with the SEC to conduct an IPO, selecting GTEC as its Nasdaq Global Market symbol. Hillen was named one of ExecutiveBiz.com's top 20 People to Watch in 2009.

CLASS OF 2005

Amol Deshpande is a partner with Kleiner Perkins Caufeld & Byers. He participated in a panel, "Uncensored VC Confessions," presented in Palo Alto, Calif., by the Johnson School Club of the Bay Area and the Cornell Entrepreneur Network.

Kate Landon Rubenstein welcomed a baby girl, Renna, May 11. Kate is an assistant VP with General Electric. She and her family have moved from San Francisco to New York City.

Michael Su is CEO of the women's shoe company, Michael Antonio Footwear Group. The firm teamed up with the Stop Child Trafficking Now campaign (SCTNow) and the NYC Stop Child Trafficking Now Walk by sponsoring and participating in the Stilettos Run, Sept. 27, sending a racing team and contributing prizes to winners.

CLASS OF 2006

Susan Wu is CEO of Ohai, a creator of video games known as

MMOs, or Massively Multiplayer Online [Worlds]. Formerly a principal with Charles River Ventures, Wu was selected as one of *Fast Company*'s 100 most creative people in business.

CLASS OF 2007

Christy Bensen and **Justin Charise** were married in October in Newport, R.I. Johnson alumni

Rustom Desai, MBA '95:

INOVATING india

Rustom Desai spent the first twenty-two years of his life in India, but when he returned to the country last year to take the position of president of Corning India, he was shocked by how much it had changed. "It's completely different," he says, "Growth does strange things to a country's identity." From a business standpoint, however, Desai is very excited about India's rapid growth, and what that growth might mean for Corning, the company he's worked for since being recruited right out of business school.

"Our heart and soul is in innovation," Desai says, "and it always has been." In 1879, the company manufactured the bulbs Thomas Edison first used for his newly invented incandescent lamp. In the late forties, Corning made televisions affordable to thousands by creating a way to mass-produce television tubes; and, for almost forty years, the company has been at the forefront of fiber-optic technology.

Today, Desai says, Corning is once again at the forefront of communications as it manufactures keystone components for Liquid Crustal Displays (LCD's) — commonplace today in televisions, computers, and mobile devices. It is also a key player in the emission control and life sciences industries. Because India's burgeoning economy is producing both more air pollution and more cell phone users, Desai says a large part of his focus is and will continue to be on developing the telecommunications and environmental sectors into attractive long-term markets for Corning. He also hopes to start a technology dialogue with large Indian multinational companies, to start to understand their needs, and "point the Corning innovation engine towards those needs."

A devoted amateur photographer, Desai talks about the importance of seeing what other people miss or are simply unwilling to see. He attributes his success in this area to living and working in many regions: Before taking the presidency at Corning India, he represented the company in the U.S., China, and Taiwan, experiences that have enabled him to approach challenges with at least three different sets of eyes. "Everyone has certain blinders," Desai says, "and as you travel the world, there are opportunities you see before others do. It's my job to quickly identify those opportunities, and to find a way to build them into real, tangible business for Corning. So far, doing that has kept me happy."

– Mark Rader, MFA '02

who helped celebrate included **Suzi Drabik '01, MBA'06**, and **Ash Vaidya '99**, **Christina Keller**, **Greg Rinsky**, **Emanuel Naim**, **Rich Newitter**, and **Adam Granoff**, all **MBA '07**. Christy is associate director at Casey, Quirk & Associates LLC, and Justin is a financial advisor with Northwestern Mutual in Westport, Conn. They live in Fairfield, Conn

Halis Santana is a VP at Bank of America, working for the mass market strategy team within its consumer bank in Charlotte, N.C. Halis recently completed BofA's two-year rotational MBA Leadership Development program.

CLASS OF 2008

Mike Jaffre reports that he and his wife, Krista, welcomed a son, Johnathan Austin, July 3.

CLASS OF 2009

Muqtadar Ahmed got married, and ten days after that he started work with Accenture in Houston.

Karen Albright is with Travelers Insurance in Hartford, Conn., managing the home and auto insurance for Ohio, Indiana, Kentucky, and Michigan.

Manish Bhargava is a product manager with LexisNexis in New Jersey.

Michelle Colban moved to Philadelphia to work for the Campbell Soup Company as an associate brand manager on the V8 juice brand.

Steve Convy started work in IBD at Credit Suisse.

Scott Forester is assistant chief of staff to the CEO of Corning Inc. in Corning, N.Y.

Jeff Gangemi is with Dun & Bradstreet, working on internal communications and leadership development. He and his wife, Shannon, live in Montclair, N.J.

Steve Gellert is "splitting his time working at Cheezwhse (pronounced cheese warehouse), my family's cheese important company…and an Internet startup … 8coupons.com, that delivers text message and local deals on the net."

Roop Ghangas works for S. C. Johnson & Son, Inc., in Milwaukee, and is assigned to the Scrubbing Bubbles brand.

Matt Jones reports, "Graduation, France, new home in Midtown Manhattan, work [as an associate] at Morgan Stanley."

Chris Kerns is a business associate at United Airlines in Chicago, working in their downtown headquarters.

Ryan Kelley works "getting Carbon FootPrints off the ground. Registered the company in early June, then spent a few weeks…in Madagascar completing due diligence on what may be the first project."

Jason Krieger is an associate consultant at Gallup Consulting in Chicago

Richard Lee is a corporate development associate at Brocade Communications in Santa Clara, Calif.

Miranda Wen-Hsin Lo works for Del Monte in San Francisco, managing their private label pet business.

Sandeep Mankikar is a marketing manager with JNJ Medical in Mumbai.

Peter Marmer works in Wal-Mart's corporate strategy group, in Bentonville, Ark.

Karen Martin is with Proctor & Gamble in Cincinnati, working on the Swiffer brand.

Amit Mathur joined Alexion, a biopharma company. He works in the firm's corporate finance and strategy practice, "on four pieces: building a FX hedging model, a 5-10 year strategic plan for the drugs in pipeline, cash management and investment strategy… and business development strategy for our launch in Australia."

Jennelle Moore is an assistant brand manager for S. C. Johnson & Son, Inc., and lives in Milwaukee, Wisc.

Shunji Nakai is back in Japan, working in his sponsoring company, Nippon Life Insurance Company.

Krishna Nair joined Verizon in June. She worked in product management for the company's music product line.

Chris Noble '03 reports he is "working with Linwood Management Group…splitting my time between financial analysis, project development, and harvesting forages for my family's dairy farm."

Stacie Palmer is a senior business consultant at Liberty Mutual, working on a project in marketing in the personal markets business.

Alex Pan lives in San Francisco, where he takes stand-up comedy classes at the San Francisco Comedy College. He plans on "utilizing his MBA degree and his comedy skills to pursue a career in stand-up comedy. If that doesn't work out, he will get a job in corporate finance….follow his adventures at www.AfterTheMBA.com."

Sangwon Park is a management associate with Citigroup in Korea.

Lizzy Pavlik works at IBM in Washington, D.C., in the Summit Sales program in federal hardware sales.

Steve and **Christine DeRoma Peck** live in Minneapolis, where Christine is a buyer in home décor at Target.com, and Steve does independent consulting work for a large local health system.

Mike Pezone is in Torreon, Mexico, working with the Water Initiative.

Kristen Rainey "moved to San Miguel de Allende, Mexico, in mid-July to work at a sustainably-focused resort community …Los Senderos" (www.los-senderos.com).

Mike Rethman is director of marketing for Acuren US, primarily supporting the oil and gas sector. He and his family have relocated to Maine.

Keith Romero is working on an HIV project for the Clinton Foundation in Panama.

Liz Schuster started a consulting business focused on providing the business perspective to the cultural sector (www.andsprig.com), and is working with two nonprofit arts organizations.

Sarah Heddleston Scudder got married in July, followed by a month-long honeymoon in Australia.

Andrea Tebay is an associate brand manager at Pepperidge Farm, working on the marketing team. She and her husband, Brandon, live in New York City.

Vivek Thaker joined Duff & Phelps, and is working in corporate finance. He lives in northern New Jersey.

Adam Treadwell works for CIGA's Healthcare Leadership Program, as a consultant within the firm's employer informatics group.

Tayfun Uslu works for REDCOM Laboratories Inc., Rochester, N.Y., as a consultant and business developer.

Goodspeed (Hua-Jung) Yang is a strategic project manager with Analog Devices in the Boston area.

IN memoriam

Vernon A. Dyke '61, MBA '69
Dan Gallagher, MBA '94
Chris Rebillot, MBA '80
Philip Wieting '52, MBA '55

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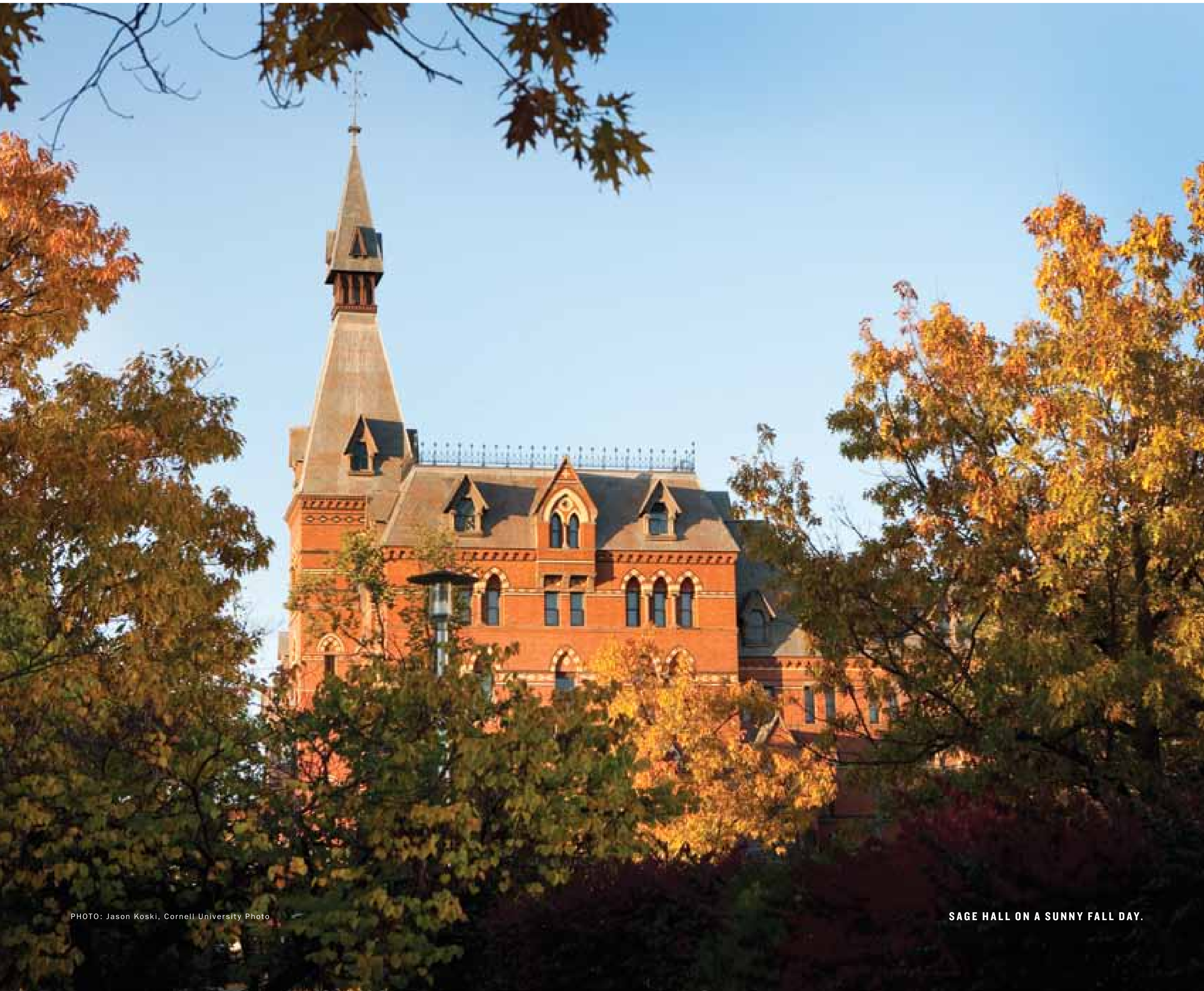

PHOTO: Jason Koski, Cornell University Photo

SAGE HALL ON A SUNNY FALL DAY.