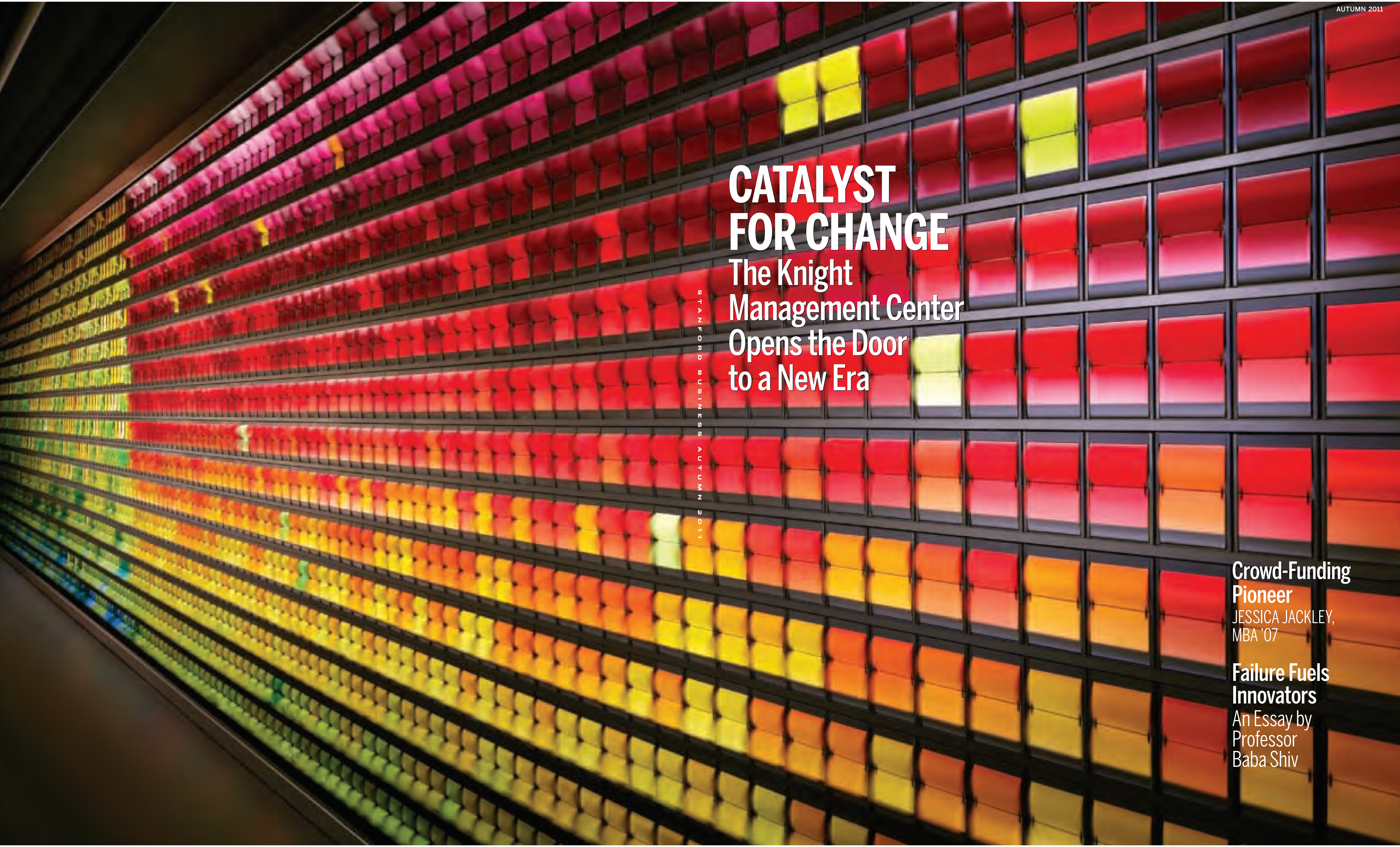
STANFORD BUSINESS

AUTUMN 2011



STANFORD BUSINESS AUTUMN 2011

CATALYST FOR CHANGE

The Knight Management Center Opens the Door to a New Era

Crowd-Funding Pioneer
JESSICA JACKLEY, MBA '07

Failure Fuels Innovators
An Essay by Professor Baba Shiv

Please Come Back — to Teach and to Learn

WHEN I TALK WITH ALUMNI about our progress — how our new curriculum is transforming students, and now how the new Knight Management Center supports and enables our mission — the prevailing response is, "I wish I could come back." Good news: You can.

The Knight Management Center, which opened fully in April, has been designed to serve as a nexus for learning and a catalyst for change. Knight is intended to bring people together — scholars, students, alumni, other leaders — to share information, provide intellectual challenge, and inspire toward action.

COME TO KNIGHT AND ENGAGE with current students, and help them learn from your experience. Every year, hundreds of alumni act as mentors, providing guidance to our students on career and life. Even more alumni serve as liaisons to the more than 60 active student clubs, speak at student events, act as industry liaisons, conduct mock interviews for job-search preparation, and help us welcome admitted students, among other activities. Faculty often seek alumni with specific experience to come to the classroom, to help students understand the real-life application of their learning. In the Executive Challenge, alumni come from around the globe to serve as participants and judges in a series of experiential leadership challenges for first-year MBA students. Alumni who have participated in these ways often say how inspiring and fun it is to share their knowledge and interact with so many high-potential students. They also say how much they learned from the experience and how it reacquainted them with the potential in themselves.

COME TO KNIGHT AND FURTHER YOUR OWN LEARNING. Many of our events that feature speakers, such as CEOs or high-level government officials, are open to our community. Every year we host dozens of conferences that welcome alumni. Highlights from this past year include the Stanford Africa Forum, where African government officials, business executives, entrepreneurs, and investors gathered together to explore opportunities for development on the continent; the Health Care Summit, where doctors, researchers, entrepreneurs, and investors exchanged ideas about innovations in health care devices and services that can save lives and improve their quality; and the education conference, co-hosted with the Stanford School of Education and Goldman Sachs, where educators, entrepreneurs, and investors contributed insights on how to improve student learning and the future of education. Knight is a place to share ideas and to learn new ones, to increase your understanding about the world, and to gain a new appreciation for your own dreams and abilities.

PHOTO BY SAUL BROMBERGER AND SANDRA HOOVER

For directions to the Knight Management Center and a campus map, go to *Bizonline.Stanford.edu/knight/*.

For a list of ways you can engage with students and with the GSB, go to *Bizonline.Stanford.edu/volunteer/*.

For a list of upcoming events, go to *Bizonline.Stanford.edu/events/*.

COME TO KNIGHT AND CELEBRATE. The reunions we've hosted thus far at Knight have been outstanding successes. In addition to the opportunity to catch up with classmates, you can learn from one another at panels on subjects such as "From Managing to Directing" and "Doing Well by Doing Good." This year, we welcomed many of you to the Knight Management Center Open House, a celebration that included faculty panels, self-guided tours, and festivities in the Town Square. We expect that Knight will continue to provide an energizing, fun venue that sparks your own creativity and sense of possibility.

COME TO KNIGHT AND CONNECT. You can use the Bass Center for research or even as a quiet place to read and think. You can grab a coffee with a former professor in the Town Square or meet a classmate for dinner in our outdoor dining pavilion before going to a Stanford sporting event. Knight is a place to rekindle past relationships, to make new colleagues and friends, and to leverage the unrivaled GSB community.

COME TO KNIGHT AND MAKE IT YOUR NEW HOME. Please take advantage of these wonderful resources and offerings that your generosity has helped provide. Come to Knight to engage with students, learn, celebrate, and connect. Stay to participate, expand your horizons, and be inspired.

Welcome!

STANFORD BUSINESS

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COLUMNS

ON THE COVER: *The 32-foot-long* Monument to Change as It Changes, *is one of six new pieces of art at the Knight Management Center. See a video of the changing color patterns at* BizOnline. Stanford.edu/art/. *Photo by Musilek Studio.*

PHOTO BY TIM GRIFFITH

MORE FEATURES

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Noteworthy

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

Medical Rock Stars Harness Technology

What if asthma sufferers carried inhalers hooked up to global positioning devices? Data on where and when the inhalers were used could then arm health care officials with greater information on the location of asthma threats in a community.

This was just one of the health care technologies that a team of graduate students presented to a panel of government regulators and venture capital investors during the 2011 Graduate School of Business Health Care Summit, sponsored by the school's Program for Health Care Innovation.

The panelists provided advice for commercializing some of the technologies and insight into how policy could severely inhibit development of others.

See video of the talks at BizOnline.Stanford.edu/healthcare/.

Dubbed "DC2VC," the one-hour session supported what featured health care summit speaker Todd Park called a new generation of medical "rock stars" who are blending cutting-edge technology with reams of old-fashioned data to help drive innovation. Park is chief technology officer of the U.S. Department of Health and Human Services.

The day-long summit at the Knight Management Center also included dozens of other speakers and panels on medical technology, business, policy, and delivery around the globe.

The Pajama Gang

Hunter Reisner, MBA '86, scoops up strawberries to top his dessert at a frozen yogurt social and pajama party in June as classmates moved into the Schwab Residential Center for their four-day 25th Reunion. The 203 alums from the Class of '86 set an attendance record during the event, a tradition that began in 1984 with the Class of '59. Alums also enjoyed a scavenger hunt, festive meals, and academic events — some held across the street at the Knight Management Center.

PHOTOS BY KAT WADE

Cutting Telecom's Carbon Footprint

In Indonesia, the world's fourth most populous country and second largest market for Facebook, people connect often via inexpensive mobile phones from China more than by desktop or laptop computers. Global tech companies salivate about future profit growth there, according to the *Economist* magazine. Two GSB alums also see an opportunity to demonstrate the role telecommunications can play in reducing the strain of economic growth on the global environment.

A decade after they met at the business school in 1999, environmental advisor **Andrew Malk** and former investment banker **Anindya Bakrie**, both MBA '01, started discussing how environmental sustainability was changing the competitive landscape for corporations. By 2009, Malk had started Malk Sustainability Partners, a corporate advisory firm in San Diego, and Bakrie was CEO of Bakrie Telecom, the fourth largest mobile network operator in Indonesia and one of the Bakrie group of publicly traded companies. Like people elsewhere, the 11 million customers of Bakrie Telecom frequently bought new phones bundled with chargers they didn't need and just tossed their old phones.

During 8 months in 2010, Malk and Bakrie set up teams to explore ways to cut the telecom's carbon footprint and launched a program whose goals include reusing or recycling 50,000 mobile handsets annually, reusing or recycling 75% of the company's network and IT electronic waste, and cutting in half its greenhouse gas emissions per subscriber by 2014.

Among 60 initiatives are several that also improve the customer experience: Customers now have the choice to buy a new phone without a new charger, and new phones are built to notify users when the phone is fully charged, so the phones don't draw unnecessary electrical current. Less visible to customers but also important: Cellular base-station equipment now is cooled with ambient air instead of air conditioning, and reverse supply chains have been organized for recycling or reusing discarded mobile devices.

Malk says the GSB's education model should get part of the credit for what the two are doing. "Our partnership demonstrates what can be accomplished when you bring together capable people from different sectors of society to join in taking common management training."

Stanford Management Company Joins GSB Community

The Stanford Management Company moved into the Knight Management Center's Gunn Building in April. SMC, which is led by John Powers, MBA '83, right, is a division of Stanford University and was established in 1991 to invest and manage Stanford University's endowment. Other GSB alums at SMC are, from left, Brooke Jones, MBA '09; Margaret Nyweide, MBA '08; and Laudan Nabizadeh Fariborz, MBA '02.

Virtual Conferencing Keeps Alumni in Touch

Keeping 26,000 business school alumni connected to the school and to each other presents quite a challenge. One solution may be a familiar technology, but with a new twist.

As faculty and students settle into the new, state-of-the-art Knight Management Center, virtual conferencing is likely to become more common throughout the business school. In the past, portable devices had to be brought to classrooms and operated by technicians. But now, in many of the new facility's classrooms, video can be streamed from a remote control room, and the professor needs to do no more than flip a switch at the lectern to go live.

"Ideally, this becomes a technology we can use with all our chapters to deliver content and thought-provoking research and ideas," said **Sarah Roach**, associate director of alumni relations.

A recent videoconference between alumni gathered at Stanford and in Belgium was a harbinger of how the technology can help. On April 7, two panels of experts — one in a classroom at the business school and the other in an auditorium at Katholieke Universiteit Leuven — discussed technology innovation and entrepreneurship in real time. A moderator in Leuven guided dialogue back and forth between Silicon Valley and Belgium.

Dirk Wauters, MBA '81, Belgium chapter officer of the Stanford Business School Alumni Association, was part of the alumni audience at Leuven. "It was a good interaction," he said. "We were able to see top professors like **Robert Burgelman** in action." And, Burgelman noted, "I didn't have to fly to Belgium."

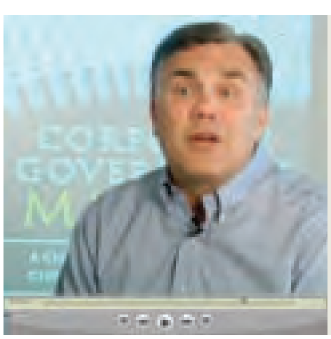
Costa Rica Courts Green Technology

Costa Rica, best known for its ecotourism, currently exports 4,000 products and is working to attract more technology companies, President Laura Chinchilla told a business school audience. So far, more than 200 leading manufacturing, life sciences, and other firms have established operations in her country, she said.

Chinchilla has made some radical decisions since taking office last year — foremost among them, to not promote Costa Rica's mining industry.

"We felt these types of extractive industries do not go along with the type of development we are trying to promote," Chinchilla explained. "It was better to take this radical decision instead of sending confusing messages to investors. What's important is to be very clear about the kind of development you want and then to promote the regulatory framework to implement those rules."

Green technology is more compatible with present-day Costa Rica. The country already generates 90% of its electricity using renewable sources. "We are determined to become one of the first carbon-neutral



Corporate Governance Matters

IN A VIDEO, book coauthors Professor **David Larcker** and researcher **Brian Tayan**, MBA '03, discuss *Corporate Governance Matters*, an up-to-date reference book for board members, officers, and other stakeholders of companies. Larcker, the James Irvin Miller Professor of Accounting and director of the school's Corporate Governance Research Program, and Tayan challenge the conventional wisdom of the many books, reports, and recommendations of blue-ribbon panels on what constitutes "good" governance. The video includes commentary by Larcker, who says organizations want a very simple yardstick for measuring corporate governance. But any yardstick used, he warns, should serve as a start, and not a place to end up, in evaluating corporate governance. See the video at *BizOnline.Stanford.edu/governance/*.

TOP PHOTO BY SAUL BROMBERGER AND SANDRA HOOVER

Thinking Inside the Box

Clockwise from bottom left, Ryan Kiskis, MBA ’05; Roy Vella, MBA ’98; Linsey Willaford-West, MBA ’08; Aisa Aiyer, MBA/MA education ’05; Maria Wu, MBA ’05; and Bob Tinker, MBA ’98, stopped in a London phone box on their way to a gala reception in May featuring Dean Garth Saloner and Condoleezza Rice, a director of the Center for Global Business and the Economy. They were among 257 GSB alumni and guests from 14 countries.

countries,” Chinchilla said. “We want to prove to the world that economic development and environmental protection can go hand in hand.”

Chinchilla’s speech, part of the Global Speaker Series, was sponsored by the school’s Center for Global Business and the Economy. During her May visit, the president met with center faculty director and former U.S. Secretary of State **Condoleezza Rice**.

South Korea’s Ambassador of Pop

Lee Soo Man was a modestly successful singer in his native South Korea before studying engineering in the United States in the 1980s, when he noticed the meteoric rise of Michael Jackson and other American superstars of the MTV generation. After returning home, Lee founded SM Entertainment, now Korea’s largest entertainment agency, giving the pop music world a decidedly Asian twist and making him one of the region’s most influential music producers.

Lee spoke about his efforts to take the company’s music acts global during a packed speech at the business school in April.

New media is helping spread the word about Korean pop to new, multi-ethnic, and cross-continental audiences. SM Entertainment’s artists are promoted through Facebook fan pages, iTunes downloads, Twitter profiles, and music videos on a YouTube channel.

The company, which is listed on Korea’s KOSDAQ stock market, is striving to cross cultural boundaries in other ways. One such attempt is the introduction of two groups with the same name, one featuring Korean artists and the other, Chinese. “We plan to launch the group simultaneously in Korea and China, singing the same song in two different languages,” Lee said.

GSB students visited SM Entertainment on a spring study trip to Korea.

CEO’s Friendly-Skies Approach to Merger

United and Continental Airlines merged in 2010 to form the world’s largest carrier, an aviation colossus with $30 billion in revenue that ferries 144 million passengers to 371 cities in 59 countries annually, oversees a fleet of 1,200 aircraft, and employs 87,000 workers, many of them unionized. Now flying under the United name, the business faces sky-high fuel costs — its planes burn an estimated $25,000 per minute in jet fuel — rigid government regulation, and natural disasters such as the volcano that grounded air traffic throughout Europe in 2010.

Still, running a behemoth such as United is “unbelievably fascinating,” said Jeff Smisek, president and CEO of Chicago-based United Continental Holdings. He spoke at the business school in April as part of the View from the Top series.

Smisek is striving to blend the two airlines’ distinctly different cultures. “People want to believe in the future, but you’ve got to show them what the future is going to be.”

United’s CEO gets out of the executive suite to meet face to face with employees from across the company. “I want a culture where anybody can ask me a question and get an open and honest answer.”

Volunteer Award Honors Fred Rehmus

This magazine’s prolific and longstanding contributor, Class Secretary **Fred Rehmus**, MBA ’61, was recently honored by Stanford Associates, an honorary organization of the university alumni association, with its highest award for volunteer leadership, the Gold Spike.

He Dressed for the Occasion

Faculty, alumni, and students gathered for the unveiling of the official portrait of Dean Emeritus Robert L. Joss. His portrait and those of his predecessors will be displayed in the new Knight Management Center.

TOP PHOTO BY DOUGLAS FRY; BOTTOM PHOTO BY ANNE KNUDSEN

Besides keeping track of his classmates for *Stanford Business* magazine for 50 years, Rehmus has been an avid volunteer and fundraiser. Rehmus and his wife, Marcia, funded the Rehmus Family Gallery of Native American Art at the Cantor Arts Center and endowed the Rehmus Family Presidential Professorship in the Humanities. In 1986, he and two classmates cofounded the business school's forward-looking Renewal Fellowship, which encouraged recipients to renew the fund as they were able.

Rehmus is a founding principal of Brownson, Rehmus & Foxworth, a national family wealth management firm and, according to a plaque he received from classmates at his 45th business school reunion, "the glue that has held our class together over the years."

Be Honest and Open, Allison Tells Graduates

"Live by your own personal compass and speak honestly and openly." That was the "simple advice" offered by **Herb Allison**, MBA '71, at the school's commencement ceremony in June.

Allison, who led the nation's $700 billion Troubled Asset Relief Program in 2009-10, said his compass pointed him to take the most challenging course, accepting a job offer after graduation at a brokerage firm that at the time didn't have the market share and cachet of its bigger competitors.

"My 28-year odyssey with Merrill Lynch almost ended before it got started," Allison said. "I wrote a memo to the head of investment banking blasting the division's structure and proposing sweeping changes."

That memo got Allison transferred to Paris, where he helped create a stock exchange for a pre-revolutionary Iran. His return to the firm's stateside offices eventually culminated in his becoming president, COO, and board director.

Allison stressed to the 469 students receiving business degrees that what matters most is not particular career goals, such as building the next great tech company or leading a nonprofit, but the code of conduct that will act as a personal compass.

PHOTO BY SAUL BROMBERGER AND SANDRA HOOVER

Letter to the Editor

IT WAS WITH GREAT NOSTALGIA and affection that I read your article "Organization Theory Builders" by Jocelyn Wiener in your spring edition. While it's not possible to capture in any brief article the complete history and culture of the OB (Organizational Behavior) department of that era, there were several notable achievements that should have been recognized. For example, **Tom Peters,** who received his PHD in OB in the mid-1970s [MBA '72, PHD '77], went on to become the best-selling author and consultant for his book *In Search of Excellence* and subsequent illuminations of the best companies in corporate America. Similarly, [Professor] **Jerry Porras** coauthored *Built to Last*, which reinforced the reputation of the OB faculty as not only being academically prominent but also nationally influential in executive suites throughout industry.

A more serious omission is not mentioning [Senior Lecturer] **David Bradford**, whose course in *Interpersonal Behavior* had life-changing benefits for thousands of MBA and PHD students who learned more about leadership and themselves than in any other course at the GSB. For many of us graduates, his course and exemplary teaching remain some of the most memorable learning experiences at Stanford.

Finally, much of the cultural "magic" of the OB family was due not only to the distinguished faculty but also to their spouses, especially **Gloria Leavitt, Mimi Webb, Jayne March,** and **Charlene Porras,** who opened up their homes and their hearts to us struggling graduate students and made us feel welcome and safe. Another unsung heroine that made our time there so meaningful, valuable, and fulfilling is **Katherine Bostick,** the departmental secretary, who coached, guided, and comforted all of us throughout all the stress and insecurity of competing before some of the brightest minds in the country. Oh, what a time it was! We will treasure those memories and be forever grateful to those faculty and staff who made it all possible.

—**Carson K. Eoyang,** PHD '76,
Professor Emeritus, Naval Postgraduate School, Monterey, Calif.
Retired Chancellor, National Intelligence University, Washington, D.C.

For the Record

Class of 2011 Graduation

DEGREES GRANTED

Total MBAs	**386**
MBA only	**349**
MBA/MA Education	**13**
MBA/MS Environment and Resources	**14**
MBA/MPP (Public Policy)	**2**
JD/MBA	**8**
PHD	**18**
MS Business Research	**6**
MS (Sloan)	**59**

CERTIFICATES

Public Management	**127**

MBA HONORS

Arjay Miller Scholars
Top 10% of the class:

Sonja Dorothea Bebber
Joseph Warren Bingold
Jacqueline Elizabeth Braun
Danielle Lynn Buckley
Clay Hodges Calhoon
Ivan Canales Saldana
William Cable Carter
Jonathan Scott Cheek
Kisun Chung
Richard Rhys Davies
Alvaro Javier Erize
Artem Fokin
Henry Gustav Fuldner
Aaron Samuel DeShane Gelband
Megan Curran Guy
John Nash Hale
Matthew William Hawk
Arvind Srinivas Iyengar
Stefan Jeschonnek
Jessica Leigh Jones
Justin Carl Kao
Sumi Anne Kim
Peter Robert Kingston
Gerard Robert Christopher Klomp
Karen Lisson
Amanda Honey Luther
Igor Marchesini Ferreira
Joseph Pearson McConnell
Matthew Cowan Miller
Timothy Carlson Millikin
John-Paul Robert Munfa
Katherine Frances O'Gara
Kevin Gregory Oxendine
Ceron Joseph Rhee
Tamar Judith Rudnick
Gregory Andrew Ruiz
Adam Christian Ward
Benjamin Charles Williams
Jonathan Paul Winny
Mahmoud Youssef

Ernest C. Arbuckle Award
Contributed most to the fulfillment of the goals of the Stanford Graduate School of Business in and out of the school:

Mahmoud Youssef

Henry Ford II Scholar
Top scholar:

Arvind Srinivas Iyengar

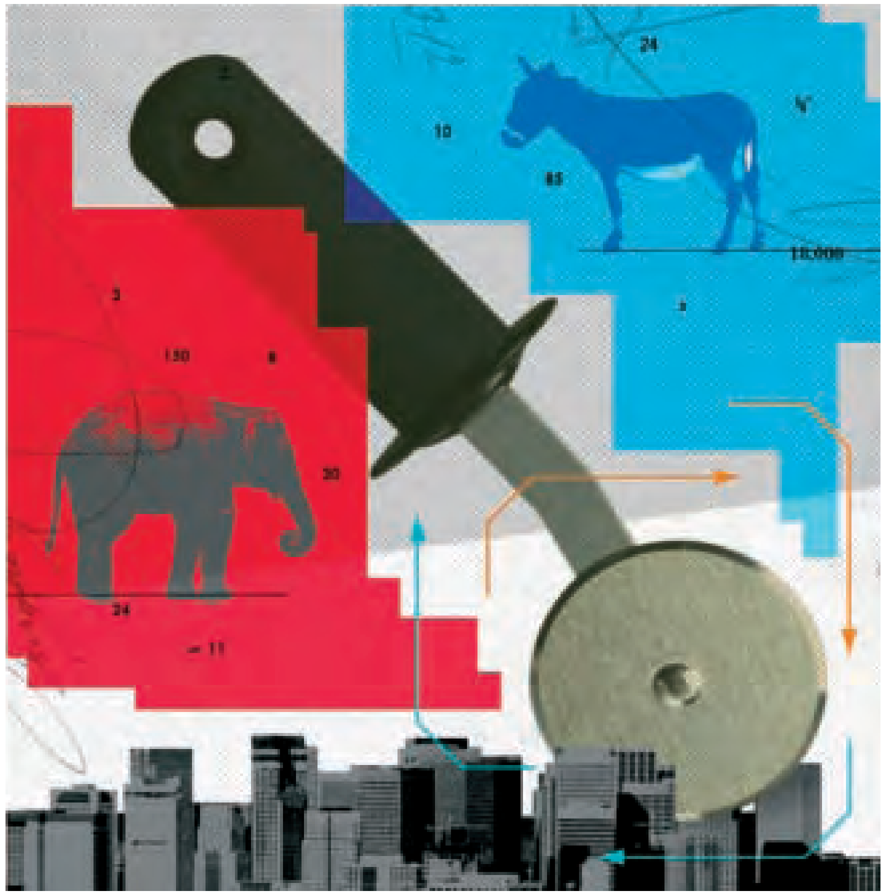
Alexander A. Robichek Award
Achievement in finance courses:

Adam Christian Ward

From left, Keauna Mason, Christopher Mason, and Juan-Pablo Mas received their degrees during commencement ceremonies in June.

Taking Politics Out of Political Boundaries

Cynthia Dai, MBA '93, joins panel redrawing districts for state government, Congress.



THE LAST TIME CALIFORNIA redrew the district boundaries for the state government and U.S. Congress, **Bill Hughes**, MBA '54, felt disenfranchised.

His neighborhood association in San Jose's Berryessa district had been established partly to promote two-way communication between elected officials and the community. Politicians, including the area's state assembly member, attended the group's meetings. "We would find out what was going on and be able to have a little input," Hughes said.

In 2001, during the redistricting, the area was split among four assembly districts. The new state representatives told a subsequent meeting, "you have four representatives now," Hughes recalled. "Well, it didn't work out that way. We never saw them again. They send plaques, but we'd rather see them."

Hughes and some of his neighbors no longer believed that anyone was listening. So "for 10 years, I've been working on redistricting."

Now Californians are trying a new way of drawing district lines, and **Cynthia Dai**, MBA '93, is a key player. One of 14 members of the California Citizens Redistricting Commission, she faced 36,000 competitors for the job when she applied in 2010.

The commission was authorized in 2008 when a majority of state voters, apparently fed up with the partisan way political actors draw districts to benefit themselves, passed Proposition 11. The commission initially was charged with drawing district lines for the state Assembly, Senate, and Board of Equalization, but in 2010, voters expanded the commission's responsibilities to include U.S. congressional districts. Whether it will accomplish what voters intended is open to debate, political scientists and other observers say. Dai herself won't offer any opinions on the commission's decisions, citing the crucial need to maintain the commission's objectivity.

The idea was to avoid a repeat of 2001. In that case, "after a four-month hearing process, the legislature went behind closed doors and drew the lines they really wanted," said Kathay Feng, executive director of California Common Cause, which advocated creating the commission. The districts were drawn "to bring in their favorite donor, or to extend a finger a couple of blocks to bring in, let's say, the house of a chosen potential successor for a district, or to skirt around a challenger," she said.

Voters charged the new commission with creating districts that meet constitutional requirements for equal population and that comply with the federal Voting Rights Act. After those requirements were met, the commission was to satisfy the following criteria (in order), where possible: make districts contiguous; respect county and city boundaries, as well as neighborhoods and communities of interest; make districts compact; and nest two assembly districts into one senate district, and 10 senate districts into one Board of Equalization district.

Commissioners were forbidden to consider where incumbents or candidates live, or to favor or discriminate against an incumbent, candidate, or party. In August, the commission approved new boundaries for all the districts, which do not need approval from the legislature or governor but, like any law, are subject to court challenges.

Dai first learned about the redistricting commission when researching the ballot initiatives before voting in 2008. "I thought, this is a really great idea, and it seems to correct a pretty fundamental flaw in our democracy."

Her professional background was not in politics, though she had been active in student government at the University of California at Berkeley while earning her 1988 bachelor's degree in electrical engineering and computer science. "We had political parties, we had causes, we had backroom deals," she said. "It was a very good introduction to what real-life politics would be like."

ILLUSTRATION BY STUART BRADFORD

After graduation, she worked for Sun Microsystems in marketing and business development, having decided early on that the solitary work of pure engineering was not for her. She found jobs where "they appreciated my degree, but I actually got to interact with people." Then her interest in entrepreneurship led her to Stanford for her MBA and to a series of startups. While at business school, she also started a consulting business, helping companies with marketing strategy and interim executive management, which she continues to run in San Francisco.

Thousands applied for the new commission, perhaps because "to throw your hat in the ring literally took less than 5 minutes," Dai said. Applicants answered questions to make sure they had been registered with the same political party continuously for the past five years and didn't have conflicts of interest. Anyone who hadn't voted in two of the past three statewide elections was eliminated.

"I thought, 'Wow, they're setting the bar higher than running for governor,'" Dai said. "While I was being vetted, the Bureau of State Audits was calling me, asking about stuff from Google searches. I remember in a panic doing a Google search on myself, realizing that that's what they were doing. Fortunately what came up were a lot of Stanford ACT [GSB Alumni Consulting Team] videos of me talking about why I volunteered and how to run a good team meeting."

The 28,000 people who made it through the first round of vetting were given a supplemental application that was "like applying to grad school," Dai said, with career and family histories as well as numerous essays.

Then the "serious vetting process" began with a panel of three randomly chosen auditors from the Bureau of State Audits. The review panel read the applications of the 4,500 people who completed it, looking for people who could be impartial, who understood California's geographic and ethnic diversity, who had strong analytical and communication skills, and who could work well in a group. Being able to analyze complex data and then defend the group's decisions is critical, Dai said, because "we expect to have litigation."

The panel winnowed the pool to 120 semifinalists: 40 registered Democrats, 40 Republicans, and 40 from other parties or who "Decline to State." (Dai is a Democrat.) The semifinalists were invited to a 90-minute interview with the applicant review panel, which then cut the group to 60 (20 from each category).

There followed what Dai called "the only nontransparent part" of the process: The majority and minority leaders from the state Assembly and Senate were each allowed to strike two people from each of the three groups. Together, they eliminated 24 people.

On Nov. 18, 2010, the panel held a lottery to assign eight of the remaining 36 candidates to the commission. Dai was in line at the San Francisco airport on her way to China to speak at a conference when she got the call saying her number had been picked. The first eight members then chose the other six commission members from the pool.

Commissioners are paid $300 a day when they're working, and they can't run for political office for 10 years. (The total cost of the commission is about $4.25 million.)

"That got rid of anybody who was using it for a political stepping stone," Dai said. "I personally had to think about that. I'm at the stage of my life where I would consider running."

Feng said she was "incredibly impressed with the caliber of the candidates who originally applied and the process that really narrowed it down to the best and brightest and also produced a very diverse pool."

Cynthia Dai, MBA '93

PHOTO COURTESY OF CYNTHIA DAI

The commissioners first had to create a process to do their work. They decided to hold meetings — 34 in all — all over the state to hear from citizens. Commissioners learned about industries that tie communities together, from aerospace to agriculture. They heard about topography, such as mountain ranges that separate communities.

At a May meeting in San Jose, about 150 people waited for their 2-minute turns to address the commission. Hughes was one of several speakers making the case for keeping the Berryessa neighborhood together. He had arrived at 4:45 for the 6 p.m. hearing and was speaker No. 10. The commissioners also heard impassioned comments about the appropriate use of race in drawing district lines. The federal Voting Rights Act means there are certain areas of the state where the commissioners have to take race into account, making sure not to either split up a minority community so it can't ever elect a representative or dilute a group's voting power by putting all its members into one district.

Dai said one of the biggest adjustments to being on the commission has been the legal requirement that the commission conduct all its business in public. Unlike a private board, where "you have your pre-conversations before the meeting so you know how the vote is going to go," the commissioners can't discuss their work except in public.

"They're setting the bar [for redistricting commissioners] higher than running for governor."

Beyond the logistics of the commission's work are unanswered questions about its impact.

Jonathan Rodden, associate professor of political science at Stanford, said the commission probably would prevent "really cynical" gerrymandering designed exclusively to protect particular incumbents.

But he said the public is probably expecting more than that. Creating compact districts that keep communities of interest together is likely to lead to districts that tilt toward one party or the other, even if no one looks at the party registration while creating the district. "If you're trying to make districts where people feel that they have a lot of things in common, one of the things they'll have in common is partisanship," Rodden said.

This raises a fundamental question: "How much of what we see that we don't like in terms of noncompetitive districts and electoral bias is just a function of geography, and how much is gerrymandering? The assumption, I think, has always been that gerrymandering has been the problem. But some of these problems will not go away just because we've given some smart experts the job of drawing the districts," Rodden said.

As for the effect on public policy, that depends partly on how policy is actually made. For example, what is the effect of splitting a city into different districts? Hughes thought the lack of communication hurt his neighborhood. But that might not always be the case.

"Would you rather have one person who strongly advocates for what you want, or would you rather have three people who have a stake in it?" said **Kenneth Shotts,** the David S. and Ann M. Barlow Professor of Political Economy at the GSB. "If building coalitions is important, it might be better to have several folks who care somewhat about it."

When the commission approved its final maps, not everyone liked the result. But the commission's transparency may have made the medicine go down better for the electorate as a whole. As Dai said during a break in the San Jose hearing last summer, "We hope people understand even if they're not happy."

 by Margaret Steen

The Bumpy Road to Saving Babies' Lives

Jane Chen, MBA '08, and her cofounders face a challenge in reaching the more than 1 billion people in India who live on less than $2 a day and making the product affordable to them.

PHOTO BY DIPTI DESAI

TO MAKE A LOW-COST warmer that could save infants in poor, rural areas, **Jane Chen**, MBA '08, and her teammates in a Stanford design course started with crude prototypes that used old sleeping bags, baby dolls, and blankets from the Salvation Army.

Four years and many design changes later, in April 2011 Chen and three other Stanford alumni cofounders of an organization called Embrace began selling their ThermPod to hospitals in India. A version of the baby warmer for home use is slated to launch at the end of this year. In both products, a phase-changing material that looks like wax is first melted, then releases heat over six hours that keeps the baby warm as the material solidifies.

The story of how Embrace went from Stanford to India begins in 2007, when Embrace's cofounders were students taking a six-month-long course taught by a multi-disciplinary faculty team that included the Graduate School of Business' **Jim Patell**. Called *Entrepreneurial Design for Extreme Affordability*, it brings together students from different disciplines to design low-cost products for customers in the developing world. In the 8 years since the course was started, about 265 students have done 70 projects with 18 partner organizations in 11 countries.

Students work in teams to answer a design challenge: In this case, create a baby incubator that would cost less than 1% of the price of a traditional, $20,000 incubator. The challenge in such a team project is not just designing a useful product or service but also solving distribution problems in getting it to the intended markets. Chen, who had been a management consultant and then did nonprofit work on HIV/Aids in rural China and Tanzania, was hooked.

A quest for a low-cost warmer leads from a Stanford design class to production and distribution in the developing world.

"Around the world, 4 million low-birthweight babies die within the first 28 days of life because they are so tiny they don't have enough fat to regulate their body temperature," she said. Traditional incubators are the most common solution to this problem, but in addition to their cost, they require a constant supply of electricity, not available in many rural villages.

During their 2007 spring break, a member of Chen's team traveled with other students to Nepal, where they toured hospitals on visits arranged by a collaborating organization, Patell said. "The students pushed back and said, 'We want to talk to real mothers and fathers.' In doing so, they found that 80% of babies in Nepal were born at home."

As Chen and her teammates considered the needs of poor, rural parents, they realized that just making a cheaper incubator wouldn't help: They needed one that could work without electricity. "The 'aha' moment for us was talking about who the user was," Chen said. "The user was defined as desperate parents in a rural area without access to a major hospital."

"Part of the secret sauce of our course is this deep empathy for the real user," Patell said.

Chen's team urged Design that Matters, one of the organizations that collaborated on the class, to continue the project after the course ended. But because governments in developing countries are trying to get women to give birth in hospitals instead of at home, the group thought Embrace was "too much for a home setting," Chen said. "You can design for the world as it is today, or you can design for the world as it should be."

She and her cofounders — **Linus Liang**, who has a master's in computer science; **Rahul Panicker**, who has a master's and doctorate in electrical engineering; and **Naganand Murty**, who has a master's in management science and engineering — decided to continue on their own, first working at Stanford and then moving to Bangalore.

Before deciding to go it alone, they consulted with **Vinod K. Bhutani**, professor of pediatrics in neonatology at the Lucile Packard Children's Hospital at Stanford, to see whether he thought the idea had viability beyond a school project.

"I thought it was a breakthrough innovation and that if they had the motivation to work with this product, then they could take it far," Bhutani said. "For over 150-odd years, we have been keeping babies warm by warming the air around the baby." But when mothers hold their babies close, heat is transferred by conduction rather than through the air. Putting the baby in a sleeping bag both warms the baby directly and warms a small amount of air around it. And the fact that the device could hold its heat for 6 hours without an external heating source "made it an ideal device for the developing world."

Early versions of the warmer had many problems. The team originally tried heating the wax-like material with tubes of hot water running through the sleeping bag. "It's not a good idea to have boiling water near a baby," Chen said. They changed the design so that a separate heater melts the phase-change material.

The team had to learn about how its target audience would actually use the device. For example, initially the team used a numerical display to let users know when the temperature was right. But the mothers didn't trust Western medicine's emphasis on numbers, so the team changed the numerical scale to symbols indicating "OK" or "not OK."

Bhutani arranged for team members to talk with focus groups of nurses, pediatricians, and neonatologists. One high-priority issue was cleanliness: The warmth means "the baby keeps warm, but so do the bugs. Infection becomes a huge risk. The design of this was very important," Bhutani said. In addition, in many developing countries, babies don't wear diapers, so easy cleaning was a must.

By listening to doctors, the team realized doctors need to watch babies breathe and assess their color. So they added a clear window in the front of the sleeping bag. They also made the clinical version compatible with safe access to an intravenous line.

Running through multiple versions quickly is part of the course's

Embrace began selling its ThermPod to hospitals in India in April and expects to launch a version for home use later this year.

PHOTO COURTESY OF EMBRACE

"prototyping culture," Patell said. Course leaders teach students skills such as sewing and welding to facilitate rapid prototypes. "Embrace is one of the projects that we can point to and say learning to sew was a big part of what happened."

The team needed clinical studies to prove Embrace was safe and effective so that it could be used in hospitals as an incubator alternative. A study in India demonstrated Embrace's safety and efficacy on 10 infants. A more extensive clinical study of 160 babies is under way. At Lucile Packard Children's Hospital, another study is exploring Embrace as an adjunct to incubators. Babies are taken out of incubators when they're stable so they can be held. With Embrace used as a blanket to keep the babies' backs warm, they could be taken out of the incubator earlier and get more skin-to-skin time with their mothers.

As Embrace moved from being a student project to an organization with employees — currently about two dozen — the team also faced management challenges. About three years ago the cofounders decided they needed a more traditional management structure with a CEO, and they chose Chen.

"We'd end up getting into these lengthy conversations on practically everything. It started resembling a parliamentary democracy instead of a startup," Murty said. "Jane is really good at synthesizing opinions and setting direction, so we decided that Jane should be CEO."

Embrace launched its clinical product, the Embrace ThermPod, in April with a comedy of errors, Chen said: The wash tags were printed incorrectly and had to be sewn on by hand, the power went out at the integration facility, and a driver got a flat tire on the way to deliver the first unit. The team quickly piled out of the car, got into an auto rickshaw, and made sure the unit was delivered to its first customer at Little Flower Hospital. "It was symbolic," Chen said. "Nothing is going to stop us from doing this."

Now, however, "we've just gotten to the hard part," Chen said this summer. "We're still in the infancy of what we're doing."

Distribution is a major challenge. Reaching the "bottom billion" — the more than 1 billion people who live on less than $2 a day — is challenging for several reasons. How will people hear about the product? How can they save enough money to buy it? "The informal economy in the developing world works in livestock and gold," Murty said. "Most of them don't have savings accounts."

Finally, there is the logistical problem of getting the product to the user in an area that may not have stores or good roads. For many goods, up to 30% of the cost is the cost of getting it to the user.

"If your product can't be carried around on a bike, you're not done yet," Patell said. "A big, boxy incubator is not easy to ship, but a fabric one is." Embrace also is trying to innovate by using distribution partnerships such as a sales force that General Electric is building to serve emerging markets.

Ed McKinley, a Stanford undergraduate from the Class of '74 and a private investor in groups working on social justice, said the original thesis was that the product design would have the most impact, but "I actually think the innovation that they will become known for is solving the distribution to the bottom billion — if they can solve that. The real nut to crack here is how do you get very low-cost devices into the hands that use them in a cost-effective way?"

Bill Meehan, Racoon Partners Lecturer in Strategic Management at the GSB, has written a case study about Embrace that considers when it makes sense to invest in an organization like this one. "I think Embrace is at the vanguard of a movement to create products for the bottom billion that, because of market failure, would not otherwise find funding," Meehan said.

Shortly after the launch, Chen heard from one of her teammates who had visited a hospital that was using one of the units. A 2-pound baby had been born to parents from a village outside Bangalore who had lost two babies previously. The baby, kept in the Embrace device for 20 days, was gaining weight, and the mother's face was joyful as she held her child. Such stories show why Embrace has become "the poster child" for the idea of designing for extreme affordability, Meehan said. Because most people can relate to warming a cold baby, "the human connection with a baby warmer is profound and emotional."

Chen's long-term goal is not just to sell baby warmers but to create other products to improve health care for the rural poor. In May, she spoke about her journey at the GSB's Women in Management banquet. When she faces a new hurdle requiring one resource or another, she said, she has learned to tell herself that the worst that can happen is someone will say no. "And in my case, when that happens, I guilt them about being a baby-hater," she said to laughter from the audience, which later gave her a standing ovation.

 by Maria Shao

Japan Quake Tests Alums' Leadership Skills

Many take initiative to reinvent the country's battered economy, industries, communities.

A rescue team looks for survivors in Kesennuma, Japan, shortly after the March temblor. Today the recovery effort has moved into the rebuilding phase.

JAPAN RECEIVED AN OUTPOURING of emergency financial aid and feet on the ground after the massive earthquake of March 11. Now, as the country shifts from disaster relief to recovery and rebuilding, some Japanese alumni of the GSB are demonstrating that business and leadership skills will play an increasingly important role.

Japan is home to more GSB alumni than any country besides the United States and the United Kingdom. Many of them are busy with initiatives to revive Japan's economy, industries, and communities. Some have dealt with the disaster as part of their jobs. Others have volunteered advice and expertise to government, industry, and nonprofit groups in the stricken area of northeastern Japan. In the process, they have learned valuable lessons about crisis management, leadership, and Japanese society.

"As we move into the second phase, more and more businesspeople are getting involved," said **Daisuke Takatsuki**, MBA '01, Tokyo-based director of the Carlyle Group, a global private equity firm. He visited the devastated area to provide advice on setting up a reconstruction fund for the local economy.

Kazuhiko Toyama, MBA '92, the outgoing alumni chapter president, believes that some "creative destruction" may result from the triple disaster of earthquake, tsunami, and nuclear crisis. "Many things are gone, destroyed. So this is a good chance to rebuild from scratch," he said on an April visit to Stanford. Toyama was involved in restructuring the nation's banks as head of the national government's Industrial Revitalization Corp. from 2003 to 2007.

The question now, he said, is whether Japan will reconstruct "something new, something innovative and more suitable for the 21st century, or just build the same old kind of [industrial] structures."

Toyama, now chief executive of Industrial Growth Platform Inc., a private equity and consulting firm, was thrust into crisis management mode by the quake. IGPI owns three bus companies in the stricken area, with 2,100 workers and 1,200 buses. When the quake and tsunami knocked out other forms of transportation, his buses moved emergency supplies and volunteers.

Shortly after the Fukushima Daiichi nuclear plant began leaking radiation, the government asked his company to send buses to evacuate nearby residents. "It was a very difficult decision for us because nobody knew if it was safe. I gave free authority to decide to local managers. People on the front line have more information." The local managers ultimately decided to send 75 buses to help in the evacuation.

Toyama learned the importance of using informal networks to get things done. When faced with a severe fuel shortage, he pleaded with contacts in government for fuel to keep his buses participating in emergency operations. But since the buses were not officially classified as emergency vehicles, none of the bureaucrats would act. So Toyama started contacting personal friends by phone, email, and Twitter. Eventually, two friends each supplied a tanker truck of fuel.

To Toyama, the Japanese government's crisis response underscored the weakness of Japan's system of leadership by consensus. In a crisis, he said, "leaders must be very decisive. They cannot wait for consensus building."

Sanae Yamada Ishii, MBA '01, came away with her own lessons on leadership. After the quake, the associate director of human resources at Nihon Kraft Foods Ltd. was supporting employees in Tokyo and Sendai, a city in the devastated area. She led the setup of energy conservation and business continuity programs to help Nihon Kraft get through electricity shortages resulting from the disaster.

When the 9.0 quake struck on the afternoon of March 11, Ishii was the only Japanese director in the Tokyo office. She had to make the call whether and when to let 200 Tokyo employees go home. She decided to release employees while buses were still running, but she also opened conference rooms for workers to sleep in if they couldn't get home. She knew the importance of communicating proactively and anticipating employees' questions, so she quickly offered that the company would pay cab fares home or subsidize dinner costs for those staying in the office.

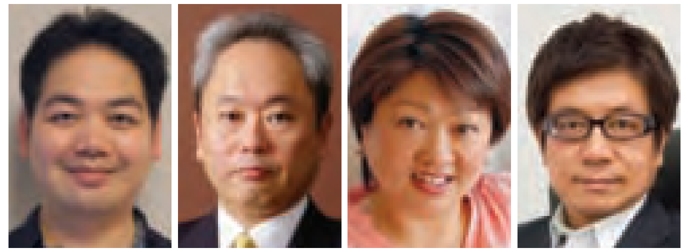
Later, Ishii helped organize town hall meetings for employees to talk about their quake experience and feelings. She facilitated stress-relief activities such as a yoga session in the office.

At one point, Nihon Kraft wanted to bring its Sendai employees to Tokyo for medical check-ups and a respite. But the employees did not want to leave their retail customers behind. This reflected a Japanese belief that "you won't leave your customers but will suffer with them," Ishii said, likening the employees' stance to that of a samurai. Nonetheless, several days after the quake, she decided to order them back to Tokyo and arranged for their flights. But she also made it clear that the company understood and respected their loyalty to customers. "It was a hard and challenging decision," she said.

For Ishii, the disaster attached real-life meaning to what she had learned about leadership at the GSB. At her commencement, she recalled, then-Dean **Robert Joss** told graduates that the reason they had gone to the GSB was to learn how to lead organizations. "I was really moved by those words," she said. After the quake ordeal, she added, "It came to my mind. Now I should be a leader and act as a leader. In emergencies, real leaders will emerge."

Atsushi Yokoyama, MBA '01, learned an important lesson about overcoming disasters: Focus quickly on where real needs lie. The principal at Bain Capital Asia LLC and several colleagues identified a crucial problem to solve: a transportation bottleneck at the so-called "last mile" between emergency supply warehouses and evacuation centers, devastated villages, and homes.

When Bain Capital partners worldwide donated about $2 million to launch a recovery fund in partnership with two nonprofit organizations, Yokoyama and colleagues borrowed 40 small trucks from a truck association and bought 60 used minivans from car dealers to haul supplies and volunteers. They hired logisticians to manage the fleet. They visited 12 cities and towns to determine local needs and to "market" their operations, and they arranged for a restaurant chain to deliver meals twice a week to several small evacuation centers.



Daisuke Takatsuki, MBA '01; Kazuhiko Toyama, MBA '92; Sanae Yamada Ishii, MBA '01; and Shige Yamaji, MBA '93.

As private equity investors, "our job is to find out the optimal use of capital in the shortest time," Yokoyama said. "This was fundamentally the same. What's the optimal use of the funds to benefit the victims? The sooner, the better."

Over the medium and long term, businesspeople will have many more opportunities to help rehabilitate the Japanese economy, GSB alumni say. For instance, there is discussion of how to revive and restructure the long-struggling fishing industry in northeastern Japan. Takatsuki of the Carlyle Group has participated in discussions on setting up a company to buy vessels to replace those lost in the tsunami and to hire formerly independent fishermen. **Shige Yamaji**, MBA '93, who was working with farmers and fishermen to market their produce in cities before the quake, also will be addressing the changed situation.

GSB alumni outside Japan can also play a role by keeping up interactions with the Asian nation. In the short term, "charity" can help, Toyama said, but in the medium and long term, Japan needs foreign investment, tourism, and other economic activity to return to normal. Activity from the GSB community and the business world, he added, would give "a strong signal that Japan is back and that Japan is safe." ●

Crowd Standout

Jessica Jackley brings together entrepreneurs with investors from their communities.

by JOAN SPRINGHETTI

JESSICA JACKLEY LOVES A CROWD. To be more precise, she loves a community — and the potential of the people in it to be enterprising and innovative and to actively support each other.

Six years after cofounding the groundbreaking nonprofit Kiva, which funds micro-loans to entrepreneurs in developing countries, Jackley has moved into the for-profit sector. Her new venture is ProFounder. Like Kiva, it uses crowd-funding, focuses on small businesses, and is based on ideas both revolutionary and traditional. But ProFounder hits closer to home: Its goal is to get family, friends, and neighbors invested in the success of the entrepreneurs they already know. And it's doing it here in the United States.

ProFounder is an online platform that guides users through a thicket of state and federal regulations so they can raise money for their businesses from their communities, and do it without the full process and expense of registering with the Securities and Exchange Commission. The site also helps with other thorny tasks, such as figuring out how to put one's best foot forward with potential investors.

Jackley cofounded ProFounder with **Dana Mauriello**. Both are Stanford GSB grads; both think quickly, talk fast, and laugh easily. They met at the school — over a tube of lipstick. They have become, almost inescapably, close friends.

At age 33, Jackley has traveled the world studying entrepreneurship and humanity. She sits on the Council on Foreign Relations (as does her husband), champions expanding women's presence in business and investment, and is a frequent public speaker. She is a visiting practitioner at the Stanford Center for Philanthropy and Civil Society. Last year, *Fast Company* named her one of the "most influential women in tech," and USA Network gave her its "character approved award."

She is also a poet, surfer, trained yoga instructor, and author.

Oh, and she's was expecting twin sons at press time.

The offices of ProFounder are in an old brick building on Santa Monica Boulevard in West Hollywood. Everyone works together in the same room. The tech people are at desks; the rest are scattered around a large table that holds laptops, snacks, water bottles, toys, and whatnots in a home-like jumble. The "cafeteria" is across the street: a Starbucks and a Whole Foods.

Jackley, MBA '07 and the company's CEO, is answering email. Mauriello, MBA '09 and the company's president, is on the phone. So is Kate Karas, staff general counsel, down from San Francisco for the day. Ryan Garver, chief technology officer, and two programmers are working on final details of an option about to launch on *profounder.com*.

A major hurdle for small businesses trying to raise money from their communities (in addition to fear of being turned down, the possibility of not succeeding, etc.) has been that laws governing it vary from state to state.

Is having the backing of that uncle in Hartford more promising than the potential of 25 sorority sisters in San Diego? That's important because, even though California allows 35 investors, Connecticut's cap of 10 investors invokes the same limit nationally.

The ProFounder site guides users through those legal compliances and, by taking them through a series of questions, helps them reorganize their business plans into a pitch they can take to potential investors. Other tools include the site's term sheet generator that businesses can use to create unique investment agreements around equity or revenue share, customizing the terms to fit their business's needs.

If the fundraising goal is reached, entrepreneurs pledge to use

LEFT: ANNE KNUDSEN, RIGHT: ANDY DUNN

Left, Jessica Jackley, MBA '07, and her ProFounder partner Dana Mauriello, MBA '09, visited the GSB in June to speak to the GSB Entrepreneur Club. Right, Jackley and GSB classmates visited Kenya and Uganda in 2007 on a service learning trip to study the impact of microfinance in the developing world.

the money for their stated business purpose. As with most investments, investors have no guarantee they will enjoy gains or get their money back.

ProFounder, still in its first year, is its own case study in how entrepreneurial ventures evolve. It launched in December, and six months later it did a pivot. At the end of June, Jackley posted on the company's blog that ProFounder was shifting focus: it would become an information and planning resource for raising money rather than focusing on managing the transaction itself.

More change is likely as Jackley and Mauriello work on the knotty issues of state and federal regulations that require constant monitoring and legal research. "We keep exploring how best to do this," Jackley says.

They try to keep it simple and straightforward. They also think about how communities are a resource beyond financing and about the importance of confidence to entrepreneurial success.

The story of BucketFeet is one Jackley and Mauriello like to share. The Chicago-based startup turns canvas sneakers into wearable artwork and commits a share of the proceeds to kid-specific charities. It raised $60,000 from 33 investors using ProFounder. It was one of the 19 small businesses that raised more than $500,000 from 315 investors during ProFounder's first six months. Among the others: a textile design company in South Carolina, a candle company in Massachusetts, and electric motorcycle builders in San Francisco.

ProFounder recently entered an agreement with Etsy, the online marketplace for makers and sellers of handmade and vintage goods. It will partner with the company for its Hello Etsy two-day summit in September in Berlin and a series of related events across the United States. And it will support the company's users in taking their small businesses to the next step.

Photograph by AMANDA FRIEDMAN

JACKLEY AND MAURIELLO are dedicated in their belief that when people invest in entrepreneurs they are making the economy stronger and more resilient and that entrepreneurs not only create jobs and increase wealth, but, as they say on their website, "inspire us to be better every day."

And they appreciate the backing they received to launch ProFounder: $1.3 million from friends, family, and even some big-ticket investors.

At a lunch-hour meeting of the student-run GSB Entrepreneur Club on campus in June, Jackley and Mauriello shared how they see ProFounder in the marketplace. Not everyone with a good idea for a business has the potential to connect with bankers and venture capitalists, they tell the group. "Some VCs are absolutely insulting to anybody but 22-year-old dudes in the Silicon Valley," Jackley says.

She urges those in the audience, including the 22-year-old dudes, to never stop reviewing assumptions behind a business plan. "Even after you launch, it will help you change as you need to change," she says. "You are always iterating."

Jackley is a collector of stories, especially about the determination of entrepreneurs. In addition to her direct experience with Kiva and ProFounder, she has witnessed the launch of many startups. It has made her sensitive to the importance of finding the right investors, not just the money.

"The entrepreneur and investor need to share the same values," she says, whether the goal is sustainability or profitability. It's important to "find people who will meet you where you are" rather than trying to become something or someone you aren't.

Jackley has just finished a book, due to be released in spring 2012 by Random House/Spiegel and Grau, about the business lessons she's learned from entrepreneurs around the world.

Don't know where to start? Think about the Ugandan who literally had nothing but the dirt he was standing on. He added water and formed bricks by hand; it grew into a business with three employees. How to plan? Listen to the Kenyan who knows every inch of her one-acre farm so well — its clay deposits, its rocks, its dips and rises — that she is able to put each plant in the very spot it will grow best.

The stories underscore Jackley's skills at listening and at distilling what people are saying beyond the immediate context. And her earnestness.

"Jessica gets her energy from other people," Mauriello says. "It's so genuine for her."

Another friend describes her as a "persistent optimist."

She describes herself as a hugger, and a "sharer."

Among those who have been a regular sounding board for Jackley — and become a friend in the process — is **Jennifer Aaker**, a marketing professor in the GSB and coauthor of the social marketing book, *The Dragonfly Effect*. The two met several years ago when Aaker asked Jackley to be a guest lecturer.

It is Aaker who describes Jackley as a persistent optimist, which is more complex than either of the two traits taken separately. It is a quality that allows Jackley to "support, enable, and connect with others." And, importantly, it allows her to take setbacks in stride, to "quickly process criticism and roadblocks and move past them adeptly," Aaker says.

Jackley's skill as a leader and innovator is also enhanced by "a healthy skepticism about the status quo," Aaker says. It's a skepticism that makes her more likely to come up with a new system of doing things instead of doing what most everyone else does — keep trying to make the old way work.

JACKLEY ARRIVED IN CALIFORNIA by way of Pennsylvania — from Pittsburgh, where she grew up, and Bucknell University, where she studied philosophy, political science, and poetry.

As a kid, she was a baseball-cap-wearing tomboy in a middle-class neighborhood, the kind who in 5th grade got into a fistfight with a boy over a stickball game. She was elected class president as a freshman in high school and ended up in that role all through high school and college.

She was first exposed to extreme poverty on a church-sponsored trip to Haiti while she was still in high school. Later, as a junior in college, she spent a Semester at Sea, an experience that included her first visit to Kenya. She had such a profound new sense of self that, to underscore it, she shaved off her hair.

Her family, she says, is "ridiculously strong and loving." Her mother, Sandra, a first grade teacher, shared with her the value of learning; her father, David, a management consultant, showed her how to live creatively; her brother, Adam, who became a pastor, is a spiritual anchor and best friend.

When she got to California in 2001, she had a poetry prize from Bucknell in her hand and no clear idea of the direction she wanted to take. She was hired at the GSB on the staff of the Center for Social Innovation. For three years she worked around people "doing things I wanted to do but wasn't," she says.

She attended lectures and absorbed ideas. When she heard Bangladeshi economist Muhammad Yunus speak in 2003 about his work with microfinance in developing countries, she was deeply moved. (Three years later, Yunus would be awarded the Nobel Peace Prize.)

Jackley quit her job and moved to Africa, where she went to work for the nonprofit Village Enterprise Fund. She listened to people in Kenya, Uganda, and Tanzania.

Seeing that even small amounts of capital could make a dramatic difference to the business plans of those living in poverty, she and then-husband **Matt Flannery** came up with the then-new idea: use the internet to crowd-fund microloans, do it by connecting everyday entrepreneurs in developing countries with everyday backers in developed ones.

It was an idea that changed the dynamic of how individuals, committing amounts as small as $25, could invest in others.

Kiva, based in San Francisco, formally launched in October 2005. Realizing how much more she wanted to know about business, Jackley enrolled in the GSB while she and Flannery built the organization. It drew on her people and marketing skills, and on his in technology and systems — he holds two degrees from Stanford, a bachelor's in symbolic systems and a master's in philosophy.

The profile of Kiva skyrocketed after Bill Clinton cited it in his 2007 book, *Giving: How Each of Us Can Change the World*, and after Jackley and Flannery appeared on the Oprah television show.

Kiva thrived, but the marriage of its cofounders did not. In the fall of 2008, as their relationship was ending, Jackley transitioned away from Kiva. Flannery continues to lead the organization as its CEO;

How ProFounder Works

PROFOUNDER IS DESIGNED to guide entrepreneurs through the process of starting or growing their businesses and raising capital from close family and friends. Its database and algorithms navigate federal regulations as well as the "blue sky" laws adopted by each state to protect investors from buying thin air.

The fundraising methods ProFounder provides guidance on are those available under Regulation D of the Securities Act of 1933 and spelled out in Rules 504 and 506.

Both Rule 504 and rule 506 are registration exemptions – they allow entrepreneurs to issue securities (i.e. raise capital) without registering those securities with the Securities and Exchange Commission. To qualify for the exemptions, entrepreneurs generally must have a substantial, preexisting relationship with their investors, hence ProFounder's emphasis on close family and friends.

Currently, there is no charge to use the site, but users must log in to have access to the interactive graphics and resources. Those include tools to evaluate how the terms of an offer, such as revenue share or equity, will affect the company.

Meanwhile, as interest in crowd-funding of all sorts has grown, the SEC is considering whether changes in the registration requirement of the Securities Act are appropriate.

Joseph Grundfest, a professor of law and business at the Stanford School of Law and a former SEC commissioner, says crowd-funding raises serious challenges under current federal and state securities laws.

"The regulatory system is not designed for the new internet age," he says, "and the time has certainly come for a fresh look at the rules governing capital formation: In particular, can we strike a better and different balance that capitalizes on the efficiencies and network effects created by the internet without also making it too easy for fraudsters to engage in scams that, at the end of the day, will only harm investors and markets?"

That uncharted territory is where ProFounder has staked its innovative approach to helping small businesses connect with their communities.

another early collaborator (and Stanford economics alum), **Premal Shah**, is president. Kiva now has made $230 million in loans with money pooled from 600,000 individual lenders.

After the breakup of her marriage and her move away from active involvement with Kiva, Jackley says, she found her bearings again when she gave herself permission to "do more than this one specific thing."

She became involved with a research project on case studies of women entrepreneurs led by **Garth Saloner**, now dean of the GSB. That research took her around the world, and further expanded her view of entrepreneurship. After nearly a year on the road, she was ready to find a sense of community again.

Jessica Jackley and Dana Mauriello met at the GSB over a tube of lipstick and have become close friends.

Back on the ground at Stanford, in the ladies room, Jackley met her future business partner. Mauriello was putting on lipstick for a photo shoot as part of a product plan for a cosmetics company. Jackley told her she liked the color and introduced herself. The women hit it off instantly and in the nick of time. It was spring 2009, and Mauriello was just days away from graduating.

The inspiration for ProFounder turned out to be right under their noses: the experience of two other members of Mauriello's graduating class. The two students wanted to bring their classmates into the launch of WikiMart, an online marketplace for Russia and former Soviet-block nations. There were plenty who wanted to invest, but the process of doing it in a legally compliant way was frustrating, costly, and full of hurdles.

Jackley, Mauriello, and another Stanford graduate, **Evan Reas,** MBA '09, put their heads together and came up with the "what-ifs" for a business that would take the negatives out of that process. Before the launch of ProFounder, though, they parted ways — they had different visions for the company. Reas went on to cofound another startup, of which he is CEO, Palo Alto-based Hawthorne Labs.

BEFORE LAUNCHING PROFOUNDER, Jackley and Mauriello spent a year planning and conducting costly legal research and figuring out a business plan that was consistent with their values. "The social component comes first," Jackley says, "but it would be intellectually lazy to not figure out how to make that profitable."

"We complement each other so well," Mauriello says of their partnership. "We support each other and unequivocally trust each other."

Which is not to say they always agree or that they don't sometimes trip over each other in their zest for talking about ProFounder. "We share values but have different opinions. Having different ideas is a great strength of the partnership — it gets us to a place we wouldn't have as individuals," Mauriello says.

As plans for ProFounder were coming together, there was another development: mutual friends introduced Jackley to Resa Aslan. He soon became the love of her life.

Aslan, an Iranian-American activist and scholar of religions, is a professor at UC Riverside and an acclaimed writer. His first book, *No god but God: the Origins, Evolution and Future of Islam*, has been widely praised and translated into many languages. His most recent, *Tablet and Pen*, is an anthology of work by writers and poets in the Middle East. He is also a popular speaker, including recurring guest spots on *The Daily Show* with Jon Stewart.

When Jackley shared with ProFounder investors the news of her pregnancy at the 12-week mark, one of them wondered publicly in a blog whether it would mean a reduced commitment to building the business. She responded on another site: "I've never heard someone ask the same of a founder-CEO-dad." She does what all entrepreneurs do, she wrote, "prioritize mission-critical tasks each day and night and then share, delegate, delay, or skip the rest."

And of course, she added, "I expect to be even busier with not just one but two babies."

Every few months, Jackley and her husband host a poetry party in their home. They invite dozens of guests, each of whom is asked to bring a poem. The poems don't have to be shared, but as the evening goes on, many are.

In the ProFounder offices there is a "Haiku Wall." It is actually just a pin-up with Post-it notes of staff compositions:

Where brains collide
Legos run from east to west
A tractor is born

Among the toys on the group desk is that Lego tractor, one of two constructed during a team-building exercise one afternoon. Both are prized proof of cooperation and communication in the face of deliberately rigged obstacles.

Another pinup holds cartoon illustrations of how users move through the ProFounder website. Still another spells out the company's statements of vision ("All people are empowered to pursue their dreams through entrepreneurship") and mission ("To ensure all entrepreneurs have access to the resources they need to succeed through the engagement of robust, supportive communities"). Above are photos of the small business creators who have made those connections with the help of ProFounder.

If ProFounder succeeds to its fullest, Jackley says, it will unleash the latent enthusiasm of community to invest in itself. The kind of crowd even people who don't like crowds can appreciate.

PHOTO BY AMANDA FRIEDMAN

Celebrating 40 Years of Social Impact

An Anniversary Celebration

Thursday, October 20, 2011 @ Knight Management Center

3:30 – 5:30 p.m.	Class Notes Live: Personal Stories of Impact
5:30 – 6:30 p.m.	Reception & Social Innovator Showcase
6:30 – 8:30 p.m.	Alumni & Faculty Dinner

The 10-year-old Center for Social Innovation and its 40-year-old Public Management Program invite you to celebrate our 40-year-strong community of leaders who understand and contribute to society and the world around them.

Join fellow GSBers interested in the fields of education, environment, health care, or international development; or in the work of nonprofits, policy/government, philanthropy, social ventures, and responsible business. Share your story, learn, and enjoy being part of this amazing community.

Register now @ http://csi.gsb.stanford.edu/40

CENTER FOR SOCIAL INNOVATION

STANFORD GRADUATE SCHOOL OF BUSINESS

Knight Management Center Open for Business

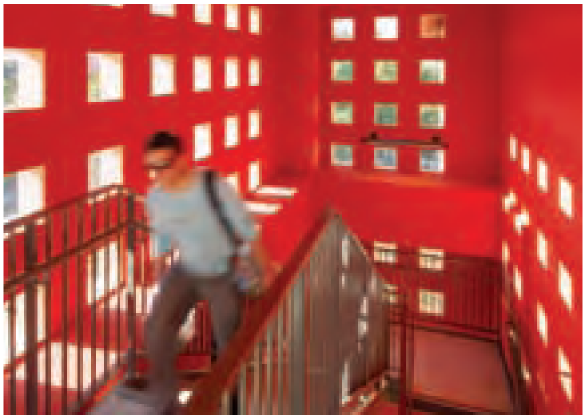
The open atrium of the Anne T. and Robert M. Bass Center provides access to the library plus study space and meeting rooms.

PHOTO BY TIM GRIFFITH

LIVING SPACE

Community Spaces Are Designed to Provide an Inspiring and Refreshing Environment

The Town Square is framed by the Arbuckle Dining Pavilion in the foreground, the Bass Center, and the faculty office buildings.



Left: Plenty of light and color brighten office building stairwells.

Right: Adirondack tables and chairs provide pleasant outdoor space to relax or brainstorm.

> *"This place is so much more than a physical facility. I'm standing on the edge of a town square next to the Arbuckle Cafe that abuts a community court; you can walk by at 10 o'clock at night and you'll see students inventing the future in front of your eyes."*
>
> DEAN GARTH SALONER

PHOTOS BY TIM GRIFFITH

The Arbuckle Dining Pavilion invites the GSB community and visitors to share food and conversation indoors or out.

LEARNING SPACE

Classrooms and Meeting Spaces Give New Meaning to Flexibility

Classrooms in the Knight Management Center with floor-to-ceiling windows are equipped with a wide range of audio-video equipment for displaying, recording, or conferencing with participants off campus.

"The opening of the Knight Management Center represents a giant leap forward. Through curriculum reform we now provide a very unique management education experience. It is experiential, it's transformative, personalized, and now we have the physical facility to put that in."

DEAN GARTH SALONER

PHOTO BY TIM GRIFFITH

The dean's conference room, left, in the faculty office building can accommodate small groups, while the Seawell Family Boardroom, right, on the top floor of the Bass Center can be configured for meetings, conferences, or banquets.

The NGP Collaboration Lab has an open floorplan that supports classes taught by interdisciplinary teams where students from across campus collaborate on projects.

CEMEX Auditorium holds 600 people. Shades on its floor-to-ceiling windows can be opened or closed as needed.

CLOCKWISE FROM TOP: ANNE KNUDSEN, COLLEEN KINA KONA, TIM GRIFFITH (2)

CREATING A STARTUP

Students Learning to Create Business Plans Make Quick Use of Comfortable, High-Tech Facilities

by LOUISE LEE

ABOUT 50 YEARS AGO, a Stanford MBA student named **Philip Knight** wrote a class paper pondering the question "Can Japanese Sports Shoes Do to German Sports Shoes What Japanese Cameras Did to German Cameras?" The idea described in the paper eventually became Nike Inc. His success building that company enabled Knight, who earned his MBA in 1962, to become the lead donor for the Knight Management Center that bears his name.

Today, nearly every MBA and Sloan Master's Program student studies entrepreneurship in some form. In addition to exploring ideas for new ventures through a wide variety of entrepreneurship electives, groups of students from across Stanford huddle repeatedly in teams to debate, challenge, and iterate on ideas for new products, services, and businesses. Many pursue entrepreneurial opportunities upon graduation or later in their careers. The objective of the entrepreneurial curriculum is to help students develop an entrepreneurial mindset and an understanding of the issues involved in starting and scaling new businesses. The courses combine timely case studies with experiential learning and often are delivered by a combination of faculty and practitioners with stellar track records as entrepreneurs and early stage investors.

The Knight Management Center, with dozens of small technology-equipped study rooms scattered throughout the complex, is designed and laid out to help them experiment.

"With two LCD screens on the wall and laptop displays around a conference table, we can easily share information and tie in our adjunct members via a Skype video conference," says **Steffen Bartschat,** Sloan '11, the leader of Team Peakbusters, one of last spring's student start-up teams. Members of his group liked that they could drop into a room virtually any time to brainstorm, perhaps spotting a passerby through the large windows for a serendipitous collaboration.

The school's MBA curriculum today incorporates interdisciplinary and team learning — two important factors for many growing businesses.

The notion of entrepreneurship springing from Stanford classrooms and labs dates back to the 1930s when **Frederick Terman**, a professor who later became a legendary dean of the Stanford School of Engineering and university provost, lured his former students, **Bill Hewlett** and **Dave Packard**, back from the East Coast and helped them find customers for what became Hewlett-Packard's first product, an audio-oscillator. But through the 1950s and '60s, the very idea of forming a company was an unusual notion at most academic business schools. The venture capital industry didn't exist, and the MBA credential was seen by many as a stepping stone to a career in a large corporation or at a Wall Street or consulting firm. "There weren't any heroes in entrepreneurship in those days," says **Steven C. Brandt,** MBA '65, who taught about entrepreneurship at the GSB from 1971 to 1992.

It was **Frank K. Shallenberger**, a 1935 Stanford mechanical engineering graduate, who began to change attitudes. In the late 1950s, the professor of industrial management at the business school started promoting the idea that big business wasn't the only career option and began teaching about managing small businesses. Shallenberger's course initially ran as a series of get-togethers at his house. When, as he told a reporter in 1969, "the beer bill became too large," he asked the school to formalize the course *Small Business Management* in 1960. Known around the school as "the father of small business," Shallenberger relied on case studies of small companies, such as Shalco Corp., the industrial-equipment firm he cofounded.

Fortunately for Knight, Shallenberger's small business courses studied both existing companies and new ones. When the professor gave the students an assignment of creating a business plan, Knight wrote a paper that was his epiphany. His idea was to manufacture and import sports shoes from Japan, at the time a poor country where labor was inexpensive.

The paper "became the blueprint for Nike, and it was out of that that I really had the courage and the enthusiasm to start this company that ultimately became Nike," Knight said in a 2008 interview with the school's then dean, **Robert L. Joss.** Of Shallenberger and his class, Knight recalled, "All those things came together; his inspiration, his own experiences with starting small companies, and the enthusiasm of the class in general contributed mightily to my really having the confidence and enthusiasm to start this whole thing."

A few years after graduation, Knight secured funding and started Blue Ribbon Sports with University of Oregon track coach Bill Bowerman to import and distribute athletic shoes under the Tiger brand from Japan. In 1972, the two created their own brand, Nike, and followed a similar business model. Through the years, Nike grew to its current size of $20.9 billion in annual revenue. After achieving that level of success, Knight made a $105 million gift in 2006 to fund the new business school home. The gift reflected his deep-seated sentiment toward the school and all he learned there. "The school, obviously, has meant so much in my life, and to be able to give back a little bit makes me feel really great," he told Joss in 2008.

As Phil Knight was changing the footwear industry, closer to Stanford, the growth in Silicon Valley and its robust entrepreneurial culture was accelerating. Startups based on high technology "came to the fore in the early '80s with companies like Sun Microsystems, Imagen, Teknowledge, Silicon Graphics, MIPS, Cisco Systems, and Intellicorp, all of which started at Stanford or were founded by people from Stanford, including several GSB alumni," says **Haim Mendelson,** who teaches entrepreneurship as the Kleiner Perkins Caufield & Byers Professor of Electronic Business and Commerce, and

Counterclockwise from front, mentor Maurice Gunderson, MBA '85; Steffen Bartschat, Sloan '11; Reto Baettig, MS Management Science and Engineering '11; and Haitao Zhang, Sloan '11, meet in a small conference room to discuss a business plan.

PHOTO BY SAUL BROMBERGER AND SANDRA HOOVER

Management. In time, an increasing number of GSB alumni made an impact by funding entrepreneurial businesses as venture capitalists.

A course called *New Enterprise Management* was added as an elective in 1969-'70 and over time, more faculty addressed problems that were specific to startups in courses on finance, organizational behavior, and marketing. Some classes started teaching students how to write a formal business plan, which the burgeoning venture capital industry demanded as a tool to evaluate potential investments.

By the 1990s, entrepreneurship was fully enmeshed in the GSB's curriculum and culture. "Our goal in the entrepreneurship courses has always been to demystify the entrepreneurial process and help students obtain the managerial knowledge that would allow them to understand and be effective managers in small, rapidly growing companies," says **Charles Holloway**, the Kleiner Perkins Caufield & Byers Professor of Management, Emeritus, and a faculty director of the school's Center for Entrepreneurial Studies (CES).

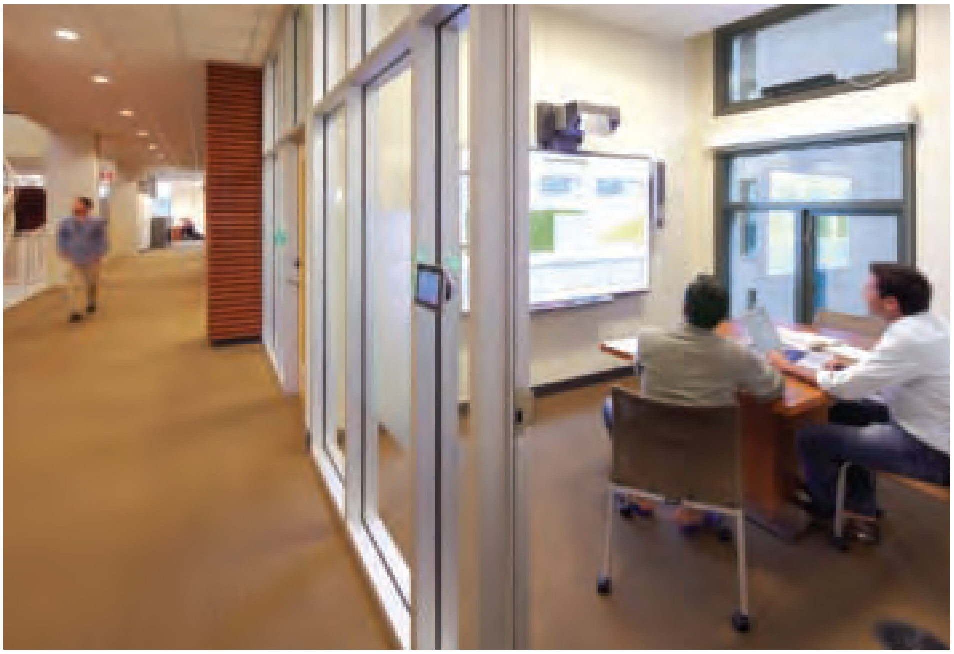
Recognizing a need for more focused efforts to develop and deliver entrepreneurial curriculum and research, the CES was launched in 1996 with Holloway and **H. Irving Grousbeck**, MBA Class of 1980 Consulting Professor of Management, as the founding faculty directors. Through the center, the school currently offers more than 20 electives focused on entrepreneurship, of which most MBA students take at least one. The center produces 25 to 30 new entrepreneurial cases a year to keep the curriculum relevant and timely, and these cases are studied in entrepreneurship classes around the world. Beyond that, the center serves as "a thriving network node in the Silicon Valley entrepreneurship ecosystem," Mendelson says. The center actively engages with successful entrepreneurs and investors to participate in classes as case protagonists, speak at conferences and student and alumni events, judge students' business plans, and serve as mentors for teams developing business ideas through classes such as *Evaluating Entrepreneurial Opportunities* (often referred to as "356" by the more than 1,000 graduates who have taken the class, alluding to its course numbers *S356/S366*).

It was through this mentoring experience that the CES first connected with new Executive Director **Sheryl O'Loughlin**, who joined the school in 2011. O'Loughlin graduated from the Kellogg School of Management and was the former CEO of Clif Bar and the cofounder and CEO of Nest Collective, a mission-driven consumer products company producing healthy, organic food for children. She added her deep expertise in the industry to Team Green Earth Cafe, a student team that applied to the course with the "aim to provide sustainably sourced, nutritious, and tasty meals to help institutions improve the health of their employees and patients."

In the spirit of continuous innovation, the *S356/S366* course sequence has continued to evolve through the years. Now known as *Creating a Startup*, the series began in the mid-1990s to formalize work that some students were pursuing as independent projects. Students' start-up ideas have covered a wide range of industries, both in the United States and internationally. Being in the heart of Silicon Valley, the multidisciplinary student teams are often at the forefront of evolving industries — from consumer internet and e-commerce in the late '90s to social networking, clean tech, and mobile opportunities today. The increasing number of students pursuing social entrepreneurship concepts through the course meant adding a section with that focus several years ago.

Regardless of what's in vogue, the basic principles of evaluating

CREATING A STARTUP



Many who use the meeting rooms appreciate the large windows that enable impromptu collaboration with classmates who happen by.

a business opportunity and developing a model for it are constant. Ideas abound, especially in Silicon Valley; turning them into viable ventures is the hard part, as students discover in *Creating a Startup*.

Admission to S356 is by application, and the sections balance MBAs, Sloan students, and grad students from the other schools at Stanford. The first quarter focuses on idea evaluation, business models, market research, identifying customers and evaluating their needs, iterating to achieve product-market fit, evaluating competition, and team dynamics. The format blends lectures and exercises applicable to all new ventures, as well as sessions with instructors and mentors in specific industry verticals. The curriculum is designed to help all students, including those from Stanford schools such as engineering or medicine, learn and apply business basics.

During the fall, students work through a formal process to iterate upon their ideas and form teams. They then dive into their team's start-up idea, and the amount of hands-on work increases in the winter quarter. "As an experiential course, it's learning by doing," says Mendelson, who is teaching the course in the 2011-12 academic year. The teams that proceed into the winter quarter will continue researching and forming their plans, and some may continue working on their startups in the spring quarter. **Dennis Rohan**, a lecturer in management, cofounder and lead instructor for the course, added, "A lot of this is understanding the process, how a product will relate to real customers, what business model you need to create value, and what team you need to be successful." As they analyze their ideas, students inevitably change strategies and otherwise shift gears, so "we teach students to morph quickly and work with a level of mental flexibility."

It's a hard road. Some teams fold if they conclude their ideas aren't as feasible as previously thought or demand isn't as big as anticipated. Dropping an idea isn't a bad outcome, instructors say, because part of learning about startups is realizing what isn't going to work and moving on.

Besides meeting regularly with a course instructor, teams work with experienced mentors including many alumni who provide industry knowledge and contacts for field research. Mentors such as San Francisco venture capitalist **Maurice Gunderson**, MBA '85, embrace their educational role. Gunderson says he holds in check his professional inclination to give a quick thumbs-up or thumbs-down to students' ideas. Instead, he says, he'll ask, "Have you considered ...?" Then, "you go out and answer them," he says. "I don't do it for them. I can't cut the process short."

The complexities of the process are apparent. In April, five teams gathered in a sunlit 80-seat classroom in the new campus with Rohan, who devoted this meeting to team presentations and critiques. Using slides, teams presented their business plans, which were at varying stages of progress. One group wanted to assemble and distribute low-cost solar panels to households in Kenya. Another proposed a new wealth-management service. A third pitched a company that would set up student-loan pools at individual universities to be funded by alumni.

All made a strong case for their start-ups and showed their financial models and operational plans. The onslaught of pointed questions from fellow students and instructors, though, reflected the potholes that come with the territory. "Can you explain why your product is better and why you get better results?" one student asked of the wealth-management team. The idea of setting up student-loan pools, too, drew skepticism. "What's to stop a university from doing it itself?" another student asked.

"Classmates are quite candid," says **Zachary Goldstein**, MBA '11, whose team was building a customer-loyalty system for retailers. "If they see a potential challenge, they don't hesitate to tell you. It's good to be pushed; it's helped us refine our approach and our assumptions."

As of last spring, Goldstein's Team Loyalty was forging ahead. He and his colleagues had spent many weeks researching their idea,

Andrew Lawson, Sloan '11, presents his team's business plan to the course instructor and classmates.

TOP PHOTO: TIM GRIFFITH, BOTTOM PHOTO: SAUL BROMBERGER AND SANDRA HOOVER running small surveys, and interviewing retailers and customers. Late one afternoon, they huddled for an hour over the conference table in a meeting room that opens onto a covered colonnade connecting Knight buildings and landscaped outdoor meeting spaces. They prioritized their next tasks, including refining their financial model and chasing down computer science students to create back-end systems. Other students clustered at outdoor tables or walked across the street to study rooms in the Schwab Residential Center.

"We've lived in those rooms," says **Jason Mayden**, Sloan '11, whose team Kill the Clipboard aimed to create products that record athletes' biometric data and help them improve their performance. Unlike more traditional meeting rooms (four walls and a solid door), the Knight facilities have glass fronts that connect what's happening among the team members to the rest of the community. "Somehow, people disrupt you at the right moment," Mayden says. "It's a collaborative space. People stop by. You embrace the disruption."

> *"We teach students to morph quickly and work with a level of mental flexibility."*
>
> MANAGEMENT LECTURER DENNIS ROHAN

Technology in the rooms facilitates communication, too. Using Steelcase Inc.'s media:scape setup, students can pull small connectors the size of a hockey puck out of the media well at the center of the conference table and hook up several laptops to side-by-side LCD screens on the wall. Presto: All can instantly see what's on each laptop's monitor, be it a spreadsheet, action plan, or an email, setting the stage for increased collaboration and sharing. "Having the screens takes away the possibility of misunderstanding and miscommunication," Mayden says. "It's a research and communication tool." Students also use the setup when they have to tie in a team member remotely via Skype.

In April, as Team Peakbusters developed a business plan to install systems to monitor home electricity consumption and automatically reduce it during peak demand, members debated partnering with other companies and scrutinized the costs of call centers. On the room's left-hand LCD screen, the laptop of **Reto Baettig**, MS Management Science and Engineering '11, displayed an Excel spreadsheet showing month-by-month breakdowns of grosses and nets. Other materials appeared: third-party research about call centers, a document showing issues to update, Bartschat's own calendar. **Haitao Zhang**, Sloan '11, updated a to-do list for all to see in real time. After the meeting officially ended, Battig and Bill Hofmann, who isn't enrolled at Stanford but participates as an adjunct team member, examined another spreadsheet on the big screen. No crouching down to peer at a laptop monitor.

For some students, the course provides the structure and support to develop an idea to the point a viable venture is clear. Bartschat wasn't planning on being an entrepreneur when he entered the Sloan program. But neck-deep in his team's business plan in mid-spring, Bartschat acknowledged that the experience of this class may have changed his thinking. "Maybe I've caught the bug." ●

PHOTO BY STEVE CASTILLO

ENVIRONMENTAL SUSTAINABILITY

Green Features Designed for LEED Platinum Rating

PHOTOVOLTAIC SOLAR PANELS crown the eight buildings of the Knight Management Center, but other "green" features aren't as visible, such as the underground garage that eliminates the "heat island effect" of traditional uncovered parking lots. Or the 75,000-gallon cistern, fed by rain gutters, that supplies landscaping irrigation during the dry season.

"In seeking a LEED Platinum rating — the highest certification given by the U.S. Green Building Council — the school employed sustainable practices throughout the project," said **Kathleen Kavanaugh**, program director for the Knight Management Center.

CONSTRUCTION: Crews razing two buildings on the site recycled or diverted more than 90% of demolition waste from landfills while new-building contractors kept 98% of their waste from reaching landfills. They used dirt excavated for the underground garage to create a gentle slope on the site. Materials and furnishings, often sourced from regional suppliers, contain 20% recycled content.

COMFORT CONTROL: A central plant across campus pumps in chilled or heated water that runs through coils over which air is blown — a substantially less expensive alternative to air conditioning and forced-air heating. Windows open automatically during pre-dawn hours in some faculty and staff offices on upper floors to allow cool air in as hot air is flushed out through skylights. Indoor environmental quality benefits include views to the outside for 90% of occupants, and the buildings' paints, carpeting, and other indoor materials emit fewer gases than conventional materials.

ENERGY AND LIGHTING: Windows and skylights minimize the need for artificial lighting, and when daylight is strong enough, sensors turn off lights in work areas. Leased solar panels contribute 12.5% of the facility's power load, and the buildings use 46% less energy than their traditional counterparts through reduced lighting and optimized climate control.

LANDSCAPING AND WATER: Landscapers returned existing trees to the site after completion of construction and limited water consumption by using drought-resistant vegetation. Engineers reduced potable water use by using low-flow devices and reclaimed water for toilets.

—ARTHUR PATTERSON

ART INSTALLATIONS

Six Artistic Monuments to Change at the GSB

by THERESA JOHNSTON

ON A SPRING NIGHT, a lone runner padded through Stanford's new Knight Management Center. Suddenly he stopped in his tracks, transfixed by a brilliantly colored piece of art on the side of Zambrano Hall.

The work, *Monument to Change as It Changes*, looks like a massive wall of paint chips come to life. In fact it's a computer-controlled array of 2,048 "flip digit" modules like those on departure and arrival boards at European train stations, but with colored cards instead of letters and numbers. As the cards flip around within each module, they create a pleasant fluttering sound and a mesmerizing, ever-evolving set of patterns and images.

Looking on quietly, Peter Wegner was delighted by the jogger's reaction. "He stayed for 18 minutes," the Berkeley-based artist recalls. "I thought, 'If I can take a runner to a dead stop at 10 at night and hold him there for that length of time, I'm really onto something.'"

Reared in South Dakota and educated in fine arts at Yale, Wegner already had pieces hanging at the Getty Center in Los Angeles, and in New York's Guggenheim and Museum of Modern Art. To prepare for this job, he talked at length with Stanford students, faculty, and staff, as well as representatives from the Nike Foundation. He even sat in on some GSB classes.

In the end he created five new pieces for the cutting-edge campus. Together they tell a story about where the Graduate School of Business is headed, rather than where it has been. As he explains, "I don't do [traditional commemorative] work and I'm not particularly compelled by it myself as an artist or as a viewer. I'm more interested in change and the future."

Weighing in at 3 tons, *Monument to Change* was a challenge to engineer, fabricate, and install. Working on "multiple laptops on multiple continents," Wegner painstakingly designed every color pattern so that nothing repeats within an 8-hour cycle. The final product, manufactured by a Swiss company, was so heavy that engineers had to recalculate the loads on the wall where it was to hang. "We ended up adding steel to the wall to reinforce it," says Knight Management Center program director **Kathleen Kavanaugh**. Fortunately, she adds, "it's all we hoped it would be. ... From the tiniest child to the oldest person, people are fascinated by it."

A second Wegner piece, *Ways to Change*, hangs near the TA Associates Café. It consists of 300 glossy black panels lit from behind with LEDs. Each panel is printed with an adverb that can be used to modify the verb "change": intangibly, profitably, fearlessly, brutally, satisfactorily, and so on. Sometimes the board lights up with groups of synonyms or antonyms; other times it blinks in arresting visual patterns. One group of undergrads, reportedly making a game out of it, shouted out definitions of the words as they lit.

Nike Foundation President and CEO **Maria Eitel**, SEP '01, who played a key role in planning the new campus, couldn't be more pleased by the response. "I admit I was a skeptic," she says, particularly regarding the *Monument to Change*. "But when I saw the wall and experienced it, I had just the opposite reaction. When I look at his art I'm struck by how it really tells a story. It's beautiful, it's provocative, and it causes you to pause and think big thoughts." Nike Inc. cofounder and chairman **Phil Knight**, MBA '62, shares her opinion. "On seeing the results," he says, "I am delighted."

Other Wegner pieces created for the Knight Management Center include a cornerstone "dedicated to the things that haven't happened yet and the people who are about to dream them up"; *Monuments to the Unknown Variables*, a set of benches shaped like academic equation components [x] and [y]; and *Monument to Your Future Collaborators*, a collection of footprints near the Bass Center that were inspired by Knight's own distinctive waffle footprints and quotation at the school entrance. (That gateway piece was designed by Steve Sandstrom of Sandstrom Partners Inc., a Portland, Ore., design and advertising firm.)

By popular demand, the southwest entrance also will feature one piece of art from the old campus: François Stahly's 1961 bronze *Les Oiseaux Flammes*, "The Flame Birds."

Monuments to the Unknown Variables, *benches shaped like mathematical symbols [x] and [y], welcome visitors to the McCoy Family Courtyard in the faculty buildings.*

PHOTO BY STACY GEIKEN

Above: Ways to Change *consists of 300 glossy black panels lit from behind. Each panel is printed with an adverb that can modify the word "change."*

Left: Artist Peter Wegner says the three-ton installation Monument to Change as It Changes, *a computer-controlled array of 2,048 "flip digit" modules, was a challenge to engineer, fabricate, and install.*

TOP PHOTO BY KAT WADE; BOTTOM PHOTO BY STEVE CASTILLO

"I don't do [traditional commemorative] work, and I'm not particularly compelled by it as an artist or as a viewer. I'm more interested in change and the future."

PETER WEGNER

PHOTO BY MARIKO REED

How Failure Ignites Successful Innovation

The trick is moving from fear of making mistakes to fear of missing opportunities.

"FAILURE" IS A DREADED concept for most business people. But failure can actually be a huge engine of innovation for an individual or an organization. The trick lies in approaching it with the right attitude and harnessing it as a blessing, not a curse.

I've coined two terms that describe how people view failure: the type 1 mindset and the type 2 mindset.

The type 1 mindset is fearful of making mistakes. It characterizes most individuals, managers, and corporations today. In this mindset, to fail is shameful and painful. Because the brain becomes very risk averse under this line of thinking, innovation is generally nothing more than incremental. You don't get off-the-charts results.

The type 2 mindset is fearful of losing out on opportunities. Places like Silicon Valley and the Stanford Graduate School of Business are full of type 2s. What is shameful to these people is sitting on the sidelines while someone else runs away with a great idea. Failure is not bad; it can actually be exciting. From so-called "failures" emerge those valuable gold nuggets — the "aha!" moments of insight that guide you toward your next innovation.

We generally start out with the type 2 adventurous spirit as children. But then somewhere along the line, often in school, we are squelched. Failure is not allowed. We become type 1s.

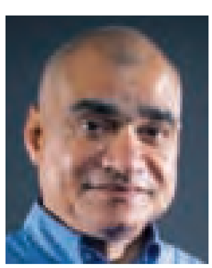
So how do you get people and corporations to shift from 1 to 2?

One approach is to engage them in rapid prototyping — the process whereby they brainstorm wild new ideas, then quickly develop a physical model or mock-up of a solution. This allows people to move quickly from the abstract to the concrete and lets them visualize the outcome of their ideas. It gives the brain richer inputs.

Because not all prototypes end up as the best or final solution, rapid prototyping also teaches that failure is actually a *necessary* part of the process. You may chuck an idea and say, "Let's try something else," but you keep moving in a positive way. This whips the brain into associating "failure" with pleasure.

Another way to shift people into type 2 thinking is, paradoxically, to instill in them a sense of "desperation." This is done by cutting resources so that they are forced to devise new solutions. As we know, necessity is the mother of invention.

In India, where we have known lack for centuries, the practice of *jugad* is part of the management lexicon. It refers to the inventive approach people must take to manage the scarcity that is so often a part of the landscape.



Baba Shiv

Anheuser-Busch InBev stimulates a kind of *jugad* mentality each year by decreasing the advertising team's budget while demanding increased performance. After a period of desperation, the team is spurred to look at new, less expensive ways of communicating its message.

Many corporations try to use the opposite of desperation — inspiration — as a means of stimulating innovation. It sounds good, but sometimes it doesn't work. Often, fostering "inspiration" means putting a pool of type 2s into a closed environment where they are given license to prototype away. But then they end up presenting their ideas to whom? Type 1s. And such fearful managers shoot them down every time.

To make inspiration work as a motivator, take a look at Cisco Systems. There, type 2s are given the space and support to prototype, but they must have someone from senior management on their team. By getting such managers involved in the process, innovators have a champion who can navigate the political system and sell the idea better.

Another good example of using inspiration is TSYS Acquiring Solutions, a company that for a small fee carries out the first credit/debit card transaction at any counter by transmitting the data to the networks and banks. To diversify its business, the company developed an ingenious way to reward innovation in the corporate culture. Each employee is given "TSYS dollars" to "invest" in creative solutions posed by internal teams on the company intranet. The most heavily invested idea is actually implemented. By turning innovators into company icons, they encourage others to submit new solutions.

Business schools are now teaching rapid prototyping as a way to instill type 2 thinking. In my *Frinky Science of the Human Mind* course at the Stanford Graduate School of Business, students used this technique to apply the principles of human brain functioning toward figuring out how customers can be made to feel comfortable with their buying experience and thereby choose one product over another. In our executive program, senior managers have developed prototype solutions for how airlines might better handle delays with customers.

The bottom line: Failure is not bad. The sooner companies realize this, the sooner they will be on the road to breakthrough thinking.

Baba Shiv is the Sanwa Bank Ltd. Professor of Marketing. His research focuses on neuroeconomics, studying the brain's role in shaping decisions, consumer experiences, and the memories of these experiences. In addition to teaching in the MBA Program, he is the director of the Strategic Marketing Management Executive Program.

ILLUSTRATION BY JOHN HERSEY

 by Bill Snyder

David Viniar, *chief financial officer at Goldman Sachs, said "excess liquidity is the ultimate defense" against another crash.*

Eric Rosengren, *president and CEO of the Boston Fed, said money-market mutual funds may be vulnerable to Europe's debt crisis.*

David Miles *of the Bank of England's monetary policy committee called for 16% to 20% equity requirements to prevent future crises.*

Bank Equity Levels Debated at GSB Forum

The Basel Accords let big banks put too much risk on society as a whole, some said.

THREE YEARS AFTER the onset of the worst financial crisis in more than half a century, the debate about how to make the banking system more secure is far from over. Should there be more regulation? Should capital and equity requirements be increased? There's even disagreement about what constitutes financial instability.

In keeping with what Stanford President **John Hennessy** called the university's primary mission "to further the public good," the business and law schools convened the Stanford Finance Forum in June. Led by finance Professor **Darrell Duffie,** the event gathered regulators, financial executives, and academics to discuss the future of the banking system and the need to establish acceptable levels of capital and liquidity. The forum was sponsored by the Clearing House, a banking association.

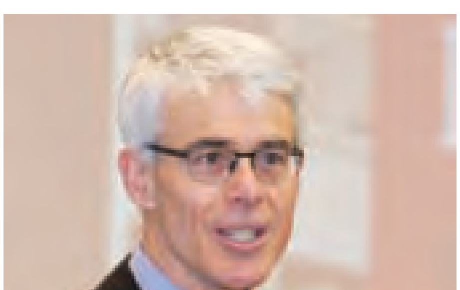
"The liquidity crisis caught everyone by surprise," Hennessy said in his introductory remarks to an audience of 140 at the business school's Knight Management Center. "We [Stanford and other universities] are the longest-term investors. Many in the university convinced themselves that the liquidity crisis had no effect on them." But the crisis forced universities across the country to face sharp drops in funding or the value of endowments. New tools, he said, will be needed to avert another crisis.

The event made news when keynote speaker Eric Rosengren, president and CEO of the Federal Reserve Bank of Boston, said U.S. money-market mutual funds may be vulnerable to Europe's debt crisis. Those funds "have sizeable exposures to European banks by virtue of holding the banks' short-term debt," he said.

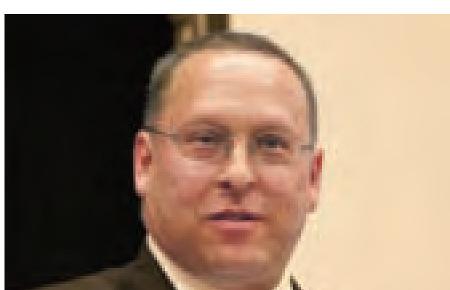
While there was general agreement that banks and other institutions need to hold higher levels of capital and liquidity, the day's sharpest disagreements focused on a proposal by three members of the business school faculty and a coauthor to increase the percentage of equity financing by financial institutions much more than suggested by the Basel Accords, a nonbinding but influential international agreement.

First published in 2010, the proposal is controversial, with many bankers and some regulators arguing that equity financing is too expensive, would reduce the return on equity to unacceptable levels, and would result in banks lending much less — contentions the four researchers reject.

"Quite simply, bank equity is not expensive from a social perspective, and high leverage is not required in order for banks to perform all their socially valuable functions, including lending, taking deposits, and issuing money-like securities," Professors **Anat R. Admati, Peter M. DeMarzo,** and **Paul C. Pfleiderer** wrote in a paper presented at the forum. (Coauthor Martin F. Hellwig of the Max Planck Institute was not present.)



GSB Professor Darrell Duffie *led the forum on the future of banking and the need to establish acceptable levels of capital and liquidity.*



Adam Gilbert, *managing director of JP Morgan Chase, said higher equity levels would cost his bank hundreds of billions of dollars.*

GSB Professor Anat Admati *said that higher equity levels would not prevent banks from performing all their socially valuable functions.*

PHOTOS BY STACY GEIKEN

The Basel Accords allow the equity of banks to be as low as 3% of their total, non-risk-weighted assets, a level that is "dangerously low," says Admati, who maintains that a safe range would be at least 10% to 15%. Equity capital represents the share of the firm's total value held by shareholders in the form of common stock, not money set aside as a reserve.

That proposal led to the sharpest exchange of the day, when Adam Gilbert, a managing director of JP Morgan Chase, said it would cost his bank hundreds of billions of dollars. He challenged Admati to meet with Chase's CEO and convince him. When she accepted the tongue-in-cheek offer, Gilbert replied: "I guarantee you — that meeting will not go well."

If we learned anything from the recent crash, it's that "liquidity and funding are the keys to life," David Viniar, chief financial officer of Goldman Sachs, told the forum during another presentation. "Excess liquidity is the ultimate defense." Since the crisis, Goldman has pumped up its average reserves of liquid assets to more than $113 billion a quarter and now stands at about $164 billion, he said. Viniar noted that adequate capital is not the same as liquidity — adequate levels of both are needed.

It's clear, he said, that capital requirements were too low before the crash and needed to be increased, but if they are too high, it will raise the cost of doing business to unacceptable levels.

David Miles, a member of the Bank of England's monetary policy committee, presented a very different point of view, arguing that the risks of allowing reserves that are too low is much higher than the risks to business of overshooting the mark. A systemic financial crisis could permanently reduce a Western nation's GDP by about 2.5%, he said.

"Be skeptical of the argument that equity is very expensive," he said. Like Admati and her colleagues, Miles believes the targets set by the Basel Accords are much too low. The most recent set of Basel agreements, known as Basel III, call for a 7% ratio of equity to risk-weighted assets (a somewhat different measure than that used by the Stanford researchers), while Miles thinks 16% to 20% would be a more suitable range. "The game isn't to make banks so watertight [that a crisis] can't happen; instead, the goal is to reduce the probability by a few percentage points," he said.

Basel also was criticized by Adrian Blundell-Wignall of the Organisation for Economic Cooperation and Development, who said that financial markets have become very concentrated, a condition that leads to inefficient pricing. But the Basel Accords make no mention of the dangers of concentration, he said.

In sounding the alarm about the vulnerability of U.S. money market funds to the European debt crisis, the Fed's Rosengren said that concerns about the stability of the funds have not been addressed adequately by Congress or regulators despite the passage of the Dodd-Frank financial reform law.

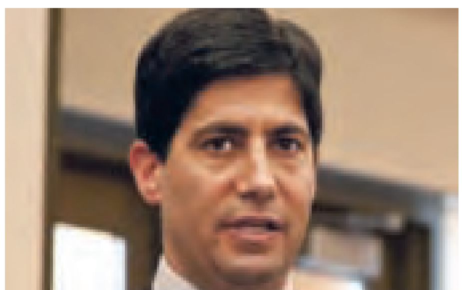
While being careful to say that he wasn't predicting a bad outcome for the funds, Rosengren noted that the bankruptcy of Lehman Brothers precipitated heavy withdrawals from so-called prime money market funds — those that purchase a wide variety of debt instruments rather than just government securities or tax exempt securities. "I believe we all do well to recognize and address this vulnerability," he said.

A solution could include a requirement that funds set aside a certain level of capital as a cushion or allow the net asset value of the funds to float. But whatever solution is developed, it must address the need of investors to access their cash quickly, he said.

Borrowing a term often used in Silicon Valley, Kevin Warsh, a former governor of the Federal Reserve, said, "The business of banking is at an inflection point. Will the borders between the very large banks, the regional banks, and the community banks be porous? And are banks or financial services companies now at the center of the financial universe?"

Whatever the answer to those questions, Warsh said he believes that regulatory reform is necessary but warned that regulation is too important to leave to regulators. "If the regulators are the only ones setting the rules," he said, the system will not work. Earlier, Rafael Repullo of Spain's Centro de Estudios Monetarios y Financieros had concurred, recommending that the Basel Committee involve academics in their discussions of bank capital and liquidity regulations.

***Rafael Repullo** of Spain's Centro de Estudios Monetarios y Financieros said regulators should involve academics in making rules.*



***Kevin Warsh,** a former Fed governor, backed regulatory reform but said regulation is too important to leave to regulators.*

***Adrian Blundell-Wignall** of the Organisation for Economic Cooperation said concentrated financial markets lead to inefficient pricing.*

PHOTOS BY STACY GEIKEN

See videos of speakers from the 2011 Stanford Finance Forum discuss why bank equity is not expensive and how capital liquidity affects the banking system at bizonline.stanford.edu/finance/.

Admati Named to FDIC Panel

FINANCE PROFESSOR **Anat Admati** has been appointed to a two-year term on the newly formed Systemic Resolutions Advisory Committee of the Federal Deposit Insurance Corporation. Her term began in June.

The FDIC established the advisory committee to address Dodd-Frank regulatory reform rules in the aftermath of the financial crisis of 2008. Among its 18 members are former Federal Reserve chairman Paul Volcker and former Citigroup Chairman and CEO John S. Reed.

"Congress has given the FDIC a tremendous amount of responsibility to ensure that financial organizations formerly deemed too big to fail will no longer receive taxpayer-funded bailouts," FDIC Chairman Sheila C. Bair said in announcing the committee. Admati is the **George G.C. Parker** Professor of Finance and Economics.

 | by *Alice LaPlante*

Time Trumps Money at Making People Happy

Study shows the importance of having control over your time, spending it wisely.

OUR SEARCH TO UNDERSTAND what makes humans happy (or happier) goes back centuries. As does our enduring belief that if we just do the right thing, happiness will follow — that additional happiness will be doled out to us because we earned it, not because of the largess of a benevolent being. "Happiness is not a reward — it is a consequence," instructs Robert Green Ingersoll, a Civil War-era orator.

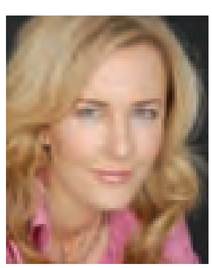
New research takes a fresh look at this topic. Professor **Jennifer Aaker** and business school doctoral student **Melanie Rudd**, and **Cassie Mogilner**, PHD '09, now at the University of Pennsylvania, published "If Money Doesn't Make You Happy, Consider Time," in the *Journal of Consumer Psychology*, 2011. They discuss how happiness is a consequence of the choices people make. So what can people do to increase their happiness? Their answer is simple: Spend your time wisely. Careful though — some of the ways people should spend their time are surprising.

Although happiness is clearly relevant for individuals, businesses also should pay attention. Building a workforce of highly qualified, hard-working, and loyal employees is an essential aspect of staying competitive in today's global markets. Therefore, being concerned about employee happiness is not just a moral thing to do — it makes smart business sense as well.

"People often make career choices based on how much money they envision they can make now or in the future. Surprisingly little thought goes into how they will be using their time — whether they can control their time, who they will spend their time with, and what activities they will spend their time on," said Aaker, the General Atlantic Professor of Marketing.

"We spend most of our time at work. So understanding how we should be spending our time at work is much more important than people think. It has been interesting to observe which companies are doing a good job of creating opportunities for employees to manage their own time. This goes beyond providing opportunities for flexible hours, telecommuting, and independent contractor relationships. Which companies are allowing opportunities for employees to fundamentally design how they spend their time both at work and outside of work — in ways that are creative and innovative?"

Through the years, research on the relationship between the resource of time and happiness has been scarce. Another resource — money — has been investigated much more thoroughly as a potential key to happiness. Yet, very little research corroborates the idea that more money leads to more happiness. Some research suggests that perhaps people just aren't spending it right. Even the mere mention of money can result in individuals being less likely to engage in behaviors linked to personal happiness, such as helping others, donating to charity, or socializing with friends and family. After being prompted to think about wealth, individuals work more, and their ability to enjoy small moments becomes significantly compromised.



Jennifer Aaker

"We know that people with meaningful social connections are happier than those without them," Mogilner said. "The more time that individuals spend with their partners, best friends, and close friends, the happier they are. When they spend time with people whom they dislike or when they spend time alone, their happiness levels drop. Loneliness is a relatively good predictor of unhappiness." Further, Mogilner has found that encouraging people to think about time (instead of money, for example) tends to foster those social connections. So thinking about time has a fundamental impact on how people behave.

Why might concentrating on time get us closer to our centuries-long search for happiness? One reason is because time spent doing something, especially when compared to owning something or spending money, is associated with personal meaning and evokes emotional memories. You might not recall how much money you had in your bank account at age 20, but most people remember their first kiss. Time also fosters interpersonal connections: The camaraderie that people get from attending a baseball game with friends, for example, would be more conducive to happiness than watching it alone in front of the television.

Drawing from their research and that of others, Aaker, Rudd, and Mogilner extracted five time-spending happiness principles:

SPEND TIME WITH THE RIGHT PEOPLE. The greatest happiness levels are associated with spending time with people we like. Socially connect-

ILLUSTRATION BY MARK MATCHO

ing activities — such as hanging out with friends and family — are responsible for the happiest parts of the day. However, work is also an essential element in the time–happiness relationship. Although spending time with bosses and coworkers tends to be associated with some of the lowest degrees of happiness, two of the biggest predictors of people's general happiness are whether they have a "best friend" at work and whether they like their boss. Therefore, people should try to reframe relationships and workplace goals so that colleagues become friends and time spent at work becomes happier.

SPEND TIME ON THE RIGHT ACTIVITIES. Certain activities are energizing, and others make us feel drained and defeated. To increase happiness, people should avoid spending time on the latter activities in favor of the former whenever possible. Of course, the bills have to be paid, the bathroom cleaned, and it's sometimes a challenge to get through the day. But people need to reflect on how they are spending their time and actively consider what they would prefer to be doing. For instance, simply asking yourself, "Will what I do right now become more valuable over time?" could increase the likelihood that you will behave in ways that will *really* make you happy.

ENJOY EXPERIENCES WITHOUT SPENDING TIME ACTUALLY DOING THEM. Research in the field of neuroscience has shown that the part of the brain responsible for feeling pleasure can be activated when merely thinking about something pleasurable, such as drinking a favorite beverage or driving a favorite type of sports car. In fact, this research shows that people sometimes enjoy anticipating an activity more than actually doing it.

For example, reading guidebooks in advance of a big vacation and anticipating the food you'll eat and the activities you'll do while there could actually give you more pleasure than the vacation itself. In short, research suggests that we can be just as well off — if not sometimes better off — if we imagine experiences without having them.

EXPAND YOUR TIME. Unlike money, time is inherently scarce. No one gets more than 24 hours a day. In fact, there is a bidirectional relationship between time's scarcity and its value: Not only does having little time make it feel more valuable, but also when time is more valuable, it is perceived as more scarce. To increase happiness, it can make sense to focus on the here and now because thinking about the present compared with the future has been found to slow the perceived passage of time. Simply breathing more deeply can have similar effects.

In one study, subjects who were instructed to take long and slow breaths (instead of short and quick ones) for five minutes not only believed they had more time to get things done but also perceived their day as longer. And even though feeling time-constrained makes people less likely to take the time to help someone else, doing so actually makes people feel as though they have more spare time and gives them a sense of a more expansive future. Therefore, if you can't afford to "buy" more discretionary time (e.g., by hiring a maid), focus on the present moment, breathe more slowly, and spend the little time that you have in helpful and meaningful ways.

HAPPINESS CHANGES OVER TIME. As we age, we experience different levels of happiness, and how we experience happiness changes. Recent research has found that younger people are more likely to experience happiness as excitement, whereas older individuals are more likely to experience happiness as feeling peaceful. Therefore, you should be aware that basing future decisions on your current perceptions of happiness may not lead to happiness in the long run.

Finally, although the meaning of happiness may change, it does so in predictable patterns. Therefore, it is possible to anticipate such changes, and you should allow yourself to shift how you spend your time during the course of your life as the meaning of happiness shifts. ●

Charles Lee, left, Carole Robin, and Michael Harrison received the 2011 teaching awards respectively from the Sloan, MBA, and PhD students.

> Faculty News

Sparks, Connectivity, and Effective Teaching

Passion for subjects and personal touch with students distinguish award winners.

CITED FOR THEIR PASSION for their subject matter and skill in connecting with students on a personal level, **Carole Robin**, **Charles Lee**, and **Michael Harrison** are the 2011 outstanding faculty award recipients at the Graduate School of Business.

Robin, a lecturer in organizational behavior who teaches six classes and is director of the school's Arbuckle Leadership Fellows Program, received the 25th annual MBA Distinguished Teaching Award.

She said she considers herself a scholar practitioner. Before being appointed as a lecturer at the business school in 2002, she was a partner and principal at Destra Consulting Group, an international consulting firm.

"I am pleased and proud to see both the organizational behavior area and the experiential learning pedagogy that characterizes my teaching honored with this award," she said.

Lee, the Joseph McDonald Professor of Accounting, is the 2011 recipient of the Excellence in Teaching Award from the Stanford Sloan Master's Program class. Sloan fellows described him as a caring faculty member who is easily approached by students and who passes on his passion for accounting.

Before joining the GSB faculty, Lee was a managing director at Barclays Global Investors. Earlier, he was honored with six teaching awards when he taught at the University of Michigan and Cornell University.

Harrison, the Adams Distinguished Professor of Management, Emeritus, and liaison for doctoral students in the Operations, Information and Technology group, received the PHD Distinguished Service Award, which recognizes a faculty member for teaching, advising, and fostering a scholarly community. He was credited with being "smart, intelligent, sociable, and ready to help. He fosters your academic self-esteem with his lectures. He explains the hardest topics in such a way that you become a master."

Peers Honor Negotiation Expert

Professor **Margaret Neale**, who showed that negotiation and teamwork are essential skills for managers, is the 13th recipient — and first woman — to receive the business school's Robert T. Davis Award for lifetime achievement by a faculty member.

Neale, who is the John G. McCoy–Banc One Corporation Professor of Organizations and Dispute Resolution, was honored at a faculty dinner that included some good-natured jibes about her record as an administrator and heartfelt thanks for her mentoring of many junior colleagues and for building the behavioral sciences at the school through example, tough love, and negotiation skills.

Besides teaching doctoral and MBA students, Neale works with managers from around the world who take two popular Executive Education programs that she directs: *Managing Teams for Innovation and Success and Influence and Negotiation Strategies*. She also co-directs the newer *Executive Program for Women Leaders*. A one-time student of pharmacy and psychology, Neale, better known to her colleagues as Maggie, latched onto business administration at a doctoral program at the University of Texas and taught at business schools at the University of Arizona and Northwestern University before joining the Stanford business school faculty in 1995. From 1997 to 2000, she also served as an academic associate dean with political scientist **David Brady**, who said: "Her mentoring of young professors, especially women, is outstanding. Her house is always open to colleagues and their families. ... Her relationship with graduate students is nurturing but firm. In short, she's done great things for the GSB, Stanford, and her profession."

Professor **Deborah Gruenfeld,** who co-directs the *Executive Program for Women Leaders* with Neale, described Neale as "whip-smart, fearless, and intimidating. Fiercely loyal, sometimes a little rough, tall, and from Texas, she likes to call the question. Maggie has no patience for nonsense, and she does not hesitate to let you know."

Neale was already a "giant" in the field of organizational behavior when she arrived at Stanford, Gruenfeld said, "for having brought behavioral decision theory to the study of negotiations, and for bringing negotiations research out of the industrial relations arena, where it was seen as a marginal topic having mostly to do with unions, into the forefront of managerial interest, where it is now viewed

PHOTO BY GABRIELLA HASBUN

as a process that is fundamental to management and exchange relationships of all kinds."

Neale's research on demographic diversity in work teams also brought "a much-needed theoretical perspective to a tangle of contradictory findings on the one hand, and a chorus of evangelism on the other."

Neale used her negotiation skills to get funding, space, and staffing for a school-wide behavioral research lab, which increased research productivity and made it possible for the business school to recruit more behavioral scientists, Gruenfeld said. "The lab is a tremendous asset for the GSB, providing all kinds of support for the collection, coding, and analysis of behavioral data. At last count, the behavioral lab was formally associated — on the books — with the publication of close to 60 peer-reviewed journal articles by GSB faculty and graduate students."

When Neale arrived at Stanford, the organizational behavior group at the business school had 14 members, and the school faculty advisory board had one female member. Sixteen years later, the OB group has nearly doubled, and the advisory board now has "four women from the OB group alone," Gruenfeld said. While not scientific proof of cause and effect, Gruenfeld said she would assert that "Maggie has been a catalyst, if not a necessary condition, for the growth and fortification of the OB group, the GSB research culture, the MBA curriculum, and Executive Education, as well as the changing face of the school."

To which Neale added brief thanks for the honor and the observation that she had done nothing by herself for which she was being honored. "My biggest achievement," she said, "has been the opportunity to be here at Stanford building community with mentoring doctoral students and junior faculty, working with them to have their research have impact and for them to have impact in their institutions."

The Davis Award was endowed by family and friends of the late Robert T. Davis, the Kresge Professor of Marketing, who was a member of the business school faculty for 37 years.

Margaret Neale showed that negotiation and teamwork are essential skills for managers.

TOP PHOTO BY MARK HUNDLEY; BOTTOM PHOTO BY JONATHAN SPRAGUE

Gerald Meier, Prolific Author on Development Economics, Dies

Gerald M. Meier, 1963

A leading figure in the evolution of development economics who authored books well into his 80s, **Gerald M. Meier** died from complications of a malignant brain tumor at his home on the Stanford campus in June. The Konosuke Matsushita Professor of International Economics and Policy Analysis, Emeritus, was 88.

Well known for his good humor and masterful tan, Meier introduced one of the first economic development courses to the MBA world and was credited with inspiring generations of college students to study the economies of less-developed countries. He wrote more than 34 books, including his 1964 text, *Leading Issues in Economic Development*, now in its eighth edition and translated into seven languages.

Born in Tacoma, Wash., in 1923, he graduated from Reed College in 1947, became a Rhodes Scholar in 1948, studied economics at Oxford, and received a PhD in that field from Harvard in 1953. He was a professor at Wesleyan University before coming to the Stanford business school in 1962. He taught Stanford business and economics students until 2005, long after his formal retirement in 1992, and lectured frequently at universities in Latin America, Asia, and Western and Eastern Europe. Students praised him for his Socratic teaching method and his ability to stay in contact with them decades after graduation.

"His arrival on the faculty strengthened our international economics curriculum in a major way," said colleague **George G.C. Parker,** the Dean Witter Distinguished Professor of Finance, Emeritus. "Professor Meier was widely traveled and was among the most in-demand leaders of student study trips to the developing world. His enthusiasm for all things international made him a role model for international scholars at the school."

Meier was also a consultant to a number of organizations, including the World Bank, where he served on three bank missions to China. In 2001, he co-edited with Nobel laureate Joseph E. Stiglitz, then chief economist at the World Bank, a collection of essays by 35 leading development economists, *Frontiers of Economic Development: The Future in Perspective* (Oxford University Press and The World Bank).

In his 1984 book *Emerging from Poverty: The Economics That Really Matters*, Meier wrote: "We worry in this book about what can realistically be done to lessen the pain of poverty still suffered daily by two-thirds of humanity. Two centuries after the industrial revolution, only a few countries have become rich, while more than 100 nations are poor." He added, "The underdevelopment of economics itself must be overcome if the disappointments are to be overcome."

Meier is survived by his wife, Gretl; sons David E., Daniel R., Jeremy, and Andrew; and six grandchildren.

You can share your thoughts and memories of Meier on the GSB Alumni Association's web tribute page at *http://alumni.gsb.stanford.edu/meiertestimonials.html*. ●

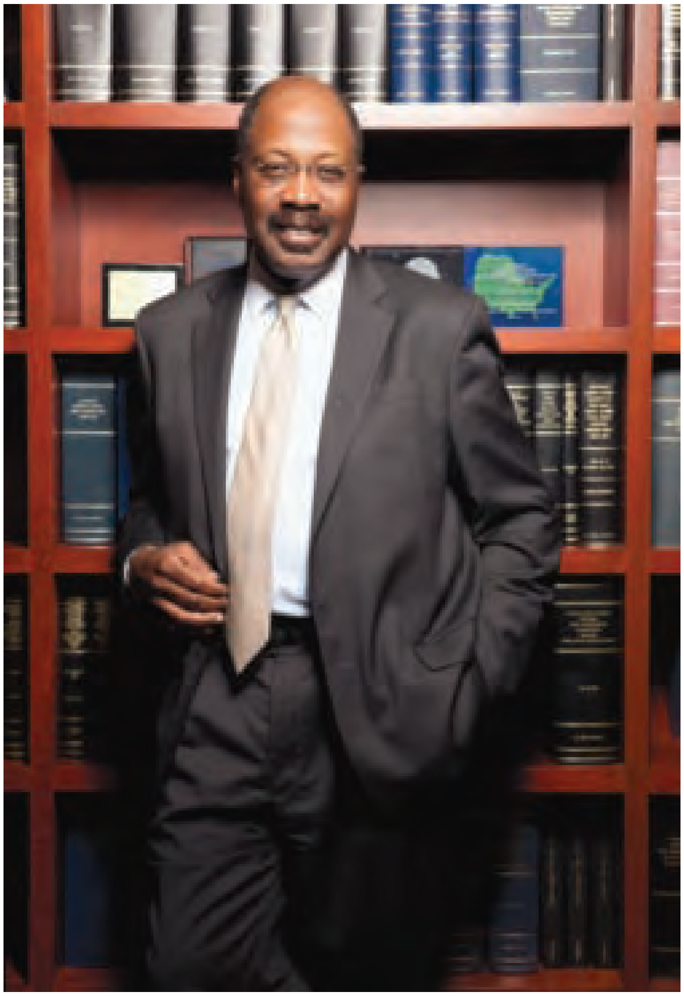
— ARTHUR PATTERSON

>Faculty Publications

Listings of GSB faculty research publications are available online at *Bizonline.Stanford.edu/facpubs/*.

Newsmakers

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



Bernard Beal, MBA '79, founded the investment bank M.R. Beal.

Confident Man: Still Driven and Assured

Founder of the 23-year-old investment bank M.R. Beal, **Bernard Beal**, MBA '79, has always been the "smartest guy in the room," according to a profile in *Black Enterprise*.

Way back when Beal was a student in the South Bronx, he qualified for A Better Chance, a program that sends qualifying public school kids to more challenging public or private schools. Once selected, all he had to do was pass an entrance exam by correctly answering 66 out of 100 questions. Young Beal took the test but answered only 66 questions, leaving the rest blank.

When the teacher asked him why he didn't finish, he said, "I finished it. I didn't get one wrong."

As usual, Beal was correct. He passed the test with a 66 score, proceeded to a Connecticut prep school, and followed up at Carleton College and Stanford en route to M.R. Beal.

Reflecting on his life and professional career, Beal said, "You know, I'd have to say that same kind of arrogance, that same kind of hunger, is inside of me. It's still there."

Updating Perfect Pencil Brings Sharp Response

California Cedar Products president **Charles Berolzheimer II**, Sloan '94, created a firestorm within the small but passionate cadre of lead pencil aficionados last year when he introduced an "improved" version of Eberhard Faber's classic pencil, the Blackwing 602, and sold it under his Palomino brand.

According to *Fortune,* pencil traditionalists were appalled. How could one presume to perfect perfection? "If you want to recreate the Blackwing, why on earth did you not do so?" one collector wrote.

So he went back to the drawing board and introduced a second version, closer to the original, at the National Stationery Show in May.

"The response has been better than we ever could have dreamed," he reported. "We set a 24-hour sales record the day the 602 was launched."

The Man Who Misplaced Henry Kissinger in Paris

As a U.S. Foreign Service officer, **William "Otty" Hayne**, MBA '49, negotiated caribou migration policy in the Yukon, was pursued by a mob in Peru, had his office bombed in Massachusetts, and managed to misplace Henry Kissinger in Paris.

As part of a presidential visit by Richard Nixon, Kissinger was scheduled to ride with French Foreign Minister Maurice Couve de Murville, but Hayne mistakenly sent the secretary of state off to a meeting at the Hotel de Crillon. When Couve de Murville's limousine arrived, Kissinger was nowhere to be seen. A fleet of motorcycles fanning out across the Place de la Concorde to find the errant diplomat brought traffic to a standstill on the Champs-Elysées, a feat that few can claim.

Hayne named the few for the *St. Helena Star*: "Napoleon, Hitler, De Gaulle, and Hayne," he said.

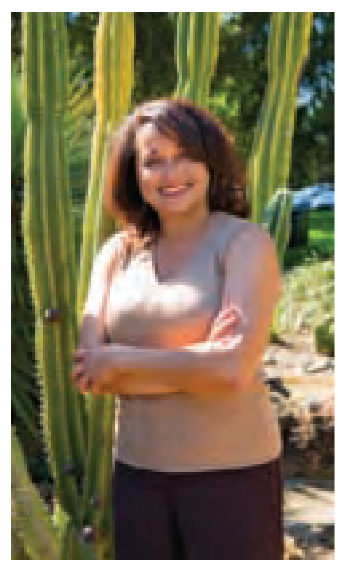
After retiring from the Foreign Service in 1980, Hayne repaired to St. Helena, Calif., to grow wine grapes in his family-owned vineyard. He also served as the city's mayor for two terms in the '90s.

Technology Simplifies Home Care for Seniors

In 2007, after more than a decade of professional experience in senior services, plus a year spent living with a 94-year-old uncle, **Karen Routt**, MBA '83, founded Magnolia Prime, a service that aims to help the elderly stay independent.

"My goal was to develop a solution that benefited both the family and the senior, using technology appropriate for both," Routt said. "Keep it simple for the senior, and put the computer into service for the family and caregivers."

The technology Magnolia Prime developed is an internet-connected telecommunication system that allows health care



Karen Routt, MBA '83, started Magnolia Prime, a service that helps seniors stay independent.

TOP PHOTO BY RAYON RICHARDS; BOTTOM PHOTO BY ALAN HAYES/PIECESOFTHEPLANET.COM/COURTESY OF ACTIVEOVER50 MEDIA CO.

agencies, family members, and other caregivers to record and deliver messages to elderly clients at any time. All the senior needs is a telephone.

Routt was featured on the cover of *Active Over 50*, a Bay Area magazine.

Former Competitor Revamps Ticketmaster

When **Nathan Hubbard**, MBA '04, first arrived at Ticketmaster headquarters, "I couldn't look the logo in the eye," he said.

A one-time rock performer, Hubbard is a former CEO of Musictoday, where he helped performers sell tickets directly to fans, and of Live Nation, the ticketing company that merged with Ticketmaster in 2010.

Now CEO of Ticketmaster, Hubbard is determined to turn the company into "everything that I wanted it to be as a client and everything I was candidly afraid it might become when I was a competitor."

What that entails is turning Ticketmaster, which *Fast Company* called "the most hated brand in America," from chiefly a ticket-seller into an online hub for events.

Race Gives Author Lesson in Endurance

According to **Amy Snyder**, MBA '87, cycling's annual coast-to-coast Race Across America is "the most brutal organized sporting event you've never heard of."

Snyder, an endurance cyclist with three Ironman Triathlons behind her, chronicled the 2009 RAAM in her recently published book, *Hell on Two Wheels*.

What's so hellish about the race? Think dehydration, heat stroke, sleep deprivation, saddle sores, tendinitis, and something called Shermer's neck, a condition in which a bicycle racer's neck muscles fail and can't hold up the head, Snyder told the *San Diego Union-Tribune*.

Snyder grew to know the racers she covered and, as an observer, found it heartbreaking to watch them suffer, she said. But she found a lesson in their struggles.

"Throughout my childhood and well into adulthood, I came to deny and even fear my own vulnerability. Through endurance sports, I developed the courage to be imperfect and to fail," she said. "When I discovered RAAM, I figured that the story of this race might offer all of us lessons on an even grander scale."

Progreso Financiero, founded by James Gutierrez, MBA '05, center, makes unsecured microloans to working Latinos with no credit history.

Microlender Learns that Smaller is Better

Progreso Financiero, a social-venture firm founded in California in 2005 by **James Gutierrez**, MBA '05, is back on track now that Gutierrez has learned an important lesson, that growth is not necessarily good.

Progreso makes unsecured microloans to working Latinos with little or no credit history. The company started out small, in neighborhood groceries, before moving into kiosks at Sears and Kmart.

"We thought this was a great opportunity, a great way to grow fast," Gutierrez told the *New York Times*. "We found out that the grassroots supermarkets are where people go three times a week, not the national chain stores."

As business stayed thin, the big stores dropped the little bank.

Lesson learned, Progreso went back to its beginnings in the neighborhoods, and Gutierrez expects the company to become profitable in 2012.

Setting the Stage for Boomers' Second Acts

The first wave of Baby Boomers reached retirement age in 2011, and many of them are not willing, or able, to retire. What to do?

A group of unlikely allies has found a very California solution. It mixed one part Silicon Valley (entrepreneur **Steve Poizner**, MBA '80) with one part Hollywood (Creative Artists Agency), added the chair of the University of California board of regents (former Paramount CEO Sherry Lansing), and came up with the Encore Career Institute, a for-profit venture that will begin offering courses through UCLA Extension in fall 2012, targeting aging Boomers looking for second careers.

Poizner is one Boomer who already has had more than one career — as a founder and CEO of high-tech companies, as cofounder of educational support groups, and, most recently, as insurance commissioner of the State of California. He will be CEO of the new organization, which announced in June that it had received $15 million in first round funding.

Tom Rosch, MBA/JD '89, of InterWest Partners, a key venture investor, told the *San Francisco Chronicle* that Encore "represented the opportunity to take online education, which is a completely broken industry, and do it right this time."

In an interview with the *New York Times*, Rosch said, "It was pretty obvious from the start that this was going to work. Rather than worry about building a brand, we can rely on UCLA's reputation. We can focus our investment on quality education content instead of branding."

Alum Plugged into Hybrid Car Investing

"The automotive business is not really a venture capital kind of investment," said venture capitalist Ray Lane of Kleiner Perkins Caufield & Byers. "It's not something where you invest less than $10 million. You have to have the guts to invest $50 million."

So why would **Trae Vassallo**, MBA '00, his colleague, choose to invest in a luxury hybrid by designer Henrik Fisker that, at $95,000 a car, few buyers can afford?

"We are investing in a company that we want to be profitable from day one," Vassallo told the *Huffington Post*. "So they are coming out the door with what I always call their 7 Series. But this is the same team that understands how to build a 5 Series and a 3 Series, and we're going to do exactly that."

Steve Poizner, MBA '80, will be CEO of the Encore Career Institute, which will offer courses to baby boomers seeking second careers.

TOP PHOTO BY PETER DA SILVA; BOTTOM PHOTO BY MICHAEL MACOR/SAN FRANCISCO CHRONICLE

How will the GSB help you lead in a global environment?

Experiential learning activities bring the world home.

Clare Hunt arrived at the Stanford Graduate School of Business after a year in rural Africa helping impoverished local farmers learn to profit from sustainable agriculture. While there, she saw well-intentioned organizations attempt to address social and environmental problems but fail because they lacked awareness of local context and solutions that fit local demand.

At the GSB, Clare is taking advantage of the school's global focus and experiential learning opportunities to further gain real-world, on-the-ground insights. As a leader of the Sustainable Business Club and through programs like the Service Learning Trip to India, she can now better address social problems by developing effective strategies to overcome them.

> "My goal is to reduce businesses' environmental impact while maintaining their profitability. Population explosion and natural resource exhaustion will affect us all. It's incumbent upon us to innovate our way out of these impending crises."
>
> **–Clare Hunt, MBA Class of 2012**
> **Recipient, Atwater Fellowship**

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