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to **BEIJING**

bringing Silicon Valley
to China – AND BACK

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ON THE COVER

10 From the Bay Area to Beijing

The action is fast and furious for venture capitalists in China and the entrepreneurs they back — and Stanford alumni are helping lead the way. *By MARIA SHAO*

14 | The Explorer

For more than 35 years, William Miller has been bringing Silicon Valley ideas to Asia — and back. *By MARIA SHAO*

18 | Big Business in Bhutan

Mountain Hazelnut has set its sights on a triple bottom line: financial gain for investors, poverty alleviation for farm families, and restoration of an eroded hilly landscape. *By LOUISE LEE*



24 | Turning Engineers into Businesspeople

A new program gives scientists, engineers, and others the skills they need to succeed in business. *By THERESA JOHNSTON*



ON THE COVER: Illustration by Andy Martin

MORE FEATURES

INNOVATORS IN SUSTAINABLE DEVELOPMENT 22
How fast-spreading connection technologies can promote economic change and well-being. *By JOAN O'C. HAMILTON*

KNOWLEDGE NETWORK

ORCHESTRAS ARE FIGHTING THE COST DISEASE 28
Why even the most accomplished symphonies struggle to balance their books.

HYPOTHETICALS AREN'T NECESSARILY INNOCENT 30
Research shows that even innocuous sounding questions can have insidious effects on individuals.

THE WAY YOU STAND CAN AFFECT YOUR STANDING 31
When it comes to status and competence, people can size you up in an instant.

FACULTY PUBLICATIONS 32

WHY NICE GUYS DON'T ALWAYS MAKE IT TO THE TOP 33
Being too generous can come at a cost to one's position of strength or power.

COLUMNS

DEAN'S COLUMN 3

NOTEWORTHY 4

NEWSMAKERS 34

OPINION 36

CLASS NOTES 37





Thanks to you, we did it!

Five Years. More than 16,000 GSB Supporters. A Future of New Possibilities.

Five years ago, our university launched The Stanford Challenge with the goal of changing the way we seek solutions to complex global problems and educate the next generation of leaders.

What we accomplished at the Stanford Graduate School of Business is extraordinary.

Today, as an integral part of the university we are positioned like no other school of management. With innovative ideas, we can tackle the problems facing our world and meet challenges yet to come.

Thanks to the support of more than 16,000 alumni, friends, and organizations who donated or volunteered during the campaign, we are changing the future.

To see what The Stanford Challenge made possible at the GSB, visit the final report at
thestanfordchallenge.stanford.edu/gsb



STANFORD
GRADUATE SCHOOL OF BUSINESS

**THE
STANFORD
CHALLENGE**

Seeking Solutions, Educating Leaders

The Stanford Challenge was a five-year campaign that concluded on December 31, 2011. Through university-wide initiatives on the environment, human health, international affairs, K-12 education, the arts, and graduate and undergraduate education, Stanford supporters changed the world and changed students' lives.

Embracing the Challenge

As an extraordinary academic year comes to an end, we look forward to the exciting opportunities ahead.

AS WE APPROACH GRADUATION I am inspired by the MBAs, Sloans, and PhDs who will walk across the stage into the next chapters of their careers. I'm in awe of their achievements and capabilities, and I eagerly anticipate the changes they will bring to the world.

These soon-to-be graduates will take their place among our alumni and will come to appreciate what an extraordinary community they are joining, one whose members are tremendously supportive of one another and of the GSB. Nowhere is this more palpably demonstrated than in the successful completion last December of The Stanford Challenge, a five-year fundraising effort by Stanford University aimed at securing the resources to enable the university to tackle the world's greatest problems.

The GSB portion of the campaign began in 2006 under the leadership of Dean **Bob Joss**, who set an ambitious goal of raising \$500 million. Among Bob's numerous achievements were his vision for and commitment to building the new Knight Management Center, and his ability to generate widespread support for The Stanford Challenge, which set the GSB on course to finance the "3Cs": a new campus, a new curriculum, and greater collaboration with the university.

Thanks to your incredible support, the GSB far exceeded its goal, raising a record-setting \$884 million from more than 15,000 generous donors. The broad participation of more than 50% of current GSB alumni reflects the exceptional strength of our global community and affirms our collective belief in the transformational power of the GSB education. I am deeply grateful for, and humbled by, the depth and breadth of this support. Thank you!

More than \$300 million was used to build the Knight Management Center, nearly \$200 million was given to establish the Stanford Institute for Innovation in Developing Economies (SEED) and to support the school's four centers, and over \$150 million was contributed to support faculty and students. Please accept my sincere appreciation and know that we will steward the resources carefully toward our overarching goal of changing lives, changing organizations, and changing the world.

Consistent with the GSB culture, we will not rest on our laurels. More than 18 months ago, we initiated a planning process dedicated to uncovering the strategic imperatives that would keep the GSB at the forefront of management education. Some of the biggest initiatives we are examining include leveraging technology to improve the learning experience of our students on campus and to drive distance learning and knowledge dissemination, increasing our global engagement strategy, and deepening our ability to collaborate with students and faculty across Stanford University. We plan to finalize our core initiatives in the next few months and look forward to sharing our strategy with you this fall.

The inauguration of the Stanford Center at Peking University last March is an important new development that will support all of these imperatives. The Beijing campus provides a base of operations



in China that enables us to facilitate faculty research on a range of subjects, develop cases studies for teaching purposes, and scale our programs on entrepreneurship and innovation through the Stanford Program on Regions of Innovation and Entrepreneurship (SPRIE), the Stanford Institute for Innovation in Developing Economies (SEED), and others. As I look at Executive Education, the MBA program, and everything in between, I see tremendous opportunities for advancing our programs and for bringing what we learn in China back to our Stanford classes.

The GSB raised \$884 million from more than 15,000 donors. I am grateful for, and humbled by, the breadth of this support.

Over the past few years we have been steadily increasing our connections to China through faculty research, conferences on innovation, and study trips. Our presence in China is significantly strengthened by a growing number of alumni who are leading high-profile technology companies there. That some of the most entrepreneurial business leaders in China are GSB graduates is an affirmation that our management education programs are making an impact on Chinese business and society.

As I reflect on the tremendous and gracious support of alumni, the dedication of our faculty and staff, and the energy of our students, I am excited at the prospect of what we will accomplish together in the months and years ahead. ●

Noteworthy

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

How Scholarship Can Help Alleviate Extreme Poverty

The disturbing reality that an estimated 1 billion people in the world live on less than \$1.25 a day — and another 2.5 billion on less than \$2 a day — has for decades fueled efforts from governments and nonprofits to help tackle global poverty. Businesses, large and small, are getting on board to address this pressing global problem. And at a two-day Stanford GSB conference in March, researchers from across disciplines grappled with a key question about how to harness and drive all this energy: Can research and teaching — not just in business, but across disciplines — support efforts to help the poor help themselves in some of the most economically challenged areas of the world?

The answer was an enthusiastic yes. But scholars and students, along with a handful of business and nonprofit leaders, said doing so would require a thoughtful, systemic approach that takes into consideration cultural and environmental factors, as well as thorny questions related to regulation and politics. Significantly, it would require collaboration across disciplines such as business, design, health care, and education that

traditionally have operated as isolated silos in academia. “Without an operating framework, any project in the developing world will be for naught,” said James Wolfensohn, former head of the World Bank and the keynote speaker at the research forum.

The key, he said, is ensuring that the use of academic research to solve problems is part of a comprehensive approach. Attempts to manage one poverty-related issue at a time can quickly run into problems. Early in his career, Wolfensohn said, he saw a school built in Ghana with foreign aid and the best intentions. Two years later, it stood as a gutted shell. The reason: The organizations involved hadn’t figured out how to run it so that the children attended and stayed healthy. Enlisting parent participation was very difficult too. As a result, the school ended up of little use to the local population; they did what was logical: “recycling” the physical resources of the building.

A better approach would comprehensively consider how to develop entire local markets, which means simultaneously providing education, health care, and jobs, said

Christopher Tang, a professor at UCLA’s Anderson School of Management. He pointed to success stories such as Grameen Bank, which helps women in Bangladesh, in particular, lift their financial profile through microcredit — tiny loans that enable them to start or expand modest businesses. Vision-Spring, he said, empowers small-scale entrepreneurs in several developing countries to sell affordable eyeglasses to people who need corrected vision to earn their living, such as teachers and garment workers.

Nicholas Bloom, an associate professor of economics at Stanford, pointed to the important role that business research can have in supporting poverty alleviation. “Business growth is important for economic growth, and management drives business growth,” he said. Dean Karlan, a Yale economics professor, agreed that “firm growth is helpful,” and also advised listeners not to “lose sight of the real goal: poverty alleviation. Firm growth may reduce poverty, but it does not necessarily do so. Therefore, we should not consider it the end-all, and we should test when it does — and does not — help in this regard.”

Karlan advocated that social, environmental, and regulatory issues also be put on the research table. **Jeremy Weinstein**, associate professor of political science at Stanford, noted that research interventions



The SEED research forum brought together researchers from throughout the country and from a variety of disciplines. Clockwise from top left: The University of Michigan’s Robert Kennedy talks with Stanford’s Amy Lockwood; Doug Owens, left, School of Medicine, Stanford, and Stefanos Zenios from the Stanford Graduate School of Business and Department of Bioengineering; Stanford’s Pascaline Dupas, Nicholas Bloom, and Julia Moore.

PHOTOS BY KAT WADE



Matthew Rothe, at the Stanford Community Farm.

should address how politics, in particular, can better serve the economic ecosystem.

The discussion was an important one, as the conference was aimed at setting out a preliminary strategic agenda for the Stanford Institute for Innovation in Developing Economies, informally known as SEED, established in November by a \$150 million gift from **Bob King**, MBA '60, and his wife, Dottie, to enable Stanford to develop research and teaching on how managerial, technological, and institutional innovations can be applied to poverty alleviation. SEED is housed at the business school but the institute emphasizes collaboration with researchers throughout the university and beyond.

Hau Lee, a professor of operations, information and technology at the GSB who leads SEED's research program, affirmed that the institute "should not run research as an isolated pillar." Instead, SEED needs "to include students, build relationships with people on the ground, and create hubs in various locations to facilitate research and dialogue." The vision set out from the two-day summit was thus one of cross-pollination at work.

—MARGUERITE RIGOGLIOSO

The Business of Agriculture Blossoms on the Farm

After spending a semester working on an organic farm in high school, **Ruthie Schwab** went off to study art at Princeton but found herself spending her free time growing greens and educating others about ecology and sustainable agriculture. As her passion grew, she wanted more grounding in business and applied to the Stanford Graduate School of Business where she expected her interests to be outliers. To her surprise, the first year MBA student found herself among roughly 100 others active in the Food and Agriculture Resource Management Club, or FARM Club.

Started by a small group of business school students in spring 2010, the club draws students interested in everything from Ameri-

ca's obesity problem to building sustainable family farming in some of the world's poorest rural communities. The members invite a wide range of speakers, make field trips, and find agricultural internships, such as working at the sustainability department of a large berry farm, said **Michelle Paratore**, MBA Class of 2012. She is a co-president of the club and blogs about her obsessions with "food justice, food politics, food startups, food sustainability, and eating food too."

Organic, locally grown food has become increasingly popular with middle-class American consumers, but Paratore said the club's interests go well beyond "celebrating local organic produce."

They have heard from, for example, Neil Grimmer, cofounder of the Nest Collective, which pioneered organic baby food in spouted pouches that substantially reduces the fuel use and landfill impact of baby food packaging, and from Jamie Johnson of the Hass Avocado Board who explained the intricacies of the world market for avocados.

Laurent Demuyneck, MBA '95, dropped by to discuss his efforts to find a substrate for growing mushrooms more productively in Rwanda so the country's own residents can afford to eat the nutritious food, and small farmers can increase their incomes. Executives from the first foreign-owned company in Bhutan, Mountain Hazelnut, came to explain their complex plans for working with the country's subsistence farmers to grow hazelnuts for expanding Asian markets.

With student interest increasing, GSB Professor **Sarah A. Soule**, an expert on social movements, has offered to co-teach a week-long seminar on food in the fall. It will cover "a variety of issues related to the U.S. food system, including the loss of small farms and farmland, organics, the health ramifications of the American diet, food deserts, and more," Soule said. Social and ecological problems "create both dilemmas and opportunities for business," the seminar description reads. Co-teaching with her will be **Matt Rothe**, MBA '07, who grew up on his family's

10,000-acre Colorado farm, which was sold in 2009 to a private equity firm, he said, due to declining viability of family-owned farms. After college, Rothe worked for Niman Ranch, a sustainable livestock company, where he expanded the network of family farms involved. Today, he is the sustainable food program manager for Stanford Dining Services, which serves 18,000 meals a day. He works with other employees on sustainable food procurement, waste reduction, on-campus food production, and creating awareness through events and educational opportunities. He also manages student gardeners and interns, assists faculty with classes related to food and agriculture, and coordinates with other staff to promote sustainable initiatives.

Paratore wrote about her experiences taking a class last year at Stanford's design school, where students worked on helping Rothe redesign dining halls to reduce meat consumption. "Shifting consumption from meat to veggies and grains achieves sustainable abundance because the shift is beneficial to the environment, is healthier for students, and saves Stanford Dining money," she wrote in her blog. Some of the students' design ideas, such as ways to make vegetable dishes more attractive, produced statistically significant increases in vegetable consumption and have been implemented in the new Arrillaga Family Dining Commons.

In his free time, Rothe can be spotted raising heirloom breeds of chickens and vegetables on the Stanford Community Farm. He believes all people should have hands-on experience making food, including cooking it. "Students certainly can't go out in the world and make changes," he says, "if they don't know how to make rice."

—CATHY CASTILLO

How Salman Khan Became the World's YouTube Tutor

It started in 2004 when Salman Khan's 12-year-old cousin told him she was having trouble with math. Khan, then a hedge-fund manager in Boston, said he'd help her. He told her to go back home, "and every day after work we'll get on a conference call and use Yahoo's Doodle notepad to work together," he said during a talk this winter at Stanford GSB. The daily lesson didn't show Khan's face, just his hand writing equations as he explained the subject being taught. Within two years he was tutoring 15 to 20 friends and relatives around the country. Then a friend in Menlo Park suggested that he upload the tutoring sessions to YouTube, so they could be seen by a wider audience.

"My initial reaction was, 'YouTube is for cats playing the piano, not for serious mathematics!'" he said. "But then I went home that weekend and I got over the fact that it wasn't my idea — which is hard for an MBA — and in

Noteworthy

November 2006 the first videos went up.”

Today the online, nonprofit Khan Academy offers more than 2,600 free, 10-minute video tutoring sessions in 10 languages on subjects ranging from K-12 math and science to art history. Students can earn points and badges for achieving mastery in the subjects, just as they would in video games, while their teachers and parents keep track of their progress. “Our total invested capital to date is less than \$3 million, and we’re pushing about 5 million unique students per month,” Khan said proudly. “That’s six to seven times the number of students that Harvard has served since 1636.”

Khan’s business school talk was part of the Expert Speaker Series hosted by the Mastery in Communication Initiative, designed to help Stanford business students speak, write, lead, and collaborate more effectively.

—THERESA JOHNSTON

Shaping New Jersey Finances from the Grand Tetons



Bob Grady, left, with New Jersey Gov. Chris Christie.

Late in 2011, New Jersey Gov. Chris Christie and **Bob Grady**, MBA ’88, made headlines when they announced that in the midst of an outpouring of grim financial news from government agencies across the nation, New Jersey’s state pension fund had realized a return of 18.03% in fiscal 2011, its highest in 13 years. The headlines got even bigger a few months later when Grady, who lives in Wyoming but serves as chairman of New Jersey’s State Investment Council, announced the state had cut a deal with Blackstone Group LP, a private equity firm, to invest \$1.8 billion with the firm, including investing in four custom funds. The council oversees New Jersey’s \$70 billion state pension system.

The state will invest \$1.5 billion in the new Blackstone funds, which are separately managed accounts. It will enjoy a 0% management fee on capital committed but not invested and a 1% management fee on invested capital instead of the industry

standard 2%; 15% points of carried interest instead of the industry standard 20%; and the right to opt out of any transaction, according to press reports. “This partnership gives the state and its very small private equity investment staff access to the global deal flow and talent of a world-class, top-tier firm,” Grady said, “but it also recognizes that as a significant limited partner, we should enjoy a more favorable fee structure and strengthened governance rights. This is probably the way of the future in private equity.”

Grady, a former speechwriter for President George H.W. Bush, became involved with New Jersey investments after Christie, a childhood friend in Livingston, N.J., defeated incumbent Gov. Jon Corzine in 2009 and asked him to become state treasurer. Grady thought about it, but he lives and works in Jackson Hole, Wyo., as one of the managing partners of Cheyenne Capital Fund, a \$400 million private equity fund.

“My wife, who lived in Jackson Hole before we were married and whose parents live in Jackson, vetoed the idea” of moving the family to Trenton, N.J., he recalls. So instead of holding the appointed treasurer’s position, Grady serves pro bono as chairman of the State Investment Council and of the Governor’s Council of Economic Advisors. He also writes speeches for Christie and is one of his closest personal political advisors.

Christie explored running for president in 2012 but eventually bowed out, saying it was too early to leave the New Jersey governor’s seat. “If conditions are right, my own view is that he will take a good look at it in 2016,” says Grady.

—CATHY CASTILLO

Facing the Challenges and the Opportunities



Steven A. Denning, MBA ’78, the chairman of General Atlantic LLC, a leading global growth capital firm that provides equity financing and strategic support for growth companies, was elected chair of the Stanford University Board of Trustees. Denning, who joined the university’s Board of Trustees in 2004, will begin his two-year term in July, the board announced in February.

Denning is an active volunteer for the Graduate School of Business, where he is a member and former chair of the Advisory Council. (Members of the business school’s Advisory Council are recommended by the dean and appointed by the president of Stanford.) In 2007, Denning received the business school’s Excellence in Leadership Award, which is given to an outstanding graduate of the school who has made a mark in the corporate world and the community at large. He served as co-chair of The Stanford Challenge, the recently concluded campaign that raised \$6.2 billion. “I look forward to working with Stanford’s exceptional leadership and distinguished faculty to build upon the success of The Stanford Challenge and to address the challenges and opportunities the university faces at the beginning of the 21st century,” Denning said. Denning, who lives in Greenwich, Conn., is married to **Roberta Bowman Denning**, BA ’75, MBA ’78.

—KATHLEEN J. SULLIVAN

A Fresh Start for Young Adults Also Pays Off for Investors

It has a 90-year-old tavern, a California wine list, comfortable cabins, hiking trails, and a bocce court. Evergreen Lodge, just outside of Yosemite National Park, is a well-organized tourist resort that has grown from 15 to 100 cabins, producing growing revenues and profits since **Lee Zimmerman** and **Brian Anderluh**, both MBA ’94, put together a business plan in 2001 and began running it. What isn’t immediately obvious, though, is the lodge’s double bottom line. It is a for-profit social enterprise dedicated to helping high potential but disadvantaged young adults, 18-24 years old, gain work experience and skills, plus develop confidence by being part of a healthy community that can help them transition to roles as successful adults.

To date, the operation has served 125 young people through internships funded through the lodge and currently serves 20 per year. The interns hold a variety of paid jobs and are paired with other seasoned employees. The program also gives the interns, most of whom come from urban areas, outdoor experiences that help them expand their vision of life’s possibilities. “We catch young people at a point where they’re not sure of their next steps, and we get them out of their environment, which is often holding them back, and give them great work and life experiences,” Zimmerman says. Juma Ventures, a San Francisco Bay Area nonprofit, partnered in designing the lodge’s youth program.

When they began the business, equity investors understood the organization’s double bottom line, Anderluh says, but as he and Zimmerman raised initial capital

for expansion “we had to bury our youth employment program line item into our general administrative expenses, because it was too confusing and scary for the banks we were talking to.”

The pair say they benefitted from starting with a for-profit model and with a fairly small operation that they could grow slowly while they worked out the kinks. “We live in a world where there is intense demand for social enterprises to get bigger faster. For anyone who has ever sat in front of investors, the demands to grow revenue, grow the numbers of people served, and grow locations can be relentless,” Anderlueh says.

In its first decade of operation, Zimmerman said, they proved “that a business can provide meaningful financial returns while fully funding an embedded social program.” In 2011 the operation paid back 100% of their original equity capital to its investors. The investors retain their ownership interest in the lodge and will receive an annuity payment each year without additional investments. “We hope they will redeploy that payment either with us or another social enterprise,” Anderlueh says. Today, they are in the process of financing a second 140-room resort development, also near Yosemite, that will allow them to more than double their number of interns each year.

—CATHY CASTILLO

Learning That Lasts a Lifetime

Dean Emeritus **Robert L. Joss**, Sloan '66, MBA '67, PhD '70, was the recipient of the 2012 Ernest C. Arbuckle Award for excellence in the field of management leadership. “I have come to understand that great schools are not really about transferring knowledge from professors to students,” he said in his March acceptance speech. “They are about ensuring students leave with learning habits that last a lifetime.”

—KATHLEEN O'TOOLE



Dean Garth Saloner, left, with Robert Joss.

A Sweeping Change

The Stanford Challenge was a five-year university-wide campaign aimed at seeking solutions to complex global problems and educating the next generation of leaders. It concluded on Dec. 31, 2011, and far exceeded expectations — both for the university and for the GSB.

Indeed, thanks to some 15,000 donors and 1,900 volunteers — more than 50% of GSB alumni — the school raised \$884 million, including \$96 million for GSB faculty, \$56 million for student fellowships, and more than \$100 million to establish the Stanford Institute for Innovation in Developing Economies (commonly known as SEED), which aims to stimulate, develop, and disseminate research and innovations that enable entrepreneurs, managers, and leaders to alleviate poverty in developing economies.

These donations also have allowed the school to reinforce its intellectual leadership by rewarding and retaining senior faculty and providing dedicated resources for rising stars among the junior faculty. Additionally, they allow the GSB to continue to attract the best students from around the world, regardless of their financial circumstances. And they enabled the construction of the new Knight Management Center, a 360,000-square-foot, 8-building complex that opened in April 2011.

More important, that building — like the donations that helped fund it — reflects the GSB's aspirations as a teaching and learning environment that invites and encourages collaborations throughout the school, the university, and the world.

Knight Management Center



Then: Students in the former GSB buildings had use of 28 rooms for studying, informal meetings, and small-group seminars.

Now: Students at the new location have access to 70 breakout and study rooms, increasing flexibility and opportunities for collaboration.

New Student Fellowships

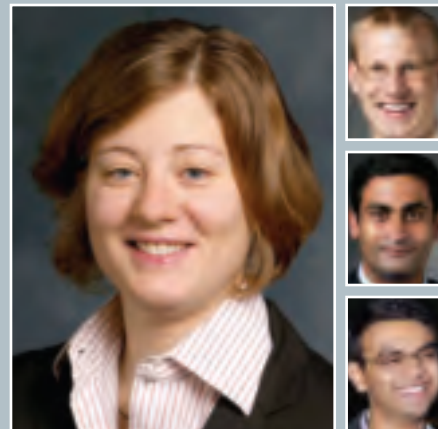


Clockwise from left: Edward Castaño, MBA '11 and MS '11; Haoxiang Zhu, PhD candidate; Ibrahim Elbouchikhi, MBA '11; and Sonia Samagh, MBA '11.

Then: Stanford GSB had 272 endowed funds to support MBA and PhD student fellowships.

Now: Stanford GSB has 338 endowed fellowship funds — a 24% increase in the number of endowed fellowships since the campaign began.

New Endowed Faculty Positions



Clockwise from left: Anne Beyer, the Michelle R. Clayman Faculty Scholar; Arthur Korteweg, Younger Family Faculty Scholar; Saumitra Jha, John A. Gunn and Cynthia Fry Gunn Faculty Scholar; and Harikesh Nair, Spence Faculty Scholar.

Then: Stanford GSB had 58 endowed faculty positions.

Now: Stanford GSB has 89 endowed faculty positions — a 53% increase as a result of the campaign, with twice the number of positions originally dedicated for junior faculty.



First year students from left: Sarah Reardon, Wainwright Wu, Tate Rider, San Baek, Jennifer Kessler, Dominique Gomez, Jose Maria Vara.

A Transformative Experience

“Bigger! Faster! Stronger! Smarter than before!” With that rallying cry, nearly 400 scrubbed and suited students left the Schwab Residential Center near the end of their first quarter of MBA classes and strode more or less confidently across the street to the Knight Management Center. The December occasion was the sixth annual Stanford Executive Challenge, an intensive day-long business simulation that is designed to test first-year business students’ budding leadership skills.

On hand to greet them were more than 200 volunteer alumni judges, many of them seasoned presidents, partners, and C-level executives who had taken days off work and traveled long distances to be there.

“This is the community in action,” Dean **Garth Saloner** observed proudly as he welcomed the judges to what he called an “iconic event.” **Jim Phillips**, professor of

realistic workplace simulations. The approach, Saloner said, “was predicated on the fact that you learn by doing as opposed to being lectured at from the front of the hall.”

In this latest challenge, six-student squads, each mentored by a second-year MBA student, were presented with three fictitious business scenarios. One involved a potentially valuable but risky business acquisition, another dealt with product-performance issues, and the third involved an unruly management team. Within the space of an hour, the squads had divided into three groups of two, with each pair quickly studying and presenting one of the cases.

Classmates Katie Weisner and Dan Stanko launched into their assigned roles as chairman and CEO of the company that was considering an acquisition. Their goal was to convince four skeptical alumni “board

“We should stay out of it!” — Weisner left the room confident that she and her partner had made their points. Afterward, she praised the feedback as “just the right mix of encouragement and really pointed actionable advice.”

For student Jimmy Zhou of China, the day provided a lesson in American corporate politics. He, too, worked on the acquisition case, playing the role of chairman of the board. “I walked into the room in full support of my CEO, but after our presentation one of the judges said to me, ‘If you are the chairman, you usually keep a distance from the ceo; you need to step back a little bit.’” The event, he added, “was the highlight of my whole quarter.”

First-year students weren’t the only ones who found the elaborate role-playing exercise worthwhile. Volunteer judge Robin Richards Donohoe, MBA ’94, director of the San Francisco-based Draper Richards Kaplan Foundation, found it “energizing to be around all these great students,” and Dave Whorton, MBA ’97, founding partner of Tugboat Ventures in Palo Alto, agreed. He has participated three times, partly because it is an opportunity to network. Each year he asks at least two students to lunch with him afterward. “One is now coming into my office regularly on weekends and brainstorming business ideas,” he said. “These students demonstrate such strong leadership capability, I want to see them succeed.”

Teams that received the highest scores from judges were recognized at the end of the day, but Phillips declined to bill the exercise as a competition. “This day is really about getting the most out of a transformative learning experience — and, on that score, everyone here is a winner,” he said.

—THERESA JOHNSTON

The approach, Dean Garth Saloner said, ‘was predicated on the fact that you learn by doing as opposed to being lectured at from the front of the hall.’

organizational behavior (teaching) and one of the organizers of the day-long program, told the assembled judges: “We are going to throw the students in to you, and they are going to come out transformed — stronger, faster, and smarter. They will be the better for their experience.”

The school began staging the Executive Challenge in 2007 as part of a major overhaul of the MBA curriculum. Among the changes was a new cornerstone course called *Strategic Leadership*, which immerses students in

members” that the deal was sound. Observing from the back of room were their Squad 20 teammates and a leadership fellow, a communications coach charged with giving feedback on matters such as body language and vocalization, and additional alumni judges charged with grading the general presentation.

Despite some spirited theatricality on the part of the judges — “I’m concerned that we’re overpaying,” one fictitious board member warned while another said flatly,

Bionic Panda Games

Cofounded in 2010 by social gaming veteran **Charles Hudson**, MBA '05, Bionic Panda Games introduced its first mobile game, Aqua Pets, last year. The game has been downloaded more than 3 million times and was one of the top-100 grossing apps on Android Market. Bionic Panda received seed funding from several venture firms, including SoftTech VC, where Hudson, Bionic Panda's CEO, is a venture partner.

Cabify



The luxury-car service Cabify, founded by **Juan de Antonio**, MBA '10, in 2011, was introduced in Madrid at the beginning of 2012 and racked up more than 3,000 paid rides in its first 6 weeks. Using their smartphones, customers hire nearby cars piloted by professional drivers, arrange pickups, communicate with their drivers, and pay by credit card. Cabify's services can be summoned in Spanish, English, and Catalan. The company announced its expansion to the Catalan capital, Barcelona, earlier this year.

Cobá

While in business school, **Arnulfo Ventura** and **Jose Domene**, both MBA '08, founded a company that makes a natural, agave-sweetened version of the traditional Latin fruit-flavored drinks called aguas frescas. Now located in downtown Los Angeles and re-branded as Cobá, the company is flourishing. Cobá beverages are sold in groceries, natural food stores, and restaura-

rants in seven Western states and Florida and are also available at Whole Foods. By early 2012, Cobá had 30 full- and part-time employees and was approaching sales of \$2 million. Ventura is CEO.

Duck Duck Moose

When **Caroline Hu Flexer**, MBA '01, caught her toddler playing with her iPhone, she did what comes naturally to a budding entrepreneur. She enlisted her husband, Michael, a software engineer, and their friend, designer Nicci Gabriel, to develop a series of apps for kids. Their company, Duck Duck Moose, was founded in 2008. By early 2012, it had produced 10 educational children's apps for the iPhone, iPad, and Android platforms, plus a musical album available on iTunes. The company is the winner of eight Parents' Choice Awards and nine *Children's Technology Review* awards.

Healthkart

The company that bills itself "India's first e-health store" was cofounded in 2011 by **Prashant Tandon**, MBA '07. Healthkart features everything you'd expect to find in a humongous pharmacy — except pharmaceuticals. The company arranges its products by category, such as diabetes, elder care, and sports and fitness, and sells everything from contact lenses and wheelchairs to body scrubs and gluten-free food. Located in Gurgaon, India, Healthkart ships throughout the country.

ModeWalk

Cofounders **Beatrice Pang**, MBA '10, and **Henri Deshays**, MBA '11, launched the luxury shopping site ModeWalk in 2011. The site offers haute couture and Paris ready-to-wear, jewelry, shoes, and everything else that makes a shopper's heart go pitty-pat. ModeWalk announced \$1.8 million in funding in January — enough to more than fill a shop-

ping cart. Pang is CEO, Deshays is COO, and second-year MBA student **Indré Rockefeller** is fashion director.

Naratte

Next time you pay a bill using your smartphone, you may imagine you hear a high-pitched "zoosh" as your money changes hands. Naratte, a Silicon Valley — based company founded in 2009, developed the mobile technology Zoosh, which uses ultrasound to enable near-field communication (NFC) for devices, without using a special NFC chip. Naratte says upgrading to Zoosh requires no more than a device with a built-in microphone and speaker, plus an app that costs about \$30. Cofounder **Brett Paulson**, MBA '09, is CEO.

OkCopay

Say you live in ZIP code 60642 in Chicago and you need a root canal on a molar. There are 75 dental providers within a 5-mile radius of your home. They charge from \$320 to \$1,250 for the procedure. Which would you choose? **Toure McCluskey**, MBA '05, thinks you should have the information you need to make that choice. McCluskey's Chicago-only database, OkCopay, lists healthgivers' credentials as well as their prices. The site is free to patients. McCluskey plans to sell advertising to doctors and clinics that want to draw attention to their services.

Peixe Urbano



The Groupon-like daily-deal site is one of the fastest-growing tech companies in Brazil, and it intends to stay that way. Peixe Urbano began the year fighting off an incursion by the Chicago-

based Groupon by recruiting engineers and MBAs in the U.S. and raising capital. Cofounded in 2010 by **Julio Vasconcellos**, MBA '07, Peixe Urbano had 1,000 employees, served more than 80 cities in South America, and had sold 12 million coupons by early 2012. Vasconcellos is CEO.

Piazza

In Italy, a piazza is a town square where people meet. In hundreds of colleges around the world, Piazza is an online site where students and instructors gather to collaborate and solve problems. **Pooja Sankar**, MBA '10, conceived of Piazza and began testing it when she was a first-year GSB student. Since its public launch in 2011, the site has been used by more than 100,000 people and the company has received more than \$7 million in funding.

Smitten Ice Cream



Before Smitten opened its shop in April 2011, owner **Robyn Sue Goldman**, MBA '07, taste-tested her made-to-order ice cream on willing Stanford GSB classmates. One secret to Smitten is "Kelvin," Goldman's liquid hydrogen — powered ice cream maker that produces a scoop in 60 seconds flat. Another is its all-natural ingredients mixed in tongue-tling combinations like salted caramel and sweet corn with blackberries. Smitten, which operates out of a rehabbed shipping container in San Francisco's foodie haven Hayes Valley, was recently recommended in *Vogue* magazine. ●

from the **BAY AREA**

More than three-dozen Stanford-connected venture capitalists are helping lead the way in China's fast-moving investment world — blurring the distinctions between China and the West in the process. by Maria Shao

HANS TUNG, A VENTURE CAPITAL INVESTOR IN CHINA, knew he had no time to waste. He had received a call from an angel investor in Vancl, a 10-month-old online-only retailer of men's clothing that Tung had been tracking. The investor said that Vancl was ready to raise a new round of funding and that Tung was the first of six venture capitalists he was calling. "Whoever could move the fastest would get the deal," recalls Tung, a 1993 Stanford graduate in industrial engineering. The opportunity seemed like a gem: Beijing-based Vancl was quickly developing a trendy brand name among China's young urban consumers, and its founder previously had run an e-commerce venture that was sold to Amazon.com. Here was a chance to back an experienced operator in China's budding e-commerce market.

Within 48 hours, Tung drafted a term sheet spelling out the agreement between Vancl and his firm, Qiming Venture Partners. Three days later, on a Sunday in June 2008, a deal in principle was signed, with Qiming leading a \$20 million financing that included three of Vancl's existing venture investors.

The next step was due diligence. Tung and two colleagues interviewed six of Vancl's suppliers, two of its ad agencies, and its senior management team of six. They did phone interviews with 50 randomly selected Vancl customers and hired consultants to survey online shoppers about their habits and preferences. In a single week, Tung met in four cities with six other e-commerce startups. He hired Ernst & Young to vet Vancl's books and a leading Chinese law firm to review its corporate structure. Finally, Tung asked everybody in his office to buy from Vancl's site — and wash the clothing at home to check quality.

"We did all of that in three weeks. In the U.S., it could have taken one to two months," he says. "The competition to get into these top deals is intense."

The action is fast and furious for venture capitalists in China and the entrepreneurs they back. While venture capital fundraising and investing in the United States have declined since 2007, China has been a magnet for professional investors mining opportunities in a country that not only is the world's most populous but also is experiencing extraordinary economic growth and social change. Starting in the late 1990s and especially since 2005, venture money has poured into China, which by some measures is now the world's second-largest venture market after the United States.

Lured by an economy that has grown on average 10% a year over three decades, venture capitalists are scouring for investment opportunities that provide products and services to China's growing number of middle-class consumers and internet users or, in some cases, that serve global consumer markets from China. A series of high-profile entrepreneurial successes in recent years, such as the Alibaba Group in e-commerce or Baidu in online search, have created role models and heroes that sustain the venture capital cycle in China. And the Asian country's ever-growing supply of engineers, researchers, and technologists provides venture capitalists with a deepening pool of talent to bet on.

The activity has spawned a transpacific community in which distinctions between China and the West are blurring. Stanford alumni are at the



to BEIJING

Nisa Leung, MBA '01

forefront of internationally connected investors and entrepreneurs in China, most visibly in the technology and internet arenas. Researchers at the GSB's Stanford Program on Regions of Innovation and Entrepreneurship have identified about 40 Stanford-connected venture capitalists active in China. Typically, the financiers are ethnic Chinese who have been educated or have worked in the United States. These bicultural and bilingual professionals can serve as a bridge for Chinese entrepreneurs to ideas, technology, money, and people outside the country. In turn, Chinese entrepreneurs are increasingly adept at building homegrown — and large — companies while localizing ideas and business models from the West.

Investing in China isn't for the faint of heart. Among international investors, the country is notorious for weak corporate governance and opaque financial disclosure, a perception exacerbated by recent accounting scandals at Chinese companies listed on international stock markets. What's more, international investors have long had to deal with China's foreign exchange controls, government censorship, and restrictions on direct foreign investment. "You have to be very deep in the space to do well," says **Nisa Leung**, MBA '01, a Hong Kong- and mainland China-based partner of Qiming who does health care investments in China. "There's a whole language issue, culture issue, the ability to navigate. It takes a lot of

local know-how and connections," adds Leung, who was raised in Hong Kong and previously cofounded three health care ventures in China.

The pace of change can also be a challenge. **Tim Chang**, MBA '01, managing director of the Mayfield Fund, who is based in Menlo Park and co-leads its China practice while focusing mostly on U.S. tech investments, says "one of the curses of China" is that it has grown so fast there's "a get-rich-quick, land-grab mentality." That can encourage cutting corners and fighting dirty. For instance, it's not uncommon for Chinese companies to keep three sets of books — one for investors, one for tax collectors, and the real one, says the American-born Chang. It's also not uncommon for a company going public to

Competition is often more intense than in the United States, with new competitors springing up seemingly overnight.

be smeared by competitors who call up journalists and financial auditors to spread negative rumors that could delay or derail the company's stock offering. In China, "every deal, every transaction, every interaction is almost like a detective story. You've really got to dig down to the bottom for what's going on," Chang says.

Competition is often more intense than in the United States. New competitors spring up seemingly overnight, a reflection of the eagerness to grab early market share and the knack for cloning successful business models from the United States. Case in point: China has an



Richard Lim, MBA '88

estimated 5,000 group-buying sites similar to Groupon; the number of such sites reportedly doubled during the first half of 2011. “The velocity of change, innovation, and localization is a lot faster than in the U.S.,” says Tung, a general partner and managing director of Qiming. “You’re compressing 100 years of development into 30.”

A further challenge is that the “underlying Chinese culture is very unforgiving to people who fail,” says **David Chao**, MBA '93, general partner and cofounder of DCM, a Sand Hill Road venture firm with offices in Beijing and Tokyo that does early-stage investments. The typical Peking University student prefers safer employment with a large or multinational corporation to joining a startup, he notes. But that’s changing. Over the last decade, China has developed more tolerance for risk and, as a result, better conditions for startups, including more entrepreneurial talent, venture capitalists, angel investors, law and accounting firms, and even universities with new-business incubators. If Silicon Valley’s ecosystem for high-tech startups rates a 9 on a scale of 10, China’s has gone from a 2 in 2000 to “close to a 7” today, says Chao, who is based in Silicon Valley and also does U.S. investments.

In fact, not only have foreign venture investors swarmed into the Asian country, but Chinese venture capitalists have sharply stepped up their activity. Domestic venture funds account for the lion’s share of the market today. In 2011, Chinese and foreign institutions established 382 China-focused venture funds, raising \$28.2 billion, more than two-and-a-half times the \$11.2 billion raised in 2010, according to Zero2IPO Group, a Beijing research firm. Venture funds made about 1,500 investment deals that pumped \$12.8 billion into Chinese

companies, more than double the investment amount in 2010, the firm estimates. In addition, China has seen the emergence of “super-angel” investors — former entrepreneurs with the wealth to invest in startups.

Since venture investors make money when they exit a company through its sale or initial public offering, the high valuations they paid fueled an IPO gold rush. In 2010 and 2011, more than 200 companies from China went public in Hong Kong, the United States, and other international stock markets, according to Zero2IPO. The U.S. IPO window slammed shut in mid-2011 as stock markets sank amid Europe’s debt crisis and investor concerns mounted about the reliability of Chinese financial statements. China’s internet stocks have been among the hardest hit; many are trading far below their IPO prices. For now, that has left many Chinese companies on the runway waiting to go public with stock offerings. Company valuations have dropped dramatically.

Improving Conditions

Most venture capitalists believe China’s long-term investment prospects are strong, and they say they have seen a maturation among companies in which they invest. For instance, among internet companies, the first wave of startups, Chao says, were mainly web portals, which went public in 1999–2000. The second set, including firms in online search, job listings, and travel, listed on stock markets in 2004–2005. The newest crop, including social networking and e-commerce sites, went public in 2010–2011. Throughout, international venture capitalists bet heavily on entrepreneurs who returned to China from abroad, where they gained skills, knowledge, and exposure to Western business.

Venture capitalists with a U.S. connection can be a bridge to the Silicon Valley model of success.

For instance, Singapore-born **Richard Lim**, MBA '88, the Palo Alto-based cofounder and managing director of GSR Ventures, a transpacific firm that has been funding Chinese startups since 2004, invested in **Alan Guo**, MBA '05. Guo worked for Microsoft in the United States before attending Stanford. After business school, he joined Google, where he helped launch the search giant’s China office and became a strategist at Google China. In 2006, journalist Thomas Friedman gave a talk at Google’s Beijing office. Afterward, Guo and a few others had lunch with Friedman and peppered him with questions about globalization. Guo says Friedman’s book *The World Is Flat* inspired him to launch in 2007 with three others a company called LightInTheBox.com. The Beijing company sources made-to-order wedding dresses (and sells them for a fraction of U.S. retail prices) and other apparel and goods from China, and ships to more than 200 countries. Guo says the internet allowed him to go global “from day one.” He credits his six years in the United States, including at Stanford and in Silicon Valley, with helping him to “dare to think of this type of business.”

Lim also invested in RedAtoms, a developer of social networking games, founded by **David Liu**, MS '98, PhD '03, electrical engineering. Liu has the pedigree that venture capitalists like to bet on — technologist and serial entrepreneur with cross-cultural experience. Liu

returned to his hometown of Beijing in 2009 to start RedAtoms after having started two successful tech companies in the Silicon Valley. “Innovation happens in places where there’s change,” he says. “When things are changing, you have opportunity.”

Increasingly, venture capitalists are betting on homegrown Chinese entrepreneurs too. Today, about one-third of the entrepreneurs launching Chinese internet companies are returnees, one-third are “second generation” founders who worked at earlier internet startups, and one-third have purely local backgrounds, says DCM’s Chao. Among Qiming Ventures’ recent internet investments, three founders came from Chinese search leader Baidu, one from Google, one from Chinese e-commerce giant Taobao, and one from Microsoft.

Managing relationships with Chinese-born entrepreneurs can be delicate for international venture capitalists in a culture where company and founder are inextricably linked. In the United States, it’s common for venture capitalists on a company’s board to swap out the founder for an experienced CEO from the outside once the business matures. In China, “everybody knows you can’t fire a CEO. The company is the CEO,” says Mayfield Fund’s Chang. In fact, says DCM’s Chao, “in China, the CEO typically takes an emperor role, whereas, in the U.S., the CEO is very aware that they are the prime minister.”

Building out the management team can be tricky too. The pool of experienced managers, relative to market growth and demand, is thinner than in the United States. At one point last year, Leung, the health care partner at Qiming, was working with five different recruiting firms looking for and interviewing candidates for her portfolio companies, including chief operating officer, head of research and development, and head of sales and marketing. Qualified chief financial officers are particularly scarce, especially for a company planning to go public in the United States, because that increases the need for a bicultural, bilingual executive with U.S. public accounting credentials and experience with U.S. financial disclosure regulations. Chao says it took 18 months for one of his portfolio companies, 99Bill, a provider of online payment systems, to find a CFO.

For young Chinese tech companies, venture capitalists with a U.S. connection can be a bridge to the Silicon Valley model of success. For instance, Valley venture capitalists Lim and Chang have provided important introductions and advice to Alan Yan, founder and chief executive of AdChina in Shanghai, a leading online advertising

Chinese venture capitalists have sharply stepped up their activity.

platform in China that lets companies buy targeted online advertisements while also tracking and optimizing their effectiveness. Yan, who once worked for Lucent, Philips, and eBay, founded AdChina in 2007 with two former eBay colleagues.

Yan says his venture investors provided visibility into the U.S. online advertising business. In late 2010, Chang provided key advice on strategy, product design, pricing, and partnerships when AdChina launched its mobile ad platform. Chang also introduced him to advertising teams at Google and Apple, and another venture capitalist introduced him to the former chief executive of U.S. web advertising pioneer DoubleClick. “We get money from them,” Yan says of his venture investors. “But we’re also getting connections to global leaders in the online advertising space. In online advertising, lots of new technologies and new models emerge in Silicon Valley first.”

Similarly, at Renren, a social networking site popular among Chinese college students, the company’s first venture investor, DCM’s Chao, was instrumental in getting Japan’s Softbank to invest \$400 million in 2008. Chao, who was born and lived in Japan until age 13 and speaks Japanese, had connections to Softbank and its legendary CEO, Masayoshi Son. “David was one of the guys sitting in the room to finalize the terms with Masa. He played go-between,” says **Joe Chen**, MBA ’99, Renren’s CEO, who raised \$500 million in venture funding before Renren went public last year. And it was another of Chen’s early venture investors, **Peter Fenton**, BA ’94, MBA ’00, then with Accel Partners, who first pointed out a young Facebook to Chen several years ago. Accel had just invested in the social networking pioneer. “I recognized instantly there was something big there,” Chen says.

Liu of RedAtoms says his venture investor, Lim of GSR, has helped the company sharpen its focus. Initially, RedAtoms, founded in 2009, launched PC-based games in the United States and Japan as well as a pop music game for the iPhone and a strategy game for the iPad in China. In early 2011, the company decided to make a major strategy change, phasing out its U.S. and Japanese gaming efforts to focus solely on mobile gaming in China, where Liu figures RedAtoms has a competitive advantage. Liu says the venture capitalist helped shape the company from its earliest days and helped him “prioritize” on the mobile gaming space. “His role was to have the conversation,” Liu says — and, presumably, to have it fast. ●



David Chao, MBA '93

More on the new Stanford Center at Peking University: bizonline.stanford.edu/peking

More on the Stanford Program on Regions of Innovation and Entrepreneurship: bizonline.stanford.edu/sprie





The Explorer

William Miller brings Silicon Valley ideas to Asia — and back.

by Maria Shao

photo by Jonathan Sprague

IN OCTOBER 1976, WILLIAM F. MILLER made his first trip to China. He went to discuss with officials there the prospect of launching exchanges between Chinese scholars and Stanford academics. But his delegation arrived just four days after the arrest of the Gang of Four and a month after the death of Mao Zedong. “Everything was in an uproar,” says Miller, Stanford provost at the time. The streets of Beijing were jammed with rallies organized to demonstrate public support for the Communist Party. Tiananmen Square was filled with hundreds of thousands of people, from office workers in blue and gray Mao jackets to factory laborers in coveralls and soldiers with rifles on their shoulders. From his hotel, Miller saw the throngs streaming in all day long, carrying banners, beating drums, and singing songs. He made little headway with the talks.

Eighteen months later, Miller returned to Beijing. Stanford colleagues **John W. Lewis** and **Thomas Fingar** had laid the groundwork, and this time, Miller’s negotiations with the president of Peking

University succeeded. In the fall of 1978, eight Chinese scholars — seven men and one woman — enrolled at Stanford to pursue advanced degrees in engineering and science, a first between an American university and the People’s Republic of China.

Their enrollment represented a milestone for a scholar who has been bringing Silicon Valley to Asia — and back — throughout his long career as a globally respected expert on technology management. Now 86, Miller, the business school’s Herbert Hoover Professor of Public and Private Management, Emeritus, has spread the idea that technology innovation and entrepreneurship are the keys to economic prosperity. As CEO from 1979 to 1990 of SRI International, a Stanford spinoff that specializes in tech research and commercialization, he opened up the organization to the Pacific Rim and expanded its presence in Japan from a dozen people to 50. In the 1980s, a relationship with renowned Chinese economist Ma Hong led to modern China’s first international technical business conference, as well as

1925

Born Nov. 19 on family's farm in Indiana.

1949-56

Receives BS, MS, PhD in physics from Purdue.

1956-64

Works at University of Chicago's Argonne National Laboratory, becoming director of applied mathematics division.

1965

Joins Stanford faculty in computer science and the Stanford Linear Accelerator Center.

1968

Becomes special limited partner and adviser to the Mayfield Fund, one of Silicon Valley's first venture capital funds.

1970-71

Serves as Stanford's first vice president of research, overseeing creation of Office of Technology Licensing.

introductions to top Chinese political leaders such as the late Zhao Ziyang, Jiang Zemin, and Li Peng. More recently, Miller helped establish Chinese university programs in entrepreneurship. He is so influential in South Korea that when Konkuk University in Seoul started a program on technology management within its business school in 2009, it named it for Miller. All told, Miller has made more than 150 trips to Asia, 60 of them to China, to serve on advisory boards, consult with ministers, teach workshops, and speak on panels.

His goal is to foster Silicon Valley — like regions of tech innovation in Asia and elsewhere. Today, he promotes this idea from his perch as codirector of the Stanford Program on Regions of Innovation and Entrepreneurship (SPRIE), which has been part of the Stanford Graduate School of Business since 2011. Cofounded by Miller and GSB Professor, Emeritus, **Henry S. Rowen**, the program emerged from their 1998 research project that tried to understand why Silicon Valley became a hotbed of innovation.

They found that the valley has a distinct business, social, and political environment — a “habitat” hospitable to creating new companies and industries. Major traits include “knowledge intensity,” which refers to the result of companies embedding fresh scientific or technical knowledge into products and services. The valley’s high-quality, educated workers have job mobility that fosters collective learning and the spread of knowledge within the community. Other attributes include a business climate that rewards risk-taking and tolerates failure; universities and research organizations that interact effectively with industry; and venture capitalists who understand high tech. “You have to have good seeds,” Miller says. “But you also have to have a good environment. You can plant good seeds in poor soil, but you won’t get a thriving forest or crop.”

SPRIE researchers also looked at other innovation hubs and tried to understand what factors enable them to develop and sustain themselves. They examined Japan, an early tech innovator that continues to produce advanced scientific and technical knowledge but that has had to make major regulatory changes to spur entrepreneurship. They looked at the success of South Korea, Taiwan, and Singapore in creating favorable conditions for innovation and entrepreneurship, including openness to the outside world through trade and foreign investment, regulations promoting research and development, collaboration between academia and industry, and ample pools of engineers and scientists, including returnees from overseas. More recently, the research group studied China’s emergence as an economic and digital powerhouse with links to global innovation networks and vast, fast-growing domestic markets. Researchers also have examined the development of clean energy technologies in a rapidly urbanizing Asia and the role of next-generation wireless communications in India.

Asia’s progress demonstrates that it pays to open developing economies to global competition, Miller says. Doing so forces companies to become more innovative and efficient and to meet global standards for quality. South Korea’s Hyundai automobile is an example. But so far, much of Asia’s economic development, unlike Silicon Valley’s, has been engineered from the top down with government agencies man-

aging technology development programs, setting up industrial parks, and organizing venture financing. What’s more, innovation from much of Asia has largely been confined to developing or improving products, processes, and business models, Miller says, rather than creating world-changing “core technologies” or scientific breakthroughs such as inventing semiconductors or figuring out DNA sequencing. “They are advancing rapidly in their level of innovation and types of innovation,” he says. But “they’re not yet doing the level and amount of more basic research that we’re doing here.”

One reason for this is an Asian educational system that has not been oriented toward breakthrough thinking. Asian schools seldom appear on rankings of the world’s top 50 research universities, and while countries such as China and India turn out legions of engineering graduates, the educational systems still need reform to foster more “problem solving” and less “rote learning,” Miller says. Government bureaucrats often exercise a strong hand in running universities, which are more professor-centered than student-centered, he says. Because of the long tenure of professors, it can take years, even a generation or more, to change the faculty and curriculum. A more successful approach would include encouraging innovation to “flow bottom up, not top down,” Miller says. “It needs top-down support, but not top-down control.”

In Japan and South Korea, for instance, entrepreneurship historically has been discouraged by the dominance of giant conglomerates like Toyota and Hyundai. Societal attitudes can discourage risk-taking that might lead somebody to start a tech company. What’s more, “they have not developed the venture capital risk-takers,” Miller says. Homegrown venture capitalists often come from finance rather than technology, which means they tend to act like risk-averse bankers, favoring more established companies and often requiring collateral or fixed assets before extending what is essentially a loan. U.S.-based

‘The government would start something, then back away, then let the private sector do it,’ Miller says of Taiwan’s success.

venture capitalists, for their part, tend to fly over Japan and focus on China, despite Japan’s high-quality workforce and track record in advanced research and technology.

At a panel discussion last October, Miller, Japan experts, and U.S. venture capitalists discussed this phenomenon and noted that the often-cited reasons for it — obscure accounting, uncertain relief in courts, and physical distance from the United States — are actually greater risks in China. But China is aided by its relative lack of innovation because investors often consider the tried-and-true less risky than new technologies that might come out of Japan.

Despite the challenges, entrepreneurship in Japan is picking up. Following Japan’s “lost decade” of the 1990s, Japanese citizens are more willing to start companies and work for smaller firms. That’s in part because the Japanese government has done “the best job” of any government, Miller says, in revising laws on bankruptcy, stock options, and other areas that encourage entrepreneurship. Research has shown that highly qualified businesspeople were more likely to

1971-78

Stanford provost who is first to recruit students from People's Republic of China.

1979-90

CEO of SRI International, a contract research group, which he expands in Asia.

1990-97

Stanford professor in the Graduate School of Business, computer science, and Institute for International Studies.

1998

Cofounds Silicon Valley research project that becomes the Stanford Program on Regions of Innovation and Entrepreneurship.

2000-08

Honored by Japan's Okawa Foundation, Korean President Kim Dae-jung, and Joint Venture Silicon Valley. Cofounds two technology companies, Nanostellar Inc. and Lumiette Inc.

2009

Konkuk University in Seoul opens the William F. Miller School of Management of Technology.

start companies after Japan changed its bankruptcy law in 2002–03 to be less punitive. The changes made it less likely that founders of failed companies would be fired, and also limited the personal assets that could be seized in a bankruptcy. Today, Miller continues to promote Japanese entrepreneurship by serving as the U.S. executive chairman of the U.S.-Japan Council on Innovation and Entrepreneurship, which is advising the Japanese government.

South Korea has made strides in entrepreneurship, too, and Miller has been actively engaged in encouraging the trend. Starting in 1999, he co-led an executive education course at Stanford with GSB Professor **Haim Mendelson** that taught 250 Korean entrepreneurs over five years. Upon returning to Korea, graduates of the two-week, yearly program started a venture capital forum, raised \$1 million in angel money for startups, and sponsored monthly “venture clinics” where entrepreneurs could seek advice. One of Miller’s students, Beomsool Kim, now head of the Korean arm of a Japanese market research firm, credits the course with helping create a “healthy habitat for entrepreneurship” in Korea. Miller encouraged students to network with each other and to keep an open mind. “What I learned from him was to open my ears to listen to what a group of people tell me,” Kim says. “That kind of attitude was very fresh to almost all Korean entrepreneurs, because Korea at that time was quite a closed society.”

Miller also contributed to the development of entrepreneurship through his association with Konkuk University in Seoul. In 2009, the university opened the Miller School to help bridge a gap that exists in Asia between business schools and engineering schools, which don’t interact much, according to Miller. In advising Asian educators, he talks up the value of interdisciplinary programs, cross-listing of courses, and joint faculty appointments between departments. “It’s those interfaces between disciplines that are rich with opportunities,” he says. He also emphasized that technology needs to be managed strategically in order to bolster competitiveness, says Sunyang Chung, dean of the Miller School. “It is not technology itself that generates value added and employment, but management of technology,” he says. “Bill’s advice has contributed a lot.”

Miller also has been spreading the word on entrepreneurship in China, the Asian country that perhaps best illustrates the dramatic changes that can result from economic liberalization and grass-roots innovation. In 2005, he helped Zhejiang University’s School of Management in Hangzhou develop the curriculum for its new degree program in entrepreneurship and launch its Global Entrepreneurship Research Center. Miller’s advice has been “practical, solid, and action-oriented,” says Zhongming Wang, former dean of the management school, who is codirector of the entrepreneurship center with Miller. The American academic encouraged him and others to view the entrepreneurial economy around Hangzhou, a city of more than 8 million southwest of Shanghai, not just as a collection of small businesses but as a regional center of innovation, Wang says. “One of his contributions was emphasizing innovation is the core for the region.”

Chinese entrepreneurs at first flourished by seizing new opportunities from the country’s opening, and now, by creating products and services for their increasingly affluent compatriots. For instance, e-commerce giant Alibaba Group first achieved success by focusing its business model on small- and mid-sized Chinese exporters wanting to connect via the internet with buyers overseas, Miller notes. Now, China’s mobile phone subscribers, topping a billion, represent entrepreneurial opportunities for online stores, games, communications, and other services for a growing middle class. And, over time, Miller says, China has become highly innovative in making its manufacturing supply networks efficient.

Miller encouraged students to network with each other and keep an open mind — an innovation at the time in South Korea.

Miller also has been involved in Taiwan, which he believes is the closest thing Asia has to Silicon Valley. Like the Bay Area, it has a “free-wheeling” and vibrant tech economy, he says. Its crown jewel is the Hsinchu Science Park, which was established in 1980 by the Taiwan government and modeled on Silicon Valley. Its development was aided by Taiwan’s leading research organization, the government-backed Industrial Technology Research Institute (ITRI), which has spun off companies in key areas such as semiconductors and personal computers. Miller has advised both the science park administration and the research institute and notes that a key to their success has been bottom-up innovation. “The government would start something, then back away, then let the private sector do it,” he says. “They didn’t try to control competition.” Taiwan’s high-tech success also reflects an early openness to trade and foreign investment; a healthy flow of returnees, especially engineers, with education and work experience in the United States; venture capital investing supported by government incentives; and a strong tradition of small and medium-sized businesses.

Miller’s interest in Asia is natural for someone who has spent a lifetime exploring new frontiers. Born on his family’s Indiana farm in 1925, he grew up without a radio at home, instead reading books and devouring *National Geographic* magazine for glimpses of the outside world. His mother taught classics at nearby Vincennes University, while his father ran the 300-acre farm and gave him a taste of entrepreneurship by encouraging him to take on projects such as tending and managing a melon crop. After high school, Miller enlisted in the Army, doing a stint in Germany soon after World War II, and then enrolling at Purdue University, where he earned his bachelor’s, master’s, and PhD degrees, all in physics. He arrived in 1965 at Stanford, where he and five other professors founded the computer science department the same year.

Today, Miller still travels the world, including trekking to Africa to pursue his hobbies in wildlife conservation and photography. “I would have been an explorer if I had been born in the 15th century,” he comments. In other words, he is the kind of person who takes homegrown ideas to the rest of the world — and global ideas back home. ●



Big Business

How the humble hazelnut could help Bhutan

Mountain Hazelnut of Bhutan has set its sights on a triple bottom line: financial gain for investors, alleviating poverty among farm families, and restoration of an eroded, hilly landscape.

THE TYPICAL RURAL HOUSEHOLD IN THE KINGDOM OF BHUTAN has a cash income of less than \$500 a year. Families are mostly farmers growing maize, rice, and vegetables for their own use. Many adults abandon the land and head for the city to seek work, leaving the family behind. It is this dearth of choice that the country's leaders hope to change. The choices could change dramatically in a few years for thousands of farmers in this small land-locked Asian country because of Mountain Hazelnut Venture Ltd., a company led by Stanford graduates **Daniel Spitzer** and **Justin Finnegan**. They aim to help farmers boost their income by growing — you guessed it — hazelnuts.

The company is Bhutan's first foreign-owned business, and one with a triple bottom line: financial gain for investors, alleviating poverty among farm families so there is less pressure on the younger generation to migrate to urban slums, and restoration of overgrazed, deforested foothills in a section of the southern Himalayas.

To most Americans, hazelnuts may not seem like a big market opportunity, but they are the globe's second most valuable tree-nut crop after almonds, thanks to a large European confectionary market, which includes Nutella, a sweetened nut spread that is a relatively recent addition to American supermarket shelves. California farmers have made billions expanding the market for almonds, and markets for hazelnuts are surging too, thanks in part to the health consciousness of consumers seeking the protein, vitamins, and antioxidants in tree nuts. Perhaps more important to Bhutan, the growing middle classes of its neighbors, China and India, are rapidly increasing their purchases of this once-too-expensive luxury food item.

"It's a significant opportunity," says Spitzer, who cofounded the company six years ago with Teresa Law, his wife and the company's

chief financial officer, on their own dime. "This could become the single most-exported good from Bhutan," he says, estimating that Bhutan could achieve a 3% share of the global market for hazelnuts, the same as the United States' share, which is mostly grown in Oregon.

Spitzer, who grew up in Palo Alto, earned a degree in economics from the University of California at Berkeley and a master's in international development from Stanford's School of Education. He sought intern help from Stanford MBA students, and one of them, Finnegan, who graduated in 2009, is now the company's managing director. Over the next few years, they plan to distribute 10 million hazelnut tree seedlings to 15,000 farmers, who will plant and tend them on their own land. Working with Bhutan's elected government, the company will train and advise those farmers, not unlike the way that the U.S. Agriculture Extension Service serves U.S. farm commodity groups. The Bhutan farmers must agree to sell their future nut crops to the company, which plans to process them and in turn sell them to wholesalers and food makers, after the nuts are transported in trucks to the Indian border for a train trip to the port of Kolkata. As part of its social mission, Mountain Hazelnut has pledged 20% of its future free cash flow after expenses to a Bhutanese fund targeting poverty alleviation and environmental rehabilitation.

The project's environmental benefits will occur in the Himalayan foothills of eastern Bhutan, where goats often graze on steep deforested slopes. Repopulating vegetation on grades of up to 45 degrees should reduce erosion and protect watersheds.

Mountain Hazelnut's timing seems near perfect, but agricultural ventures in poor communities with subsistence farming carry plenty of risks and potentially unpleasant surprises. Crops can turn out dis-

in Bhutan

by Louise Lee

appointingly skimpy, irregular, or low quality, sometimes because the farmers are completely inexperienced with growing the crop or producing quantities large enough for the international market, says Stanford supply-chain expert **Hau Lee**, the business school's Thoma Professor of Operations, Information and Technology. Or, companies might fail to win the support of the government or earn the trust of enough farmers and others in local communities. Or, other countries growing the same crop may have access to better

ment officials. Seeking a full collaboration, Spitzer, Law, and Finnegan worked with government experts on agricultural studies, land surveys, and training programs for the farmers. Public officials continue to help spread the word about the company to prospective farmers. "That partnership we built with the government enables us to get things done quickly and more efficiently," Finnegan says.

Adds Lee: "Daniel recognized you couldn't have a sustainable business unless you establish good relationships with local communities.

"They recognized you couldn't have a sustainable business unless you establish good relationships with local communities," says Hau Lee. "You have to get local governments to trust you. It's not simple. We often underestimate that task."

technology or growing conditions and boost their production, flooding the market and depressing prices. Because hazelnuts will tolerate a range of growing conditions, others in both developed and developing countries have their eye on the growing market demand. Spitzer, however, has a number of advantages: He speaks Tibetan (to which most Bhutanese languages are related), has worked in Asia for more than 25 years, and has involved student interns, alumni, and faculty from the Stanford Graduate School of Business.

Mountain Hazelnut is still in its early, risky stages. In mid-2011, it delivered the first batch of seedlings to 1,000 farmers, and the first processing plant is to be built in 2013, with the first batch of trees producing nuts a year later.

What gives Mountain Hazelnut the potential to thrive? Lee, who wrote a case study with researcher **Dave Hoyt**, MBA '79, on the company in 2011, notes that from the start, its leaders pinpointed a variety of tree that can be cultivated in large numbers and produce big quantities of nuts. They also took pains to build credibility with government officials and people in the villages. Spitzer and others at the company spent many months in discussions with about 100 Bhutanese govern-

You have to get local governments to be willing to trust you. It's not simple. We often underestimate that task."

Part of the company's appeal to the Bhutanese, Lee says, is that in its business model, the farmers develop business skills as they manage their land and labor for a commercial operation. In return, Mountain Hazelnut plans to pay them a guaranteed minimum amount by weight, so the more nuts farmers produce, the more money they can make. That model is more appealing to the community than one in which the company owns the farms and hires workers earning a set wage, Lee says.

A government representative expresses hope that the model "sets the stage for [other] startups. Mountain Hazelnut actually has the potential to bring about the big impact that we've been waiting for ... a win-win situation for the country and for the farmers," says Pema Gyamtsho, Bhutan's minister of agriculture and forests. Currently the country's primary income comes from tourism and hydropower sales to India.

Once trees are fully productive, nut sales will double the typical farming household's yearly cash income, the company estimates,



while farmers continue to grow other things for their own subsistence. If Mountain Hazelnut hits its target of 15,000 farming households averaging 6 members each, it will directly affect 90,000 people, or about 15% of Bhutan's population. Achieving that goal would make a serious dent in Bhutan's rural poverty. With greater income, rural young adults might choose to remain on the farms, helping to preserve traditional culture and keep families intact, instead of migrating to the city.

Bhutan "is a place with a carefully designed approach to development, which includes the economy but also respect for the environment, cultural continuity, and social equity," Spitzer says.

Finnegan adds: "We're working hard to help address some of the big issues the country is facing, which aligns us closely with the government, farmers, and other key stakeholders."

There are lots of details to getting the infrastructure right. In 2006 the company funded a hazelnut tissue-culture facility at Kunming Advanced Tissue Culture, an existing lab, in China's southern Yunnan Province. It buys all its tissue-culture plantlets from there, air-ships them via Thailand to the city of Paro in western Bhutan, and then sends them by truck over Bhutan's Lateral Highway, a narrow route crossing the country, to its plant nursery in Lingmethang. The plantlets spend several months growing in a nursery staffed largely with local residents, before they're loaded onto trucks headed for the farms.

The company also trains farmers by bringing them to demonstration farms to let them see young trees and learn planting techniques. It gives them instructions on laminated sheets and ropes with knots

spaced to show the right span between trees. It figures out distribution: Once the nuts are processed and packed, they must be trucked over imperfect roads 25 to 40 miles to the northeast Indian border and loaded onto a train.

It helps that Spitzer has related experience. In 1993, he formed with an Asian investment partner Plantation Timber Products Group, making wood paneling in western China. It ultimately partnered with more than 700,000 tree farmers and was backed by the World Bank and the private-equity arm of J.P. Morgan Chase, among others. International Paper Group acquired Plantation Timber in 2004, yielding strong returns to investors, Spitzer says.

The founder says that although the company's expected financial performance would appeal to traditional VC firms, its locale and long-term nature make it better suited to wealthy individuals and foundations as investors.

He and Law initially planned to build their hazelnut business in western China, but the May 2008 earthquake prompted many farmers there to leave the land to work on reconstruction. At about the same time, Bhutan held its first democratic elections and announced it would consider foreign investments. Spitzer and Law researched Bhutan and, finding that its land and climate are conducive to growing commercial crops of hazelnuts, proposed their idea to the Bhutanese government.

Mountain Hazelnut is now looking for outside investors. Spitzer says that although its expected financial performance would appeal

to traditional venture-capital firms, the company's exotic locale and long-term nature make it better suited to wealthy individuals and foundations. The venture found its first outside investor in July 2011: The blue moon fund, created after the 2001 reorganization of the W. Alton Jones Foundation, took a minority stake for \$2 million. That fund, which says its mission is "increasing human and natural resilience in a changing and warming world," gives grants mostly to non-profits but invests in some businesses as well.

For Mountain Hazelnut, Stanford and its Graduate School of Business have proven a valuable noncash resource. Through the business school's Global Management Immersion Experience (GMIX) program, three recent alumni have interned at the company. They worked in various areas, including developing a system letting employees use smartphones to transmit reports containing data on orchards and harvests, among other information.

On a recent visit to campus, Finnegan said Stanford has "done a great job giving visionary support to social entrepreneurship," noting in particular the business school and its newly formed Stanford Institute for Innovation in Developing Economies (commonly known as SEED), which seeks to support anti-poverty enterprises in developing nations and fund research in alleviating poverty through entrepreneurship.

Having potential partners at Stanford, Finnegan said, including "advocates as well as advisors, to help us create something that can be replicable around the world is exciting." ●



Read the case study:
bizonline.stanford.edu/seed

Learn more about the Center for Social Innovation on Twitter @SocInnovators

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INNOVATORS IN SUSTAINABLE DEVELOPMENT

Officials from developing countries, the U.S. State Department, and the United Nations met on campus with tech-savvy entrepreneurs to discuss how fast-spreading connection technologies can foster sustainable economic growth, improve public health, support agriculture, and protect the natural environment. *by Joan O’C. Hamilton*



NextDrop's Ashish Jhina demonstrates his product at the USRIO+2.0 conference.



Josh Nesbit of Medic Mobile at Stanford GSB.

TWENTY YEARS AGO THIS JUNE, the United Nations convened a conference in Rio de Janeiro that came to be seen as a watershed moment in what is widely called “sustainable development.” Representatives of 172 governments and more than 2,000 non-governmental organizations opened the world’s eyes to issues such as the scarcity of clean water, developed nations’ patterns of production that were polluting the environment globally and exacerbating climate change, and the importance of biodiversity and preservation of rain forests and other ecosystems.

Many of these issues will be revisited in June, again in Rio, when the United Nations convenes the Rio+20 conference. In preparation, the business school’s Center for Social Innovation and the U.S. Department of State hosted an event in early February called USRIO+2.0, “Bridging Connection Technologies and Sustainable Development.” As opening speaker Nancy Sutley, chair of the White House Council on Environmental Quality, put it, the Stanford event was designed to explore “tools at our disposal we could not even imagine 20 years ago.”

Mobile phones that send text as well as voice are clearly one of those tools. In fact, in many developing nations, millions of people

now have access to mobile phones but not fresh water, sufficient food, or even minimal levels of health care. Leveraging the GSB’s proximity to Silicon Valley and its growing reputation for collaborative, interdisciplinary problem solving, several hundred government officials, business leaders, academics, and nongovernmental organization staffers from 35 different countries crowded into the school’s Oberndorf Event Center on Feb. 2 for the conference kickoff, an experience dubbed “speed geeking.”

In 10-minute presentations, an array of social entrepreneurs demonstrated potentially game-changing ideas based on connection technologies. Text messages, for example, are being used as alerts to help families in India find and access clean water. Messaging is also being used by job seekers and employers to trade information and make matches in the Palestinian territories, and to pay workers in Kenya, Uganda, Haiti, India, and Pakistan who do “micro tasks” — small units of relatively simple but labor-intensive work such as tagging images or extracting specific data such as phone numbers from a cluttered web page for clients that include LinkedIn, Intuit, and the U.S. State Department.

Here are two detailed examples:

MEDIC MOBILE

■ As long as he could remember, **Josh Nesbit**, a 2009 Stanford human biology graduate, wanted to be a doctor, and after graduation he signed on for an HIV research project in the African nation of Malawi. But Nesbit immediately found staggering obstacles. Some patients would travel 100 miles to find the closest medical care. Basic documents essential to tracking the health status of a given village or supporting a research protocol would have to be hand-carried 50 miles. At his “geek” station at the USRio+2.0 event, Nesbit held up a SIM card about the size of a cornflake: “This bad boy right here could be the answer to a lot of our prayers.” Nesbit’s nonprofit company, Medic Mobile, is creating community health applications that run on mobile phones as inexpensive as \$10 to \$15. The tiny sliver of technology is literally jammed in next to a phone’s existing SIM card, and it enables the phone to run programs that allow community health volunteers to perform myriad tasks, including diagnosing symptoms remotely, tracking the spread of infectious disease, monitoring maternal health, and simply reporting research data. At one Malawi hospital, a 2008 pilot project showed the technology saved hospital staff 1,200 hours of follow-up time and over \$3,000 in motorbike fuel. And more than 100 patients started tuberculosis treatment after community health workers noticed their symptoms, reported by text message.

NEXTDROP

■ Access to clean drinking water is becoming one of the developing world’s most serious issues. The vast majority of India’s population, for example, relies on piped water supplies available only intermittently. In many places, people must go to a central location to fill containers, and the time of the water’s arrival is a guessing game based on when municipal “valve men” turn the cranks. Sometimes, it doesn’t arrive at all. “There is almost no place in India, even the largest cities, where there is a 24/7 water supply,” explains **Ashish Jhina**, MBA ’11, who is a founding investor and strategic advisor at NextDrop, although he does not work at the company full time. One upshot is that many women and girls are prevented from working or going to school because they devote most of their day to fetching — and waiting for — water. But NextDrop has deployed a clever system in the city of Hubli, India: Municipal workers who manually turn the valves that dispatch water simply call a phone number, and that triggers a text message sent to subscribers living in the area that the water will arrive in 30 to 60 minutes. So far, the company has signed up 10,000 families who pay about 20 cents a month for the service, and it is expanding rapidly and moving to nearby cities. NextDrop believes it will have 2 million subscribers in the next five years.

NextDrop began as an idea among some students at the University of California, Berkeley, in 2009; through friends, Jhina, the son of apple farmers in India’s mountainous Himachal Pradesh state, got involved and eventually wrote the business plan that won a series of competitions netting the company over \$400,000 in prize money that it has used as seed capital. “I came to Stanford with the idea of doing something in water in India. I wanted to find a business way to solve this problem,” Jhina says. ●



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TURNING ENGINEERS INTO BUSINESSPEOPLE

by Theresa Johnston

A new program gives scientists and engineers the tools they need to develop and market their ideas.

FOR THE PAST five years, **John Axerio-Cilies** has been working to improve the aerodynamics of Formula One racecars. But on this day in his office at Stanford's Center for Turbulence Research, the Canadian-born engineering grad student is occupied with something that could be useful to physicians — a three-dimensional computer simulation based on the CT scans of a man with sleep apnea. As the onscreen “patient” inhales, his pharynx glows an angry red at the precise points where his breathing is obstructed. “Doctors who have seen it,” the mechanical engineer says, “have been blown away.”

Axerio-Cilies developed this potentially groundbreaking diagnostic tool for ear, nose, and throat specialists at the suggestion of his friend **Fabien Beckers**. A 2011 Sloan Fellow, Beckers had been working on innovative ways of curing obstructive sleep apnea, a condition that affects at least 12 million Americans. Now they are turning the simulation software into a fledgling business, thanks to a popular GSB initiative Axerio-Cilies took last winter called the Program in Innovation and Entrepreneurship (PRIE).

Launched in 2011, PRIE is a 10-week Stanford business school program that gives top-notch scientists and engineers the knowledge and tools they need to develop and market their ideas, either to venture capitalists or to higher-ups within their own companies. Its reputation as an intensive proving ground for high-tech talent has spread

quickly. Of hundreds who applied for this year's winter quarter program, just 60 were admitted. Half were Stanford postdocs and graduate students in science, medicine, and engineering. The rest were working professionals from Silicon Valley companies.

While PRIE participants don't have any prior business training, “what they have in common is that they have ideas that they are interested in commercializing,” says **Garth Saloner**, dean of the Graduate School of Business and an early promoter of the program. “If you're interested in learning how to turn an idea into a business, or if you're inside a corporation and you want to learn how to be more effective at moving your ideas forward, this is something that may be of interest.”

Great care is taken to select students from a variety of disciplines and industries who can work well with one another. Once they've been admitted to the program, they take classes in two broad areas. Some of the sessions deal with core business skills, including marketing, operations, strategy, accounting, finance, and economics. Others focus on practical skills, such as product design and evaluation, negotiation, intellectual property law, teamwork, public speaking, leadership, and pitching ideas.

Participants spend the remainder of their time working in teams to commercialize the best of their proposed products or services, as



Zhaoqing "Ching" Ding, a PhD candidate in immunology and neuroscience at the Stanford School of Medicine, presents her group's project.

determined by a vote of the class. The first assignment is to develop a 1- to 2-minute elevator pitch. Later they work out detailed business plans and PowerPoint presentations. For the final evaluation, they suit up (in itself a novelty for some techies) and pitch their ideas to more than two dozen prominent Silicon Valley executives and corporate, venture, and angel investors.

Not all the class projects will go on to become real-world businesses. But even those that don't pan out are useful academic exercises, says PRIE assistant director **Arden Grady**. At the beginning of the program, for example, when the students give their elevator

One task is to break these technical wizards from 'the curse of knowledge.'

itches, "some of them are good and some need significant work," says Grady. But after 10 weeks, "these engineers end up at a completely different level than people who haven't had this exposure."

Among the 60 students in this year's class is **Aaron Puri**, a doctoral student in the Stanford medical school's Department of Chemical and Systems Biology. Puri is hoping to finish his PhD thesis by summer, but before that he wants to learn some strategies for evaluating, refining, and communicating his ideas. His PRIE team will be working on a venture inspired by his laboratory research to develop a pharmaceutical drug to combat *Clostridium difficile*, one of the most prevalent hospital-acquired infections. The drug, he explains, would work by directly targeting a toxin the bacteria secretes.

Kevin Reynolds, a Stanford doctoral student in mechanical engineering, is hoping to market a quiet rotor for helicopters. "SkyWhisper is in the business of selling silence," he says, already exhibiting a flair for marketing. The first prototype will demonstrate noise reduction in a radio-controlled helicopter. Eventually SkyWhisper plans to have a similar technology installed on full-size helicopters that will enable them to operate inside of cities and local communities without being heard.

Another group in this year's class is working on a smartphone app that would help international travelers choose restaurants, locate them, and place their orders. Still another team hopes to reduce the cost of solar power installations by matching project sites with the most appropriate technology.

The class is led by **Peter Reiss**, the MBA Class of 1963 Professor of Economics and codirector of the Center for Entrepreneurial Studies. He begins by going over the schedule: 58 class sessions, including several day-long Saturday boot camps, taught by 17 GSB faculty members. The schedule also includes guest lectures by experienced local high-tech entrepreneurs, panel discussions, and networking events.

One of the hardest things for these scientists and engineers to get used to is the business school's case study method. Unlike reading a book on physics or biology, Reiss tells the students, a case is not



Aaron Puri's concept focuses on developing and marketing a drug that combats infection.

about memorizing facts or information. “It’s about something that’s incredibly unstructured, where often a decision has to be made or a position has to be taken on something. That’s what most business is about. It is about trying to distill a set of facts that are not organized at all – to martial an argument to convince somebody to do something,

‘A better understanding of the business side opens up infinite possibilities.’

or that a course of action is reasonable. Believe it or not, there are good answers and bad answers, even when there is no $E = mc^2$ equation.”

So-called “soft” skills — things like public speaking, nonverbal communication, leadership, and teamwork — can be particularly challenging for this group. **JD Schramm**, a lecturer in organizational behavior, teaches modules on oral and written communication. Halfway through the sessions he spends an entire evening going through the anatomy of a pitch, from the first slide to the Q&A. He spends another Saturday videorecording practice pitches and giving feedback.

Schramm says his biggest task is to break these technical wizards from “the curse of knowledge.” Some students, he says, know a subject so well, and are so steeped in it, that it can be hard for them to explain it to other people. “They have to figure out how to bring simplicity to the communication so that others can understand it, even those who don’t have a science or engineering background,” he says.

Outside companies that have steered employees into PRIE say that their engineers and scientists come back more confident and better able to communicate their ideas, lead their groups, and work in teams. That certainly was the case for **April Slayden Mitchell**, a senior research engineer at HP Labs in Palo Alto. She says the experience of

preparing and pitching a new business idea to a group of venture capitalists at PRIE helped a lot

when she presented a proposal recently at HP Labs for a new research opportunity. “The practical skills I gained for assessing and describing the value, risk, and advantages allowed me to effectively describe and defend the proposal and ultimately gain support and funding.”

Adam Shor, a senior project engineer at the Palo Alto-based Electric Power Research Institute, says he found PRIE particularly helpful in his work as an innovation scout for photovoltaics, products that convert solar radiation into direct electrical current. “My role is to be on the lookout for new things,” he explains, adding that the program gave him the tools to advocate for promising technologies when he identifies them. “Engineers often are told, ‘Just fix this problem and don’t worry’ [about the business side]. But if you have a better understanding of the business component, that opens up an infinite number of possibilities.”

Another high-tech veteran who gained valuable insight from PRIE is **Colin Kincaid**, senior director of product management at Cisco Systems. He says he would come out of class each night knowing exactly what he was going to do differently the next day. This was particularly helpful on the finance side, where he says he was able to translate some of the things he learned and make big changes in the way his group did several things in their portfolio management planning.

Such feedback is no doubt music to the ears of PRIE faculty director Reiss, who studied applied mathematics at Brown before earning master's and doctoral degrees in economics from Yale. His PRIE students typically are doing or have done graduate-level work in the quantitative sciences, mathematics, or medicine, and PRIE's aim is to break down the barriers that sometimes divide the scientifically talented from their business-minded colleagues.

"One thing you would find in a group like this is that they're very skeptical about the value that an MBA might bring to the table," he says. Similarly, MBAs are very skeptical that these people have much

value to add beyond their narrow technical expertise. "My mission in life is to make these two groups talk to one another," Reiss says.

One success story can be found back at the Center for Turbulence Research, where Axerio-Cilies is trying to determine whether his sleep apnea models correlate with data that doctors have gathered on the same patients in clinical settings. He's also starting work on another diagnostic tool: one that will enable cardiologists to take pressure measurements inside the heart without the use of catheters. He knows it takes time before he can get these tools into doctors' hands and that he will ultimately have to get FDA approval. "But the technology is very promising," he says. Indeed, the name of his new company is Morpheus Medical, after the Greek god of dreams. ●

Palo Alto-based freelance writer Theresa Johnston, AB '83, is a frequent contributor to Stanford Business.



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Orchestras Are Fighting the ‘Cost Disease’

WHAT IF YOU SAT DOWN in the concert hall one evening to hear Haydn’s Symphony no. 44 in E Minor and found five robots scattered among the human musicians? To get multiple audiences in and out of the concert hall faster, the human musicians and robots are playing the composition in double time.

Today’s orchestras have yet to go down this road. However, their traditional ways of doing business, as economist **Robert J. Flanagan** explains in his new book on symphony orchestra finances, locks them into limited opportunities for productivity growth and ensures that costs keep rising.

The symphonies’ financial problems are rooted in what has come to be known as the “cost disease,” a term coined in 1966 by two then-Princeton economics professors, William Baumol and William Bowen, in a study of the economics of the performing arts. “The labor requirements for the music are set by the composer. For the most part, you don’t toy around with that,” Flanagan says.

Furthermore, it takes 25 minutes to perform a Haydn symphony. Speeding up the playing or substituting a robot or digital device for one of the players doesn’t appear on any music director’s solution list, at least not yet. U.S. manufacturing companies offset higher labor and materials costs through gains in productivity. They work to ensure that output rises for each person employed. Automakers, for example, have added hundreds of robots to their assembly lines. Productivity gains based on computer technology have also occurred in many white-collar fields, but performing arts groups haven’t found a way to do the same.

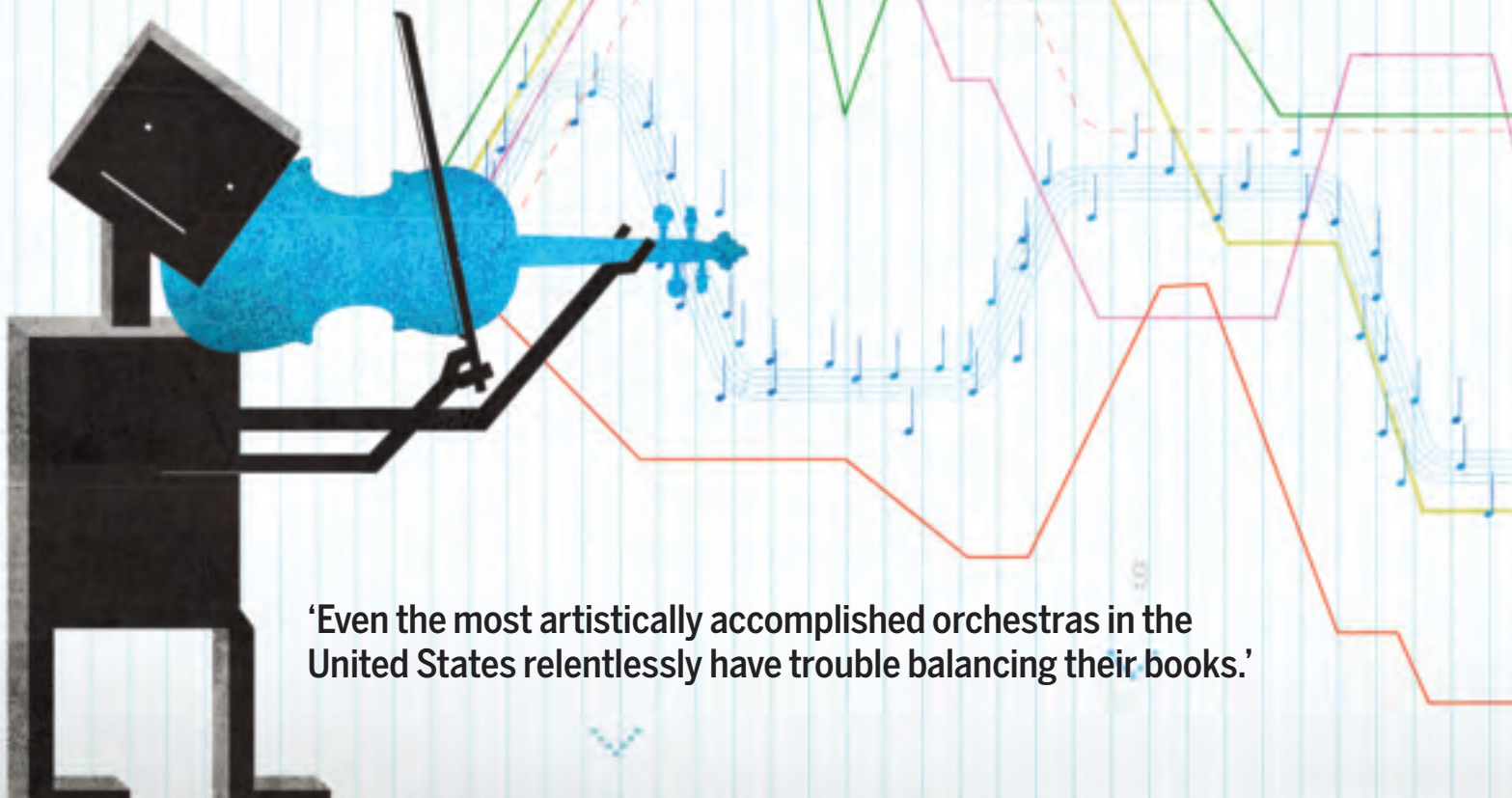
Flanagan, the business school’s Konosuke Matsushita Professor of International Labor

Economics and Policy Analysis, Emeritus, has firsthand experience with playing music. He has played a clarinet and saxophone weekly for years in a 17-piece amateur jazz orchestra. He began investigating the finances of American symphony orchestras in 2006 and published a paper in 2008 that irritated more than a few symphony board members, managers, and musicians’ union officials, because it illuminated the fragile finances of orchestras and questioned some management practices. In the last 20 years more than a dozen U.S. symphony orchestras declared bankruptcy.

With assistance from data collected by others, Flanagan has analyzed the finances of orchestras in the United States, continental Europe, and Australia, and reported his findings in a book, *The Perilous Life of Symphony Orchestras: Artistic Triumphs and Economic Challenges*, published by Yale University Press in January.

The financial health of symphony orchestras in the United States continues down a perilous path of an ever-widening gap between operating revenues and expenses, he says, after studying the financial experience of the 63 largest domestic symphony orchestras between the 1987 and 2005 concert seasons. “Even the most artistically accomplished orchestras in the United States relentlessly have trouble balancing their books,” he says.

Flanagan explores changes in operating revenues and expenses, searching for ways to narrow operating deficits. The book covers ticket pricing strategies, marketing activities, the rapid growth of artistic pay, and competition



‘Even the most artistically accomplished orchestras in the United States relentlessly have trouble balancing their books.’

with other performing arts organizations for the time of potential patrons. He examines how tax policies, the economic capacity of a community, and orchestra policies influence the trends and determinants of nonperformance income, such as grants and donations from private and public sources. Because there is no guarantee that non-performance income will exactly match operating deficits, the result is an uncertain financial future.

Orchestras outside the United States face similar economic challenges even though they benefit from millions of dollars in direct government subsidies. “Every symphony in the world incurs an operating deficit,” Flanagan says, and if the cost disease cannot be offset, “symphony orchestras will face increasing overall deficits.” For example, performance revenues of U.S. orchestras have declined from 60% of budgets in 1940 to about 40% in the 2005-06 season.

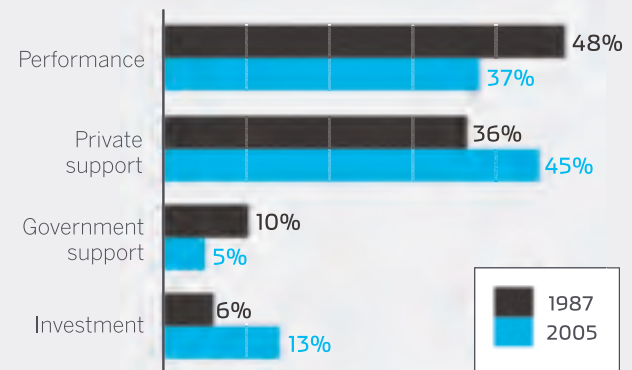
Classical music lovers in the United States often complain that U.S. governments should treat symphony orchestras as cultural necessities and support them with larger grants. In other countries grants often cover 50% and more of operating budgets. While direct federal government grants in the United States have fallen to what Flanagan describes as “a negligible level,” the value of federal government tax expenditures has soared. Those tax expenditures, defined as forgone government tax revenues because individuals and corporations can deduct their donations from taxable income, now account for 96% of all federal government support to U.S. orchestras. Such tax expenditures are much less common abroad.

Though direct government grants provide more certainty to orchestras when planning their budgets, Flanagan sees much to like about the tax expenditure approach. “It produces a highly decentralized system of government support for orchestras and the arts,” he says, and puts the power in the hands of classical music patrons to decide which organizations to support. “The system resists capture by arts elites.” The drawback is that tax policy could change in ways that discourage support. For example, reduced tax rates at the federal level would weaken the incentive to donate by lowering the after-tax benefit to the taxpayer.

Flanagan would like board members to shift their emphasis from “involvement as a social networking activity to an opportunity to apply their business skills to improve the organizational and financial performance of orchestras.” He feels that some board members see strikes, for example, as an embarrassment — a mindset that can produce quickly settled rather than sound long-term collective agreements.

His analysis of endowment returns, using data from the American League of Orchestras, suggests some experienced business leaders on boards “leave their business skills at home.”

DISTRIBUTION OF ORCHESTRA REVENUES, 1987 & 2005



Adapted from Flanagan's *The Perilous Life of Symphony Orchestras*

American orchestras are getting less of their revenue from the government and performances, but more from private donors and investments.

“Some orchestras earned returns on investment as much as 10 percentage points lower than the returns earned by other orchestras incurring the same level of risk,” he says. For orchestras increasingly dependent on nonperformance income, such as donations and the monies earned on their endowments, the inefficiency of their investments represents a considerable lost opportunity.

Flanagan reiterates that in the long term orchestras must change their habits in multiple ways. The book documents the futility of single solutions. Just adding more performances or selling out the concert halls won't fix the problem, for example. The mix of solutions includes a refined approach to pricing. The Chicago Symphony, for example, more finely determined the patron-preferred seats and priced them commensurately higher.

Other strategies include reining in the growth of artists' costs and management salaries, assessing the value of incremental marketing and development expenditures, better management of endowments, and perhaps cooperating with other performing arts organizations to increase attendance and contributions to the entire performing arts sector. “Neither managers, musicians, nor trustees get a free pass,” Flanagan says. None of these groups can restore an orchestra's economic balance by itself, but each group must take actions to increase the economic security of orchestras. ●

Hypotheticals Aren't Necessarily Innocent

IF YOU'RE PAYING ATTENTION to the 2012 U.S. elections, you may hear some hypothetical questions about candidates. You might get a phone call, for example, asking how likely you would be to vote for so-and-so if she'd hired an illegal immigrant, or if such-and-such a candidate opposed gay marriage.

Questions in this form are so common that we rarely give them a second thought. After all, trial lawyers sizing up prospective jurors, or market researchers testing the waters through focus groups, routinely use hypothetical questions in their work.

"But what seems innocuous can have insidious effects on an individual," says **Baba Shiv**, the Sanwa Bank, Limited, Professor of Marketing at the business school. He and his colleagues have shown that hypothetical questions don't merely measure our current attitudes: They can sway opinion and affect behavior. In their most recent study in this line of research, they showed how and why this distortion occurs.



'Even if you alert people a situation is hypothetical, they don't latch on to that. They simply focus on the content, and not the context.'

Designers of political "push polls" understand the basic effect already: Ostensibly asking for your true opinion, the push pollster aims to spread rumors that may have little or no basis in fact, and try to taint your view. One of the most notorious examples was a push poll during the 2000 Republican primaries in which pollsters reportedly asked voters in South Carolina whether they'd vote for John McCain if they learned he had fathered a black child out of wedlock. (There was no evidence for such a claim.) Because hypothetical questions like this cloak a malicious act under the cover of legitimacy, Shiv

calls them wolves in sheep's clothing. "Because they're hypothetical, they're not subject to criticism. If I make an outright accusation, I have to defend it, whereas with a hypothetical, I can say, 'I didn't say that. It's a hypothetical question.'"

In an experiment published in 2001, Shiv and Gavan Fitzsimons of Duke University found that hypothetical questions like those used in push polls decreased the percentage of participants voting for the targeted candidate. In this latest set of experiments the researchers, who also included Sarah G. Moore of the University of Alberta and David T. Neal of the University of Southern California, probed deeper to discover what gives hypothetical questions their power. Hypothetical questions, they found, work by heightening what psychologists call "accessibility" — "what information becomes top of mind," Shiv explains.

Under normal circumstances, any stereotypic beliefs you may have about politicians or conservatives or any other group are generally

buried in your mind, so they won't have much effect on how you behave. "But if a stereotype becomes top of mind, this top-of-mind knowledge will have an impact on behavior," Shiv says. For example, if one of your stereotypes of politicians is that they're corrupt, then hearing a hypothetical question about a politician who took bribes will remind you of that stereotype, making you even less likely than before to vote for that politician in the near future.

That sounds sneaky, but what makes the process especially insidious is that it happens subconsciously. "Even if you alert people that this situation is hypothetical, they don't latch on to that. They simply focus on the content, and not the context."

For example, in one experiment, the researchers gave a pretrial jury selection questionnaire to a group of actual prospective jurors. They asked some of them, hypothetically, how finding out that the defendant was a gang member would affect

their impartiality in the trial. Even though the questionnaire explicitly told participants not to use the questions to draw conclusions about the case, participants who saw this question ended up giving more guilty verdicts and meting out harsher sentences, at least on paper, than did participants

who hadn't been exposed to the hypothetical.

Shiv, of course, is reluctant to encourage anyone to exploit the power of hypotheticals, but he suggests they can be a fallback when you don't have all the facts to make your case. The more important takeaway, though, is to notice when others are using hypotheticals — and to raise your guard. "Whether we know it or not, we're being influenced by innocuous-looking tactics."

The research was published in *Organizational Behavior and Human Decision Processes*. ●

The Way You Stand Can Affect Your Standing

BEFORE A CRITICAL MEETING with your boss, an important customer, or your teenage son or daughter, do you spend time mentally roughing out and revising what you are going to say?

If so, social psychologist **Deborah Gruenfeld** has a message for you: You are misdirecting your energy. Spend time instead practicing how to walk, stand, sit, and quickly grasp how other people are moving their bodies.

Gruenfeld, an experimental social psychologist on the faculty of the business school, gives this advice standing in the front of a full classroom, her weight planted firmly and evenly on both high-heeled feet, looking straight at her audience, speaking in complete sentences. She is demonstrating what acting coaches sometimes call “playing high.” That means she is making sure everybody in the room knows she is in charge in this time and place.

As someone who has researched power for two decades, Gruenfeld has plenty of evidence of the importance of body posture and tone of voice. She pulls bits and pieces from her brain in order to persuade her audience with rational arguments. Yet that research tells her — and you — that it isn’t the quality of her argument that will persuade people. It is rather how she conveys it. “Your status,” she says, “is

present in the room may not be impressed with you, but the person you are parroting will be.

About five years ago, Gruenfeld decided on a new approach to help her MBA students deal with what she calls their “authority issues.” Some, she discovered, get into professional or personal trouble because they don’t know how to be deferential to other people when it is appropriate. Others don’t know how to take charge and be the authority when that is called for. Because most business students

Physical attributes and nonverbal cues both matter. People decide if you are competent in less than 100 milliseconds.

will have to be both team followers and leaders within hierarchies, she wanted to teach them the basics and decided the best way might be to team up with a drama teacher who could help them practice. Actors, she discovered, are exceptionally good at paying attention to other actors. If they aren’t, they will not only miss cues but also appear unconvincing to the audience.

Some of what Gruenfeld teaches comes from research by colleagues, including Professor **Larissa Tiedens**, codirector of the business school’s Center on Leadership Research and Development, who also has studied how the language of body movement influences perceptions.

There are times, Gruenfeld tells her class, which on this day is comprised of university employees, when you want to “play low” status. “You are making the relationship work and not necessarily giving anything important away,” she says. “Playing low can lift others up and make them feel good about themselves.”

For high-status people in an organization, she says, telling a self-deprecating joke can make you more approachable. Many of us know the boss who says “My door is always open,” but their body language adds “but really, don’t come in here.”

In facing a subordinate who doesn’t know he or she is a subordinate, she suggests a few extra moments of silence can send the right signal. And don’t forget, Gruenfeld says, that your posture affects you as well as other people. She asks her seated audience to press their knees together, hold their elbows close to their sides, and lean forward. While in that position, she has them say “I am totally in charge.” They laugh because they

didn’t believe their own words. Then she instructs them to lower their shoulders, drape an outstretched arm over the back of their chair, and spread their legs wide, taking up more space. High-status people, she says, generally let their bodies take more space than low-status people. That alone makes them both appear and feel relaxed.

Like others, you probably know this on your gut level, Gruenfeld says. “There is a body language of power, and we know it. But we don’t know we know it.” ●

—KATHLEEN O’TOOLE



determined by physical attributes and nonverbal cues. People decide if you are competent in less than 100 milliseconds.”

Intelligence, she reports, is not a strong predictor of leadership. Other research indicates the pitch, volume, and pace of your voice affect what people think you said about five times as much as the actual words you used. Other studies show, however, that we are impressed with our own arguments. So it sometimes pays to repeat back to someone you are trying to impress what he or she said. Others

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Why Nice Guys Don't Always Make It to the Top

GENEROSITY IS OFTEN ADMIRERED by others but can be regarded as a sign of weakness in leaders, according to a new study.

“Our findings show that people want respectable and admired group members to lead them at times of peace, but when ‘the going gets tough’ they want a dominant, power-seeking individual to lead the group,” says **Nir Halevy**, lead author of a research article recently published in the *Journal of Personality and Social Psychology*. He is acting assistant professor of organizational behavior at the Stanford Graduate School of Business.

Coauthor Robert Livingston of Northwestern’s Kellogg School of Management adds, “People with high prestige are often regarded as saints, possessing a self-sacrificial quality and strong moral standards. However, while these individuals are willing to give their resources to the group, they are not perceived as tough leaders.”

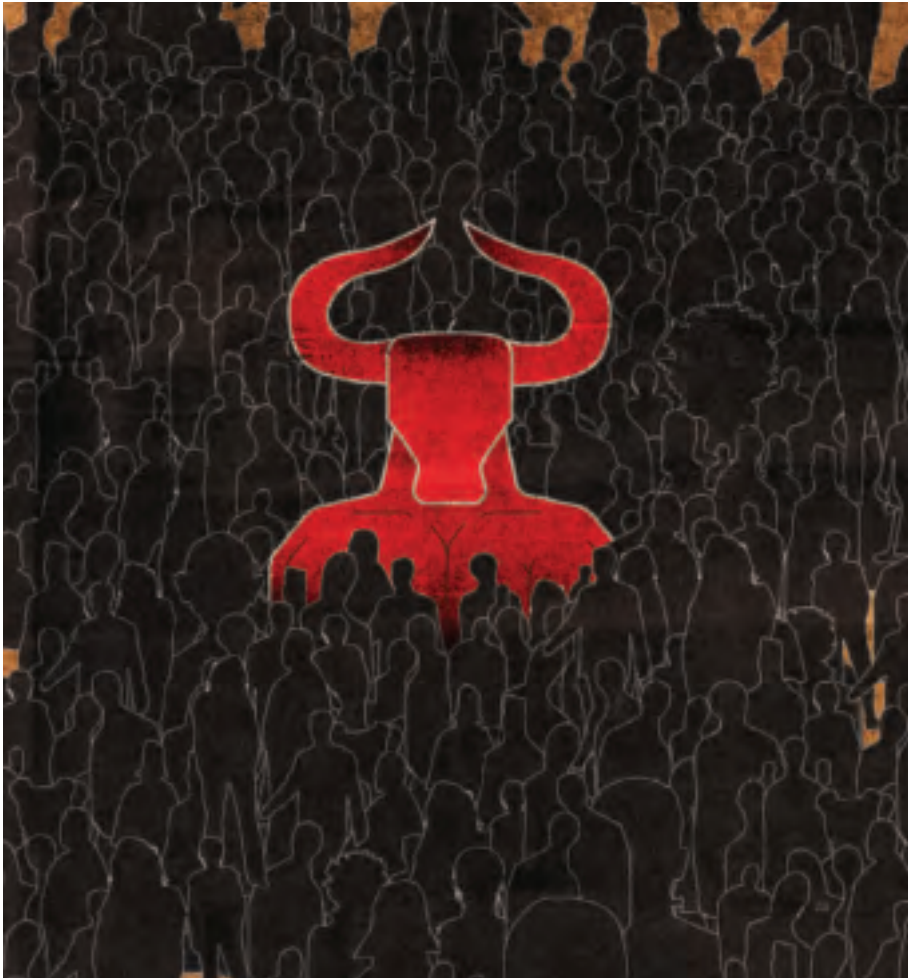
Along with Taya Cohen of Carnegie Mellon’s Tepper School of Business and Kellogg PhD student Eileen Chou, Halevy and Livingston developed a research approach they hoped would distinguish between two types of status in groups, as well as show how intergroup conflict shapes followers’ leadership preferences.

In their study, “Status Conferral in Intergroup Social Dilemmas: Behavioral Antecedents and Consequences of Prestige and Dominance,” they defined dominance as an imposed alpha status and prestige as a freely conferred admiration from others. Al Capone, for example, characterizes a high-dominance individual, whereas Mother Teresa represents a high-prestige individual.

In experiments, participants were given the option to keep an initial endowment for themselves or contribute it to a group pool. Contributions either only benefited the contributor’s fellow group members or simultaneously benefited the contributor’s group members and harmed the members of another group.

The first two experiments found that selfishness and displays of “out-group hate” — unnecessarily depriving the members of another group — boosted dominance but decreased respect and admiration from others. In contrast, showing “in-group love” — generously sharing resources with fellow group members — increased respect and admiration but decreased dominance.

The third experiment found that “universalism” — that is, sharing one’s resources with both in-group members and outsiders — had the most dire net outcomes on a person’s status. The researchers discovered that universal generosity decreased perceptions of both



prestige and dominance compared with those who shared resources only with members of their group.

In short, being generous can boost prestige if an individual is selectively generous to his or her own group; this increases respect and admiration from others. However, being selfish or belligerent (unnecessarily harming members of another group) decreases respect and admiration from others but it increases perceptions of personal dominance.

The intriguing consequence is that dominant individuals were more likely than prestigious individuals to be elected as a representative for the group in a mock competition with another group. Thus, being too nice can have negative consequences for leadership.

“Being too generous often comes at a personal cost to one’s position of strength or power,” Livingston explains.

“This research begins to explore when ‘nice guys’ finish first and when they finish last, depending on the group context,” Halevy says. “Nice guys don’t make it to the top when their group needs a dominant leader to lead them at a time of conflict.” ●

—AARON MAYES

Newsmakers

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



Stacy Brown-Philpot, MBA '02, at Google headquarters, in Mountain View, California.

Career-Building Through Frequent Job Changes

The days of the lifetime job are over. These days, U.S. workers tend to keep a job for only a few years before switching to a new one. A case in point: **Stacy Brown-Philpot**, MBA '02, who has used frequent job changes, sometimes at the same company, to enrich her skills and prepare her for her next position.

"My philosophy on career management is all around making changes," Brown-Philpot told *Fast Company*. After working at accounting and consulting firms, she "got interested in Silicon Valley and these young people starting awesome companies." So she headed to the GSB, where she made the most of her opportunity to learn the high-tech business by offering her accounting skills free of charge to startups.

Since graduation, Brown-Philpot has continued changing

jobs, but this time within the same company. At Google since 2003, she has worked in finance, sales, and operations and gained cross-cultural experience by heading an office in India. Back in California, she is Google's senior director of owned and operated properties.

Amassing experience at various jobs has worked for her, but Brown-Philpot has one caveat for others who try it. "I do tell younger people to build harder skills in the early part of their career," she said. "Now that I manage hundreds of people, I have much more credibility having done the [technical] work myself."

Collaboration — in 140 Characters or Less

"What's so special about Twitter is that it's essentially collaborative," **Chloe Sladden** told *Vogue* in a feature story about the women executives of Twitter. "Whether

it's something as dark as Osama bin Laden's assassination or as playful and wonderful as the Oscars, you join with the world to experience that together. It's that hook, that addictive moment of knowing you're truly connected to other people."

Sladden, MBA '02, is the company's director of content and programming. It's her mission to get entertainment and news outlets to collaborate with Twitter.

"The old-school sense is that you want everyone to be leaning back and just absorbing your content," said Sladden, who left a job with a literary agency because she felt it was resistant to change. "They were so terrified of the e-book," she recalled. "And I thought, I'm not going to sit around for a decade and wait for it."

After business school, Sladden was working for Current TV when she saw thousands of tweets sent during Barack

Obama's 2008 Democratic convention speech. "Twitter was the interactive platform I'd spent 10 years looking for," she said. She joined the company the following year.

Bringing Vision to the Developing World

If you look carefully at each pair of Shauns Shades, you will find the words "give" and "sight" as well as the Braille symbol for "S" imprinted somewhere on the frame. The company's founder, **Shaun Paterson**, MBA '08, gives improved sight by matching every pair of designer sunglasses it sells with a free pair of eyeglasses for someone with poor vision. In the company's first six months, it contributed 5,000 pairs of glasses and conducted clinics in Honduras and Ecuador to distribute them.

"Enabling human capital to re-contribute to the economic

PHOTO BY GABRIELA HASBUN

development of a region is as important to me as the impact on the patient's own quality of life," Paterson told the *San Francisco Chronicle*.

Paterson said his desire to help out in developing countries was inspired by a GSB service learning trip he took to Africa in 2006. And, as a corrective lens wearer with 20/200 vision, it was natural for him to gravitate toward helping out with vision care. "It's pretty amazing to see something that seems so basic and that we take so for granted as completely absent in someone's life," he said.

Giving Philanthropy a Reboot

When **Laura Arrillaga**, MBA '97, met her husband-to-be, Netscape cofounder Marc Andreessen, the first thing she asked him was what he was doing philanthropically. Founder of the Silicon Valley social venture fund SV2 and the Stanford Center on Philanthropy and Civil Society, Arrillaga-Andreessen believes the valley's young millionaires need to think about philanthropy now. "The word philanthropy brings up an image of somebody who's had an illustrious career, has retired and is giving to highly established institutions that may or may not have ivy growing up their walls," she told the *New York Times*. "I personally have felt the need to give philanthropy a reboot."

Arrillaga-Andreessen has been rebooting philanthropy since she began teaching about it at Stanford in 2001. Last October, she published *Giving 2.0: Transform Your Giving and Our World*, a book that shows donors how to give strategically, Silicon Valley style. It hit the *New York Times* bestseller list the following month.

As for her personal reboot, she and Andreessen made their first major philanthropic commitment — \$27.5 million — to Stanford Hospital in 2007. They set up the Laura and Marc Andreessen Foundation in 2011.

"I always had the old-school model that I'm going to work for as long as I'm relevant and focus on for-profit activities, and someday when I retire I'm going

to learn about philanthropy," Marc Andreessen told the newspaper. "Marrying Laura was a huge catalyst to change."

Snagging Double Shifts in Two Time Zones

No wonder **Wei Hopeman** of Shanghai loves air travel. "In the U.S., you work and then you go home and it's your time. Here, people will call your cell phone 24/7. It's how business gets done. The only time I'm not wired is while flying. Being on a plane is my sanctuary," she said.

Hopeman, MBA '01, is based in Shanghai as head of Citigroup's Citi Ventures in Asia and regularly commutes to company headquarters in New York. She works two 8-hour shifts a day, one on site and the second on the phone to the other side of the world.

"Jet lag doesn't affect me," she said. "Wherever I am, my day usually ends at 7 p.m. I relax for a few hours, then begin again. I'm pretty good at sleeping in three-hour chunks."

And just to make sure she can fill in what little time she has left, Hopeman says she's thinking about getting Rosetta Stone software for her flights. "I have a secret dream of learning Spanish," she said, "because at some point I want to live in San Sebastián or Buenos Aires."

Hopeman was interviewed by *Fortune* for its "Road Warrior" series.

Indian Entrepreneurs Join Gold Rush at Home

Time was, Indians felt a cultural imperative to return to their home country after studying abroad. No longer. These days, going to India "is about giving your business the best chance to survive and scale up," said **Omar Siddiqui**, MBA '10, an American of Indian origin, who cited the ease of recruiting talent for his social network startup, grabHalo, as opposed to competing for engineers in Silicon Valley.

Anshuman Bapna, MBA '05, agreed. "The notion of moving back to your country is a bit outdated," he said. "In the old days, the central theme was to move to India for personal reasons and then contemplate starting a company. These days, the core idea is to start a company in India." Bapna moved to Bangalore two years ago to found Mygola, a personalized travel planner.

Siddiqui, Bapna, and **Prashant Tandon**, MBA '07, cofounder of the e-commerce site Healthkart, were among several U.S.-educated, India-based entrepreneurs of Indian origin featured in the *Indian Express*.

"The time spent in the United States after college is shrinking. Most graduates don't want to waste a year even. They are heading out straightaway," Bapna told the newspaper. "It is a gold rush, heady and exuberant."

When Cooking Kills

"Cooking shouldn't kill," said **Radha Muthiah**, MBA '96, in an interview for the *Atlantic* magazine's Health blog. But, unfortunately, it does. According to the World Health Organization, every year 2 million people, mostly in developing countries, die prematurely from exposure to smoke from traditional cookstoves.

Muthiah is executive director of the Global Alliance for Clean Cookstoves, a United Nations Foundation-led public-private partnership that aims to have 100 million homes adopt new clean stoves and fuels by 2020.

"We are not attempting to parachute in stoves and leave, but rather, we are fostering a means for bringing jobs, better health outcomes, and an increased standard of living through the creation of new clean cookstove companies," Muthiah said.

"Public-private partnerships are essential to sustainable international development because they reflect the diversity of resources, finances, experiences, and expertise necessary to achieve scale and create a better world. But they are not a panacea in and of themselves," she warned.

Still, "with strong, results-driven metrics, continuous dialogue, and adjustments to the model to make sure you stay on track, partnerships can be the most effective way to accomplish a complex global task."



Radha Muthiah, MBA '96, in India.

Don't Just 'Give Back.' Engage.

BUSINESSPEOPLE WITH GOOD HEARTS looking to make a difference usually start with three questions: “How can I give back?” “How do I pick a good cause?” and “What skills should I contribute?”

But the businesspeople I've met who have made the biggest contribution usually started with a different question: “What can I get?” As a result, they engage more deeply, contribute more of their skills, and do so for longer duration.

“Giving back” is a flawed notion. It implies the philanthropist “took” from something and must now pay back. It suggests a person can contribute to the social good only after succeeding in the business world, instead of at the same time, bringing to mind the stereotypical path of that plucky entrepreneur who becomes a wealthy tycoon and then decides later in life to turn his or her attention to philanthropy.

The idea of giving back can lead to other problems, too.

Those who seek only to give back may be most prone to fair-weather volunteering. By viewing philanthropy as a stop along their life's journey, they may be more likely to pick and choose the time and place for it rather than weaving it into the fabric of their lives. One result is that food banks are awash with volunteers on holidays, but scramble the rest of the year. Parents who take children to volunteer at Christmas or holidays to give back — that is, to show how lucky they are — can unintentionally show that giving back is one part of a transaction.

Those who look to take from philanthropy, by contrast, engage with nonprofits throughout their careers. This builds connections and friendships that may be hard to find in the office. It offers the chance to develop senior skills early in a career, and deliver results that might make it to your obituary. I first learned this when I was running a contact lens company in the 1990s and volunteered to be president of the board of the STOP AIDS Project in San Francisco. STOP AIDS was the world's first community-based group to show how to prevent the spread of AIDS (our solution: condoms, condoms, and more condoms). From this, I learned how to chair a board. Friends I met there helped me raise \$3 million from Sequoia Capital to launch PlanetOut, the first venture-funded lesbian and gay company, which built a range of websites. I also helped prevent some new infections, suggesting my engagement was not only good for me but for the greater cause.

Since then, I've volunteered for nonprofits in eight countries and consulted for others, first as a partner at Bridgespan Group and now on my own. I've seen many examples of the benefits of receiving from philanthropy, rather than giving back. Classmate **Joe Tye** founded STAT — Stop Teenage Addiction to Tobacco — because of his fury at

The idea of giving back suggests a person can contribute to the social good only after succeeding in the business world instead of at the same time.

the delight his toddler showed for the Marlboro man. I volunteered for STOP AIDS because I was angry my friends were dying, and because I feared my turn was soon. Classmate **David Jaffe** founded the Food Allergy Institute after struggling to feed safely his four children, each with different food allergies. In each instance, we found that deep, personal relationships with organizations were better for us — and for the philanthropy — than if we had viewed our work as a temporary aspect of our lives.

Indeed, looking to give back skills seldom gets philanthropists far in the nonprofit world. By the time I joined my first nonprofit board, I had served on three for-profit boards, which may sound like good experience. But because I was so confident I made classic mistakes, including spending too much time worrying about overhead and not enough on fundraising. One can get further with a willingness to learn, a healthy dose of curiosity, and a spirit that money problems are fun to solve.

Not too long ago, Phil Kleweno, a friend and former colleague, introduced me to a room of Bain consultants by pointing out how our business and social careers had tangled over two decades: Bain, PlanetOut, Zitter Group, the Gay & Lesbian Alliance Against Defamation (GLAAD), and the Bain Gay & Lesbian Association for Diversity (BGLAD). These associations have reaped dividends for me and for the organizations. In all the years with them I never really stopped other work to give back. But I keep receiving. ●

Jon Huggett, MBA '85, lives in London. An article in the August 2003 issue of Stanford Business detailed his efforts to teach business inside a South African prison.





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