



GETTING BEYOND \$1.25 A DAY

Major Initiative Launched to Alleviate Extreme Poverty

PLUS: Nobel Laureate Michael Spence on the Global Economy and U.S. Job Market

PLUS: 40 Years of Social Innovators



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REPORT TO INVESTORS
FISCAL YEAR 2011 • SEPTEMBER 1, 2010 – AUGUST 31, 2011

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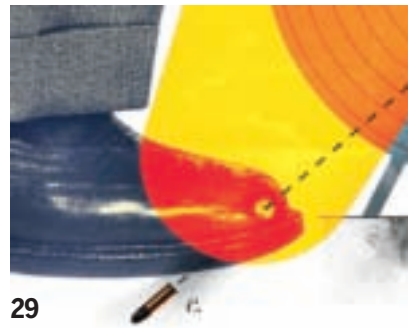
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Special thanks to our many alumni and friends who contribute to the strength of the GSB community.



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29

ON THE COVER

14 New Initiative to Alleviate Extreme Poverty

Donors Dottie and Bob King, MBA '60, tell why they made a \$150 million gift to the GSB to support a three-pronged approach to reducing the number of extremely poor in developing economies. *By* JOAN O'C. HAMILTON



Russ Hall, MBA '81, cofounder and managing director of Legacy Venture, listened as dozens of alumni told their stories of social impact at an anniversary conference for the Public Management Program and Center for Social Innovation. (See page 12.)

12 | 40 Years of Social Innovators

The Center for Social Innovation and the Public Management Program invited alumni to tell their stories of creating change for social good. *By* THERESA JOHNSTON

18 | Spence on Emerging Giants

Nobel Laureate and Dean Emeritus Michael Spence envisions a much stronger but constrained China and India as they become major engines of the global economy.

By RACHEL BECK

21 | Where Will New U.S. Jobs Come From?

Economist Michael Spence discusses difficult fixes for the job market. *By* RACHEL BECK

ON THE COVER: *Illustration by Sean McCabe*

MORE FEATURES

SERIAL INNOVATOR EXTRAORDINAIRE 10
At 92, Chuck Robinson, MBA '47, is still CEO and chief lobbyist for his latest invention. *By* THERESA JOHNSTON

HOW TO TELL YOUR STORY IN 4 MINUTES OR LESS 13
If you're not a gifted storyteller, lecturer JD Schramm has some tips to help you become one. *By* THERESA JOHNSTON

CHINA'S 2.0 ENTREPRENEURS 24
Internet entrepreneur Joe Chen, MBA '99, and others involved in China's digital evolution shared insights at a GSB conference. *By* MARIA SHAO

KNOWLEDGE NETWORK

CRISIS MANAGEMENT 27
Condoleezza Rice and David Miliband teach MBAs the perils of global political risk.

DIGGING IN THEIR HEELS 29
When analysts stubbornly stick to erroneous views, they may contribute to market bubbles and bursts.

TOO MUCH INFORMATION 30
Beware Facebook gossip or other information off target from your purpose.

OIL PRICE SPECULATION 30
Investor uncertainty, not actual supply and demand changes, drove wild price swings in 2008.

FACULTY PUBLICATIONS 28

FACULTY NEWS 32

COLUMNS

DEAN'S COLUMN 3

NOTEWORTHY 4

NEWSMAKERS 34

CLASS NOTES 37



24

PHOTOS BY KAT WADE (2); ILLUSTRATION BY STUART BRADFORD

How Did You Get to the GSB?

Fellowships open doors, change lives.



For Jimmy Owens, the Stanford Graduate School of Business is all about the people. Being around accomplished peers with big dreams pushes him to grow as a leader by developing the skills he will need when he returns to management in the pharmaceutical industry.

It is not just his classmates who inspire him to excel. He is also motivated by the high-caliber GSB faculty members with real-world experience in their fields. Their on-the-ground insights provide a dimension to the learning experience that enables him to quickly get to the root of issues and make the most of experiential learning opportunities, like the Service Learning Trip to India that exposed him to drug delivery for patients in a developing economy.

But none of this would be possible without the generosity of donors to the GSB.

"I am on fellowship and that means everything. You have people supporting your educational goals and with that comes a great deal of responsibility to make the most of that opportunity and to do something with your experience so you can be in a position to provide that same kind of support for someone down the road."

Jimmy Owens, MBA Class of 2012
Recipient, Kagle Family Fellowship

Please help us by investing in tomorrow's business leaders and hear more from Jimmy and others:

www.gsb.stanford.edu/giving/



STANFORD
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The Seeds of Change

Our new institute will help entrepreneurs and managers create engines of growth in developing economies.

ON STUDY TRIPS WITH STUDENTS I have visited numerous emerging economies from Thailand to Kenya to Saudi Arabia. Like most people on foreign business or pleasure travel, I have spent time in air-conditioned hotels and glass-encased business towers. And like **Bob and Dottie King**, I have also visited impoverished areas where I've seen the human and environmental consequences of scarce water, education, health care, food, energy, and shelter.

Thanks to the incredible generosity of the Kings, the GSB in November launched the Stanford Institute for Innovation in Developing Economies (referred to as SEED because it signifies possibility) to help tackle these problems. With the Kings' founding gift of \$150 million, one of the largest ever to Stanford, the business school will undertake a bold initiative to stimulate, develop, and disseminate research and innovations that enable entrepreneurs, managers, and leaders to alleviate poverty in developing economies.

Stanford University is committed to tackling the world's biggest problems, including helping the more than a billion people living on \$1.25 per day. But how can Stanford, and the business school in particular, play a substantive role in addressing this issue? That is the question the Kings first posed to us almost two years ago. The answer, we believe, is linked to two observations: First, the planet's resources will not stretch without significant innovation, and second, 50% of population growth this century will occur in parts of the world that have among the weakest traditions of business education. By bringing our school's strengths of knowledge, research, and human capital to bear, SEED will help entrepreneurs and the leaders of small organizations around the world scale and become the engines of growth for their economies. In turn, we will internalize all that we learn from partners and entrepreneurs on the ground, and those insights will fuel research and classroom discussion back at Stanford.

This is the business school's first institute, a word that carries some heft at Stanford. Most recently, as part of The Stanford Challenge, the university has created several institutes to house multidisciplinary efforts that span several schools because we believe that the world's most vexing problems are best tackled from multiple perspectives. This institute will be no different. The context for entrepreneurship and management in developing economies involves difficult issues related to water, health, governance, education, law, and the environment. Thus, while SEED will be housed in the business school, it will



Dottie and Bob King, MBA '60, join Dean Garth Saloner in November to announce the Kings' founding gift for the Stanford Institute for Innovation in Developing Economies — known as SEED for short.

draw in relevant expertise from around Stanford, as well as from our own Centers for Social Innovation, Entrepreneurial Studies, and Global Business and the Economy.

This initiative is another key piece of our strategy to dramatically increase the school's global reach and impact. SEED will spur our community to become more actively aware and engaged in grappling with complex dynamics of emerging economies to improve their organizations and the world at large. Students will have opportunities to work closely with growing enterprises, and faculty will have bases from which to gather research data and write cases, and develop new programs designed specifically for entrepreneurs, managers, and social innovators from the regions in which SEED is active.

I feel truly humbled and grateful for the opportunity that Bob and Dottie King have given us. I am inspired not just by the magnitude of their giving but also by the values that motivate it and principles that guide it. Bob and Dottie King see injustice and they feel moved to address it. And in doing so, they are drawn to the world of ideas and the necessity to put substantive knowledge into practice. It is this alignment of values and principles that has forged the partnership that SEED represents. ●

Noteworthy

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



Guitar Innovator

"This instrument is one of the most sophisticated guitars ever built," says four-time Grammy nominee **William Eaton** of the double-neck harp guitar he designed in 1999 and finished constructing in 2008. The instrument has a transperformance tuning device, an onboard computer that recalls more than 300 tunings and accordingly controls small motors that change string tension on the lower neck. The upper neck utilizes a pickup system that interfaces with a synthesizer module, allowing the strings to sound like a guitar, piano, sax, strings, brass, percussion, and other sampled or synthesized sounds. Nine harp strings provide additional plucked or strummed options. It is 1 of 16 original instruments that Eaton has designed and built while composing, recording, and performing music, and helping to teach and run a school.

A string musician since age 7 when his Uncle Charlie gave him a ukulele, Eaton, MBA '75, wrote a

William Eaton, MBA '75, calls the harp guitar that he designed and built "one of the most sophisticated guitars" ever created.

business plan for a guitar-building school in a GSB class taught by **Steven Brandt**, MBA '65. That school, the Roberto-Venn School of Luthiery in Phoenix, is now the longest running guitar-building school in North America.

Exec Ed Learning Applied to Pills for Pets

When **Jean Hoffman's** black cat was diagnosed with thyroid problems, she naturally wanted the beloved family pet to have the best medical care possible. Nevertheless, the price of Dude's pills was hard to swallow. "As he got older it cost us \$60 a month," Hoffman recalls. "While I could afford it, I thought about the many families that couldn't. Sometimes elderly people have to choose between themselves and their animals. That's a sad choice no one should have to make."

Hoffman founded a pharmaceutical company — one she hopes will make pet medications more affordable for everyone. Launched in 2006, Putney Inc. is a small but growing firm, based in Portland, Maine, which specializes in the development and approval of lower-priced generic drugs for dogs and cats. As Hoffman explains, while 75% of brand-name FDA-approved prescription drugs for humans have generic drug versions, only about 6% of pet medications do. "It's a great opportunity," she notes. "In the United States, there are more pets than children."

Hoffman spent most of her career in the human pharmaceutical industry eventually founding Newport Strategies, which developed the world's leading database system for identifying promising pharmaceutical products and licensing opportunities.

She credits much of her success at Newport to her attendance at Stanford business

Executive Education participant Jean Hoffman wants lower-priced generic drugs for dogs and cats.

school's *Executive Program for Growing Companies*. "It was life-changing," she recalls of the two-week course she attended in 1997. "With the advice I received, I refocused our marketing efforts and built features into our system that dramatically increased our revenue."

Putney Inc. markets two FDA-approved pet medications. One is called carprofen, a generic version of the Pfizer non-steroidal anti-inflammatory drug Rimadyl, widely used to treat pain and inflammation from osteoarthritis. The second is a generic ketamine used for anesthesia and sedation. More than 20 other generics are in the pipeline.

Fellowships Support India's Future Leaders

Since its start in 2009, the Reliance Dhirubhai Fellows program has provided full academic scholarships to attend the Stanford Graduate School of Business for five students from India with demonstrated financial need and a commitment to improving their country.

The fellowship is made



TOP: JOHN RUNNING; LEFT: COURTESY OF PUTNEY, INC.



possible by a gift from Reliance Industries Ltd., which is led by Chairman and Managing Director **Mukesh Ambani**, a member of the school's Advisory Council.

Meet the current second-year fellows:

Uzma Hussain Barlaskar:

While at the Birla Institute of Technology & Science in Pilani, she participated in a program that taught self-sufficiency to women living in the countryside. Last summer, she worked in the Mumbai office of Sherpalo Ventures, a Menlo Park-based venture capital firm. "I see myself going back to India and starting my own company," she said.

Ankur Gigras: He's learning more about business with the aim of improving medical services for India's rural populace. "I could see that there were people who couldn't afford anything else, but they could come to the hospital for treatment," he said of his time assigned to local hospitals while working at McKinsey & Co.

Kriti Parashar: She helped establish a microfinance program for rural farmers while at Lehman Brothers in Mumbai. That experience led her to the GSB and the opportunity to get "a more tangible education in the business space" and the skills she'll need to thrive at a larger corporation upon her return to India.

Five second-year MBA students are Reliance Fellows, residents of India with a commitment to improving their home country. They are, left to right: Kriti Parashar, Ankur Gigras, Uzma Barlaskar, Rohit Satapathy, and Niveditha Viswanathan.

Rohit Satapathy: He calls late Apple CEO Steve Jobs one of the "heroes" who attracted him to Stanford and its entrepreneurial culture. Already, he has assembled a cross-continental, cross-cultural team working on an internet venture.

Niveditha Viswanathan: She's learning from entrepreneurs who share the nuts-and-bolts of starting successful internet companies for use in her own social venture — raising money to buy ventilators for cash-strapped government hospitals in India.

Course Penetrates the Bamboo Ceiling

Highly skilled mid-level managers with Asian backgrounds are playing increasingly vital roles at many U.S. corporations, particularly in the Silicon Valley. Yet according to a recent study by the New York-based Center for Work-Life Policy, Asian Americans hold less than 2% of executive roles at Fortune 500 companies. Nearly half of Asian American women surveyed, and

63% of Asian American men, report feeling stalled in their careers.

Retired executives Buck Gee and Wes Hom saw similar trends at their own companies, Cisco and IBM. The so-called "bamboo ceiling" concerned them so much, in fact, that they approached the Center for Leadership Development and Research (CLDR) at the Stanford Graduate School of Business. The result was a unique new course, aimed at promising mid-career managers at U.S. companies, called the *Advanced Leadership Program for Asian American Executives*.

When first offered in summer of 2010, the weeklong program attracted 26 participants from 19 companies. This past year, 38 came from 26 companies, including Google, Cisco, JP Morgan, and HSBC. "I wasn't convinced initially this was a widespread need," says **Mike Hochleutner**, MBA '01, executive director of the CLDR, "but when we started talking to senior people and HR leaders, we found it was perceived as a challenge across many industries. If you look at the demographics of the workforce, the area that's highly skilled and growing tends to be Asian American. The fact that companies were having trouble promoting executives from this talent pool showed an intriguing leadership development challenge and a

hidden opportunity."

Hayagreeva Rao is the faculty director of the program, along with **Seungjin Whang**, who kicked off the week this summer with some executive team-building simulations that highlighted the role cultural factors can play in team performance. In another session, organizational behavior professor **Jeffrey Pfeffer** offered tips on projecting authority, something managers from some cultures can find uncomfortable. Evening get-togethers gave participants a chance to network among themselves and develop action plans for their own advancement.

Stories from Super School Volunteers

An oft-overlooked reward from volunteering for the GSB is having better dinner companions and stories to tell. Examples are offered by two of this year's winners of John W. Gardner Volunteer Leadership Awards for service to the business school. Those awards were presented by Dean **Garth Saloner** on Oct. 21 to **Lili Pratt King**, AB '71/MBA '76; **Joel Friedman** and **Terry Dur-yea**, both MBA '71; **Chris Smith**, MBA '66; and **Bob Gee**, MBA '61.

Smith, a class secretary, student mentor, ACT volunteer, and reunion chair, says his best volunteer assignment for the Stanford Business School Alumni Association has been representing his class at the annual Arbuckle Award dinner, where he and his wife, Sandra, get to enjoy dinner conversation with the student recipients of the MBA Class of 1966 Fellowships. The students have "incredible backgrounds and engaging personalities"; and he often follows up with more lunch or dinner meetings with them.

Continued on page 6

For the Record

Employment Report: MBA Class of 2011

INDUSTRY	Percentage of Class	Median Base Salary	Median Signing Bonus
Consulting	27	\$ 125,000	\$ 20,000
Private Equity/LBO	14	\$ 150,000	\$ 25,000
Internet Services/E-Commerce	8	\$ 115,000	\$ 10,000
Venture Capital	7	\$ 150,000	NA
Consumer Products	7	\$ 97,750	\$ 20,000
Hedge Funds	6	\$ 150,000	\$ 25,000
Other	6	\$ 107,000	\$ 20,000
Investment Management	5	\$ 114,500	\$ 40,000
Health Care	4	\$ 105,000	\$ 20,000
Investment Banking	4	\$ 100,000	\$ 40,000
Consumer Electronics/Hardware	3	\$ 120,000	\$ 25,000
Energy/Cleantech	2	\$ 120,000	\$ 40,000
Manufacturing	2	\$ 120,000	\$ 10,000
Finance – Other	2	\$ 107,500	\$ 40,000
Media/Entertainment	2	\$ 120,000	\$ 10,000
Software	2	\$ 115,000	NA

Total does not equal 100% because of rounding.

TOP FUNCTIONS: Management Consultant, 26%; Finance – Private Equity Analyst, 13%; Brand/Product/Marketing Manager, 8%; Finance – Analyst 6%; Finance – Venture Capital, 6%; Finance – Investment/Portfolio Mgmt., 6%

BASE SALARY: median: \$125,000 (range: \$52,000–\$300,000)

SIGNING BONUS: median: \$20,000 (range: \$5,000–\$150,000)

OTHER GUARANTEED COMPENSATION: median: \$40,000 (range: \$4,000–\$500,000)

SOURCE: Stanford Business School MBA Career Management Center as of October 2011.

For further details: www.gsb.stanford.edu/cmc/reports

Admission Report: MBA Class of 2013

GENERAL		UNDERGRADUATE MAJORS	
Total Applications	6,618	Humanities/Social Sciences	46%
New Students	397	Engineering/Math/ Natural Sciences	35%
Women	34%	Business	19%
International (includes permanent residents)	38%		
U.S. Minority	27%	PREVIOUS INDUSTRIES	
Advanced Degree Holders	11%	Private Equity/Venture Capital	17%
		Consulting	17%
		Govt./Military/Nonprofit	13%
		Financial Services	12%
		High-tech	10%
		Consumer Products	7%
		Cleantech/Energy/Environ.	6%
		Other	6%
		Entertainment/Media	5%
		Biotech/Health Care	4%
YEARS OF WORK EXPERIENCE			
Range	0–18		
Median	4		
SCHOOL/GEOGRAPHIC REPRESENTATION			
U.S. Institutions	83		
Non-U.S. Institutions	73		
Countries (including the U.S.)	56		

SOURCE: MBA Admissions Office as of October 2011.

Continued from page 5

Besides his Gardner award, Gee wins this magazine’s award for detective work. As a volunteer for his 45th reunion in 2006, he called every classmate, even reaching one in Iraq, another in a Brazilian rainforest, and **Yi Yi Myint** in Myanmar who promised to reimburse a \$25 gift made on her behalf — she could not send one directly by check or credit card, because Myanmar’s dictatorship does not permit them. A week later, Gee said, “I received an envelope with a donation from a stranger in Los Angeles to reimburse me the \$25.” Then the other envelope dropped: an AT&T bill for \$150 for two calls to Myanmar.

“It was worth every penny to be in touch with Yi Yi again,” he said. According to Dean Saloner, Gee set the school’s all-time participation record by getting 98% of his classmates to contribute.

Education Divide Challenges Nation

Two years ago San Francisco’s Thurgood Marshall High School graduated only 10 college-ready students out of a class of 600.

“This is to me an affront to everything that we claim we are,” said **Cory Booker**, the Stanford-, Yale-, and Oxford-educated mayor of Newark, N.J., at a recent Goldman Sachs/Stanford University Global Education Conference. “I may not be called to be on a beach in Normandy. I may not be called to be on a bus in a freedom ride. But I will not allow this to happen in the United States of America on my watch.”

Being poor is not synonymous with low educational achievement, Booker added, since the highest-performing school in New Jersey’s Essex County is in Newark, where more than 80% of the student body is low income. “Don’t tell me what our nation can’t do,” he said. “I sit back every day in wide-eyed wonder at the collective achievements of our larger American community.”

Booker described the effort to



Being poor should not equal educational failure, Newark, N.J., Mayor Cory Booker told business school audiences.

“heal the racial gap in education” as “the determining factor of the destiny of this generation. ... You cannot lead as a country when your education system is failing.”

American education is at an inflection point, agreed an alumni weekend panel in a discussion on education that also included Booker. Another panelist was **Kim Smith**, MBA ’98, cofounder and CEO of Bellwether Education Partners and a founding team member of Teach For America. She called for reforms that make education “non-ideological and very pragmatic.”

“To be pragmatic, we need data. The ideology is part of what’s held us back.”

New Course Sampler Includes Tulip Crash

Stanford’s MBAs, Sloan Fellows, and PhD students have nearly 20 new or retooled courses to choose from this year. The classes cover a wide range of topics spanning clean tech, intellectual property, the wine industry, patent reform’s impact on U.S. companies, and challenges surrounding succession planning at family-run firms.

Here’s a glimpse into what students can learn this year.

History of Financial Crises

In 2008, the nation’s housing bubble burst. But long before that far-reaching financial col-

Continued on page 8

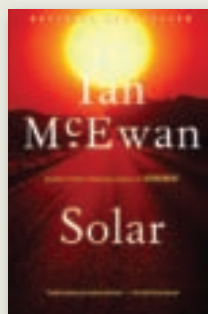
Books from Nightstands

Stanford Business asked a random selection of faculty, students, and alumni about their latest enjoyable non-required reading. Here are some selections that demonstrate the diversity of the GSB community.

Darrell Duffie

Dean Witter Distinguished Professor
of Finance

“McEwan’s skewering of an unrelentingly self-indulgent academic in his latest novel, *Solar*, had me laughing out loud. A British physicist is supposedly working on a clean-energy breakthrough but is actually just coasting on his Nobel Prize. Then an enormous mishap takes over his career and personal life. The comedy is a sharp departure from McEwan’s somber earlier novels, such as *Atonement: A Novel* or *Saturday*. Unchanged, though, are his expert use of the English language and his sublime plot and character developments. McEwan also follows his usual pattern of unnerving readers without warning by placing the protagonist in shocking and extremely uncomfortable situations. Enjoy it, but prepare to squirm.”



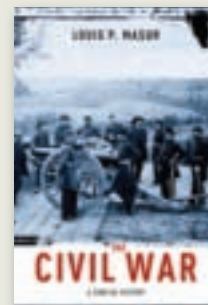
Solar by Ian McEwan
(2010)

Michael Saunders, MBA '84

“I just got a Kindle, so I’m in the middle of about 10 books right now. The most interesting, and one that I’ll probably finish, is *The Civil War: A Concise History*. I started it on the recommendation of *Slate* magazine.

“What’s most interesting about the narrative is how much of the political debate and Lincoln’s approach mirrors the discussion going on today around the Tea Party and issues of ‘states rights.’ It covers the different perspectives on the role of the federal government vis-à-vis the states and fundamental questions about what is meant by ‘All men are created equal.’

“Lincoln’s approach demonstrates the fine balancing act that a president has to perform to mediate competing perspectives and interest groups, often disappointing supporters and seeming to equivocate on his basic principles. 1860 – 2011: Some things never change.”



The Civil War: A Concise History
by Louis P. Masur (2011)

Tiffany Griego Crowe, MBA '04

“Call it ‘Toddler Operations,’ the latest topic in my requisite management curriculum needed to thrive in this world ... with children. These best-selling authors explain in layman’s terms how the majority of children and adolescents sustain on too little sleep, affecting their cognitive powers, and setting them up for obesity and depression. Another chapter warns about the ‘inverse power of praise,’ advising that constant, vacuous praise of children only backfires and tees up low self-esteem, whereas intermittent praise focused on how well a child struggles through things that intimidate him is most effective. This ‘praise junkie’ has a lot to learn from this book about helping my children find their own way.”

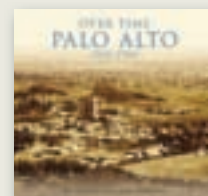


NurtureShock: New Thinking About Children
by Po Bronson and
Ashley Merryman
(2009)

Anne Beyer

Associate Professor of Accounting

“Adrian Hatfield, a Stanford alum, spent 33 years taking aerial photographs of Palo Alto, Stanford, and surroundings. The spectacular photos in this book [by Adrian’s son and a collaborator] document the tremendous change the area has undergone, from a small town surrounded by farms and orchards to what we now think of as Silicon Valley. The vestiges of the historic developments come to life after they are highlighted. As a resident of Stanford, I enjoy the book because it adds different perspectives — an historical angle and an aerial view — to the streets we walk every day and the beautiful area we live in.”



Over Time: Palo Alto, 1947-1980
by Ben Hatfield and
Barry Anderson (2008)

Kamal Nagi, MBA Class of 2012

“I’m reading this book because I want to play a part in my country’s (Qatar) investment future and I wanted to learn about the rise of Blackstone.

“The book describes the struggles of raising capital in the early days and then discusses in detail the deals that made Blackstone what it is today, not only mentioning the successful deals but also the failed investments. Along the way, the authors recount many of Schwarzman’s battles with individuals inside and outside the firm.

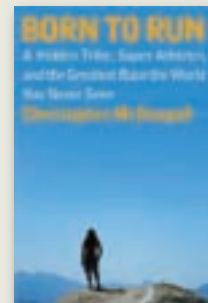
“One major downside is that the book takes a biased view of the PE industry and defends it throughout. However, it’s a very good book that explains the PE industry in general and Blackstone in particular.”



King of Capital: The Remarkable Rise, Fall, and Rise Again of Steve Schwarzman and Blackstone
by David Carey and
John E. Morris (2010)

Andy Katz-Mayfield, MBA '11

“I just finished reading *Born to Run* by Christopher McDougall. It’s a story about a tribe of incredible distance runners in Mexico called the Tarahumara. A runner myself, I enjoyed the peek into the cultish world of ultra-distance running. But what made this a standout was that it constantly challenged existing beliefs; for example, that supportive, high-technology running shoes prevent injuries (they actually cause them) or that humans are bad at running. We’re bad at sprinting — when it comes to distance running, we’re actually ‘born to run.’”



Born to Run: A Hidden Tribe, Superathletes, and the Greatest Race the World Has Never Seen
by Christopher
McDougall (2009)

Continued from page 6
lapse, it was tulips that soared in value before crashing spectacularly in 1600s Holland. Assistant Professor **Peter Koudijs** discusses past financial calamities around the world and the contemporary lessons to draw from those experiences.

Authenticity in Markets: The Case of the Wine Industry
Battles over “the soul of wine” are the focus of this class taught by Professor **Michael Hannan**, who tackles why characteristics of a wine’s producer matter as much as the wine itself. The main class text is Lawrence Osborne’s 2004 book, *The Accidental Connoisseur: An Irreverent Journey Through the Wine World*.

Succession Planning in Family Business
This course seeks to understand succession planning in family business. Professors **Havagreeva**

Rao and David Larcker use guest speakers and case studies to analyze developing talent, organizing succession planning, and other governance issues.

Ethics (Sloan core course)
As scandals at Enron and fraud involving Bernard Madoff illustrate, ethics is of huge importance in business. However, says Professor **Ken Shotts**, “Our moral decision making, including in business contexts, is often driven by unsystematic instinct rather than systematic reasoning.” Product safety, issues surrounding production of an ultrasound machine used for gender-selective abortion, accounting fraud, and micro-finance’s contribution to economic justice are examined. **Jim Coulter**, MBA ’86, cofounder of San Francisco’s TPG Capital, discusses how ethics guides his company’s investment decisions.

Solar-Powered Lamp Finds Place in History

What would you pick if you had to tell the history of humankind in 100 objects? Curators of the British Museum took up that challenge for a British radio program that highlighted items from the museum’s exhaustive collection. In November they released a book in the United States with photos of things like the Elgin Marbles, the Rosetta Stone, and the chronometer from the HMS Beagle. The 100th item in the chronology — chosen to represent the 21st century’s ingenuity and challenges — is a solar-powered lamp, illustrated by a photo of the D.light S200, an LED lantern and solar charger that grew out of a 2006 class at Stanford.

“Solar power, thanks to low-cost lighting and power kits like the one I’ve chosen, is changing lives in many parts of the world,”

said museum director Neil MacGregor. The book, *The History of the World in 100 Objects*, doesn’t name the D.light product photographed, but it salutes the general technology of a portable solar panel and small LED (light-emitting diode) for improving upon expensive, unhealthy kerosene, especially in poor, rural areas not reached by an electrical grid.

That was the assignment given to students in 2006 for the class *Entrepreneurial Design for Extreme Affordability*, by professors **Jim Patell** of the Graduate School of Business and **Adam French** and **David Kelley** of the School of Engineering. Students who eventually founded D.light, include **Sam Goldman**, MBA ’07, who is now the company’s CEO; classmate **Ned Tozun**, company president; and **Erica Estrada-Liou**, then a mechanical engineering student but now an MBA student at the Graduate School of Business. ●

STANFORD GRADUATE SCHOOL OF BUSINESS
HALF CENTURY CLUB REUNION

MAY 2 – 3, 2012

Wednesday, May 2 – Evening Dinner and Party
Thursday, May 3 – Academic Program and Lunch



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QUESTIONS?

Reunion news and updates will be posted at
<https://alumni.gsb.stanford.edu/reunions/halfcentury>

or please feel free to contact
Alicia Isero • reunions@gsb.stanford.edu

Flinc

Need a long-distance ride on the autobahn? Or maybe just a lift to the store? Flinc, a German ride-sharing network, was cofounded by **Klaus Dibbern**, MBA '93. Mini-carpools can form in minutes using a computer or smartphone. Flinc's algorithm matches riders and drivers in real time and calculates detours and price. Within four weeks of the company's launch in July 2011, Flinc claimed 25,000 registered users. Dibbern is CEO.

Social Finance

As student costs increase, Social Finance offers Stanford business school alumni the opportunity to invest in future alumni through a pooled fund that grants fixed-rate loans to current students. Founded in early 2011 by **Mike Cagney**, **Ian Brady**, and **Daniel Macklin**, all Sloan '11, and **James Finnigan**, MBA '11, the organization had secured almost \$2 million in alumni funding by November. Besides filling a financial need, "SoFi's online community provides students with the opportunity to engage and interact with alumni vested in their success," Brady said.

Carbon Lighthouse

Brenden Millstein, MBA/MS Environment and Resources '10, and **Raphael Rosen** founded Carbon Lighthouse to help companies shrink their carbon footprint by using energy more intelligently. After clients learn to generate their own energy and make their existing facilities more efficient, Carbon Lighthouse helps them purchase carbon allowances in order to erase their total footprint. Millstein and Rosen were named 2011 Echoing Green fellows for their work. Of the nearly 3,000 social ventures that applied, Carbon Lighthouse was the only environmental startup so honored.

Customer Underground

Melanie Kansil, MBA '03, is CEO of the social website Customer Underground, which helps Australian consumers keep tabs on what's good and what's not in shops, restaurants, and professional services Down Under. Kansil cofounded the firm with her husband, **Andrew Jones**, MBA '03, and two friends. The site started by covering Sydney and environs, but intends to include the entire country plus overseas companies that ship to Australian customers.

Evoz

Equip two mobile devices with the Evoz app, and you can keep tabs on your little darling from a hotel room in Paris, your office, or the backyard, say company cofounders **Avishai Shoham**, MBA '08; **Yasmin Lukat**, MBA '06; and **Ruwan Welaratna**. The Evoz baby monitor features an algorithm that distinguishes crying from background noises as well as from coos and other less alarming baby sounds. When baby does cry, Evoz sends out an alert by text, email, or phone. Evoz began shipping in October 2011.

iSoccer

Former Stanford and professional soccer player **Corey Woolfolk**, MBA '11, is director of business development for iSoccer, an online training site that aims to improve the technical development of soccer players from age 4 through adulthood. The organization, which was founded by former members of the Stanford team, assesses players individually and targets their training to fit. So far, iSoccer has made more than a half-million assessments and reached players and coaches in 26 countries.

NeuroSapient

Tony Lazar's most recent startup, NeuroSapient, is partnering with Lawrence Livermore National Laboratory in developing a medical device that

uses radar to monitor patients for traumatic brain injury. The device uses such low power that it is appropriate for relatively long-term use. NeuroSapient is developing sensors that will issue an alarm when bleeding in the brain is detected, thus freeing health care professionals from constant attendance. The company is the third health-related venture for **Lazar**, MBA '89.

NextDrop

Indian villagers who don't know when their next drop of water will arrive are getting help from a text message system that alerts them when the communal water tap is turned on. Developed by **Ashish Jhina**, MBA/MS Environment and Resources, Class of '12, and teammates from UC-Berkeley, NextDrop began a pilot project in Hubli, India, in 2010 and officially launched in September 2011. The organization has won several awards for its humanitarian efforts, as well as one from the 2011 Knight News Challenge, which sees the system as "replicable in any community as a way to distribute all types of community information."

PresenceLearning

Clay Whitehead, MBA '08, grew up with learning disabilities and ADHD, and his MBA classmate **Jack Lynch** witnessed the struggles of a cousin with autism spectrum disorder. In 2009, they came up with the idea of PresenceLearning, a web platform where speech-language pathologists offer online speech therapy to K-12 students through videoconferencing and online exercises. By the fall of 2011 PresenceLearning had delivered 20,000 speech therapy sessions and been signed up by dozens of public school districts.

Reach.ly

Andris Berzins, MBA '98, is cofounder and non-executive chairman of Reach.ly, a Latvia-based service for the travel industry that mines Twitter to find travelers who may be prospective hotel guests. Launched

in August 2011, Reach.ly's service is global, covering 15,000 cities worldwide. It plans to branch out from hotels to include airlines and other travel-related companies as customers. Berzins is working on a generic tool to make better sense of social media by identifying trends and searching for patterns.

Spinifex Fans

Ceiling fans are considered the stalwart of green, domestic cooling in Australia, alone or even working with air conditioning, but their design often leaves something to be desired. **James Hole**, MBA '02, founded Sydney-based Spinifex Fans to provide interior designers, architects, and other design-minded people with a range of stylish fans and lighting fixtures. Spinifex ships throughout Asia and the South Pacific.

TransLattice

Cofounded by **Frank Huerta**, MBA '93, TransLattice offers geographically dispersed companies a computing platform that keeps data closest to the office that needs it or in the cloud, where it is available to all branches. The company claims that spreading data across an organization rather than storing it in a centralized data center will cut IT costs and reduce the effects of outages.

Wildfire Interactive

Cofounders **Alain Chuard**, MBA '07, and **Victoria Ransom** wanted to run a sweepstakes contest on Facebook for their first company, Access Travel, but couldn't find the right marketing software to do it. Chuard designed something called "Promotion Builder," and out of that idea came Wildfire Interactive, which offers the tools for an online, interactive marketing campaign that will spread like, well, wildfire across multiple social networks. Chuard and Ransom sold what is now Access Adventure Travel in 2010. ●

Serial Innovator Extraordinaire

At 92, the holder of 44 patents still is CEO and chief lobbyist for his latest invention.

CHARLES W. ROBINSON HAS A NEW TYPE OF BOAT FOR SALE. She's called the M80 Stiletto, and she looks like something out of a Batman movie. Her distinctive double-M-shaped hull, made of tough carbon fiber, gives her a top speed of 50 knots (about 60 mph) and a smooth ride in the roughest of seas. Robinson says her agility and stealthy profile make her ideal for Navy SEAL operations in shallow coastal waters. And at \$6 million, she's a bargain by military-industrial standards. "There's a great video of her on YouTube," he adds, speaking by phone from his home office in Santa Fe, N.M.

Robinson, MBA '47, is 92 years old. In his younger days he built a wildly successful iron ore and shipping business and served as deputy secretary of state under Henry Kissinger. He has served on numerous boards and has 44 patents to his name. Yet he pitches this new product with the fresh zeal of an entrepreneur half his age. Every month or so he dons his trademark bow tie and heads to Washington, D.C., where he lobbies members of Congress, Pentagon brass, and representatives of friendly nations, encouraging them to buy fleets of the 80-foot Stiletto and her 160-foot sister, the Sea Hawk. He also makes regular visits to San Diego, home of M Ship Co., the small marine design firm he launched in his 80s and still oversees as president and CEO, to create his unique vessels.

Bill Burns, M Ship Co.'s 47-year-old cofounder and executive director, has to run to keep pace with the wiry, 125-pound inventor and businessman. "I'll go to the hotel to pick him up, and the people at the hotel desk say they know him already even though he's been there just one night," he says, smiling. "There's just something about Chuck's personality, and the way he engages everyone, that people remember. He's the creative inspiration for our company, without a doubt. And what's really remarkable to me is that he keeps going. Even in his 90s, Chuck is always looking for the next great product or taking an innovation and making it better."

Born in Long Beach, Calif., and reared on a ranch in the Mojave Desert, Robinson graduated from UC-Berkeley with a bachelor's degree in international economics; he then went to the United States Naval Academy, where he excelled in marine engineering. His subsequent service aboard the USS *Tuscaloosa* took him to Normandy on D-Day, Iwo Jima, and Okinawa. Still he found opportunities to tinker, like the time he cobbled together an elaborate, unauthorized ice-making machine for his crewmates in the cruiser's storage room. (His superiors were not amused.) The inventive streak continued while he was working in his first job after business school at Golden State Dairy Products. One of his early ideas was for a more efficient type of grain harvester; another was for an ill-fated aerosol product called Nucaroma — new car smell in a can.

Looking back, he says, "I had a great advantage — I was never handicapped by experience." That was particularly true in 1952, when he moved to Peru to launch the Marcona Mining Co., an iron ore operation financed by Cyprus Mines and Utah Construction (the latter led by the late **Ed Littlefield**, MBA '38). As Robinson recalls in his 2005 memoir, *Uncharted Seas*, "Neither [of the parent companies] had operated in Latin America, nor had they been involved in international iron ore mining, so they could bring to bear no experience. They

looked to me to figure it out on my own." Within four months of his arrival in Peru, Robinson's team had constructed a mine, a port in nearby San Juan, an airstrip, a paved road, and a new town for the mine workers. After a year, the operation had generated enough cash to return the entire initial investment.

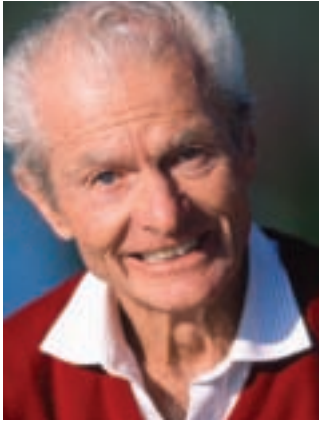
Robinson's next goal was to reduce shipping costs so that he could sell iron ore more profitably to burgeoning markets in Japan and Europe. Brushing aside skeptics, he sought financing and commissioned a fleet of ships, at bargain prices, from emerging Japanese steel makers. The enormous vessels — up to 10 times the size of World War II-era Liberty cargo ships — enabled him to deliver iron ore and other raw materials back to Japan for a small fraction of the previous rates. By the late 1960s Marcona was running the largest dry cargo shipping operation in the world and using the profits to launch new mining operations in Chile, Brazil, New Zealand, Australia, and India.

While Robinson was busy building his company, he also was gaining a reputation in diplomatic circles as an authority on Latin America. In 1974, shortly before Marcona was expropriated by the Peruvian government, he received a surprising phone call from Secretary of



Chuck Robinson, MBA '47, commissioned cargo ships, like this 1973 model of a slurry carrier, to move mined minerals to the world market.

PHOTO COURTESY OF CHARLES ROBINSON



Today Robinson heads M Ship Co., the U.S. firm that developed a \$6 million boat with a unique speed-enhancing hull currently being used to battle drug smugglers in the Caribbean.

State Henry Kissinger asking him to be undersecretary for economic affairs. Although Robinson was hesitant to leave Marcona at such a critical time to work under such a strong personality, he accepted the appointment. Later, as deputy secretary of state, he took heat for proposing a controversial price-stabilizing moratorium on U.S. grain shipments to the Soviet Union. Yet he also took pride in the goodwill he fostered with heads of state, particularly in Iran, the Philippines, Algeria, Jordan, Saudi Arabia, and sub-Saharan Africa.

After leaving the State Department, Robinson worked in investment banking and developed property in New Mexico. His current venture began 10 years ago over dinner in Venice, Italy, where he and his wife of 54 years, Mara, own a 16th-century palazzo. Sitting at the table were representatives of the Venetian transportation authority, and they had a problem. It was becoming obvious that the bow waves of high-powered water taxis and passenger ferries (*vaporetti*) were eroding the historic buildings lining the city's famous canals. Did Robinson know someone who could design a *vaporetto* that wouldn't leave trouble in its wake?

Robinson put down his wine glass, requested a napkin, and began to draw. During his time at Marcona, he'd taken a keen interest in the design of his mega-ships, from their massive stems to their 30-foot-diameter propellers. He had 10 patents alone for a system to flush iron ore slurry from their hulls. More recently, he formed a partnership with sailing enthusiasts in California to improve the design of world-class racing yachts. One of his ideas was for a hull that could capture the bow wave and channel aerated water directly under the craft, lifting it higher and making it go faster.

Robinson realized that a similar approach could be perfect for a new kind of passenger ferry. Shortly after returning to the United States — at the age of 82 — he recruited Bill Burns, a young naval architect out of UC-San Diego, to help him launch a small marine design firm called Mangia Onda, or “wave eater” in Italian. (Later the name was shortened to the more American-sounding M Ship Co.) Its first major vessel, a 150-passenger *vaporetto*, was delivered to Venice with much fanfare in 2001.

Around the same time, the Pentagon's post-9/11 Office of Force Transformation (OFT) announced that it was shopping for speedy “littoral combat ships” that could be used in strategic waterways close to shore. Putting two of their patented M-hulls together laterally, Robinson and his colleagues came up with a prototype for the M80

Stiletto and delivered it for \$6 million, far below the price of vessels made by traditional military contractors. *Time* magazine was so impressed that it named the M80 Stiletto the Best Military Invention of 2006.

Today the sleek gray prototype is being used in the Caribbean for drug interdiction. “The sailors love her, she’s so cool-looking,” Burns notes, sitting in his glass-walled conference room overlooking San Diego’s waterfront. Yet persuading the Pentagon to buy more M Ship Co. vessels has not been easy. Shortly after the Stiletto’s debut, the OFT director died and the Bush-era operation quietly was shuttered, leaving the Stiletto without her biggest boosters. “Just before Vice Admiral Arthur Cebrowski passed away he took a tour on the prototype and said he would stand behind her as long as

he could,” Burns notes sadly. “If he were here today, you’d see a fleet of these in the water, because they work really well.”

After a lifetime of business travel, Robinson is a study in old-fashioned efficiency. He carries no PDA or laptop — indeed, he doesn’t use a computer at all. His traveling clothes fit into one small briefcase. High-level contacts are written on a sheet of paper in his breast pocket. If he wants to communicate with colleagues at M Ship Co., he telephones or writes a letter and has it faxed. “I probably speak with him three times a day,” Burns notes, “and he’ll write me a one- or two-page memo maybe three times a week: ‘Here’s how I think we should be going forward; please give me your feedback.’ We do that for everything, from boat designs to business strategies. It’s an old-school approach that I like, actually — though it would be great to shoot him an email or a link once in a while.”

In addition to his work at M Ship Co., Robinson is the father of three grown daughters and has served on the boards of numerous corporations and nonprofit organizations, including Nike, Northrop, Pan American Airways, Arthur D. Little, the Allen Group, Fireman’s Fund, Del Monte Foods, Crocker Bank, Homestake Mining, Clark Oil, the Trilateral Commission, Mills College, the Brookings Institution, and the Presidents’ Circle of the National Academy of Sciences. He also served twice on the Stanford Graduate School of Business Advisory Council, where he was an early and ardent proponent of courses dealing with globalization and entrepreneurship.

Robinson credits his remarkable energy to four factors: a bit of exercise every day, even if he’s in a hotel room; ample sleep; a light diet; and lots of red wine. “Also,” he adds laughing, “you should make a careful search to select parents with longevity genes.” Perhaps the most important factor in his lifelong success, though, has been a willingness to take risks. He’s coined a phrase for the philosophy: management by self-imposed crisis. “If you’re afraid of failure, you’ll never make progress,” he explains. “I try to project the way the world is going to be five years from now, and then I proceed to develop a business approach on that basis.” Retirement, he says, can wait.

“I want to be just like him!” says Nike Inc. cofounder and chairman **Phil Knight**, MBA ’62, who has known Robinson since 1971. “The fact that he’s still going strong at this age, that’s inspirational in and of itself. But prior to that, he was one of the two best mentors I ever had. He gave a lot of good advice to the company and to me personally, and then he was very successful in his own life, both in business and as the number-two man in the State Department. So he’s been inspirational all the way.” ●

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

PHOTOS COURTESY OF CHARLES ROBINSON, M SHIP COMPANY

Go to BizOnline.Stanford.edu/Robinson

40 Years of Social Innovators

The Center for Social Innovation and the Public Management Program invited alumni to tell their stories of creating change for social good.

THE FOCUS ON PUBLIC MANAGEMENT and social innovation at the Stanford Graduate School of Business started with the creation of the Public Management Program by Dean **Arjay Miller** in 1971. The Center for Social Innovation, founded 10 years ago, has extended the work to develop the field of social innovation.

In October the center celebrated 40 years of educating leaders who understand and contribute to society with a conference that turned the audience into the program. Alumni were invited to the stage to describe their experiences, including the sampling presented here.

Uri Pomerantz, MBA '08, recently founded an innovative student loan company called Bright Frontier, which helps needy students afford college while providing investors with competitive financial returns. It's not his first foray into public service. As a Stanford undergrad, he launched a nonprofit microfinance organization to help fund small businesses throughout the West Bank and Gaza.

Yoriko Kishimoto, MBA '81, is a director of the Midpeninsula Regional Open Space District, which aims to purchase, restore, and protect lands to form an open space greenbelt on the San Francisco Peninsula. Before that, as a longtime Palo Alto City Council member and mayor, she fought for green building projects, renewable energy, farmers markets, and more walkable neighborhoods.

Louis Boorstin, MBA '87, a former investment banker with International Finance Corp. and Lehman Brothers, has spent the last 15 years promoting innovative approaches to international development

problems — conceiving and executing programs totaling some \$500 million. Since 2005 he has served as deputy director of water, sanitation, and hygiene at the Bill and Melinda Gates Foundation.

Susan Rothstein, MBA '78, has spent 25 years managing entrepreneurial nonprofits and has held staff, consultant, and interim executive director positions. She leveraged this experience as a volunteer in rural Cambodia, strengthening the resources of a grassroots nonprofit that protects vulnerable children from sex trafficking, child labor, child abuse, drugs and gangs. She reflected on what she was able to accomplish in just two months, and how the experience transformed her.

Jack May, MBA '84, was looking forward to retirement after three decades in real estate development. Then he discovered Kangaroo Island, Australia, and became deeply involved in efforts to restore and preserve its endangered native plants, birds, and other animals. His nonprofit organization, BioR, uses innovative strategies to restore degraded agricultural areas.

Daryn Dodson, MBA '07, moved swiftly in the aftermath of Hurricane Katrina to convince Fortune 500 companies, business schools, and private equity firms to invest more than 30,000 hours and \$1 million in promising New Orleans entrepreneurs. Today he serves as venture capital and private equity consultant to the \$15 billion-strong Calvert Funds board of directors.

Ernie Ting, MBA '80, directs SmartVoter.org, a popular website that provides voters throughout the United States with up-to-date information about state and local ballot initiatives and candidates. Before that he served as a senior advisor on broadband, wireless, and telecommunications issues to federal officials, state-level agencies, and business executives.

Monte Rosen, MBA '85, was so alarmed by the lack of services for children with autism in China that he quit his tech job in Shanghai to devote full time to the problem. Today he runs the Essential Learning Group, a self-funded social venture that provides special education services to expat youngsters and Chinese children suffering from the developmental brain disorder.

Steve Zuckerman, MBA '87, spent much of his career in the private sector, including 15 years with McCown De Leeuw & Co., a middle market leveraged buyout firm. Now he's hard at work building the Self-Help Federal Credit Union, a California financial institution designed to responsibly serve low-income families and communities. ●



Uri Pomerantz



Yoriko Kishimoto



Louis Boorstin



Susan Rothstein



Jack May



Daryn Dodson



Ernie Ting



Monte Rosen



Steve Zuckerman

Alumni describe their stories of social impact and solutions.



How to Tell Your Story in Four Minutes or Less

JD SCHRAMM HAS A REASSURING MESSAGE FOR ANYONE — and that includes just about everyone, really — who frets over the prospect of public speaking. “The beautiful thing about communication is that it is part art and part science,” he told a recent gathering at the Stanford Graduate School of Business. While some people are naturally gifted storytellers, “there are strategies that each of us can employ to work for us.”

Schramm, a lecturer in organizational behavior who also directs the business school’s Mastery in Communication Initiative, gave advice to a dozen of the school’s alumni in advance of an Oct. 20 celebration of the school’s commitment to developing leaders who can address the social and environmental issues of their times. For the occasion, the school’s Center for Social Innovation and its 40-year-old Public Management Program asked alumni social innovators to participate in “Class Notes Live” sessions. The participants in Schramm’s workshop were among a larger group who would tell, in just four minutes each, their personal stories of impact at the celebration. Schramm’s job was to get them ready.

His first piece of advice: Skip the boring preamble (“Hello, my name is Marsha and I’m here to tell you about XYZ Co.”) and parachute straight into the dramatic heart of the narrative. “Many times we feel like we have to do a lot of prefacing, but four minutes goes by quickly,” Schramm said. “If you spend two minutes on background, you’ve lost an opportunity to grab attention.” Far better to leave the identifying bits until the second paragraph, or to the overhead PowerPoint image, or to the person charged with giving the introductions.

Another important rule is to “follow Goldilocks” — that is, to think carefully about how much detail to include, not too much and not too little. To illustrate, Schramm showed a video from his favorite teaching website, www.TED.com. In it, firefighter Mark Bezos told a brief but colorful story about retrieving a woman’s shoes from her smoldering house. By including a few vivid details — the fact that the homeowner was barefoot, in her pajamas, standing under an umbrella in the pouring rain — he made the story come alive. But “had the fireman gone on and on about the color of the truck and the street address,” Schramm cautioned, “he would have ruined it for us.”

Among Schramm’s other “habits of concise storytelling”:

■ **CONNECT WITH INDIVIDUALS.** “Deliver one thought to one person in the room,” Schramm advised, “and then turn your body and deliver another complete thought to another person. Have that moment. Eye contact is gold in storytelling. The more you can connect and pierce into somebody’s eyes, the more you can break down resistance.” It’s also a good idea to step toward the audience and use hand gestures to illustrate points, rather than stay fixed and frozen in one place.

■ **AS IN MUSIC, USE SILENCE EFFECTIVELY.** “You might use moments of silence to let people catch up with you or to frame something, like the first time you use a phrase or an acronym. Or you can use silence just to get everybody’s attention,” Schramm said. “Just a few seconds, appropriately used, can add emphasis to your presentation.”

■ **DON’T READ OR MEMORIZE THE MANUSCRIPT** nor try to speak off-the-cuff. It’s much more reliable and effective to memorize a list of bullet points and then practice telling the story over and over again, keeping the mental list as a reference.

■ **USE POWERPOINT WISELY.** Slides should emphasize photography, illustrations, or charts, not words.

■ **KNOW YOUR AIM:** Audience, intent, and message. What do you want your audience to do as a result of this communication? “Sometimes you have to be explicit and say, ‘I want donors,’” Schramm observed. Other times you just want the audience to embrace an idea or re-share the information with others. In any case, he said, “The best thing you can do is share a little bit at first and have your listeners ask for more.”

■ **DO USE PERSONAL ANECDOTES,** self-deprecating humor, and accessible language. Don’t try to provide a thorough overview of your organization or focus solely on the tactical, factual sides of your story. Keep technical jargon to a minimum.

Founded in April 2009, the Mastery in Communication Initiative helps business school students hone their communication skills with workshops on business presentations, problem solving, media relations, voice projection, and journaling, among other topics. The program also offers individualized coaching for students as they prepare to enter the world of business. ● — THERESA JOHNSTON

Listen to four-minute stories at BizOnline.Stanford.edu/stories



New Institute to Tackle Extreme Poverty

Donors Bob and Dottie King believe the GSB can help the extremely poor in developing economies by working with managers of existing organizations on expansion and with new entrepreneurs. *by Joan O’C. Hamilton*

WHEN BOB KING, MBA ’60, first opened his own investment business at 3000 Sand Hill Road in the early 1970s, he had some high-energy neighbors. Fairchild Semiconductor founder Eugene Kleiner was downstairs launching what would become the legendary venture capital firm Kleiner, Perkins, Caufield & Byers. Larry Ellison and a team of four moved into the next building over with a little software company called Oracle Corp. Intel cofounder Bob Noyce was a client. All around him, ideas were percolating and engineers were rolling up their sleeves to invent the future.

And when King hopped in his car for the short drive down the hill to the quiet, tree-lined neighborhood near Stanford where he and wife Dottie have lived for 47 years, the energy hardly ebbed. In addition to Dottie and their three children, there was almost always a Stanford student from overseas living in their guest cottage. Dottie, the daughter of a Madison, Wis., high school coach, had such fond memories of the Chinese exchange student her family had hosted in the 1940s, she wanted her children to have the same perspective-broadening experience. Through the years the Kings would host more than 50 different students. Says Dottie, “We’ve been astounded to meet people who have come from such difficult circumstances — living with dirt floors, very poor — and yet here they are at Stanford getting a PhD or an MD.”

The combination of experiencing firsthand the early days of Silicon

Valley and getting unique global perspectives from their beloved student houseguests would prove nothing short of magical in the minds, hands, and hearts of the Kings. In fact, it would come to inspire one of the largest single gifts ever given to Stanford University. On Nov. 4, 2011, the Stanford Graduate School of Business announced that, thanks to a \$150 million gift from the Kings, it was establishing the Stanford Institute for Innovation in Developing Economies. The institute’s aim is to stimulate, develop, and disseminate research and innovations that enable entrepreneurs, managers, and leaders to alleviate poverty in developing economies.

The institute, or SEED as it will be known (a play on the initials SIIDE and also on the venture capital notion of early-stage or “seed” funding for new ideas), will be organized in the business school and directed by supply chain expert Professor **Hau Lee**. The business school is at the heart of the institute, but the Kings are excited about the notion of bringing together the best minds all across campus to the challenge of attacking what they consider one of the world’s most pressing needs: raising the standard of living for the more than 1 billion people in the world existing in what the World Bank refers to as “extreme poverty,” or living on \$1.25 or less per day. “We believe that innovation and entrepreneurship are the engines of growth to lift people out of poverty,” says Bob King. “And we believe Stanford’s tradition of innovation, coupled with a forward-thinking global bias



Bob, MBA '60, and Dottie King have shared their investment wealth with American youth organizations and Stanford fellowship students. Now the couple is providing \$150 million to the GSB for business education and research approaches to addressing extreme poverty in developing countries.

as well as its multidisciplinary resources, will make a real impact.” Adds Stanford University President **John L. Hennessy**: “With tremendous foresight and compassion, the Kings have made a seminal gift that leverages Stanford’s knowledge, resources, and human capital to make a real difference in the world for many years to come.”

The Kings and the business school both see the gift as a way to make lasting, sustainable change in the lives of the world’s poorest inhabitants, and if there is one subject that lights up Bob’s and Dottie’s faces, it’s the excitement of making a difference. Although Dottie says with a laugh that they have deliberately flown “under the radar,” the Kings have spent years pursuing a style of philanthropy that will see its greatest impact in SEED. “We’re about results, and that means accountability,” Bob explains. They have been active in many kinds of philanthropy, supporting increasingly popular microfinance projects in the developing world, including the Village Enterprise Fund and Kiva; they have supported organizations such as the Positive Coaching Alliance and Grassroots Soccer, which is using the prominence of soccer stars in the developing world to educate young people about the threat of HIV/AIDS.

They also have spent almost 15 years developing their own family’s Thrive Foundation for Youth, which works with American youth organizations in developing tools to help coaches, teachers, ministers, and other important role models inspire and help young people achieve

their potential. Their three children, Brad, Cynthia, and Jennifer, and their families have all been integral in that effort. “We took from the Thrive experience a mental model of how do you draw on really good research; we’re convinced it can be done. With our wonderful reception from Stanford University [in the arena of global poverty] now we can do it more efficiently and with more purpose,” says Bob.

The Kings met in 1957 when Dottie was visiting a relative and working a summer job in Maine. Bob, who grew up in Boston, spent vacation time there every summer. Newly graduated from Dartmouth, he was working in New York and Dottie says she “set the tender trap” of inviting him to join her to see Rosalind Russell on Broadway starring in *Auntie Mame* before heading back to Wisconsin. By the fall of 1958, they were married and on their way to Stanford, where Bob would get his MBA. Dottie supported the young couple by working in the office of GSB Dean **Ernie Arbuckle**. “I owe everything to her,” Bob says, smiling as he recalls his student days in their apartment in what used to be called “Whiskey Gulch” because of the abundance of liquor stores. Today the posh Four Seasons Silicon Valley is that area’s landmark.

After graduation, it was back to New York for a year while Bob worked at Shearson Hammill & Co. before he talked a senior partner into sending him back to San Francisco. In 1972, he launched his own investment firm, R. Eliot King & Associates, and in 1998 he started his

1 Education

venture firm Peninsula Capital.

Deep personal connections characterize the Kings' fondest memories, successes, and milestones. One of Bob's significant investment wins, for example, grew from a meeting arranged by one of the students they hosted in their home who would practically become a member of the family. **Xiangmin Cui**, Stanford PhD '97 in medicine, grew up in a rural Chinese village with no electricity or tap water. He first met the Kings at a dinner for international students in 1992 and would later spend a summer in their guest house.

"They are very humble people," Cui says. "But they have incredible hearts. And Bob is a great mentor. He always encouraged me to think big. He would say, 'Min, you are going to have an impact on the whole world.'" Cui works today as a venture capitalist in life science technology companies, but in the late 1990s, his friend and classmate from Peking University, Eric Xu, came to him with an idea for a Chinese-language search engine company developed with internet engineer Robin Li. Cui couldn't help directly, but introduced Xu to Bob King, and Peninsula Capital provided the first seed funding for what would become Baidu. Bob and Dottie were on hand on Wall Street in 2005 when Baidu made a dazzling debut on NASDAQ. The search engine giant now employs more than 10,000 people in China.

Says Bob King: "Entrepreneurship is the engine of economic growth historically in the world. If you're going to change lives it's not through a government taxing and spending program; it's through the creation of real jobs and the improvement of productivity."

Another King home-stay student, **Andreata Muforo**, MBA '09, who is from Zimbabwe, also has figured into their global aspirations. She



> A cross-disciplinary team of Stanford graduate students works in a classroom on designing a product to benefit the extremely poor. In this case they are working on a battery-operated solar light for people with limited access to grid electricity. The new institute will offer more opportunities to explore design problems and expand the number of students who can participate.

"This initiative is an enormous opportunity for Stanford students, faculty, and on-the-ground entrepreneurs to collaborate on the design and incubation of new enterprises and solutions."

went to Iowa's Grinnell College as an undergraduate, and then came to Stanford to get her MBA. While Muforo, one of eight children, was staying with the Kings, her mother died of AIDS. They became very close friends, with the Kings not only visiting Muforo in Tunisia, where she was working at the World Development Bank, but in April 2011 traveling to Kenya to be part of her wedding.

"Is Andreata going to make the world a better place? You bet she is," says Bob. As a student, Muforo led an MBA study trip to South Africa, and then brought trip participants to the King home for dinner. "We heard how those firsthand experiences compelled some of the MBAs to return for internships in Africa," says Dottie. "We saw the direct connection between the learning experience and the motivation to make change." In fact, the Kings previously funded a program at the business school to enable all MBA students to have an "international experience," including study trips, exchange programs, internships, and experiential activities.

"Today's students aspire to achieve a global impact that will change people's lives for the better with everything from businesses that create employment and income sources to creating access to better education, health care, and governance," says **Garth Saloner**, the Philip H. Knight Professor and Dean of the Stanford Graduate School of Business. "This initiative is an enormous opportunity for Stanford

students, faculty, and on-the-ground entrepreneurs to collaborate on the design and incubation of new enterprises and solutions."

One of the school's programs that has attracted widespread attention and has been inspiring to the Kings is a course called *Entrepreneurial Design for Extreme Affordability*, offered with Stanford's Hasso Plattner Institute of Design. In collaboration with in-country organizations such as International Development Enterprises and Proximity Designs, Stanford students already have identified needs that sparked ventures such as D.light, a consumer products company that has created sturdy, solar-powered LED lamps that provide light and reduce the need for kerosene lanterns among people without access to reliable electricity. Another offshoot of this course is Embrace, a venture that created low-cost infant warmers for premature and low-birth-weight babies in the developing world.

Going forward, SEED will develop a face-to-face and online curriculum for in-country entrepreneurs, leaders, and managers to help grow and boost the performance of nascent or ongoing ventures. In general, SEED's work will span three pursuits: research, education, and applied on-the-ground work to support entrepreneurs and help growing enterprises.

The Kings' strong commitment to translating research into action fuels the first pursuit: Scholars will conduct multidisciplinary

2. Research



>> Motorcycle technicians, from Riders for Health in Bansang, Gambia, do preventive maintenance on a fleet of government health delivery vehicles. A GSB team is researching the Riders program in Zambia, complete with a control group. They are testing whether the business model improves health delivery in a cost-effective way.

3. On the Ground



>>> A family in Bhojaka, India, uses a solar-powered LED light sold by D.light to help them cook, read, and work at night. D.light was founded in 2007 by Stanford students who worked on a class project on an affordable solution to energy shortages among the world's poor. The lights have benefited 3 million people so far and are now sold in 40 countries.

research in close cooperation with in-the-field managers that is focused on new and effective ways to both increase the impact of managed organizations and develop solutions to improve governance, education, and infrastructure. Secondly, it will educate Stanford students from around the world, as well as entrepreneurs, social entrepreneurs, managers, and leaders in developing economies, to enable them to relieve poverty through effective leadership and problem-solving. Finally, it has the goal of building capacity on the ground to support action by entrepreneurs, managers, and leaders to grow their organizations and spur innovation. All this developed as the Kings and their philanthropic consultant **Kim Jonker**, MBA '01, stressed their bias for action for SEED: "What gets me so excited," says Bob, as Dottie nods vigorously, "is that we're focused on 'on the ground.' It's not a think tank. This is change lives, create businesses, scale business, create real impact."

Hau Lee says one current example of how the product of combining all three elements is likely to be greater than the sum of its parts is the Mountain Hazelnut venture in Bhutan. The venture, founded by a Stanford graduate, aims to grow hazelnuts in the poor country of Bhutan, thereby giving jobs to tens of thousands of farmers. It's farming in an environmentally sustainable way, and the company pledges to give 25% of its profits back to the local communities. "One of our MBA students worked on this venture to figure out the business model and distribution logistics," Lee said. "The research project resulted in the student eventually joining the company to work full time. We have

written a teaching case and used it in our MBA curriculum. Three Global Management Immersion Experience [GMIX] interns have spent parts of their summers in Bhutan. The project covers all three thrusts in an integrative way."

The Kings have made a \$100 million gift to the business school to fund the institute. In addition, they have committed \$50 million in matching funds to inspire other donors to fuel Stanford's commitment to alleviating poverty, bringing the total philanthropic investment to potentially \$200 million.

The institute will draw from the business school's world-class MBA program and suite of courses in entrepreneurship, as well as research on supply chains, finance, funding, and other topics relevant to the needs of growing economies. Additional resources to support the institute's work come from the school's Center for Social Innovation, which includes the Public Management Program, the Center for Entrepreneurial Studies, and the Center for Global Business and the Economy. The school recently launched an evening Program in Innovation and Entrepreneurship and has welcomed the Stanford Program on Regions of Innovation and Entrepreneurship, which conducts research and holds conferences for entrepreneurs, investors, and government leaders about the elements that contribute to regions of rapid growth around the world. Going forward the institute expects to embrace resources, students, and faculty from across Stanford's six other world-class schools. There is already a tradition of cross-campus collaboration with approximately one in six MBA students currently enrolled in a joint or dual degree program involving another part of the university.

Besides being the overall faculty director, Hau Lee will head the

Continued on page 23

LEFT: PHOTO BY CHRIS HARRIS; THE TIMES. COURTESY OF RIDERS FOR HEALTH; RIGHT: WILLEWANS

For a video on the SEED program, go to BizOnline.Stanford.edu/seed/

The Influence of

In this third phase of the industrial revolution, developing economies are growing at three times the rate of their predecessors, says Nobel Laureate Michael Spence. Their power will matter to all of us or our children.

by Rachel Beck



Emerging Giants



WANG JUN QD / IMAGECHINA

IN 1978, Chinese leader Deng Xiaoping and his advisors began a bold experiment: They permitted farmers to sell surplus production at market prices. It was a radical idea at a time when China's centrally planned economy required farmers to meet quotas and sell at controlled prices. Food and other farm output increased along with farmers' income and prices. Seeing the results, Deng contacted Robert McNamara, then president of the World Bank, not to ask for money but for advice. Advisors from the West followed, sometimes meeting semi-secretly with Chinese leaders on Yangtze River boats, according to **Michael Spence**, Stanford Graduate School of Business dean emeritus. Spence, who is also a Nobel laureate, was not part of that original group, but he is a trusted advisor to China's national leaders today.

"Deng sat them down and said: You know we are embarking on this new course. It is more promising. To be honest with you, we do not know much about running a market economy and managing it and you are a bank, but we do not think we mainly need money," Spence told **Peter Robinson**, MBA '90, in an interview for the Hoover Institution.

The restructuring plan worked. The powerhouse that China would become ultimately revolutionized not only its own economy but the world's, too.

Spence is the author of the 2011 book, *The Next Convergence: The Future of Economic Growth in a Multispeed World*, in which he sheds light on how Chinese leaders think as well as on his own views of the changing global economy. "Once you are a trusted advisor, they are extremely open with you about what they are wrestling with, what they are worried about, and what is going on in the rest of the world," he said in an interview for this magazine.

For the last six years, Spence has worked with the Chinese on their strategies for growth. He helped provide external advice and experience as Chinese leaders developed their Twelfth 5-Year Plan, an economic blueprint that was adopted in March. That plan sets forth another radical change for the Chinese economy because it calls for it to move away from the export- and investment-led structure of the past 30 years toward a pattern of growth in which domestic consumption has a much expanded role.

As China shifts its economic drivers, its leading role on the global stage will only expand. In fact, China and India, which has also seen

Addressing a Chinese economic conference in November 2009, GSB Dean Emeritus Michael Spence said China needed to increase household disposable income as government stimulus ebbed. He also provided external advice to Chinese leaders as they developed their latest five-year economic plan.

consistent explosive economic growth in recent decades, are at the forefront of the rapidly changing and increasingly important developing world. Some 13 developing economies have grown by more than 7% for at least 25 years, Spence says, a pace never seen before and one that may continue for another 20 years, with other countries



joining the group.

By the middle of this century, Spence forecasts, China and India together will account for 40% or more of global income, a dramatic climb from their 15% share of the \$60 trillion in annual global income today. That also will mean a dramatic reversal of economic power for the United States and Europe, which today account for 47% of global income but will account for about 20% — or 10% each — by then.

“Twenty or 30 years from now, we will have China and India, and we won’t be dominant any more, but we will be doing fine as long as we educate people, remain innovative, and so on,” Spence said during Robinson’s interview in June for the Hoover Institution’s *Uncommon Knowledge* web program. “We are going to have two economic giants, and between them, how they interact and how they discharge the responsibilities that go with their size and power will have a great deal to do with how the rest of us do.”

World economic power has been shifting for decades, but the recent economic struggles of both the United States and Europe have speeded up the process, Spence says. While the Western world fal-

Nobel Laureate Michael Spence chairs the new advisory board of the Stanford Institute for Innovation in Developing Economies at the Stanford Graduate School of Business. (See story, page 14.) He is also on the faculty at New York University and a senior fellow at the Hoover Institution.

tered over the last three years, the largest developing nations managed to mostly bypass trouble.

“Right now, the emerging economies that are trading with each other are self-sustaining. They can grow even if major industrial powers just plug along,” Spence told Australia’s *Sydney Morning Herald* in August. “If you go back 10 years that wouldn’t have been possible. Weak growth in Europe or the United States of 1 or 2% would have dented growth in China and associated emerging nations. But not now. China will become increasingly decoupled as time moves on. Its own emerging middle class will drive its own growth.”

Spence has worked on policy issues that the Chinese identified as challenges for them, such as pensions, urbanization, and their role in the global economy.



The kind of growth seen in the developing world represents, in Spence’s view, the third century of the Industrial Revolution. In his book, he lays out how economic growth was negligible worldwide for several hundred years. Being rich typically coincided with being in power, but most people were poor until England began its industrial revolution about 1750. Industry drove incomes higher and, as a result, consumption. National income rose and the rate of gain was sustained. Eventually, the pattern of growth driven by technology in England moved to continental Europe and the European offshoots — Canada, the United States, Australia, and New Zealand. By 1950, Spence says, the average incomes of people living in those countries had risen at least 20 times, from about \$500 a year to \$10,000 or more.

Over those 200 years, overall economic growth in the industrialized world rose about 2% to 2.5% annually. In today’s developing world economies are expanding at a rate three times that, year after year. That is because they have the benefit of importing advanced countries’ technology and know-how, he says.

CHINA’S ROLE in the global economic transformation didn’t come by accident. When it began its market-pricing tests, some 82% of China’s population worked in agriculture. That meant the benefits of its experiment were widespread. The timing was right for a country that had been struggling to lift its weak economy from a period of negligible growth and episodes like the Great Leap Forward, where millions of Chinese starved to death. The Communist Party recognized, according to Spence, that it would lose credibility if the poor performance continued.

“They said we have to do something different,” he says. “We have to open up. We have to start learning from the rest of the world.”

When the Chinese turned to foreign advisors 30 years ago, they sought out well-known economists and had them work with government officials, social scientists, and central bankers. Among the featured presenters were János Kornai, who had studied communist

Continued on page 22

Where Will New U.S. Jobs Come From?

For the first time, American jobs don't automatically follow economic growth. by Rachel Beck

GET THE U.S. ECONOMY humming again and the labor market should rebound. Or not. According to Nobel Laureate **Michael Spence**, there is no short-term fix to the broken job market. Blaming the slow economic recovery for restrained hiring misses the real problem that is keeping the U.S. unemployment rate stuck at about 9%, Spence says. Structural changes over the last two decades have altered the design of the labor market, making much of its growth hinged on domestic demand, which is virtually nonexistent today.

"For most of the postwar period, U.S. policymakers assumed that growth and employment went hand in hand, and the U.S. economy's performance largely confirmed that assumption," Spence wrote in a July essay for the journal *Foreign Affairs*. "But the structural evolution of the global economy today and its effects on the U.S. economy mean that for the first time, growth and employment in the United States are starting to diverge."

Spence sees a mismatch between areas of potential economic activity and workforce capacity. "It's a chicken-and-egg situation," says the dean emeritus of the Stanford Graduate School of Business and author of the 2011 book *The Next Convergence: The Future of Economic Growth in a Multispeed World*. Family, community, and national commitments to better education for all Americans won't happen without "creating attractive employment opportunities conditional on educational success," he wrote. That may require some income redistribution strategies, as well as commitments to infrastructure expenditures and tax reform.

Spence's research on job growth over the 18 years from 1990 through 2008 paints an unsettling picture. The U.S. economy added a respectable 27 million jobs, but 98% were in the "nontradable" side of the economy. Nontradable refers to sectors generating goods and services that are consumed where they are produced, such as government, health care, construction, retail, and hospitality.

Over the same 18 years, growth in the tradable sector, which includes exportable goods and services, was essentially flat — a negligible 600,000 new jobs. Part of the slow growth was a result of labor-saving technology advancements, which permanently eliminated jobs. Beyond that, manufacturing jobs held by the middle class moved overseas, offsetting growth in high value-added, tradable service jobs in finance, consulting, and computer design.

"By relocating some parts of international supply chains, globalization has been affecting the price of goods, job patterns, and wages almost everywhere," Spence wrote. "If anything, it is remarkable that the U.S. economy did not have much of an employment problem until the recent economic crisis."

The financial crisis that began in 2008 curbed U.S. domestic demand almost immediately, and it hasn't come back, making it difficult to continue job growth in the nontradable sector. Asset prices fell

and haven't rebounded. Americans sidelined their debt-fueled spending and have been saving more. The government is strapped with its own budget woes due to lower tax revenues and rising expenditures.

The key to preventing a long period of high U.S. unemployment is to get the tradable sector in a position to make up for the slack in the nontradable sector. It's not going to be easy, Spence says. As emerging economies grow at an unprecedented rate, they also are

creating new populations of highly skilled and educated workers.

"The major emerging economies are becoming more competitive in areas in which the U.S. economy has historically been dominant, such as design and manufacture of semiconductors, pharmaceuticals, and information technology services," he wrote in *Foreign Affairs*.

To reinvigorate the tradable sector, Spence prescribes a government push to raise investments in infrastructure and to educate as many Americans as possible to compete for jobs "at the top end of the value-added chain." He points to research from the Organization of Economic Cooperation and Development, which administers standardized tests to teenage students across 60 countries, advanced and developing. The United States ranks close to average in reading and science and well behind most countries in math.

If investment in infrastructure improves productivity, that will give the United States a competitive advantage, which it lacks now.

For instance, Spence points to the inefficiencies at the nation's airports due to the lack of jetways, overcrowded customs areas, and jammed baggage claims. Consider what happens if you add an additional hour to a trip for, say, 300 passengers on each of 10 flights a day, 365 days a year, and that happens at 10 major airports. "That is a lot of wasted hours," Spence says. "If it gets bad enough, business and other visitors will try to avoid coming here." Or, as he points out, if ports are inefficient, adding hours or days to the movement of a lot of ships and containers, "you

end up with a big and unnecessary increase in inventory in transit. That costs money, meaning it adds to somebody's working capital."

"We stopped investing in the most elementary things that make the U.S. an attractive place to do business," he says.

Beyond that, Spence would change government science and technology policy to make expansion of U.S. employment opportunities a specific goal of government investments, which it is not currently. He would also like tax reform to get rid of complexity and waste and to move in the direction of taxing consumption more and investment and labor less. The United States could also give a tax holiday to corporations on their foreign earnings, which are currently taxed where they are earned as well as in the United States. As a result, many corporations do not repatriate their foreign earnings.

A potential route to restoring employment growth in the tradable sector — especially manufacturing jobs — could come by making wages more competitive. That would involve the public and private sectors working toward some agreement to lower real wages. Spence's blueprint for this is Germany, which restructured its economy from 2000 to 2005 to bolster competitiveness. Part of that effort included limiting wage and salary growth, which then allowed it to compete more effectively in exports and kept a flatter income distribution than in the United States.

"Our challenge is to expand the scope of the tradable sector," he says. "We don't want to claim that we are completely uncompetitive, but we are when it comes to work for middle-income people." ●





economies, and James Tobin, who taught about managing the demand side of the economy, which was totally new to the Chinese.

Since then, the Chinese have regularly looked to foreign advisors. Spence was connected to the Chinese through Edwin Lim, a former World Bank leader who had done extensive work in China in the 1980s and in 1994 helped set up the China International Capital Corp., China's first international investment bank. Lim

began including Spence in meetings with the Chinese six years ago, and Spence worked with Lim on policy issues that the Chinese identified as challenges for them, such as pensions, urbanization, and their role in the global economy. Over time, Spence gained a front-row view of how the Chinese approach their plans for growth. As part of their preparation for the latest 5-Year Plan, Spence and others first wrote papers on such subjects as social policies, income inequality, and interactions with the global economy, and then combined them into one synthesis report.

"For the synthesis report and all the papers, they wanted it published in Chinese so the Chinese could read what they had heard from outside as part of the process of putting this plan together," Spence says. "It is now published in Chinese, and an English version is also on the web."

The plan recognizes China's shift from what economists call a developing economy to middle-income status. That typically happens when a country's per capita income gets in the range of \$5,000 to \$10,000 a year, and the industries that drive growth in its early stages of expansion become uncompetitive due to rising wages. A country becomes advanced when incomes rise above \$20,000 a year. Only Japan, Korea, Taiwan, Singapore, and Hong Kong have sustained their high growth rates going from middle-income to advanced-economy status.

"As a result of 31 years of high-speed growth, China has a per capita income now of \$4,000, less than a tenth of ours," Spence says. "But it is a lot better than \$400, which is where they started." He believes that the 9% growth rate that China has achieved since the economic reforms 30 years ago is sustainable for at least the next decade, but the Chinese will begin to slow it down on purpose. The Twelfth 5-Year Plan set the future growth target at 7% annually. Spence says the lower forecast gives China "space" to deal with issues such as income inequality and the shift toward domestic consumption. Spence also says that the Chinese want to devote resources to cleaning up environmental problems and developing a lower carbon and less energy-intensive economy.

"They will eventually slow down and become more like us," Spence says.

China's labor-intensive export sectors are losing their competitive edge as wages rise. Largely concentrated around the coastal areas of the country, those sectors must move inland to get cheaper labor. Eventually, the export sectors will decline and move out of China to other parts of Asia. They will be replaced by sectors that rely more on

technology and human capital. As domestic demand rises, the Chinese are also producing more for themselves, and sectors that serve the domestic customer are expanding. Services will grow, global brands will start to appear, and the government's ownership will decline. On his visits to China, Spence says, he has seen a boom in businesses targeting the growing middle class, including construction, transportation, and even dry cleaners and hair salons.

India's economy, on the other hand, trails China's development by about 14 years, he says. Economic reform began in the late 1980s, and per capita income is now about a third of China's. About 70% of the population lives in rural areas, but a significant shift to urban areas is expected over 20 years. For that to happen, massive infrastructure needs to be built, including everything from housing and transportation to sewage, water, and energy systems.

While labor-intensive products for export drove China's economic growth, India lacks a strong manufacturing sector. Spence points out that India has invested in education and technology, which has allowed its service sector to flourish, and its trade in services is expanding rapidly in size and scope. India is known as a hub for information technology outsourcing, and more service industries are finding their way there. Expert medical services, film editing for television, and grading exams for teachers in advanced countries are services all being outsourced to India right now, he says.

The Chinese want to devote resources to cleaning up environmental problems and developing a lower carbon and less energy-intensive economy, Spence says.



Population growth is another distinction between the two countries. Right now, China's population is 1.3 billion compared to India's 1.2 billion. But, as Spence notes, over the last five years, India's population grew at 1.4% a year, while China's grew at 0.6%, reflecting the country's one-child policy. He says that the nearly one percentage point difference will have a modest negative impact on India's per capita income growth relative to China's.

As these countries grow, they will have to consider what their billion-strong populations are doing to the environment.

"An interesting and very recent development is a growing recognition in the large emerging economies that the growth paths of their predecessors and the advanced countries won't work because they put too much strain on a broad range of natural resources and the environment," Spence wrote recently in a paper prepared for the International Monetary Fund.

He told the *Australian*: "At some time in the future, China may face a choice between draconian measures to restrain emissions for the good of the planet and further growth. It may choose to go for growth regardless."

As trusted advisors, Western-trained experts may have some influence on the decisions that this global giant ultimately makes. So far at least, China still relies on outsiders to help educate it on what it should do and how its actions are viewed globally.

"They are coming to realize that they will soon be big enough economically to put pressure on the entire globe's environment," Spence told the *Australian*. "In a sense, they will become much of the globe." ●

See Peter Robinson's Uncommon Knowledge interview of Spence at BizOnline.Stanford.edu/spence.





Four GSB faculty will lead the new Stanford Institute for Innovation in Developing Economies. From left to right, they are Bill Meehan, Jesper Sørensen, Hau Lee, and Jim Patell.

SEED INITIATIVE: *continued from page 17*

institute’s research effort. **Jesper Sørensen**, who teaches *Poverty, Entrepreneurship, and Development*, among other courses, will lead the education and dissemination area. On-the-ground programs will be led by **Jim Patell** and **Bill Meehan**. Building on his years of teaching *Entrepreneurial Design for Extreme Affordability*, Patell will manage programs aimed at partnering Stanford students with in-country organizations to develop new products and services. Following a period of coursework and preparation at Stanford, students will provide manpower and management support by working with startups, non-governmental organizations, and companies in country. Meehan will focus on supporting existing business leaders to scale and grow their enterprises through a combination of executive education, consulting, mentoring, and online courses.

Nobel laureate **Michael Spence**, the Philip H. Knight Professor and Dean, Emeritus, will chair the institute’s advisory board, currently being formed. Spence is an authority on global economics in the developing world (*see related story, page 18*) and is the William R. Berkley Professor in Economics and Business at New York University.

“When we were first starting to think about how to address extreme poverty several years ago, I read Mike Spence’s analysis for the World Bank,” says Bob King. “It’s pretty cool that Mike now is going to be the chair of the board of advisors.”

The Kings’ optimism about the kind of return they are looking for on this investment is palpable — and ambitious. “When we know we’ve changed 200 million lives, we’ll know we’re on our way,” says Bob. Dottie, meanwhile, says she has another important expectation of SEED: “I would like it to have a happy spirit about it. That’s important to me.” ●

ABOUT THE FACULTY LEADERSHIP TEAM

HAU LEE

- Faculty Director, Stanford Institute for Innovation in Developing Economies (aka SEED)
- Thoma Professor of Operations, Information and Technology
- Leads SEED’s research area.

JESPER SØRENSEN

- Robert A. and Elizabeth R. Jeffe Professor
- Susan Ford Dorsey Faculty Fellow
- Faculty Director of the Center for Social Innovation
- Leads SEED’s education and dissemination area.

JIM PATELL

- Herbert Hoover Professor of Public and Private Management
- Katherine and David DeWilde Faculty Fellow
- Leads SEED’s on-the-ground programs aimed at partnering Stanford students with in-country organizations to develop new products and services.

BILL MEEHAN

- Raccoon Partners Lecturer in Strategic Management
- Director Emeritus of McKinsey & Co.
- Leads SEED’s on-the-ground programs that support existing business leaders to scale and grow their enterprises through a combination of executive education, consulting, mentoring, and online courses.

PHOTO BY SAUL BROMBERGER AND SANDRA HOOVER

Joe Chen Beat Facebook to Stock Market



China's social networking giant Renren has made Joe Chen, MBA '99, a leading internet entrepreneur in that nation.

GSB classmates helped launch this engineer's entrepreneurial career

THE DOT-COM FRENZY of the late 1990s was in high gear. So it was only natural that **Joe Chen**, MBA '99, then a student at the Graduate School of Business, teamed up with two other Stanford graduate students from China to organize brown-bag lunches about the fledgling internet in their homeland. At the meetings held on the Stanford Oval amid Frisbee games, a few dozen students would toss around start-up ideas for China.

A dozen years later, Chen returned to Stanford as a keynote speaker at a GSB conference featuring some of China's hottest internet businesses and entrepreneurs. The sold-out "China 2.0: Transforming Media and Commerce" conference featured Chen speaking about the Beijing-based company he founded and leads today — Renren Inc., a social networking firm that many have called the Facebook of China.

Chen's publicly listed company has 124 million activated users, many of them Chinese college students. Building on its loyal following among university students, Renren is hustling to stay at the forefront of China's social networking jungle while facing several other large,

deep-pocketed competitors.

"Joe had the foresight and persistence to see that social networks, already growing fast outside China, would also take China by storm," says Thomas Crampton, Asia-Pacific director of social media for Ogilvy & Mather, the advertising and marketing firm. Now, he adds, "the challenge for Renren is that other social networks have made successful inroads into other demographics. There are many dynamic and powerful internet giants in China eager to own significant chunks of the social networking space."

No matter what, Chen, 42, is a prominent member of China's newest generation of internet magnates. These entrepreneurs, who often have education or work experience in the United States, have built large, thriving internet businesses. Typically, the Chinese companies have emulated — some would say copied — U.S. business models and adapted them to China by adding their own twists and localization. The result: China's internet industry is dominated by homegrown giants in sectors ranging from search to e-commerce and social

networking to microblogging. While U.S. internet pioneers such as eBay, Yahoo, Google, Facebook, and Twitter have either been banned or stumbled in China, the domestic companies are surging as the country's consumer market takes off.

In May, Renren became the first social networking site to go public on the New York Stock Exchange, beating Facebook to the IPO trough. Its well-timed and sizzling IPO raised \$855 million, giving it a market value of \$5.6 billion. Since then, Renren's market value has slumped to less than \$1.5 billion, but it has more than \$1 billion in cash to fund growth. What's more, Chen has a track record of being backed by heavyweight investors.

"Joe is a serial entrepreneur. He's a very down-to-earth entrepreneur and a great out-of-the-box thinker. He figures out how to invest and build infrastructure," says Renren board member **David Chao**, MBA '93, cofounder and general partner of DCM, a Silicon Valley venture capital firm that was Renren's first venture investor.

CHEN GREW UP IN WUHAN, an industrial city in central China known for auto manufacturing. He attended Wuhan University for two years before his family moved to the United States thanks to sponsorship from Chen's uncle, a mushroom farming entrepreneur in Delaware. Chen attended the University of Delaware and eventually earned a master's degree in mechanical engineering from the Massachusetts Institute of Technology. He then worked for two years in the United States and China for Altec Industries Inc., an American manufacturer of electric utility trucks.

But it was his late-1990s Stanford experience that set him on his current path. In a GSB investment management class taught by **Jack McDonald**, the Stanford Investors Professor of Finance, Chen met Yahoo cofounder **Jerry Yang** and investment guru Warren Buffett. "Warren Buffett introduced me to the idea of value investing, which I have been practicing ever since. Jerry Yang piqued my interest in the internet," Chen recalls. "Without Stanford, I wouldn't be here."

Chen's learning wasn't confined to the classroom. The MBA student traded in dot-com stocks, making enough to pay his GSB tuition. He also met **Nick Yang** and **Yunfan Zhou**, both 1999 master's graduates of the Stanford School of Engineering, with whom he organized the brown-bag lunches. While still students, the trio started ChinaRen.com, an online portal for college alumni in their home country.

Their first angel money came from 10 of Chen's GSB classmates. "They went to my Escondido [Village] apartment, saying goodbye, wishing us the best, and giving us \$3,000, \$5,000, \$10,000 checks," Chen says. A year and a half later, back in China, the trio sold their business for \$33 million to online portal Sohu.com.

In 2002, Chen started investing in Chinese web firms through his holding company, Oak Pacific Interactive. Four years later, he made a key portfolio addition, buying Xiaonei ("on campus"), a social networking site popular among students at elite Chinese universities. Chen says he paid several million dollars for Xiaonei. Eventually, he raised more than \$500 million from venture capital investors, including Japan's Softbank, DCM, and private equity firm General Atlantic.

In 2010, Oak Pacific spun off its other assets to focus on Renren, its social networking site. Today, Renren is run by Chen and **James Jian Liu**, MBA '00, the chief operating officer, who joined the company as part of an acquisition in 2006. Renren (which means "everyone") is popular among urban youth, college students, and recent graduates — a demographic group attractive to advertisers.

Renren's May IPO was heralded as a way for investors to get a piece of the frothy Chinese internet market. For the first nine

China 2.0 Conference Draws Overflow Crowd

JACK MA, CHAIRMAN OF CHINA'S ALIBABA GROUP, made international headlines from CEMEX Auditorium Sept. 30, declaring publicly his interest in acquiring troubled U.S. internet giant Yahoo.

Ma was among an impressive array of Chinese internet entrepreneurs and venture capitalists active in Asia who addressed the conference "China 2.0: Transforming Media and Commerce," which was sponsored by the Stanford Program on Regions of Innovation and Entrepreneurship (SPRIE). Now part of the business school, SPRIE conducts global interdisciplinary research and organizes conferences, briefings, and publications for industry and government leaders.

Alibaba's takeover of Yahoo would represent something of a role reversal, symbolizing how much China's internet — and to some degree, its economy — has eclipsed that of the United States. In 2005, Ma sold a 40% stake in the fledgling Alibaba to Yahoo in exchange for \$1 billion and control of Yahoo China. The Alibaba-Yahoo relationship has been strained in recent years, and Ma has telegraphed his desire to reduce or buy back Yahoo's stake. "We appreciate yesterday but are looking for a better tomorrow," Ma told the Stanford audience.

Also during the conference, Stanford researchers described China-



Jack Ma of Alibaba was a keynote speaker for the China 2.0 conference, organized by the business school's newest global entrepreneurial program.

focused research on teens' use of digital media and on venture capital investments and networks.

High school students in Palo Alto, Calif., spend more time using digital media daily than their counterparts in Beijing, one study found, but the

Chinese youths are more likely to build networks online only. Another study analyzed data on more than 2,000 Chinese companies, nearly 800 investment firms, and more than 600 individuals, to create visualizations — circular nodes with lines extending out in a web — of relationships. "This is the power of network analysis," said **Marguerite Hancock**, associate director of SPRIE, as she showed on screen a moving image of how China's "investment constellation" changed from 1996 to 2011. The densest venture clusters are in Beijing, Shanghai, and Shenzhen. The research identified more than 40 venture capitalists involved in China who have ties to Stanford, she said.

Venture capitalists discussed the landscape for funding internet startups that are proliferating in China. "Early stage is still quite bubbly," said **Tim Chang**, MBA '01, managing director of the Mayfield Fund. "There's a lot of hot money doing drive-by due diligence." ●

Continued on page 26



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CHINA ENTREPRENEUR: continued from page 25

months of 2011, the company reported a net loss of \$3 million on revenue of \$85 million.

"Joe's sense of timing and marketing flair have paid handsome dividends. The key now is whether he can parlay this advantage ... into a greater market dominance," says Duncan Clark, chairman of consulting firm BDA China, who is senior advisor to the China 2.0 project at the Stanford Program on Regions of Innovation and Entrepreneurship, part of the GSB.

Chen's goal is building a broader social media platform. In addition to its social networking and gaming sites, the company recently launched a group-buying site offering daily deals and a social networking site for professionals. Renren recently acquired 56.com, a Chinese site for sharing user-generated videos. Its technology platform is largely open to applications developers, and it has a network of 1,700 partner sites, including Microsoft's MSN China. Although Renren is considered the most Facebook-like among China's major social networking sites, it relies more heavily on gaming than the U.S. company.

Unlike the U.S. market, where Facebook is dominant, China's many social networking sites serve different demographic groups and purposes. Many Chinese actively use more than one networking site. Renren's chief rivals include Sina Weibo, a fast-rising microblogging site similar to Twitter; Tencent, an instant messaging powerhouse with a huge base of users and a track record in social networking; and Kaixin001.com, an early competitor popular with white-collar workers. And there's always the possibility that Facebook itself, now banned by the Chinese government, will find a way to enter China.

Renren's prospectus says the firm benefits from being a social networking site where users give their real names, while some competitors are virtual-name sites. Real-identity sites are more "sticky" because social connections are long-lasting and strong, potentially deepening user engagement and providing more potent opportunities for targeted advertising and commerce. "There's a tremendous advantage. The social graph is permanent," says Chao, Renren board member.

Certainly, Chen seems well equipped for the competition ahead. He is the quintessential "sea turtle," or *hai gui*, a Chinese phrase (actually a pun) describing someone who went abroad and "swam" home with global experience. "For a sea turtle, the most important thing is being able to connect with your employees and partners. Being able to understand the cultural aspect of China is a soft skill you absolutely need to have if you lead a company there," says Chen.

The Renren CEO also increasingly sees value in traditional management science for China's young internet industry. For instance, he says Stanford helped teach him the importance of human resources management. "I want to build a systematic, defensible business," he says, growing "steadily but surely" and not through "lucky strikes and serendipity."

In fact, Chen believes that business innovation doesn't necessarily come from new ideas or inventions but strong "execution." He points to Apple's Steve Jobs, who didn't excel purely by inventing new technologies but by combining technologies and artistry in Apple products. "If you look at a small part, there's nothing truly revolutionary, but in aggregate, it's hugely revolutionary," Chen says. Making a similar point about Facebook's Mark Zuckerberg, he says: "It doesn't necessarily take a genius to invent social networking. But you do have to give Mark a lot of credit. He was able to take an accidental success into something much, much bigger." The Renren founder adds: "Everything is in the sauce, not the ingredients."

Joe Chen is hoping he has figured out the special sauce for social networking success in China. ●

From the Global Stage to the MBA Classroom

If you want to be a business leader, you've got to understand politics and political risk.

ON MONDAY, they debated solutions to the Euro crisis. On Tuesday, devising strategies to bring peace to Afghanistan was the goal. On Wednesday, discussions centered on patent protection of vital medicines versus the developing world's public health needs. Thursday's talks examined different approaches to combating terrorism.

And finally, on Friday, the 30 MBA students enrolled in the special course *Crisis Management on the World Stage* at the Stanford Graduate School of Business focused on the upswell of democracy movements sweeping through Syria and other Arab nations. Their professors were two diplomatic heavyweights — Britain's David Miliband and Stanford's **Condoleezza Rice**.

Miliband, a British Labour Party member, became Britain's youngest secretary of state for foreign and commonwealth affairs in three decades when he served from 2007 to 2010. Rice, who was U.S. secretary of state from 2005 to 2009, is now the Denning Professor in Global Business and the Economy at the GSB and a faculty director of the school's Center for Global Business and the Economy. In an autumn seminar, the two led students through an examination of international challenges they faced together as their nations' top diplomats, issues immersed in both international politics and the global economy. Rice's book on those challenges, *No Higher Honor*, was published in November. (See page 33.)

Miliband, 46, said he wanted the course to stimulate students' thinking and "make them realize that politics is part of economics, and if you want to be a business leader, you've got to understand politics and political risk."

While he came to the business school to co-teach the course, Miliband said he also enjoyed the opportunity to learn about how the United States is wrestling with its own dilemmas. And, he said, discussing complicated issues with Rice definitely kept him on his toes: "You can't help it; if you have a conversation or debate with Condoleezza Rice, you will sharpen your own arguments."

Shortly before heading back to England, Miliband discussed teaching the course and a variety of topics during a public program sponsored by the global center. In a conversation with **Ken Shotts**, the David and Ann Barlow Professor of Political Economy, Miliband tackled topics ranging from Britain's pursuit of clean tech and why there is diminished support for Al-Qaeda in the Muslim world to what sparked him to create a leadership training academy, Movement for Change.

Terrorist network Al-Qaeda has been weakened by efforts from



Diplomatic heavyweights David Miliband and Condoleezza Rice teaching the MBA short course *Crisis Management on the World Stage*.

Western governments as well as its own actions, said Miliband. He cited Al-Qaeda's bombing of a wedding in Jordan in 2005, which killed 52 Jordanian Muslims. Afterward, "you saw a precipitous fall for support of violent extremism across the Muslim world," Miliband said. "I think you've seen a decay in which Al-Qaeda has been significantly degraded, but also in which millions of Muslims around the world have embraced political Islam, rather than global jihad, as a way to further their interests. From my point of view, the embrace of political Islam is a good thing."

Even with the bankruptcy of Bay Area solar company Solyndra, Miliband urged MBA students to pursue clean tech, just as Britain continues its ambitious clean tech goals. As secretary of state for environment, food, and rural affairs, Miliband pioneered the world's first legally binding emissions reductions bill. The Climate Change Act of 2008 mandates that the United Kingdom reduce its carbon emissions by 80% by 2050. The law was supported across the political spectrum, a crucial element of its success. Miliband said: "There's no point in regulating for two or three years and then another govern-

Continued on page 28

Faculty Publications

ACCOUNTING

Using Earnings Forecasts to Simultaneously Estimate Firm-Specific Cost of Equity and Long-Term Growth
Alexander Nekrasov and Maria Ogneva

Review of Accounting Studies (Vol. 16, No. 3), SEPTEMBER 2011

CORPORATE GOVERNANCE

Hedging and Pledging of Equity Pay
David F. Larccker and Brian Tayan

Corporate Board (Vol. 32, No. 190) SEPTEMBER/OCTOBER 2011

ECONOMICS

Industry Dynamics: Foundations for Models with an Infinite Number of Firms

Gabriel Y. Weintraub, C. Lanier Benkard, and Benjamin Van Roy

Journal of Economic Theory (Vol. 146, No. 5), SEPTEMBER 2011

FINANCE

Location and Competition in Retail Banking

Katherine Ho and Joy Ishii

International Journal of Industrial Organization (Vol. 29, No. 5) SEPTEMBER 2011

Corporate Bond Default Risk: A 150-Year Perspective

Kay Giesecke, Francis A. Longstaff, Stephen Schaefer, and Ilya Strebulaev

Journal of Financial Economics (Vol. 102, No. 2), NOVEMBER 2011

HEALTH CARE

Investing for the Safety Net

Stefanos Zenios and Lyn Denend

Stanford Social Innovation Review (Supplement), FALL 2011

Teaching Biomedical Technology Innovation as a Discipline

Paul G. Yock, Todd J. Brinton, and Stefanos A. Zenios

Science Translational Medicine (Vol. 3, No. 92), JULY 2011

The Effect of Tax Preferences on Health Spending

John F. Cogan, R. Glenn Hubbard, and Daniel P. Kessler

National Tax Journal (Vol. 64, No. 3) SEPTEMBER 2011

Vertical Integration and Optimal Reimbursement Policy

Christopher C. Afendulis and Daniel P. Kessler

International Journal of Health Care Finance & Economics (Vol. 11, No. 3) SEPTEMBER 2011

MARKETING

Airing Your Dirty Laundry:

Vertical Integration, Reputational Capital, and Social Networks

Ricard Gil and Wesley R. Hartmann

Journal of Law, Economics & Organization (Vol. 27, No. 2) APRIL 2011

A Structural Model of Sales-Force Compensation Dynamics: Estimation and Field Implementation

Sanjog Misra and Harikesh S. Nair

QME—Quantitative Marketing & Economics (Vol. 9, No. 3) SEPTEMBER 2011

Food, Sex, and the Hunger for Distinction

Jonah Berger and Baba Shiv

Journal of Consumer Psychology (Vol. 21, No. 4), OCTOBER 2011

Multiple Routes to Self—Versus Other—Expression in Consumer Choice

Michal Maimaran and Itamar Simonson

Journal of Marketing Research (Vol. 48, No. 4), AUGUST 2011

ORGANIZATIONAL BEHAVIOR

Using Implementation Intentions Prompts to Enhance Influenza Vaccination Rates

Katherine L. Milkman, John Beshears, James J. Choi, David Laibson, and Brigitte C. Madrian

Proceedings of the National Academy of Sciences (Vol. 108, No. 26) JUNE 2011

Mapping Shared Understandings Using Relational Class Analysis:

The Case of the Cultural Omnivore Reexamined

Amir Goldberg

American Journal of Sociology (Vol. 116, No. 5), MARCH 2011

The Mainstream Is Not Electable:

When Vision Triumphs Over Representativeness in Leader Emergence and Effectiveness

Nir Halevy, Yair Berson, and Adam D. Galinsky

Personality & Social Psychology Bulletin (Vol. 37, No. 7), JULY 2011

Founding Conditions, Learning, and Organizational Life Chances:

Age Dependence Revisited

Gaël Le Mens, Michael T. Hannan, and László Pólos

Administrative Science Quarterly (Vol. 56, No. 1), MARCH 2011

Typecasting, Legitimation, and Form Emergence: A Formal Theory

Greta Hsu, Michael T. Hannan, and László Pólos

Sociological Theory (Vol. 29, No. 2) JUNE 2011

Automatic Detection of Omissions in Medication Lists

Sharique Hasan, George T. Duncan, Daniel B. Neill, and Rema Padman

Journal of the American Medical Informatics Association (Vol. 18, No. 4), JULY 2011

Continued on page 33

GLOBAL STAGE: *continued from page 27*

ment comes in and turns it over. That's the importance of cross-party consensus."

While some business books say that vision is a leader's most important trait, Miliband disagreed. Passion, he said, is critical. "Unless you have a passion for what you are doing, you will never be able to lead," he said. "If you've got a vision written down, but people don't see it in your eyes, you won't lead. If you haven't got passion, you'll never be able to inspire."

As examples, two recent British leaders, former Prime Minister Tony Blair and his successor, Gordon Brown, both had passion, Miliband explained — Blair for modernizing Britain, and Brown for making a difference in the developing world.

However, superior persuasive skills ultimately made Blair the more successful leader, he said. "Tony was a better synthesizer, and he was a better educator and explainer," he said. "In a way, Gordon had a tougher task because it's very hard to follow someone who's a very good leader."

Helping develop Britain's new generation of leadership is the goal of Movement for Change, the community organizing group established by Miliband in 2010 with the goal of mobilizing 10,000 community leaders throughout the country during the next four years to drive improvements in education, health, and other areas citizens deem important. "The best solutions involve the government as leader, public and private sector organizations as innovators, and the people mobilized. That's how you change things," he said.

The idea for Miliband and Rice to co-teach a business school course came about during a dinner Rice held in the British official's honor when he was passing through San Francisco earlier in the year. The school's dean, **Garth Saloner**, another guest, supported the idea.

They jointly decided to give students an introduction to a range of public policy, foreign policy, and diplomacy issues, settling on a curriculum covering terrorism, trade, war, politics, and finance. During each day's three-hour class, students held a simulated negotiation after hearing an introduction to the topic with insights from Rice and Miliband.

Students wanted up-close stories about the former diplomats' experiences, Miliband wrote in a blog post, "but they also wanted to understand why the multinational system doesn't work, whether values can really play a role, how America positions (and mispositions) itself, how the rising powers will engage."

Susan O'Malley, Class of '12, said she took the course because it was a unique opportunity to learn from two people "who shaped history, to hear their stories firsthand and their anecdotes and perspectives." She called Miliband "a phenomenal communicator in terms of his charisma, passion, and enthusiasm for the issues."

Another student, **Drew DeWalt**, Class of '12, said the simulated negotiations showed him why it's so hard for political groups to reach consensus.

"Everybody's got different interests involved that they want to protect," said DeWalt. "You realize it really is hard to make progress." ●



Related Links: Center for Global Business and Economy
<http://www.gsb.stanford.edu/cgbe/>

When Wrong, Analysts Dig in Their Heels

Faculty Research

LIKE ORACLES IN THE STOCK MARKET, securities analysts come up with earnings estimates that are supposed to signal the worth of a company's stock. But what happens when a company's actual performance proves an analyst's quarterly forecast is wrong?

Instead of fully incorporating new information into their forecasts, many of those analysts stubbornly stick to their erroneous views on the company, a tendency that might contribute to market bubbles and busts, according to recent research.

Analysts who make "extreme" quarterly forecasts — above or below the consensus or median estimate among all analysts following a given stock — tend to dig in their heels after being proved wrong, says **John Beshears**, an assistant professor of finance at the GSB who coauthored a study of stock analysts that was published in the March 2011 issue of *Journal of Economic Behavior and Organization*.

Once a company reports quarterly earnings showing the analyst was too optimistic or too pessimistic, the extreme, incorrect analyst will revise his or her full-year forecast but will move less aggressively in the direction of the earnings surprise than other analysts. This stubbornness hurts an analyst's overall forecasting accuracy, say Beshears and his coauthor, Katherine Milkman of the Wharton School at the University of Pennsylvania.

So what's behind the stubborn streak?

"People become overcommitted to a previous course of action," Beshears says. "Psychological factors like this play an important role in how people form expectations about the future."

Other research has shown that when people make decisions that turn out to be wrong, they try to justify them. "They want to recover their costs" and "hopefully vindicate themselves," says Beshears, who researches how individuals and companies make financial decisions.

This type of research has broader implications for understanding financial markets. Persistent, widespread over-optimism or over-pessimism by market participants could lead to mispricing of assets, Beshears says. For example, that stubbornness contributed to the financial crisis of 2007–08. Despite initial signs of a weakening real estate market, many analysts, investors, and lenders maintained or stepped up their commitment to housing-related assets, such as mortgage-backed securities. The result: The housing bubble continued longer than it should have, delaying and exacerbating the subsequent bust. Stubbornness, he says, "is one mechanism that might allow market bubbles and crashes."

Beshears and Milkman specifically studied the Institutional Brokers' Estimate System database with more than 6,200 analysts' quarterly forecasts on about 3,500 companies over 18 years, from



When analysts stubbornly stick to erroneous views, they may contribute to market bubbles and busts.

January 1990 to March 2008. They created variables such as how far off a quarterly estimate was from reported earnings, how far off an estimate was from the consensus forecast, how much a full-year estimate was revised, and how accurate a full-year adjusted estimate turned out to be. Using statistical techniques, they looked at how the variables moved together or separately, discerning patterns in the analysts' forecasting and updating behavior.

Among their specific findings:

- As analysts got more and more extreme, or "out-of-consensus," they became less and less responsive to the new earnings information when revising their full-year forecasts.
- Stubbornness hurts forecasting accuracy. Revised full-year forecasts from extreme, incorrect analysts were further off the mark from actual earnings than they would have been had the analysts' updating behavior been like the behavior of analysts who started at the consensus point.
- Analysts are punished for stubbornness. The more extreme, incorrect, and stubborn an analyst was in the study, the less likely that he or she would rank among *Institutional Investor* magazine's "All-American" list of top analysts.

Continued on page 30

ANALYSTS: continued from page 29



John Beshears

The study emerged from interviews Beshears and Milkman had with Wall Street analysts. Many of them said a common mistake in their profession was analysts getting “wedded to their calls” on a company’s prospects. “They saw this behavior in their colleagues but didn’t do it themselves, of course,” Beshears quipped.

He believes research on escalation bias can be extended from equities to the debt markets to shed light on how credit analysts, loan officers, or risk management experts, for instance, view the performance of financial assets. Another future direction would be creating an “overarching model” of the psychological biases at play when people form expectations about the future or make financial decisions, he adds.

Too Much Information Clouds Negotiators’ Judgments

WHETHER WE’RE NEGOTIATING a business deal or talking with a friend about which movie to see, most of us use information we have about the other party to reach agreement. But recent research from the Stanford Graduate School of Business warns that knowing our negotiation partners too well or having the wrong kind of information about them can actually produce less successful negotiating results than having no information.

What today’s savvy social media users have dubbed TMI — too much information — can indeed be a pitfall.

“To the extent that people rely on information that’s easily available, they may rely on it to the exclusion of doing the hard work necessary to create value in a negotiation,” says **Margaret Neale**, the John G. McCoy–Banc One Corporation Professor of Organizations and Dispute Resolution at the business school, who conducted the research with **Scott Wiltermuth**, PhD ’09, now an assistant professor at USC’s Marshall School of Business.

Their experiments looked at the effects of “nondiagnostic information” — useless, irrelevant statements about a negotiation partner, as opposed to information related to the issues being negotiated. Nothing is less useful than generic personality statements that seem to fit everyone to a tee — statements like “This person prefers a certain amount of change and variety and becomes dissatisfied when hemmed in by restrictions and limitations.” So that’s the kind of useless information the researchers gave one group of participants, supposedly based upon a personality test their partners had taken.

For comparison, a different group only got information directly related to the negotiation, such as which issues were more important to their negotiation partners. Knowing the importance of issues to a person’s negotiating partner, Neale says, creates opportunities for a negotiator to enlarge the potential pool of resources available to the parties, rather than simply focusing on who gets what.

When individuals in the two groups were then asked to rate the advantage they gained from the information, both sets of participants

reported the same level of advantage, which was higher than that perceived by a control group that hadn’t been given any information at all. In other words, Neale explains, “people couldn’t tell the difference between diagnostic and nondiagnostic information.”

But what was the effect of the useless information on negotiation? To find out, Neale and Wiltermuth asked participants to represent two companies in a merger and negotiate several issues, such as which firm’s CEO would head the new company and where that company’s headquarters would locate. People who had read the irrelevant, distracting statements, it turned out, were far less accurate in identifying the issues that were least important to their partners — the very issues that offer opportunities to enlarge the size of the pie. Specifically, participants with useless information could identify these issues only 14% of the time and fared worse than even people who had no information at all (who correctly identified the issues 26% of the time).

A follow-up experiment revealed why negotiators with irrelevant information did worse. What the researchers found, Neale says, was not that people weren’t exchanging valuable information. “It was that people were not paying attention to this information in front of them.” And because they ignored useful information, they created vastly less value than participants who didn’t have this useless information. The participants with useless information were also more likely to reach an impasse and fail to reach an agreement at all.

These results, published in the *Journal of Applied Psychology*, should give pause to anyone who negotiates in the real world, which includes most of us. For one thing, the research suggests why negotiations between friends or other people who know each other well aren’t as likely to create value. “Because I think I know you well, I’m not going to be as attuned to the specifics of the negotiation,” Neale says. “I’m going to think I know what you care about, but I don’t test out those hypotheses.”

What’s more, the easy availability of information about others — think of LinkedIn profiles, Facebook pages, and Twitter feeds, for example — can lull us into a false sense of confidence even about strangers. That’s not to say that such information is always irrelevant, but since we’re poor at telling the useful from the useless, looking at social media for insights about our negotiation partners can harm us by shifting our focus from what’s truly important in the negotiation. “We feel like we’ve done our homework,” Neale says, “but we don’t know the issues.”

— MARINA KRAKOVSKY

Investor Speculation Was Behind the 2008 Wild Ride in Oil Prices

IT WAS THE WILDEST OF WILD RIDES. In mid-January 2007, crude oil futures on the NYMEX Exchange closed at \$52 a barrel. Eighteen months later, a relentless climb had pushed prices to an all-time, inflation-adjusted high of \$145 a barrel. World markets panicked, and analysts predicted that we’d never see \$100 oil again.

Five months later, the price had plummeted by nearly 77% to \$34 a barrel. Even so, analysts and many academics stuck to their guns. The culprit, they said, was not speculation, but the fundamentals: A growing demand for oil in rapidly modernizing countries like China and India, plus the long-standing appetite for energy in the West. And all



The turmoil was not caused solely by swings in supply and demand; there was an “economically and statistically significant effect of investor flows on futures prices.”

this was happening as the ability to develop new sources of oil seemed dim. Fluctuations in supply and demand, they said, were the drivers of the wild price swings.

But was that really the case? A new analysis of the 2008 oil shock by GSB Professor **Kenneth Singleton** casts doubt on the conventional wisdom. He argues that market participants had imperfect information about many of the key drivers of prices, including supplies, demands, and inventories. For demands and inventories, these informational problems were particularly acute for emerging economies. As a result, “there was an economically and statistically significant effect of investor flows on futures prices,” he wrote. It’s not yet clear, though, what the price of oil might have been without the flow of investor money.

Confronted with imperfect measurement, investors naturally attempted to learn about fundamentals from past market prices or returns. The associated trading activities of the major players (index investors, hedge funds, broker/dealers in commodity markets, and commercial hedgers), along with changes in supply and demand, are what ultimately determine prices in commodity spot and futures markets, Singleton says.



Kenneth Singleton

Although the paper has yet to be published, Singleton’s presentation in August to a forum held by the U.S. Commodity Futures Trading Commission in Washington, D.C., has already stirred controversy. His conclusions are in opposition to those of many Wall Street analysts and to the CFTC itself, at a time when regulators in the United States and Europe are considering rules to limit trading by banks, hedge funds, and funds tracking commodity indices, including oil.

A more developed structural model of price determination that incorporates the informational challenges and limits to arbitrage highlighted in Singleton’s analysis is needed to quantify the degree to which investor flows affected the level of oil prices. He hopes to explore these issues in future research.

Singleton believes that the investor-driven swings in prices were costly to society as a whole, but he does not agree with the populist assumption that the phenomenon was, at bottom, about excessive or irrational speculation. “Occasional booms and busts in asset prices are likely to be an inherent feature of market settings in which there are structural information and funding frictions,” he said in an interview.

Singleton, the Adams Distinguished Professor of Management, was recently named editor of the prestigious *Journal of Finance* (*See related story, page 33.*) His working paper, “Investor Flows and the 2008 Boom/Bust in Oil Prices,” is an outgrowth of a survey paper he prepared for the Air Transport Association of America.

Many experts who theorize about oil pricing assume that information in the marketplace is reasonably accurate and investors fully understand the structure of the global economy. Singleton disagrees, saying that traders may find it optimal to learn about the global economy and oil-market-relevant fundamentals from past returns.

“There is likely to be some disagreement about virtually every source of fundamental risk, including the future of global demands, the prospects for supply, future financing costs, and so on,” says Singleton. One particularly knotty area is forecasting economic growth in the developing world, a key driver of demand for oil.

Indeed, when he plotted the cross-sectional dispersion of the price forecasts of professionals (a measure of the extent of their disagreement) versus the actual price of crude oil, Singleton found that as prices increased, the professional forecasters were disagreeing much more with each other. Simply put, they were more uncertain about what was happening in the market.

Extensive disagreement and learning from past returns tends to generate momentum in prices, as it can lead investors to become more optimistic about future oil prices precisely when they are positively surprised by recent returns. Such optimism as prices rise, and similar pessimism following price declines, may amplify price movements.

“If index investors are just slightly too optimistic [in market rallies] or pessimistic [in market downturns] relative to the true state of the world, then their errors, while inconsequential for their own welfare, may be material for society as a whole,” Singleton says.

“These phenomena are entirely absent, essentially by assumption, from the models of oil price determination that focus on representative suppliers, consumers, and hedgers.”

Singleton’s analysis is part of a growing literature documenting the “financialization” of commodity markets: As retail, institutional, and hedge-fund investors have increased the weights on commodities in their portfolio allocations, there have been significant changes in the behavior of commodity prices. For instance, equity returns in emerging markets have become more highly correlated with changes in oil prices.

This literature is not yet sufficiently developed to yield clear policy prescriptions, he says. Nevertheless, “it is clear that greater transparency in the oil market — about commodity-related positions of investor groups, the spare capacities of suppliers, and global inventories — would serve to mitigate some of the informational frictions underlying the occasional booms and busts in commodity markets.” ●

—BILL SNYDER

Aaker Honored for Alumni Work

Faculty News



PROFESSOR JENNIFER AAKER is the 2011 recipient of the Jaedicke Silver Apple Award, in recognition of her participation in alumni programs. She was honored by the Stanford Business School Alumni Association during alumni weekend festivities in October and immediately afterwards stepped to the podium in CEMEX Auditorium to describe some of her current research on happiness and well-being.

Journal Honors Sharpe's Work

AN ARTICLE ON A SIMPLER APPROACH to asset allocation has garnered **William F. Sharpe** his fifth writing award from the *Financial Analysts Journal*.

In his winning article, "*Adaptive Asset Allocation Policies*," published in the May/June 2010 issue, Sharpe, a Nobel laureate and the STANCO 25 Professor of Finance, Emeritus, proposes an asset allocation method that adapts to market movements by taking into account changes in the outstanding market values of major asset classes. The method considers important information and can be followed by a majority of investors to reduce or avoid contrarian behavior.

Charles T. Horngren: 1926–2011

Charles T. Horngren, who was credited with pioneering modern-day management accounting, died Oct. 23 in Palo Alto after a long illness. The Edmund W. Littlefield Professor of Accounting, Emeritus, he was just days shy of his 85th birthday.

A professor at the business school since 1966, he was a well-loved member of the Stanford community and regarded highly by his professional peers elsewhere. He was inducted into the Accounting Hall of Fame in 1990 and was honored repeatedly for his contributions to the American Accounting Association, for which he served as president and director of research. His textbook, *Cost Accounting: A Managerial Emphasis*, now in its 14th edition, is one of several of his books that molded the education of generations of accounting students.

"He was a straight talker who had time for everyone — faculty, staff, and students alike," said Dean **Garth Saloner**. "I always found him to be a caring, compassionate, and supportive colleague who took a keen interest in those around him. I will miss him deeply."

Horngren changed traditional accounting education in the 1960s "from cost accounting's overwhelming emphasis on accumulation and calculation of product costs to managerial accounting, which explores the uses of costs for various purposes," wrote Thomas Burns, a professor at Ohio State University and chairman of the Accounting Hall of Fame when Horngren was named to the Hall.



Charles T. Horngren

"The use of accounting data for decision-making purposes foreshadowed the informational approach that was to sweep accounting research," said **William Beaver**, one of Horngren's students who today is the Joan E. Horngren Professor of Accounting, Emeritus. Horngren endowed the professorship in 1984 to honor his wife, who died in 2010.

In 2008 he was asked by a writer for *Business Finance* magazine what he would do to improve the field of finance.

"I think the whole area of risk needs much closer attention from people who have financial responsibilities, especially when you look at the current subprime disaster. Everyone is blaming everyone else, and I think the whole shooting match is guilty in some respects. There is a lot that could have been avoided, whether through regulation or just smarter people. I am really trying to distinguish between whether it was greed or unwise decision making that got us there. It seems that greed affects decision making too often. The question is, 'How are we going to disentangle the influence of greed and keep it from being destructive to decision making?'"

Born in a blue-collar neighborhood of Milwaukee on Oct. 28, 1926, he grew up an avid baseball fan and fantasized for a time about becoming a major league player until reality set in. After U.S. Army service, he graduated from Marquette University, then earned an MBA from Harvard Business School in 1952, and began teaching at the University of Chicago, where he earned his doctorate in three years.

Rice Publishes Policy Memoir

FORMER SECRETARY OF STATE **Condoleezza Rice** provides a behind-the-scenes view of international policy making in her latest book, *No Higher Honor: A Memoir of My Years in Washington*. Rice is the Denning Professor in Global Business and the Economy at the GSB and a faculty director of the school's Center for Global Business and the Economy. In 2010, she authored a best-selling, more personal memoir, *Extraordinary, Ordinary People: A Memoir of Family*.

In the new book, Rice covers her eight years serving first as national security advisor and then as secretary of state in the George W. Bush administration. As America's chief diplomat, she traveled almost continuously around the globe, seeking common ground among sometimes bitter enemies. She discusses secret negotiations and offers appraisals of various colleagues and hundreds of foreign leaders. In a review of the book, the *New York Times* said it "provides a vivid account of the tumultuous years after Sept. 11, 2001," and is the "most expansive record of those eight years by any of the leading participants."

Kenneth Singleton Named Editor of *Journal of Finance*

YOU CAN EXPECT TO SEE more integration of disciplines from the prestigious *Journal of Finance* under its new editor, Professor **Kenneth J. Singleton**. (See related story, page 30.)

"Finance is becoming increasingly integrated with economics, and is drawing more widely from other disciplines including psychology and medicine," said Singleton, the GSB's Adams Distinguished Professor of Management, who takes over the editor's role in July. Appointed for a term of three years, which may be renewed once, he appointed Bruno Biais of the Toulouse School of Economics and Michael Roberts of the Wharton School as co-editors. All three "want the *Journal* to be an outlet for significant innovation, both along well-established and entirely novel research paths," Singleton said.

"The *Journal of Finance* is generally considered the most prestigious in the field. Ken's appointment as the editor of this premier journal recognizes his many achievements as a scholar and the very high standards he has shown in his research, standards that he will undoubtedly employ in his new role," said colleague **Paul Pfleiderer**, C.O.G. Miller Distinguished Professor of Finance at the business school.

"Stepping back from our normal routine as we attempt to put our hands around the whole profession is an intriguing challenge," said Singleton. "It's an exciting time to view our field from a vantage point of 35,000 feet."

Singleton is the author of 4 books and more than 60 published papers. He is president of the *Society for Financial Studies* and was a co-editor of the *Review of Financial Studies* from 2000 to 2003. His professional awards include the Smith-Breeden Distinguished Paper Prize from the *Journal of Finance*, the Frisch Prize from the Econometric Society, and the Irving Fisher Dissertation Award. He was named a fellow of the Econometric Society in 1988 and of the *Journal of Econometrics* in 1998, and has been a research associate at the National Bureau of Economic Research since 1982. ●



Scholars Confer on Finance Research

Antoinette Schoar, professor of entrepreneurial finance at the MIT Sloan School of Management, talks with **Ilya Strebulev**, associate professor of finance at the business school, during a November meeting of the National Bureau of Economic Research. Strebulev was one of the organizers of the corporate finance portion of the two-day session, held for the first time at Stanford. Nearly 100 academics from the United States and abroad took part in discussions of academic research in the areas of corporate finance, asset pricing, and behavioral finance.

Faculty Publications: *continued from page 28*

The Repetition-Break Plot Structure Makes Effective Television Advertisements
Jeffrey Loewenstein, Rajagopal Raghunathan, and Chip Heath
Journal of Marketing (Vol. 75, No. 5)
SEPTEMBER 2011

E-Mail as a Source and Symbol of Stress
Stephen R. Barley, Debra E. Meyerson, and Stine Grodal
Organization Science (Vol. 22, No. 4)
JULY/AUGUST 2011

Organizational Ambidexterity in Action: How Managers Explore and Exploit
Charles A. O'Reilly and Michael L. Tushman
California Management Review (Vol. 53, No. 4), SUMMER 2011

Time Is Tight: How Higher Economic Value of Time Increases Feelings of Time Pressure
Sanford E. DeVoe and Jeffrey Pfeffer
Journal of Applied Psychology (Vol. 96, No. 4), JULY 2011

Management a Profession? Where's the Proof?
Jeffrey Pfeffer
Harvard Business Review (Vol. 89, No. 9/10)
SEPTEMBER 2011

In Praise of Vagueness: Malleability of Vague Information as a Performance Booster
Himanshu Mishra, Arul Mishra, and Baba Shiv
Psychological Science (Vol. 22, No. 6)
JUNE 2011

Competence and Commitment: Employer Size and Entrepreneurial Endurance
Jesper B. Sørensen and Damon J. Phillips
Industrial & Corporate Change (Vol. 20, No. 5), OCTOBER 2011

Organizations as Fonts of Entrepreneurship
Jesper B. Sørensen and Magali A. Fassiotto
Organization Science (Vol. 22, No. 5)
SEPTEMBER/OCTOBER 2011

Incidental Anger and the Desire to Evaluate
Scott S. Wiltermuth and Larissa Z. Tiedens
Organizational Behavior & Human Decision Processes (Vol. 116, No. 1)
SEPTEMBER 2011

POLITICAL ECONOMY

Electoral Incentives and Partisan Conflict in Congress: Evidence from Survey Experiments
Laurel Harbridge and Neil Malhotra
American Journal of Political Science (Vol. 55, No. 3), JULY 2011

STRATEGY

Bridging History and Reductionism: A Key Role for Longitudinal Qualitative Research
Robert A. Burgelman
Journal of International Business Studies (Vol. 42, No. 5), JUNE/JULY 2011

Newsmakers

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



Theresa Gouw Ranzetta, MBA '94, courts entrepreneurs in Manhattan where she finds a critical mass for internet and software investments.

Courting Entrepreneurs in the Big Apple

New York City is where it's happening, at least on the East Coast, said Accel Partners' **Theresa Gouw Ranzetta**, MBA '94, who began commuting to the Big Apple from her home in California when the company opened a New York office.

Ranzetta, who co-heads the Eastern office, focuses primarily on internet and software investments. She concedes that there's still more consumer internet investment in Silicon Valley but told Bloomberg TV she thinks New York has now taken the place of Boston as the second most active area.

"It's very different than in '99, when there was an attempt to have Silicon Alley and it never really happened." Now there is a critical mass of entrepreneurs, she said. "If you are a great entrepreneur on the East Coast and you want to stay on the East Coast, I think these days you start that company in New York, not in Boston."

Ranzetta's frequent long-distance commutes drew the attention of *Fortune*, which

named her a "Fortune Road Warrior" and asked her for tips on how to manage a bicoastal life.

Mainly, she simplifies. She packs one-piece outfits, stays at a hotel within walking distance of most of the high-tech startups, and eliminates all paper, relying on her iPad, iPhone, and BlackBerry.

One advantage to her commute is the time difference: "I'll catch up on my emails before I start my day, because the home office is still asleep. I can power through them with minimal new emails coming in to interrupt me," she said.

Looking for Ideas on Road Less Traveled

Dror Berman, MBA '09, did well in **Eric Schmidt's** entrepreneurship class — so well that Schmidt, Google executive chairman and former GSB lecturer, is funding Berman's first startup, a tech investment fund called Innovation Endeavors. Berman, a techie with no previous investment experience, expects to spend as much as \$40 million of Schmidt's money over 4 years on a wide range of new enterprises.

"Ninety percent of the world's entrepreneurs are working on solving 10% of the world's problems," Berman told *Bloomberg Businessweek*. "We're trying to find entrepreneurs who want to solve the other 90%."

Besides investing in early startups, IE's Runway program, which it describes as "pre-team, pre-idea venture creation," selects three entrepreneurs a year, each representing a different discipline, to spend five months together coming up with a saleable idea.

The first team included **Monisha Perakash**, MBA/MA Education '03, and physician **Charles Wang**, MBA '08. "After spending 6 months full time assessing 53 different opportunities, we killed 52 of them and chose 1

that is a massive problem with true unmet needs: back pain," Perakash told *VentureBeat*. Their LUMOback, which is in beta testing, is a flexible wireless sensor that monitors and guides posture.

Athletic Discipline Helps Stroke Recovery

Intel executive **Sean Maloney**, SEP '00, suffered a stroke in 2010. An avid oarsman and "one of the world's best communicators," according to Intel CEO Paul Otellini, Maloney lost movement on the right side of his body as well as his ability to speak.

After intensive therapy, Maloney not only has returned to the water but also is speaking, albeit slowly. In January 2011, he

Most entrepreneurs try to solve the same 10% of the world's problems, says **Dror Berman**, MBA '09, founder of a tech investment fund.



TOP: PHOTO BY MICHAEL RUBENSTEIN. LEFT: TOBY BURDITT

returned to work in Santa Clara, and in July he moved his family to Beijing, where he assumed the post of chairman of Intel China.

There, he oversees 8,600 employees in 17 cities and, noted *Fortune*, can be spotted most mornings before work rowing at Beijing's Shunyi Olympic Rowing-Canoe Park.

"Rowing and coming back from a stroke actually have a lot in common," Maloney said in a video posted on *Fortune's* website. "Two of those things are patience and persistence."

Quattrone's Second Act as Investment Advisor

Investment banker **Frank Quattrone**, MBA '81, who, back in the first internet investment boom, helped young companies like Netscape and Amazon go public, is back — but not so much as an I-banker as a mergers and acquisitions consultant, and this time with his own firm, Qatalyst Partners.

Two large deals in 2011 propelled Qatalyst to fifth place among technology-deal advisors, according to *Bloomberg News*. Quattrone's firm advised Autonomy Corp. on its \$10.3 billion sale to Hewlett-Packard and Motorola Mobility Holdings on its \$12.5 billion takeover by Google.

Most of his peers also have left the business of initial public offerings, Quattrone told *Fortune*. "They're mostly in private equity firms right now and on the beach. When I had my time on the beach, I went through a period of self-reflection, and thought about private equity and doing pure charity stuff or getting into clean tech. But I discovered what I really enjoyed doing is advising great companies who want to change the world."

Asked his opinion of newer tech internet companies like Facebook, Google, and Twitter, Quattrone said he didn't "get" Twitter at first, but when his daughter was in New Zealand during a 7.8 earthquake, he found that Twitter gave him the most up-to-the-minute news. "It's not any individual tweet; it's the ability to search all those tweets to get the real-time data."

And what about a second internet investment bubble? "If



Frank Quattrone, MBA '81, celebrated his success as a mergers-and-acquisitions consultant with two large deals in 2011.

you define bubble as a company with, you know, no accomplishments whatsoever being able to go public, we're nowhere close to that," he said.

From Stockholm Linguist to Tokyo Dean

Not long after **Christina Ahmadjian**, MBA '87, finished her first full year as dean of the business school at Hitotsubashi University in Japan, she was asked what academic achievement she was most proud of.

"Getting the highest grade in my town on a sixth grade French test when I was in fourth grade. I knew then that I wanted to spend my life learning languages and exploring the world," she told the *Financial Times*.

Today, Ahmadjian, who was born in Sweden, is fluent in Korean, Mandarin Chinese, and Japanese, as well as English, and has been working in Japan for 10 years. She had been teaching at Hitotsubashi when she was tapped as the business school's second dean, making her the first non-Japanese professor and first woman to head a leading Japanese business school, according to the newspaper.

"In Japan, I'm considered a foreigner first, and no one really notices that I'm a woman.

Sometimes I remind people and they look surprised," she said. "Although things are much better than they used to be, it's still not a level playing field."

Ahmadjian advised women not to take things personally and not to get discouraged. "There is power in numbers, and we need more women in MBA programs and boardrooms."

Integrating Dyslexia into Daily Life

When **Ben Foss**, MBA/JD '03, wrote a first-person blog for CNN about having dyslexia, he also posted his first draft, complete with misspellings and misplaced letters, "to show people the work behind the curtain."

Foss has been improving the first draft throughout his life, faxing his college papers home to his mother for corrections and battling his way through two graduate programs at Stanford, thanks to a computer that read his texts aloud in what he recalls as "a Stephen Hawking voice."

Foss likes to say that frustration is the mother of invention. As director of access technology for Intel, Foss led the team that developed the Intel Reader, a mobile device that uses a variety of voices to read printed speech aloud. He is the founder and

president of Headstrong Nation, a nonprofit that serves the dyslexic community, and executive director of the national legal center Disability Rights Advocates.

"People like to say that I have overcome dyslexia. Nothing could be further from the truth. What I have overcome is the mainstream world," he wrote. "I made it through a JD/MBA at Stanford, but it was because I have integrated my disability, dyslexia, not because I overcame it. I think of it like my nationality; I am from dyslexia."

Muni Bond Misery Crosses Atlantic

"There's a lot of fog in the crystal ball right now," said **Kristin Franceschi**, MBA/JD '85, shortly before she became president of the National Association of Bond Lawyers in October.

"It's tempting to think about the municipal bond market as just state and local governments and not what's happening in Europe. The reality is we caused a recession in Europe with our financial crisis when their banks were basically still fine, and they suffered because of it," Franceschi told the *Bond Buyer*. "Now they are having a banking crisis related to European sovereign debt issues. To what extent are we really going to be walled off when we consider they are lenders and counterparties in our transactions?"

Franceschi, a public finance lawyer, took NABL's top post at a time of massive uncertainty in the American muni market — and that didn't come just from the European crisis.

In her first speech as NABL president, Franceschi said the market is affected by proposals that threaten the tax-exempt interest of muni debt. NABL may "not be in a position to fix this problem on its own initiative," she said, but the organization will continue to educate members of Congress and other decision makers.

"Use your own imaginations," she said. "There are ways of getting the significance of the proposals across short of a march on Washington."

Franceschi is a partner at DLA Piper, Baltimore. ●

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