Builders and Leaders

Master Venture Capitalist

Undergrads In Demand
Team Chemistry
New Approach To Retirement

Charles Lax
SMG '82

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Please use the attached card. Fold and seal with tape.
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Riding Out the Cycles.

Dear Fellow Alumni and Friends,

We are pleased to present this eighteenth issue of the School's magazine—the second entitled “Builders and Leaders.” The new title is consistent with the passion of the School's faculty and staff for preparing our students to build and lead, not simply to manage.

This issue's cover subject, Charles Lax (SMG '82) is just such a builder and leader. As a prominent venture capitalist, he is helping launch a host of innovative businesses which are introducing new technologies, providing new products and services, and creating new jobs. You'll enjoy reading his insights about contemporary, technology-affected business.

But modern technology notwithstanding, the United States is experiencing the first economic contraction in a decade—a reminder that the laws of economics are alive and well. Business cycles remain inevitable.

Digital technology has, however, provided some fundamental business changes. For example, computer technology facilitates much better management of inventories (now called "supply chain management"). At present, aggregate inventories in the U.S. as a percent of sales are about 20% lower than for the previous 40 years. So I, for one, expect this and future economic contractions to be shorter and shallower because the "inventory recession" that normally follows a pullback in consumer spending should be minimized.

There are a number of research initiatives underway at the School (several of them described herein) which address the effects of technology on present and future businesses, nonprofit organizations, and healthcare institutions. There is so much more to learn; we are proud that our faculty scholars are aggressively pursuing their research agendas. That ambitious research keeps our curricula fresh and relevant.

The School continues to gain in prominence. In this issue, you'll enjoy reading about our Undergraduate Program's progress and the Leadership Institute program for training executives. We owe much to our alumni and friends who provide support in multiple ways. You will read here about a number of alumni making a positive difference in their world. We delight in their stories and in bringing the School to you through these pages.

Cordially,

Louis E. Lataif
Dean
The Undergrad Program.

Tough, Distinctive, Effective.

By John DiCocco

The undergraduate program here is unlike that of most business schools. For instance, undergraduates at Boston University share the same building as graduate students. We want every student to get the full benefit of our facility (classrooms, computer labs, library, meeting rooms), the same proximity to faculty and administration, and the benefit of being part of a united School all working toward the same goal of management excellence at every level.

The program was recently ranked by US News & World Report among the nation's top forty programs. We believe increasing exposure to the differences here will elevate that ranking sooner rather than later. We believe the differences, because they are intentional, translate to advantages for our students.

The undergraduate curriculum is undergoing significant advances, both reflecting and anticipating changes in the business world. For example, three new courses were introduced this year: Electronic Commerce (an information systems course); E-Commerce and Marketing; and The Law of E-Commerce. The Management Honors Program is concluding its third successful year.

There are more choices for studying management during a summer or semester abroad, in Dublin, Lyon, or Copenhagen, or elsewhere. Unlike most business schools, Team Learning™ is institutionalized throughout the curriculum.

Not only are we seeing more recruiters, we're seeing more from America's most respected companies. And they keep asking for more of our graduates.

Boston University has the reputation of running the toughest undergraduate curriculum anywhere.

Where are we today? Professor of Strategy and Policy Melissa Schilling says, "We have a very rigorous undergraduate program here—more so than some MBA programs I've seen elsewhere. SMG students are very competitive, yet they're really good at working together. By the time I get them [she teaches senior level courses], they're quite sophisticated. I think that's partly due to the fact that we have so many international students—it gives people a much broader perspective."

She adds, "What's really rewarding is that, after
Some students call it 'management boot camp.'
It's a year-long cross-disciplinary introduction
to the field that's team-taught by professors
from diverse disciplines.

graduation, after they've been
out for six months or so,
you'll call me and say something
like, 'Wow, my boss was
so impressed I knew how to
do [this or that task].' Or
'Thank goodness you taught
us that strategic analysis tech-
nique—that was the most
important part of my
McKinsey interview.'

Unlike most business
schools, SMG undergraduates
begin management studies in
the first semester of freshman
year. In fact, they're thrown
into a cauldron with SM 121-
122, Management as a System.
Some students call it "management
boot camp." It's a year-
long cross-disciplinary intro-
duction to the field that's
team-taught by professors
from diverse disciplines.

"When they finish freshman
year, they know as much as
juniors in some schools," says
Sandra Procopio, assistant
dean for the undergraduate
program.

By the end of sophomore
year, they will have taken
micro- and macroeconomics,
financial and managerial
accounting, statistical and eco-
nomic decision-making, intro-
duction to law, organizational
behavior, and several liberal
arts courses.

By junior year, with these
basic tools in hand, they are
then "treated" to SM 323, the
Cross-Functional Core (aka
"the Core"), a semester of four
closely-tied courses in market-
ing, finance, operations, and
information systems. It's the
most demanding semester of
their four years. The object is
to conceive a consumer prod-
uc and develop a soup-to-

High-performing teams learn how to
put personality-based problems aside
and create an "all-on-the-same-page"
attitude. At the end, they have a
strong grasp of launching a business.

Teams drive performance.
Team Learning™ is a crucial
aspect of the Core (as well as
many other courses). The fac-
ulty picks the teams and bal-
ances them by gender, knowl-
edge, nationality, and per-
ceived functional strength.

Grades are based on both individ-
ual and team performance.
If a single team member isn't
pulling his or her weight, the
team must take action.
High-performing teams learn how to
put personality-based prob-
lems aside and create an "all-
on-the-same-page" attitude.
At the end, they have a strong
grasp of creating and launch-
ing a business.

"It's a shame every alumnus
can't see the business
plan presentations," says
Procopio. "As a group, the
presentations are terrific.
The ideas are sharp—the reasoning
sound—and very well def-
ended. They've spent a semester
challenging themselves, doing
research and product testing in
the street and in the dorms,
and continually refining their
plan under the tutelage of
four professors."

A defining course.
More than any other,
this course probably defines
the SMG program and sets it
from all others. The best plans
each fall semester from SM323
are nominated for the School's
AT&T Best Case Scenario
Competition, the finals of
which are in the following
quarter. A few teams actually
convert their plans into real
businesses, although that's not
the intent.

In their senior year, stu-
dents have a required strategy
and policy course and fill in
with electives in their chosen
concentration.
Professor Peter Arnold of
operations management asks:

"Why does General Electric
sponsor a Team Learning
Center here? Why does AT&T
sponsor the product develop-
ment challenge? They're com-
mitted to management excel-
lence and they want closer
access to our high quality stu-
dents."

"I've had recruiters come
down to hire undergrads to
complement the MBAs they're
hiring from other schools,"
Arnold says.
All this, and Honors too.
Finance and Economics Professor Michael Salinger heads up the Management Honors Program, to which the top ten percent of each incoming freshman class is invited. "They're diverse in interests, but they're all highly motivated—and they're active both in and out of class. One of our students freshman year did marketing studies for a startup software company. There are many stories like these."

Changing for the better. When the curriculum was first being redesigned about twelve years ago, the faculty had a sense things could be better. There was little connection between classes—each professor was his or her own island.

"We've learned overall that what we teach here is hard to teach—it requires what most schools won't force themselves to do, and that's communicate and collaborate across departments."

There was no formalized progression other than requirements for each concentration. Concurrently, there was change in the air in corporations. There was talk of flatter organizations. The infiltration of personal computers was changing the office landscape. Total Quality Management (TQM) was a mantra for many.

Arnold has taught undergraduates here since 1987, and served on the early planning teams. "We thought if we could better structure the curriculum as a united whole—where we'd have frequent communication between departments, and a team that designed courses together, across disciplines, we could teach better, and produce better graduates."

Four main goals. Arnold cited four main goals.

1. Identification of students who would commit to learning management. That required a good dose in the freshman year. If a student wasn't meant for management, or didn't like it, he or she could transfer out and not lose much time.

2. Teach the interdependence of functions.

3. Adding TQM concepts was important, particularly basing decisions upon reliable data. We had to teach how to gather, interpret, and then act upon the data.

4. Adding a dimension of ethics. Many business decisions are not black-and-white; they have ripple effects for individuals, communities, and even nations.

Team learning was essential.
The first result was SM 121-122. The faculty built it out from there.

Arnold concludes: "We've learned overall that what we teach here is hard to teach—it requires what most schools won't force themselves to do, and that's communicate and collaborate across departments. In all these courses, the faculty work together—that makes a huge difference in the end."

The curriculum continually evolves. Over the years, courses have been added, deleted, or drastically altered. "A curriculum is never finished," says Senior Associate Dean Mike Lawson. "We keep looking ahead at what skills organizations will need in the near term future, and we adjust accordingly, without undermining our academic discipline. It's always a moving target. The School's many research centers and institutes, working with major corporations and startups from around the world, enable us to anticipate change early, and plan for it. That's why we were among the first to initiate genuine teaming skills (not simply group work). And why we started placing such an emphasis on information technology—and that was a dozen years ago."

The future is in good hands.
Assistant Dean Procopio says the next generation of managers will be different. "The newer students seem more focused and prepared than five years ago. They’re certainly more savvy in terms of technology."

The quality of our incoming international students has definitely risen, too, Procopio notes. "Ever since we raised the minimum TOEFL level to 600, there's been a dramatic change both in the classroom and in team sessions. Language isn't the barrier it once was."

"Another change that really pleases me," Procopio continues, "is that we're seeing more people concerned about social issues. They're more interested in service, in volunteering, and making a difference in the life of their community. That's a good sign for all of us."

http://management.bu.edu/upo
Team Chemistry.

TLO Workshop Builds Skills.

BY WILLA MUELLER

On February 10, the School of Management atrium was an epicenter of creativity and productivity. The event was the first Dynamic Team Management Workshop, coordinated by the School’s Team Learning Organization (TLO). Nearly 120 students, eager to test their team chemistry, filled the SMG atrium to participate in the day-long experience. According to TLO president José Almirall (SMG '01), a critical factor in the event’s success was the cooperation and coordination of diverse groups of people. “We involved the outside community, members of every class from freshmen to seniors, and the faculty.” The workshop proved to be an innovative vehicle to relay the TLO’s objective, communicating and evaluating team dynamics, through a series of lectures and breakout sessions.

The workshop proved to be an innovative vehicle to relay the TLO’s objective, communicating and evaluating team dynamics, through a series of lectures and breakout sessions. The guest speakers included seasoned business professionals, new entrepreneurs, and students. Their success and varied backgrounds gave students a broadened sense of understanding about the role teamwork plays in different business venues. Victor Gerdes, Senior Product Manager at Parametric Technologies Co., spoke about leadership and cross-functionality in a high tech environment. Mario Pani (GSM '00) of GoTradeSeafood.com, and Raul Aldrey, of Razorfish, Inc., discussed motivation and leadership in an entrepreneurial Internet environment. The event’s final speakers were the award-winning SM 323 Core Team of Fall 2000. The group related how communication, organization, and team dynamics affect SMG students, especially those who would be soon entering the same course.

Each lecture was followed by a breakout session; during which the student teams participated in problem-solving activities. Because they were required to enroll for the event with at least three members of their actual academic teams, the exercises not only provided the opportunity for students to evaluate their contributions to their group, it allowed them to observe and improve their team’s dynamics. One activity required participants to complete the escape scene of a James Bond-type movie, given only the preceding events and certain props. The session challenged the teams’ creative and strategic thinking, and gave them the opportunity to gauge their adaptability and response to a predetermined environment.

In addition to the recent workshop, the TLO collaborates with the Starlight Foundation to arrange OB Community Service Day, which involves all sections of the School’s organizational behavior classes, and holds regular events at Boston University’s Sargent Camp in New Hampshire. They provide group counseling for student academic teams, and distribute an undergraduate survey to evaluate students’ feedback about the School’s team learning system as well. Sponsored by the Center for Team Learning, the TLO was founded by students in 1998 to create opportunities to establish team unity and trust. The Dynamic Team Management Workshop fulfills this objective, and also allows them to exercise what they learn inside their classes in an ungraded atmosphere. Based on its initial success, the organization plans to hold the Workshop annually. Almirall says, it’s critical that students be better prepared for work outside of school because “within SMG, students have the opportunity to learn many skills and tools from class work, but the one skill that is consistently brought up in interviews is the ability to interrelate and work with other people. Knowing the dynamics of effective teaming is a key prerequisite for real competence as a leader.”
Quarter Century, Full Leadership.

PNP MBA Program Celebrates 25th.

BY MATTHEW BELLECO

Back in 1975, disco and polyester jumpsuits were big. They’re gone now. But some things never go out of style, like establishing companies that place service ahead of profit and create value beyond their stock price. On March 30, the Public and Nonprofit MBA Program (PNP) marked its twenty-fifth anniversary with the special conference, “Civic Leadership: Is There a Crisis?”

Viewed as a way to spark a dialogue among today’s public and business leaders and celebrate the program’s social vision, the panel addressed topics such as political service, social entrepreneurship, and venture philanthropy. The panel featured Ira Jackson, Director of the Center for Business and Government at the Kennedy School of Government at Harvard University; Hubie Jones, Special Assistant to the Chancellor for Urban Affairs at UMass Boston; and Jyothi Nagraj, Executive Director of City Year Rhode Island. Former Massachusetts State Senator Patricia McGovern, Executive Vice President for External Affairs at CareGroup, also joined the group. Moderated by Harry Spence, Senior Advisor to the President of The College Board, the panel later opened the floor to questions from SMG faculty, administrators, students, and community leaders in attendance.

Nearly 80 full- and part-time students are currently pursuing their PNP MBA degree and, since its inception, over 500 graduates have passed through the program. They currently work for some of the most prestigious companies and organizations across the government, nonprofit, and for-profit sectors, including the United Nations, The World Bank, Oxfam America, EMC Corp., and the American Ballet Theater.

“Today, in order for a nonprofit to survive, it’s necessary to run an organization more like a business and our students are able to do that with their MBA background.”

“Today, in order for a nonprofit to survive it’s necessary to run an organization more like a business and our students are able to do that with their MBA background,” says Sally Locke, the program’s assistant director. “Within the last five years PNP has tried to design our courses to take more of a cross-sectional approach, teaching our students how the three sectors, public, nonprofit, and private, interrelate and support one another.”

The PNP program also requires an internship in either a public or nonprofit organization and encourages team-based consulting projects. One such project was the first annual BU MBA Link Day, sponsored by the Public and Nonprofit Management Student Club. On April 20, students, community members, and professionals gathered to help improve three Boston-area nonprofits. Each organization was paired with a consultant group consisting of PNP students, an SMG faculty member, and a business leader.

“The benefits were very tangible; the nonprofit companies walked away with a meaningful deliverable—a business strategy and implementation plan—and students gained added experience by applying their strategic thinking to real situations,” says Jennifer Meyer (GSM ’02), co-chair of the PNP Club. “The event gave the field’s future leaders a shot at problem-solving and taught that good civic leadership within a community is vital.”

After the panel discussion, the distinguished John Russell Award was given to Kristen McCormack (GSM ’92). Named after one of the PNP program’s founders, the award is annually given to an alumnus who contributes to the betterment of profession, community, and the program.

http://management.bu.edu/qpo/pm
MBA Applications Jump 22%.

Program's Popularity Grows.

The GSM graduate admissions team was overwhelmed this spring—and loved it. Applications for our 2001 MBA programs increased by 22%. Applications for all the master's programs, including MBA, MS•MBA, MS in Information Systems (MSIS), and MS in Investment Management (MSIM), increased as a group by 18%.

"We think a number of factors influenced what happened this year," says Dawn Galolo, acting director of MBA admissions. "First of all, we're starting to get some recognition in the rankings, although we believe they still lag reality by a wide margin. Second, the new MS•MBA program is striking a nerve in what people really want. (The MS•MBA offers two degrees simultaneously, an MS in Information Systems plus a classic Boston University MBA, all in the same time it takes to earn a full-time MBA alone.) Third, people have heard how much salaries increased last year for our graduates." (There was a 30% jump for Boston University MBA salaries in 2000.)

"A larger application pool means we can be increasingly selective," says Galolo. "Our incoming GMAT scores have risen steadily the past five years. The word's been getting out about the program, Team Learning™, the research initiatives, and the great facility we have here. Most people who come to visit and sit-in on an MBA class are very impressed with the quality of our faculty and students. And they're knocked out by this building."

Another factor is finances. "We've really been aggressive with financial aid the past few years as well, so we can compete more equitably with any school," says la Vang, assistant director for financial aid. "For example, we expect our very strongest applicants to be looking at the MS•MBA. That program requires an extra semester's work crammed into the same time schedule—and that also means an extra semester's tuition charges. But we're working hard to get that fifth semester covered by a number of personal and corporate sponsors who strongly believe in what we're doing."

Within these groups there was a particularly marked increase in applications for the Public and Nonprofit Management MBA. The program's assistant director, Sally Locke, attributes the increase to "a greater awareness of social needs among people today. They're seeing they can have a great career and give something back to the world as well. And they see our program as a way of enhancing their success both ways."

Keep an eye on this School. We're on a great run.

Shanghai Express.

As we go to press, the new International Management Program-China has gotten off to a fast start. The first class of approximately 35 will begin their MBA studies in Shanghai this summer, and those continuing on will come to the Boston University campus this fall.
Doing Well. Doing Good.
Health Care MBA Manages Both.

Everyone from politicians to patients are currently trying to decipher the United States health care system. On March 28, the Health Care Management (HCM) Program Alumni Association and Arthur Andersen sponsored “Doing Good While Doing Well in Health Care,” a panel discussion that examined the strain the US health care system is currently undergoing, and the profession’s options for upholding quality medical service.

Moderated by HCM Program Director Alan B. Cohen, the discussion panel included Eugene Hill, General Partner at Schroder Ventures Life Sciences; John O’Brien, CEO of the Cambridge Health Alliance; Robert Restuccia, Executive Director of Health Care for All; and Ellen Zane, Network President of Partner’s HealthCare System, Inc.

“There are large external forces, such as the government and market competition, placing extraordinary pressure on the margins of insurers, hospitals, and other health care providers,” says Shawn Farrell, alumni association president. “These forces eventually affect health care service and who has access to it. The bottom line is to balance these influences and still provide the highest quality medical care.”

The discussion consisted of opening comments from the panelists, a question and answer roundtable, and an open question period for the nearly seventy students, alumni, and health professionals in attendance.

Panelists reflected upon a variety of topics, including the development of community-based health programs, and the use of venture capital to develop high cost medical technologies that improve quality of life. The topics are familiar and intriguing for alumni and students.

“The program’s curriculum weaves a first-class MBA education into the health care context, so students emerge with a better understanding of the delicate interplay between business principles and health service delivery,” says Farrell.

The discussion was part of an ongoing lecture series concerning the health management field. Accredited by both the ACEHSA and AACSB, the Health Care Management Program is recognized as one of the nation’s leading health management programs and currently ranked twelfth in the most recent U.S. News & World Report survey.

http://management.bu.edu/qpo/hc
Net Impact Case Competition.
A Banker’s Quandary.
It’s 1984. A new CEO is coming to take the reins of a national bank with a history of generous local institutional philanthropy. But the new CEO has been pressed to find more cost efficiencies in his organization and competitive pressures are squeezing every dollar. Does the bank have a responsibility to give back to the community? If so, what criteria should it use in making such donations? What are the consequences to all stakeholders?

Such is the gist of the case tackled by fifteen MBA teams in the sixth annual Boston University Net Impact Case Competition, organized by Danielle Brandt and Allen Chang. Adventis and EMC Corporation were gold sponsors.

The teams were given the case in staggered times on Thursday, March 22, corresponding to their presentation times the following morning. On Friday, 17 judges from local companies and members of the School’s faculty chose four finalist teams, who polished their work and then re-presented that afternoon. The $5,000 winner’s prize went to Bree Bernt, Glen Daraskevich, Joel Janney, Chris Jones, and Rob Newbold.

This year’s ceremony had an intriguing twist when a group of nine- to fourteen-year-olds from the Citizens Schools program founded by Ned Rimer (GSM ’95), gave a synopsis of the case as the opening to the finals.

Getting Down to Business.
EMI Business Plan Competition.

They were all first class proposals,” said Entrepreneurial Management Institute Director Peter Russo, “but the judges did eventually choose a winner.” The event was the second annual EMI Business Plan Competition, an evening of presentations by three finalists chosen from among those MBAs who submitted plans to a panel of SMG faculty members.

First place and $5,000 went to Cheryl Ryder (GSM ’01) for Carbon Engines. It’s a plan for developing a molecular switch that offers storage and switching capabilities vastly outpacing those of the conventional silicon chip. The switch (essentially a 200-gigahertz chip) is formed from a grid of carbon nanotubes and silicon wires, and manufactured with fairly simple laboratory equipment. Nanotubes are a phase of carbon resembling rolled-up graphite and are found in soot. Their lightness, strength, and conducting properties make them ideal candidates for new semiconductor materials. Current efforts involve assembling a multi-layered grid of nanotubes and silicon wires that will store memory and perform truth table operations—that is, function as a microprocessor.

SAI Networks developed by Vick Vaishnavi (GSM ’01) won second place. SAI will provide software solutions for provisioning optical services over multi-vendor equipment for the burgeoning optical networking market. The company’s solution will offer telecomm providers approximately 76% savings over internally developed self-integrated solutions. The company’s software will be developed using proprietary algorithms that will be patented as intellectual property.

Third place went to David Berman (GSM ’01) who developed Social Entertainment Network, (SEN) an online networking forum enhanced by the latest technologies. People will use SEN to meet new people and maintain ongoing relationships. The service provides its customers with a virtual experience that is similar to socializing face-to-face.

The sponsors of each prize presented the awards: First by Bill Holodnak, J. Robert Scott; second by Andy Tsao, Silicon Valley Bank; and third by David Gammell, Brown, Rudnick, Freed & Gesmer. The judges were Gitta Kurlat, Kurlat Associates; Charles Lax, Softbank Capital Partners; and Richard Cohen of Capital Properties Associates.

http://management.bu.edu/research_center/emi
At Their Best.
Undergraduate Student Recognition Awards.

Future builders and leaders, our current students, were honored on November 17 at the School's Undergraduate Student Recognition and Awards Ceremony. Of the many honored, the following highlights capped the day's celebration:

Daniel Krause (SMG '01) won the Albert Grace Prize, presented to the best all-around senior student. Krause, president of both the SMG senior class and the School of Education student council, also received the Scarlet Key Scholarship.

Jacqueline Morris (SMG '02) received the Charles H. Palmer Scholarship, given annually to the best all-around junior and established by Phyllis Palmer Thomas in memory of her late husband. The Allen E. Beckwith Scholarship was awarded to sophomores Aarathi Agadi, Molly Bennard, Eric Kaplan, Anjali Ramachandra, S. Christopher Szczerban, and Eli Zybert for their leadership potential and academic performance as freshmen in SMG core courses.

Winners of the AT&T/SMG 2000 New Product Challenge for new product and business plan development include Jaclyn Anemone, Cora-Leigh Antonowicz, Sarah Cruz, Nathaniel Howe, Barry Klein, Adam Rybczyk, and Paul (Yet) Sam. James George and Gregory Tate won the Investment Challenge 2000, a stock market investment contest, while Robin Zaragoza received the Wall Street Journal Award for student achievement.

Incoming freshmen were also honored. The Boston University National Merit Scholarship went to Ryan Fulmer and Mary Schulz. The Boston High School Scholarships, given annually to local students of academic excellence, were awarded to Nina Chan, Amy Cheung, Peter Chong, Ngan Le, and Thuy Ngan Nguyen.

“The awards link the past, present, and future of the School in a great event.”

The awards embody the importance of friendship within the School community and giving back to others and show students that alumni gave of themselves for their benefit,” said Marcia Novak, assistant director of university stewardship development. “The awards link the past, present, and future in a great event.”

The recipients shared the event with Deans, faculty, parents, and many of alumni contributors and their families.
There's always important behind-the-scenes work going on in the School. Today there are approximately fifty-five students enrolled in the School's doctoral (DBA) program, each delving into a very specific issue that might eventually impact the art or science of management. Each issue, we'll highlight the work of a few selected DBA students.

Social Networks in a High-Technology Start-Up Organization.
Lynn Bakstran, working in the strategy and policy department, is investigating how the informal organizational structure, which consists of social relationships among employees, facilitates the sharing and creation of knowledge. "It's my belief that different types of networks vary in their ability to facilitate knowledge sharing and creation, which in turn influences organizational success. While there's a considerable body of research on organizational social networks, little is known about the link between social networks and organizational success, or social networks and knowledge sharing and creation."

Previous research reveals that when knowledge is shared in social relationships among members of large organizations, five basic informational benefits are sought, and distinct sharing patterns are formed. Bakstran is currently looking into whether the same five components are shared in similar patterns in a successful, entrepreneurial organization. "To investigate this question, I sent surveys to the twenty-one original engineers of a high-tech, start-up company that went IPO three years after founding, hitting a first trading day market valuation of over five billion dollars. The engineers indicated how frequently they sought the five different knowledge benefits from the other members of their group. I'm using social network methodology to analyze the patterns of knowledge sharing. Then I'll compare my results with results from a similar, previous study in a large organizational setting. What I expect to find is that knowledge creation and sharing in entrepreneurial organizations differs from that of large organizations."

Bakstran did her undergraduate work at the University of Vermont, majoring in engineering. She has worked at Digital Equipment in sales.

Small Multinationals in Global Competition.
Tatiana Manolova is working in the strategy and policy department, and is interested in the effects of global competition on small companies. Global competition has been conceptualized as the exclusive domain of large corporations. Recent developments in the international business arena, however, are challenging this view. International trade liberalization, favorable political climate, advances in international travel and communications, and a global mobility of factors of production have brought down national market barriers and have made it easier for small businesses to inter-
nationalize. Small companies, especially in the high technology industries, increasingly need to consider sales to a global market segment in order to recoup accelerated development costs. Not only are small and medium-sized companies active exporters, they also establish production, sales, service, R&D or other affiliates abroad, emerging as instant multinationals. The 1997 Organization for Economic Cooperation and Development synthesis report estimated more than 235,000 small multinational corporations in the OECD countries alone. This number is expected to grow continually.

According to Manolova, "Companies experiencing rapid internationalization tend to be clustered in several industries: computers and associated peripherals, software, industrial electronics, medical technology, and specialty chemicals. Since small multinationals enter global competition in increasing numbers, yet are not uniformly distributed across industries, it follows that some inherent industry structural and competitive characteristics favor the entry of small multinationals. Hence the research question guiding my work is: What industry structural and competitive forces (a) promote and (b) impede the emergence of small multinationals?"

Her work has three intended contributions. First, to apply concepts and relationships from the industrial organization paradigm and the theories of the multinational from international business research in order to explain the emergence of the small multinational enterprise. Second, to develop a theoretical framework explaining the emergence of small multinationals from an industry perspective. Finally, to suggest some of the distinctive patterns of emergence of small multinationals in different types of global industries.

Manolova has a BS in international business from the School of Economics of Sofia, Bulgaria. Her professional experience includes managing a cosmetics division of a state-held company and an independent start-up.

The "Invisible College" in Knowledge-Intensive Work.

Rob Cross is working in the organizational behavior department researching the relationships that comprise a person's information environment; he or she turns to for various informational needs. His primary research question is: Does the quality, maintenance and use of information-based relationships impact individual performance?

Definition: What are the salient characteristics of information-based relationships?

Process: What is the process by which such relationships develop and are maintained?

Function: How are such relationships employed in problem contexts?

"I started the program four-and-a-half years ago, coming from Arthur Andersen with a fairly heavy consulting background. I wanted to look at the intersection of organizational behavior and information technology with a specific emphasis on knowledge management (KM). I felt that many early KM initiatives focused almost exclusively on information technology and codified knowledge and so missed performance improvement opportunities from knowledge embedded within networks of employees. Despite advanced technical solutions employed to manage organizational knowledge, we continue to find that people are often more reliant on other people than on databases when seeking information or knowledge."

Cross joined the Institute for Knowledge Management 18 months ago as a research fellow. This is an IBM-sponsored group of over 40 companies and government agencies formed to study knowledge management. Out of these companies, Cross has organized and leads a sub-group of 28 companies and government agencies to study social capital and means of improving knowledge creation and sharing in social networks. "I essentially leveraged portions from the qualitative part of my dissertation and have been developing and testing various models with organizations in this group. To date, I've done more than 30 social network studies and consulting engagements for organizations and government agencies." He says, typical business issues addressed include: 1) promoting knowledge sharing in networks that cross functional or hierarchical boundaries (e.g., new product development); 2) post-merger management and network integration; 3) facilitating development of communities of practice; 4) designing organizations to support strategically important networks; 5) promoting alliance effectiveness via social networks.

Cross has a B.S. in business administration and an MBA, both from the University of Virginia. Previously, he was a manager at Arthur Andersen and a commercial lending officer at NationsBank. This March he successfully defended his thesis and will receive his DBA on Commencement Day.

Henderson Named to Chair.

Professor John Henderson, left, was honored as the first recipient of the Richard C. Shipley Management Chair by Richard Shipley, CEO, Shipley Company.
Building Leaders.

The Leadership Institute.

BY JOHN DiGIOVANNI

Increased competition, speed, globalization, new technologies, and multiple alliances of the evolving economy require fundamentally new business models. Leaders will need to continually test old assumptions, and discover, practice, and implement new skills and strategies that meet the challenges of our rapidly changing world.

The Leadership Institute at Boston University is a high-impact, fast-cycle learning initiative, designed and tailored to maximize the opportunities for each executive to discover the new approaches and capabilities they'll need to thrive in their new roles. The participants are executives from prominent companies facing compelling and difficult challenges. They work with a select group of master teachers (both academic and corporate) who serve as facilitators in the learning process.

The Leadership Institute collaborates with a wide array of experts and leading companies to create an environment that allows the quick development and application of knowledge. It merges the strategic needs of the firm with the learning and knowledge-generating capability of academic institutions.

This collaboration is one in which knowledge is co-created by the Institute and companies working together. It's knowledge that produces immediate results in areas such as fast-cycle customer responsiveness, leading in the new economy, real options, and driving organizational transformation.

The Leadership Institute was founded at the School in 1988. It was developed specifically to leverage the learnings from our corporate partnerships and research centers in the areas of executive development, technology and strategic alliances, enterprise management, and strategic human resources to help propel high potential executives to the next level in their organization.

Says Professor Lloyd Baird, institute director, "Our executives come from highly successful for-profit companies such as Pitney Bowes, Hewlett Packard, and Giant Food, as well as those with their own substantial niche in the nonprofit sector such as United Way and the Enterprise Social Investment Corporation. In addition to our own expertise in the public and nonprofit sectors, the diverse group of executives brings a wide range of conceptual and experiential brainpower to the table."

"In any of our learning partnerships, we address leadership in the context of strategy, and it's always applied to actual concerns, nothing abstract. We talk strategic choices, new economy, how to move faster and quicker. We always focus on a real application, a specific objective."

According to Carol Hoopes, Associate Director "We help companies bring executives up to speed more quickly," she says, "helping them gain a sense of the enterprise as a whole. We bring people in as Institute fellows, where they work with us for nine months. We have a framework developed, which allows for a mix of small working groups as well as broader..."
opportunities for learning from high level executives. We carefully select a group of diverse companies which intentionally broadens every participant’s exposure to new ideas.

“In addition to group work, we work with them one-on-one in their corporation. We also provide a communications coach, Eda Roth, who works with each individual on executive presence, which often enables the executive to communicate more effectively to a higher level within the organization.” According to Hoopes, “After working with Eda, executives not only speak more effectively, they literally take on a greater executive presence which enables them to articulate their objectives more clearly, and be more confident of connecting with others at all levels. This is particularly important as executives move to broader roles within the organization where the ability to rally others (subordinates, peers, and bosses) toward a common goal becomes critical.

“We’re set up so we can customize a very specific program for a particular vice president who may need more work in a particular area,” Hoopes continues. This often includes working with an executive coach within the individual’s corporation who has done an extensive assessment of the person’s leadership capabilities. “Companies that want to advance have to pay more attention to leadership development,” says Baird. “In fact it’s integral to running any business.”

Through the School of Management’s other centers, including the Bronner E-Business Center and Hatchery Center for Team Learning, Entrepreneurial Management Institute, Executive Development Roundtable, Human Resources Policy Institute, and the Systems Research Center, the Leadership Institute can also put together specific expertise to address an executive’s needs. The School’s Centers tap the expertise of a number of the School’s senior faculty, many of who have extensive relationships with corporations. In addition, each Center or Institute has up to forty member corporations with which they meet on a regular basis to discuss leading edge issues.

One of the most recent examples of the School’s corporate partnerships on which the Leadership Institute draws is the work with the Lucent Corporation that has funded a major research initiative to look at the topic of communications mobility and its broad implications.

The potent combination of academic excellence and corporate needs clearly helps the School identify trends early on. Such contacts led to the creation of our new Institute for Leading in the Dynamic Economy (See sidebar.)

Client companies working with the Institute may send one executive, several in sequence, or a group at a time. Since each company has different needs, and each executive has a different skill set, the LI generally has to customize a program to best help the company and individual meet the objectives that will most benefit both.

Other business schools may have one or two research centers, but as part of a research university, the School of Management has several, all the better for concentrating firepower on specific functional areas in depth. At the same time, says Baird, “Because we look across all the functions, we can bring a cross-disciplinary approach few could hope to match. This is all about partnership. We deliver ‘dead on’ what the company and the person needs.”

Baird says he sees three current issues and three future developments that clients want...
While learning what it takes to succeed in this dynamic economy is critically important, the real challenge is uncovering the models, behaviors, and assumptions that are no longer valid and accomplishing the un-learning of them. This can't be taught; it has to be seeded and experienced.

The unlearning and learning should be cultivated by engaging leaders in the process of discovery, experimentation, and application.

**Director of Technology**
**Lucent Technologies**
**(Previous Participant)**


Students begin to take seats for the “Financing In The New Economy” session of E-Day, where speakers shared wisdom about electronic commerce.

Wireless. So Far It’s Clueless.

**Mobile Internet Initiative.**

Where is wireless headed? Who will win the battle to create the next wireless Internet standard? What will the technology look like—what services will it provide? What do consumers want?

Professor Nalin Kulatilaka of the finance and economics department is tackling these and related questions head on. The data is shaky, to say the least. But the prize is immense.

As director of the Global Mobility Initiative, he heads a $10 million research program that is examining the business potential of the mobile Internet. Funded by Lucent Technologies (which gave $5 million to the School of Management and $2.5 million each to INSEAD and London School of Business), Kulatilaka and his colleagues are trying to predict consumer behaviors with results that will reach into the multi-billions for the winners.

Kulatilaka’s first challenge is creating a reliable “mobile consumer lab,” where marketers can conduct carefully controlled studies. Using a medical model where user identities will be shielded from the experimenters, the professor is hoping to remove as many variables as possible. The team is enlisting the help of travel and financial industries, among others to test marketing messages on wireless devices.

The biggest hurdle, however, lies in finding the right carrier. Currently, carriers aren’t particularly researcher-friendly. That is, their usage data, billing data, and location data tend to be in different places. Plus, says Kulatilaka, “We have to guess which technology platform is most on target, in order to use it to simulate other potential offerings.”

On top of all this, it’s extremely difficult to project actual usage. “We can ask people if they’d like feature X or Y,” says Kulatilaka, “but when they aren’t paying for it yet, or trying it out free in an experiment, how do we know they’ll sign up for it when it has a cost attached?”

Kulatilaka hopes to have his first results by mid- to late fall. We’ll check back in a coming issue of Builders and Leaders.
A diverse group of leading professionals and academics spoke at the School of Management during the semester. The speakers shared their insight in a variety of settings, from the classroom to special events, including the Marketing Department's Distinguished Speaker Series and the Healthcare Management and Policy Program's lectures.

Bernie Jaworski, co-founder of MarketSpace, discussed issues facing his industry with Patrick Kaufman's Marketing class on April 6. MarketSpace is a Monitor company that uses technology and new media to create new businesses and business opportunities.

On April 25, the Marketing Department's Distinguished Speaker Series continued with Kevin L. Keller, E.B. Osborn Professor of Marketing at the Amos Tuck School of Business, Dartmouth College. Keller discussed the effects of ingredient branding strategies on host brand extendibility. Also in the series, Associate Professor of Marketing Peter S. Fader of the Wharton School, University of Pennsylvania, addressed concerns facing his field on May 9.

David Silk (GSM '94), managing director at Korn/Ferry and member of the 1980 US Gold Medal Hockey team, addressed networking strategies at the Career Center's invitation. The former star Terrier spoke to graduate students on January 18 and undergraduates on February 8.

Simon Garfinkel, chief scientist at Broadband2-Wireless and CTO at Sandstorm Enterprises, spoke to Jesper Johansson's Information Systems class on February 26. Garfinkel discussed security at IBM and recent changes within the company. Ehrlickman appeared as part of the Career Center's ongoing Lunch Series with top business executives.

Jody Hoffer Gittell, entrepreneurial and service management professor at Harvard Business School, spoke on coordination mechanisms, relational coordination, and performance in care provider groups. Her February 6 talk to students and faculty was co-sponsored by the Healthcare Management Program.

David Russo, executive vice president of BuildNet, discussed unique approaches to human resources with Fred Foulkes' Organizational Behavior class on March 29. On February 22, Sue Comeau, executive vice president of Human Resources, State Street Corporation, spoke about how her company deals with employee privacy issues and the use of technology in the workplace.
Medal Round.

SMG Student Golden Down Under.

BY MATTHEW BELLICO

Oh sure, the School of Management didn't send any athletes to compete in the 2000 Summer Olympics in Sydney, Australia, but that doesn't mean SMG wasn't well represented at the Games. Karen Brzozowski (SMG '01) extended her Boston University study abroad program and, like thousands of others, dedicated herself to the Olympian task of managing the world's premier sporting event.

Brzozowski, a Reading, Pennsylvania native, was only supposed to be Down Under until her semester ended in May 2000, but her internship with the Sydney Olympic Committee proved an opportunity too golden to leave. "I spent a lot of time preparing for the Games during my study abroad and it seemed a shame not to see my work fulfilled," says Brzozowski. "I discussed the situation with my SMG professors and they all agreed the opportunity was too valuable to pass by, even if it meant me missing a semester."

Though she had never rowed or kayaked a day in her life, she became a venue operations coordinator at the Sydney International Regatta Center at Penrith Lakes, a man-made gem outside of the host city. While gaining a respect for athletes who work paddle and oar in hand, she helped oversee the logistics of keeping the venue afloat in case of myriad possible problems. The least of which were timing malfunctions for races, while the most ominous was the potential threat of terrorism.

"There was so much hype about possible terrorism, we were always asking ourselves what if and conducted simulations of possible scenarios throughout the summer. We had to satisfy both the need for safety and the necessity of running the events smoothly and efficiently," says Brzozowski.

However, there was a lighter, and much wetter, side to maintaining spectator services. Rowing is a very weather sensitive sport and excessive wind can wreak havoc with performance times, often causing races to be delayed (to assure athletes the fairest results and the fastest times.) "The last day of competition, wind pushed start times back by hours and spectators who entered the bleachers at dawn to find good seats couldn't stand the wait and the heat," says Brzozowski. "Many jumped in the lake and started swimming around both in protest and exhaustion. We didn't see that one coming."

Away from the country that gave us Crocodile Dundee, Brzozowski remains very active. She is currently a Peer Advisor, President's Host, and co-head teaching assistant of SM 122, Management as a System. Under the tutelage of Professor Peter Arnold, she helps brainstorm workshops and labs for freshmen and directs the course's student teaching assistants. "Karen has extraordinary enthusiasm and brings great spirit to everything she does," says Arnold. "She takes an optimistic view about life and strongly believes hard work pays off."

Brzozowski, whose journey to Australia included stops in Thailand and the Cook Islands, wants to explore a little more of her world every day. If it's South America or the South End, it matters little. Says Brzozowski, "I've come to appreciate every single day since I've traveled. Exposing myself to new ideas and perspectives, learning about life, is really what's important. These experiences, brought into the classroom, make it richer."

"I spent a lot of time preparing for the Games during my study abroad and it seemed a shame not to see my work fulfilled."
Mr. Ross Goes to City Hall.

GSM Student Becomes City Councilor.

Seven years ago, Mike Ross (GSM ‘01) sat huddled in a small building in Boston’s Franklin Park Zoo, where he worked as a groundskeeper. He poured over GMAT study guides amid the winter snow that pelted the city. But when the winter of 1994 melted into spring, Ross’ father helped the recent college grad find a position with the City of Boston. Ross scored well on his GMAT and soon he was on his way to graduate school, thanks to a City program that allows employees to attend either Boston University or Northeastern part-time free of charge.

“My first job at City Hall was entry level,” says Ross. “I helped coordinate the online technology department.”

“When I got the job, I was excited and I remember a family friend telling me ‘It’s good to have enthusiasm, but never mistake enthusiasm for competency.’ That’s always stuck with me.”

Ross worried little about his capabilities and with good reason. He quickly rose from his tech support position to Mayor Thomas Menino’s advance man, coordinating his travel schedule and local appearances. After a successful two plus years, Ross returned to the technology department as director of online services and quickly began rebuilding the site, which had fallen into virtual disrepair.

Upon his return, the City garnered a “Best of the Web” award from Government Technology Magazine. But his exposure to city politics under Menino still captivated him and, in 1999, he decided to run for city council in his home district, an area that includes Boston’s Beacon Hill, Back Bay, Fenway, and Mission Hill neighborhoods.

“I learned the value of public service from my parents at an early age,” says Ross. “My father did youth outreach in some of Boston’s toughest neighborhoods and took me along as a child. I learned a person’s job can and should have a moral component. Politics can have that meaning.”

Though outspent on the campaign by a 4:1 margin, he won a seat on the council and, at 28, became the city’s youngest representative. “I really owe my success to the

“I learned a person’s job can and should have a moral component.”

“I learned a person’s job can and should have a moral component.”

Mike Ross at Boston City Hall.

“...I learned a person’s job can and should have a moral component.”

“...I learned a person’s job can and should have a moral component.”

Hill, a neighborhood spanning the city’s 1st district, from Menino’s re-election in 1997, Ross worked to get the construction permit, fought for the project and worked to make sure the city used the project to create jobs and get the economy going.

However, Ross admits that getting elected and governing are two completely different things. “It’s a very diverse area, my district spans from Beacon Hill to Mission Hill, from the rooftops on Newbury Street to the hot dog vendors outside Fenway Park” says Ross.

“There’re no rules to this job, except always be in touch with the community and recognize that the job never shuts off.”

A glance at Ross’ schedule reveals that personal politics still matters. Ross recently negotiated rents for tenants faced with the loss of their homes, discussed the proposed new ballpark with the Red Sox, and, straight out of James Michael Curley’s playbook, attended wakes for those in his community.

“My MBA training, the hard, fast negotiating and preparation come into play everyday and they work as well in government as they do in business,” says Ross.

Ross faces re-election in November and looks forward to serving his neighbors and friends for another term, this time with an MBA. “In government, or in any job, you can’t be afraid to dream,” says Ross.
Driving the green.
Charles Lax

By John DiCocco

Once in a great while, Charles R. Lax (SMG '82) sneaks out of the office to play golf. This past summer he participated in the pro-am at the Senior PGA FleetBoston Classic with Bob Emery, CEO of Robertson Stephens, at nearby Nashawtuc Country Club. "Our pro was Leonard Thompson," says Lax. "What a ball. We had Arnie Palmer in front of us and Tom Kite behind. There were spectators all around. I even rolled in a couple of 40-foot putts. I actually did pretty well for me, but playing in front of a gallery was a lot of pressure..."

Pressure? Compared to his job?

Charles Lax and his partners at SOFTBANK Venture Capital, SOFTBANK Capital Partners, and GrandBanks Capital have woven their way through the Internet and technology investment minefields, building a formidable empire in the private equity market. From an initial fund of $57 million in 1996, his team's capital base (across several investment companies) today is a tally sheet of nearly $8 billion capital under management. Now that's driving the green.

Lax and his partners have uncovered, nurtured, funded, helped manage, or at the very least guided some of the giants of the Internet, including Yahoo!, Geocities, E-Trade, and Art Technology Group. Despite the recent pessimism about high tech and Internet stocks, Lax remains upbeat about both.

Co-Founder, General Partner
SOFTBANK Capital Partners

Co-Founder, Managing Director
SOFTBANK Venture Capital

Director SOFTBANK Investment America Corporation

Co-Founder, Managing General Partner
GrandBanks Capital

Advisor, Seed Capital Partners
"I have people here I keep urging to go back to business school. Getting a master's degree, in today's market, gives you an edge."

His extensive professional experience since graduating from the School magna cum laude includes positions at several high tech firms including ALPHA Software, Economaica, and Phoenix Technologies Ltd.

During his last assignment at Phoenix Technologies, he was managing a joint venture between Phoenix, Interactive Systems, and SOFTBANK in Japan and Korea. SOFTBANK Corporation is now one of the world's largest high technology investors in private equity.

Lax left Phoenix in 1990 to go into venture capital. He stayed in touch with Ron Fisher, the CEO of Phoenix Technologies. In 1995, Fisher was brought on as vice chairman of SOFTBANK Holdings. Lax then began offering Fisher investments to consider. Before long, Fisher asked Lax to join him in a new SOFTBANK venture as the first venture capitalist in a $57 million venture fund to invest in Internet opportunities. Charley said, "Let's do it." Six years later, Charley Lax is part of a worldwide well-oiled investment machine. Lax's partner Gary Rieschel, manages SOFTBANK Venture Capital on the west coast. Fisher is the managing general partner of SOFTBANK Capital Partners and CEO of SOFTBANK Global Ventures, and Lax is now the managing general partner of GrandBanks Capital.

Aside from golf, Charley also plays tennis and squash, and attends Celtics and Bruins games. He has a passion for cigars, international travel, and with his girlfriend Michele, a senior scientist at a local biotech firm, enjoys the antics of his English springer spaniel puppy "Gracie."

We had an opportunity to meet with Charley at his busy headquarters in a huge renovated church in Newton Center, MA, where he was kind enough to share the story of his successes with us. The following is an excerpt.

**Builders & Leaders:** Your father was an entrepreneur. So it runs in the blood?

**Charley Lax:** My father was an entrepreneur. He was a Harvard-trained lawyer who, with a partner, started SI Industries, an electronics company in southern New Jersey.

My father died in 1976 when I was 17. He built that business very successfully, as a mini-conglomerate, mostly through acquisition. Certainly, I got my business interest and, arguably, some of my business acumen from him.

My mother, who's always been supportive of all four of her sons, has also been very much involved in education. She has a master's degree from Harvard, and was working on her Ph.D. when she met my father, and got her "MRS" instead. She was recently Vice Chairman of Rowan University.

**B&L:** You had the good fortune of an educated household.

**CL:** My parents, arguably, are better educated than their sons. All of us have undergraduate degrees. None of us graduated from graduate school. Although I have people here I keep urging to go back to business school. Getting a master's degree, in today's market, gives you an edge.

**B&L:** Today you're a general partner/managing partner/primary investor in a high-powered group of companies. Would you walk us through them?

**CL:** Ron Fisher of SOFTBANK Holdings asked me to join him to help establish the venture capital group in early 1996. The first fund, already raised, was $57 million. We ran that fund and a subsequent Japanese fund of $170 million under the auspices of SOFTBANK Holdings (later rolled up in SOFTBANK Investment America Corporation) where I was a vice president (and still am). Then we raised our first domestic fund, SOFTBANK Technology Ventures (now called SOFTBANK Venture Capital). We also created Flatron Partners in New York City, a joint venture with Chase Capital Partners (JP Morgan Partners). In 1999, I co-founded SOFTBANK Capital Partners, a late stage strategic investment group. In the fall of 2000, we started a new early stage venture group focusing on East Coast technology investments called GrandBanks Capital.

**B&L:** So you've been good for SOFTBANK—and vice versa.

**CL:** We've done well. And through various deals and partnerships, we've ended up with over a dozen partners spread across the US managing SOFTBANK's investment interests.

We created SOFTBANK Capital Partners to invest in companies on a late stage basis, companies very close to going public or already in the public market. If they're already public, we can invest through a PIPE (a private investment in a public entity). That's where, instead of going into the open market, you create a negotiated, structured deal.

**B&L:** Tell us more about that.

**CL:** We've done that so far with two...
“One of the things that characterizes our investment thesis is that we always focus on the No. 1 player and that’s why our returns have been extraordinary. Because the delta between the No. 1 and the No. 2 player is roughly three to five times. Which means that the No. 3 player does not even count!”

investments, a local company called Webhire, and then Global Sports Interactive, in Philadelphia.

The Webhire deal probably took ten months to gestate. We put approximately $30 million into it, and we brought in Yahoo! as a co-investor. We put $80 million in Global Sports. And subsequently, another $20 million. Then Comcast joined as a co-investor. Webhire is the number one software vendor in the human resources/human capital management space (managing recruiting processes). It has 40% share of market. Global Sports manages retail operations online for companies like the Sports Authority, Athlete’s Foot, and Sports Chalet—all the brands you’re familiar with, bricks and mortar brands. Yet it’s a backend—a fulfillment company, so you never hear about it.

With Global Sports, we probably have an 80%-plus market share. One of the things that characterizes our investment thesis is that we always focus on the No. 1 player and that’s why our returns have been extraordinary: because the delta between the No. 1 and the No. 2 player is roughly three to five times. Which means that the No. 3 player does not even count!

Having said that, we’re still subject to the ups and downs of the stock market. We were very early investors in the Internet. We invested widely, broadly, not knowing what was going to work—some of our early investment successes include Yahoo! and E-Trade. We’re still significant holders in some of those companies. We’ve done a lot of investments locally, with companies like Mainspring Communications, Art Technology Group, in which we were the first venture investor. I’m still on the board there.

B&L: What investments were among your disappointments?

CL: 911 Entertainment, American Cybercast.

Inquiry.com was another failure. But of the three, Inquiry.com was the only one I would do again today without any hesitation, if that deal presented itself. They were a clearinghouse for IT professionals looking for information on enterprise software.

You’re more likely to have failures where you misjudge the management team, the business model, and the company spends far too much money chasing a business that’s not ready to happen. Rarely do you have a failure that’s like Inquiry.com, with the right management team, the right partners, the right technology base, but it was too far ahead of its time in terms of the business opportunity.

B&L: What’s made your company successful?

CL: One of the things is that we have a very large portfolio, almost 300 companies now, and we’re very aggressive about creating partnerships across our companies. We stopped counting when we had over 500 interrelationships between all the portfolio companies.

We’ve had Yahoo! acquire two of our portfolio companies, Geocities and Yoyodyne. We’ve had them co-invest with us on a number of occasions, Impulse Buy Network and Webhire, to name two. They’ve also been a significant limited partner in SOFTBANK Capital Partners. E-Trade has been a significant co-investor and limited partner, too.

B&L: You create strong family ties.

CL: Yes. I’d argue that even though Yahoo!’s stock has gone down dramatically, with the rest of the market, it’s still the leader in its field. It still has far and away a better business model and a better revenue stream than its competitors. And part of that was because we put a lot of capital in the company ahead of time, so it gave them an unfair advantage against the competition. But having said that, they had a terrific management team, which guided their success. I just recruited their former head of Corporate Development to be a partner in GrandBanks Capital—JJ Healy.

We’ve been successful because we’ve had a singular focus on the Internet. Some argue the bubble has burst today, but I’d argue we haven’t yet seen the valuable contributions the Internet platform can bring to all businesses. It’s going to radically change the way all business is done, it’s going to radically change the way all education is done.

B&L: So you don’t think the Internet has been overhyped. Are people overlooking something? What are you seeing?

CL: Well, my partners just invested in Big Chalk, for example, a K-12 technology platform that’s just might revolutionize teaching. The three Rs are still key, but this site expands access for students, teachers, and parents in amazing ways.

I also see the Internet impacting pro-
duction and the procurement processes. The Net is going reduce cost, reduce inventory, and reduce spoilage.

Plus, events like the Firestone failure are something that should have and could have been seen much earlier. If all that warranty data had been available online to Firestone, able to be crunched, they would have been able to catch this problem much sooner. That's a hundred-year-old company that may have lost their reputation and business entirely. Those are the kinds of things that these technologies can alleviate.

B&L: What else are you looking at?
CL: Software services, outsourced application service providers. We have our e-mail server sitting out in the Internet. You don't have to have it locally. Those are things that we're investing in, technologies and managed service providers, anything that has to do with streamlining processes and outsourced management.

B&L: What about e-tailing?
CL: We've sort of gone the gamut of e-tailing. We've had some great successes there. We invested in companies that were partnered with the bricks and mortar brands, that didn't have to establish new brands or that were part of building the online shopping infrastructure. Impulse Buy Network, sold to Inktomi, is now Inktomi shopping.

We invested in Toys-R-Us.com, for example. E-Toys (not one of ours) crashed because it had to establish a store and a brand. That's something we avoid. We invested in Global Sports. If you go to Amazon today, and you want to buy sporting goods, you can't, because Amazon doesn't sell sporting goods. It's not an easy product for them to procure. Global Sports aggregates demand across a dozen brands, and provides merchandising, inventory and fulfillment.

B&L: But you have someone like Web M.D., a medical site, selling sporting goods.

CL: Through Global Sports! Web M.D. was another investment of ours. Global Sports is a back-end for Web M.D. Their entire product line is handled just as if you shopped at Sports Authority.com, and 100% of everything that Sports Authority vends online is done by Global Sports. We do everything for them and we pay a franchise fee back to Sports Authority for use of the brand. Pure profit to the Sports Authority. They get first class presence on the net, and they don't have to leave the on-line business to a competitor.

So that's a model that we've focussed on, taking branded products on-line. Every time we've invested in an e-tailing company, we've looked at where they can gain market and margin advantage by being on the Internet. We partnered with Kmart, creating

Bluelight.com as an extension of their brand and using their merchandise capabilities in a similar way.

By and large, our focus today is in software technologies or software services that we think have worldwide applicability.

B&L: Where does SOFTBANK rank overall in private VC?
CL: J.P. Morgan Partners (the former Chase Capital Partners) is the largest. They have about $15 billion. We roughly have about $8 billion capital under management worldwide. But we're the only firm out there that can help companies go into the second largest technology market, Japan.

We've created over 50 joint ventures, some of which were taken public, in Japan. Companies like Yahoo!, and E-Trade have gone public there. And some of these companies will be tremendous successes in the Asian markets. Plus we've created SOFTBANK Korea, and SOFTBANK China, which everybody believes are big opportunities.

B&L: How does one prepare for a career in venture capital?
CL: You can't start out as a venture capitalist. Before I got into this business I was an executive with a number of software companies. What prepares you the best isn't understanding capital structure or how to become a mechanic and structure deals. That's the easy part. This business is about building great companies with people with entrepreneurial drive.

What prepares you the best is being successful in business. Go start a business, become involved in a start-up, or do product line management in some organization where you have profit-and-loss responsibility and have to manage a sales force, manage technology people who build products, and manage product development. Do something that has to do with building products or services that you then have to go out and sell to customers, face-to-face.

You cannot be a successful venture capitalist, or I would argue successful at anything, unless you're a competent salesperson. You have to be very comfortable selling, presenting, and being more knowledgeable about your area of interest than anybody else.

My firm is almost entirely made up of former CEOs or top line managers. Mike Perlis just joined us as a partner, he was CEO at a half dozen media companies like Ziff-Davis and Playboy.

I kick associates out after two or
"I like companies that are 'analgesics,' that satisfy pain. That's solving a real customer need."

three years. They can either go back and get a graduate degree, or go work for a portfolio company. We don't hire MBAs who've had three or four years of experience to become partners here. Partner candidates are almost entirely successful former CEOs. Jeff Parker is currently CEO of CCBN and now a Venture Partner with us. He was also CEO of Thompson Financial and a very successful world class entrepreneur having founded several companies including First Call.

B&L: How many proposals do you receive per week?

CL: We probably have 200-300 per week here in Boston. We discuss a short list of maybe 30 to 40. We probably have time to look at 10 to 15 companies a week, face-to-face. We like to see deals that already have customers, in some way, shape, or form. They don't necessarily have to be contracted but a lot of the product and business design have to be driven by some customer feedback, customer knowledge.

We like to come in right after the angel investor. We'd consider a white board, back of the napkin-designed company, but rarely. And then, we'd be looking at companies that are just before their initial public offering. In this market, you're probably looking at six to twelve months before the initial public offering, because there really isn't much of a public market right now.

B&L: What knocks proposals out of consideration?

CL: Not a crisp concept of who your customer is. A lot of companies walk in here and they have some blank concept of technology that's still in search of a market. Oftentimes, those guys will find their way and build a good business. But you really have to have some clear understanding of what the customers want. To that end, I like companies that are "analgesics," that satisfy pain. That's solving a real customer need.

B&L: In general, what are the lessons of this past year, the way the economy dropped?

CL: The lessons learned are to take larger reserves, as a portfolio manager, to curtail spending faster and earlier, which, actually, we did better than a lot of our "brethren," when we had the imminent signs that the public market had dried up. Put out a wider net of potential buyers, i.e., bring in the M&A [merger and acquisition] intermediaries earlier, and really focus on consolidation.

Focus on the companies that generate a large return, and be more definitive with regard to decisions on marginal companies. I've been tough on some of my boards but not tough enough sometimes. I shouldn't be pounding the table with my fist, I should be pounding the table with my shoe, like Khrushchev did, and actually should have thrown my shoe at some of the other board members. Some of these guys were asleep at the wheel. And this is a market that needs that kind of tough decision-making. The earlier you do it, the better for everybody involved.

Capital market constraints not only affect the companies but affect us as well. Raising new capital for funds should have happened earlier in the curve. When things are going too good to be true, that's the best time to be raising capital. Because most limited partners are not "contrarians." Today is a tough time to be raising capital for new venture funds.

There couldn't be a better time to be a venture investor than today. We made billions of dollars of returns for our limited partners the last few years. But now the public markets have evaporated and new investments can be made at valuations that haven't been seen since the time of the Gulf War. A new reality has set in, companies have to perform like real companies—earn profits before the public markets can be visited.

And the new opportunities we're seeing are every bit as interesting as previous ones, but the valuations are so much better. We used to be able to get liquid within a year or two of our first capital fusion, so the companies wouldn't be more than two years old before you saw them in public markets. Now, we should expect a minimum of three to five years gestation period before a liquidity event.

It's a market change.

B&L: With your successes, have you thought about creating your own mutual funds?

CL: I don't believe in taking public money for private equity. High net worth individuals can participate through a fund of funds like BaneBostco Capital. That makes sense for diversification. The retail market should avoid private equity though. It's simply too volatile an asset class.

B&L: What should schools of business be doing to better prepare graduates?

CL: I think one of the best things I've seen is what the School of Management's doing with their MS MBA, which is tying IT acumen with a business degree. That's the very best thing I've seen. I also think management schools should bring in specific players in specific segments to participate in processes, hosting on-campus seminars where students participate and hear about business in the real world.

Charles Lax will be the featured speaker at the 2001 MBA Commencement Ceremony.

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Retirement Investing.

A New Approach.

By Zvi Bodie

In this article, I'm proposing a new approach to investing for retirement that takes advantage of recent market innovations and advances in finance theory to improve the risk/reward opportunities available to individual investors before and after retirement. The approach introduces three new elements:

- It uses inflation-protected bonds to hedge a minimum standard of living after retirement.
- It takes account of a person's willingness to postpone retirement.
- It uses option "ladders" to lever growth in retirement income.

Improving the past.

Millions of people around the world today are relying on self-directed investment accounts (e.g., IRAs and 401k plans) to provide future retirement income. Since many of these people lack knowledge about how to invest the money accumulating in these accounts, they seek the guidance of experts. Most experts' advice is based upon research done by Harry Markowitz in 1952. The inputs to the Markowitz portfolio selection model are a set of risky assets characterized by their means, standard deviations, and correlations. The outputs are in the form of a menu of risk-return choices arrayed along an "efficient portfolio frontier."

Since Markowitz introduced his model there have been many extensions and enhancements in the scientific literature. The most important theoretical developments have been from Robert Merton (1969, 1971, 1975, 1992). He showed that hedging can be as important as diversifying assets. The desire to hedge against a risk requires securities that are highly correlated with that risk. For example, a desire to hedge against adverse changes in short-term interest rates induces a demand for long-term bonds.

The 1970s, '80s, and '90s saw major market innovations and the rise of the new field of financial engineering. The innovations discussed here are inflation-indexed Treasury securities and long-dated index options.

Retirement can pose a number of daunting economic decisions. One must weigh risk, time, and quality of life, all well before retirement.

There are ways to take full advantage of these theoretical advances and market innovations to improve the risk/reward opportunities available to individuals in self-directed retirement accounts.

Guaranteeing a Minimum Standard of Living in Retirement.

The ultimate goal of a successful retirement plan is to maintain one's standard of living in retirement. For example, Financial Engines, a popular online source of retirement investing advice, tells its clients: "Many financial planners estimate that you'll need about 70% of your pre-retirement annual household income (the amount you're making the year before retirement) to maintain your standard of living. This is the amount we use as your default desired income goal."

Financial Engines continues: "Your ideal goal is the amount of annual pre-tax income you would like to have in retirement... Your minimum income goal is the smallest amount you would find acceptable to live on."
Using Monte Carlo methods, Financial Engines computes a portfolio allocation and a suggested retirement age that enable the user to achieve the minimum income goal with a probability of 95%.

But if your minimum income goal is truly "the smallest amount you would find acceptable to live on," it seems to me that you would

**Hedging eliminates the risk of loss by sacrificing the converse potential for gain.**

**Investing in a risk-free asset is the simplest form of hedging.**

want to guarantee it. To that end, I propose hedging with inflation-protected bonds. (The concept of eliminating risk by hedging with fixed-income securities is well understood in the context of institutional investing, where it is called "immunization." ) There is an important distinction between hedging and diversifying. Hedging eliminates the risk of loss by sacrificing the converse potential for gain. Investing in a risk-free asset is the simplest form of hedging.

In the past there were no fixed-income securities offering long-run protection against the risk of inflation. However, the situation has changed in recent years. Economists from all ends of the ideological spectrum have long urged their governments to issue inflation-indexed bonds to provide a long-run inflation hedge for households saving for retirement. In 1981, the UK was the first to issue inflation-indexed gilts (i.e., bonds) with the stated goal of providing a means for pension funds to hedge retirement benefits that were indexed to the cost of living. Canada followed in 1994, and in 1997 so did the US Treasury. The US inflation-indexed bonds can be "stripped" by qualified financial institutions to provide a complete array of consumer price index (CPI)-denominated pure discount bonds with maturities up to 30 years.

Suppose that a single man is 55 years old and plans to retire at age 65. By investing in inflation-protected bonds of appropriate maturities, he can fully immunize a stream of real retirement income (in terms of the CPI) starting at age 65 and ending at age 85.

To guarantee a minimum level of real retirement income for life, people would have to be able to buy inflation-protected life annuities. In the United States (and some other countries) Social Security retirement benefits take the form of inflation-protected life annuities, but Social Security benefits may fall short of a person's minimum desired level of real retirement income. Private annuity companies can fill the gap, using inflation-protected bonds to immunize their liabilities.

**Taking Account of a Flexible Retirement Age.**

Recent theoretical literature has explored the relationship between optimal investing and the flexibility a person has in choosing how much to work. The theory suggests that the effect of labor supply flexibility on the optimal portfolio mix can be quite large. It therefore makes sense to incorporate this effect in applied models of retirement investing.

To illustrate, consider a person saving for retirement with a fixed saving rate and a predictable salary until retirement. Her "risk-free" retirement age based on earning the risk-free rate of interest (3.5% per year) is 65. By choosing to invest some of her retirement fund—say 50%—in stocks, her future rate of return becomes risky. If the expected rate of return on stocks exceeds the risk-free interest rate by 4% per year, her reward is an expected retirement age of 61. But there is an accompanying risk of her having to postpone retirement past age 65. The standard deviation of her retirement age is 3 years.

Figure 1 illustrates the tradeoff between risk and reward in terms of expected retirement age and its standard deviation. It shows the results of simulations based on standard assumptions about future stock market returns.

The higher the fraction invested in stocks, the lower the most likely retirement age and the higher the standard deviation. By increasing the proportion invested in stocks illustrate the principle, compare the following investment strategies for a $1 million investment over the next year:

1. Invest all $1 million in 1-year risk-free bonds to earn 5%.
2. Invest all $1 million in an equity index mutual fund.
(3) Invest $900,000 in 1-year risk-free bonds to earn 5% and the other $100,000 in the index fund.
(4) Invest $900,000 in 1-year risk-free bonds to earn 5%, and the other $100,000 in a 1-year call option on the same index with an exercise price equal to the current value of the index.

Figure 2 contrasts the payoffs from the four strategies. Note that the payoff diagram for the options strategy has a “kink” at the exercise price of 100. The payoff diagrams for the other three strategies are all straight lines starting at the vertical axis.

In practice, instead of having all options mature in a single year, the investor can buy a series of call options maturing over several years. For three different exercise prices: 100, 120, and 140. The minimum value of the portfolio is the same in all three cases: $945,000; however, the higher the exercise price, the steeper the slope to the right of its kink.

Figure 3. Effect of Changing the Option’s Exercise Price
In practice, instead of having all options mature in a single year, the investor can buy a series of call options maturing over several years. When applied to bonds of different maturities, such a strategy is called “laddering.” Accordingly, I call this strategy laddering of options.

Currently exchange-traded SPX LEAPS have maturities as long as three years. Firms that sell structured equity participation securities have issued notes with maturities of 10 years. It is easy to imagine that innovative firms might issue long-dated index call options or even option “ladders.”

Conclusions
Millions of people today are relying on self-directed investment accounts to provide future retirement income. Investment firms, financial planners, and government agencies all advise these people to hold their retirement funds in diversified portfolios with a large fraction in stocks. Here I’ve proposed several ways to improve the risk/reward opportunities available to these individuals. I summarize them here in the form of concrete proposals:

First, to enable participants in employer-sponsored 401k-type plans to hedge minimum levels of retirement income, employers should offer inflation-protected annuities in the plan.

Second, advisors should explicitly take account of the individual’s willingness to postpone retirement in suggesting an optimal asset allocation. The greater the willingness to continue working past the expected retirement date, the greater the proportion to invest in stocks.

Third, sponsors of self-directed investment plans can enhance the risk-reward opportunities available to investors by offering option-like securities or contracts as an additional asset class. These assets can provide a means of leveraging participation in stock market gains while protecting one’s minimum standard of living.

To see the full Working Paper (WP 2001-03) with extensive references, please contact mbell@bu.edu

Zvi Bodie is a professor of finance and economics at the School. He is the author of several best-selling college textbooks including his most recent, Finance.

http://management.bu.edu/fac/fac_research
Outsourcing IT.
Partnerships That Create Value.

Companies today frequently partner with external information technology (IT) suppliers to better extract value from IT—a resource critical to company performance. These IT sourcing partnerships are so ubiquitous that people sometimes forget that prior to 1989, few large companies used them. Companies developed and supported or sourced IT internally. It was Eastman Kodak’s partnership with IBM in 1989 that legitimized IT sourcing partnerships (ITSPs) as a viable strategic option for companies struggling to create value from IT.

Although ITSPs are commonplace, they have changed significantly since 1989. Specifically, the bilateral ITSP form (one company or buyer and one supplier) is still common but many companies now use the multilateral form (one buyer and two or more suppliers). Suppliers compete against other suppliers in a bilateral form to be the sole supplier, but cooperate in a multilateral form. For example, Kodak only partnered with IBM, but Ryder partnered with IBM and Accenture (Andersen Consulting).

Moreover, some partnerships focus on extracting value from a buyer’s existing IT (i.e., platform efficiency) while some focus on jointly developing new and innovative IT-based capabilities (i.e., capability leverage). A platform efficiency partnership reduces costs or inefficiencies by standardizing IT and processes while a capability leverage partnership enables a buyer to offer new value propositions by leveraging suppliers’ unique IT knowledge. Kodak’s partnership with IBM is an example of the former and eSteel.com’s partnership with CSC, Broadvision, and Silknet, to create the first neutral exchange for steel products, is an example of the latter.

Show Me The Value.
Buyers form IT partnerships because they believe that a supplier specializing in IT knowledge can create greater value from a company’s IT than the company itself. But do they create value?

Buyers form IT partnerships because they believe that a supplier specializing in IT knowledge can create greater value from a company’s IT than the company itself. But do they create value? ITSPs represent a unique opportunity for examining value creation and allocations because for each partnership, the total value created must be allocated between the buyer and one or more suppliers. We analyzed over 700 ITSP announcements from January 1, 1988 to December 31, 1999 and used statistically significant changes in a company’s stock market valuation as a measure of value created and allocated.

We find that IT partnerships do create value for all their participants. How is value allocated among participants? We find that IT suppliers extract more value from IT partnerships than buyers. This result empirically validates anecdotal evidence suggesting that IT suppliers are better able to create value because they specialize in building IT knowledge.

We performed additional analyses that examined the allocation of value among IT suppliers for different ITSP forms and foci. The graph below represents our findings. Although all partnerships delivered some degree of positive value (orange bar), the figure shows that suppliers that participated in capability leverage ITSPs [striped bars] achieved more value than sup-
pliers that participated in platform efficiency ITSPs [solid bars]. This result suggests that creating new IT-based capabilities create more value than making IT more efficient. We conclude that in the contemporary economy, innovating with IT will increase in its importance as a key driver for creating value. For example, consider the Internet and its impact on business-to-business or business-to-consumer exchanges.

The graph further shows that differences in value allocation were especially pronounced for suppliers that participated in multilateral, capability-leveraged ITSPs [striped red bar]. They were clearly allocated the most value. This is intriguing because a multilateral ITSP contains more suppliers than a bilateral capability-leveraged ITSP [striped blue bar]. Value must be allocated between a buyer and two or more suppliers. Given that a multilateral partnership for our sample contained on average three suppliers, the total value created from capability leverage multilaterals is quite significant. We conclude that as the number of suppliers increases, a multilateral partnership can leverage more distinctive IT knowledge assets than a bilateral partnership. This result suggests that suppliers are not equally endowed with IT knowledge. As suppliers cooperate, the total value created increases.

More Is Not Always Better. So why were multilateral platform-efficiency suppliers [solid red bar] unable to extract more value than bilateral suppliers [solid blue bar] or capability-leveraged suppliers [all striped bars]? Previous results suggest that platform-efficiency partnerships create less value than capability-leveraged partnerships. A smaller total value must be allocated to two or more suppliers resulting in smaller allocations to multilateral platform efficiency suppliers. Moreover, more suppliers possess the IT knowledge needed to standardize IT and processes. Because more alternatives are available to a buyer, platform-efficiency suppliers are compensated less.

Compensating Cooperation. Our results raise an additional question. Should a buyer continue to form multilateral capability-leveraged ITSPs? Given that value is allocated between a buyer and its suppliers, a disproportional allocation of value to IT suppliers can suggest that a buyer is being allocated less. Have buyer CIOs fundamentally erred?

We argue no. We assert that multilateral capability-leveraged suppliers are being compensated not only for distinctive IT knowledge but also for their ability to cooperate with other suppliers.

Cooperation among suppliers allows a buyer to be flexible. Multiple suppliers also allow a buyer to attenuate risks associated with risky capability leverage projects. Hence, buyers are placing a premium on cooperation. Not only does the significant allocation of value to multilateral capability leverage ITSP represent suppliers' distinctive IT knowledge, it also represents a buyer's valuation of intangibles such as flexibility and risk mitigation.

Managerial Implications. Holistically, our results provide valuable insights to managers. First, IT and ITSP create value to both buyers and suppliers. Information technology sourcing partnerships are an effective strategic option for managing and creating value from IT. The question is no longer whether to participate in an ITSP, but how. Moreover, managing a portfolio of ITSPs is key. A buyer's IT is not homogeneous. Matching ITSP form with appropriate focus maximizes value created. For example, multilateral platform efficiency ITSPs created the least value.

Second, effectively managing ITSPs will increasingly shift from managing tangible IT assets (e.g., mainframe computers and personal computers) to managing ITSPs and knowledge. Tangible assets cannot create significant value. They are available from many suppliers. Distinctive IT knowledge, in contrast, creates value because it is only available from a few suppliers. Furthermore, distinctive IT does not reside with a single supplier. Hence, identifying these suppliers, effectively transitioning from internal to external sourcing, and monitoring supplier performance will be the new challenges confronting CIOs.

Third, partnerships will only increase in importance as a critical driver of effective performance. Buyers and suppliers increasingly operate in a value network. A buyer cannot create significant value alone and neither can a single supplier. Cooperation, under the appropriate circumstance, is required. Coupled with the result that buyers are willing to compensate cooperation and other intangibles, buyers and suppliers should endeavor to increase the total value available for division rather than compete fiercely for a smaller total value.

Chi-Hyon Lee is a post-doctoral student and research associate in the information systems department. N. Venkatraman is the David J. McGrath, Jr. Professor of Management. John Henderson is the Richard C. Shipley Professor of Management.
Faculty in the News.

The media tap our experts.

April 4 - The New York Times. Professor C. B. Bhattacharya, commented on the new advertising strategies of Ford and Firestone, where Ford will emphasize the redesign of its new Explorer, while Firestone will highlight its new quality control procedures. "Ford's decision to avoid safety in its advertising was understandable but Firestone had little choice in addressing the issue. It's not just a good idea, it's the only option they have - Firestone has its back to the wall," Professor Bhattacharya said. "Ford wants the public to believe the problem is Firestone's problem, while Firestone really doesn't have that luxury. If anything, Firestone should have begun its advertising sooner. And Firestone's ability to improve its image may be limited because Michelin already has a history of marketing itself as the tire company for safety-conscious buyers. "It'll be a long, uphill battle," he said.

March 4 - The New York Times. General Electric and the Environmental Protection Agency dispute who should clean up pollutants in the Hudson River, which, the EPA believes, was caused by GE's dumping in the years following World War II. GE launched a public relations campaign that claims a righteous history and admired public record. Assistant Professor in Organizational Behavior Andrew Hoffman states, "it's a testament to how times have changed that a company can even float a campaign like this. In the early days of environmental regulation, corporate relations efforts mostly focused on damage control, like Exxon's strategy after the Valdez spill."

March 7 - The Wall Street Journal. With the economy slowing down, investors are looking for a safe haven for their money and are avoiding risky stocks. Finance Professor Zvi Bodie advises, "Those saving for retirement who want to lock in a secure base of income, you can't beat I bonds. You don't even have to put I bonds into a retirement account if you're concerned about penalties and access to the money."

Galolo, acting director of admissions, reveals "We've seen about a 22% increase in the number of applications compared to this time last year." While other schools are experiencing a similar rise, Galolo pointed out the MS-MBA program makes the School increasingly attractive.

February 15 - Wired News. The recent Anna Kournikova virus was created by a virus generator program a ten-year-old could use. The accessibility and ease of such programs increases the chances of more viruses to come, believes Information Systems Professor Jesper Johansson. "Do [the authors] know a lot about the systems they are breaking? No. Do they have a specific objective, such as breaking into System X? No, not usually. These are simple vandals, who basically get their kicks from destroying things stock holdings can cut risk. However, the theory's detractors say the ratio treats upside variations gains the same as downside ones.

February 21 - Investor's Business Daily. Investors always face potential risks in the stock market. Never put all your eggs in one basket, Zvi Bodie explains. "The advice provided by the investment industry, financial planners, and government is based upon Harry Markowitz’s model published in 1952." Also known as the modern portfolio theory, it espouses the belief that diversifying
for other people," says Johansson. "That does not make them elite, nor does it prove how knowledgeable they are, other than in a very narrow circle of like-minded deviants."

January 22- BusinessWeek Online. Everything old is new again. Strategy and Policy Professor Anita McGahan and Harvard Business School Professor Brian Silverman studied the widespread contention that innovative companies were primarily younger, start-up types, while older companies in traditional sectors were less creative. To the contrary, they found established companies developed new technologies as actively as startups and concentrated on both innovative processes for current offerings and development of new products. However, established companies often seek more patents outside their core businesses and seek them in partnership with smaller companies. "The bottom line is, nobody can afford to be smug," says McGahan.

January 17- The Boston Globe. Assistant Professor of Finance Jeffrey Heisler offers advice to investors who are facing annual losses for the first time in years. Of this economic crossroads, Heisler says, "You shouldn't be looking at what to do right now in terms of big strategy moves so much as you should be looking at what you really want to own right now; what stocks or funds you could buy now that you would expect to want to own for many, many years."

December 1- The New York Times. Finance and Economics Professor Iain Cockburn expresses concerns about the problems arising with pirate pharmaceutical companies, from potentially dangerous counterfeit medicines to proprietary rights.

January 2- The Boston Globe. The School's MBA graduates are getting noticed in all the right ways, especially in monetary compensation. The average MBA starting salary jumped thirty percent from last year, climbing to $89,560. "I would have expected an up-tick based on the economy," says Jennifer Lawrence.

"Western drug companies just don't like the idea that their proprietary rights can be got around via the back door," says Cockburn. "That's the bottom line. It's a threat to the business model."

Hoosier is Chosen for Executive Leadership Center.

Dan McGurrin Lands Executive Director Post.

Nothing would please Dan McGurrin more than seeing the School of Management beat its rivals in the rankings game. "The School's resources, from its outstanding faculty to its impressive physical home, are second to none, even though the rankings don't yet reflect that fact," says McGurrin.

If he sounds like an SMG graduate and lifelong advocate, don't let him fool you. McGurrin joins the School from Kelly Executive Partners, a semi-independent executive education service associated with Indiana University's Kelly School of Business. Serving as Director of Custom Programs, he helped oversee Kelly's executive education center leap into the top twenty nationwide. He now heads SMG's Executive Leadership Center.

The Center, located on the fourth floor of the School of Management, supports the work of the School's various research centers and academic programs by offering meeting space and technological and professional support for training and educational functions.

A 1995 Kelly MBA graduate, McGurrin says "My immediate role is to provide valuable business development and support services to our clients, which currently consists of the School's various academic centers and programs, such as The Leadership Institute and EMBA," says McGurrin. "At the same time, we'll be striving to create new services for existing customers and expand our reach to a broader client base."

Alumni, Keep In Touch.

We encourage you to pull out the enclosed alumni Classnotes card and let us and your classmates know what you have been up to. We welcome your photos and stories.
Alumni Board Achievements.

Reflections from Gerry Iseda.

In the past few years, the Alumni Board has initiated many new and innovative programs as well as building upon past programs.

Regional Alumni.
Jack Howard (SMG '72), heads our Regional Alumni Committee. He has spearheaded a new program in which regional directors contact accepted GSM applicants to discuss the strengths of the BU MBA programs with the hope of converting them to enrollees. The Committee will also be exploring additional ways to engage our geographically diverse alumni base.

Career Programs.
The BUA, the university-wide alumni association, sponsors Career Decisions, an annual event designed to assist alumni on a variety of career issues (The SMG Board established this event in 1995.) David Pottier (SMG '86, GSM '97), leads the Careers Committee. He also has worked with fellow board member Jack Howard in helping Assistant Dean Jennifer Lawrence develop a new program to enhance services offered to SMG alumni by the Career Center.

Recognition of Distinguished Alumni.
Each year, the Board assists the School in recognizing alumni who have provided distinguished service to their alma mater, community, and/or industry through the annual Alumni Awards. The Awards Committee, chaired by Mary Buletza (SMG '80), does an outstanding job in identifying some of our most accomplished alumni, who are recognized at the awards luncheon.

Student Programs.
This year, the Board established the SMG Alumni Board Scholarship Fund, which will provide aid to current and future students. Proceeds from
Beta Test A Success.
SMG Grads Help Launch Local Beta Gamma Sigma.

Several School of Management graduates recently helped launch the Boston area Alumni Chapter of Beta Gamma Sigma (BGS), the national honor society for business schools accredited by the AACSB. Starting with a reception in February 2000, several volunteers formed a steering committee. The committee officially opened the chapter with a October 26th Kickoff event at the Sheraton Needham Hotel where Fred Smart of Smart Bandwidth, LLC, led a discussion on the future of the Internet. On February 15, Professor Michael Hoffman, director of the Center for Ethics at Bentley College, presented his views on how ethics impacts the everyday work environment.

Geoffrey Kent (GSM '96) was elected Chair of the Membership Committee, while BU grads Paula Furlan (GSM '97) and Joanne Golden (GSM '97) were elected At-Large Committee members. "Beta Gamma Sigma's motto is 'Best in Business' and we have almost 8,000 members in the Greater Boston area initiated into the group for their academic achievements. The creation of a Boston chapter is a very positive development for local BGS members," states Kent.

The BGS chapter complements SMG's traditional alumni network by including other BGS schools. Boston University alums were joined by those from Babson, Bentley, Boston College, Bryant, Clark, Northeastern, Suffolk, and University of Massachusetts.

Furthermore, locally there are thousands of members who attended schools outside the Boston area who now reside in this area. There are over 300 BGS schools nationally, with more than 440,000 members.

In 1999, Atlanta, D.C., and San Diego all opened alumni chapters and this year Boston, San Francisco, and Dallas followed suit. The goal is to create an alumni network that will stretch across the country by opening three to four new local chapters each year. It's exciting to be a part of creating the local chapter," says Kent. "We have many dedicated and talented members from local schools involved and we plan to hold quarterly events that will provide a forum for professional growth along with other periodic networking events. The local chapters are a great way to network among local business leaders while also providing a means for BGS members who relocate to quickly establish a network in a new city. We definitely see the local chapter network growing in prominence over the next few years."

The Boston chapter is open to all members of National Beta Gamma Sigma. The club encourages professors of BGS schools to join and provides free annual membership. To learn more about the Boston chapter, membership, and future events, visit the local or national society's website at www.betagammasigma.org.
Giving Again.
Planned Giving with Arthur Brown.

Lt. Cmdr. Arthur Brown (SMG '35) has filled many roles, the latest of which is University donor. He recently provided a $80,000 charitable gift annuity to his alma mater and established the Evelyn B. and Arthur J. Brown Scholarship Fund.

"My gift came naturally from my love of the School," says Brown. "I talked about donating with my late wife, Evelyn, many times. "I thoroughly enjoyed myself there. I had a great time and made memories I keep with me always."

Brown joined the Navy the week of the Pearl Harbor attack and served on an escort ship that crisscrossed the Atlantic from South America to Greenland. He later saw action in the Pacific and earned the Bronze Star for combat heroism.

The officer's talents also lent themselves to success on dry land. Brown, whose motto is "accept things as they come and make good friends," has benefited from his own advice. He's performed with the New York Metropolitan Opera chorus and also developed into a talented oil painter. And he remains devoted to Evelyn, who was not merely his wife, but also his best friend.

They met at Boston University when the two took the same course in English literature. After some admitted "wearing down" on her part, they married and were together for forty-six years.

"I wanted to establish something lasting in my wife's memory and do things that would please her," says Brown. "Boston University was close to us both."

The Brown Scholarship is a permanently endowed fund for students, preferably from Massachusetts, who show financial need. Brown graduated in 1935, but students well beyond 2035 will remember his name.

Charitable Gift Annuity.
A charitable gift annuity is a contract between a charity, in this case Boston University, and a donor. The contract creates a fixed annuity payment to the donor, and successor, for their respective lifetimes. A portion of this annuity payment is tax-free. Charitable gift annuities are beneficial because they provide senior donors with a fixed income for life and favorable treatment of capital gains. The donor(s) know their support will help many students and University programs in the future.

For more information, contact the Office of Gift and Estate Planning at 800/645-2347 or 617/353-2254.

School of Management Calendar of Events
All events on campus, unless otherwise noted. For further information, please contact the SMG Alumni Relations Office at 617-353-5618.

Spring Semester 2001
March 8 SMG Alumni Board of Directors Meeting
March 22 SMG Young Alumni at the BU Pub
March 28 SMG Health Care Management Alumni Association Panel Discussion
March 30 SMG Public and Nonprofit MBA Program 25th Anniversary Celebration

Civic Leadership: Is There a Crisis?
March 31 Career Decisions 2001: Alumni Career Event
April 25 New Jersey Alumni Presidential Reception
June 2 New York Alumni Presidential Reception
April 26 New York Yacht Club, New York, NY
April 27 School of Management Class of 2001 A Toast to the Future
May 2 Graduate School of Management Class of '01 Champagne Send-Off
May 14 SMG Alumni Golf Classic
May 14 Entrepreneurial Management Institute Seventh Annual Recognition Reception
May 18 SMG Dean's Advisory Council Meeting
May 18-20 Reunion 2001
May 18 Silver and Gold Reception
May 18 President's House
May 18 SMG Class of 1951 50th Reunion Dinner
May 19 SMG Alumni Awards Luncheon
May 19 SMG Class of 1936 65th Reunion Dinner
May 20 Commencement 2001
June 7 SMG Alumni Board of Directors Meeting

Fall Semester 2001
Sept. (TBD) SMG Alumni Board of Directors Meeting
Oct. (TBD) Entrepreneurial Management Institute Open House
October 12 SMG Dean's Advisory Council Meeting
October 12-14 Homecoming / Parent's Weekend
October 27 Alumni Leadership Conference 2001
Nov. (TBD) SMG Student Awards Ceremony
Dec. (TBD) SMG Alumni Board of Directors Meeting

http://management.bu.edu/alu
Graduate School of Management
Andrew J. McSween (GSM '50) of Portland, ME, has retired.

William Stewart (GSM '68) of Saugus, MA, retired as an
computer consultant, which
remains an adjunct computer
science professor at
Bunker Hill Community
College in Charlestown, MA,
and North Shore Community
College in Lynn, MA.

Jason M. Kotlen (GSM '69)
of Trumbull, CT, is executive vice
president of Bedding
Shacks, Inc.

Jeffrey H. Freedman (GSM '72) of Chelsea, MA, is presi-
dent of Wizard Security, Inc.

Donald Tsoo (GSM '75) of
San Francisco, CA, recently
retired.

Edward Miller (GSM '78) of
Glen Ridge, N.J., recently
retired. He was CEO and
president of The MarketNet
Group, which provided tech-
nical consulting to capital
market trading institutions.
Upon retirement, he sold his
firm to Reuters, Ltd.

Bruce A. Harris (GSM '79) of
Chatham, N.J., is of counsel for the
law firm of Riker, Danzig, Scherer, Hyland, & Perretti LLP.

Edward F. O'Donnell (GSM '81) of Greenville, RI, is the
director of business analysis for Teknor Apex Company.
Ed and his wife, Sarah,
enjoy life in Rhode Island
with their seven-year-old
son, Nate.

Gregory E. Truman (GSM '84) of Wellesley Hills, MA,
is an assistant professor in the
Mathematics and Science Division of Babson
College.

Paul A. Ware (GSM '84) of
Stoughton, MA, is founder and president of
PW Resources, a quality assurance
and regulatory affairs consultancy
firm, which
serves small and medium
size companies in the
consumer products field.

Earl R. Osterstock (GSM '86) of Lenhartsville, PA, is the
on-site business manager
for Air Products & Chemicals. He is also an
adjunct professor at
DeSales University, located in Center Valley, PA.

Sean Auerbach (GSM '87) of
Duluth, GA, is senior vice
president, e-business, and
CIO for Causelink.

Vibhu Juneja (GSM '87) of
Jersey City, NJ, recently
relocated to the New York
branch of ANZ Investment
Bank after having spent
thirteen years in its India
and New Zealand offices. He is
vice president of global
transaction services, and
manages the New York
portfolio of capital goods
and diversified corporate
and financial institutions.

Laurent Malek (GSM '89) of
Milan, Italy, was recently
promoted to vice president and
managing director of the
Disney Channel Italia.
He is married and has two
children: David, 3, and Lila,
18 months.

Carilto Millan (GSM '90) of
Troy, NY, works for the New
York State Thruway
Authority. He was married in
August 1999.

Barry Zimmerman (GSM '90) of
Natick, MA, was
selected Agent of the Year by
The Buffinich Group, a
Guardian Life Insurance
Company General Agency.
He recently became a mem-
ber of the Guardian Life
Insurance Company
Leader's Club as well.
Zimmerman specializes in
corporate and executive
benefit strategies for pri-
vate and public corpora-
tions. He assists individual
clients with advanced estate
planning and retirement
planning as well.

Kenji Baba (GSM '91) of
Tokushima, Japan, works for
Russell Reynolds Associates, Japan, Inc.

Akiko Mabuchi (GSM '91) of
Dunwoody, GA, has
returned to the US after
working for The Industrial
Bank of Japan in Toronto
and Tokyo. He is senior vice
president at their Atlanta
office.

Karen Murphy (GSM '91) of
Norwood, MA, recently
became assistant general
counsel and corporate com-
pliance officer for Boston
Medical Center, where she is
responsible for both the
hospital and the facility
practice plan compliance
activities.

Janet (Ramirez) Feigle
(GSM '94) of Los Angeles,
CA, was married in
September 2000 to Charlie
Feigle. Bridesmaids in her
wedding included fellow
GSM classmates Corey
(Hadnagy) Stranger, Sharon
(LeFever) Zablan, and Susanne MacDonald. She is

Mike Lieberman (SMG '92) wants to introduce you to the Capitals.

Yes, the Capitals.

Based in Springfield, Illinois, the Frontier League is an inde-
dependent minor league system.

Established in 1993, the league boasts a dozen teams scattered
across the Midwest from
Pennsylvania to Ontario, Canada.

Lieberman, who's been in base-
ball since graduation, recently
joined the Capitals as general
manager and has designs to make
the organization both profitable
and competitive.

Over the past five years, Lieberman crisscrossed
the continent from North
Carolina and Texas to Montana
and California. Serving as assist-
tant general manager for his
teams, he's picked up some nice
hardware along the way.
He and his staffs have garnered a franc-
hise of the year award in the
Texas-Louisiana League, a staff of the
year award in the Class-A Midwest League, and a Pioneer
League championship with the
Helena Brewers.

"My ultimate goal is to own a
minor league team," says
Lieberman. He picked and chose
his courses based on his hardball
ambitions. "I enrolled in entre-
preneurship and small business man-
agement courses and applied
them to baseball. Other student's
proposals were on businesses
such as restaurants, while mine
was on a minor league expansion
franchise in Carson City, Nevada."

Whatever applications he
made, they worked. At 29,
Lieberman is one of the youngest
general managers in professional
baseball and his proven record of
turning financial cellar dwellers
into profitable organizations
makes him the economic equiva-
 lent of a good left-handed pitcher.

"When I told the Springfield
Capitals they would no longer be
a strictly baseball operation, I
received some quizzical looks," says
Lieberman. "We need to get
fans into the stands en masse,
whether that means free concerts,
fireworks, or giveaways. Once
they're in the park, then we'll
show them what minor league
baseball is all about."
a market-planning analyst at Princess Cruises. Charlie is a senior director of finance at BMG Music Publishing.

Keith Gottfried (GSM '95, LAW '92) of Scotts Valley, CA, is a senior vice president in law and corporate affairs for Inprise Corporation, also known as Borland Software.

Jennifer Lorio (GSM '95) of Stamford, CT, is a manager of marketing and supply chain operations at Elizabeth Arden. She became recently engaged to Kazim Isfahani (GSM '95).

Belinda M. Juran (GSM '95) of Westford, MA, is an associate at Hale and Dorr LLP.

Brian Clark (GSM '96) of Somerville, MA, is director of manufacturing at Antigensics, Inc. He celebrated the birth of his daughter, Lauren Julia Clark, in December.

Geoffrey Kent (GSM '96) of Newton, MA, is a controller at Thinking Investments. He was elected chairperson of the membership committee of the Boston Chapter of Beta Gamma Sigma, the national honor society for schools of business and management.

Shahinaz Nabih (GSM '97) of San Francisco, CA, recently left Genuity, a sales and marketing company, to start an independent consulting firm for web-based ventures. He was married in September 2000. E-mail him at snabih@hotmail.com.

Kai Denke (GSM '98) of Hamburg, Germany is a consultant at McKinsey & Company.

Thomas J. Goodfellow (GSM '98) of Hyde Park, MA, is assistant commissioner of the City of Boston, Health Inspections.

Raz Hazan (GSM '98) of Kadima, Israel, was recently promoted to marketing director of the Assisted Living Facilities for the Elderly division of Bay Point Enterprises. He married in April and has been living in Israel since his graduation from Boston University.

Stephanie Lee Martin (GSM '98) of Essex, MA, recently became resource development coordinator, Latin American and the Caribbean, for Habitat for Humanity. Her duties include managing pilot country resource development programs and training for the area, as well as writing proposals for disaster relief and general funding. She and her husband had a baby girl, Emma Cecilia Zuniga, in September.

Dennis Sam (GSM '98) of Melbourne, Australia, is a pre-sales support engineer at Harte-Hanks, Inc., a division of Asia-Pacific.

Alex (Shatov) Fields (GSM '98) of Atlanta, GA, is vice president, international Services at SunTrust Bank International.

Melinda Joy Katzman (GSM '99) of Boston, MA, recently joined the founding executive team of OPTAX Systems, Inc. as the vice president of application support. OPTAX is marketing the first objective measurement device for hyperactivity, impulsivity and inattention in children.

Bill Dunn (GSM '00) of Braintree, MA, is a business manager at ITW Plexus in Danvers, MA.

Vic Sharma (GSM '00) of Stoneham, MA, is vice president at Malden Ventures, a division of Malden Mills Industries, Inc.

Gregory E. Stofega (GSM '00) of Wilton, CT, is the associate director for financial guaranties at Fitch IBCA, Duff & Phelps.

John T. Williams (GSM '00) of Bronx, NY, recently became an Equity Research Associate for Bear, Stearns & Co., Inc.

School of Management

Myer H. Friedman (SMG '38) of Naples, FL, recently celebrated his retirement.

Phyllis Thomas (SMG '41) of Woonsocket, RI, was recently inducted into the Greater Woonsocket Hall of Fame to honor her years of civic activism concerning issues of conservation and historic preservation. She received recognition for her contributions to the Council for the Arts and the Animal Protective Association. Phyllis has also established an endowed fund in memory of her first husband, Charles H. Palmer, to provide scholarships for financially disadvantaged SMG students.

David S. Friedman (SMG '51) of Bowie, MD, retired from a career with the US government. David is married, with four children and four grandchildren.

Robert Searle (SMG '56) retired from Marriott International in January 1999, where he was the hotel franchise attorney for ten years. He currently
enjoys gardening, cooking, reading, travel, and following the exploits of the Red Sox, the NY Giants, and the Duke basketball team. He'd like to hear from brothers of Alpha Kappa Psi. He also wishes to know if Eugene Desaulniers is out there. His mailing address is 486 Woodshire Lane, Herndon, VA 20170 and his email is robsearle@hotmail.com.

Harry A. Dulgarian (SMG ’58) of Belmont, MA, is a controller at The Danforth Associates.

John W. Callahan (SMG ’64) of Beverly, MA, is a CPA with his own firm.

James E. Harris (SMG ’76) of Cupertino, CA, recently became executive vice president of worldwide sales and management at Ricoh Silicon Valley, Inc.

Martha Goodman (SMG ’78) of Norwood, MA, recently opened Goodman & Associates, an employee benefits consulting firm. She also serves as Massachusetts State Chair for the American Guild of English Handbell Ringers. Contact her at martha_goodman@junio.com.

George R. Hutchinson (SMG ’78) of The Woodlands, TX, is managing director of Tow Asset Management Company. He recently closed a $950 million fund for energy and infrastructure projects. He married his wife Elizabeth in October 2000.

Bradford N. Louison (SMG ’78) of Raynham, MA, is an attorney at Merrick Louison & Costello. He was recently promoted to Lieutenant Colonel, US Army Reserve Judge Advocate General’s Corps. Currently, he is assigned as staff judge advocate, 804th Medical Brigade, Devens, MA.

Rick Busch (SMG ’80) of Syosset, NY, is vice president of finance at PublishersClearingHouse.com.

Joseph N. Demontigny (SMG ’80) of Palm Harbor, FL, was recently promoted to treasurer at Fortune Hotels, Inc., a multi-unit beach resort hotel company in west central Florida. He and his wife, Linda, and son, Corey, have lived in Tampa Bay for five years.

Bruce Follansbee (SMG ’80) of Sammamish, WA, is national account manager for Xerox, NASD division in the retail industrial business unit. He oversees the accounts of Starbucks, Costco, Eddie Bauer, Nordstrom, and The Gap.

Steve Wright (SMG ’80) of Silver Spring, MD, started a new position as director of finance and administration at the new Pope John Paul II Cultural Center in Washington, D.C. The Cultural Center, open to the public since March 22, 2001, is a Catholic educational center and museum. He also acts as basketball coach for his two sons, Kevin, 10, and Sean, 8.

Sheri Tucker Risler (SMG ’81) of Lafayette Hill, PA, was recently promoted to partner in the Philadelphia office of Ernst & Young.

Stefanie Horn (SMG ’82) of Coram, NY, is secretary treasurer/comptroller at V.S. Chevrolet, General Motors.

Susan Peretz Zeiri (SMG ’82) of Cliffside Park, NJ, is regional sales executive at the Orlando Convention & Visitors Bureau, New York regional office. She solicits Fortune 500 companies which are planning conventions, national sales meetings, and product launches. She has two wonderful boys, Eric, 4, and Jonathan, 2.

Maureen Prescott Atkinson (SMG ’84) of Roswell, GA, happily married to her "colleague sweetheart," David, "We have been blessed with a three-year-old son, Nicholas David," says Atkinson. Email her at matkinson@ups.com.

Dale Keats Lipnick (SMG ’86) of Washington, DC, looks forward to seeing his old SMG buddies at reunion.

Michael Goldberg (SMG ’86) of Somers, NY, was recently promoted to director of information technology at UBS Warburg. His wife, Molly Krumholz (SMG ’83), is a Senior Officer at Central Securities in New York, "Our daughter Sarah, 2, is growing fast and is firmly in charge of the Goldberg household. Contact him at michael.goldberg@ubsw.com.

Harris D. Rafield (SMG ’86) of Valley Stream, NY, left fourteen years in commodity brokerage to begin a new career in financial software. He is currently a client sup-

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**GOOD EXCHANGE RATE.**

Five years ago, not too many people had cellular phones or other mobile devices. Today, you may be working for one of the companies riding the wireless Internet boom and the buzzing of cell phones and beeping of PDAs isn't nearly as rare.

For Khaled Barazi (GSM ’00), it's all music to his ears. Barazi is director of finance and administration at CellExchange, a mobile infrastructure provider based in Cambridge, MA. Launched in August 2000, CellExchange offers a variety of products aimed at making business transactions faster and cost effective.

An entrepreneur at heart, Barazi was looking to start his own business when a venture capitalist he knew (a Boston University engineering grad) called to offer him a spot in one of his projects. "I took the position at CellExchange, which had only two programmers at the time," says Barazi. "I got in on the ground floor and I've seen the business grow and define itself."

Envisioning the company CellExchange could become, Barazi was easily sold. And now he sells his company to anyone who will listen: "As an entrepreneur, you have to be an evangelist," says Barazi. "You must challenge, convince, and excite people to believe in what you're doing."

It's worked. Today, the company's many partners include IBM, HP, Nokia, and Oracle.

The company introduced the DataSwitch platform, which routes business information to any mobile device. But it comprises only part of CellExchange's unique UrgentWare technology, designed to coordinate business functions on the run and in real time.

Currently, CellExchange provides services for Sikorsky International, Ciena Corp., and Primus Telecom.

His excitement about founding new businesses peaked at SMG, where he analyzed business cases in Starting New Ventures and Entrepreneurship in High Tech Ventures. "I've always loved creating and beginning something new," says Barazi. "And SMG gave me the opportunity to put everything in place."

Barazi still receives advice from faculty and friends of the School, including Peter Russo, director of the Entrepreneural Management Institute. "Throughout the past year, Peter's advice regarding my career development has been invaluable. In addition, Peter has introduced CellExchange to potential clients," says Barazi. "It's a great SMG relationship that I intend to keep."
port analyst at OpenLink Financial. He shares his success with his partner Hillary and their children Gayle and Harris.

Lawrence M. Karp (SMG '87) of Braircliff Manor, NY, and Liz Susman Karp (SMG '89) are proud parents. Eli Cooper Karp was born in September 2000. Eli's brother, Robert, turned three during Thanksgiving. Larry is busy with the merger of Chase and JP Morgan, and the recruiting of the School's finest to the new JPMorganChase.

Dana (Compos) Marti (SMG '87) of Saint James, NY, wants to get in touch with old friends. She is currently a partner at Marks Paneth & Shron, LLP in New York City, specializing in the taxation of real estate entities, individuals, estates, and trusts. Dana was married in 1991 and now has two sons, ages 5 and 2. E-mail her at dmar- ti@markspaneth.com.

Andrew Mitchell (SMG '87) of Wayland, MA, and his wife Kim Lirio (MET '92) are pleased to announce the birth of their third child, Nicholas, in October 2000. He joins siblings Christopher and Alex.

David Cooperman (SMG '88) of Amsterdam, Netherlands, is senior vice president of Global Trade & Advisory at ABN AMRO.

Ann Zaslow (SMG '88) of New York, NY, recently married. She is an attorney at a Manhattan law firm. E-mail her at annmaria66@aol.com.

Kevin M. Raymond (SMG '89) of Washington, D.C., was recently named Client Service Officer at the ITS division of State Street Company.

Brian Rivit (SMG '89) of Weston, CT, was named president of Rivel Research Group, a leading provider of investor relations services based in Westport, CT.

Timothy M. and Margaret O. (Viele) Dwyer (both SMG '90) of Baldwinsville, NY, welcomed son Benjamin Patrick, to their family in January 2000. Ben joins Megan, now 3, in the Dwyer clan. Tim, a FBI special agent, served as vice chairman of the Central NY. Combined Federal Campaign in 2000 and is the campaign chairman this year. Margaret is a senior financial analyst at Carrier Corporation.

Karen Dumery (SMG '90) of Tervuren, Belgium, recently became financial manager at the Brussels branch of Watson Wyatt.

Jason Kwan (SMG '90) of Tokyo, Japan, married Seolah Dong (COM '90) in 1993. He works for UBS Group and has resided in Zurich and London.

Nancy D. Mathers (SMG '90) of New York, NY, recently became the vice president of Global Sales Management at Willis Group Limited.

John D. Schmuckler (SMG '90) of Newton Square, PA, is director of equity derivatives at Nomura Securities International, Inc.

Gregg Zollman (SMG '90) of Duluth, GA, married Carol Anne Cuiik in September 2000. Boston University alumni in attendance were Jeremy Vignaux and Edward Moon. Greg is a senior technology architect at MCI Worldcom, and responsible for designing customer information systems. The Smithsonian Institute has recognized two of his designs as advancements in the field of computing.

John Blodgett (SMG '91) of Portland, OR, works as a content manager for a Web development firm, www.corktree.com.

Myrene de los Santos) Gomez (SMG '91) of Clearlake, CA, is the national sales training manager for IndyMac Bank in Pasadena, CA. She is interested in contacting her old buddies and can be reached at myrene-gomez@yahoo.com.

Patrick M. Donegan (SMG '91, JD '94) of Alexandria Bay, NY, recently became partner of Vision Development, Inc.

Thomas Fuerst (SMG '91) of Solingen, Germany, recently began a new job at Investment Bank CSFB in Frankfurt and will be working out of its London offices for the next six months. He and his wife, Tanja, welcomed their second daughter, Emilia, on January 4, 2000. E-mail him at thomas_fuerst@hotmail.com.

Samar Hussein (SMG '91) of New York, NY, is vice president in the investment banking division of Morgan Stanley.

Jonathan L. Levin (SMG '91) of Riverwoods, IL, is CEO of Turner Acceptance Corporation. He has two sons, Dylan Jacob, 3, and Bryce Matthew, 1.

Christine (Roman) Hackett (SMG '91) of Huntsville, AL, is a contracting officer for the US Army. While working as an assistant professor of military science at Jacksonville State College, she completed her Master's of Public Administration degree. She was also selected as the National Defense Industrial Association Company Grand Instructor of the Year in 1998.

Sven Rose (SMG '91) of Frankfurt, Germany, is the director and general manager of Automotive Europe at Free Markets. He joined Free Markets in 2000 to establish an office in Germany. Currently, he handles all the activities of the rapidly growing automotive sector in Europe.

Nicole Sabat Mackin (SMG '91) of Atlanta, GA, and her husband, Patrick, celebrated the arrival of their daughter, Sloan Lynlee, on July 23, 2000. She is vice president of Investment Banking at The Robinson-Humphrey Company.

Elizabeth Wei Endang Widiasari (SMG '91) of Singapore is a tax manager at Ernst & Young of Singapore.

Daniel Fumia (SMG '92) of Soliana Beach, CA, is senior manager at PricewaterhouseCoopers LLP. Dan is the worldwide senior manager responsible for the Qualcomm engagement and has just relocated to San Diego. Classmates can contact him at dan.fumia@pwcglobal.com.

Andy Ng (SMG '92) and Virginia Seid Ng of Framingham, MA, were blessed with the birth of their son, Dakota Andy. Andy is Director of Operations for Savantive Web systems, an Internet consulting firm.

Sri Widyaningsih (SMG '92) of Singapore recently became tax manager in Executive Tax Services at Ernst & Young.

Traci Burch (SMG '93) of Baltimore, MD, joined the Baltimore office of Littlef Mendelson in August 2000, where she practices in the area of employment and traditional labor law.

Wendy J. Knel-Adler (SMG '93) of San Francisco, CA, designs integration software for portfolio management at Advent Software. She married Jon Adler in 1998. wknel@advent.com.

Nadeem Elahi (SMG '94) of Karachi, Pakistan, is director of finance and marketing for a textile spinning company. “I'd love to hear from my old friends,” says Elahi. His email address is: nadeemelahi@hotmail.com.

Susan Elizabeth Young (SMG '94) of Washington, D.C., became the human resources manager at Ketchum Public Relations in November 2000. In December 2000, she passed the certification test for the Society for Human Resources Management. She would love to hear from friends at suz_young@yahoo.com.

Ali Khan (SMG '95) of Brookline, MA, is an investment analyst at Liberty Mutual Group, in the fixed income department.

Robert M. Crawford (SMG '95) of Boston, MA, currently works as an attorney for Goodwin, Procter & Hoar LLP. He was recently admitted to the Massachusetts Bar.

Aaron Lewis (SMG '95) of New York, NY, recently married Lisa Maney (SMG '95). After becoming a Management Consultant in Deloitte & Touche's Management Solutions and Services Department, Aaron moved to Bumble and Bumble Products as a Financial Analyst Manager. Lisa recently started working as a lawyer for Coudert Brothers in New York City and is admitted to both the New York and Mass Bar. Aaron's email address is aaron_lew@hotmail.com. Lisa's is lewis@oudert.com.

Phnomil Pathomsak (SMG '96) of Bangkok, Thailand, is now a management associate in marketing and sales for Citibank, N.A.

Aide Samad (SMG '96) of Boston, MA, works for Thompson Financial.

Alexander Kohl (SMG '98) of New York, NY, married Rachael Billig (CAS '00) in September 2000. Alex works at Goldman, Sachs & Co. and Rachael works at the Anti-Defamation League.

Seung Horn Lee (SMG '98) of Seoul, Korea, is an analyst in the financial services industry at Accenture.

Mustapha Bakar (SMG '99) of Malaysia, is currently working in London for Dreidser Kleinwort Benson. He is a vice president/executive, specializing in mergers and acquisitions. He can be reached at mustapha.bakar@drkw.com.

Konstantinos Bastas (SMG '99) of Samos, Greece, runs an olive and date farm on the island with Ryan Ross (CAS '97). He says hello to his Greek crew from SMG '99. He'd like to hear from old classmates at dinoandriy@yahoo.gr.

Joel Mizrachi (SMG '00) of Livingston, NJ, recently acquired a new position as a technology consultant at KJ Technology Consulting.
Reflections on Builders and Leaders.

BY DEAN LOUIS E. LALAIFF

During a family ski vacation late this winter, I received an e-mail update on UPromise, a revolutionary college savings network created by Michael Bronner (SMG '81), this magazine's Spring 1998 cover subject. On that same day, I ran into Frank Stronach, who delivered a Distinguished Executive Lecture at the School in April of 1995. One of the most innovative business leaders of our time, Stronach is founder and chairman of Magna International, among the world's largest and most diversified suppliers to the global automotive industry.

Listening to Stronach describe where he envisions taking his businesses in the decades ahead, on the heels of reading about Bronner's plans for UPromise, was another vivid reminder of the role played by business builders and leaders in creating genuine societal value. That value takes the form of new products or services, improved living standards, the creation of jobs, and the expansion of wealth. Magna's experience also dramatizes the inevitable convergence of established industries and new technologies.

This directly mirrors the mission of the School. Our emphasis is on the development of managers who build and lead and on delivering a comprehensive understanding of new technologies in our management curricula.

Societal value takes the form of new products or services, improved living standards, the creation of jobs, and the expansion of wealth.

Our emphasis is on the development of managers who build and lead and on delivering a comprehensive understanding of new technologies.

Company sales exceed $10 billion! This "old economy" company has transformed its operations; at every level, with "new economy" technology—improving quality, lowering costs, increasing output, and improving employee safety and health. (Magna is a fine example of the myth of the "old" versus "new" economies; there is only one dynamic, constantly evolving economy striving to produce desired goods and services at the highest quality, with the lowest costs, in the fastest time, and at prices that represent fair value.)

What is especially fascinating about Magna is its rooting in a series of principles Stronach articulates in Magna's Corporate Constitution. These principles delineate employee, shareholder, and management participation in the profits of the company; research and development support (7% of profit); the firm's dedication to social responsibility (2% of profit to charity); the rights of shareholders to elect additional directors if defined minimum profit performance isn't achieved; shareholder rights to approve unrelated investments; and a commitment to ensure that a majority of the board members are outsiders.

About Stronach: Frank Stronach immigrated to Canada from Austria in 1954 as a tool and die maker. Within three years, he rented a garage and launched his own machine shop. In 1957, his first year of business, sales reached $13,000. Thirty years later, under his leadership, Magna International sales approached $1 billion. And for the past 15 years, the company has grown dramatically. Today, the com-
To avoid the sclerosis that often comes with size (and the attendant centralization and bureaucracy), Stronach has institutionalized a sense of entrepreneurship throughout Magna. When a Magna division expands sufficiently, managers are provided incentives to spawn a subsidiary business in order to keep each unit to a size that permits hands-on, intimate control by the line management. Today, across 18 counties, Magna employs about 62,000 people in

These leaders personally model the values of their organization that produce the resultant corporate culture.

166 manufacturing divisions and 31 product development and engineering centers. (That averages less than 400 employees per location.) Hence Magna is a giant, global corporation run like a series of small, entrepreneurial businesses.

In the past three years, Stronach has created Magna Entertainment, one of the most important powers in the Thoroughbred racing industry. Magna Entertainment now owns Santa Anita Park and Golden Gate Fields in California, Gulfstream Park in Florida, Thistledown in Ohio, Remington Park in Oklahoma, and Great Lakes Downs in Michigan. The company is melding the entertainment value of the old “sport of kings” with the marvels of digital technology by exploring media sports wagering operations, including telephone account, interactive television, and internet-based wagering. The imagination of

There is only one dynamic, constantly evolving economy striving to produce desired goods and services at the highest quality, with the lowest costs, in the fastest time, and at prices that represent fair value.

the visionary entrepreneur never rests.

About Bronner: Michael Bronner, over a twenty year period, created the company that became Digitas, a leading internet professional services firm providing strategy, technology, and marketing services (its March 2000 IPO netted $223 million). He is now launching an imaginative concept designed to help average Americans afford a college education for their children. Bronner is determined to use his experience and his resources to improve educational opportunities for all.

Through UPromise, members of an extended family—parents, grandparents, aunts, uncles, and even friends—can contribute to a college education UPromise account established in the name of a given child. They do so simply through their normal purchases. Participating companies contribute a portion of each revenue dollar to the designated college savings account. (It’s like frequent flyer miles, only real money!) Bronner has recruited participating companies such as CVS, AT&T, Citibank, Lands’ End, Coca Cola, Borders Books, General Motors, ExxonMobil, Toys R Us, Fidelity, Century 21, Gateway, 80 online merchants, and 7000 restaurants nationwide.

The database management related to what will be hundreds of millions of transactions for millions of customers is staggering. But Bronner’s experience building Digitas makes him uniquely capable of assembling the financial resources, the technology, and the human expertise to pull off this ambitious undertaking. Michael Bronner’s passion for doing good, no doubt, will help him and thousands of others do well.

In contrast to Frank Stronach, originally a tool and die maker committed to making products better, Michael Bronner has always been a gifted marketer making services better. While a quarter-century apart in age, these two builders and leaders have much in common. Each provides the intense energy, the conviction, the vision, and the personal—and considerable—financial risk to create new businesses. These leaders personally model the values of their organization that produce the resultant corporate culture. Their enterprises, in turn, generate social wealth, new employment opportunities, and improved products and services. And both leaders have effectively employed today’s digital technology either to transform their business or to establish new business models.

True builders and leaders. We are fortunate, indeed, to have them among us.

MS-MBA Program
To help attract and train the next generation of Frank Stronachs and Michael Bronners, the School is launching the innovative MS-MBA program combining both technical depth (Master of Science in Information Systems) and rigorous business preparation (in MBA with a functional specialty) required for organizational leadership in the decades ahead. The School is totally committed to producing managers with the competence and the courage to build and to lead.
Alumni Keep in Touch!

Please help us keep up with your personal and professional accomplishments by completing and faxing or mailing this page. Fax to 617/353-5581. Mail to: Alumni Relations, School of Management, Boston University, 595 Commonwealth Avenue, Boston, MA 02215-9779.

New address?  □ Yes  □ No

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Which address do you prefer the School to use?  □ Home  □ Business

News about you for Classnotes: (Civic and professional honors, career activities, family additions)

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SMG/CBA Reunion

Class of:  □ '32  □ '37  □ '42  □ '47  □ '52  □ '57  □ '62  □ '67  □ '72  □ '77  □ '82  □ '87  □ '92  □ '97

I am interested in helping SMG in the following areas:

□ Planned or Deferred Giving (Please send me information.)

□ Alumni Admissions Associate (talking with prospective MBA students)

□ Career Advisory Program (meeting or talking by telephone with current students)

□ Class Agent Program (helping SMG build alumni program participation)

□ Student Internship Program:  □ undergraduate  □ graduate

□ Other __________

Questions? Call Alumni Relations—617/353-6137. Our fax number is 617/353-5581. Our email address is smgalum@bu.edu
Alumni Relations
School of Management
Boston University
595 Commonwealth Avenue
Boston, MA 02215-9633
The SMG Fund and Graduate Programs Fund

Does Every Gift Really Make A Difference?

You often hear "every gift makes a difference," both from the School of Management and other organizations seeking your annual fund support. Here's why we say it and why your gift truly makes an impact.

- Corporations and foundations use the alumni participation rate as a benchmark in making decisions to make a gift or grant to the School of Management.
- Alumni with the capability of making large gifts to the School of Management are more likely to do so when they see others are making contributions.

Last year we listened to you, our alumni, as you indicated unrestricted annual fund support should focus on the School from which you graduated instead of the University at-large. In response, we created two new annual funds that benefit the School of Management: the SMG Fund (supporting undergraduate initiatives) and the Graduate Programs Fund (supporting graduate program initiatives).

The response has been tremendous. The SMG Fund has demonstrated a 30% increase in dollars and the Graduate Programs Fund has demonstrated a 22% increase in dollars and a 15% increase in donors. This is impressive, but we can and need to do better.

Gifts contributed to the SMG or Graduate Programs Funds help recruit prominent faculty, develop technology-enhanced courses, and provide various student services. These Funds also help provide a full range of alumni activities such as the Distinguished Executive Lecture Series, Finance Day, business conferences, and on-going alumni career services.

Every gift does make a difference and your annual gift guarantees our success in building leaders for the future.

For more information please contact the Alumni Officer for the School of Management, Eileen Seman, at 617/353-6137 or smgalum@bu.edu.
The new SMG website and a corresponding new look to the School's publications have made a fresh, new statement in the marketplace. Master's program applications are up 22% for 2001.