THE ROAR OF PLENTY

In an excerpt from her new book, The Art of Choosing, Professor Sheena Iyengar examines how some of the most important decisions in our lives—those involving retirement and healthcare—can come undone by too many options.

SCIENCE MEETS PRACTICE: STRATEGIES FOR LEADERS
by Simone Gubar

Enhance your leadership presence. Stay cool under pressure. Foster your employees’ creativity. Explore strategies from “Science Meets Practice,” a series of workshops organized by the School’s Program on Social Intelligence that fuse hands-on leadership training with insights from psychology research.

OPERATION DELAWARE RIVER

Professor emeritus Peter Kolesar was first drawn to the Delaware River through a fly-fishing excursion in the Catskills. His subsequent research solved a longstanding water management problem—and earned a nomination for this year’s esteemed Franz Edelman Prize.
Having arrived at Columbia Business School just days before Lehman Brothers collapsed, the class of 2010 has now entered a very changed business world. We are on the slow road to economic recovery, and I am optimistic that from here, the economic climate will continue to improve. There is no doubt in my mind that these 800 graduates will inspire confidence through their decision-making and problem-solving skills, whether they work in business, government, the nonprofit sector or academia.

Last fall, faculty members from across the School—including me—challenged students not merely to understand the failures of the past but also to identify and seize the resulting opportunities for the new products, services and businesses of the future. True to our entrepreneurial spirit, we identified pockets of opportunity in the post-crisis world, one of which led to the creation of a cross-disciplinary elective course investigating the future of the financial services industry.

This issue of HERMES showcases the integrative thinking that is woven throughout the School’s curriculum. An excerpt from Professor Sheena Iyengar’s book, *The Art of Choosing*, explores why we make some of the personal choices that we do—and how we can make better ones. Also in this issue, read about how professor emeritus Peter Kolesar used operations research to solve a longstanding water resource problem and how the Program on Social Intelligence’s new “Science Meets Practice” series blends theory and practice to offer tried-and-true strategies for leaders.

The School’s ability to weather the storm of the financial crisis is due in no small measure to the support, involvement and generosity of our extensive worldwide community: alumni, friends, faculty and staff members and students. Please accept my heartfelt thanks for helping the School both maintain and build on its vibrant tradition of preparing tomorrow’s leaders.
Johar appointed vice dean for research

Gita Johar, the Meyer Feldberg Professor of Business, has been appointed vice dean for research at Columbia Business School. In this newly created position, Johar will work to strengthen the School’s new Cross-Disciplinary Areas, which integrate research and teaching across academic divisions, the University and the practitioner community.

Johar, who joined the faculty in 1992, has served as the associate editor of the leading journal in the field of consumer behavior, the Journal of Consumer Research, and of the International Journal of Research in Marketing. She currently serves as associate editor of the Journal of Marketing Research and will be chairing the Association for Consumer Research’s 2010 conference in October. Her research interests include consumer psychology, self-regulation and the illusion of control.

Johar is the faculty director of the School’s Behavioral Research Lab and is an active participant in the work of the Social Enterprise Program and the Jerome A. Chazen Institute of International Business. Last year, she taught students at the University of Dar es Salaam in Tanzania as part of 10,000 Women, a global initiative led by Goldman Sachs to provide underserved women in developing markets with management education.

From Columbia Ideas at Work: A Touch of Risk

For infants, security enables risk taking: Across the animal kingdom, developmental psychologists have found that infants are more responsive to sights, sounds and smells—and more likely to explore their environments—the more they have experienced their mother’s touch.

Jonathan Levav, the Class of 1967 Associate Professor of Business in the Marketing Division, and coresearchers set out to learn whether touch intensifies feelings of security and increases risk taking in adults.

Financial decisions are a common form of risk for adults. The researchers found that both male and female subjects who received a light and fleeting touch on the back from a woman chose the riskier of two investment options 50 percent more often than those who received no touch. When subjects were primed to feel insecure, a light touch on the back from a woman prompted those subjects to be just as risk-taking as (untouched) subjects who had been primed to feel secure.

But the findings may have implications beyond the realm of financial decision making. For example, new products are often perceived as more risky. “Can you prompt people to consider a new product they otherwise would have overlooked,” Levav asks, “simply by making them feel more secure?”

The research also suggests that it doesn’t take a lot to reassure people, Levav says. “It’s very subtle—a lot of people didn’t remember being touched. You can make people feel secure with very little effort.”

To read more about this and other research by Columbia Business School faculty members and to subscribe to the monthly electronic issue of Columbia Ideas at Work, visit www.gsb.columbia/ideas.

Management Peacemakers

Can you crowd-source world peace? Students from Columbia Business School and the Columbia University Center for International Conflict Resolution are trying to do exactly that. On April 9, 2010, the group—dubbed the Spirit Initiative—organized an inaugural conference at the headquarters of the United Nations. They brought together dozens of students from around the world to share and discuss new peace-making ideas, from social media applications to job-creation ventures in war-torn areas. “We are creating an online social-networking platform to connect people with ideas with resources and expertise and enable them to create innovative peace-building proposals,” said organizer Gal Bar Dea ’10.

Learn more about the venture at www.spiritinitiative.org.
Q&A WITH BRUCE USHER: A CLIMATE AGREEMENT IN CANCUN?

Bruce Usher, an adjunct professor in the Finance and Economics Division, is the newest member of the School’s Executives in Residence Program. Usher is the former CEO of EcoSecurities Group, the world’s largest carbon-credit company, and was responsible for approximately 10 percent of all projects approved by the United Nations under the Kyoto Protocol. HERMES talked to Usher about the likelihood of an international agreement on climate change.

In December 2009, the UN climate conference in Copenhagen failed to reach a binding agreement to limit emissions of greenhouse gases. What’s the outlook for an agreement in Cancun later this year?

An international agreement to limit greenhouse gas emissions will only be reached once the United States and China, the world’s two biggest emitters of greenhouse gases, enter negotiations with plans that are viable within their own countries. And that will only happen when the United States takes the lead, as it is in China’s best interests to defer binding emissions caps for another decade or more.

The success of the UN meeting in Cancun, Mexico is almost entirely dependent on whether the U.S. can reach agreement on domestic emissions caps prior to entering into international negotiations. Given the political stalemate in Washington, legislation is currently stalled in Congress; breaking that deadlock will require ingenuity and commitment on the part of the Obama administration and senior legislators.

To learn more about the school’s Executives in Residence Program, visit www.gsb.columbia.edu/executives

On April 28, Vikram Pandit, Ph.D ’86, chief executive of Citigroup, Inc., spoke at Low Library as part of Columbia’s World Leaders Forum. Pandit underscored the need for “responsible finance” and detailed ways to guard against another economic meltdown. A solution should not only involve regulation, he said, but a fundamental shift away from a business-as-usual mentality. This should entail a “culture of responsibility,” Pandit said—“a powerful force, beyond rules and regulations, to help guard against bad judgments, temptations to push the envelope and the impulse to act in self-interest first.”

To watch a video of Pandit’s address, visit www.worldleaders.columbia.edu/multimedia.
JULIAN YEO: ACCOUNTING PROFESSOR, JAZZ SINGER

Julian Yeo and Alan Greenspan have more in common than you might think. “Greenspan toured with Henry Jerome and his orchestra after high school,” says Yeo, an assistant professor in the Accounting Division. Like Greenspan, Yeo is a musician—a jazz singer. In March, the JazzTimes called his CD, Deep Purple Dreams, “intriguing.” Here, the self-described “retro-jazz vocalist with a ‘new-old’ approach” recommends three CDs for jazz newcomers.

1. BILLIE HOLIDAY—The Complete Verve Studio Master Takes
2. ANITA O’DAY—This is Anita
3. ANDY BEY—Ballads, Blues & Bey

RAY FISMAN, the Lambert Family Professor of Social Enterprise and director of the Social Enterprise Program, talked about the growing popularity of social entrepreneurship on Foxbusiness.com on May 28. “People who are interested in making a difference—whether it’s educating kids, eradicating poverty or saving the planet—have come to realize that this is best accomplished through effective management,” Fisman said.

How has the financial crisis changed the future of value investing? BRUCE GREENWALD, the Robert Heilbrunn Professor of Finance and Asset Management, joined top value investors for an April 16 panel discussion at the School that was televised by Bloomberg in a special called “Buffett and Beyond.” Greenwald said that the financial crisis validated the principles of sound value investing: “Value investors stayed the course,” he said. “We did not have a Great Depression, which I don’t think was ever in the cards.”

THE SCHOOL IN THE NEWS

A May 4 article in the National Review Online highlights Professor CHARLES CALOMIRIS’s recommendation to improve credit-rating agencies (CRAs). Calomiris proposes forcing CRAs to deliver quantitative ratings rather than letter grades. If the agencies were required to provide specific numerical estimates of risk probability, he argues, they would offer more meaningful information and also have stronger incentives to make accurate assessments.

RAY HORTON, the Frank R. Lautenberg Professor of Ethics and Corporate Governance, was quoted in an April 11 New York Times article on New York City’s takeover of Governors Island from the state. “What tips the balance here is the state’s fiscal crisis,” Horton said. “The city is much better managed at this moment. That makes possible something that was not when the two governments’ finances were in similar condition.”

On May 24, Dean GLENN HUBBARD, the Russell L. Carson Professor of Finance and Economics, commented on the recently passed financial reform bill on NPR’s Marketplace. “If we’re serious about financial reform, then we should be worried about the Dodd bill,” Hubbard said. “In particular, it seems to forget that ‘too big to fail’ is the elephant in the room and must be fixed.”

A working paper by Professor FRANK LICHTENBERG was highlighted by the Wall Street Journal’s health blog on April 27. The paper, “Has Medical Innovation Reduced Cancer Mortality?” estimates that 40 percent of the drop in cancer mortality between 1996 and 2006 is attributable to the lagging effects of imaging innovation. By contrast, the paper attributes only 25 percent of the drop to drug innovation. “The types of cancer where there was the largest expansion in the use of advanced imaging saw larger drops in mortality,” Lichtenberg said.

MICHAEL MORRIS, the Chavkin-Chang Professor of Leadership and director of the School’s Program on Social Intelligence (PSI), authored a March 17 Forbes.com column about handling job stress. Morris discussed strategies from executive coach David Rock and Columbia professor of psychology Kevin Ochsner that were featured in PSI’s “Science Meets Practice” series. (To learn more about handling job stress and enhancing leadership presence, among other topics, go to page 14.)
**FACULTY BOOKSHELF**

*China’s Growing Role in World Trade*  
(University of Chicago Press, 2010)  
Edited by Robert C. Feenstra and Shang-Jin Wei

This collection of essays, co-edited by Shang-Jin Wei, the N. T. Wang Professor of Chinese Business and Economy and director of the School’s Jerome A. Chazen Institute for International Business, provides detailed analyses of the issues raised by China’s growing role in world trade. Experts explore the microstructure of trade, sector-level challenges and foreign direct investment, among other topics.

*The Mutual Fund Industry: Competition and Investor Welfare*  
by R. Glenn Hubbard, Michael F. Koehn, Stanley I. Ortmann, Marc Van Audenrode and Jimmy Royer

Mutual fund advisers are increasingly criticized for their high fees, which can strongly affect the return on investment. Dean Glenn Hubbard and co-authors introduce a new economic model of the mutual fund industry and evaluate the assertion that market forces fail to protect investors’ returns from excessive fees.

*The CEO’s Boss: Tough Love in the Boardroom*  
by William M. Klepper

Which personal characteristics are most important in your next CEO? Klepper, a management professor, explains what board members need to evaluate before they commit to a new hire. He also details eight practices of successful executives, which include facilitating innovation, motivating change and developing leadership skills in others.

*Strategic Learning: How to Be Smarter Than Your Competition and Turn Key Insights into Competitive Advantage*  
(Wiley, 2010)  
by Willie Pietersen

Since Pietersen’s first book on the concept was published eight years ago, firms around the world have adopted strategic learning as their approach to corporate strategy. In this book, Pietersen, professor of the practice of management and the former president of Tropicana, details the strategic learning process through real-life case studies involving such organizations as Deloitte, Exxon Mobil, the Girl Scouts of America and UGI.

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*Mismeasuring Our Lives: Why GDP Doesn’t Add Up*  
(New Press, 2010)  
by Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi

GDP is the most widely used measure of economic activity—but is it a reliable indicator of economic and social progress? Professor and Nobel Prize–winning economist Joseph Stiglitz and coauthors show how GDP overlooks economic inequality (not to mention environmental impact) and introduce more robust indicators of societal well-being.

**MARKETING PROFESSORS AND STUDENTS WIN AWARDS FROM SOCIETY FOR CONSUMER PSYCHOLOGY**

R an Kivetz, the Philip H. Geier, Jr., Professor of Marketing, Professor Oded Netzer and Rom Schrift, a doctoral student in the Marketing Division, earned the 2010 Best Competitive Paper Award from the Society for Consumer Psychology.

The winning paper, “Complicating Choice: The Effort Compatibility Principal,” examines how people want to feel as if they have invested enough effort when it comes to important decisions like choosing a physician. When consumers feel that a decision is “too easy,” Schrift explains, they will devise ways of making their decision harder than it actually is—by overwhelming insignificant aspects of the decision, for example, or developing preferences. Interestingly, those preferences disappear once the decision has been made.

Schrift also earned the Best Student Paper award for a paper he wrote with fellow doctoral student Jeffrey Parker, “The Rejectable Choice-Set: How, Seemingly Irrelevant No-Choice Options Affects Consumer Decisions.”

**GET THE LATEST**

HERMES and *Columbia Ideas at Work* are no longer being mailed to your address unless you confirm you’d like to receive them in print. Manage your publication options and keep your contact info up to date by logging into www.gsb.columbia.edu/alumni with your first initial, last name and the last two digits of your graduation year (e.g., JSmith08). For assistance, call Alumni Relations at 212-854-8815.

*The HERMES e-newsletter is published monthly. Read the latest stories at www.gsb.columbia.edu/hermes.*
FROM PUBLIC OFFERING: WHERE ARE THE WOMEN IN THE C-SUITE?

A new census study by Columbia Business School and the Women’s Executive Circle of New York shows there has been little change in the number of women executive officers in the top 100 companies in New York State between 2006 and 2008. On February 4, Professor Ann Bartel presented the study’s findings with SALLIE KRAWCHECK ’92, president of Global Wealth and Investment Management at Bank of America, at the Bank of America building in Manhattan. Many Columbia Business School alumnae, including JILL GRANOFF ’85, CEO of Kenneth Cole, were in attendance.

Overall, less than 11 percent of executive officer positions were held by women in 2008, representing no statistically significant change from the 2006 census. In the banking and finance sectors, the number of female executive officers was higher than the average, with 17 percent of positions filled by women. Seventy-one of the 100 firms surveyed had no female executive officers.

In boardrooms, women have made more progress since 2006, holding 17 percent of board positions, up from 15.6 percent. Bartel noted that several industries, notably retail and consumer products, have a much higher percentage of female board members, likely due to the industry’s female consumer base.

“It is sobering that the numbers are as low as they are,” says Bartel, who oversaw the research as part of the School’s Workforce Transformation Initiative, which is made possible through Bank of America Merrill Lynch. “Women represent approximately 40 percent of the MBA population, but the numbers are very low in the executive officer pool.”

MARY BETH WEST ’86, executive vice president and chief marketing officer of Kraft Foods, meets members of the 17th annual Columbia Women in Business Conference planning committee after receiving a standing ovation for her keynote address on February 19, 2010.

AROUND THE WORLD WITH JOHN SHOAF ’10

When JOHN SHOAF ’10 mentioned his pre-Columbia Business School summer globetrotting idea to fellow admitted students back in 2008, he never imagined what would ensue: the Pre-MBA World Tour is now in its third year, with students and alumni from South Korea to Lebanon participating.

The fifteen-week trip—currently under way—is organized entirely by students. In each of the more than 40 countries on the itinerary, a local student serves as host, while alumni organize informal gatherings and help arrange company visits. Students take part in the entire journey or join the group for specific cities. “The trip brings together students and alumni to share cultural and professional experiences,” says Shoaf, “and exemplifies the modern way of doing business on a global scale.”

Besides introducing him to new friends around the world, the tour also connected Shoaf with someone he’ll see more often: his fiancée, LINDA ZHANG ’10.

Read the group’s itinerary—and find out how to connect with them—at www.cbsworldtour.com.
ALUMNI IN THE NEWS

MICHAEL DWORK ’07, founder of VerTerra, won first place in the first annual Crain’s New York Business Perfect Pitch Competition, which was held at the School on May 25. VerTerra’s biodegradable dinnerware is sold in 1,000 stores and used at Cowboys Stadium in Dallas. “Mr. Dwork wowed the judges with his ability to tell the story of his business in clear, colorful anecdotes,” Elaine Pofeldt wrote in Crain’s New York Business.

RON Gonen ’04 (EMBA), cofounder and CEO of RecycleBank, was honored with Columbia University’s Medal of Excellence on May 18. The recycling-incentives program is now operating in 18 U.S. states and the UK and is issuing rewards for switching to solar or wind power, riding public transportation and using water more efficiently.

ChallengePost, an online platform created by BRANDON KESSLER ’07 and STEPHEN BAKER ’07 (BOTH EMBA), is hosting First Lady Michelle Obama’s Apps for Healthy Kids competition, which launched on March 10. The competition offers $40,000 in prizes to create innovative, fun and engaging software tools and games that encourage children directly or through their parents, to make more nutritious food choices and be more physically active. Vote for your favorite app at www.appsforhealthykids.com by August 14.

The Aspen Institute has named NT ETUK ’02, cofounder and CEO of Tabula Digita, a member of its 2009 class of Henry Crown Fellows. The two-year fellowship brings together entrepreneurs and professionals under age 45 who have already achieved considerable success in their chosen fields. Tabula Digita creates educational videogames designed to teach children math, literacy, science and history.

The World Economic Forum (WEF) named MARCO MAGNANI ’96 a Young Global Leader during its last meeting in Davos, Switzerland. Magnani is a managing director in Investment Banking at Mediobanca. The WEF recognizes up to 200 outstanding young leaders from around the world for their professional accomplishments, commitment to society and potential to contribute to shaping the future of the world. Drawn from a pool of almost 5,000 candidates, the honorees were chosen by a selection committee chaired by Queen Rania Al Abdullah of Jordan.

MArk Your calendars

A record-breaking number of alumni and guests — nearly 2,000 — returned to campus over the weekend of April 23–25 to celebrate Reunion 2010. The weekend featured Columbia CaseWorks–centered classes, career workshops, industry-specific faculty presentations, an all-class reception at Cipriani 42nd Street and a family brunch at Bryant Park Grill.

For more Alumni in the News, visit www.gsb.columbia.edu/alumni/mentions.
Beneath the surface of every decision we make—save or spend, apple or orange—is a rich intersection of our values, culture and personal experiences. We prize our freedom of choice; more is better. Or is it? Abundant choice may not always be a good thing, management professor Sheena Iyengar reveals in her recent book, *The Art of Choosing* (Twelve Books/Hachette Book Group, March 2010). “We frequently pay a mental and emotional tax for freedom of choice,” Iyengar says. In the following excerpt, she examines how some of the most important decisions in our lives—those involving retirement and healthcare—can come undone by too many options.
In 1978, a new class of retirement plans, known as the 401(k), became available to American workers. Whereas traditional pension plans were funded by the employer, these “defined contribution” plans encouraged the employee to invest a portion of his own salary in a range of mutual funds, the earnings of which would become available after retirement. They solved many of the problems of pensions, which were often underfunded and couldn’t be transferred if the employee switched jobs, and they offered the employee more control over his financial future. Today, the 401(k) is the dominant form of retirement investing in the United States: Almost 90 percent of the people who have some form of retirement plan are covered solely or in part by defined contribution plans.

Like other long-term investments, 401(k)s reap the benefits of compound interest. Prices may fluctuate wildly in the short term, especially in the stock market, but booms and recessions balance out in the long term and produce dramatic cumulative returns. Even after the stock market lost about 40 percent of its value in 2008—the worst loss since the Great Depression—the 25-year annual average return of the S&P 500 stock index was still about 10 percent. At those rates, if a 25-year-old employee contributed just $1,000 to the S&P each year, by the time he retired at age 65, his total contribution of $40,000 would have become $500,000. These numbers don’t account for inflation, but since inflation affects savings just as much as it affects investments, 401(k) plans still have more than a tenfold advantage over stockpiling money in a bank account.

In addition, your contributions to the plan and the returns earned are both tax-exempt until you retire and begin to withdraw money. For the average American, this is equivalent to contributing an additional 20 percent to the fund as compared to investing in the market with the same amount in after-tax dollars. Moreover, most employers match employee contributions with money of their own. The match percentage and cutoff vary by company, but dollar-for-dollar matching up to several thousand dollars is not uncommon. This means that our young employee’s $1,000 yearly contribution effectively becomes $2,000, turning him into a millionaire by retirement. Given these incentives, if you know nothing about investing, randomly picking funds for your 401(k) is still a better financial move than not participating at all. So why doesn’t everyone sign up?

In 2001, I received a call from Steve Utkus, the director of the Center for Retirement Research at the Vanguard Group, one of the largest mutual fund companies in the country. He told me that an analysis of the retirement investment decisions of more than 900,000 employees covered by Vanguard had revealed something disturbing: The percentage of eligible employees participating in 401(k)s had been in steady decline and was currently down to 70 percent. Concurrently, the average number of funds in each plan had been gradually rising. He had recently read my paper on the jam study [see box on page 11] and was wondering if these two trends might be related. Were the employees suffering from too much choice?

With my colleagues Gur Huberman and Wei Jiang, both professors of finance [at Columbia Business School], I examined the investment records in order to answer his question. We found that an increase in the number of options did have a significant negative effect on participation. As the graph [below] shows, participation rates quickly fell from a
high of 75 percent for the smallest plans, which had four funds, to 70 percent for the plans with 12 or more funds. This rate held until the number of options exceeded 30, at which point it started to slide again, reaching a low just above 60 percent for plans with 59 funds.

It’s unlikely nonparticipants muttered that there were too many choices and then actively opted out of their 401(k)s. Rather, quite a few of them probably intended to enroll as soon as they’d done some research and figured out which funds were best for them. After all, it’s easy to sign up on the spot when you have only five choices, but when you have 50 it seems reasonable to mull things over for a while. Unfortunately, as you keep delaying the decision, and days turn into weeks, and weeks into months, you might forget your 401(k) altogether.

Okay, so some employees were overwhelmed by the number of options and didn’t participate. Clearly, having a lot of choice did not work in their favor. But what about the people who did participate? They were perhaps more knowledgeable and confident about investing, and maybe they were able to take advantage of all those options.

However, when Emir Kamenica, an economics professor at the University of Chicago, and I examined the funds that participants had chosen, we found that this was not actually the case: More choice had, in fact, led to worse decisions. Stocks composed the largest category of funds in these 401(k)s, and as the total number of funds in a plan went up, the plan became increasingly stock-heavy. Given these facts, we expected that even if people were picking funds out of a hat, they would be investing more in stocks as their options increased. But the exact opposite was true: For every set of ten additional funds in a plan, 2.87 percent more of the participants avoided stocks completely, and the rest allocated 3.28 percent less of their contributions to stocks, preferring bonds and money markets instead.

Why were we troubled by our findings? Well, 401(k)s are designed for long-term investing, and that’s where stocks shine. Looking at 25-year averages, stocks reliably outperform bonds and especially money markets, which may not even keep up with inflation. Yet in our study, even the employees in their late teens and early twenties, who could afford more risk, gave short shrift to stocks as the number of funds in their plans increased. It seems that learning about all the funds was too complicated, so people tried to reduce the options by pushing the largest category—stocks—to one side. In doing so, they may have compromised their future financial well-being. They did make one exception: They bought more stock in the companies where they worked, perhaps due to familiarity or loyalty. But this is generally a risky move, because if your company goes bankrupt, you lose both your job and a good portion of your nest egg, as any former Enron or Lehman Brothers employee can tell you.

Let’s consider the possibility that people don’t take advantage of choice for retirement investing because even though it is an important decision, it’s one that doesn’t have any immediate impact on the chooser. Without a tangible payoff in the present, you may simply not be motivated enough to carefully and thoroughly assess your options. But perhaps you’d work hard to reap the benefits of more choice in a domain that’s equally important and affects your current well-being? Unfortunately, even when it comes to health insurance, we don’t seem to handle choice too well.

Remember President George W. Bush’s push for Medicare reform? It resulted in the addition of a program called Part D to the federal health insurance program for senior citizens. Part D was created in December 2003 to compensate for the increasing role and cost of prescription drugs in modern healthcare by subsidizing them. Seniors choose from a variety of coverage plans offered by private companies, and the government reimburses the companies for the costs. In particular, Bush lauded the increase in choices provided by the program as a cure-all for Medicare’s ills. “A modern Medicare system must offer more choices and better benefits to every senior—all seniors,” he asserted. “The element of choice, of trusting people to make their own healthcare decisions, is essential.” The logic behind offering a wide variety of plans held that “The more options a senior has to choose from, the more likely it is that the benefit is going to be tailored to his or her needs.”

For many participants, Medicare Part D has led to a 13 percent reduction in out-of-pocket costs, and according to one study,
an increase in the purchase of prescribed medication. These benefits are considerable, but the program has fallen short in other ways. As with the 401(k)s, many of the people who stood to gain from enrolling failed to do so. The initial enrollment deadline for Medicare beneficiaries, March 15, 2006, came and went, and 5 million of the 43 million eligible seniors had not enrolled. All was not lost as they could join at a later date, but they would have to pay higher monthly premiums for the rest of their lives.

Still, you might say, nearly 90 percent of the seniors had enrolled. Isn’t that success? In fact, almost two-thirds were enrolled automatically by their insurance providers, with many randomly assigned to plans that did not necessarily meet their prescription drug needs. Of the people who had to choose, 12.5 million enrolled and the remaining 5 million did not. Enrollment rates were dismal for those who most needed Part D—the low-income individuals eligible for full prescription drug coverage at no personal cost. If they enroll now, they’ll incur late penalties they can ill afford; if they don’t, many will have to forgo medication that they can’t pay for on their own. Either way, they’re in trouble.

Seniors were supposed to be able to benefit from choosing their own plans, and from the increased variety available to them, but the choice itself became a major obstacle to enrollment. There were dozens of plans, ranging from 47 in Alaska to 63 in Pennsylvania and West Virginia, and elderly people, many of them with poor eyesight and limited computer skills, had to go online to find the list of attributes for each plan. Then they had to figure out how the plans differed from one another, which seemed to require superhuman puzzle-solving abilities. Plans varied in multiple ways: drugs covered, generic drug policy, co-payments, monthly premiums, annual deductibles, and on and on. Different companies offered plans with the same characteristics but at different prices, and these characteristics could change from one week to the next.

Marie Grant, a retired nurse from Cleveland, recalls her frustration with Part D: “I never understood the whole mess. … I’m so mad. All these different plans.” Martha Tonn, a retired teacher from Wisconsin, “felt it was too much, too overwhelming.” They’re in good company, because 86 percent of seniors and over 90 percent of doctors and pharmacists agree that Part D is much too complicated. A substantial number of seniors trying to enroll in Medicare couldn’t even discern which option offered the same benefits they already had, let alone which plans would be an improvement or how they could tailor any of them to fit their own needs. To be sure, any attempt to compare 63 options will test our cognitive limits—but there’s more to the story than just our ability to process the different choices. Bush and other architects of the program focused primarily on quantity, but unfortunately, in doing so, they paid far less attention to the quality of choices included, and whether these choices were meaningful in terms of improving people’s lives.

When it comes to making challenging and consequential decisions like how to invest in a 401(k) plan or how best to take advantage of the Medicare Part D subsidy, we’ve seen that a focus on simply increasing the available choices can backfire and lead to decisions that harm rather than help.

Sheena Iyengar, the S. T. Lee Professor of Business, has taught leadership and creativity at the School since 1998. The Art of Choosing features her own groundbreaking research while drawing on the work of many others. She also incorporates anecdotes from her experiences as a first-generation American and daughter of Indian Sikh immigrants to make personal connections with the power of choice. “Many of us have conceived and told our stories in the language of choice,” Iyengar says. “I hope to reveal the many ways in which we live and tell our lives, forming narratives that are more complex and nuanced than the alternatives of destiny and chance.”

From the book The Art of Choosing Copyright © 2010 by Sheena Iyengar. Reprinted by permission of Twelve Books/Hachette Book Group, New York, NY. All rights reserved.

To read a Q&A about the book and learn more about Professor Iyengar’s academic research, visit Columbia Ideas at Work at www.gsb.columbia.edu/ideas.
BUILDING ON COLUMBIA BUSINESS SCHOOL’S CELEBRATED INTERNATIONAL REUNION TRADITION, the School’s eighth Pan-European Reunion will feature a two-day symposium on global business trends.

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BRUCE GREENWALD
Robert Heilbrunn Professor of Finance and Asset Management
Director, Heilbrunn Center for Graham & Dodd Investing

JOSEPH STIGLITZ
Columbia University Professor
Executive Director, Initiative for Policy Dialogue

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For more information or to learn more about sponsorship opportunities, please contact Janet Rossbach at 212-854-8202 or jbr2123@columbia.edu.
ENHANCING LEADERSHIP PRESENCE

We all recognize it when we see it: charisma—that palpable magnetism projected by some of the world’s most successful leaders. (Warren Buffett, MS ’51, Sallie Krawcheck ’92 and Shelly Lazarus ’70 come to mind.) How can you better connect with your audience? Leadership presence may seem elusive, but it has a lot to do with nonverbal communication.

STRATEGIES FROM PRACTICE
Matthew Kohut, Partner, KNP Communications
John Neffinger, Partner, KNP Communications

> Project warmth. Don’t just smile more — fake smiles are easy to spot. A better strategy is to activate and project authentic positive feeling by focusing on something that makes you happy. “A politician we worked with would think about spending time with his son,” Kohut says. “When he took a few minutes at the end of a speech to focus on or talk about his son, he immediately appeared more relaxed and accessible.”

> Project strength by using concise gestures that reinforce your words. Keep fidgeting to a minimum; it suggests that you’re anxious. Stand up straight with your shoulders back, but don’t cross your arms — that creates too much of a physical barrier.

THE SCIENCE PERSPECTIVE
Dana Carney, Assistant Professor, Management Division

“There’s a good deal of evidence suggesting that people who are simultaneously strong and warm are the ones in the highest positions of leadership,” confirms Carney. Interestingly,
Carney’s own research suggests that very simple behavior can make you feel more powerful—and increase your appetite for risk. Carney conducted a study in which participants engaged in “power poses” such as leaning back in their chairs with their arms behind their heads and their feet up. After just two minutes, most participants showed increased levels of testosterone and decreased levels of cortisol, a hormone associated with stress. They were also likelier to risk a few dollars in an all-or-nothing gamble than those in the control group.

Next time you’re warming up for a high-stakes negotiation, you might try acting more powerful than you feel; two minutes may be all you need to up your leadership presence.

Interestingly, in her own study Akinola found that when people who are vulnerable to depression (as expressed by low levels of the hormone DHEAS) are given negative feedback, they tend to be more creative.

While there is no one-size-fits-all approach to fostering creativity, Akinola says, several studies emphasize the effectiveness of a supportive context. Being a responsive supervisor—giving your employees prompt feedback, information and support—will likely inspire creative thinking.

**CULTIVATING CREATIVITY**

Suppose you’re leading a team responsible for coming up with a new marketing slogan. How do you foster your employees’ creativity?

**STRATEGIES FROM PRACTICE**

Ryan Jacoby, Associate Partner, IDEO

> Set some parameters. “Creativity loves constraints,” says Jacoby, whose firm was named one of the 50 Most Innovative Companies of 2010 by *Fast Company*. Tell your team that the slogan must relate to the color green, for example, or that it must be four words or fewer.

> Cultivate an open, nonjudgmental atmosphere so that people can test out ideas and take risks. “Give people permission to be stupid,” says Jacoby.

**THE SCIENCE PERSPECTIVE**

Modupe Akinola, Assistant Professor, Management Division

That open, nonjudgmental atmosphere may be particularly important for brainstorming sessions, says Akinola. Research suggests that mood can enhance different types of creative thinking: For big-picture creativity such as idea generation, studies indicate that a positive mood can foster creative thinking. But for systematic, execution-related thinking—such as editing and revising a report—research suggests that a negative mood may benefit creativity.

You may find this task easier when you’re in a good mood. Studies suggest that a negative mood enhances systematic problem solving, while a positive mood fosters heuristic thinking—seeing the forest for the trees. “Positive mood has been found to facilitate people identifying the correct word because they’re able to see the remote connections between the three words,” Akinola says.

(ANSWERS: Glass, Cabbage, Spider, Deep, Silver, Bar, Long)

Say you have a colleague who insults you. When you approach him, he seems to get even angrier and more defensive. What do you do?

**STRATEGIES FROM PRACTICE**


> “Stay calm, deflect the insult and move on,” says Thompson, an English PhD who left academia to be a cop. To redirect an insult, you might try: “I hear that, but …” Never get upset because “that gives your opponent ground to stand on.” Eliminate any negativity in your tone of voice. “The moment someone hears that negativity, they stop listening,” Thompson says.

> If the insults continue, interrupt and take control of the conversation by paraphrasing what you’ve just heard. Say something like, “Let me see if I understand what you just said.” It’s one of the most powerful sentences in the English language, says Thompson.

> If you need your difficult colleague to do something, ask nicely. Everybody would rather be asked than told. And be sure to offer an explanation; it’s a universal sign of respect.

**THE SCIENCE PERSPECTIVE**

Daniel Ames, Associate Professor, Management Division

Research shows that in verbal conflicts, people tend to reciprocate and escalate. So if you and your colleague disagree and you make a claim about fairness to you (“It’s your fault!”), chances are high that your colleague will begin to use similar language and shift to a focus on rights (“No it’s not—you’re to blame!”). If you shift to a power-oriented stance, making threats (“If you don’t do what I say, I’ll have your budget slashed!”), your colleague will likely respond with similar language (“If you don’t give me my way, I’ll quit!”). Escalating this way is very common in verbal conflict, says Ames. It is much more difficult to de-escalate, but people who are adept at conflict resolution are able to do this.

How you approach conflict also has a lot to do with how assertive you are—a leadership quality that’s hard to get right, says Ames. Ames and his colleagues studied MBA students and their bosses and found that while some managers are seen as too assertive, others are seen as not assertive enough. “There’s no question that the most effective leaders are able to find the sweet spot where they’re getting their way but also getting along,” Ames says.

**MANAGING CHANGE, ESPECIALLY IN TOUGH TIMES**

Restructuring. Downsizing. Outsourcing. We live and work in an era of constant change. How can you manage organizational change effectively?

**STRATEGIES FROM PRACTICE**

Todd Jick, Senior Lecturer and President of Global Leadership Services, LLC

> Analyze the organization and its need for change. Managers should understand an organization’s operations, how it functions in its environment, what its strengths and weaknesses are and how it will be affected by proposed changes in order to craft an effective implementation plan.

> Create vision and common direction. One of the first steps in engineering change is to unite an organization behind a central vision. The vision should reflect the philosophy and values of the organization and should help articulate what stakeholders hope it becomes.

> Separate from the past. Disengaging from the past is critical to awakening to a new reality. It is difficult for an organization to embrace a new vision of the future until it has isolated the structures and routines that no longer work and vowed to move beyond them.

> These are the first three strategies detailed in “Ten Commandments for Implementing Change,” coauthored by Todd Jick. To read the others, visit [www.gsb.columbia.edu/psi/workshops](http://www.gsb.columbia.edu/psi/workshops).

**THE SCIENCE PERSPECTIVE**

Joel Brockner, Phillip Hettleman Professor of Business

Two factors matter when it comes to whether or not employees will embrace organizational change, says Brockner: outcome favorability (i.e., Will I be better off as a result of this change?) and quality of process (i.e., How was the change implemented?). Research indicates that when the process is handled well, people are much likelier to embrace rather than resist change.
One study led by Brockner even suggests that a high-quality process can eliminate the negative effects of surviving a layoff. Brockner and his colleagues looked at the organizational commitment shown by two different groups of employees: one that had survived a downsizing and the other in which no layoffs had occurred. Among the group who survived layoffs, those who were more involved in the decision making in the aftermath showed the same levels of morale and productivity as the group in which no layoffs had occurred.

The quality of process is even more important for those who lose their jobs. “The expression ‘adding insult to injury’ actually underestimates how upset people are,” Brockner says. “When employees receive a bad outcome through a poorly handled process, they experience it more like ‘multiplying insult times injury.’” Managers often shy away from employees who are worse off as a result of a change and don’t offer clear communication. This is unfortunate, says Brockner, because these people particularly benefit from the process being done in a high-quality way.

What does such a process look like? It includes giving people advance notice, providing them with a coherent explanation, and treating them with dignity and respect.

> Get better at the reappraisal strategy through mindfulness training: Learn to pay attention to the present in an open, accepting way. Mindfulness enables you to access a more accurate perception of reality. “Building mindfulness doesn’t mean you have to sit still and watch your breath,” says Rock. “You can find a way that suits your lifestyle. The key is just to practice focusing your attention onto a direct experience, and to do so often.” You might start by focusing on the taste of dark chocolate or another favorite food—you’ll likely find that it will taste even better.

**THE SCIENCE PERSPECTIVE**
Kevin Ochsner, Associate Professor of Psychology, Columbia University

Suppression, it turns out, can be bad for your health—and the health of those around you. It can cause poor memory of a stressful situation and temporarily elevate blood pressure, says Ochsner, an expert on the neuroscience of emotion. Strikingly, researchers have also found that suppressing our emotions tends to raise the blood pressure of those who work with us.

In contrast, reappraisal offers an effective way of shutting down the amygdala—a brain structure that plays a major role in activating the body’s fight-or-flight response. “Reappraisal is in many ways the most difficult and mentally effortful strategy for controlling your emotions, but it is also the most powerful,” says Ochsner. It’s not surprising, then, that reappraisal is used widely in treating depression as part of cognitive behavioral therapy, which teaches people how to substitute more positive interpretations for negative and limiting patterns of perception. “It’s a technique that allows you to move from ‘reactive brain to reflective mind,’” says Ochsner.

And as any practitioner or scientist will tell you, leaders don’t react; they respond.
OPERATION DELAWARE RIVER

How applied inventory research—and one professor’s passion—created a political and environmental breakthrough for Gotham’s lifeline

On an average day New York City’s population uses more than 1 billion gallons of water. More than half comes directly from the Delaware River. For the last four decades, the city’s reservoirs near the river’s headwaters have provided a reliable water supply. All looked well for Gotham—rain or shine.

For conservationists and fishermen in the Catskills, among them Columbia Business School’s Peter Kolesar, the landscape looked different. The reservoir’s conservative storage policies and erratic dam releases contributed to a diminished wild trout population and degraded environmental quality of the river. As a result, tensions between fishermen and city officials simmered for years—sometimes boiling over.

Today, much of that tension has been resolved thanks to research by Kolesar, professor emeritus in the School’s Decision, Risk and Operations Division. Leading a team of scientists and fishery experts from conservation groups and collaborating with Professor Upmanu Lall of Columbia’s Earth Institute and department of Earth and Environmental Engineering, Kolesar devised a new reservoir water-release policy that balanced the city’s needs for a secure water supply with benefits to the environment.

This research is the backbone of the new Flexible Flow Management Policy (FFMP) that determines the amount of water released from the dams. In 2007, the Delaware River Basin Commission (DRBC), which administers the Delaware’s waters, implemented the policy; estimates place the economic benefit at $163 million annually in fishing and boating income with a 200 percent increase in aquatic habitat for fish. The FFMP has also reduced potentially dangerous water spills. The immediate and significant impact of their research was nationally commended in April, when it was nominated for the esteemed 2010 Franz Edelman Prize. The award recognizes innovation in operations research that has a significant impact on organizations—and often for society.
“If you were manufacturing cars or detergent, your issue would be to control how much finished product inventory you have,” Kolesar says. “On the river, the water behind the dam is the inventory, the supply is the precipitation in the mountains and the demand is the city’s water consumption. Our basic strategy is: if you have more water, release more water. If you don’t have a lot, you have to be more conservative.”

At a public briefing in August 2006, Kolesar demonstrated how the algorithm accounted for both adequate water storage and more water for fish. River management agreed to use his team’s analysis, eventually reaching a consensus for new water rules—the FFMP—that all the downriver states, New York City and conservationists agreed upon in 2007.

**VICTORY FOR DIVERSE STAKEHOLDERS**

The success of the plan has been more than an economic victory; it has been a win on both political and environmental fronts. It underscores how operations analyses can overcome stakeholders’ conflicting needs to find a universally beneficial solution. The project was unique in that it did not have a sponsor or client; the conservationists, with Kolesar at the helm, incorporated their knowledge into an existing political process. The primary driver was love for the river itself and a desire to bring quantitative evidence to grassroots activism.

The success of the FFMP also signals progress for the way environmental policy is made. Fifty years ago, the water policy was focused on a singular outcome—ensuring water storage for New York City. As the environmental movement has matured and new methods of quantitative research have been developed, policymaking has transformed into a more integrative process, accounting for a more diverse set of needs and environmental issues. That kind of multidimensional decision-making process, taking place across business and management disciplines, has considerable export value.

Indeed, news of the plan’s success has traveled to other water-challenged regions. Officials from Georgia, Alabama and Florida, who have been fighting for years over water allocation from Lake Lanier and the Tennessee River, have invited key players from the DRBC and Kolesar’s coalition to share their knowledge. “The benefit of what we did—to have the analysis that could bring disputing parties into agreement—was a breakthrough,” Kolesar says.

To watch a video interview with Kolesar and learn more about the river, visit [www.gsb.columbia.edu/hermes/features](http://www.gsb.columbia.edu/hermes/features).
MAURA O’NEILL ’05 (EMBA)
International Development Looks Forward

On her first day of work at USAID, disaster struck. Maura O’Neill ’05 (EMBA) was immediately drafted onto the U.S. government’s executive response team to respond to the earthquake in Haiti. The agency quickly opened an operations center, and under the leadership of its new director, Dr. Raj Shah, a team was deployed to provide disaster relief. As senior counselor to the administrator and director of innovation for the agency, O’Neill had no time to waste.

O’Neill had previously worked with Shah at USDA, where she was an adviser until the beginning of 2010. For the past 25 years, she has worked in the public, private and academic sectors with a focus on two areas: sustainable energy development and innovation. President Obama and Congress have pushed to make USAID the most effective foreign aid agency in the world. To that end, they have recruited talent such as O’Neill to introduce an entrepreneurial zeitgeist to the agency’s development work. “My role is to help the agency think outside of the box,” O’Neill says. “We want to be the premiere agency looking forward — unleashing the creativity inside and outside the agency — rather than just doing business as usual.”

Q. What is driving the push to innovate at USAID?
A. We have a whole new set of partners, foundations and private companies that didn’t exist a decade ago. Our agency has the opportunity to partner with them while working with our traditional partners of country governments and NGOs. We are thinking about how to best work with these new partners — how we can best leverage each other’s talents.
How do you explain the recent boom in development-focused foundations and start-ups?

**A.** The reasons are two-fold. First, we live in a much more globally connected world, and we’re much more aware of what’s happening in other parts of the world. Visually we can see what’s happening in a way that we were not able to in the past. It took 40 years for televisions to have a penetration of 50 million people; it took Facebook two years to reach that number. The visual interest and interconnectedness of our technology has given people an awareness and opportunity to say “I can help” in new and meaningful ways. There is a whole new generation of significant foundations that are keenly interested in having an impact on the issues that USAID cares deeply about like governance, civil society, poverty, global health, food security and entrepreneurship.

What do you look for in creating successful innovation?

**A.** We want to look broadly not just at development projects but catalytic events. For example, a 19-year-old farmer in Malawi who was very worried about the drought and its effects on his family went to a library that was supported by USAID. He found an old eighth-grade-level textbook called Using Energy. From that, he figured out how to build a windmill with scrap material that allowed for both water pumping and electricity generation. Having that lending library was needed to spark and leverage the imagination and provided a person in a developing country with the know-how to fundamentally make a difference for his extended family.

“The visual interest and interconnectedness of our technology has given people an awareness and opportunity to say ‘I can help’ in new and meaningful ways.”

What challenges do you see to implementing more of these types of events?

**A.** In the United States, President Obama has made universal broadband access a priority. That movement is much like the one we had in the 1940s to move everyone onto the electric grid. However, the challenge of getting broadband access across the United States is not unlike the one felt globally. How do you get tools and development platforms in health, food security and economic growth to people in dispersed areas? In cases where poverty is extreme, how do you keep prices low enough so that people can access resources? Our two challenges are financial access and geographical access.

Maura O’Neill ’05 (EMBA) is a senior lecturer in the Berkeley-Columbia EMBA Program. She served as the chief of staff for Senator Maria Cantwell from 2008–09 and has founded several education- and energy-focused start-up companies.

While many corrupt countries have remained mired in poverty, some of the great economic success stories of the past half-century have also been the most corrupt economies on the planet—to the great discomfort of development economists, writes Ray Fisman, Lambert Family Professor of Social Enterprise and director of the School’s Social Enterprise Program, in Foreign Policy. Find this and other related links at www.gsb.columbia.edu/hermes/conversations.
Nearly 900 people—more than 450 alumni—gathered together on the evening of May 3, 2010, for the School’s 34th Annual Dinner. Held at its traditional venue, New York’s Waldorf Astoria, the gala event raised an impressive $3 million in unrestricted funds for Columbia Business School programs and activities. **PAOLO SCARONI ’73**, CEO of Eni, and Hillary Rodham Clinton, secretary of state of the United States, received the Distinguished Leadership Award in business and government, respectively. **WASHINGTON Z. SYCIP, MS ’43**, founder of the SGV Group, received a Lifetime Achievement Award. **SIDNEY TAUREL ’71**, chairman emeritus of Eli Lilly and Company, chaired the event. The dinner was dedicated to the memory of two dear friends of the School: **LIONEL PINCUS ’56**, a member of the School’s Board of Overseers for 25 years, and Robert W. Lear, founder of the School’s Executives in Residence Program.
Social Enterprise Conference  
New York • October 8, 2010  
This year’s conference will feature a keynote address by the recipient of the 2010 Benjamin Botwinick Prize in Business Ethics, Peter Blom, chairman and CEO of Triodos Bank Group. A pioneer of sustainable business models, Blom cofounded the International Association of Investors in the Social Economy.  

Annual State of Telecom Conference  
New York • October 15, 2010  
Hosted by the School’s Columbia Institute for Tele-Information (CITI), this event will bring together scholars and practitioners from around the world to discuss aligning supply and demand for next-generation broadband.  

Columbia Business School  
Healthcare Conference  
New York • November 5, 2010  
This day-long event will bring together leading healthcare industry practitioners with students and alumni to discuss challenges and opportunities in the global healthcare marketplace.  

2010 Real Estate Symposium  
New York • November 18, 2010  
The third annual Real Estate Symposium—sponsored by the Paul Milstein Center for Real Estate and the Real Estate Circle—will explore real estate private equity, capital markets and more.