GLOBAL BUSINESS AT THE MILLENNIUM

BY RAYMOND G. VIAULT ’69, ROCHELLE B. LAZARUS ’70, DANIEL R. PIETTE ’70, SIDNEY TAUREL ’71, SHEENA S. IYENGAR, CHARLES W. CALOMIRIS, TOMAS J. HAZLETON ’91 AND LOUIS V. GERSTNER, JR.

Across industries, cultures and political regimes—wisdom about marketing brands, glorifying choice, bailing out banks, managing risk and enabling access to information technology.

IN GOOD SPIRITS

BY DIANA KATZ

From the vineyards and breweries of four alumni, spirits for a new millennium.

BELLE OF THE BALL

BY MELANIE CONTY

Sara L. Levinson ’76 spreads the word—NFL football isn’t just for dad anymore.
Features

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Dear Friends:

The year 2000, now only weeks away, has received more publicity than perhaps any other year in history — and a lot of the hype might strike us as misguided. Yet we truly are experiencing the dawn of a new era: people are linked together in an unprecedented manner, information is more accessible than anyone could have foreseen only a decade ago and opportunities abound — in more places and for more people — as never before.

In this millennium’s final issue of Hermes, we consider some ideas and events that will continue to shape the new era, and we offer global business perspectives from both industry and academia:

- Alumni leaders in four diverse industries discuss the challenges of global brand management.
- Professor Sheena Iyengar examines how cultural values affect decision making in Western and non-Western cultures.
- Professor Charles Calomiris proposes a new global financial framework.
- Citibank vice president Tomas Hazleton '91 explores the need for an adaptive, holistic approach to global risk management.
- Lou Gerstner, chairman and CEO of IBM, predicts the end of the PC’s reign as the leading information appliance.

And what better way to toast the year 2000 than by raising a glass of spirits? Hermes profiles four alumni entrepreneurs who, through innovative approaches, produce vintages and brews worthy of just such an occasion as the turn of the millennium.

As we continually renew our commitment to being the preeminent business school for women, we highlight one particular alumna’s success in an in-depth profile of Sara Levinson ’76, president of NFL Properties.

Finally, I’d like to share some personal reflections on leading the School, taken from my remarks at the Annual Dinner in May.

As always, keep in touch. Make your plans now to join us at reunions on campus next April or at our Pan-European gathering in Monte Carlo next September. Above all, send us your news, and let us know where and how the new millennium finds you.

Sincerely,

Meyer Feldberg

Dean
A standing-room-only presentation, Columbia Business School awarded the 1999 Botwinick Prize in Business Ethics to Henry R. Kravis '69 on September 9. Students crowded doorways and aisles to hear Kravis's speech, which was broadcast into another lecture hall nearby to accommodate the overflow.

Kravis, a member of the School's board of overseers since its inception in 1990 and founding partner of Kohlberg Kravis Roberts & Co., which pioneered the development of the leveraged buyout, was recognized for his work as the founder and chairman of the New York City Investment Fund.

Working with Jerry I. Speyer '64, a member of the board of overseers and the president and CEO of Tishman Speyer Properties, Inc., Kravis established the New York City Investment Fund in 1996 with a mission “to provide financial and business development assistance to companies that create jobs, contribute to growth sectors of the economy and promote economic revitalization of distressed neighborhoods in the five boroughs.”

When Kravis began brainstorming about an investment fund five years ago, New York City’s unemployment rate was twice the national rate and the city was badly in need of economic resuscitation. Kravis, a “big believer in the private sector taking responsibility,” noticed that in other cities the private sector had played a key role in job creation. He established the New York City Investment Fund with the goal of attracting $1 million each from 100 key investors. “We promised investors we’d find a way to make a difference in the city, to rethink what was possible,” Kravis said. David Rockefeller was the first to sign on.

Thus far, the fund has attracted 65 of New York City’s most prominent global leaders in business and finance and has committed funds to 22 projects, including the Biomedical Research Association of New York, a consortium of five major medical centers aiming to attract clinical drug trials, and Gun For Hire Films, a film production center that provides people, facilities and equipment to studios making films in New York. The fund has leveraged over $300 million in additional financing and has already created 3,000 jobs.

Kravis, who established the Henry R. Kravis Professorship of Business Leadership at the School and serves on numerous boards of directors for corporations and not-for-profit organizations, grew up in Tulsa, Okla. His father taught him the importance of giving back to society, Kravis said, and he became involved in charity work as a student at Columbia Business School. “I learned that it was very important not just to give the dollars,” he explained, but “time and expertise.”

“Don’t be afraid to come up with new ideas,” Kravis told students. “Follow your dreams. We can all take from society, but the best, most enjoyable times I have had are when I have been able to give to someone else.”

“We promised investors we’d find a way to make a difference in the city, to rethink what was possible,” Kravis said. David Rockefeller was the first to sign on.
NEW EXCHANGE PROGRAM ENTICES STUDENTS TO GO WEST

Prospective Columbia Business School students torn between Silicon Valley and Wall Street need no longer fear sacrificing some networking and career development opportunities by choosing an East Coast school over a West Coast one. Columbia Business School and the Haas School of Business at the University of California, Berkeley, have established the first domestic exchange program between top U.S. business schools. The Columbia/Haas exchange was implemented after Deans Meyer Feldberg and Laura D’Andrea Tyson met in the spring of 1999 to discuss how such a program would benefit students at both schools. “The new Columbia/Haas exchange will broaden the students’ perspectives and networking reach,” says Safwan Masri, vice dean of students and the MBA Programs at Columbia. “New York City’s pace and global focus have defined the Columbia Business School experience. Access to Silicon Valley’s continually evolving technology and new media industries will provide extraordinary opportunities.”

Exchange programs are hardly new to Columbia Business School. Through the Chazen Institute, Columbia MBA students have the opportunity to spend a term at one of 21 graduate management schools all over the world, from the Hong Kong University of Science and Technology to Israel’s Leon Recanati Graduate School of Business Administration. The Haas School of Business becomes the 22nd school on the list of exchange institutions. The exchange program is popular even in its inceptive year— admission to the Haas program is as competitive as admission to the international exchange programs. This fall, Columbia is sending three students to Berkeley and welcoming three Haas students to campus.

CONSOLINI NAMED ASSOCIATE DEAN

Dina Consolini has been promoted to the position of associate dean and director of the Executive MBA Program and director of the Chazen Institute. “Under her leadership, the EMBA Program has witnessed stronger admissions statistics, greater student satisfaction and increased participation by full-time faculty,” says Dean Feldberg.

Consolini came to the School in 1995 as program coordinator for the EMBA Program. One year later she was promoted to associate director, and by 1997 she was leading the program as assistant dean and director.

As associate dean, she continues to foster collaboration between the EMBA Program and the full-time MBA Program while maintaining the former’s separate but equally prestigious identity. As director of the Chazen Institute, Consolini works closely with the Chazen Faculty Advisory Committee and Professor Robert J. Hodrick, academic director of the institute, to enhance the School’s global perspective, faculty research and student exchange programs.
SCHOOL LAUNCHES CENTER ON GLOBAL BRAND LEADERSHIP

On September 9, Columbia Business School’s new Center on Global Brand Leadership hosted its inaugural event, an exploration of experiential marketing.

The meticulously planned evening was designed by Professor Bernd Schmitt, director of the center, as an experiential event in itself and included a cocktail party featuring five costumed performance artists circulating throughout the crowd, a jazz band, text animation and videos playing on several screens, an Absolut Vodka bar display and a multicolored cascade of balloons.

The program also featured a panel discussion in which practitioners shared their insights into experiential marketing. The panelists were Charles Fink, former senior vice president and chief creative officer of AOL Studios’s Greenhouse Networks; Ron Galotti, president and publisher of Talk Media, Inc.; Tony Fouladpour, public relations manager for Volkswagen of America, Inc.; and Morris Holbrook, the William Dillard Professor of Marketing at the School. CNNfn reporter Susan Lisovicz moderated the discussion.

Schmitt is widely recognized for his expertise in international strategy and global brand management. In his most recent book, Experiential Marketing: How to Get Customers to SENSE, FEEL, THINK, ACT, and RELATE to Your Company and Brands (The Free Press, August 1999), he proposes that experiential marketing, which focuses on the sensory, emotional and relational experiences of customers, is replacing traditional features-and-benefits marketing.

“We are looking forward to an exciting array of initiatives,” said Dean Feldberg at the inaugural event. “The center will bring together researchers and managers as well as policy makers from around the world to offer solutions to global marketing issues.”

General Mills, Inc., helped launch the center as a founding partner, and Eli Lilly and Company and the Interpublic Group of Companies, Inc., are lead underwriters.

BATTENBERG JOINS BOARD OF OVERSEEERS

The Board of Overseers has added a new member, J. T. Battenberg III ’69, chairman, president and CEO of Delphi Automotive Systems (spun off by General Motors in 1999) and chairman of the Delphi Strategy Board.

Battenberg brings expertise gleaned from 38 years with GM, where he served in numerous positions in the United States and Europe, including general manager of overseas truck operations, vice president and group executive for the Buick-Oldsmobile-Cadillac group, and GM senior vice president and president of ACG Worldwide. He was elected executive vice president of GM and president of Delphi, formerly ACG, in July 1995 (see article, page 51).

Battenberg also is a member of the board of trustees of Kettering University and the National Advisory Board of Chase Manhattan Corp., among others. The Detroit Regional Chamber, a business membership and representation group, recently named Battenberg the 1998 International Business Council’s World Trader of the Year.
THE CLASS OF 2001 GETS ORIENTED

The members of the class of 2001 began their Columbia Business School experience with a quintessentially eventful orientation week in late August.

On one afternoon, 350 members of the first-year class rolled up their sleeves and swept, raked and pruned nearby Morningside Park. The event helped introduce the class to the School’s spirit of giving back to the community.

During the rest of the week, 489 entering students became acquainted with one another, their new hometown and key facets of the School, including its computer and library systems, ethics standards, professors and social life. Activities included a twilight cruise around Manhattan, international meals, a day of schoolwide athletic competitions and a happy hour. Chase Manhattan Bank also sponsored an event at which new students and potential employers could mix and mingle.

UNEXT.COM DEAL OPENS GLOBAL MARKETPLACE

Columbia Business School has entered into an agreement with UNext.com, an Internet-based, global distance-learning enterprise that offers technology-driven lifetime learning.

Under the arrangement, the School will develop educational content in such areas as finance, accounting and management for the UNext.com network. The School will hold licenses to this content and will maintain control over the use of the School name and logo in connection with UNext.com programs.

The agreement will "provide the School with both a stream of income to support ongoing programs as well as capital to enhance the School’s endowment," Dean Feldberg says. “We will receive a royalty stream with a right to convert to equity prior to a UNext.com IPO.” Columbia is the initial founding university member. Other potential participants include Harvard Business School, the London School of Economics and the Stanford School of Engineering.

UNext.com has signed a strategic alliance with IBM/Lotus that calls for delivering its online courses via the Lotus LearningSpace software, which provides classmates and instructors, regardless of their locations, with “live” virtual classes and collaboration. IBM is slated as the network’s first corporate customer.

“This agreement is an integral part of Columbia Business School’s overall strategy for the 21st century,” Feldberg says. In addition to advancing the University’s new media objective, “our relationship with UNext.com will provide the School reach and access into the global marketplace.”

HERMES STANDS CORRECTED

In “Achieving Diversity in the Executive Suite” (spring 1999), Hermes failed to give proper credit to Dr. Anna Duran, principal investigator and lead author of the landmark study "Diversity in the Executive Suite: Creating Successful Career Paths and Strategies.” Duran, a nationally known innovator, educator, mentor, researcher and consultant in the diversity arena, is president of the Duran Group, a highly regarded New York-based management consulting firm that specializes in global management issues, workforce diversity, organizational development and applied research.

Duran, who collaborated with Professor Ann Bartel of Columbia Business School on the diversity study, has had a longstanding relationship with the School. As an adjunct professor, she developed and taught two MBA courses, Managing Groups and Interpersonal Dynamics, and Leading and Managing a Global Workforce. She also founded and directed a program on managing cultural diversity for Executive Education.

Hermes regrets the error.
CHAZEN INSTITUTE AND CIBE INSPIRE TOMORROW’S FACULTY

Doctoral candidates throughout the United States who are currently enrolled in business schools will become the next generation of professors — and while there is no shortage of PhD students, more of them must conduct research and write dissertations that include an international perspective in their scope.

To address this issue, Columbia University’s Center for International Business Education and Research (CIBER) and the Chazen Institute at Columbia Business School hosted the First Annual CIBER International Doctoral Workshop in late August. The workshop was sponsored jointly with the Centers for International Business Education and Research (CIBERS) at Texas A&M University and the University of Michigan, with further support from Ohio State University and the University of Florida.

Enrollment in the two-day CIBER conference approached 100 participants, far surpassing the initial expectation of 25 to 50 students. Doctoral candidates from 37 business schools and every region of the continental United States (and one Montreal university) participated.

Spearheaded by Robert J. Hodrick, the Nomura Professor of International Finance and academic director of the Chazen Institute, the conference emphasized choosing an international dissertation topic. It included sessions on international developments and research issues led by the following full-time faculty members from Columbia Business School: Jacob K. Thomas (accounting); Ann E. Harrison and R. Glenn Hubbard (economics); Hodrick (finance); Paul Ingram and Jaeyong Song (management); Garrett J. van Ryzin (management science); and Bernd Schmitt (marketing).

LEHMANN AWARDED TOP ACADEMIC HONOR

Donald R. Lehmann, the George E. Warren Professor of Business, has been named the 1999 AMA/Irwin Distinguished Marketing Educator by the American Marketing Association.

The recipient of the award, the AMA’s highest academic honor, must have extensively contributed to marketing education and the discipline of marketing and be universally acknowledged as a long-standing leader in the field. He or she also must have achieved in the areas of creativity and innovativeness, teaching and mentoring, research, administration, public service and service to the marketing profession. Lehmann has written more than 80 highly regarded articles and six widely used textbooks.

He has also mentored many junior faculty members at top business schools and supervised a large number of PhD dissertations, in recognition of which the AMA established a yearly award in his name for the best dissertation published in one of two major marketing periodicals.

Lehmann’s academic career spans 30 years. He is the founding editor of the premier journal Marketing Letters and has served as an officer, director or member on the boards of several other organizations and publications.
NEW FACULTY MEMBERS JOIN THE SCHOOL

Dean Feldberg hosted the annual reception in September for new full-time, visiting and adjunct faculty members joining the School this academic year. The new full-time faculty members are:

- Eric J. Johnson, the Norman Eig Professor of Business, who joins the Marketing Division from the Wharton School. His research interests focus on electronic commerce as well as consumer and managerial decision making and brand equity. He is the coauthor of two books on decision making, and his articles have been published in consumer, marketing, management science and organizational behavior journals.
- Stephen H. Penman, the George O. May Professor of Accounting, who joins the Accounting, Business Law and Taxation Division from the University of California, Berkeley. He is an expert on financial statement analysis and the use of accounting information in equity valuation. He is the author of the forthcoming book Financial Statement Analysis and Security Valuation.
- Geert Bekaert, professor, who joins the Finance and Company last summer as an intern and was promoted to director of business development within weeks. Now a principal with the company, Rifkin will return to Women.future full-time after graduating in May.

COUNTDOWN BEGINS FOR CYBER “WOODSTOCK”

On April 5, 2000, Internet venture Women.future will conduct the first worldwide, online, real-time conference for businesswomen. The company hopes to attract 100,000 participants who, from satellite sites around the world (including Columbia Business School), will experience what aspires to be “the Woodstock for businesswomen—21st-century style,” says Anneke Rifkin ‘00, who joined the company last summer as an intern and was promoted to director of business development within weeks. Now a principal with the company, Rifkin will return to Women.future full-time after graduating in May.

Launched in 1998 by Susan Bird (a founding member of the Committee of 200, a network of the nation’s top businesswomen) and sponsored by Internet giant Women.com, Women.future aims to create networks of women professionals and provide role models for young women via its Web site at www.women.com/womenfuture.

Prominent businesswomen such as Lillian Vernon and Esther Dyson will take part in the April event as featured speakers, and participants at satellite sites will be able to interact with the speakers and with one another, “engaged in conversation, not speeches, about what really matters to them and their companies,” says Rifkin.
Andrew Ang, assistant professor, who joins the Finance and Economics Division. A specialist in empirical asset pricing and applications of econometric methods to financial problems, he received his PhD from Stanford.

Jean Boivin, assistant professor, who joins the Finance and Economics Division. A specialist in the analysis of monetary policy, he received his PhD from Princeton.

Raymond J. Fisman, assistant professor, who joins the Finance and Economics Division. A specialist in financial intermediation and corporate finance, he received his PhD from the University of Pennsylvania.

Ira S. Weiss, assistant professor, who joins the Accounting, Business Law and Taxation Division. His research examines both the effects of taxes on the decisions made by businesses and the financial reporting process. He received his PhD from the University of Chicago.

Andrew Gershoff, assistant professor, who joins the Marketing Division. His research focuses on two areas: the role of agents in consumer decision making and consumer decision making in ambiguous or probabilistic environments. He received his PhD from the University of Texas.

Eslyn L. Jean-Baptiste, assistant professor, who joins the Finance and Economics Division. A specialist in financial intermediation and corporate finance, he received his PhD from the University of Pennsylvania.

Ira S. Weiss, assistant professor, who joins the Accounting, Business Law and Taxation Division. His research examines both the effects of taxes on the decisions made by businesses and the financial reporting process. He received his PhD from the University of Chicago.
MARKETING IN A NEW MILLENNIUM
Marketing brands across borders and bandwidths—perspectives from four alumni and four industries: Raymond G. Viault ’69 of General Mills; Daniel R. Piette ’70 of LVMH; Rochelle B. Lazarus ’70 of Ogilvy & Mather; and Sidney Taurel ’71 of Eli Lilly.

CHOICE AND ITS DISCONTENTS
Personal choice is seen as desirable in some cultures but as a threat to social harmony in others. Professor Sheena S. Iyengar explores the implications of these preferences for conducting global business.

BUFFING UP THE BODY POLITIC
Professor Charles W. Calomiris argues that IMF bailouts and government deposit insurance spur excessive risk taking, which often leads to international economic crises.

RISKY BUSINESS
After a decade of contagion that refused to play by old rules, a holistic approach to evaluating global risk, from Tomas J. Hazleton ’91 of Citibank.

NET GAINS
PC or not PC— that is the question. Louis V. Gerstner, Jr., of IBM, presents the case for a universe permeated by the next generation of embedded computer chips.
The approach of a new millennium seems to promise the abrupt arrival of the future. But perhaps the future has already begun—a few years ahead of schedule. Through the new frontiers of the Internet and e-commerce, people are becoming linked together in ways that were unimaginable less than a decade ago. We have discovered both the smallness of one global village and the vastness of a planet populated by billions. While children living in Nara, Japan, and Espoo, Finland, can meet each other almost as easily as if they lived in the same neighborhood, an online toy store based in Tucson, Ariz., cannot be sure that one marketing technique will appeal culturally to both.

Global marketing has the ability to bridge national, cultural and ethnic barriers with unprecedented thoroughness and speed. Its power lies in the ability to link the planet around the shared values associated with individual brands while celebrating the diverse ways that various cultures relate to those brands. In the following pages, four experts from a broad spectrum of industries, all of them graduates of Columbia Business School as well as members of the School’s board of overseers, share their views on how—in a growing, changing world—effective global marketing can lead us all to common ground.

In 1999, Columbia Business School established the Center on Global Brand Leadership to provide innovative solutions for managing global brands. The center is a corporate and academic collaboration, with support from General Mills as the founding partner and Eli Lilly and Company and the Interpublic Group of Companies as lead underwriters.
Q: What brands would you identify as truly global?
A list of the most widely recognized global brands would certainly include Coca-Cola, Sony, Citibank, McDonald’s, Nescafé, Disney, Visa and American Express.

Q: What is the greatest advantage of global branding?
I would say the key benefit is the widespread development of strong brand recognition and acceptance. The challenge is to make widely available the same high-quality product or service and communicate this consistently across many environments.

Q: What are the major barriers to global marketing?
Barriers must be well understood, and the truly important barriers must be addressed via local adaptation. Central management of global brands and what they stand for is done by most multinationals. This ensures consistency in the communication of a brand’s core elements. The development of a clear, written brand identity and strategy, as well as extendability parameters, is key to central management of a global brand.

Q: What role will the Internet play in global marketing?
For the food industry, the Internet is still in the experimentation stages. Companies like Peapod are doing business in selected U.S. markets, allowing direct Internet ordering of groceries—of course, at a price. Many food manufacturers are experimenting with marketing and information Web sites. The Internet will play a role, although it’s not yet clear exactly what that role will be.

Q: How will the barriers to global marketing affect your future strategies?
Food products, especially, often require some local adaptation due to wide differences in local tastes, distribution patterns and food laws. For example, a global brand like Nescafé coffee (a Nestlé product) has different formulas in most countries to best meet local coffee taste preferences. Of course, packaging and sizing decisions will most likely differ by country to meet local storage needs or local purchasing-power dynamics. Graphics, however, can be common, despite packaging variations between countries.

Q: Could you describe a global marketing strategy you tried that failed?
Well, one regional example comes to mind. While I was based in Europe with Jacobs Suchard, we introduced Milka chocolate into the newly opened markets in eastern countries. Milka, a 100 percent cocoa butter chocolate made with alpine milk, is the popular-price leading chocolate in western Europe. Before 1989, eastern Europe had a number of local brands that were partly made from vegetable oil, not 100 percent cocoa butter, and did not contain alpine milk. These products tended to taste waxy but were lower in price. We decided that Milka should remain 100 percent cocoa butter with alpine milk (its basic positioning) and that people would pay the premium price because of its superior quality. This turned out not to be the case, as price elasticity was greater than expected. This led to a two-brand strategy. We purchased a number of these local brands to cover the lower price market and marketed Milka as the premium brand.
Q: What are the major barriers to global marketing?
The first is the company’s willingness to deliver the brand through every point of contact. Second, often a company’s own structure, lines of reporting and traditional focus on specific geographies will get in the way of good brand management. Territorial blinders are a real hazard that smart management needs to overcome. Most important, you need good local people in the offices of your company who thoroughly understand and are committed to the brand. Being global is not a matter of moving a bunch of expatriates around the world. You need the best local talent to make your brand relevant in any marketplace.

Q: What role will the Internet play in global marketing?
In an e-business world, the brand has to be everything it was before and more—live, real and engaged with the specific consumer. Many clients, when they start to think about the Internet and e-commerce, don’t know where to start. They invent from scratch, as if they don’t have decades of shared history and expectations with loyal users. But a Web site needs to reflect the brand’s existing promise. Ordering products must be easy and fast in real time. The service provided through the Internet must reflect the brand. The language and tone of the message, the colors and the layout must all be in sync with the brand’s image. Learning what works on the Web requires experimentation and an open mind. The most successful companies are willing to invest a little to get smarter.

Q: Do you market your products differently in different countries? A lot depends on the brand. We write all the IBM commercials in New York and send the scripts to our offices around the world to be reshot using local actors, but the product and the message are the same. For Kimberly-Clark’s Huggies diapers, we might shoot a commercial with a dancing baby in New York and use the same commercial in Thailand but with a Thai voice-over. But we also create commercials locally. We advertise Dove soap around the world, in over 60 countries, using testimonials given by local women, who discuss what they like about Dove and how it keeps their skin moist and younger looking.

Q: Could you describe a global marketing strategy you tried that failed? Pond’s was once considered your grandma’s cold cream, but today it is one of the leading skin care brands around the world. Unilever painstakingly built the Pond’s franchise country by country over the last decade by extending the brand into new, innovative skin care products, tailoring products to local cultures and then wrapping them into a brand franchise umbrella called the Pond’s Institute.

Interestingly, the Pond’s Institute started as an advertising idea from our Paris office, but it quickly became apparent that this ad idea really was at the heart of the brand promise. So, local Unilever operations jumped on the virtual Pond’s Institute bandwagon, and suddenly you had a Pond’s Institute site posted from Malaysia and one from India and one from Norway, all saying different things, making different offers, flagging local products and promotions. And all these were visible globally. Well, chaos is a great motivator. We’re now working with Unilever to forge one brand and one voice on the Web for Pond’s with a virtual Pond’s Institute.
Q: The greatest challenge?
The current reasoning, which I fully agree with, is that in this industry a brand has to become global to survive in the long term. However, going global has its own risks—of changing the spirit and the roots of the brand. Today’s consumer is sophisticated; she (women account for the majority of luxury goods customers) understands perfectly what is behind the luxury brand—its history, its image and its future. The consumer, in a sense, owns part of the brand itself. This means that the greatest challenge for our brands is to preserve their authenticity while going from continent to continent—to different customers who may have different expectations.

Q: What role will the Internet play in global marketing?
It is essential to keep in mind at all times our objectives for brand management, because today the information goes from one side of the planet to the other through the Internet, or other means, in no time. Therefore, the brand’s message has to be a lot more coherent than in the past. To achieve that, your objectives have to be shared at all levels of the organization and also with the customers.

This means that a brand cannot differentiate its strategy for each market. Even if there are real differences in cultures, buying power and habits, the global brand manager can adapt only the means of advertising, not the core elements of the brand.

Q: How will the barriers to global marketing affect your future strategies?
Global branding in the luxury industry is no longer a strategic issue—it is necessary for a successful strategy of brand building. It is not enough to be global; the brand has to be recognized for its core values. Success will require a clear vision of the brand’s values and, therefore, a clear statement to make those values accessible and comprehensible to the general public.

Luxury marketing is changing in a major way in our countries. The goal is no longer to target the happy few or to give the customer a status symbol. The luxury paradigm will be transformed: to be instead of to have. In the past, we had status brands. For the new millennium, we need cult brands. The tools a company will use to create a global brand will depend heavily on the particular brand, and the speed of success, as well as the magnitude of that success, will be different depending on the type of brand.
Q: What brands would you identify as truly global?
A few brands appear to have virtually universal visual recognition, emotional connection and consumer loyalty. Coke, IBM, Sony, Mercedes and Microsoft would be at the top of my list. For us in the pharmaceutical industry, I might add, it’s certainly noteworthy that Prozac and Viagra have emerged as recognized brands in much of the world.

Q: What is the greatest advantage of global branding? The greatest challenge?
The owners of these brands have created a “global currency” with vast numbers of customers that elevates the perceived value of their products—and the credibility of their messages supporting those products. These brands have established leadership positions in the marketplace by consistently meeting customers’ needs in a fast-changing environment. Moreover, the owners of an established brand have often assembled the resources that enable them not only to maximize the traditional marketing mix but also to adopt new tools quickly—and to invest in them aggressively.

On the other hand, even the great brands are under pressure. They have to remain fresh, blunt thrusts by competitors and manage unexpected issues that can compromise established loyalties. They also have to distinguish themselves in the face of proliferating branding efforts—like Nokia and Starbucks. The global consumer’s capacity to absorb and respond to branding strategies is really being put to the test.

Q: What are the major barriers to global marketing?
There are plenty of barriers. They range from the fundamental difficulties involved in developing a product capable of sustaining a global brand to the time and money required to actually build that brand. If I were to identify the single largest barrier, however, it would be assembling teams of people capable of the analysis, planning, implementation and learning required to create, and then sustain, a global brand.

Q: What role will the Internet play in global marketing?
The Internet is quickly creating new connections among pharmaceutical companies and our various customers on a global basis—and accelerating the “clock speed” of the entire industry. It’s certainly relevant to note that all major companies in our industry now have Web sites and links to major hubs.

The ultimate impact of the Internet on everyone involved in health care will be revolutionary. The fact is that the basic framework and philosophy of the global health care community has maintained severe constraints on the flow of information. For instance, most patients did not seek information beyond that provided by medical professionals and had few easily accessed channels for getting that information on their own. And the developers of unconventional, or even dubious, medical products and procedures faced an uphill battle to promote their wares. Even now, health care regulators worldwide rigorously control what can be said about many medical products. The Internet, however, is beginning to break down those constraints and, in some cases, is doing this very quickly.

In addition, I believe the distribution of pharmaceutical products will be profoundly affected by e-commerce, not only in the United States, where e-commerce firms have started, but also eventually throughout the world.
Challenges for the New Millennium

BY SHEENA S. IYENGAR

“Freedom is the right to choose: the right to create for oneself the alternatives of choice. Without the possibility of choice, and the exercise of choice, a man is not a man but a member, an instrument, a thing.”
—Attributed to Thomas Jefferson, circa 1795

From the beginning of U.S. history, the concept of choice has been glorified. Liberty, after all, is enshrined, subordinate only to life itself in the Declaration of Independence. Even today, the glorification of choice permeates many aspects of American life, from the plethora of options available in local grocery stores, where there are often aisles devoted solely to different types of potato chips or soft drinks, to the use of choice, or more specifically “pro-choice,” as a persuasive device in current political debate. In our day-to-day lives, the choices we make may range from the trivial, such as what to eat and what to wear, to the consequential, such as what career to undertake and whom to marry. Inherent in all of these practices is the belief that choice is both desirable and powerful.

Indeed, the glorification of choice is self-evident, even in the disciplines of economics, political science, psychology, management and marketing, to name just a few. In general, academic research and theory have supported American beliefs about choice by repeatedly demonstrating across many domains of inquiry that the provision of choice
enhances human motivation, which in turn can be linked to numerous beneficial consequences. In particular, for many decades American psychologists have shown the provision of choice to produce numerous psychological benefits, theorized to occur as a result of increased levels of perceived control and intrinsic motivation. According to this research, when individuals are given a choice, their feelings of self-determination, their experience of intrinsic motivation and often their actual task performance are significantly increased. Conversely, the absence or removal of a choice has been shown to have detrimental effects on human motivation, performance and even health status.

In Western cultures, educational research has shown that the mere provision of trivial choices, such as what color pen to use when completing homework assignments and in what order to do math problems, can have powerful beneficial consequences on both children’s interest in their schoolwork and their learning of their school material. Similarly, health officials discovered that if elderly patients in a nursing home were given a choice about when to watch a movie, such perceptions of choice and personal control actually improved their health and increased their life span by approximately 18 months.

The belief that choice is inherently motivating has also been the basis for myriad organizational theories and practices. The widely regarded theories of participative management and individual goal setting, for example, assume that the provision of choice enhances employee job satisfaction, motivation and performance. Common managerial wisdom in the West, then, encourages the promotion of employee autonomy and the provision of work-related choices as ways to enhance employee satisfaction and productivity.

Similarly, the mechanisms presumed to underlie the postulated benefits of choice do not appear to be mysterious. Clearly, we assume, different individuals will have different personal preferences, and certainly the more choices that are available, the more likely it is that everybody will be able to find and select alternatives that best match their personal preferences. In addition, we believe that people who have been offered a choice should feel a sense of autonomy, control and empowerment.

But are these principles truly as self-evident, or as universal, as they might first appear? Researchers have rarely examined the possibility that choice may not always be rewarding and that the absence of choice may not always be dysfunctional. As the new millennium approaches, and as organizations become increasingly globalized and competitive, it is becoming vital for business leaders to have a more comprehensive understanding of what really motivates people both at home and in other parts of the world. In my research with global and U.S. organizations, my research associates and I have been investigating circumstances in which we find that people actually prefer to have their choices restricted or entirely removed.

CHOICE AND CULTURE

One recent and highly influential analysis by Hazel Markus of Stanford University, Shinobu Kitayama of Kyoto University and Harry Triandis of the University of Illinois, experts in the field of cultural psychology, implies that preferences for, and benefits of, choice might well vary across different cultural contexts. In particular, these authors have suggested that whereas personal agency is an essential element of the self-identities of American individualists, it may be considerably less relevant to the self-worth of members of more collectivistic cultures, characteristic of Asia, Latin America and the Middle East, for example. If so, then the links between the provision of choice and job satisfaction, motivation and performance may prove less universal and more particularly relevant for North Americans and western Europeans.
Westerners, suggest Markus, Kitayama and Triandes, possess a self-identity as fundamentally independent. Such individuals will strive for independence, seek a sense of individual autonomy and desire to express their personal preferences in order to establish their uniqueness within their environments.

The strength of this link between the expression of choice and the concept of self for many Americans can be easily illustrated with a familiar example. John goes out to dinner with friends. As he looks over the menu, he spots a favorite dish that sounds tempting—perhaps the grilled prawns. To his dismay, however, he listens as the two companions sitting across from him order this same item. Suddenly, John faces what we might call a “dilemma of individuality” and must decide whether to go ahead and order the same dish, despite the fact that others at the table have already done so. Even if he resists the temptation to change his planned order, he may still find himself feeling obliged to offer some prefatory apology or explanation for his decision in order to show that he is not merely a conformist (for example, “Gosh, I hate to be such a copycat” or “You know, I was planning to order that dish all along”).

By contrast, consider a different cultural context in which the members possess a more interdependent model of the self. As opposed to American individualists, Markus, Kitayama and Triandes theorize, members of more interdependent cultures strive for interconnectedness and belongingness. For such persons, the exercise of personal choice may have considerably less value. Indeed, in some situations the exercise of personal choice might even pose a threat. Interdependent selves, therefore, might actually prefer to accept choices expressed by others—if doing so enables them to fulfill the superordinate cultural goal of group harmony and belongingness.

Thus, in the more interdependent cultures that make up most of the non-Western world, the apparent dilemma facing our hypothetical diner in the scenario above is likely to seem puzzling. In most Eastern countries, sharing a common menu would be standard procedure when dining out, and it would instead be the assertion of some distinctive individual preference that would require some explanation or apology. If Yuko disliked the shellfish that was being served, her “dilemma of belongingness” would be whether to just pick politely at a dinner she could not enjoy or to express her distinctiveness and potentially threaten the harmony of the group around the table.

When I initially began my research on choice and motivation, I compared the attitudes of Chinese and Japanese factory workers to those of Anglo-Americans in the United States. To begin with, we found that whereas it was very difficult to have a conversation about choice with Asians, it was very difficult to have a conversation about the need for harmony with Americans. There were dramatic cultural differences in the emphasis on and reverence toward these terms.

Both American and Japanese factory employees were asked to catalogue the choices they had made during a normal workday and rate how important each choice was to them. American employees reported having made nearly 50 percent more choices than their Asian counterparts. In addition, the Americans gave significantly higher ratings of importance to their choices than did the Asians. Moreover, these employees were also asked to list occasions on which they would wish not to have a choice. Unlike the Asians, 30 percent of the Americans said that they could not imagine a single circumstance in which they would prefer not to have a choice.

Currently, my research with Citigroup is examining the role of choice and such other motivating factors as money and job security on employee satisfaction and motivation in 12 different countries, including employees from Asia, Latin America, Europe, Australia and the Middle East. Thus far, our findings reveal that even among employees in consumer branches in the United States, we can observe considerable differences in what motivates employees. While having the ability to choose when to take work breaks and
how to complete one’s work is predictive of employee satisfaction and performance among Anglo-Americans and African-Americans, it has no relevance to the job satisfaction and performance of Asian-American and Hispanic employees. By contrast, we find that for Asian-Americans it is the amount of responsibility they have that predicts their job satisfaction and performance.

More specific comparisons of Asians and Americans indicate that while Americans perform better at and are more satisfied with work activities that they have chosen to do, Asians tend to be more satisfied with and perform better at tasks that trusted others (for example, well-regarded managers) have chosen for them. We also find that Asians are motivated by tasks that their entire group of colleagues have decided upon collectively—a work situation that does not appear to be motivating to Americans.

CHOICE AND ITS LIMITS

Just as we have assumed the provision of choice to be more desirable than a lack of choice, so too have we assumed that, in general, more choice is better than less—that the human ability to desire and manage choice is unlimited. Although prior research makes a compelling case regarding the psychological benefits of choice in America, these studies have only focused on the specific question of whether some relatively limited choice among alternatives is more beneficial than no choice at all. Common, everyday situations that we regularly encounter as consumers of choice, however, are often not constrained by a limited selection. What happens when the range of alternatives becomes much larger, when the number of options becomes overwhelming and the differences between options become relatively small?

To explore consumer responses to extensive options, we conducted a field investigation in an upscale grocery store, Draeger’s, in Menlo Park, Calif. On two consecutive Saturdays, a tasting booth for Wilkin & Sons exotic jams was arranged. As consumers passed the tasting booth, they encountered a display with either six or 24 different jams. We observed and calculated the number of people who stopped at the tasting booth as well as the number of people who chose to purchase the jam in question.

The results are striking. They demonstrate that although extensive choice is initially more enticing than limited choice, limited choice is ultimately more motivating. In fact, 60 percent of the passersby approached the table in the extensive-choice condition, as compared to only 40 percent in the limited-choice condition. However, 30 percent of the consumers who encountered the limited selection actually purchased a jam, whereas only 3 percent of those exposed to the extensive selection made a purchase.

In subsequent studies we found that people are actually less satisfied with the choices they make if selected from a larger set of options. For instance, the same Godiva chocolate chosen from a set of 30 chocolates is considered to be less delicious than if it is chosen from a set of six. Moreover, we found that the negative consequences of too much choice extend beyond consumer contexts to work contexts. An examination of individuals completing a task chosen from a larger range of options as compared to a smaller set of options revealed that people performed better at their chosen activities if they have chosen the activity from a smaller range of options.

Thus, even Americans may not always find the provision of choice to be motivating. Even Americans may not have an infinite capacity to desire and manage the consumption of choices. Currently, we are investigating the implications of these findings for investment decisions.

From Locke to Mill, from Rousseau to Jefferson, choice has been hailed as an inalienable human right, an essential human need. But one of the questions we face in the 21st century is, What of choice and its discontents?

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Economists recognize that illiquidity can create unnecessary financial instability. At the same time, bailouts of banks—sometimes defended as necessary to preserve liquidity—are destructive to proper incentives toward risk. Is there a way around this problem? I believe that it is possible to construct a set of mechanisms that resolve problems of market illiquidity while avoiding the incentive problems attendant to counterproductive bailouts of risk takers. The key to achieving both sets of objectives is ensuring credible penalties for excessive risk taking by financial institutions.

The hurdles that must be overcome in designing an appropriate financial architecture, then, are not those posed by economics, but rather by politics. The challenge is to get those with vested interests in the current allocation of political power—including bankers, developing country oligarchs and the U.S. Treasury (which enjoy benefits from the current government-administered subsidies for bank risk taking)—to relinquish some of the power they currently wield in order to make the global financial system more efficient, competitive and democratic.

Without a reliable means of bringing credible market discipline to bear on banks to provide strong incentives for prudent risk management, government deposit insurance and International Monetary Fund (IMF) lending will spur excessive risk taking, with its attendant costs. But in the presence of credible smarket discipline, deposit insurance and IMF lending (if structured properly) can strengthen the financial system by helping to avoid liquidity crises.
Over the last 20 years, nearly 100 banking crises have occurred that were, in terms of the magnitude of banking system losses, equal to or greater than the U.S. banking experience during the Great Depression. In at least 10 cases, banking system losses will exceed 20 percent of gross domestic product—a staggering and unprecedented set of losses, occurring at a time of relatively stable and rapid global growth.

Excessive risk taking by banks has been a common feature of all the recent financial collapses. Bank losses precede and cause exchange rate collapses. Economists have pointed to several core problems that feed that instability. First and foremost are incentive problems that encourage risk taking, particularly in response to adverse macroeconomic shocks.

Before banks were protected by government safety nets, economic downturns produced contractions of bank credit supply and cuts in dividends as banks scrambled to reassure depositors that bank loan losses would not result in losses for depositors. Safety net protection has removed that important disciplinary check on bank behavior. Safety net protection (ultimately, taxpayer protection of banks and their claimants) relaxes market discipline on bank risk taking and subsidizes higher risk in banks. This effect is especially pronounced after banks experience initial losses to the value of their assets. In the wake of such losses, safety net protection encourages banks to consciously increase their asset risk. Those increases in risk often take the form of increased default risk and exchange rate risk after banks have already seen severe depletion of their capital.

The hurdles that must be overcome in designing an appropriate financial architecture are not posed by economics but by politics.

Bailouts of banks and international bank lenders in developing economies, orchestrated by domestic governments in cooperation with the IMF and the U.S. Treasury, must stop. Not only do they produce inefficient risk taking, fiscal disasters for domestic governments and enormous distortional taxes to pay the costs of the bailouts, but by supporting crony capitalism, within both developed and developing economies, they undermine the competitive and democratic processes on which successful financial systems depend.

The IMF did not invent bank bailouts, and IMF involvement in bailouts is mainly indirect, but nonetheless it is quite destructive. The IMF provides only a small wealth transfer to its borrowers in the form of its loan subsidy, so it does not directly pay for much of the cost of the bailout. But the IMF pressures borrowers to bail out foreign bank lenders and also lends support and legitimacy to domestic bailouts by requiring government taxation to finance the repayment of IMF loans.

The destruction wrought by these bailouts has led many, notably former Treasury secretaries George Schultz and William Simon, to call for abolition of the IMF. Others, however, argue that liquidity assistance by the IMF could be useful if properly designed. Indeed, IMF liquidity assistance has sometimes been helpful.

AN ECONOMIC SOLUTION

Two potentially important liquidity problems are (1) banking panics that result from temporary confusion on the part of bank debt holders about the incidence within the banking sector of losses attendant to an observable shock and (2) self-fulfilling collapses of fixed exchange rates that result from government illiquidity.

To solve the first problem, I propose a set of banking regulations that together would remove the threat of banking panics, including minimal reserve requirements for banks and new capital standards founded on market discipline achieved through a requirement that banks maintain a minimal proportion of uninsured, junior (or subordinated) debt.

A broad consensus has emerged about the need to add some form of subordinated debt requirement to the capital standards. Subordinated debt holders provide an objective assessment of bank risk that cannot be denied even when it would be politically convenient to do so. Market opinions are visible in the yields required on the debt, and that signal can be used to prompt regulatory interventions to limit bank default risk on insured debt. Advocates of some form of such a requirement now include the Financial Services Roundtable, several Federal Reserve officials and the independent Shadow Financial Regulatory Committee.

The combination of domestic deposit insurance and market discipline (which prevents the abuse of
deposit insurance) can resolve the threat of banking panics that result either from confusion about the incidence of shocks or self-fulfilling concerns about the insufficiency of bank reserves. The IMF’s role would be to address the other liquidity problem—liquidity crises that face member governments as the result of unwarranted speculative pressure on exchange rates. This was the original intent of the IMF’s founders, and it remains a legitimate objective of IMF policy.

Recent studies that emphasize the value of IMF liquidity protection argue that the current form of IMF assistance is inadequate—it is too little, too late, and with too many conditions and delays to be effective in short-circuiting self-fulfilling runs on currencies or government debt.

My plan would replace the current IMF (and the Treasury Exchange Stabilization Fund) with a new IMF that would offer a discount window lending facility. That facility would be available only to qualifying IMF members. Qualifying members would adhere to the following: the aforementioned banking regulations; some additional rules regarding government debt management; a minimum reserve requirement for the central bank (if a fixed exchange rate is maintained); and a requirement that banks offer accounts denominated in both domestic and foreign currency (the relative interest rates provide a measure of the market’s confidence in maintaining the fixed exchange rate).

By restricting access to the IMF window to members in good standing who conform to a few simple, easily verified rules, the IMF would avoid free riding on liquidity protection and the hazard of unwittingly financing bank bailouts under the guise of liquidity protection. The rules governing the discount window follow Walter Bagehot’s classic principles for ensuring liquidity while avoiding free riding: lend freely on good collateral at a penalty rate. The specifics of membership rules, limits on collateral and penalty lending rates encourage member countries’ central banks to diversify their securities portfolios and maintain adequate liquid reserves. Prequalification for liquidity assistance ensures that funds will be available as soon as they are needed.

To avoid the potential for costly bailouts, other redundant mechanisms would be abolished, including not only other IMF assistance but also the Exchange Stabilization Fund and emergency assistance to banks via the World Bank and the regional development banks.

POLITICAL FEASIBILITY

Having argued that this plan would achieve proper incentives in private banking and in government finance and that it also would protect against liquidity crises, I now turn to the more difficult question: Is it politically feasible? Clearly, those with vested interests have reasons to oppose this approach, because it would deprive them of valuable (though socially costly) subsidies. It may be possible, and worthwhile, to “buy off” those with vested interests (particularly within developing countries’ banking systems) by offering a one-time injection of public funds to help recapitalize banks, thereby making the pill of market discipline easier to swallow.

The World Bank could play a useful role in assisting with this long-term process. In Argentina, for example, the World Bank recently provided subsidies to make privatization and market discipline more achievable by rewarding cronies (e.g., provinces that control public banks) for giving up their instruments of patronage. More World Bank assistance should be directed toward that end.

In summary, I think it is economically feasible to restructure the IMF to promote a more efficient and democratic financial system—one that ensures market discipline while avoiding market chaos. If the G7 chose such a path, other countries would follow. The rewards of participating in an open, market-oriented and stable global financial system would be irresistible.

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In the last decade of this century, economic crises in the emerging markets took on a new flavor as disaster no longer limited its havoc to the country of origin. Crisis after crisis easily cascaded through entire regions and across the globe with little regard for the so-called fundamentals, bringing down the good with the bad and giving new meaning to the word contagion. The increasing frequency and ferocity of such crises underscore the need for new risk management methods and global risk managers.

In evaluating global risk, risk analytics have traditionally focused on specific types of risk or on individual products, giving rise to a cadre of specialists and a myopic understanding of risk. Moreover, risk models tend to be driven by scientifically dissected, historical relationships. Long-Term Capital Management is perhaps the best known, but certainly not the only, victim of such models, which are unable to cope with changes in historical relationships and other discontinuities prevalent in the emerging markets. Even after the devaluation of the Thai baht in July 1997, major financial institutions were slow to adapt credit-scoring models that egregiously rewarded dollar-linked countries for their historically low (i.e., virtually nonexistent) volatility against the dollar.

While not underestimating the value of historical relationships or the need for specialists, global risk management in the new millennium requires an adaptive, holistic view of risk that considers these factors among many others when forming a judgment about risk. In the end, however, no single factor or model will substitute for human judgment.

The holistic view of risk is a top-down judgment of relevant risk factors—globally. Since most businesses are mirrors of the environments in which they operate, the holistic view begins with a judgment about the global economic environment. Having a sense, even a general one, about the direction of the global economy establishes the boundaries of one’s analysis. Many Asia emerging market analysts were oblivious to the slowly but seriously deteriorating economic conditions in Japan that contributed to, and prolonged the recovery from, the Asian crisis. This stands in stark contrast to Latin America, which weathered the Tequila, Asian and Brazilian crises on the shoulders of robust growth in the United States.

Having developed an assessment of the global environment, the next step is to understand how a given country might perform within this environment. The primary difference between developed-country and emerging-market analysis is that developed countries behave like blue-chip companies, with gradual downturns and upturns in performance, while emerging markets are akin to high-flying Internet stocks, whose fortunes can change overnight. Businesses are for the most part long-term investors, who therefore must be willing to endure such volatility in expectation of superior long-run
performance. Thus, the key to emerging-market analysis is differentiating not only which countries are susceptible to shocks, but their magnitude and duration, as well as the likelihood of recovery.

The emerging markets are not all created equal, as is often revealed by a simple review of economic fundamentals. Factors to consider in the domestic economy include large and growing fiscal deficits, high inflation/overheating, potential bubbles (such as real estate and stock markets), low savings and investment, and stalled or minimal privatization. On the external front, concerns include large and growing current account deficits, weak export growth, low foreign exchange reserves and large external debt, especially when combined with high short-term or debt-service ratios. Other external factors include the global outlook for agriculture and commodity prices, which typically account for a large share of developing economies.

Quantitative screens do not reveal the whole picture, however. Countries that are particularly vulnerable to major currency devaluations usually also exhibit one or more of the following qualitative characteristics: linked or pegged currencies, overdue monetary and/or structural reforms, political uncertainties (including leadership and rule of law) and weak banking systems. It is important to remember that at the start of the Asian crisis, Indonesia was generally considered to be quantitatively stronger than Thailand, but it then became mired in political uncertainty surrounding President Suharto and his successor. Hong Kong, on the other hand, successfully defended its currency peg in large part because of the strength of its banking system. Brazil’s recent crisis also shows that it helps to have friends in the right places (to understand key relationships with trading partners, the IMF and so on).

Given the ever-changing nature of the emerging markets, we should develop benchmarks against the quantitative and qualitative factors discussed above and monitor them on a regular basis. This serves as an early warning system that forces us to reassess our views, thereby avoiding being lulled into a sense of complacency.

Having established a view of the economic environment and a monitoring system with benchmarks, we should then develop various scenarios of possible and likely economic outcomes and create contingency plans against them. These what-if scenarios should include worst-case scenarios of trigger events in certain countries and explore all physical and psychological modes of transmission (contagion effects) to other countries via such means as capital flows, trade flows, equity markets, commodity prices and investor sentiment. Additional benchmarks are then derived for each mode of transmission, and contingency plans are linked to each benchmark.

The monitoring system should be supplemented by routine scans of economic literature, with special attention paid to contrarian views. The monitoring system also gives us a basis on which we can filter the literature for confirmation, evaluation and inspiration of benchmarks and scenarios.

Whatever the source of economic news and data, it is important that we understand that source’s limitations and biases. For example, the IMF has been accused of watering down its opinions for fear of igniting self-fulfilling prophecies, while in recent crises the rating agencies proved to be lagging indicators of both the crises and the recoveries. In addition, many individuals are said to “go native,” myopically extolling the virtues of their adopted homelands. Therefore, it is critical that global risk managers form an independent view of risks and be empowered to act accordingly.

Global risk management is more than the active development and monitoring of benchmarks, scenarios and contingency plans. It is a process by which judgment translates into action. It places the burden of risk management firmly in the hands of individuals and the organizations they manage. Indeed, in the 21st century, all managers are global risk managers.

Upon graduation, Tomas Hazleton joined Citibank, where for three years he worked on “Windows on Risk,” Citicorp’s proprietary risk management process. He is currently a vice president at Citibank.
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can tell you without hesitation that the information technology industry is moving into a new phase—one that will be dominated by powerful global networks like the Internet. One implication of this shift is that the PC era as we’ve known it for the last 15 years is over. This does not mean that PCs are going to disappear, any more than mainframes died off when the PC came on the scene. But the PC’s reign as the undisputed center of the computing universe has ended.

In 1998, so-called information appliances—all kinds of intelligent non-PC machines, from intelligent cell phones to specialized handheld devices—accounted for about 4 percent of computing devices connected to the Internet. One market research firm estimates that number will grow to more than 40 percent within three years and that these appliances will outpace PC sales within five years.

That’s important on two levels. First, until now, the question that computer users have put to the industry has been: Why can’t you make it easier to work with your technologies and products? That’s a very legitimate question, but ultimately the wrong question. The real question should be: How do we remove the notion of “working” with the computer altogether?
One of the great services the information technology industry can — and should — provide is to make this technology invisible. The rise of all these practical, reliable computing appliances is poised to do exactly that. Because computer chips are becoming smaller and less expensive, they can be economically embedded in all kinds of things — cars, vending machines, medical devices, household appliances and machine tools. The technology will become part of the infrastructure of the home, the workplace, the world around us. We call this “pervasive computing.” As more items join the growing universe of intelligent devices and become interwoven into the global information infrastructure, we are going to see a fundamental restructuring of the commonly accepted notions of what it means to do personal computing.

There will be a big chance to take unprecedented levels of service and information to the entire world, regardless of personal buying power.

The second important dimension for this post-PC world involves the societal impact the technologies will have. The issues range from protections of personal privacy to the security and confidentiality of information. There’s not time to discuss all these issues in detail, but I will spend a moment on the issue of enabling access to the global information infrastructure, because it is the source of my most profound hope and also my most genuine concern.

Many people believe that this technology will inevitably cleave the world into two camps — one with access to the technology, the other outside looking in. Their position is that we’re creating a world of information haves and have-nots. I think that danger exists, but it is not inevitable. In a truly networked society, we will have the opportunity to take sophistication developed anywhere and spread it everywhere. The critical contingency here is that people have fair, affordable access to the information infrastructure. And access hinges on two critical issues:

First, world governments have to end monopolistic structures in telecommunications and encourage competition.

Second, equal access requires a change in the current model of personal computing. Today, access equates to a full-blown PC — an investment that far exceeds the annual income of more than one billion people worldwide.

But as we’ve seen, very soon there will be lots of ways — low-cost ways — for people to get on the Net using these specialized information appliances. So there will be a big chance to take unprecedented levels of service and information to the entire world, regardless of an individual’s social or political standing or personal buying power.

In many ways, we’re simultaneously witnessing, experiencing and creating one of the most important transformations in history: the creation of a safe, secure, global medium of human and business interaction, as well as the largest, most dynamic, restless, sleepless marketplace of goods, services and ideas the world has ever seen.

It’s not hype. It’s not mysterious. It’s here now. It is going to reshape every institution and industry and, by extension, every aspect of society — and do all this in ways that can improve our lives and actually change things for the better.

Louis Gerstner is chairman and CEO of IBM. This article is excerpted from a speech he gave in April before the Columbia Business School Alumni Club of New York on the business and societal implications of the emerging network-based economy.
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Pan-European
REUNION 2000
INSET: As beer pioneers Pete Slosberg ’74 and Erwan Jestin ’84 well know, hops are not the basic ingredient in beer making (contrary to popular belief) but wheat often is. MAIN PHOTO: Two vineyards, two generations, two innovators: Nicolas Joly ’70 cultivates a peacefully sloping, 12th-century vineyard in the Loire Valley that was once tended by Cistercian monks, and Bruce Schneider ’00, who already produces one of the world’s best Merlots from local grapes, will plant his own vines next spring on Long Island, a region traditionally known more for potatoes than wine.
Perhaps more quickly than anticipated, a new millennium nears, promising innovation as far-reaching as that brought by the last 1,000 years. And because the graduates of Columbia Business School will surely be as instrumental in shaping the coming centuries as they were in shaping the last one, the global community of the School joins the rest of a hopeful world in preparing to celebrate.

Whether the occasion is as small as a casual gathering of friends or as large as the dawn of the third millennium, nothing sounds as festive as popping corks and twisting bottle caps. And certainly nothing tastes as celebratory as the sensuous sip of a great wine or the satisfying bite of a carefully brewed beer. To toast the new era, Hermes spoke with four alumni in the industries perhaps most linked with celebration, wine and beer. From Long Island to the Loire Valley, these entrepreneurs have established themselves not just as business leaders but as pioneers dedicated to savoring life—and an era—well lived.

BY DIANA KATZ
Last year, when an Internet survey found that most aficionados of Pete’s Wicked Ale believed Wicked Pete was as authentic as Betty Crocker, Pete Slosberg ’74 climbed on top of a San Francisco billboard that read, in giant letters, “REAL!” He explains, “We’ve always had that approach of getting some free press for doing something wild and crazy.”

That Pete is real has always been important to Pete’s Brewing Company. When he and Mark Bronder, a venture capitalist (and teetotaler) were first tossing around names for their fledgling brewery in the mid-’80s, they “liked the Ben and Jerry idea”—a name that suggests real people make and care about the product. Bronder suggested that Slosberg, the beer brewer (and drinker), serve as eponym, not realizing that, once the company became well-known, “when he told people he was cofounder, they’d ignore him,” Slosberg chuckles.

Slosberg, of course, has become a celebrity. As “poster boy” for Pete’s Brewing Company, he travels the country giving “beer education seminars,” mostly to wholesalers and retailers, although he recently gave a talk for graduating Columbia Business School students. With the aid of a chart that maps the spectrum of 60 styles of beer, from bocks to pilsners to stouts, Slosberg’s seminar is designed “to make literally anybody a beer expert in under 10 minutes.”

Pete’s Brewing Company began as an evenings-and-weekends endeavor while Slosberg kept his “day job” at ROLM and Bronder continued as a venture capitalist. The Bay Area was the hotbed of microbreweries in the mid-’80s, although, Slosberg observed, all were overly “serious about their business.” He and Bronder saw a niche that had their—or at least Pete’s—name written all over it: “We were determined not to take ourselves too seriously.”

“Believe me,” Slosberg says, “we take ourselves very seriously in running the business, but we feel that if we have a world-class product or service—but have fun with it—then we can probably strike a positive chord with consumers.”

Rated one of the 100 fastest-growing private companies by Inc. magazine three years in a row in the early ’90s (only the second company ever to achieve that feat), Pete’s Brewing Company had a 10-year streak of 100 percent annual growth. In November 1995, the company made an IPO, and in 1998 PBC Holdings, a division of Gambrinus, bought Pete’s Brewing Company for about $69 million.

Today, Pete’s Brewing Company is the second-largest craft brewer in the nation. In addition to being perhaps the most well known beer celebrity, Slosberg is the author of Beer for Pete’s Sake: The Wicked Adventures of a Brewing Maverick. When not traveling, Slosberg spends time with his wife, Amy, and two teenage sons, reviews cigars for Smoke magazine, hunts all over the country for the best barbecue joints and serves as president of the Palo Alto–based Albert L. Schultz Jewish Community Center, heading an $8 million fund-raiser to renovate the center’s facility.

Slosberg is also making plans with Bronder for their next venture, an upscale line of chocolate products. Bronder does, in fact, eat chocolate, and this time he plans on sharing the limelight with his business partner. Slosberg grins. “He says, ‘It’s gonna be Mark and Pete’s, right?’ And I say, ‘I don’t know, I think it should be Pete and Mark’s.’

“We’ve always had that approach of getting some free press for doing something wild and crazy,” says Pete Slosberg ’74.
A Man of the Earth

Nearly 20 years ago, Nicolas Joly ’70 picked up a book on biodynamics while browsing in a Paris bookshop. A winemaker who had recently begun to cultivate his family’s vineyard, Joly had no particular interest in organic farming, but he was captivated immediately. He had stumbled upon a philosophy that would change his wines and his life.

Founded by philosopher Rudolf Steiner at the beginning of the 20th century, biodynamics is based on the relationship between the earth and the cosmos, the wisdom of ancient philosophers and the necessary balance between all living things. Biodynamic farmers use no artificial fertilizers or pesticides, value quality above quantity and reject agricultural advances such as cloning. They may even use homeopathic treatments on their vines and consult the zodiac to determine harvesting and planting dates. Although some may find biodynamics unscientific or outmoded, when considering Joly’s wines, it is difficult to argue with the fact that it apparently does work.

Experts have called Joly’s Savennières Clos de la Coulée de Serrant “a wine of kings” and “one of the world’s greatest dry white wines.” Cumonsky, the famous French gourmet, has described it as one of the five great white wines of France. Among biodynamic winemakers, Joly is one of the most respected worldwide.

The author of a new book, Wine from Sky to Earth: Growing and Appreciating Biodynamic Wine, Joly wrote that biodynamic winemakers must expect to be ridiculed—although he no longer is. “You see,” he says, “our world is a crazy world, because you go very quickly from the status of an idiot to the status of a guru.”

Joly’s parents purchased the Coulée de Serrant vineyard, which Wine Spectator has called “arguably the oldest and most renowned vineyard in the Western Loire,” and the adjoining château in 1962. The vineyard, then in poor condition, lost money until 1979. Only when Joly took over after earning his MBA and spending four years with Morgan Guaranty Trust in New York and London did the property become financially sound. At first, Joly began “intensely applying chemicals and weed killers.” But, he says, “I really saw that what was alive on the estate was being destroyed.” After reading Steiner’s book in 1981, Joly began experimenting with biodynamics.

Today, Joly annually produces 2,500 cases of three wines (Clos de la Bergerie Château de la Roche-aux-Moines, Savennières Becherelle and Savennières Clos de la Coulée de Serrant) and exports to 16 countries. Because the estate produces such distinct wines, it is one of only three wineries in France that can claim its own appellation originale contrôlée. “The creation of an appellation contrôlée is the understanding that you have an originality in terms of heat, light, rain and soil—so not only what they call terroir,” Joly explains. “This originality of the spot goes into your grape and means that you have a wine which cannot be copied anywhere in the world.”

During the rare hours when he is not working, Joly (who lives on the estate with his wife, Coralie, and his children, Virginie, 18, and Vincent, 16) observes the natural world on which he depends for his renowned and unique wines. “I like to look at animals and birds, I like the mountains, I like to be on my own with just the fire, food and no electricity,” he says. “This is really my life, actually. My hobby has really become the earth.”
Gee Whiz! Holy Cow! Tonnerre de Brest!

Like an author who hits upon a great title before he writes the first line of a best-seller, Erwan Jestin ’84 discovered the perfect brand name a decade before beginning product development for his line of craft beers. Tonnerre de Brest—which translates literally as “thunder of Brest” and figuratively as something like “gee whiz!”—is very easy to build a brand on because it’s already in people’s minds,” Jestin explains.

The colloquial expression of surprise, uttered throughout France, originated in the small city of Brest, a military port. In the 19th century, Brest was home to France’s Alcatraz, a high-security prison that housed the nation’s most notorious felons. In the event of an escape, the prison guards shot off a cannon ball to warn the city’s population. The cannon blast, as loud and startling as thunder and even more ominous, became known as the Tonnerre de Brest. The exclamation, useful for all kinds of surprises, has survived to the present day, long after the prison closed.

Jestin began producing three Tonnerre de Brest craft brews, an amber ale, a dark beer and a Belgian-style white beer, in 1998. France was in the middle of a microbrew frenzy similar to the one experienced in the United States just a few years earlier. Still, says Jestin, “It took about a year for the brand to take off, even with a good name.”

Jestin has since built a strong sales network throughout 50 percent of France and exports to Germany and Switzerland. The demand for microbrews “is exploding right now” and will continue to grow throughout this year and the beginning of 2000, says Jestin, but “it’s going to plateau probably in 12 or 18 months. The competition is going to be fairly strong for shelf space and distribution.”

Jestin’s family are native Bretons, and his grandfather produced sparkling wine in Brest until his company, along with much of the German-occupied city, was bombed by the Americans during World War II. Jestin’s grandfather reinvented himself as a wine and spirits distributor, and later Jestin’s father took over the business. “So there was always a glass of wine on the table when I was growing up,” Jestin says.

Despite his strong roots in the industry, Jestin is no longer interested in producing or distributing wines. “The wine business is very competitive and not so profitable,” he explains. “Beer is more stable. Your costs are more under control. It is also a business where marketing is very important—much more so than in wine, where marketing is traditional. There’s a lot of creativity in marketing, and it’s exciting to see the outcome.”

For the foreseeable future, Jestin’s brand will make him a strong competitor in the French microbrew market. Ultimately, he hopes to make an IPO. “The most interesting thing is to put the puzzle together,” he says. “I’m creating new recipes, new packaging, setting up sales teams and controlling the work-in-progress. There’s a lot of creativity going on, and this is the most exciting part of the business.”

Although he admits that it is becoming harder and harder to spend time away from the brewery, Jestin’s off-hours are devoted to his daughters, Kristen, 8, and Anna, 1, and to one of France’s most well loved sports, sailing. The name of his boat? Tonnerre de Brest.
New Wine into Unexpected Bottles

At 29, Bruce Schneider ’00 seems rather young to have produced one of the world’s 35 best Merlots. But he counts every year of his life as a year of experience in the industry—his grandfather was a wine retailer, and his father was a distributor and importer. Even as a five-year-old, Schneider grilled waiters about their wine lists.

“I would say, ‘Do you have any Petite Sirah?’ Of course, Petite Sirah is this esoteric California variety that was even more esoteric 25 years ago.”

Schneider Vineyards, which Schneider and his wife, Christiane, launched in 1994, has had an auspicious start. Wine Spectator rated their Cabernet Franc 1994 at 86 points and their Merlot 1994 at 89 (and as one of the 35 best worldwide). Their 1995 Cabernet Franc was rated 90 points, the highest rating for any American Cabernet Franc and any Long Island wine. Some of New York City’s finest restaurants, including Union Square Cafe, Le Cirque and Jean-Georges, serve Schneider’s wines.

Though Schneider grew up mingling with winemakers, he never considered working in the business himself until an interest in the French language brought him, at 17, to Burgundy. A business associate of his father’s arranged an apprenticeship in Meursault, where Schneider spent several weeks “topping up barrels in the cellar and learning how wine was made.”

During his senior year at Washington University in St. Louis, Schneider returned to France for a semester in Paris, but skipped the first couple of weeks of classes and returned to Meursault. Because he had apprenticed during the planting season, he had been told, “You have to come back for the harvest. That’s the time you really see how the wine is made.”

“It was the most difficult physical work, really grueling,” Schneider recalls. “You’d get up at five o’clock in the morning, have your black coffee and head right out to the vineyards to work. You’re just hunched over all day clipping for two weeks straight, and it’s pretty intense, but I loved it.”

Schneider and Christiane, then his fiancée, were inspired to start their own winery a few years later while vacationing on the North Fork of Long Island. “We tasted a handful of wines that we really thought had world-class potential,” he says, but “the wine was primarily being sold locally. We thought we could expand the market for the wines of the region.”

By 1994, the Schneiders had started product development for their first wines. They made 80 cases of Merlot and 250 cases of Cabernet Franc that first year, and in 1997 they added a Chardonnay to their portfolio. Next spring, they plan to buy a farm and plant their own vines.

At Columbia, Schneider has worked with entrepreneurship experts such as Adjunct Professor Cliff Schorer and the Eugene Lang Entrepreneurial Initiative Fund Advisory Board, which advises student entrepreneurs and makes investments in the most promising start-ups—it recently invested $250,000 in Schneider Vineyards.

“From the beginning,” Schneider says about his success, “this has been a partnership that my wife and I started. That sort of synergy is something that’s really important. It’s such a hard business in some ways, and it sounds real glamorous, but unless you’re really passionate about it, you can’t be successful. We do love it, so it makes it all worth it.”
SINCE SARA L. LEVINSON ’76 TOOK OVER AS PRESIDENT OF NFL PROPERTIES, THE LEAGUE HAS EXPANDED ITS ROSTER OF HEAVYWEIGHT SPONSORS, STRENGTHENED ITS BRAND AND GARNERED MORE YOUNG FEMALE FANS. FOOTBALL ISN’T JUST FOR DAD ANYMORE.
Y
ears ago, an India-based clothes exporter gave Sara Levinson ’76 some words of wisdom: “Problems is business; business is problems.” That advice has helped her become what she is today—the first female president of a National Football League division and one of the highest-ranking women in men’s professional sports.

Levinson, the Portsmouth, Va.–born daughter of a scientist and a historian, is president of NFL Properties, the marketing and licensing arm of the National Football League. She came into the job after NFL Commissioner Paul Tagliabue instituted major management changes at NFL Properties that resulted in the departure of a prior president and his successor.

The division’s work—to promote football-related programs and merchandise to fans—was slowed by these changes. So, in September of 1994 Levinson strode into the game and tackled the job head on. She set out to refocus the organization, and her first project was to gather data on the nation’s football fans. Surveys she commissioned showed they in fact far outnumber baseball, basketball and hockey fans.

Sixty-eight percent of the nation’s sports fans, and 57 percent of female sports fans, love football. With that information in hand, Levinson and her team resolved to capture fans’ hearts and minds. NFL Properties started flag football in public schools and a girls-only division of punt, pass and kick to establish female fan loyalty early on. Levinson’s presence at the league helped bring about an NFL cookbook and a women’s clothing line and increased the number of participants in the NFL Kids Program, which promotes athletics, teamwork and education, from 350,000 to five million.

BY MELANIE CONTY
In order to protect the NFL brand, retain focus and avoid market oversaturation, Levinson and her staff pared down the number of licensees by triple digits. Also, under her leadership, NFL Properties has secured such heavyweight sponsors as Visa, MBNA, Motorola and RCA.

The NFL has reaped the rewards of such efforts, and Levinson’s success has been recognized in the media. In a list of the 100 most powerful people in sports, published in December 1998, the Sporting News ranked Levinson the second-highest of six women. In 1995, the magazine Advertising Age named Levinson and her team Promotional Marketer of the Year.

Advertising Age attributed this honor to Levinson’s creating a “greater level of sophistication and depth in ’95 marketing programs” for the NFL. Among the most notable new promotions, it said, was “Play Football,” a $5 million assortment of programs such as flag football leagues and instructional clinics directed at young people. Turning “the casual fan to a more avid fan is one priority,” Levinson says. “The younger audience that is just being introduced to football, converting them into football fans is the other priority.”

“I always tell women who are junior that you really can’t victimize yourself and feel that things are happening to you negatively because you’re a woman, because it becomes a self-fulfilling prophecy.”

focused on gender. In fact, some months into her advertising job at Doyle Dayne Bernbach, her first job after graduating from Columbia Business School, a male supervisor told her she was the first woman he had ever worked with on an account. She said: “I didn’t know that. Well, what did you think?” He somewhat reluctantly admitted: “Well, it was all right. It was okay.”

This interaction clearly shows a key to her success. Levinson, sister to three brothers, has likened herself to the spunky, 1970s television character Mary Richards, who marched into a big-city newsroom as associate producer and held her own with the guys. “I always tell women who are junior and are talking about their situation that you really can’t victimize yourself and feel that things are happening to you negatively because you’re a woman, because it becomes a self-fulfilling prophecy,” she says.

And, like the Mary Richards character, Levinson has spent a great part of her career in broadcasting. In 1986, she left Showtime to join MTV, then an upstart rock-and-roll cable network, where, she says, “I was very lucky and spoiled at the same time to be working on a product, a service, a channel that had such a highly involved, interactive, loyal, passionate viewership.” Seven years later, Levinson became president of MTV’s business operations and brought the network to almost every continent and into publishing, merchandising and licensing.

She has since scored big for football. All the time she spent serving MTV’s loyal audience was excellent practice. According to the results of ESPN surveys, 41 percent of Americans say their favorite leisure activity is watching football on TV, outnumbering even those viewers, both male and female, who favor action-adventure shows.

“I love working for a company where what you’re delivering to the public is something that they really care about,” Levinson says. The game is “the great equalizer.” Fans from Buffalo to Seattle and back to Miami can, if nothing else, find common ground between the end zones. For example, Levinson says football talk insidiously seeps into Harley-Davidson board meetings. “I often feel a little guilty that talk of football permeates much of the social time we have.”

Levinson, who lives with her husband, Charlie Hairston, and their two sons in Manhattan, came to Columbia Business School 25 years ago to obtain the education and degree that would increase her value in a tight job market. Besides, she adds, the two-year MBA program was shorter than law school. “I looked at my options, and I didn’t know much about business. I was not from a business family, so it was all kind of Greek to me.”

Today, it’s as clear as the sky above the gridiron on a crisp autumn day.
CELEBRATE YOUR REUNION AT COLUMBIA BUSINESS SCHOOL...


APRIL 7–9, 2000

WEEKEND SCHEDULE:

Friday, April 7
Evening: Dean’s state-of-the-School address, and a combined cocktail reception for all reunion classes

Saturday, April 8
Morning: Mini-MBA refresher courses taught by top faculty members, and alumni panel discussions
Afternoon: Keynote speaker and luncheon
Evening: Cocktail hour and dinner for the 5-year, 10-year and 25-year reunion classes

Sunday, April 9
Events in New York City

WE LOOK FORWARD TO SEEING YOU ON CAMPUS!

For more information about Reunions 2000, visit us at www.gsb.columbia.edu/alumni/reunions, call (212) 854-8815 or send us an e-mail message at alumni@claven.gsb.columbia.edu.
LESSONS FROM 42ND STREET

For the first time, the city of London has used powers of eminent domain to require a compulsory purchase of private property for redevelopment in the public’s interest. When evaluating the situation, the Financial Times turned to Lynne B. Sagalyn, the Earle W. Kazis and Benjamin Shore Director of the MBA Real Estate Program, for her expertise on New York City’s Times Square redevelopment project. The consensus is that eminent domain is a blunt instrument that should be used sparingly; Sagalyn and 42nd Street were able to provide some parallels and experience. Sagalyn explained in the Financial Times (5/21/99) that the successful use of eminent domain can be strewn with litigation. The rationale for using these powers, Sagalyn said, is that sometimes a site cannot be assembled by any other means.

VALUE INVESTING IN THE NEW ECONOMY

Value investing has evolved since Columbia Business School professors Benjamin Graham and David Dodd wrote their seminal work, Security Analysis, in the 1930s. The principles remain the same, but the economy, no longer driven by manufacturing but by the fast-paced technology and service industries, has changed.

Business Week’s cover story (6/14/99) analyzed Warren Buffett’s success in finding value with the traditional method, but with a contemporary twist—Buffett, MS ’51, placed value on a company’s global franchise. When Business Week asked Bruce C. N. Greenwald, the Robert Heilbrunn Professor of Finance and Asset Management, for his insight, he commented that the “franchise value” advanced by Buffett works well in a value framework. Business Week proposed that the new value investing is one that joins more forward-looking analysis with Graham’s attention to the margin of safety. Greenwald agreed, stating that he doesn’t believe “buying hopes and dreams is value investing.”

SELLING THE EXPERIENCE

What might reshape business as significantly as quality management or reengineering? The answer to that question may lie in a company’s ability to turn business interactions into memorable experiences. Entrepreneur Magazine (9/1/99) examined this trend of going beyond merely selling products and services and offering distinctive experiences, thereby creating incredibly loyal customers. Professor Bernd Schmitt, director of the Center on Global Brand Leadership, told Entrepreneur Magazine that small businesses can take a cue from companies, such as Coca-Cola, that have recognized the central importance of customer experience in marketing their products. Schmitt added that it was Morris Holbrook, the William Dillard Professor of Marketing, who began researching experience as a factor in marketing nearly 20 years ago.

ENTREPRENEURIAL BOOM

While companies that traditionally recruit large numbers of MBAs are still out in force, many recent grads are pursuing entrepreneurial ventures in new technology. Jeremy Kagan ’98, who founded EZCD.com (a company that makes custom CDs) while still at Columbia, is one of a growing number of students who have opted to start their own businesses on the Internet. According to an article in Forbes magazine (7/26/99), which included an interview with Kagan, more graduates are choosing to “run their own show.” Professor Murray B. Low shared his analysis of this trend with CNBC (5/31/99) and stated that student enrollment in entrepreneurship courses at the School has tripled since the 1995–96 academic year.
ARE PRIVATE ACCOUNTS THE ANSWER?
Recent bipartisan proposals in Congress offered a possible solution to the nation’s Social Security problem—the creation of private accounts. After thorough analysis, Stephen P. Zeldes, the Benjamin Rosen Professor of Finance and Economics, along with two other experts, found that even with private accounts, workers must pay for the system’s unfinanced claims. Their findings, highlighted in the New York Times (5/6/99), show that since current payroll taxes go right back out to support current retirees, the creation of private accounts would provide little financial benefit. Without new money in the system, few dollars would actually go into the private accounts.

NEW RULES FOR A NEW ECONOMY
Historically, a rapidly growing economy leads to worries about impending inflation, but today the nation is in the midst of a technology-driven productivity boom that has allowed the economy to grow without inflation unprecedentedly fast. Under such new circumstances, Federal Reserve officials cannot solely use traditional guidelines to assess the economy. Business Week (5/3/99) asked Frederic S. Mishkin, the Alfred Lerner Professor of Banking and Financial Institutions and former research director at the Federal Reserve Bank of New York, to offer his thoughts on the Fed’s actions. Mishkin noted that the Fed’s cautious stance in such uncharted economic territory is completely reasonable.

MEXICAN BANKS MOVE TOWARD REFORM
The Mexican banking system, long hampered by politics and corruption, now has the opportunity for true reform and may be taking steps to address significant weaknesses in the system. In an op-ed piece for the Wall Street Journal (7/16/99), Charles W. Calomiris, the Paul M. Montrone Professor of Finance and Economics, outlined the troubled history of the Mexican banking system and expressed support for some policies devised to clean it up. Important steps have been made in Mexico, such as phasing in reductions in deposit insurance and making a commitment to allow foreign entry into the system—the most meaningful reform during the crisis, according to Calomiris. Ultimately, Calomiris remains cautious. With presidential elections coming up in July 2000 and political opposition to these policies, it remains to be seen if these reforms, however beneficial, will last.

MANAGING AN EXTENDED CORPORATE FAMILY
Many companies have departments that nurture promising new technologies. But most of these companies generally fold any resulting ventures into their core business or set them up as wholly owned subsidiaries. The New York Times (6/6/99) evaluated companies’ strategies for developing new businesses and focused on Thermo Electron, a company that gave its “scientists-turned-entrepreneurs” options on the combined company’s stock and also sold stock to the public. The Times asked Professor Rita G. McGrath to weigh in on the issue. According to McGrath, “Thermo Electron and other conglomerates may find that using a spin-off strategy gives them more opportunities to introduce their technologies and use their resources in multiple marketplaces. Because a spin-off is not constrained by the requirements of the parent business, it can best serve markets that the parent is not interested in serving. Conversely, the parent can often learn a lot from a spin-off that is on the cutting edge.

EXECUTIVE EDUCATION RANKINGS
In its first ranking of executive education programs, the Financial Times (5/17/99) ranked Columbia Business School No. 2 worldwide. The School was the highest-ranked program in the United States, and its open enrollment programs ranked No. 1 in the world. Columbia Executive Education came out on top in a number of other areas, such as new skills taught, global reach, value for money and objectives achieved. The No. 2 ranking for Executive Education programs, along with the MBA Program’s No. 2 ranking by the FT in January 1999, further consolidates the School’s global reach and its position as a leader in international graduate management education.
There is great enthusiasm for what we expect will be a fabulous three-day reunion for the classes of ‘74 and ‘75, ‘89 and ‘90, and ‘94 and ‘95. Last year’s attendance exceeded 1,000, and we hope that even more alumni will attend the upcoming reunion. Reunion 2000 will be held April 7-9 and promises to be an exciting and memorable weekend. Please mark your calendar and make your plans to attend now!

HAVE YOU SIGNED UP FOR BANC?

More than 5,000 alumni worldwide have visited and are actively using BANC, the online Business Alumni Network Community. Have you signed up? Contact us today via e-mail at alumni@claven.gsb.columbia.edu to get your user name and password.

PAN-EUROPEAN REUNION: MONTE CARLO 2000

Last year, more than 350 alumni gathered for an extraordinary weekend in Venice. On the heels of that great success, plans are in place for the School’s Fifth Pan-European Reunion, to be held in Monte Carlo the weekend of September 22, 2000. Please watch your mail for more information regarding this event, or contact our office if you are interested in attending.

Pan-European Reunion, Venice 1998

ALUMNI RECEPTIONS

Highlights of the year include visits by the dean and faculty members to the following cities:

CHICAGO
DALLAS
DETROIT
HOUSTON
LONDON
LOS ANGELES
ROME
SAN FRANCISCO
SEATTLE
TEL AVIV

Is your club active? Have you hosted or are you planning interesting or unusual events? Let us know, and let us help!

To contact the Alumni Relations Office, please call Heather Fournier or Jenna Askew at (212) 854-8815, or send e-mail to: alumni@claven.gsb.columbia.edu.
would like to tell you why I like my job and what I have learned in my job that has, for me, been of fundamental value in influencing my behavior and my leadership of Columbia Business School.

Imagine a job in which you are continuously surrounded by 1,800 of the brightest people in the world. Students, faculty and administration. A job in which you are compelled to grow and develop, because every year a new, smarter, better prepared group of students arrives on the campus. Young people with fresh ideas and enormous vitality. Men and women who are focused on the future and not the past. It is simply an extraordinary experience to be part of such an institution.

And then what happens? Well, then they graduate, and they become you, our alumni. And now I get to have breakfast and lunch and dinner with them. They go from being students to being Lionel Pincus and Jerry Speyer, Henry Kravis and Ben Rosen, Warren Buffett and Russ Carson, or more than 29,000 other movers and shakers. Men and women who host events for me in New York City and in London, in Tokyo and in Paris, and in 25 other cities around the world. What's not to like about my job?

Now let me tell you about some of the things that I have learned about managing an institution. Let me talk first about vision: academic institutions deal in ideas, they deal in knowledge and in talent. This means that the leadership has to make big calls. The “vision thing” really does matter. Efficiency and productivity are important, but they can never compensate for a bankrupt or pedestrian intellectual vision.

There are inflection points in the marketplace of ideas, and we are now at such a point. Columbia Business School’s mission has two components. We are committed to graduating globally competitive students, and at the same time we are committed to creating and disseminating new knowledge. We essentially do this on our campus. We are, however, about to embark on a strategy that will enhance our educational mission around the world.

Our vision going forward is that Internet and Web-based distance learning is about to take us into an arena that will dramatically enhance our reach and our capacity to deliver extraordinarily high-quality intellectual content to thousands of people around the world, people who are entirely qualified to attend a program at Columbia Business School but who simply cannot be accommodated because of space and faculty constraints.

For most of us, me included, this is a new vision of education. It may fundamentally change over time the educational paradigm. It will involve a reallocation of resources and revenue streams. It will raise complex and awkward issues involving intellectual property. It is, however, inevitable, and Columbia Business School intends, together with its partners, to play a leadership role.

It is important, however, to reassure all our existing constituencies that distance learning will never be allowed to compromise or devalue in any way the reputation, the selectivity or the brand equity that is Columbia Business School.

On a personal note, I am convinced that long-term success in leadership requires a sense of humor and an understanding of the absurd. Even more important, you have to be able to laugh at yourself. Too often success brings with it a pompous, self-righteous and sanctimonious attitude. I hope I have developed the capacity to get over myself. Fortunately, my colleagues, my wife and especially my children are always ready to tell me when I am confused. Incidentally, this is one of the other reasons I like my job. It’s fun. It’s great fun. I laugh a lot, and I hope I am laughed at a lot.

My last point is the most important. I have learned that my success ultimately depends on the success of the people around me—my friends, my family and my colleagues. I take immense pleasure in the success of my colleagues. I know that accomplishment and success are not a zero-sum game. I have tried hard to encourage those with whom I work to be better than they are and better than I am, and they invariably are.