MASTERS OF THE ARTS
BY DIANA KATZ
The management that makes for flawless performances and star-studded seasons
at the Metropolitan Opera and the New York Philharmonic

FRIENDS, ROMANS, COUNTRYMEN
Cognoscenti of Italian business, from venture capital
to heavy industry, real estate to automobiles

HELD ACCOUNTABLE
BY ITZHAK SHARAV
Sizing up accounting distortions and audit failures, an expert does the math

FALL 2002
The world's great arts organizations, including the Metropolitan Opera (left) and the New York Philharmonic (above), depend not only on artistic genius but also on virtuoso business leadership.

On the cover: Left to right, James Levine, artistic director, Metropolitan Opera, by Koichi Miura, and Lorin Maazel, music director and maestro, New York Philharmonic, by Chris Lee

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NEW INVESTING CENTER FURThERS THE GRAHAM AND DODD TRADITION

The new Heilbrunn Center for Graham & Dodd Investing was formally launched on October 10 at the 12th annual Graham & Dodd Breakfast Seminar.

“The Graham and Dodd tradition continues to thrive at Columbia,” announced Bruce Greenwald, the Robert Heilbrunn Professor of Finance and Asset Management and director of the center.

The research institute furthers seven decades of pioneering work in investing theory and practice at the School. It has already implemented several major initiatives: the Walter Schloss Value Investing Archives have been established; three new value investing courses are offered (and as “heavily oversubscribed” as the original courses, says Greenwald); and, to complement Greenwald’s academic leadership, the center has hired administrative director Erin Bellissimo.

With such events as the Graham & Dodd Breakfast Seminar, the center promotes the value-investing principles of pioneers Benjamin Graham and David Dodd, MS ’21; improves investing through education, research and dialogue; and furthers the School’s role as the leading resource for today’s investment professionals.

This year’s breakfast featured a keynote speech by Arthur J. Samberg ’67, chairman and CEO of Pequot Capital Management, who pointed out that although he is not a strict value investor, he does follow aspects of the approach. His remarks provoked an ardent follow-up discussion.

“Value investing is a framework and philosophy,” Greenwald noted. “There is room to incorporate a wide range of intelligent investors who may not be strict Graham and Dodders.”

Columbia Business School has educated some of the investing community’s most celebrated practitioners, including Warren Buffett, MS ’51, Lee Cooperman ’67, Mario Gabelli ’67 and Charles Royce ’63.

NOW ONLINE: CHAZEN WEB JOURNAL

Adding to its wealth of international business resources, the School has launched the Chazen Web Journal of International Business (www.gsb.columbia.edu/chazenjournal), a pioneering initiative providing analysis of international business issues and fostering exchange among a global community of business leaders, students and faculty members.

Led by students in the Chazen Society, the journal is produced twice a year under the aegis of the Jerome A. Chazen Institute of International Business. Each issue focuses on a specific global theme—for the first, Entrepreneurship: Case Studies in African Enterprise Growth. The journal features articles and research papers by students and faculty members, interviews with corporate leaders and reader feedback online.

Professor Elke Weber, who became academic director of the institute in August, remarks that, among other things, “the journal provides valuable training for the group of distinguished MBA students selected to be members of the Chazen Society each year.”

Content can be downloaded by managers at global companies, MBA students looking for study resources and faculty members seeking to supplement course materials.
Not surprisingly, last summer when the Dean’s Office invited students on campus to dine with some of the world’s foremost business leaders, “there was a mad rush to sign up,” says Jonathan Brolin ’03.

Twenty members of the Board of Overseers and the Executives-in-Residence Program met with MBAs in small groups over lunch or breakfast to offer insight into their success and discuss students’ own goals.

Nearly 200 January term–entry students, who spend summer in class instead of internships, signed on.

Executive participants included Daniele D. Bodini ’72; Russell L. Carson ’67; J. Michael Cook; Leon G. Cooperman ’67; Charles E. Exley, Jr. ’54; Mario J. Gabelli ’67; Nathan Gantcher ’64; Paul B. Guenther ’64; Ehud Houminer; Ari Kopelman ’62; Henry R. Kravis ’69; Leanne Lachman; Peter K. Loeb ’61; Jerry I. Speyer ’64; Sabin Streeter ’67; and Donald C. Waite III ’66.

Brolin, who garnered a coveted place at a breakfast meeting with Kravis, was struck by Kravis's efforts to connect with students.

“We were treated like any other businessperson,” he explains. “It was two hours on a weekday morning, but he was clearly there for us.”

The experience “made me realize for the first time the real power of the Columbia network,” says Lesley Hayden ’03, who lunched with Bodini. She also gleaned “an inspiring glimpse of what we might all become.”

“There was an inherent common bond,” says Peter Gingold ’03 of the rapport between students and both Carson and Gabelli—even though, he laughs, “We were all starstruck.”

The series is “part of a larger program specific to the needs of January-term students,” says Safwan Masri, vice dean of students and the MBA Programs. “This is one way to offer an opportunity that they wouldn’t have otherwise,” he adds.

Confirming it would be offered again, Masri says, “Almost every student who was here for the summer signed up for it.”

Brolin laughs, “I was telling people the whole day that it was worth the price of admission just for that breakfast. Those were some expensive blueberry pancakes, but I think they were worth it.”
This fall, seven full-time faculty members joined the School, bringing with them outstanding credentials. Their countries of origin are diverse: Denmark, Israel, Switzerland, Turkey, Ukraine and the United States.

For the past two years, Professor Ames has been a postdoctoral research fellow in Columbia’s psychology department and the associate director of Columbia’s Center for Decision Sciences. Earlier, he was in the psychology department at the University of California, Berkeley, where he completed his PhD. Ames’s research focuses on organizational behavior, cultural psychology, social inference and judgment.

Professor Ayotte is completing his PhD in the economics department at Princeton University. His general area of expertise is corporate finance. In addition to studying bankruptcy and entrepreneurship for his dissertation, Ayotte researches patterns in executive stock-option grants.

Professor Giannoni held an assistant professorship at the Federal Reserve Bank before joining the School. He received a PhD from Princeton University and a BA in economics and an MA in economics and finance from the University of Geneva. He is a dual citizen of Switzerland and Italy. His research focuses on macroeconomics, monetary economics and time-series econometrics.

Professor Jorgensen taught at Harvard Business School before joining the School. A citizen of Denmark, he completed his doctoral studies at Northwestern University’s Kellogg School of Management. He researches accounting-theory issues with an emphasis on the accounting and regulatory implications of risk management. He received an MS in mathematical economics from the University of Aarhus in Denmark.

Professor Koenigsberg, a citizen of Israel, is completing his PhD in marketing at Duke University’s Fuqua School of Business. After obtaining an MS in engineering from Cornell, Koenigsberg worked as operations manager and vice president of sales and logistics at an energy company in Israel. His dissertation covers channel-coordination topics.

Originally from Ukraine, Professor Mizik obtained a BS and MS in economics from the Moscow State Institute of International Relations. She is now completing a PhD at the University of Washington in Seattle. Mizik’s research deals with marketing strategy and its implications for a firm’s value.

A citizen of Turkey, Professor Muharremoglu joins the School from MIT, where he is completing a PhD. He earned a BS in industrial and operations engineering at the University of Michigan. Muharremoglu’s research deals with analysis and control of multi-echelon inventory systems and dynamic revenue management and aircraft scheduling.
A sked what brings acclaim to the world’s greatest arts institutions—such as the Metropolitan Opera and the New York Philharmonic—most admirers would cite world-class virtuosos, sublime performances, visionary artistic direction and a history of premiering major artistic works. Less visible is the refined business management at work—the financial, managerial and operational leadership on which artists and performances depend.

The business performance of the Philharmonic and the Met is overseen, respectively, by Paul Guenther ’64 and Paul Montrone, PhD ’66. Both are lifelong music aficionados. Having built prominent careers in the for-profit sector, they chose to extend their expertise to nonprofit arts management. Their experiences illuminate the rewards of giving back, of being involved in the cultural life of New York City and the global arts community and of forging new paths.

**OPERA AND OPERATIONS EXCELLENCE**

Something remarkable happened in April 2000 at the Metropolitan Opera’s performance of Wagner’s *Die Walküre*. As the Scandinavian god Wotan turned a vengeful eye upon his favorite daughter, the traitorous Brünnhilde, his wrath was interrupted by the curtain, which came down about 10 seconds early. The accident, caused by a miscue, not only surprised the audience and performers by cutting short Act II, it made Met history.

“What was extraordinary,” says Paul Montrone, president and CEO of the Metropolitan Opera, “was not that a cue was missed, but that no one could remember that it ever happened before.”

The Metropolitan Opera performs six days per week (and twice on Saturday) for 32 weeks each season. For each performance, a team of hundreds—stagehands, lighting designers, technicians, wardrobe managers and other professionals—works behind the scenes with clockwork precision. In a typical performance, 200 split-second cues result in a seamless presentation to an audience that expects flawlessness. This level of excellence means that an early curtain is literally a once-in-a-lifetime event. Quite simply, Montrone says, the Met is “a phenomenal operating entity.”

A great supporter of the arts, Montrone is chairman and CEO of Fisher Scientific International Inc. in Hampton, N.H., which supplies products and services to clinical and research laboratories. He is a director for numerous scientific and financial firms, the Wang Center for the Performing Arts in Boston and the Foundation for the National Institutes of Health. Montrone, whose son, Jerome, is a 1996 graduate of the School, is a member of the Board of Overseers, and his support established the Paul M. Montrone Professorship of Finance and Economics and the Paul M. Montrone Student Activities Center in Uris Hall.

He was asked to become president and CEO of the Met in 1999. “I’ve always been a music lover, as is my wife,” Montrone explains. “Very early on, I’ve been involved to try to give back both financially and in terms of expertise and time.”

Because Montrone is concerned with the broad
oversight of the business management of the Met, he says, “The scope of my responsibility crosses all lines.” The opera company is a $200 million enterprise, not including a constellation of such affiliated entities as Lincoln Center. The organization includes nearly all functional areas of a for-profit organization, including finance, budgets and endowments, management, marketing, legal issues, operational issues, human resource issues and public relations.

The Met employs a staff of 2,000 people, half of whom are full-time, and there are 16 unions. About 150 directors sit on three boards, and there are multiple committees. The Met is also involved in plans for a $1.2 billion, 10-year renovation of Lincoln Center, which would remake the entire 16-acre campus (for its part, the Met will gain much-needed office space). At this writing, the 11 organizations of Lincoln Center are considering designs for the redevelopment.

Under Montrone’s leadership, the Met raises $75 million annually in donations. It remains a leader not only in opera performance but also in performing arts technology. The Met originated Met Titles, which allows the audience to follow a translation of the opera on small seat-back screens. Major opera houses around the world are now implementing the technology. The Met also developed a proprietary constituent management system, Tessitura Software, which manages subscriptions, ticketing, fund-raising, contributions and other critical data. The innovation was so successful that the Met now licenses the product to other performing-arts organizations; license fees are a considerable source of revenue.

The Met is inherently different from a for-profit business in two key respects: the central need to satisfy a large number of highly opinionated constituencies and the criteria for evaluating the success of the organization. Montrone explains, “A corporation has heavy quantitative measures and moderate qualitative measures. At the Met, it’s the reverse.” Although less sharply defined, those measures are no less exacting, especially because an international audience of critics, patrons and other opera companies keeps the Met under close scrutiny. To be president and CEO of the Met is to play a crucial role not just in the arts in New York but also in the global arts community. Montrone’s dedication to the Met has a powerful and truly global influence.

Speaking about the influence of Montrone’s leadership on the opera company, Lillian Silver ’88, director of development for the Met, notes that he “has brought more stringent quantitative measures of evaluation to the Met, employing various metrics to gauge the effectiveness of the business functions.” She describes Montrone as “thorough and intense” and adds, “he cares deeply about every facet of the operations—poring over reports and pushing all of the senior managers with whom he has contact to constantly higher levels of performance.”

Montrone knew even before taking the helm that “the Met formula works”—and that the company owed its success to its sheer perfectionism. This fact was dramatically demonstrated in May 2002. On the eve of his formal
exit from the opera world in a performance of Puccini’s *Tosca*, Luciano Pavarotti said he had come down with the flu. Already seated were 4,000 patrons eager to witness the final operatic performance of one of the most illustrious tenors in history. But the up-and-coming star Salvatore Licitra, an exciting young tenor straight from La Scala, substituted for Pavarotti, making his Met debut two years ahead of schedule. The audience gave a standing ovation, the press dubbed Licitra “the Fourth Tenor,” and the Met was praised for having had the foresight to arrange such an outstanding alternative plan.

“How does that all happen?” Montrone asks rhetorically. His answer is the key to his and the Met’s shared success: “Operational excellence.”

**WORKING IN CONCERT**

Paul Guenther realized several years ago that he had “done everything I wanted to do on Wall Street.” The president of the Paine Webber Group, Inc., the parent company of the global financial services firm, Guenther had joined Paine Webber Incorporated in 1966 and served as chief administrative officer, head of retail sales and head of investment banking. As president, Guenther says, “I didn’t lie awake at night saying I wanted to run Paine Webber.” He retired and became a full-time philanthropist.

Today, in addition to serving as chair of the New York Philharmonic, he is chairman of the board of Fordham University, an overseer for Columbia Business School, a director for Lincoln Center, a director for Lenox Hill Hospital, chairman of the Frost Valley YMCA in the Catskills region and a trustee or director with numerous other organizations in both the nonprofit and for-profit sectors. At Columbia, Guenther and his family also established the Guenther Family Public and Nonprofit Assistance Grants, which provide stipends for MBAs launching careers in the nonprofit sector. Guenther’s three children—Matthew ’94, Elizabeth ’98 and Christopher ’02—each followed in his footsteps by earning a Columbia MBA.

Guenther was invited to become chairman of the Philharmonic in September 1996. Delighted and honored, he was well aware of the huge responsibility involved: The New York Philharmonic is one of the leading orchestras in the world. Celebrating its 160th anniversary this year, it is by far the oldest orchestra in the United States and was founded the same year as the Vienna Philharmonic. Like the Metropolitan Opera, the New York Philharmonic is an intensely international organization—the orchestra performs around the world, employs a
COLUMBIA MBAS: MAKING ART WORK

Alumni in the arts not only defy the MBA stereotype, they exemplify the breadth of talents that Columbia graduates contribute to business and society. Columbia MBAs figure prominently in the arts. Most hold management or marketing positions, but some are professional artists, including photographer William T. Hillman ’84, best known for his experimental work.

Graduates in arts management include David Gockley ’72, one of the most important figures in American opera; for more than 30 years, he has led the Houston Grand Opera, which is renowned for premiering new works. Amy Nederlander-Case ’92 is a producer of on-and-off-Broadway plays. The rendition of the Diary of Anne Frank she produced in 1998 was noted for its biographical accuracy and excellent cast (Natalie Portman starred).

The fine arts have also drawn alumni. Susan Jarrell ’98, second-place winner in the School’s A. Lorne Well Outrageous Business Plan Competition, founded Get Real Art, a gallery that brings together new collectors and emerging artists. Jeffrey H. Loria ’68 is president of an art dealership that specializes in 19th- and 20th-century master sculpture, paintings and works on paper.

As board members, alumni guide some of the principal U.S. arts organizations. A sampling includes David Zalaznick ’78, a director for American Ballet Theater; Jerome Chazen ’50 for Carnegie Hall and the American Craft Museum; Elihu Rose ’65 for Lincoln Center Theater; Russell L. Carson ’67, Henry Kravis ’69, Burton Staniar ’66 and Lulu Wang ’83 for the Metropolitan Museum of Art; Leon Cooperman ’67, Carol Einiger ’73 and Jerry Speyer ’64 for the Museum of Modern Art; Arie Kopelman ’62 for the New York City Ballet; Susan Baker ’91, Peter Hoffman ’63 and Philip Scaturro ’63 for the New York City Opera; Benjamin Rosen ’61, for the New York Philharmonic; Lionel Pincus ’56 for the School of American Ballet; and Philip Geier, Jr. ’58 for the Whitney Museum of American Art.

Beyond the scope of this article are the many alumni in film and television, new and traditional media and elsewhere in entertainment. Columbia MBAs are at the helm of an industry that heightens our quality of life and our understanding of our own and others’ experiences.

multinational group of artists and belongs to an international group of peer organizations. Chairing the Philharmonic, Guenther knew, was a historic opportunity.

Guenther consulted his wife and most trusted friends, including Dean Feldberg. “I called up Meyer Feldberg, and I said, ‘What do you think?’” Guenther recalls. “There was silence on the other end of the phone. And then Meyer said, ‘You don’t turn a job like that down.’”

A lifelong music lover whose father was a talented amateur pianist, Guenther professes no musical proficiency of his own but has shown great skill in chairing the Philharmonic. He plays a key role on an international stage, both figuratively and literally. Guenther joins the company on tour and has been all over the world with the orchestra. Most impressively, he has doubled the Philharmonic’s annual fund in his six years as chairman.

Lincoln Center is considering a $400 million renovation of Avery Fisher Hall, home of the New York Philharmonic. A residency in Vail is planned for next summer, and the Philharmonic will perform in 2004 at the opening of the state-of-the-art Gerry Performing Arts Center (now under construction in Sullivan County, N.Y., on the site of the original Woodstock rock concert).

The Philharmonic welcomed Lorin Maazel as its music director this year, and this season’s performances include world premieres of five major works and guest performances by such luminaries as cellist Yo-Yo Ma and pianist Evgeny Kissin. A 160th-anniversary concert in early December will include works performed during the orchestra’s inaugural concert in 1842.

The orchestra’s most recent successes are doubtlessly the fruit of its artistic preeminence, but they owe also to Guenther’s insightfulness and dexterity as a business leader. When Guenther began his tenure as chairman, for example, he realized that he first needed to solve one key problem. “With the two most important things—the financial strength and the artistic excellence of the Philharmonic—everything was fine,” he explains. But “there were some real interpersonal relationship issues within the organization.”

He got to work addressing the matter on every level of the organization. Staffing changes and the arrival of Zarin Mehta as executive director improved the dynamics significantly. “I was here virtually all the time, trying to get people to work together and dealing with issues. What the job really entailed was being the day-to-day CEO,” says Guenther.

In 2001, the Philharmonic embarked on the crucial quest of finding a new conductor and music director to succeed the acclaimed Kurt Masur. The search and the final decision were to be closely watched by the public, the classical music world and New York City, and Guenther was intensively involved in the quest—one that would inevitably have profound consequences on the business side of the organization in addition to the obvious artistic ramifications.

The Philharmonic announced in January 2002 that its new music director and conductor would be Maazel, known equally for his precise ear, phenomenal memory and powerful technical skills.

Since his guest appearance with the Philharmonic last year—a success according to critics and
audiences as well as the orchestra itself—Maazel has enjoyed vigorous support from the musicians. Early in the search for a new conductor, Guenther included musicians in the search process, a strategy that was as novel as it was successful. That this particular dynamic is so important to Guenther underscores how highly he values relationships within organizations.

“I felt very strongly that the orchestra should be involved in this, and I don’t think that’s always been the case,” Guenther explains. “You have to have the musicians as an active part of the organization. They’re what the New York Philharmonic is all about, and I felt that from the day I arrived.”

“Coming from Wall Street, there are a lot of similarities. You’re dealing with intelligent, highly motivated and highly skilled people. So it’s important that you give them a forum to exercise their abilities, but also you want to hear their input. Just because somebody plays a violin doesn’t mean he or she doesn’t have an opinion. It might be a very good one about what the direction of this organization should be.”

Today, Guenther’s focus has shifted toward general oversight, long-term planning and continued fund-raising. “All not-for-profits—certainly in New York—have become very large, very complex,” Guenther explains. “You have to be sensitive to what the organization’s mission is, whether it’s great music or education or health care. But a business background is essential in the management. You have to run them with all the business acumen you have.”

**MUSIC THAT RESONATES**

Ultimately, Guenther and Montrone provide something larger and less tangible to the Philharmonic and the Met than business leadership and management excellence. The arts, sometimes dismissed as mere entertainment or luxuries, play a singularly important role in all of our lives—as was powerfully demonstrated in the weeks after September 11, 2001.

Great classical music has the power to “bring a sense of calm to troubled waters,” Guenther suggests, and that is true no matter what one’s background, home city or nationality. “Great music provides a certain aura that helps people cope with tragedy,” he adds.

On September 22, two days prior to its scheduled opening-night gala, the Met transformed a homage to Verdi into a $2.6 million benefit performance, starring Placido Domingo, as a tribute to victims of the terrorist attacks. On three days’ notice, the Philharmonic prepared a stunning rendition of Brahms’ haunting but hopeful *German Requiem* in lieu of its own opening-night gala. During the Met’s and the Philharmonic’s sold-out performances, thousands gathered in Lincoln Center Plaza to view a live relay broadcast.

The sense of comfort and togetherness brought about by the music and the public gatherings was both remarkable and inimitable. The Philharmonic also played a series of free lunchtime chamber music concerts in Lower Manhattan and recorded an entirely American repertoire for the HBO film *In Memoriam: New York City, 9/11/01.*

To have the opportunity, through a premier arts organization, to enrich the cultural life of New York City, as well as people’s lives worldwide, Montrone explains, “is a great honor. But I would say it’s more of a responsibility than a dream. I have taken this on as a kind of awesome responsibility.”
COLUMBIA BUSINESS SCHOOL’S Italian alumni are remarkable, not just for their accomplishments as international business leaders, but for the panoply of industries they represent and the prominent roles they play in the life of the School. They include the CEO of Fiat and executives at Ferrari, Alfa Romeo and Maserati—and that’s just the automotive industry. They also lead major concerns in energy, finance, luxury goods and real estate, among many other industries.

Five members of the School’s Board of Overseers are Italian alumni. Here, HERMES honors an exceptional group of alumni whose contributions to both Columbia Business School and the international business community bear recognition.
NEW DIRECTION FOR FIAT

In May 2002, Gabriele Galateri di Genola ’72 was named co-CEO of Fiat S.p.A., the Turin-based automotive and industrial giant. A truly global brand, Fiat is most famous for its automotive division, but the company is also a major producer of aircraft, trains and launching systems for spacecraft.

Galateri takes the helm of Fiat at an important juncture. Although Italians have a deep attachment to Fiat cars, the automotive unit has been losing money for five years. Some have speculated that the company’s survival depends on the unit’s being sold.

A member of a prominent Piedmontese family, Galateri earned a law degree from the University of Rome and an MBA from the School before joining Banco di Roma, Saint-Gobain and then Fiat. From 1986 to 2002, he managed the investments of the Agnelli family, the founders and main shareholders of Fiat.

As CEO, Galateri is now establishing a long-term strategy for the company. Broadly stated, the company is expected to reduce its debt, sell its noncore assets, reverse its losses and decide whether to sell Fiat Auto. He has yet to announce any plans, but one certainty is that Galateri—highly regarded in the international business community for his financial acumen—is leading the company at a historic time.

Galateri attests that he has relied on his Columbia MBA throughout his career. “The professional training as well as the opportunity to live in an environment of great intellectual challenge—both Columbia and New York—have been extremely important to all my subsequent experiences, both in the banking and in the industrial world,” he explains. “My experience at Columbia has been considered proof of solid professional preparation and capacity to interact in a stimulating and sometimes difficult environment.”

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POWER CHANGES

In May 2002, Italian prime minister Silvio Berlusconi asked Paolo Scaroni ’73 to lead Enel S.p.A., one of Italy’s two state-controlled energy companies. Having engineered an impressive turnaround of U.K. glassmaker Pilkington plc, Scaroni is the ideal choice to head the electricity giant as Italy’s economy contends with deregulation issues, changing labor laws and a global economic slowdown.

As a leader of turnarounds, Scaroni champions the positive power of change. But he is also deeply thoughtful about the personal experience of undergoing transition. Affable and sincere, he offers personal reflections on his departure from Pilkington: “I frankly undervalued how tough it’s been for me leaving my team, after almost six years in the U.K.,” he admits. On the other hand, he notes, “I’m a deep believer that change brings new energy. Your blood runs faster in your veins, and this is always very positive.”

Within weeks of his appointment as chief executive, Scaroni announced a restructuring plan that streamlines Enel into five core business units (there had been 30): infrastructure and networks; sales; generation; telecommunications; and services. “The new organization simplifies the structure, reduces the number of reports to me and maximizes synergies,” he explains. Today,
Scaroni continues to immerse himself in getting to know the company and develop his strategy. Scaroni believes he owes a great deal of his success to his business education. “I can tell you that I certainly wouldn’t be here today if it wasn’t for my MBA at Columbia,” he attests. “It changed the perspective I had in life. From that time on, I took an international view. I made an enormous step forward in my sense of business culture. And I learned a pragmatism which was not something you learned in Italian universities.”

Scaroni, an active member of the board of overseers (he plays an integral role in the School’s Pan-European alumni reunions), suggests that his Columbia education continues to this day. “The university is looking ahead much more than companies, because they are preparing students for the next 20 years,” he explains. “To be part of this now is very rewarding. The School is always on the edge of what’s going to happen. It’s a window for me to understand how the world will change.”

**INDUSTRY-BUILDING**

Although today it is standard for real estate development and investment firms to operate on an international scale, when Daniele Bodini ’72, chairman of American Continental Properties, created his international real estate investment group in 1979, he was ahead of his time.

Having grown up in Rome, Bodini came to the School in his mid-20s with degrees in engineering and architecture. He intended to learn English and acquire a strong foundation in business. Rather unintentionally, he was also accumulating the consummate background for a pioneering career in real estate. He did not find himself drawn to real estate finance, however, until he had graduated from the School and begun working for Eastdil Realty, the real estate division of Blyth Eastman Dillon.

Bodini was driven to seek private European institutional investors for Eastdil clients’ real estate projects in the United States. “The real estate market was very dull—there was very little cash. We had to find it where we believed the cash was.” Bodini modestly adds, “I think I wasn’t pioneering anything—it was more an act of desperation.” After six years, he launched American Continental Properties in 1979. By 2000, 40 percent of the firm’s assets were European, and 60 percent were in the United States, with a total value of billions.

Bodini, a member of the board of overseers, has been a stalwart supporter of the School’s MBA Real Estate Program. The founder of the program’s advisory board and writer of one of its first cases, he was the catalyst for building

**REINVENTING AND REENGINEERING**

A sampling of Columbia’s Italian alumni speaks to the broad range of talents they bring to the global business community. Notable Italian alumni in Europe include Giuseppe Ciardi ’81 of Park Place Capital, Ltd., and of the School’s Board of Overseers, Ruggero Magnoni ’77 of Lehman Brothers (based in London), Diego Visconti ’76 of Accenture Italy and Andrea Zanconato ’79 of Bulgari.

A common focus is maneuvering within the increasingly integrated European Union. Gian Luca Braggioti ’79 of MyQube, which finances and supports the development of high-tech companies, comments, “Doing business in Italy does not exist anymore; we do business in Europe.”

Carlos Fedrigotti ’77 of Citibank Milan finds that the deregulated home market pushes businesses to “look beyond the Italian competitive landscape in order to successfully compete against the best enterprises anywhere in the world.” He adds, “Italian business is moving rapidly to adhere to the highest international standards of transparency and corporate governance.”

New competition, regulations and possibilities demand innovation. Paolo Gagliardo ’90 of Alfa Romeo in Italy, part of the Fiat Auto Group, sees the Italian character as part of the restructuring process “in the sense that once what needs to be done is understood, we are particularly quick in deploying what we said we were going to do. It’s the ability to reinvent and reengineer as much as possible.”

*At top, l. to r., Daniele Bodini, Paolo Scaroni, Gabriele Galateri di Genola, Massimo Tosato.*
the program into the first-rate offering it is today. He believes a career in real estate is especially suited for entrepreneurially minded MBAs. "For someone interested in finance, which is Wall Street, and real estate, which is Manhattan, New York provides a special opportunity," he says.

Bodini credits Dean Feldberg for building a strong “esprit de corps” that keeps alumni involved: “You graduate from the School 30 years ago,” he says, “and you still feel like you belong to the School.”

REALIZED DREAMS
In the mid-1970s the Italian education system was in flux, and Massimo Tosato ’80 decided to leave the country. Tosato, who manages Schroders plc’s worldwide retail business from London, says he was determined to find a more receptive arena for the pursuit of his business dreams. He chose Columbia Business School because it offered “a direct social and professional connection with vibrant and buzzing New York.”

After selling Compagnia Internazionale di Investimenti (Comnivest), his investment and private banking company, in the early 1990s and taking a year off to travel, Tosato joined Schroders in 1995. Today, after the sell-off of the company’s nearly 200-year-old investment banking concern, he is introducing widespread changes in the asset management division. By 2003 he hopes to unveil “a more slimmed-down organization—much more nimble and interconnected with suppliers and markets.” The motivation, he says, is to be poised to “fight the Bear!”

Today, Tosato’s connection with the School, both as an alumnus and member of the board of overseers, is important to him. “My personal ties with the 1980s classes are strong as ever,” he says. “A dozen or so of us have maintained close personal friendships which now extend to partners and children, and we frequently holiday together. The sense of belonging to the School and to the group that shared common dreams in their youth creates a very strong bond.”

ITALIAN MBAS TODAY
Columbia Business School continues to attract the future powerhouses of Italian business. Kathleen Swan, senior associate director of admissions, confirms that virtually every year a significant percentage of the international MBAs hail from Italy.

There are 23 Italian students on campus in the MBA and Executive MBA Programs. Ranging in age from 27 to 39, they arrived from such cities as Milan, Turin and Rome. They are graduates of some of the most prestigious Italian schools, including Bocconi University and the University of Rome, and many were engineering or economics majors.

Executive MBAs work in marketing, health care, consulting and strategy, and while half lived in New York before enrolling, the other half relocated from European cities. Columbia’s Italian MBAs sustain a dynamic chapter of NOVA, an international association for Italian MBAs that cultivates their network, promotes job opportunities and holds an annual conference (this year’s was held in Boston in early November).

While following in the footsteps of previous generations of Italian MBAs, these students will undoubtedly blaze new trails and leave their mark on their homeland, their adopted city and their alma mater. They will graduate with a degree that holds a higher currency than ever before, career opportunities in North America, Europe and beyond and a wealth of ever-growing alumni connections.

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I certainly wouldn’t be here today if it wasn’t for my MBA at Columbia. It changed the perspective I had in life. From that time on, I took an international view. I made an enormous step forward in my sense of business culture.

PAOLO SCARONI ’73

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Join Columbia Business School graduates from around the world in the historical Mitte district of Berlin for the sixth Pan-European Reunion. Details are available on the reunion Web site at www.gsb.columbia.edu/paneuro.

To receive an invitation, visit the reunion Web site and request one online by December 31, 2002. For questions, please contact the Office of Alumni Relations by phone at (212) 854-8815 or by e-mail at alumni@claven.gsb.columbia.edu.

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Chairman, President and CEO, Eli Lilly and Company, Indianapolis
Using his bully pulpit as SEC chairman, Arthur Levitt pointed out in September 1998 the importance of “transparent, timely and reliable financial statements.”

America was in the midst of a roaring bull market and a good three years away from the Enron debacle and other disclosures of accounting distortions and audit failures. Levitt warned, “If a company fails to provide meaningful disclosure, the bond between shareholders and the company is shaken: investors grow anxious, prices fluctuate for no discernible reason and the trust that is the bedrock of our capital markets is severely tested.”

We know now all too well of companies that failed notoriously the test of “meaningful disclosure” and of the punishing blows they suffered as a consequence in the marketplace, to the point of bankruptcy and imminent extinction. Investors, concerned about future bad news, wonder whether the last shoe has fallen. And since we have read about earnings restatements by such companies as AOL Time Warner and Xerox, questions have been raised regarding the validity and usefulness of our accounting model.

That model is the collection of U.S. generally accepted accounting principles (GAAP), which these companies claimed to have followed in the preparation of the financial reports—now subject to revision. And these reports were attested to and blessed at the time by auditors from the Big Five accounting firms.

We are facing a problem, no doubt. But it should be
approached from a proper perspective. Most public companies in the United States have been submitting to the SEC and their stockholders periodic informative financial reports based on GAAP that contain useful data and are free of any taint of scandal.

We should also realize that audit failures are not necessarily proof of faulty accounting standards. In the cases of Waste Management and Enron, the Arthur Andersen auditors first either objected to or expressed serious reservations regarding their clients’ improper accounting treatment and lack of disclosures of certain transactions—in other words, their violation of GAAP. But they yielded to clients’ pressure for fear of losing the account.

As a result of the Sarbanes-Oxley Act of 2002—assuming it will be faithfully enforced—chances are that such crass pressure on auditors will lessen substantially and might indeed become a thing of the past (since CEOs and CFOs will have to certify SEC-mandated reports under the threat of both civil and criminal sanctions).

The accounting firms, restricted to a very limited menu of non-audit services to their audit clients, will be overseen for the first time by an oversight board with “real teeth.” The board will be authorized to impose penalties reaching $15 million and to ban firms from auditing public companies altogether. Intentional violation of auditing standards in this new, as yet untested, environment may be tantamount to a professional hara-kiri.

There is no question, however, that the recent accounting scandals exposed several shortcomings and weaknesses in our accounting model. Two of the major ones are (1) overstatement of revenues and earnings, often accompanied by a rampant manipulation of income and cash flow from operations, and (2) understatement and lack of full disclosure of actual and potential liabilities a company might be exposed to, having guaranteed another party’s obligation or having engaged in various off-balance sheet financing arrangements, such as the creation of special purpose entities. (The Enron SPEs are an extreme case in point.)

The good news is that the Financial Accounting Standards Board (FASB) has been moving on these fronts. It is likely to tighten the rules and provide guidelines for a comprehensive and consistent approach to revenue recognition. Also, two recently issued exposure drafts, upon final approval, should limit significantly the opportunities for exclusion of liabilities and their nondisclosure in the financial statements.

We should also learn from the fact that political intervention has occasionally affected our accounting model, at times with negative results—as in accounting for employees’ stock options. These should and would have been deducted as an expense on the income statement but for a wrongheaded Senate action, spearheaded by Senator Joseph Lieberman almost a decade ago, that rejected an FASB resolution to that effect.

The tide has now turned in reaction to public revulsion. It is no longer a novelty to hear an announcement by one company or another (Procter & Gamble, General Electric, Coca-Cola) that it intends to deduct employees’ stock-option expense on its income statement. The International Accounting Standards Board had already passed a draft resolution to that effect, and the FASB has taken preliminary steps in that direction as well.

It may turn out that the accounting scandals, a companion to the stock market upheaval, had a silver lining after all: these scandals have become a catalyst for change and improvement in financial reporting by public companies. This is not surprising—the same had happened in the aftermath of the stock market crash in 1929. The more things change, the more they remain the same.
ALUMNI CLUBS

The Austria/Germany/Switzerland club’s annual meeting in May in Vienna featured Bernd Schmitt, professor of marketing and executive director of the School’s Center on Global Brand Leadership. The former vice mayor of Vienna and senior executives from IBM and RZ Bank also spoke.

More than 200 alumni gathered in June to discuss the rebuilding of Lower Manhattan at an event sponsored by the New York Alumni Steering Committee and the School’s Paul Milstein Center for Real Estate.

The Toronto club held its first annual garden party in June. The club hosts a monthly dinner event.

The Hong Kong club hosted a dinner in July with Christopher Cheng ’79, chairman of the Hong Kong Chamber of Commerce, as keynote speaker.

Awi Federgruen, the Charles E. Exley Professor of Management, was the featured speaker at an event sponsored by the Israel club in Jerusalem in July.

The London club held a barbecue at the home of Peter Alis ’71 in July, a reception for Dean Feldberg hosted by Lord David Sainsbury ’71 in August and a gala dinner with David Montgomery, former Times Mirror Co. CEO, in October.

The Oslo club held an event in October featuring 1968 SIPA graduate Jens Ulltveit-Moe, president of the Confederation of Norwegian Business and Industry.

In October, Dean Feldberg spoke to alumni in Amsterdam at an event hosted by S. W. W. Lubsen ’71, a member of the executive board of Heineken N.V.

The San Francisco Bay Area club sponsored a forum on social sector innovation in October.

R. Glenn Hubbard, the Russell L. Carson Professor of Finance and Economics and chairman of the President’s Council of Economic Advisers, spoke at a reception for alumni and prospective students in Washington, D.C., on November 4.

Also on November 4, Columbia Law School Professor David Schizer addressed a gathering of Business and Law School alumni in Chicago.

The Paris club holds gatherings the first Tuesday of every month.

After a successful fall networking event, the Boston club is planning a Columbia Insight Series.

For additional club information, visit www.gsb.columbia.edu/alumni/clubs.

AFRICAN AMERICAN ALUMNI ASSOCIATION (4A)

The 4A has reorganized with a new leadership team—cochairs Michelle DeFossett ’95 and Joy Williams’01—and advisory board.

YOUNG ALUMNI COUNCIL

Led by cochairs Billy Driscoll ’01 and Michael Preis’01, the council serves as a bridge between current students and graduates from the past 10 years. The group facilitates alumni involvement in admissions, student events, fund-raising and career development.

THANK YOU, CLASS OF ’02 . . .

for devoting your Class Gift—$601,443, with 90 percent participation—to enhancing the School’s alumni outreach. For the third year in a row, Columbia had a higher dollar amount pledged than any other business school.

ALUMNI CAREER SERVICES

The Office of Alumni Relations is sponsoring a Career Event Series on various aspects of career planning in the current economic environment. The first event, in October, featured executive search consultant Ken Cole speaking on “The Truth About Senior Executive Job Hunting.” Career coach Wendy Rothman presented three workshops at the School in November and December.

We offer online Career Services through the outplacement firm Drake Beam Morin (www.dbmcareerservices.com). Some resources are free of charge; others are offered to alumni at a discount. For more information or to obtain a DBM security key, please contact us at alumni@claven.gsb.columbia.edu or at (212) 854-8815.

If you know of an opening that would be appropriate for our students or alumni, please submit it to our online job database. Just go to www.gsb.columbia.edu/alumni and click on “Job Posting Form.”
I am sure that all of you, like I, have been shocked and angered by the steady stream of revelations about unethical behavior by corporate executives. In thinking about what went wrong, several issues come to mind.

There was a widespread breakdown in the system of American corporate governance—the historical system of corporate checks and balances failed when it was put to the test of unlimited management expectations. Boards of directors, investment bankers, commercial bankers, accountants and lawyers, who should have been the watchdogs on management, instead became cheerleaders and willing accomplices of management. Management of some public companies became confused about the ownership of corporate assets; they treated their companies as sole proprietorships and took or used assets that they were not legally entitled to.

Most important, many individuals lost their ethical compass. They either failed to or lost the ability to distinguish the difference between right and wrong, legal and illegal, and ethical and unethical.

In thinking about my own career, my first break was being born to exceptional parents who had an uncompromising view of what is right and what is wrong. Columbia gave me an invaluable grounding in the basics of business and the tenets of ethical behavior, and my first boss at Citicorp impressed upon me that while it was okay and nonfatal to make a bad decision that lost the bank’s money, doing something that compromised the bank’s reputation would be an immediate career ender.

In 1978, I left Citicorp to start Welsh, Carson, Anderson & Stowe with Pat Welsh and Bruce Anderson. We agreed at the outset that our firm would be a model of ethical behavior, because that was one of our shared core values.

We have always had a rule that any partner can turn a potential investment down for any reason. As we have gotten larger, we have had to tighten our commitment procedures—but not the policy that once the firm makes a commitment, we honor it. We still believe that a handshake is more valuable than a contract. We treat our fellow partners and our employees, as well as our investors and the management of the companies we own, with mutual respect.

We recognize that we have a responsibility that goes far beyond profit and loss, and we try to weigh the interests of all constituencies in tough decisions.

While our primary responsibility is to maximize the financial return of our investors, we also acknowledge that when we own or control a business we also have responsibilities to minority shareholders, lenders, creditors, employees and the communities in which the business operates.

Finally, business is not a zero-sum game, and a good deal is one in which each party feels like a winner. At the end of the day, we would like Welsh, Carson, Anderson & Stowe to be viewed not only as a financially successful firm, but also as one that others in the business community would prefer to do business with.

Russell L. Carson ’67 is a founder and general partner of Welsh, Carson, Anderson & Stowe, one of the largest private investment firms in the United States.