REDEVELOPING LOWER MANHATTAN • In this three-part feature on rebuilding businesses, dreams and a neighborhood: John C. Whitehead envisions a new community downtown • Alumni offer troubled firms their expertise, commitment and conviction • MBA students introduce turnaround strategies to distressed small businesses
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New Alumni Web Site: Visit the dynamic new Alumni Web Site — an online community offering camaraderie, networking, career tools and more to graduates and students.
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Welcome Home: A new Columbia Business School home page, the cornerstone of a comprehensive Web redesign, debuts later this summer.
The reconstruction process downtown is bringing about the structural redevelopment of a neighborhood, the internal rebuilding of hard-hit businesses and, for many, the experience of deep change.

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Dear Friends:

Columbia Business School’s 27th Annual Dinner evoked an important theme for many of us in New York City and throughout the international business community in recent months—that of rebuilding.

Our honored guests for the evening were John Whitehead, chairman of the board of the Lower Manhattan Development Corporation, who accepted the School’s Distinguished Leadership in Government Award, and Shelly Lazarus ’70, chairman and CEO of Ogilvy & Mather Worldwide, the first female recipient of the Distinguished Leadership in Business Award. Both honorees spoke about dramatic change—in downtown Manhattan and in the boardrooms of corporate America.

Daniel Libeskind, the renowned architect who won the opportunity to redesign the World Trade Center site, also joined us for the evening, and we were delighted to welcome him. He, like John and Shelly, possesses the fortitude and vision necessary for persevering in the face of great challenges.

Rebuilding, whether it is for a career, a business or a community, is an act of courage. The process does not come easily, nor does the inclination come to everyone. Assessing challenging situations and determining how to move forward require a special combination of entrepreneurial qualities, beginning with perseverance and insightfulness. Perhaps most of all, rebuilding requires the optimism to find value in what exists and the imagination to envision what could be.

In this issue’s three-part feature on revitalizing efforts in New York City, we present inspiring remarks by Mr. Whitehead, and we also highlight the efforts of Columbia Business School alumni and students to help businesses and neighborhoods remake themselves. The article features four alumni who have played heroic roles in rebuilding businesses after 9/11 and 30 students who this spring applied their classroom learning to actual crises of small businesses. These alumni and students exemplify something essential about the School—about the quality of the people we bring to campus and send out into the world.

As the business community looks for paragons of ethical and responsible leadership, our alumni bring to their efforts not only wisdom and integrity, but a sense of generosity that truly sets them apart.

Meyer Feldberg ’65
Dean and Sanford C. Bernstein Professor of Leadership and Ethics
Paul Volcker, chairman of the Federal Reserve Board from 1979 to 1987, was the speaker at the 2003 Klion Forum, held on March 26. Now chairman of the oversight committee of the International Accounting Standards Board, he stressed the central role of business schools in making corporate governance standards more stringent and business practices more ethical.

Among other objectives for the business community, he advocated balancing long-term stockholder wealth with the interests of other stakeholders, such as employees, government and the community.

Volcker urged Columbia MBAs to pursue careers marked by integrity and ethical business practices, and he lauded the School’s student-run Integrity Board, which organizes educational, social and professional activities centered on business ethics, including the Klion Forum.

The annual forum honors the late Stanley R. Klion, who was an executive-in-residence at the School.

Former Fed Chairman Discusses Ethics

Paul Volcker

HERMES in the Digital Age

Last summer, HERMES conducted a survey of 9,500 of its readers. The robust response rate suggests that the magazine successfully provides a connection between alumni and the School.

Most significantly, some respondents asked that we make the magazine more of a networking tool and cover industry-specific and career-related topics as they intersect with graduates’ lives; others suggested we develop an electronic version—preferably delivered via e-mail—to allow for greater timeliness of news items and class notes.

We have implemented many of the suggestions offered by the survey respondents:

• In January, the Office of Alumni Relations launched an e-newsletter. A second issue came out in March, and the third issue is being delivered to inboxes in June.

– The printed version of HERMES has been redesigned, as has the online version, www.gsb.columbia.edu/hermes, which is now interactive.

• This June, the Office of Alumni Relations launches a totally redesigned and enhanced Alumni Web Site, www.gsb.columbia.edu/alumni (for highlights of the new site, see page 35).

We thank all who participated in the survey and, in addition, welcome the class correspondents who with this issue have joined our ranks as columnists.

We look forward to receiving feedback about the new HERMES. Please send your comments to HERMES@gsb.columbia.edu or to HERMES Magazine, Columbia Business School, 33 West 60th Street, 7th Floor, New York, NY 10023-7905.

— The Editors

For CWIB, a New Milestone

Sallie Krawcheck ’92, chairman and CEO of Smith Barney, and Dawn Hudson, president of Pepsi-Cola North America, were the keynote speakers at the 2003 Columbia Women in Business Conference. CWIB’s 10th annual conference, held on March 21, addressed “The Changing Landscape of Women’s Leadership” and drew more than 600 MBAs, Fortune 500 executives and others.

Dean Feldberg Named to New Professorship

Professor Meyer Feldberg ’65, dean of Columbia Business School, has been named the Sanford C. Bernstein Professor of Leadership and Ethics.

The new professorship is an integral part of the Sanford C. Bernstein & Co. Center for Leadership and Ethics, launched this May 30. (Look for extensive coverage of the new center in the fall issue of HERMES.)

In addition to providing energetic leadership, Feldberg will draw on the support and expertise of leading faculty members across divisions and bring enhanced recognition to the center, both on campus and throughout the business community.

Feldberg says that accepting the professorship “was simply the right thing to do.”

“The last year has taught us that the study and teaching of ethics and leadership are fundamental not only to the life of an MBA but also to the health of our economy and society,” he explains. “Leadership is everybody’s business.”

Quotable: Tariq Aziz, “if you had acted on the governance insights found in your library, you might have been one of the Middle East’s heroes rather than one of its principal villains.”

Professor John O. Whitney (Endpaper, page 36), whose book Power Plays: Shakespeare’s Lessons in Leadership and Management was discovered amid the ruins of the former Iraqi minister’s palatial home.

Lichtenberg Recognized for Research

Frank Lichtenberg, the Courtney C. Brown Professor of Business, received the 2003 Milken Institute Award for Distinguished Economic Research for his paper “Pharmaceutical Knowledge-Capital Accumulation and Longevity.” The award was Lichtenberg’s most recent recognition for his research on the contribution of the pharmaceutical industry to human longevity.

The Milken Institute, an economic think tank founded to better people’s lives and economic circumstances throughout the United States and the world, established the award in 1999 to recognize “the best research in economics.”

“Improvements in health—increased longevity and quality of life—are an important, although frequently overlooked, part of economic growth and development,” says Lichtenberg. “The objective of my research has been to provide solid econometric evidence that medical innovation in general, and new drugs in particular, have made significant contributions to better health.”

Ethics, Annual Reports and Déjà Vu

In September 2002, a New York Times article revealed that many corporate annual reports include charts and graphs that, intentionally or not, are misleading. Jerome A. Chazen wrote about this very subject as an MBA candidate at Columbia Business School—in 1950.

Examining issues remarkably resonant with recent scandals, Chazen found that many annual reports “did not reflect the numbers that were represented.” Although he pointed out that reporting practices had greatly improved since 1866, Chazen believed accountants should assume a larger role in ensuring the accuracy of published information. He asked, “Shouldn’t the accountant feel a moral responsibility for the way in which the figures he has certified are translated by management?”

Chazen, former CEO of Liz Claiborne and founder of the Chazen Institute of International Business at the School, says his thesis work prompted him to institute rigorous oversight of all materials reporting the financial standing of Liz Claiborne.

2003 January-Entry MBAs: A Snapshot

The 188 MBA students who entered in January 2003 are, as expected, academic stars, with a 703 average GMAT score, a 3.5 average GPA and, collectively, 32 master’s degrees, one PhD and two Fulbright scholarships. Strikingly international—even for Columbia Business School—the group hails from 42 nations and speaks 31 languages, with 50 percent non-U.S. born and 38 percent designated international students. No fewer than five MD/MBAs enrolled, as did the first Saudi woman to work in finance, a member of the New York City 2012 Olympic Games Committee, an Indian national soccer team player, a naval submarine officer and a beekeeper.
Remembering a Life That Inspired Leaders

A
fter a lifetime of contributions to his university, city and country, Eli Ginzberg died on December 12 at the age of 91. An adviser to every president from Roosevelt to Carter, he was a major advocate for desegregation, labor-use reform, the integration of women into the workforce and advances in public health.

Ginzberg was a faculty member at Columbia University for more than six decades and retired from the School as the A. Barton Hepburn Professor Emeritus of Economics. He “set a standard of excellence,” recalls former student Stephen Parkoff ’61. Ginzberg conferred $100,000 to the School to establish the Eli Ginzberg Prize in Excellence, which will honor one student each year for outstanding work in economics or human resources.

From 1978 until his death, Ginzberg was the director of the Revson Fellows Program on the Future of the City of New York and Columbia, an intensive study program for future leaders of city institutions. Ginzberg oversaw the selection of 240 fellows, including the city’s first female firefighter and the director of the first AIDS advocacy group.

“Even in an era of despair and cynicism, Eli gave fellows hope based on an abiding faith in America and on the perspective of his astonishingly long, wide and deep experience,” says Eli N. Evans, president of the Charles H. Revson Foundation.

Students Win 2003 Shipley Case Competition

A Columbia Business School team won the second annual Walter V. Shipley Business Leadership Case Competition, surpassing teams from 17 other leading B-schools. The Columbia team (Tagir Dindarov ’04, Peter Fok ’04, David Goldberg ’04, Charles McLemore ’04 and Anant Singh ’04) was awarded a $20,000 prize for its analysis of a case on the ethical responsibilities of the pharmaceutical industry.
Redeveloping
LOWER MANHATTAN
new growth
A New Vision for Lower Manhattan
John C. Whitehead of the Lower Manhattan Development Corporation describes the city’s conception of a vibrant downtown community.

Rebuilding Dreams
Alumni responded to the devastation downtown the best way they knew how: by offering their expertise, commitment and conviction.

Hard Change: Students Discover the Gains, and Pain, of Turnaround Management
MBA candidates bring turnaround strategies to small businesses hit hard by the recession and 9/11.
A New Vision for Lower Manhattan

“The governor and the two mayors put me in charge of redeveloping this slice of the city. I got into a cab to go back to my office, and I had never felt more lonesome or abandoned. They went out with smiles because they had shed something from their shoulders, and I suddenly realized I had inherited a job with no staff, no office and no money. But we’re now at a point where we’re making real progress. . . . We will have a wonderful museum [and] a performing arts center . . . , and civic buildings of a first-class nature will bring wonderful assets to this part of Manhattan. . . . The key of our redevelopment will be a beautiful memorial, [and] a tower will rise up 1,776 feet into the air. It will be a restoration of the skyline in a wonderful way.”

John C. Whitehead, Chairman of the Board, Lower Manhattan Development Corporation

“9/11 was a dramatic event in our history, when the principles for which America stands—the principles of freedom, of human rights—were challenged severely by the terrorists; it was incumbent on New York City to rebuild better than it was before.”

Accepting the School’s award for distinguished leadership in government, John C. Whitehead, chairman of the board of the Lower Manhattan Development Corporation, spoke about a new concept for Lower Manhattan: a neighborhood where the arts, the business community, civic life and a memorial are brought together within a vibrant downtown community. Guests at the 27th Annual Dinner, at which Whitehead accepted the award, included renowned architect Daniel Libeskind, winner of the design competition for the site.

Architectural renderings and map used in photo illustration provided by Studio Daniel Libeskind. Architectural photographs by Torsten Seidel.
Rebuilding
DREAMS

by Diana Katz

Rebuilding Lower Manhattan is a public undertaking. The world has watched as the World Trade Center site was methodically cleared, new designs were debated, an architectural team was chosen and the first steps were taken toward redevelopment. Concurrently, another kind of rebuilding has been taking place—in conference rooms and offices, on city blocks and street corners. It is the regeneration of thousands of businesses suffering the combined effects of the terrorist attacks and the recession.

Six hundred firms were housed in the twin towers, and 14,000 small businesses, which employed 370,000 people, were situated in Lower Manhattan. The survival of these jobs and businesses is vital to the economic prosperity of New York City, and Columbia Business School alumni have been integrally involved in rebuilding efforts for every kind of firm, from mom-and-pops to multinationals. With their hard-earned skills and experience, they bring a profound desire to help, as well as a sense of vision that overcomes obstacles and enlarges our sense of what is possible.
From the Inside Out

Remaking an Investment Bank

A boutique securities firm renowned for its research and family-like culture, Keefe Bruyette & Woods Inc. was housed on the 88th and 89th floors of the World Trade Center. On September 11, the firm suffered losses that are nearly unfathomable: of 172 New York–based employees, 67 were killed, including the entire New York trading desk, most of the research department, half of the equity sales team and five of the firm’s nine directors. The chairman and co-CEO died, along with the son of co-CEO John Duffy (who is now CEO), as well as the heads of research and fixed income. Those who perished brought in 40 percent of the firm’s yearly revenues, and they made up much of the firm’s intellectual capital.

Michael Corasaniti ’92, who then helped run the research boutique Graham Fisher Co., lost nearly everyone he knew at Keefe Bruyette, including his friend David Berry, director of research. He fully understood the crisis that the firm, which researches and trades and advises banks and financial services firms, now faced. Keefe Bruyette had to hire new employees and rebuild operations companywide, but the research department, which had lost 16 of 21 analysts, was a special case.

“The research department is the backbone of what this firm is,” Corasaniti explains. “It was vital. I knew they were in big trouble.” That realization, Corasaniti remembers, “was like getting a phone call from God. The first thing I said to my wife was, ‘You know, I’m not a fireman, I’m not a policeman, I’m not a soldier. But I’m an investment professional, and this is one thing I can do.’”

Not long after Corasaniti—who had limited management experience and was only in his mid-30s—called the firm to offer help, he was asked to head the research department. It was not a position he had sought; careerwise, he had finally slowed down. After several rigorous years as a portfolio manager for Neuberger Berman LLC, where he oversaw $3 billion in assets, he was now working 36-hour weeks, teaching security analysis at Columbia Business School and enjoying time with his wife and young son.

But Corasaniti now joined a team driven to rebuild an investment bank with a staff of traumatized survivors, during the worst bear market in memory. “There was no mulling,” he says. “It was like five-dimensional speed chess.”

Competitor firms included Keefe Bruyette in equity offerings to help bring in revenue. Also helpful was the tight job market, which sent plenty of résumés to Corasaniti’s desk. He conducted more than 750 interviews, emphasizing to candidates that the firm called for an enhanced emotional commitment. “You’re coming here out of an act of patriotism, of compassion,” he told them.

The firm had set up a makeshift office in a room set aside by BNP Paribas, but even as more space became available, Corasaniti kept new employees and survivors together in chaotic, cramped quarters. “They had four trading desks for us, and I left all the analysts in the trading room upstairs so that they would integrate and get to know everyone—all the survivors—and deal with the emotional issues. They’d be at a little tiny desk—the phones didn’t work, the computers didn’t work; it was a very stressful environment—and they just got sucked right into the culture.”

The experience was akin to hazing (Corasaniti jokes that his previous management experience was...
running his fraternity at Tulane), and it worked. “Sometime in July or August [2002],” he recalls, “I realized that the firm was integrated and communicating at a level that was unlike any place I have ever worked.”

A searing moment came later when, to comply with new securities regulations, the firm constructed a glass wall in the new offices to divide the trading and research departments—“basically, between the survivors and the new people.” In a place where a sense of togetherness made survival possible, physically separating people from one another was a painful experience.

Because of the firm’s emotional climate, many management issues typical in turnaround situations never arose. “I didn’t have to get buy-in from all the survivors,” Corasaniti explains. “There was no need for convincing.”

Along with rebuilding the firm’s culture, however, the greatest challenge was dealing with the sheer amount of what had to be done. Rebuilding operations was hugely demanding, Corasaniti says. “Every situation was a queuing problem. You’ve got all these multivariate issues going on—how do you figure out which thing to do first?”

Corasaniti and his colleagues have seen to it that Keefe Bruyette not only survived but also regained its place in the investing community. David Berry, Corasaniti’s predecessor, had set a goal of 10 percent growth for 2002, and Corasaniti met that goal against all odds. The firm has hired 101 people and raised a record amount of capital for companies in 2002. The research department now covers 220 stocks (versus 270 on September 10, 2001), and commissions equal those of before 9/11. Keefe Bruyette was rated the best investment boutique in four categories by Institutional Investor in 2002, and it ranked among the leaders in two additional categories.

For Corasaniti, the greatest satisfaction has come from having helped foster the recovery of the survivors. “The reason I came was so that people here could get their lives back together, or some semblance of it, and they have: they come to work every day, they’re having babies, their lives are carrying on. The emotional pain never really goes away, but you wouldn’t know who is a survivor and who isn’t.”

Corasaniti is now focusing on a new objective: “The first phase was make sure the firm is going to survive. The second phase was make sure it returns to its greatness. The last phase is let’s really drive it home.” Corasaniti also continues to teach security analysis at the School.

A framed painting of an American flag in the firm’s new offices in midtown Manhattan bears red and white stripes composed of the names of the lost employees. The uneven length of the stripes gives a sense of being torn, but the overall impression is one of strength and pride and of being whole. Corasaniti insists that his success was a shared endeavor that will inevitably remain bittersweet. “If I could’ve really done it the way I wanted to do it,” he says, “I would just bring everybody back.”

Keefe Bruyette has hired 101 people and raised a record amount of capital for companies in 2002. The research department now covers 220 stocks, versus 270 on September 10, 2001.

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Michael Corasaniti ’92
No Job Too Small
Targeted Help for Those Hardest Hit

When Joshua Goldberg ’97 met with the proprietors of a downtown boxing gym in danger of closing its doors, the welcome he received was friendly but cautious. “They said, ‘We’re glad to see you, but no one has ever followed through with us,’” he recalls. As director of business services for ReSTART Central, a nonprofit organization that aids New York City small businesses, Goldberg sympathized with such skepticism. The proprietors had contacted other aid organizations, but no substantial help had ever materialized.

ReSTART Central has followed through on helping more than 1,300 small businesses below 14th Street. With a full-time staff of six and more than 50 volunteers since August 2002, ReSTART is part of CUNY’s Economic Development Corporation (which is led by Carolyn Everett ’95, executive director) and receives funding from the Ernst & Young Foundation, the September 11th Fund and the Empire State Development Corporation, among others.

Goldberg, who was hired full-time in August 2002, joined ReSTART in October 2001 as a volunteer researcher, assembling a report on the damage caused by the terrorist attacks. He was also a business advocate, assisting firms with whatever critical needs they faced, from getting loans and grants to tracking down needed photocopiers, computers and office furniture.

Thousands of microbusinesses—the tiny retailers and manufacturers that make New York such a dynamic and diverse city, including flower shops, bodegas, newsstands and pizza parlors—were devastated by September 11. Although many are run by astute proprietors, the scale and scope of the problems are overwhelming: structural and physical damage from the collapse of the twin towers or from having been used for triage and other emergency services; revenue loss for a two-month period during which the “frozen zone” was closed down; inventory loss from looting; and a steep drop in foot traffic and customer base.

“Many of the business owners just don’t have the resources,” says Goldberg. “Large, established firms have strategic planning groups. They have groups doing marketing and business development. These small proprietors don’t have a task force that can help them with the rebuilding efforts, because they have to run the store.”

Rebuilding efforts are crucial for New York City, says Donna Childs ’01, president and CEO of Childs Capital, LLC, an economic development firm. “With small businesses employing more workers in the U.S. than the Fortune 500 and contributing more than half of U.S. GNP, we all have a stake in the health and vitality of the small-business sector,” says Childs, whose book *Contingency Planning and Disaster Recovery: A Small Business Guide* was published in 2002.

Besides bringing new crises, disasters expose and amplify already existing weaknesses. “September 11 was like the tide pulling out, and all the big, ugly rocks were there,” says John Bader ’94, a business development consultant. “People were routinely saying, ‘I’m down 60 percent, 70 percent.’ These were people whose livelihoods were in danger—and not just their livelihoods but also their dreams.”
Bader was living in London in the fall of 2001, consulting on the launch of a U.K. joint venture for a New York high-tech firm. As for so many New Yorkers, September 11 was a day that changed everything; within a month, he returned to his hometown to help.

“I knew I could help these businesses, because I could look at the situations and help diagnose where they needed help,” Bader explains. Goldberg concurs: “The Columbia experience gave me all the tools to understand how businesses operate and how to solve problems, and the experience of working really hard—that to do good work requires effort. And that there’s no substitute for experience and doing.”

Bader began as a volunteer but was soon hired by the city’s Economic Development Corporation. He first located business owners displaced by the attacks—“everything from the people who had the jewelry carts on the concourse to the big firms”—so that grants and other aid could be offered to them.

Bader then helped launch Adopt-a-Company, a program that allowed large “sponsor” firms to assist small proprietors in need of everything from clientele to computers. The sole stipulation was that assistance be provided free of charge. “In business school terms,” says Bader, “we were creating a market for services.”

“What struck me,” he says, “was the sheer array of businesses. From Vine restaurant to a husband-and-wife team who designed Tibetan rugs.” An anonymous donor provided 40 small businesses with new printers. Law firms offered pro bono services. A bookstore in the Midwest helped a bookstore downtown. A law practice asked all attorneys to buy Administrative Professionals Day flowers from a needy florist.

Similarly, says Goldberg, “I work with a boxing gym, pizza parlors, jewelers. I work with an artist who specializes in environmentally sustainable projects. Another ReSTART Central business advocate is reconstructing the financials for a tailor, because all his files were destroyed.”

ReSTART still welcomes volunteers, and several other alumni are involved. Volunteer Valisha Graves ’94 says, “To advise small businesses and help them through the rebuilding process is a very rewarding experience, and it feels good to be able to help in some way.”

Bader arranged for Columbia MBA students to work as volunteers for Adopt-a-Company last summer, whether for several hours a week or as full-time summer interns. “This was direct assistance to where the firms needed it,” he explains. “It was the next best thing to getting money—this was somebody who could get on the phones and find new clients, finish the business plan, help them think in new ways or get them set up with an electronic accounting system.”

The Adopt-a-Company initiative was phased out as the need for emergency assistance began to subside and small businesses turned to organizations that could offer longer-term services. For Bader, who has now returned to his business development consulting practice full-time, the most rewarding aspect of the work was fulfilling so many needs, including his own desire to respond to the attacks.

“The city is already coming back. It’s inspiring,” he says. “The chief thing I got out of it was seeing how resilient people are. Because there’s thinking it’s true, and then there’s actually seeing it.”

In retrospect, Bader and Goldberg both have found through their direct work with Lower Manhattan small businesses—and through helping others provide that assistance—that the recompense is the profound but simple satisfaction of applying one’s expertise and helping others. “The intrinsic nature of the work is important to me,” says Goldberg. “There’s personal satisfaction in building relationships and doing good work.”
A Midwestern Fortune 500 corporation is in crisis. The conglomerate is losing money in almost all operating units, watching sales sink further and heading steeply toward liquidation. But a team of Columbia MBAs has found hidden value in the company. In Warren Hall, laptops are open, PowerPoint slides are ready and the team is about to propose a strategy to save the firm.
This is Turnaround Management, the course that examines the fundamental reasons—operational, financial and managerial—that companies undergo crisis.

Students learn how to rebuild operations, assets and liabilities, capital structures and strategies in order to make a failing company viable again. The demands on actual turnaround managers are broad and deep, and accordingly, the course workload drives many all-nighters. But students forfeit other coveted courses to garner a place in this class, and many alumni say the course directly prepared them for their careers. Turnarounds requires that students integrate and apply every core business discipline, as well as every qualitative and quantitative tool they have learned. “Turnarounds is a capstone class,” explains Amanda Heron ’03. “It incorporates almost every other class you have taken and forces you to think about different considerations: Does your financial model correlate with your strategy? Can you fund your marketing plan?”

Augmenting their classroom learning, this spring six student teams applied the lessons of Turnaround Management to actual businesses in real time. Laura Resnikoff, associate professor of management, developed an opportunity for students to spend eight weeks as turnaround consultants for small downtown-focused businesses devastated by September 11 and the recession. Working with Eric Burd ’01, a program manager at the nonprofit organization Seedco, and her teaching assistants, Pedro Caruso ’03 and David Zorub ’03, Resnikoff created “a tangible opportunity to apply the lessons acquired in class to a real-life operating situation,” says Burd.

The opportunity was developed as a partnership between the School and Seedco, a nonprofit organization that provides grants, loans, wage subsidies and business consulting services to small downtown businesses through its Lower Manhattan Initiative (LMI) program. Since September 11, Seedco has saved more than 650 businesses and more than 1,200 jobs. Burd, who manages a team of 17 people and a fund of $45 million, knew that attention from a team of dedicated Columbia MBAs could be a significant boon for many Seedco clients. Six businesses agreed to participate in the program (see sidebar, page 16).

Among students, interest in the LMI project was overwhelming: Twice as many teams as clients were available. Even the most rigorous case study is an exercise in theory and imagination, and the project promised a coveted opportunity to apply two years of acquired knowledge. A certain restlessness comes from “learning with the benefit of hindsight,” says Matt Aboud ’03. “Business is done on the street with your sleeves rolled up. I think we all wanted to put our money where our mouth was.”

Through a lottery, six teams were paired with firms, and in an orientation meeting Burd gave students an overview of the clients, the consulting process and the inherent expectations. “These are struggling businesses, tough times and a very real turnaround environment,” Burd explained. “They’re going to look at you as experts, to bring a skill set that they don’t have. You will need to climb into their lives to try and figure out what’s going on and what they need.”
Student teams met with their clients to understand the key business issues involved and to develop an outline of objectives and a plan for how to proceed. Next came the larger process, at times frustrating and painful, of beginning to implement change. Working with their teams, clients could tackle some issues immediately, such as collecting payments from customers with outstanding balances or selling excess inventory. More radical recommendations could include implementing activity-based accounting and internal workflow processes, upgrading technology, streamlining product mix, pursuing new revenue sources, separating personal finances from firm finances, consolidating debt, refinancing a mortgage, using more targeted marketing efforts, developing a Web site and redefining employees' roles. Collectively, if not individually, the student teams were dealing with virtually every major turnaround issue covered in the classroom.

“Everything we’ve talked about with big businesses, you’re seeing in real life,” says Resnikoff.

Within each business, there was not one but several sources of difficulty, which is emblematic of a business in trouble. “Trouble doesn’t come in one area, it comes in multiple areas,” Resnikoff tells her students. “That’s why it’s so complex.” Sandra Navalli ‘03 found that “you have to look at every single process and every single person.” Because crisis in organizations is metastatic, the teams quickly saw that dealing with each problem effectively required allocation of responsibilities within teams. “You really see the benefit of having diversity in your project group,” says Navalli. “Some people are better about the issues around operations, some people are better about the management issues, some people are better about looking for assumptions.”

For the MBAs, it was affirming to discover that, both in teams and as individuals, they possessed the full range of business knowledge needed to grasp multilayered business crises. Learning your own capabilities and trusting yourself is essential for a turnaround manager, and Resnikoff encourages students to rely on their intuition—“that gut sensibility.” Aboud explains, “I think deep down inside we all were a little nervous that we might not really have had the tools or depth of knowledge to succeed. This assignment has given us all confidence that we do have what it takes.”

Despite the range of sophisticated quantitative tools and business knowledge that a Columbia MBA may bring to the table, there is another skill set that students say cannot be learned entirely through a case study: how to navigate the difficult emotions and behaviors involved. These are lessons that hit home only with real-world experience.

**THE CLIENTS**

The MBA teams worked with a diverse mix of small downtown businesses:

- **Acocella & Company, Inc.**, a full-service relocation-management firm (see page 18).
- **Anza, Inc.**, which owns **17 Murray**, an Italian pub-style restaurant that saw its client base evolve from a lunchtime City Hall crowd to a residential population that orders takeout for dinner. Marketing efforts had not maximized the inherent opportunity, and, located within the “frozen zone,” the business had suffered significant revenue loss.  
  **MBA team:** Chris Chang ’03, Simon Gosling ’03, Amanda Heron ’03, Joanne Hsieh ’03, Sarah Covey Mitchell ’03

- **The League for the Hard of Hearing** offers clients a full range of hearing rehabilitation services. The organization suffered most from a drop in donations because of the recession and slow, insufficient Medicare/Medicaid reimbursements. The League ultimately invited its MBA team—Mary Abad ’04, Glenn Goldman ’03, Edward Hsu ’04, Jie Liu ’03 and Eric Tiénou ’03—to present their analysis to its board of directors.

- **A coffee and refreshment distributor owned by the widow of its founder, Luv-a-Cup Coffee Service Ltd.**, keeps office kitchens and coffee stations stocked with everything from sugar packets to first-aid kits. But operating cash flow had left the business unable to grow or sustain the current level of business.  
  **MBA team:** Matthew Aboud ’03, Sanjit Bakshi ’03, Jeffrey Block ’03, Deb Carbonaro ’03, Jason Foster ’03

- **NewTel, Inc.**, provides former substance abusers and HIV-positive clients with tutorials in customer service, training in a call-center business that it operates and placement in jobs. The nonprofit suffered from a “vicious cycle”: too few trainees to staff the call center and too few call-center contracts for sustainability.  
  **MBA team:** Rebecca Baskin ’03, Tillie Borchers ’03, Giovanni Cova ’03, Berrak Ilpars ’03, Alejandro Piñeros ’04

- **Red Wine With Fish?**, a catering firm, was launched by a former investment banker who saw a market in the financial district for high-end office-delivered cuisine. The firm faced high accounts payable, high debt and a loss of customer base.  
  **MBA team:** John Connorton ’03, Scott Everett ’03, Neil R. Oberoi ’03, Greg Redford ’03, Mauricio Tristan ’03
“It’s very easy when you’re doing a case to say, ‘We’ll fire this person, we’ll reassign this person, we’ll have this person do this differently,’” says Glenn Goldman ’03. “It’s much different when it’s no longer a theoretical exercise.” Mauricio Tristan ’03 adds, “You can grasp the concept of crisis in the classroom, but until you talk to these people and they tell you that there is no cash for next week’s payroll, it is difficult to really believe it.”

A reluctance to acknowledge the severity of mounting problems is a common source of trouble, and turnaround managers must cope with being the initiators of unwanted change. As is common in corporate turnarounds, some students had to manage despite their clients’ unwillingness to change. A key insight for all MBAs is that successful businesses must uphold a level of awareness that allows the recognition of trouble and the presence of contrary points of view.

“The core ingredient of keeping a company healthy is openness,” Resnikoff says. “Allow dissenters. Be tolerant of change.”

“The hardest part of the turnarounds business for a newcomer is the number and frequency of tough conversations you have to have,” Aboud says. “This is a crisis; you aren’t doing anyone any favors by sugarcoating the facts.” Navalli explains, “You need to have that personal fortitude to go into a situation, and if you need to cut costs and deliver a tough message, you can.” Resnikoff urges her students to consider the emotional experience of employees. “We are managers. We are responsible for other people. Every program that we propose is going to produce pain.”

Early in the semester, Resnikoff asks students to consider a question: “Why turn companies around at all? The pain of restructuring is deep: Why go through all that pain?” The answer lies in the discovery that restructuring serves the greater good. The aforementioned Midwestern conglomerate was saved in the early 1990s through a pioneering acquisition—a “win-win” takeover that has been called one of the greatest turnarounds in history. Ultimately, a successful turnaround benefits the company’s employees, customers and community: “The concept of a capitalist society is that you allocate resources where they generate returns for the benefit of society,” says Resnikoff. “There should be value at the end.”

A drive to be the agents of productive change propels second-year MBAs to enroll during their final semester in what is rumored to be the toughest course at Columbia Business School. The six MBA teams brought to their consulting projects not just the tools and knowledge they have developed as MBA students, but the dedication one would expect from a consulting project done by McKinsey or Bain. One team devoted more time to its client than to any other business school project. Resnikoff herself had not anticipated the degree of students’ sheer goodwill, which she calls “the single most remarkable feature about this initiative.” There was an uncanny rapport between clients and student teams that belied the random method by which they had been matched. Yet, says Resnikoff, “after learning the full range of issues the teams faced—from clients’ not making meetings to running out of cash—I know these teams and clients meshed due to the students’ demonstration time and again of perception, diplomatic skills and pragmatism.”

“The most rewarding part of the project has been applying our human and intellectual capital to help a real company and real people fix something they truly believe in,” Aboud explains. Tristan adds, “To go into a business and feel the pressure and the need for help, and to see how you could be helpful in that environment—you suddenly feel that this is more important than anything else. I came to Columbia to push myself and experience all these new opportunities. It has been more rewarding than I ever thought it would be.”
When Andy Acocella agreed to have a team of Columbia MBAs spend two months as turnaround consultants for Acocella & Company, Inc., a full-service relocation-management firm, he was “skeptical.” But he thought, “Maybe they can throw a couple of thoughts at us.” He says now, “Little did we know that they would run the meetings.”

Two decades ago, as the first real estate company to specialize in housing Wall Street employees in downtown apartments, “the business took off like lightning.” Andy joined Acocella, cofounded by his brother, four years ago from the household goods-moving industry. By fall 1999, the business had core services in short-term housing, traditional real estate and moving household goods. The firm managed 600 apartments, primarily in Battery Park City, and expected 300 new investment banking trainees to begin short-term leases on September 15, 2001.

“Needless to say, along came September 11, and Battery Park City was done,” says Andy. At first, Andy thought only of those with the greatest need. At 40 to 60 percent of cost, Acocella leased apartments to the American Red Cross, FEMA and construction companies clearing debris. At a loss, the firm also helped some tenants relocate.

“We were the only housing company downtown that did not give up a single downtown lease,” explains Andy. “I probably started making too many decisions by emotion rather than being pragmatic.”

Seedco offered Acocella not just loans and grants but also consulting services. Leigh Graham, senior program associate, says, “I thought the MBA team could pinpoint the operational challenges that were paralyzing his growth potential.”

By early April, as a direct result of working with the Columbia team, Andy had reoriented his focus to growing the business and relying on department heads for oversight, promoted the director of corporate housing to general manager, laid a foundation for attracting investors, launched vertical marketing tactics, fine-tuned the accounting department and launched a Web site—and had attracted new clients.

By the end of the project, the MBAs had almost become part of the firm, says Andy. “Now they’re referring to the company as ‘we.’”
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Kismet may always play a role in affairs of the heart, but fortuitous events can make romance seem deliberately designed by fate. By coincidence, this Memorial Day weekend three couples from the class of 2002 got married. In another fluke, two of the grooms, Jonathan and Dan, were best friends in junior high school; they lost touch during college and became reacquainted during first-year orientation at Columbia.

That all of the brides and grooms met and started dating as students simply underscores that MBAs’ social lives are often as full as their academic experiences. Despite the demands of classes, club activities, professional networking and job seeking, students say that dating is “rampant.” Marriages between MBAs are not uncommon—virtually every issue of HERMES features Class Notes entries about recent alumni mergers. But perhaps no other weekend in recent memory has seen the stars align quite so perfectly.
**Sara & Joshua**

Sara Gaviser did not expect to meet her spouse at Columbia Business School, even though her brother Michael Gaviser ’96 had met his future wife in pre-orientation math camp. Sara recalls, “The night before [school began], my sister-in-law said, ‘Have fun tomorrow. Maybe you’ll meet your husband.’ I said, ‘Yeah, whatever.’” As it turned out, not only did she meet Joshua Leslie the following day, she met him at math camp. Although Sara and Josh didn’t yet know it, everything was in place for the Gaviser family legacy to be fulfilled.

The two didn’t share any classes, but Sara and Josh soon met up again at the New York Cares volunteer day in the Bronx. Their first date was at Morningside Heights’s Café Jonathan & Andrea

For a citywide scavenger hunt during their first-year orientation, student teams from the class of 2002 were charged with finding the famous owl ensconced in the robes of the Alma Mater statue. Teammates Jonathan Feldman and Andrea Lieberman found the hidden bird; more important, as it turns out, they found each other.

As Andrea and Jonathan anticipated their wedding on Memorial Day weekend, the fact that they met while searching for a hidden symbol seemed prescient: on that August afternoon, neither was looking for a date, let alone a spouse. “Career-focused” is how Andrea describes herself then. School was all consuming. Andrea and Jonathan began as good friends and trusted homework collaborators, laying the foundation for what their relationship eventually became.

“We were very good friends that entire first year,” says Jonathan. “We sat next to each other in every class.” They got to know each other during cluster events and study sessions. (“I knew how smart she was,” says Jonathan. “That’s why I sat next to her.”) As summer approached, says Andrea, “We worked through interview questions together and talked about our thought processes vis-à-vis internships.”

When both landed summer internships at Merrill Lynch (he in investment banking, she in equity research), the romance that finally developed, according to some classmates, was long overdue. The Bottom Line had speculated (prematurely) about a romantic relationship months earlier. And, Andrea remembers, “People kept saying to me that he was so good to me. And I said, ‘You’re right.’”

Jonathan’s proposal last May—at the Alma Mater statue—was a surprise to Andrea. They were married in New Jersey, honeymooned in Hawaii and will continue to live on the Upper West Side of Manhattan. Jonathan is now an associate in investment banking at Merrill Lynch, and Andrea is completing her second master’s degree at the School of International and Public Affairs.

No one knows the true significance of the Alma Mater owl; it was carved into the statue by the artist as a symbolic, if mysterious, gesture. Legend held, in the days before coeducation, that a Columbia College man who found the owl would also find a wife at Barnard. Today, the owl is said by the Columbia community to represent three cherished qualities in life and in love: wisdom, luck and success.
Pertutti in October. By the time they reached final exams in December, their relationship had grown.

Sara and Josh got engaged in New York right after Spring Fling during their last semester at the School. At their graduation dinner, Sara’s mother felt obliged to make a toast to Columbia Business School for its matchmaking success. Josh joined the sales team at CommVault Systems, a software company in New Jersey, and Sara joined US Trust as a retail analyst.

Between cooking, crossword puzzles and exploring the city as only nonnatives can (Josh is from San Francisco, and Sara is from Minneapolis), the couple planned a Memorial Day weekend wedding. They were married at a synagogue in Minneapolis. “A pretty traditional kind of wedding,” says Sara, “and pretty big”—to accommodate the bride and groom’s large families. It is no surprise that many alumni were in attendance.

After the wedding, the couple took a break from their regular New York pleasures to visit Italy, stopping in Rome, Capri and the Amalfi Coast.

Dan & May

Dan Lifton, an entrepreneur, wasn’t looking for a wife when he began the MBA Program, but he was seeking funding for an Internet start-up. He logged into a chat room for entering students to do some preliminary networking, and when his new classmate May Yamada mentioned her prior career in venture capital, he asked for her phone number. She couldn’t line up the funds, but no matter; as it turned out, he already sensed that his interest went beyond business.

Once on campus, Dan and May developed a friendship during long study sessions as well as turns on the dance floor. Both children of first-generation immigrants to the United States—his parents are from Moscow, and hers are from Tokyo—Dan and May found their values aligned in the areas of family, education and work.

Initially, however, May was oblivious to Dan’s romantic interest. “Dan used to sit next to me and my friend in the library, and I always thought he liked her, not me.” But when the two attended the Fall Ball together, ostensibly as friends, she noticed Dan’s unwillingness to swap salsa partners—not to mention his eagerness to try out every dance step (“without fear,” she jokes).

It was while traveling on School trips to Japan and California that they discovered just how much they wanted to be together, and their romance fully blossomed. Back on campus, Dan and May attempted to keep their relationship a secret, even from close friends. They often left events separately and met up outside, sneaking away together like a couple of teenagers. They managed to keep their romance clandestine until a winter-break ski trip to Telluride.

Dan proposed in October at a historic seaside mansion in Newport, R.I., where they were married on May 25. Their wedding day celebrated their different cultural backgrounds and their shared love of dance. “It’s a Russian-Jewish ceremony, so we’ll dance the hora,” May says. “Then there will be formal dancing—the Japanese like formal dancing—and then faster Latin numbers for the kids.”

In June, the couple plans to travel to Japan to visit May’s family and pose for formal pictures in tsunokakushi, traditional matrimonial dress. They will continue to live in New York City, where May works in the pharmaceutical industry and Dan has returned to his start-up roots running RubberWorks International LLC (a recycling-based manufacturing company that produces microground rubber powder from scrap tires), which received financing from the School’s Lang Fund. “In my two years at Columbia, I became a Mister, earned an MBA and got a check to start my business,” he says and adds with a laugh, “Not bad!”
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Tariq Aziz and the Sixth Factor of Production
by John O. Whitney

The London Times, in an April 12 article, reported that atop Tariq Aziz’s desk in his palatial Baghdad home was a copy of Power Plays: Shakespeare’s Lessons in Leadership and Management, which I wrote with Tina Packer. Power Plays chronicles almost every mistake in governance that a leader can make. Why would Tariq Aziz be interested in a book on governance?

Other artifacts indicate Aziz was an eclectic reader in economics, political science and the social sciences. Even though he was complicitous in Saddam’s cruel regime, he might have seen the handwriting on the wall: repressive, totalitarian regimes ultimately fall. Perhaps Aziz was anticipating the fall or, even more intriguing, planning its overthrow.

Iraq was ready for revolution, whether engineered from within or without. No wonder! Even if non-Baathist Iraqis escaped prison, torture or execution, their existence was generally miserable. Prewar unemployment has been estimated at 40 to 50 percent. Iraqi GDP per capita was $1,078; much was from oil and did not trickle down to the average Joe. Comparable numbers for Turkey are 10.8 percent and $2,782, and, for Jordan, approximately 14 percent and $1,786.

Yet, in the three traditional factors of production—land, labor and capital—Iraq is as rich or richer than most of its neighbors. The fabled land between the Tigris and Euphrates is not all desert. Under the surface is the second-largest oil reserve in the region. Iraq has a well-educated labor resource. Properly exploited and managed, its oil reserves would make Iraq the envy of every country in the Middle East. What’s missing?

Jean-Baptiste Say, the 18th-century French economist, suggested that entrepreneurship could be the fourth factor of production. Nathan Rosenberg of Stanford University suggested in How the West Grew Rich (Basic Books, 1987) that innovation is an important factor of production. Implicit in both Say’s and Rosenberg’s works is the concept of governance. In my view, governance is so important that it deserves its own number: let’s call it the sixth factor of production. I believe that governance is the best descriptor of the differences in economic, social and political health among nations.

Around the world, people have asked me to discuss our country’s success factors. I point to the Founding Fathers, whose constitution spoke forcefully to economic and social as well as political issues. Their insistence on individual freedom—protected by the rule of law, property rights, respect for contracts, the separation of powers, rules of succession and rules of just conduct (the Bill of Rights)—contributed mightily to our prosperity.

Tariq Aziz, in your present detention, perhaps you should embrace Ralph Waldo Emerson’s maxim on learning from great works: “In every work of genius, we recognize our own rejected thoughts. They come back to us with a certain alienated majesty.” If you had acted on the governance insights found in your library, you might have been one of the Middle East’s heroes rather than one of its principal villains.

John O. Whitney, professor of management and a two-time recipient of the Singhvi Prize for Scholarship in the Classroom, received the Dean’s Award for Innovation in the Curriculum this May. Having taught at the School for 17 years and created several courses that endure as some of the School’s most highly sought electives — Turnaround Management (see page 14), Shakespeare’s Lessons in Leadership and Managing in a Market Economy — Whitney will retire in August.