Connections That Last a Lifetime

I am excited to welcome many of you back to campus this month for Reunion Weekend. Our strong and vibrant community is one of the hallmarks of the Columbia Business School experience. This issue of Columbia Business celebrates our community and demonstrates just how enriching and valuable it can be.

For example, in “The Beginning of a Beautiful Friendship,” Michael Coleman ’05 and Tom Heller ’05 describe how they met on their first day of orientation and forged not only a successful business relationship but a lasting friendship. Coleman had a great story for a screenplay; Heller was already a screenwriter’s agent and producer with industry connections. Together, they would embark on a decade-long collaboration to produce the award-winning film Foxcatcher—and a close, inspirational friendship that continues to this day.

Coleman and Heller’s story—and so many others like it—captures the involvement and interconnectedness of our worldwide community. It also highlights the transcendence of the Columbia bond, which stretches well beyond the classroom and shapes our personal and professional worlds.

Glenn Hubbard
Dean and Russell L. Carson Professor of Finance and Economics

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Gift Establishes the Tamer Center for Social Enterprise

A transformative endowment gift from Sandra and Tony Tamer enabled Columbia Business School to establish the Tamer Center for Social Enterprise on January 28. The center will expand the School's existing Social Enterprise Program and help develop a cross-disciplinary epicenter of social enterprise and social entrepreneurship activities at Columbia.

The new center will create the Tamer Fund for Social Ventures, which will provide seed grants of up to $25,000 to selected nonprofit, for-profit, or hybrid early-stage social ventures that demonstrate notable innovation and impact. The center will also offer additional financial support to social entrepreneurs who are participating in the Columbia Startup Lab and who receive backing from the Tamer Fund. Additionally, the center will develop a Social Entrepreneurs Network, leveraging the existing Social Enterprise Leadership Forum while forging new partnerships with similarly focused and established advisory networks.

“The Tamer Center will play a significant role in furthering social enterprise and social entrepreneurship activities not just across Columbia University, but in New York, the United States, and the world,” said Dean Glenn Hubbard.

Learn more: gsb.columbia.edu/socialenterprise

Azita Raji ’91 Nominated to Serve as Ambassador to Sweden

In October, President Barack Obama nominated Azita Raji ’91 to serve as ambassador to Sweden. If confirmed, Raji will be the first female US ambassador to Sweden and the first Iranian-American to serve as a US ambassador.

A former investment banker and a member of the Institute for Chartered Financial Analysts for nearly 25 years, Raji is a member of the President’s Commission on White House Fellowships and was the national finance vice chair for Obama for America in 2012. Raji is also a director of the National Partnership for Women and Families, a member of the Bretton Woods committee, and an advisory board member of the economic advisory council at the Center for American Progress. She served as an advisory board member of the School’s Social Enterprise Program since 2011. Raji will suspend her board activities once she assumes the role of ambassador.

Speaking of Raji and other newly nominated peers, President Obama said: “These fine public servants bring a depth of experience and tremendous dedication to their important roles. I look forward to working with them in the months and years to come.”

More than 500 alumni gathered in Singapore October 9–12 for a two-day reunion and symposium focused on investment, innovation, and impact in Asia.

See more photos of the event: bit.ly/panasiaphotos
Visiting a physician friend with stacks of medical journals and no time to read them inspired Sachin Nanavati ’10 to create Docphin, a mobile platform that streamlines access to breaking medical research.

A Facebook Feed for Medical Research
My co-founders and I set out to solve a universal problem for doctors: information overload. There is about 10 times more medical research disseminated today than there was 10 years ago. Doctors in clinical settings are very pressed for time, and they often have to log in to several different publications and sites to search for relevant journal articles.

The “phin” in “Docphin” stands for Personalized Health Information Network, which is sort of like a Facebook feed for doctors. Our app gives doctors access to more than 5,000 journals and recommends research that is relevant to their interests and trending among their peers. Instead of having to log in to each journal, we affiliate everyone’s account with their institutional subscription so they can access articles with one tap.

Better Clinical Care
It can take more than a decade for established research to become standard of care; our vision is to close that gap so that doctors can practice evidence-based medicine that is grounded in the most up-to-date research. Institutions can also use Docphin to circulate clinical guidelines, hospital-specific protocols, and other references that help employees be more efficient.

Live Case Study
I developed the business plan for Docphin in my Launching New Ventures class at Columbia. It wasn’t required that we ultimately launch a business, but it’s great that we did!

The Best Validation
Apple named us the Best New iOS App for Medical Professionals in 2014. But the best part [of creating Docphin] are the messages we receive every day from doctors who tell us we’ve created a practical tool that is helping them take better care of their patients.

What’s Next
As our user base grows—we’re being used by more than 500 institutions in over 20 countries—this year is about stepping on the gas and getting Docphin into the hands of as many physicians as possible. We’re also exploring opportunities with pharmaceutical and biotech brands that may want to leverage the platform as a digital channel to reach and engage with doctors.

—as told to Simone Silverbush
Her Big Apple Impact
With more than 100,000 employees and 1.1 million students in 1,700 schools, the New York City Department of Education is the largest school system in the country. Not surprisingly, the DOE invests tens of millions of dollars a year in technology. Supporting schools’ use of these digital tools is a necessary but daunting challenge—one that makes Samantha Brenner ’08 tick.

As executive director of strategic initiatives and partnerships for the Division of Instructional and Information Technology, Brenner leads a team that helps ensure the department’s investments in technology enhance—and don’t distract from—schools’ programming and operations. “We serve as a bridge and translator between the tech and program sides of projects,” she says of her team, which was created in February 2014. For example, when the DOE first began to support Google Apps for Education in schools last fall, while many schools had already been using the cloud-based education apps, Brenner’s team coordinated a cross-functional effort that “made it easier and for the first time made central support available,” she explains.

Brenner recently established the Technology Investment Steering Committee, which regularly convenes senior leaders from every division of the DOE to review large-scale technology projects. A future goal for her team is to roll out a map that will show which technologies each NYC school uses to facilitate collaboration across schools, help families select schools for their children, and inspire philanthropic investments.

Her New York Story
Herself a product of the New York City public school system, Brenner first got her feet wet with an internship at a nonprofit charter school management organization, made possible by a Social Enterprise Summer Fellowship from Columbia Business School. Her experience that summer solidified her commitment to improving support for technology in schools. “It’s a place where a lot can get lost,” she says of IT. “I [help] connect the dots.”

The Benefit of the Big Apple
“I grew up here. My love for New York runs deep and wide,” Brenner says with a laugh. But the major advantage to working in the Big Apple? “I’m plugged into an incredible network of super-smart people,” she says. “Just saying that I work for the New York City Department of Education gets my phone call or e-mail returned. We’re the biggest kid on the playground, and everyone’s interested in connecting with us.”

—Agatha Gilmore
Alumni Startup Sways “Shark” Investor

On January 30, Jennifer Wright-Laracy ’09 and Ned Kensing, co-founders of GreenBox, pitched their company to investors on ABC’s Shark Tank—and walked away with a $300,000 investment (for a 10 percent stake) from venture capitalist Kevin O’Leary.

Made from 100 percent recycled cardboard, the startup’s pizza box breaks down into four plates and a storage container for leftovers. Wright developed the business plan for the company when she was a student at Columbia Business School, where she participated in pitch events and business competitions organized by the School’s Eugene Lang Entrepreneurship Center.

Thousands of pizzerias across the country already use the boxes, and the company is forming partnerships with other countries to make them available globally. “Our goal is to make the world a greener place, one pizza box at a time,” Wright told PR Newswire.

Your Networking Dos and Don’ts

We asked our LinkedIn followers to share networking tips—just in time for Reunion 2015. Here’s a selection of their responses.

Elisha Tropper ’95: Networking Do: Be honest, professional, and gracious, whether you are the pursuer, the pursued, or merely a conduit.

Ojas Kulkarni: Networking Dos: Go with an open mind, and always give as much as you take! This is what makes networking worth all its effort.

Timmy Wahba ’10: Agree with Elisha! Networking Don’t: Don’t ask someone what they do within the first 15 seconds of meeting them.

Steve Huang: The Golden Rule—treat others how you would like to be treated.

IN BRIEF

gsb.columbia.edu/magazine
Jon Sebastiani ’12 Shares Startup Experience

It’s what you might call a sweet deal: in an agreement estimated to be worth $200–300 million, chocolate giant Hershey has acquired Krave, a company founded by Jon Sebastiani ’12 that makes all-natural, uniquely flavored meat jerky (think “Black Cherry Barbecue” pork, “Basil Citrus” turkey, and “Cabernet Rosemary” beef—an homage to Sebastiani’s family wine business). Sebastiani, who launched Krave in 2009 when he was training for a marathon and looking for a healthy, protein-filled snack to fuel his runs, will continue to run the company as an independent business unit of Hershey’s from its headquarters in Sonoma, CA.

This is Hershey’s first foray into the non-confection snack market—a move that Sebastiani is eager to pioneer for the sweets maker. After all, the meat-snack category is currently worth $2.5 billion and is growing about 25 percent annually, Krave and Hershey say.

Q. What does Hershey see in Krave?
Hershey recognizes that snacking is changing the way Americans consume foods—America is not eating sit-down meals during the day anymore. They are interested in Krave and our products because protein is becoming a far more essential ingredient in the grab-and-go snacks we eat every day. Together, we’re going to build a healthy snacking platform that we hope will extend beyond Krave and jerky.

Q. How does being acquired by Hershey help Krave achieve its goals?
By joining with Hershey we get access to a world-class supply-side framework: Our growth can be supported by procurement teams and by continual investment into our commercialized manufacturing process, and our innovation pipeline can be supported by teams of engineers. Secondly, we are a small brand—we have 75 employees. Servicing [a retail giant like] Walmart is very different from servicing a grocery channel like FreshDirect or Wegmans. To have such an army of talented, knowledgeable salespeople and merchandising people from Hershey will give the brand tremendous leverage. We will have broad coverage of all the channels—whether we’re in a grocery store in Bozeman, MT, or Miami, FL, our brand will always be merchandized properly with fresh products on the shelves. Those are things that 75 people can’t do.

Q. What’s next for Krave?
Krave is launching into a network of over 120,000 convenience stores this spring. We will have new flavors coming out this summer. And we are going to innovate beyond just the jerky that we have today. This fall we will be releasing a meat bar, where we will layer in fruits, vegetables, and grains. The basic thesis is that we will provide a bar with more protein, less sugar, and fewer carbohydrates than a Lara Bar, Luna Bar, or Clif Bar.

“Servicing [a retail giant like] Walmart is very different from servicing a grocery channel. To have such an army of talented, knowledgeable salespeople and merchandising people from Hershey will give the brand tremendous leverage.”

My goal is to continue to lead this category’s renaissance with Krave’s team of highly agile, passionate, entrepreneurial, driven people.
Lord Laidlaw Gives $2 Million for Scholarships

In honor of his 50th reunion and Columbia Business School’s upcoming centennial, Lord Irvine Laidlaw ’65 has donated $2 million to supplement need-based scholarships and provide increased opportunities for Columbia Business School students to travel and learn abroad.

The gift will establish both the Laidlaw Centennial Scholarship Challenge Fund, which will match up to ten $100,000 current-use scholarships, and the Laidlaw Scholarship Fund at Columbia Business School, which will distribute another $850,000 for current-use scholarships. The remaining $150,000 will be used to launch the Laidlaw Fund for International Study Tours and Global Immersion Programs at the Jerome A. Chazen Institute of International Business.

“Scholarships are a direct way to give more people access to the world-class education I had at Columbia,” says Lord Laidlaw, a Scottish baron and former member of the House of Lords. He adds that his gift is intended to inspire others affiliated with the School to give back as well. “I hope the match will be an accelerator, motivating more people to step up and do the same.”

Reaching for the Stars: Timothy Kopra ’13 to Embark on Space Flight

Talk about launching your career: In November, NASA astronaut Timothy Kopra ’13 will blast off from Earth in a Russian space rocket and hurtle 220 miles through the cosmos to the International Space Station, where he will live for six months.

As commander of the space station, Kopra’s mission is twofold. First, he will conduct experiments to test the effects of zero gravity on humans and explore fluid mechanics and combustion. Second, he will help repair and maintain the Space Station, which began construction in 1998—the same year Kopra joined NASA.

It might be an unexpected career path for a Columbia Business School graduate, but the astronaut says he learned valuable skills at Columbia that come in handy in space.

“Probably the most viable skill that we have in our job on the Space Station is really getting along with others,” says Kopra, who will be accompanied by two crewmembers on the voyage and join three more astronauts at the space station. “My experience at the EMBA Global program, specifically Columbia, helped with that. I had some tremendously powerful and influential instructors who taught me [a lot] when it came to leadership.”

This will be Kopra’s second visit to the International Space Station (his first was in 2009). In addition to his many tasks, he will no doubt save some time to admire the sheer beauty of Earth, which he called “overwhelming” during an interview with the London School of Business. “You could easily stare out of the window for hours at a time.”

Yet, Kopra’s upcoming voyage to space was almost a mission impossible. He was injured in a bicycle accident in 2011 and thought he might not have the opportunity to fly again. It was during that time, in fact, that he earned his MBA degree—as well as a community of new friends.

“When I started the program I had very tangible goals with respect to trying to learn new things and identify new [work] opportunities. But I think the greatest part of the experience was the number of friends I made,” he says. “I have strong feelings for both Columbia and the people who come from it.”

Kopra fully recovered from his injuries, and for months he has been traveling between the United States and Russia for the intensive physical training that space exploration requires—such as taking parabolic airplane flights and “spacewalking” at the bottom of a 6-million-gallon pool.

“I think the aspect of being an astronaut that made me excited as a six-year-old is probably the same thing that is exciting to me now,” Kopra says. “And that is: pushing oneself to learn new things and being able to experience things you really never anticipated.”

Kopra plans to wear a Columbia Business School t-shirt and bring a School-branded pennant with him on his mission, as well as share photos of himself with his Columbia gear in space, so he can “share my enthusiasm for the program and the institution with others.”
Q: How do you make a memorable first impression?

It takes less than 30 seconds for someone to form a first impression when they meet you. They will evaluate you on how you present yourself through your remarks, body language, and demeanor, and this judgment is nearly impossible to reverse. In many situations, such as a job interview, the first impression makes all the difference.

How can you influence that first meeting? Here are some tips.

BE EARLY
Plan to arrive at the client’s or employer’s front door at least 20 to 30 minutes early. Plan for traffic jams or taking a wrong turn. Don’t be late. Even a good excuse, such as a child’s illness, is not important to the interviewer and will show you in a negative light. If you arrive early, you demonstrate that you value his or her time and that you are taking your meeting very seriously.

PRESENT WITH A CALM DEEMANOR
Arrive early to meetings in order to have time to organize your thoughts and put yourself at ease. Nothing gives a poorer impression than someone who presents as hectic, nervous, or flustered. Many people think that demonstrating high adrenaline is good. It is, but too much can come across as stressed out and even disorganized. More importantly, these actions make the other person uncomfortable, maybe even on edge, which does not foster a good first impression.

There are wonderful breathing techniques that, with practice, allow you to “summon” a calm state in two or three minutes. By appearing calm, people will perceive you as more confident and in control, which is key to a good first impression.

BE AWARE OF YOUR BODY LANGUAGE
Body language tells someone a lot about your mood and confidence level. A good, straight posture conveys confidence and that you’re worthy of attention, while slouching conveys an impression of defeat. Stand tall and pull your shoulder blades back and toward one another. Leaning in to the other person suggests that you are interested and attentive. Don’t forget to make eye contact, smile, and greet your hosts with a firm handshake. By using your body language to project confidence and self-assurance, you convey that you are a person others will gravitate toward.

SAY SOMETHING UNIQUE
Put yourself in the place of the interviewer, client, or networker who interacts with hundreds of people each week. They may hear the same pitch and small talk every day. Many start to tune out when they feel they have “heard this before.” Try to say something they haven’t heard before that is relevant and can help them in some way.

Research a person’s or company’s background before every networking event, job interview, or client interaction. The more you understand your interviewer, the better the solution you can suggest. Saying something unique will convey that you are a seasoned leader, which will create a memorable and lasting first impression.

CLOSE WELL
How you leave your first interaction is very important. Take advantage of the in-person time but don’t speak too much. Before leaving, make sure the client or job interviewer knows how you could potentially be the solution to their problems. They should feel that you understand them. Briefly summarize the meeting and suggest clear next steps before leaving. Be courteous and mindful of people’s time. It is vital to follow through on any action items you committed to.

You have very little time to make a good first impression, and it’s impossible to reverse it. So it’s worth giving each new encounter a little extra thought and preparation. By consistently employing these techniques, you can make every first impression not just good, but great.

Julia McNamara ’96 is the founder and CEO of the Global Executive, a learning and development firm that teaches executives and entrepreneurs how to acquire more business through superior communication skills, self-awareness, and executive presence.

“Don’t forget to make eye contact, smile, and greet your hosts with a firm handshake. By using your body language to project confidence and self-assurance, you convey that you are a person others will gravitate toward.”

Julia McNamara ’96
Founder & CEO, Global Executive
“When President Kennedy made his speech saying we will put a man on the moon within a decade, I remember most of the adults in the room thought it was crazy. Eight years later, Neil Armstrong set foot on the moon. At that moment, a huge cheer went up from everyone at NASA’s mission control room. The average age of the people in that room? 26. That means they were 18 when they first heard JFK’s speech. Each one of them [made] a series of decisions [that] led to one of the most pivotal moments in scientific history. Today, we have the opportunity to do the same with sustainability. We can’t let it pass us by.”

Al Gore, in his closing keynote address at the 2014 Social Enterprise Conference.

Ed Reynolds ’16 is the first recipient of the Bernard Gray Fellowship. The fellowship, which will be awarded annually, provides for the education of an MBA student who has been engaged in a form of rigorous public service and has a proven record of leadership. Reynolds served in the US Army from 2006–09 and was stationed in Iraq from 2007–08, where he was primarily responsible for clearing roadside bombs.

Bernard Gray ’74, a veteran of the Vietnam War, wanted to recognize students who have served in the military. “I think the leadership ability of a student who has been through the military experience . . . is unique,” Gray said, adding that he believes business school students can learn a great deal from working with veterans in the classroom. The leadership experience gained during military service, particularly in a war zone, can give veterans an edge in business, said Gray, who attended Columbia Business School after his military service. The Bernard Gray Fellowship Fund is intended to provide for the full tuition of its recipients.

Wei Jiang, the Arthur F. Burns Professor of Free and Competitive Enterprise in the Finance and Economics Division, has been appointed Director of the School’s Jerome A. Chazen Institute of International Business.

Jiang is a four-time recipient of teaching excellence awards who has served on the faculty advisory boards of the Chazen Institute, the Heilbrunn Center for Graham and Dodd Investing, and the Richard Paul Richman Center for Business, Law, and Public Policy. The finance area editor of Management Science and associate editor of the Journal of Finance and the Review of Financial Studies, she studies institutional investors in her research.

Founded in 1991 by Jerome A. Chazen ’50, the Chazen Institute draws on the expertise of world-class faculty members and business leaders to help shape the thinking and discourse on major global business issues.

Stef Wertheimer, founder of ISCAR, is the recipient of the 2014 Deming Cup for Operational Excellence, an award administered by the School’s Deming Center that honors business leaders who have made outstanding contributions in the area of operations and have fostered a culture of continuous improvement within their organizations.

ISCAR, founded by Wertheimer in 1952, is a leading global manufacturer of precision carbide cutting tools. The company also fosters entrepreneurship in Israel through its seven industrial parks, which offer incubators for startups, cultural facilities, and schools. Recognizing the company’s impact and value, Warren Buffett ’51 purchased ISCAR in 2013 after taking an initial 80 percent stake in 2006.
When Robert F. Smith ‘94, founder, chairman, and CEO of Vista Equity Partners, is on the phone, which seems like almost every free minute of the day, he is constantly moving, pacing, and searching out the unexplored corners of the room like a bloodhound following a trail. Rather than the restlessness of a distractible person, this is a relentless search for newness, value, and meaning. By and large, Smith has found value in the people and places that are most often ignored.

The son of two teachers (both of whom held PhDs), Smith had the background to become an academic, and to this day his interests run wide and deep, and conversations with him often take a turn toward the philosophical.

When Smith started at Columbia Business School, after earning several patents as a chemical engineer, he never intended to go into finance (he had originally enrolled in Columbia’s joint JD/MBA program, but he fell out of love with the legal profession after a summer spent “with the lawyers at Philip Morris”). He didn’t think he liked finance, but after more than 100 conversations and interviews with people in the industry, he decided that the only business he really enjoyed was mergers and acquisitions. “With the exception of warfare, [M&A] is how assets are transferred on this planet,” Smith says.

Shortly after graduation and some prompting by John Utendahl ‘82, now the vice chairman at Deutsche Bank Americas, Smith was working for Goldman Sachs. He chose Goldman, he says, for its teamwork-oriented, learning-based culture. Smith became Goldman’s first M&A banker in the newly emergent tech epicenter, Silicon Valley, and he oversaw mergers and acquisitions at tech giants like Apple, Microsoft, Texas Instruments, eBay, Hewlett Packard, and Yahoo! Inc.

“At that time, technology for us [Goldman Sachs] was the defense companies—Northrop Grumman and General Dynamics and Lockheed Martin—a little company we took public called Microsoft, and another little company called IBM, right?” Smith explains. “We had a few folks out on the left coast who were competing, but mainly in the corporate finance business, the IPO business. We didn’t have anyone on the ground focused on technology as an M&A banker in San Francisco.”

For many, being one of the first investment bankers to wade into the steaming morass of Silicon Valley in the 1990s would have been the high point of a career, but Smith was just getting started. The tech bubble burst in 2000 as companies with sky-high valuations but poor execution went bankrupt. But for Smith, tech was still golden.

While working for Goldman in San Francisco, Smith advised companies like Apple, “where we kicked out the board and invited Steve Jobs to rejoin the company.” Apple, of course, went on to become the most valuable company in the world.

Rather than being lured in by the siren call of dot-coms, Smith saw an opportunity in enterprise software companies, and in 2000 he launched Vista Equity Partners. Smith created Vista with the goal of unlocking the nascent value of enterprise software companies by using a “Six Sigma,” or “systematic,” approach. “These software companies were truly value plays, from my perspective,” Smith explains. But only “if you actually knew how to change the operations of those businesses.”

Smith credits his Columbia education, in part, with the success of Vista’s model of buying and then investing heavily in often-overlooked enterprise software companies. “You think about Warren Buffett and Henry Kravis, and to a great extent, Columbia seems to mint a whole bunch of people who understand value investing and go about it in a different way,” he says.

Vista now manages over $14 billion in equity capital commitments with a portfolio of more than 30 companies, which employ over 30,000 people. Since its foundation, Vista has overseen more than 160 completed transactions, representing over $35.6 billion in transaction value. The company has had zero losses in buyouts and has consistently performed in the upper echelons of private equity firms worldwide.

“IS THERE A FISH THERE OR NOT? IF YOU SEE HIM, HOW DO YOU GET HIM TO COME UP? OF COURSE, THE BEAUTIFUL PART IS, ONCE YOU CATCH HIM, YOU RELEASE HIM SO YOU CAN DO IT AGAIN.”

Robert F. Smith ‘94, founder and CEO of Vista Equity Partners, finds value in the people and places that are most often ignored.

WRITTEN BY BENJAMIN REEVES • PHOTOGRAPHY BY MATTHEW SEPTIMUS
**TRANSFORMATIONAL IMPACT**

Staying in tech wasn’t the only way that Smith followed his own path. Whereas the standard operating procedure for private equity firms is to purchase struggling companies and cut costs until they can return them to profitability—or load them up with cheap debt before shutting them down in the worst scenarios—Vista focuses on building highly profitable companies by investing in them. “We exclusively focus on enterprise software and are re-facing private equity from being transactional to being patient and transformational,” Smith says. “We also believe that we have built a model of private equity for scale and longevity based on our people, processes, and infrastructure.”

In practice, this means that Vista invests heavily in tried-and-true processes, and, most importantly, focuses on hiring top-notch, hungry talent. Smith looks at new portfolio companies and new talent in the same way: as value investments, a familiar concept for any graduate of Columbia Business School. Potential employees who may not have had access to the same opportunities as more conventional hires are good investments—they work hard, are exceedingly loyal, and are driven to perform above and beyond expectations. Likewise, Smith looks for enterprise software companies that have good fundamentals but are perhaps weak in their execution.

When Vista acquires a company, it immediately begins implementing a series of Vista Standard Operating Procedures—“VSOPs” in the firm’s lingo. “We have applied VSOPs again and again successfully in software companies, no matter what sector they are in—from energy to healthcare,” Smith says. “We capture what we have learned and transfer skills and knowledge to our companies and, through a systemic approach, leverage our investment team, Vista Consulting Group, and our portfolio managers.”

Vista also imbues each company with a meritocratic approach to human resources, which may be Smith’s greatest achievement. “I understood at an early age the importance of excelling and merit-based rewards,” Smith says. “I often remind my children of the three words that resonated with me in my early years, in college, at Goldman Sachs, and when I made the decision to go out on my own: you are enough.” Smith says this deceptively simple phrase has guided him “and countless others to reach our own, and in fact our collective, potential.”

In practice, Smith’s philosophy is an unusual amalgamation of laissez-faire survival of the fittest and a progressive desire to open up opportunities for the disadvantaged in the world. In essence it means that anyone, if their talents are correctly identified and they are given the right opportunities, can achieve what they want in life.

Vista Equity Partners forces its companies to incorporate this philosophy into their corporate practices. The company uses a finely tuned aptitude test—the origins of which date back decades to a questionnaire originally developed by IBM—to “assess technical and social skills and problem-solving abilities and determine fit within specific job functions at a software company,” Smith explains.

Vista only hires people who score well on the test but also takes into account their emotional intelligence quotient and leadership abilities. The aptitude test allows Vista to identify potential employees who have the capacity to be highly successful. This means that a stunning résumé or a degree from an Ivy League institution is less valuable in the hiring process than a high score on the test.

In one instance, Vista hired an ex-archaeologist based on her test score, and she went on to manage 50 people after only 18 months on the job. “We have taken a former roofer and converted him into one of our best software salesmen. We took a Domino’s Pizza manager, gave her a boot camp training experience, and now she leads the training for the whole company,” Smith says. In another case, a shelf stocker at Walmart blew the top off the test and was offered a job in Vista’s systems group. Vista gave him a salary 28 percent higher than what he originally asked for.

“He went back to Florida where he lived, packed up his wife and his cat and drove,” Smith recalled. “Showed up on Monday. He lives across the street now from the headquarters organization. I’ll guarantee you 10 years from now he’ll still be working for us.”

In another instance, a mailroom employee at MicroEdge—a Vista portfolio company—took the test, scored highly, and was moved into a quality assurance role. Four years later, he is now reporting directly to the company’s chief technology officer. “He’s the second most senior person in our software development organization. Probably is going to be a rock star as a CTO in a Vista company some day,” Kristin Nimsger, CEO of MicroEdge, said during a recent Columbia Business School panel.

“We look for people with the drive to succeed, and then we promote them,” Smith says. The meritocratic nature of Vista’s hiring process is what makes the company successful and its platform scalable, according to Smith. “I want the smartest people on the planet. If you look at our Vista companies, they come in all shapes and forms. They come from different schools. The fact of the matter is, they didn’t get into Ivy League schools. Not all of them have that opportunity,” Smith explained during a recent panel at Columbia Business School.

If you train people “and you give them that opportunity to really transform their lives, they’re appreciative,” says Smith. “And it actually helps stabilize the communities in which they live, which is where your companies exist, and it cultivates that whole meritocracy element. Part of what we should do, if we are successful people, is provide...
“I often remind my children of the three words that resonated with me in my early years, in college, at Goldman Sachs, and when I made the decision to go out on my own: you are enough.”

opportunities for other people and our economy. This just comes from living in a community. And a community can be your family, your neighborhood, the city, the state, the country you live in. You do have an obligation, in my mind, to provide an opportunity for people to use whatever skills and talent that they have or even desire.”

Smith cultivates this meritocratic, team-based corporate culture at Vista and its portfolio companies, and as part of that he encourages all of his employees, managers, and business units to practice what he calls the “life-boat test.” This is as simple and efficient a test as the process of natural selection, and it is designed to help people identify strengths and weaknesses in their teams.

“How’s this works: our ship goes down. We’re all in a life boat, and we’ve got 11 people on it.” When Smith explains the lifeboat test, he pauses dramatically at this point. “Who’s the first one you throw overboard? Who’s the second? Who’s the third?” The lifeboat is meant to be analogous to the fact that for a company to survive and thrive, everyone must be trying to exceed the expectations of their peers.

DEEP, BROAD FOCUS
Smith has said that although leading Vista is his dream job, in another universe he could have been in public service. “I enjoy what I call the process of collaborative solutions and coming up with elegant solutions to complex problems,” he says.

In 2010, Smith founded Project Realize, which enables Vista to strengthen and “adopt” companies that are committed to serving their communities. Vista supplies an “executive on loan” to help implement some of its VSOPs within each adopted company. “Business should create real, sustainable value,” Smith says. “I believe that business is uniquely able to find solutions that deliver social good and profits at the same time—that is our mandate.”

In his own career, as one of the few African Americans at the top of the rarified world of private equity, he feels that at times he had to work harder to gain people’s respect. The challenges Smith has faced over the years may influence why he seems to be constantly wrestling with enormous philanthropic and civic urges. Smith sits on the board of Carnegie Hall, is the chairman of the Robert F. Kennedy Center for Justice and Human Rights, and is a trustee of the Boys and Girls Clubs of San Francisco. He is a member of the Leadership Circle for the Martin Luther King Jr. Memorial in Washington, DC.

Smith says that while it would be “wonderful” to believe that government and philanthropy will help “level the playing field in terms of educational opportunity,” a “person who is born in North Carolina, who doesn’t have access to a great school in a rural county . . . should have access to great opportunities if they are smart and they really want to work hard.” And nobody works harder than Smith.

But when he does take a break, Smith likes to fly fish. “Fly fishing gives you a chance to actually get out and commune with nature,” he says. “One of the things that people don’t do enough of is think—actually just think. We’re all so busy. Even now, you and I are on the phone, but of course, I’ve got e-mails coming in and Blackberries buzzing and iPhones ringing, and so we end up in this reactionary-type environment every day.”

Fly fishing helps Smith become “more mindful, more thoughtful,” he says. “It makes you slow down and actually focus. You have to focus on everything that you’re doing, seconds at a time.”

When he talks about fishing, you can almost hear Smith’s thoughts matching pace with the river. He references Norman Maclean, the author of A River Runs Through It, when trying to explain why he flies fishes. “I think it’s those times when clarity comes, when you have a chance to kind of calm your mind and calm your spirit so you can actually think deeply about the problems you’re facing and how to solve them.”

Smith encourages his executives at Vista to think in this way and recommends that they each take half a day every week “to stay home and just think,” although he warns that this does not mean staying home to do “your honey-do list or anything of that sort.” This kind of deliberate thinking helps create sustainable solutions to business problems, he says.

Yet Smith fishes for another reason as well—simply to become a part of nature. “You’re standing in the water, and you have the water flowing around you. If you think about it, all life on this planet comes from water, and now you’re kind of connected to that water. You’re standing in it. Your feet are on the ground. You feel it rushing around your legs, and over time, you just become fully connected and grounded and centered in that whole experience.

“I find that to be quite euphoric,” Smith adds. “It takes you to a place and transports your mind and transports your body in such a way that things become a little better focused.”
Today's CFOs do radically different jobs today than they did just years ago.

TRACEY TRAVIS '86
CFO OF ESTÉE LAUDER
THE NEW CFO

BY BENJAMIN REEVES
ILLUSTRATION BY PETER ARKLE

CFOs DO RADICALLY DIFFERENT JOBS TODAY THAN THEY DID JUST 10 YEARS AGO.
Even just 10 years ago, the commonly held image of the CFO’s role was that of a glorified accountant charged with bookkeeping. CFOs were primarily focused on accounting, compliance, and general control of financial resources. The Wall Street Journal encapsulated the old view of CFOs as recently as February 2012: “The current view... sees finance officers as little more than number crunchers. They settle the books and look after regulatory compliance, without taking any bigger role in steering company strategy.” The article went on to call for companies to transition their CFOs into more strategic roles.

Even at that time, the role of the CFO was evolving, although old perceptions of the position still lingered.

The lean years of the recession had firms seeking new methods to boost value and control risk. CEOs and boards turned to their CFOs and embraced their nascent ability to construct meaning out of seemingly meaningless noise and disparate data generated by business units outside of finance. The Great Recession made it clear that companies needed to improve not only the way they gathered information, but also how they analyzed data and converted it into something actionable.

“As the 2008 financial crisis hit, many teams and CFOs were actively engaged in their businesses and looking for ways to protect against risk, enhance liquidity, and really position the business for growth going forward,” says Tracey Travis ’86, who was CFO of Ralph Lauren during those turbulent times and is now CFO of Estée Lauder.

Just as C-suites began turning to CFOs for help with strategy and risk management, Big Data was becoming a disruptive phenomenon. Starting in the late 2000s, CFOs found they had access to vast amounts of previously uncapturable or unsynthesizable data produced by the explosion of complex business software, social networks, mobile marketing, and e-commerce, and they quickly put it to good use.

Research from Gartner indicates that the amount of information in the world is increasing 59 percent annually, a trend largely driven by Big Data, according to a research brief from Oracle. This data can provide enormous value if it’s analyzed correctly. But that kind of analysis requires a skill set that few possess.

Moreover, the McKinsey Global Institute found that “the United States alone faces a shortage of 140,000 to 190,000 people with deep analytical skills as well as 1.5 million managers and analysts to analyze Big Data and make decisions based on their findings.”

The most urgent need is for data scientists, “PhD–level experts who operate at the frontier of analytics, where data sets are so large and the data so messy that less–skilled analysts using traditional tools cannot make sense of them,” explains a 2013 report from the Accenture Institute for High
Howard Hochhauser ’04 has worked in multiple industries. He started out as an equity analyst at First Boston and then moved to Bear Sterns, before joining Martha Stewart for a decade, eventually becoming CFO of the crafts and home goods empire. Now as the CFO and COO for Ancestry.com, the digital genealogy powerhouse, he is living proof of how the role of CFO has evolved over the years.

“I joined the company as CFO and from the beginning really was a partner with the CEO. We ultimately modified my title to reflect my role as CFO and COO,” Hochhauser says. “It’s not just a finance job. It is a value-creation job, which includes strategy.”

Eight to 10 years ago, Hochhauser says, “it was about managing Wall Street—managing expectations.” The performance of the firm’s stock and audits were the highest priorities for CFOs. Now, though, the focus for CFOs is actually on creating shareholder value, rather than just monitoring it. “That’s not easy. It’s not about cost cutting. You have to grow the top line, and to do that it’s a partnership with the CEO.”

Building value often means figuring out how to expand internationally and launch new products, activities that require that the entire management team work collaboratively. As other business units devise new projects, it falls to the CFO to figure out if the capital investment is worth it in the long run. Adjusting for risk and wait times for return on investment is “a mix of art and science,” Hochhauser says. “That’s not something that just comes from an Excel spreadsheet. It’s a combination of using data and experience to make key judgment calls.”

The evolution of the CFO role has been “fantastic” says Hochhauser. “Of course I’m biased, but I do think it has helped create more value for the company having the CEO and CFO debate key decisions and be aligned as a team.”
more than number crunchers. For instance, Travis oversees IT at Estée Lauder. This is becoming more the rule than the exception for CFOs. Many companies, including Estée Lauder, have made substantial investments in enterprise resource planning software, which helps measure and organize information across business units, and CFOs like Travis are now being called upon to draw insights from the data that software generates. This means they are also best positioned to implement IT systems in strategic, uniform ways. “A common reporting structure is for CIOs [to report to] the CFO,” Travis says. “Information, insight, and data are critically important for business advisors who provide insight to the CEO and general managers.” The challenge, though, is that the sheer volume of data can be quite overwhelming. On top of that, there is an expectation that finance teams now deliver evolving reports rather than static snapshots of the company’s financial health. “It is a real transition for the finance team . . . to shift to having more flexible data, being able to mine that data, analyze the data, and quickly come up with insights and actually use the data to do predictive analytics,” Travis says.

Travis was grappling with how to maximize her team’s impact even when she was at Ralph Lauren. “The good thing about the CFO becoming a larger player in terms of influence within the organization and with the executive team is it allows other members of the finance organization to step up as well. So the controller or the SVP of finance, however you’re structured, gets the opportunity to play a broader role,” Travis told Ernst and Young.

Enterprise resource planning software, which can help CFOs cross-reference inventory against orders, future commitments, production capacity, and marketing spends,
isn’t the only new font of information for CFOs to filter. Social networks, in combination with mobile innovations, have especially altered how companies measure consumer demand and market their products. In the context of Estée Lauder, the finance team now must constantly monitor which beauty products are trending, where, and why.

“We need to assess along with our marketing teams what [this data] means for our portfolio of brands from an advertising standpoint, from a messaging standpoint, from a product attribute standpoint. It informs how we think about our innovation pipeline. It informs many of the strategies that we’re focused on from a concept-to-market perspective,” Travis explains.

Whereas consumer products companies in the past would launch a product and then have to wait to see how it did, companies now find themselves flooded with almost instantaneous feedback from customers. Nimble data analysis and quick response times can make or break a marketing campaign for a new product.

Travis always keeps her eye out for new ways that people are using technology. “More and more, the consumer is starting her journey shopping online,” Travis says. “My 17-year-old learned how to put on makeup online. She knows what’s popular, what’s trending in terms of products. She doesn’t watch television. She doesn’t read magazines. She consumes all of her information online, as do her friends.” Consequently, when her daughter goes into a store, Travis says, “she’s looking for a specific product because it has attracted her online or someone has recommended it online.”

A CFO can’t focus on data in a vacuum, though. While the current trend is for organizations to increase data gathering and improve their analytical abilities, CFOs like Travis will face additional challenges. In the case of Estée Lauder, which operates in more than 150 countries, globalization offers opportunity but also adds complexity. The company is “susceptible to the various business cycles and various macro events” unique to each geographic region, according to Travis.

Unifying all of these threads and drawing actionable conclusions from them is a constant challenge. Moreover, the correct move in the United States could be counterproductive in Pakistan, for instance. Globalization requires that CFOs and their teams hone analytic approaches that are appropriate for each market without forgetting the broader needs and priorities of the organization. Global trends and business cycles must be taken into account when making company-wide decisions or developing high-level strategy.

Macroeconomic trends—everything from savings rates to increasing industrial output in a country or region—affect companies in highly complex ways. High rates of student debt and low wage growth in the United States, for instance, are depressing the rate at which so-called Millennials buy homes and cars. Consequently, the long-term debt load for young households can be extremely important for automakers deciding how many cars to produce, but it can also be very difficult to model.

“We have not gotten as sophisticated as I would like in terms of predictive modeling of different trends in macro data,” Travis says. “But we certainly do utilize the macro data in some of our forecasting processes and in our business planning processes as well.” Modeling macroeconomic trends and then integrating them with localized data is the new frontier for CFOs. The CFO of the future may be able to reconcile information about the potential effects of quantitative easing in Europe with the distribution of particular products in Portugal, for instance.

Emerging markets, with their tendency towards volatility, are particularly challenging to incorporate into broad analyses and strategic plans. “Emerging markets, whether it’s Brazil or China or other parts of the world [like Russia], represent a lot of volatility to manage,” Travis explains. “We have a fairly sophisticated process in order to collect, monitor, and manage those risks, as well as identify other emerging risks.”

CFOs, particularly those working overseas, must understand the local political climate and whether resources have been over- or under-deployed in relation to what authorities and policy makers are likely to support in the future.

Many of the biggest challenges CFOs face are related to globalization, says Michael Vollmer ’09, former CFO of IBM’s Greater China division. CFOs in foreign offices are now often called upon to act as trusted operatives on the ground and are frequently tapped for insight about the management of different business units. Because finance is often in a separate silo from other operations, CFOs are uniquely positioned to pass along unbiased opinions about the productivity and effectiveness of other business units.

“I went from doing traditional planning and thinking to really helping think through our strategy for addressing political issues. I spent very little time actually on”

WHEREAS CONSUMER PRODUCTS COMPANIES IN THE PAST WOULD LAUNCH A PRODUCT AND THEN HAVE TO WAIT TO SEE HOW IT DID, COMPANIES NOW FIND THEMSELVES FLOODED WITH ALMOST INSTANTANEOUS FEEDBACK FROM CUSTOMERS. NIMBLE DATA ANALYSIS AND QUICK RESPONSE TIMES CAN MAKE OR BREAK A MARKETING CAMPAIGN FOR A NEW PRODUCT.
As the debate over climate change rages on, researchers find what we don’t know should cost us more.

In a separate silo from other operations, CFOs are uniquely positioned to pass along unbiased opinions about the productivity and effectiveness of other business units.

“Everything can be boiled down to handling information,” Ellen Taus ’82, CFO of the Rockefeller Foundation, says. “It’s obviously the financial information about what has happened at the organization . . . and our plans about what’s going to happen in the future.”

The modern CFO at a major nonprofit like the Rockefeller Foundation has to be the person who ensures all of the information in an organization is “gathered, vetted, prepared, [and] put together in a way that’s consistent, transparent, and complete,” Taus says.

When she started out, Taus says her focus was on traditional financial reporting. Now, though, technological innovation has altered the job. In the past, the main challenge CFOs faced was figuring out where to get information and how to process it quickly enough to create useful reports.

“Now, I think, the challenge is utilizing all the information that is generated—which is vast—and simplifying it in such a way as to make it accurate and complete, so that it actually tells you something and can help you make decisions,” Taus says.

Without the organizational skills of the CFO, the data generated by a firm can be “so overwhelming or disparate that there’s no story to it,” Taus explains. “I used to work in publishing organizations and would say, ‘There are reporters who write a story, and there’s a scale about how to tell a story—the who, what, where, when. We tell stories too. They’re in numbers a lot of the time, but you have to tell the story. What’s the story? It has to be clear what it is you’re saying.’

“You have to tell the story.”

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The High Cost of Climate Uncertainty

As the debate over climate change rages on, researchers find what we don’t know should cost us more.
The High Cost of Climate Uncertainty

Stock markets suggest low carbon prices are too big a gamble on the risk of global disaster.

Less than a month into its first session, the 114th US Congress squared up for its first major confrontation with the Oval Office. The debate was over Keystone XL, a pipeline extension stretching from western Canada to the Gulf of Mexico, which has become a focal point for congressional Republicans despite public threats of a veto from the president. While the US State Department’s assessment that the environmental effects of the pipeline are likely to be minimal, the pipeline has also become a line in the sand for many climate advocates, and this early standoff sets the stage for the central role pundits are already predicting climate change will play in the upcoming 2016 election. Much of that debate is likely to center on emissions trading systems, like the cap-and-trade scheme presently rolling out in California, and direct carbon taxes. Recent proposals for carbon taxation in the United States, however, may be much lower than they ought to be.

This insight comes from new research by Kent Daniel that seeks to put a price on the potentially catastrophic consequences of climate change. For much of the past two decades, efforts to curb global emissions have primarily come through vague and largely unenforceable international agreements like the Kyoto Protocol, signed by the United States in 1998 but never ratified by the Senate. Domestic efforts in the United States have consistently fallen shy of comprehensive reform—the last bill seriously considered by Congress to rein in emissions, 2009’s American Clean Energy and Security Act, narrowly passed out of the House of Representatives before the Senate leadership declined to take up the issue. Instead, legislators have produced a patchwork of regulations targeting individual industries, like fuel efficiency mandates for automobiles.

Daniel argues, however, “delaying policy changes because of this uncertainty is like not buying automobile insurance because you don’t know if you’ll have an accident.” In the case of climate change, the question isn’t if, but when and how substantial the damage will be.

One of the chief challenges facing carbon pricing is lingering uncertainty about the potential scope and scale of climate change’s impact on society. While climate scientists have reached near universal consensus that climate change will have an impact on global well-being, considerable variation persists in the scale of damage predicted by various models. Estimates of the future cost of global climate change vary wildly, from as little as one-quarter of 1 percent to as much as 20 percent of global GDP. The most devastating effects of climate change remain decades, if not centuries, off, further heightening uncertainty. As a result, some policy analysts have argued that any decision about pricing carbon should be delayed. Daniel argues, however, “delaying policy changes because of this uncertainty is like not buying automobile insurance because you don’t know if you’ll have an accident.” In the case of climate change, the question isn’t if, but when and how substantial the damage will be.

Daniel and his team found policy makers should institute a much higher initial price, gradually reducing it over time as uncertainty about the effects of climate change decreases.
Worse, the moments in which individuals are most likely to need access to their investments—after being laid off during a recession, for example—are also the moments in which their investments are likely to be least valuable.

Given the uncertainty associated with stocks, corporate and government bond purchases, with their guaranteed rates of return, act as a type of insurance against a market crash. With bonds earning, in an average year, just a quarter of the returns of stocks, Daniel and his team hit upon a rough proxy for the average American’s tolerance for risk. Over the period, a diversified portfolio of stocks would have earned its owner an average annual real return of 6.4 percent, while an all-bond portfolio would have earned its owner an average annual real return of just 1.6 percent. Despite the historic outperformance of stocks, few investors would hold an all-stock portfolio for a simple reason: a historically higher average rate of return offers no guarantee of a better, or even a positive, return at any given point in time. Worse, the moments in which individuals are most likely to need access to their investments—after being laid off during a recession, for example—are also the moments in which their investments are likely to be least valuable.

The vast majority of carbon tax proposals, including national policies in France, Norway, and, before its repeal last summer, Australia. Daniel and his team’s model turns these assumptions on their heads. Using the historic stock-market data as a proxy for the average American’s tolerance for the risks posed by global climate change, and including a probabilistic model for climate disasters—like an extended drought or a severe weather event like Hurricane Katrina—Daniel and his team found policy makers should institute a much higher initial price, gradually reducing it over time as uncertainty about the effects of climate change decreases.

Implementing such a tax, particularly in the new Republican-dominated Congress, would be challenging, but it’s not just climate-deniers who might object to carbon pricing. As many of the most carbon-intensive human activities are also necessities—transportation to and from work, home heating and cooling—it has been argued that a carbon tax would be inherently regressive, disproportionately burdening the poor. The result, in the United States, could be an unlikely coalition of the far left and the far right of the political spectrum.

The net effect on individuals’ tax bills could, however, be minimized. A carbon tax, Daniel asserts, wouldn’t be a simple deadweight loss. Instead, the revenue generated through taxing carbon offers opportunities to lower other taxes, including federal payroll taxes and state sales taxes, minimizing changes in individuals’ overall tax burden and mitigating any negative effects of the tax on those in lower income brackets. Recent research further suggests that the United States may be an outlier in the regressivity of its present gasoline taxes, due in part to low investment in public transit. In many countries, particularly developing nations where car ownership remains out of reach for most, carbon taxation may actually be progressive. Overall, Daniel sees carbon taxes as an opportunity to better direct tax policy and monetary incentives away from potentially disastrous use of fossil fuels and towards more productive activities for society as a whole.

If implemented, Daniel and his team’s suggested carbon tax would be substantial, but expressed as a percent of GDP—likely around 2 percent—it falls far short of the largest tax hike implemented in the United States. According to FactCheck.org, a nonpartisan project run by the University of Pennsylvania, that honor belongs to the Revenue Act of 1942, levied to finance US involvement in World War II, which raised the tax burden by 5 percent of GDP. If the more dire predictions about climate change come true, the cost of the carbon tax could turn out to be paltry by comparison.
Up in Smoke

As countries around the world roll out climate change policies, carbon divestment moves from moral high ground to financial imperative.

Carbon emissions, long seen as a risk to the global ecosystem, may be a ticking time bomb for another group entirely: passive index investors, including pension funds, major institutions, and even individuals saving for retirement. For these investors, index funds’ long reliance on the steady growth and high returns of carbon-intensive energy companies could soon become a financial liability as new emissions taxes and trading schemes eat away at fossil fuel companies’ bottom lines. A new investment strategy outlined by Patrick Bolton, however, offers investors an opportunity to hedge this risk, lowering their exposure to carbon by more than 50 percent while earning the same returns.

The carbon divestment movement, as the global effort to induce investors to wind down their stakes in fossil fuels has become known, has, until recently, largely been confined to college campuses, where it has been driven by a strong moral agenda. “Up to this point,” Bolton says, “the divestment movement has been motivated by a desire to be a good citizen.”

While this strategy has had some initial success—Arabella Advisors, a philanthropic giving advisory, estimated in September that nearly $50 billion in assets had been divested from fossil fuels through commitments by individuals, governments, and institutions—many investors have been loath to wade into such a politically charged debate. “The pushback you hear from investors is ‘we have fiduciary responsibilities to our own clients and we can’t impose financial losses on them in order to be socially responsible,’” Bolton says. “But climate change isn’t just risky for society; it’s bad for investors, too.”

As governments around the world move towards climate change mitigation policies, large holdings in fossil fuel companies begin to look like liabilities. Recognizing this mounting threat to investors, Bolton and co-researchers Mats Andersson of the Swedish pension fund AP4, and Frédéric Samama of Amundi, the largest European asset management firm, approached index provider MSCI to develop a family of new indices composed of fewer carbon-intensive stocks. Launched this past September, the MSCI Global Low Carbon Leaders offer passive investors a substantial reduction in their carbon exposure while replicating the returns of their reference indices—hedgeing the risk of future regulation at no cost—while setting the stage for higher future returns.

Globally, the threat of carbon taxation and emissions trading schemes (ETS), like cap-and-trade, isn’t as far off as it might seem in the United States. The World Bank reported this summer that some 40 countries and more than 20 cities, states, and provinces accounting for 22 percent of global greenhouse gas emissions already have or will implement carbon pricing mechanisms. This includes the world’s largest emitter of greenhouse gases, China, which is presently piloting a regional ETS in preparation for a nation-wide rollout in 2018. In January, Ontario’s liberal government announced plans to implement a climate change mitigation policy, which would bring 80 percent of the Canadian economy under some form of carbon tax despite the central government’s refusal to pursue either a carbon tax or an ETS.

Fossil fuel companies and other carbon-intensive industries, from air travel to IT, are taking note. ExxonMobil, which has long used shadow carbon pricing in its long-term financial planning, estimated this year that carbon taxes in the Organization for Economic Cooperation and Development (OECD) would reach $60 per metric ton by 2030 and $80 by 2040. These taxes could leave substantial proven reserves, like the Alberta Tar Sands, stranded—the cost of bringing them to market outstripping the price they could fetch there.

Numbers like these could mean a dramatic turnaround as fossil fuel companies cease to look like such attractive investments and low-carbon funds, like those developed by Bolton’s team, start to outperform their benchmarks. While uniform carbon pricing is likely still years in the offering, Bolton urges investors to move toward lower carbon investments today. “We now know enough to act. We have the market testing. We have scalable solutions. We have the investment capabilities. Delaying portfolio decarbonization would be costly for investors and society.”

Patrick Bolton is the Barbara and David Zalaznick Professor of Business in the Finance and Economics Division and a Chazen Senior Scholar at Columbia Business School.

READ THE RESEARCH
THE BUSINESS CASE FOR GOING GREEN

Companies find that doing good for the environment is also good for the bottom line.

By Jen Kitses
Last summer—the planet’s hottest season on record, according to federal data that goes back to the 1880s—a bipartisan alliance of financial leaders led by former US Treasury Secretary Henry Paulson, former New York Mayor Michael Bloomberg, and hedge fund manager Tom Steyer issued a report warning of the economic risks of climate change.

The combined effects of erosion, floods, hurricanes, and drought might cost the economy hundreds of billions of dollars in the coming decades, according to the report by the Risky Business Project. Yet despite these projections, businesses—and their investors—aren’t fully informed about the risks they face. It is time, the authors argued, for businesses to draw attention to these risks and take a leading role in limiting their impact on the environment.

Some companies, however, are already taking action. And for these businesses, the motivation isn’t just good PR or even a simple desire to be better global citizens. Going green makes good sense, they’ve found—to their customers and investors, and even their bottom lines.

RECYCLE THAT
In California, which is currently in the throes of a historic statewide drought, the business risks of climate change are clear. So are the benefits of going green, particularly in industries such as real estate. “In commercial real estate, environmental and financial concerns are pretty well aligned,” says Sara Neff ’10, who leads energy, water, and new construction programs at Kilroy Realty Corporation, which operates more than 12 million square feet of high-end commercial properties on the West Coast. As Kilroy’s first vice president of sustainability, a position she has held for four years, she champions the benefits of recycling, among other environmental efforts. “It is to our advantage to make our expenses as low as possible, because that is not only attractive to new tenants, but also means our profits are higher.”

In many of the jurisdictions in Washington State and California in which Kilroy manages buildings, Neff explains, businesses must pay for trash collection, but recycling is free. “If you can get more of your waste into the recyclables, then you’re paying a lot less,” she says. “These savings were the impetus for our sustainability effort.” The financial benefits are what win over tenants and investors. “We’re running out of landfill space, but we don’t really think about that,” says Neff. “We do more recycling because it’s cheaper.”

Ron Gonen ’04, who co–founded RecycleBank in 2004 and served as New York City’s first recycling czar, has promoted the financial benefits of recycling throughout his career. He is now the co–founder and CEO of the Closed Loop Fund, a social impact fund that provides zero–interest and low–cost loans to private companies that want to invest in a recycling infrastructure. The fund’s investors, including Walmart, Unilever, and Procter & Gamble, share a key interest: keeping costs down. “Manufacturing is cheaper when you have sufficient access to recycled materials,” says Gonen. About 70 percent of plastic water bottles are discarded as trash, he points out, along with about one–third of aluminum cans. “Companies recognize that they can decrease their cost of manufacturing if they can get access to this material. But instead it ends up in landfills.”

The draw of cheaper raw materials has convinced these competitors to work together—as they must, given the scope of the goal. “There isn’t one company out there that can say, ‘My company has the capability to fix the problem for the entire industry and region,’” Gonen says. “They’re not equipped to do that. But they’re willing to collaborate because it will help the environment and, also, their bottom lines.”

CUTTING BACK
For many companies, launching or expanding a recycling program is a logical first step. A complementary strategy, and one that is increasingly seen as part of a must–have suite of sustainability initiatives, is cutting back on energy use. As with recycling, a primary motivator is cost reduction. “Think about all the companies that are running huge server farms and have network infrastructures,” says Sarah Gillman ’93, CFO of the Natural Resources Defense Council, a 1.4-million–member environmental action group that works with political, business, and community leaders. “Energy is a key component of their cost.”

Gillman points to the wide spectrum of entities—from sports teams to universities to cities—that now have sustainability initiatives, which she sees as a direct response to the business risks of climate change. “When you’re a world–citizen point of view, there’s a self–interested or bottom–line point of view, too,” she says. “Because when it comes to costs, organizations get involved.”

Cutting back isn’t just a matter of lowering the electricity bill. Increasingly, companies are seeing the importance of reducing their water use. “Water is obviously quite affected by climate,” says John Wilson ’97, head of corporate governance, engagement, and research at Cornerstone Capital, a financial services firm that specializes in sustainable investing. “And it’s an important resource for business, so if you’re not aware of climate change and how your use of water is going to be affected by it, then you’re not doing adequate due diligence.”

Sara Neff of Kilroy concurs. The company has seen its utility costs surge in recent years, and she sees depleting water reserves as one of the greatest threats to business. “We are really in a state of emergency,” she says. “Even though water is still cheap, at some point, it’s going to run out. That kind of risk mitigation has led us to do a lot of water conservation.”
Taking such steps has an additional business benefit beyond cost reduction and risk mitigation, and that is impressing investors. “There’s a lot more interest in sustainability in the investment world than there used to be,” says Wilson. “Climate change will be a big cost to the economy, and investors have an incentive to try to address those issues, purely from a fiduciary standpoint.”

Asset owners such as pension funds and sovereign wealth funds are asking investment managers to demonstrate how they take sustainability into account in their practices, Wilson says. “Institutional investors recognize that climate change will impede their ability to provide for their beneficiaries over the long term,” he says. “And investment managers are trying to figure out how to address these questions.”

Companies that promote sustainability are more attractive to customers, says Chelle Izzi ’04, who leads the energy storage team for the distributed energy business at Constellation, a competitive energy and services supplier. Good behavior toward the environment is seen as going hand-in-hand with good financial practice. “There’s a correlation, in that companies that pay attention to details—whether it’s what their customers care about or how tightly they run their businesses—tend also to have good sustainability practices,” Izzi says. “Many of the big-box retailers that have serious goals around sustainability say it’s because it’s good business. They’re running more efficiently by doing it, and more and more companies are finding it easier to do.”

Just as investors are drawn to companies that promote sustainability, many are shying away from companies with bad practices; often this takes the form of divesting from fossil fuels. “There are more than 700 institutions and individuals that are divesting from oil, coal, or natural gas,” says Gillman, citing data prepared by philanthropy-focused Arabella Advisors for last year’s United Nations Climate Summit. “What’s going on now is like what happened in the anti-apartheid movement of the ’80s, in which the investment community divested from South Africa.”

Ron Gonen of the Closed Loop Fund is also seeing more interest in divesting from fossil fuels. “It’s slow, but I think this is actually going to be where we see the biggest impact,” he says. “Because investors are saying, ‘I can’t invest in this product or industry because it has a negative impact on climate change, and that either impacts my business directly, or my community, or my other investments.’”

**ATTRACTIONING TALENT**

Investors aren’t the only ones looking at companies’ sustainability efforts: going green attracts talent. Working in a building that has been LEED certified, for example, is increasingly seen as a perk, much like dry cleaning delivery and high-end cafeterias. “Many of our tenants are big-tech tenants who are competing for the top brains coming out of the best schools,” says Kilroy’s Neff. “The amount they would spend on getting a building that meets the highest standards for sustainability is nothing compared to hiring that whiz kid who’s going to develop their next product.” John Wilson has witnessed the same trend at Cornerstone. “Increasingly, we’re finding that younger employees are very interested in working for companies that share their values,” he says. “So there’s an impact on your attractiveness as an employer if you make the effort.”

It is a change that has been a long time coming. “I’ve worked in the nonprofit sector or for corporations that served the nonprofit sector for my entire career,” says Gillman. “Back in 1993, there were 12 of us in my class of 550 that went right into the nonprofit field. Now there are so many people who are driven by those issues.” And perhaps that’s because these issues are becoming mainstream, which many would argue is a good thing. As the risks from climate change play a more prominent role in our near future, and even in our present, so do the efforts to mitigate its effects. “Dealing with climate change is an ethical, moral, and business imperative,” says Gillman. “The world is changing, and we have to plan for that.”

There’s a lot more interest in sustainability in the investment world than there used to be. Climate change will be a big cost to the economy, and investors have an incentive to try to address those issues, purely from a fiduciary standpoint. –John Wilson ’97
On his first day of orientation at Columbia Business School, Michael Coleman ’05 met a clustermate with whom he would embark on a decade-long journey to create a critically acclaimed film. (Foxcatcher, based on the true story of two Olympic wrestlers and their disturbing relationship with a multimillionaire, was an award-season mainstay.) “I’d always heard people say that you might find your future business partner at Columbia, and in my case, it turned out to be true,” says Coleman, who now counts movie producer Tom Heller ’05 among his closest friends.

Like Coleman and Heller, many alumni came to Columbia for an MBA and left with a collaborator with whom to realize a long-held dream or develop a new venture. Others find like-minded business partners through the Columbia Business School network long after they graduate. As the partnerships featured here capture, the experience of going to Columbia Business School is as much about what happens outside the classroom as what happens within.

Ariel Shtarkman ’07 & Allen Lin ’08

Ariel Shtarkman ’07 and Allen Lin ’08 didn’t actually know each other at Columbia Business School. (Though looking back, Lin thinks he remembers seeing Shtarkman, who has distinctive strawberry-blonde curls, around Uris Hall.) It was only when they were more than 8,000 miles away from Morningside Heights, in Hong Kong, that they connected—and, eventually, formed a business.

Shtarkman had moved to the city to work for ING Investment Real Estate Management, and was hoping to meet other Columbia Business School alumni. “I was still relatively new to Hong Kong, and I wanted to connect with the local Columbia Business School community and meet like-minded professionals,” she says. She went to a Columbia Business School alumni event at Kee Club, in the city’s Central District, where a mutual friend introduced her to Lin, who manages his family’s assets through a family office called Integrity Capital Management. The two became fast friends, bonding over shared interests in the real estate market, good food—and Columbia Business School.

“I am quite passionate about Columbia,” says Shtarkman, who grew up in Tel Aviv and came to New York for Columbia. She and Lin began working together to establish the Columbia Business School Alumni Network in Hong Kong, where there are about 400 alumni, sometimes holding events at 001, a bar Lin owns.

Now, six years after meeting, they are leading their first business venture together—Atom Assets, an online platform that helps match Asian family offices with carefully curated real estate investment deals, mostly in the United States.

While working on Columbia events over the years, Shtarkman and Lin had talked on and off about a partnership, but the idea began to gel in March 2014, when the two met for sushi to celebrate their birthdays. Lin had been investing in real estate through his family office since 2005 and, he says, “I had

“WE HAVE A LOT OF COMPLEMENTARY CHARACTERISTICS, SO WE HAVE A GREAT PARTNERSHIP.”

By Abigail Beshkin

YOUR FORMER CLASSMATE MIGHT BE THE PERFECT BUSINESS PARTNER.
been thinking for a while about how to bring together my real estate experience, board-member role at Metis Financial, and my family office position. I realized that there’s a gap in the market for family offices and private wealth to access real estate deals.”

Lin explains, “Most family offices in Asia do not have the resources to find deals or operating partners in the United States, a laborious and time-consuming process. Also, the complex US tax laws can be a huge turnoff.”

Shtarkman told Lin, “I have that missing piece.” She had left Citibank (where she worked after ING) in 2012 to found a boutique advisory and investment firm, Orca Capital, through which she sources and structures real estate deals. Her expertise in real estate and countless connections to developers and operators in the States were what Lin needed. “If a particular investor in Asia doesn’t have an established relationship with a US operator on the ground, they are not going to be able to close and commit to transactions in the tight timelines that are prevalent in the market,” explains Shtarkman.

They launched Atom Assets in early 2015 and worked with Metis Financial to create an online platform where invited participants can choose from among investment deals vetted by Shtarkman and Lin. More than two dozen families are lined up to invest; the partners hope to have about 100 within the first year. Lin says the enthusiasm for Atom Assets has been strong. “Every time we mention it, people say, ‘Can I sign up right now?’”

Indeed, the appetite for real estate investment among Asian family offices is growing. A UBS/Campden Wealth survey found that in 2013, real estate investment accounted for 16 percent of the portfolio of Asian family offices, compared with just under 9 percent the year before.

For Shtarkman, Lin closed a gap as well: he brings to the table access to his firm’s capital, not to mention relationships with other family offices. “The culture in Asia is that family offices want to invest with like-minded families; they want to know someone in the deal who is exactly in their shoes,” says Shtarkman.

Adds Lin, “Family offices in Asia want to do deals with each other. These relationships are built primarily on trust, which is a major factor in Asia as compared to the rest of the world.”

They also say that they are the same as—and different from—one another in crucial ways. “Both of us have strong real estate backgrounds and are generally on the same page when it comes to company direction and development,” says Lin. “We are also open to debate with each other and formulating a solution based on our combined ideas.”

However, Shtarkman acknowledges that she is the extrovert of the pair. Lin agrees. “She’s in charge of networking,” he says. “I am more into developing strategic direction and dealing with the US taxes. We have a lot of complementary characteristics, so we have a great partnership.”

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Noha Waihsnaider ’02 & Dawn Techow ’02

Noha Waihsnaider ’02 and Dawn Techow ’02 might never have met if not for an e-mail that went out in the winter of 2001 asking for volunteers to organize a fledgling social entrepreneurship competition at Columbia Business School. Techow recalls that first meeting taking place in “a large classroom with just three of us”—two of them Waihsnaider and Techow. They spent the year building the contest from the ground up.

At the time, they recall, comparatively few fellow students shared their interest in entrepreneurship or social responsibility. Techow had come to business school by way of advertising, thinking, “There must be a way to bring business skills to nonprofits.” Waihsnaider had worked in marketing but, when riots broke out amid the 1999 World Trade Organization meeting in Seattle, found herself “sympathizing with the protestors and thinking the only way things will genuinely change is from the inside.”

Now Waihsnaider is the founder and CEO of Peeled Snacks, which makes organic dried fruit and trail mix that is sold in 15,000 stores nationwide, including Whole Foods, Target, Starbucks, and through Amazon’s grocery service. (Author’s note: Apple-a-Plenty, a mix of raisins, walnuts, dried apple, and dark chocolate, might have fueled the writing of this story.) Until recently Techow was the COO, overseeing everything from sourcing mangos to handling inventory planning. Over the summer, she launched her own consulting firm, Relish Food Project, which coordinates sampling events at stores, a process that, between hiring and training people and coordinating product to arrive on time, is surprisingly time consuming, yet crucial. “For many natural foods products, tastings are the best marketing tool you have,” explains Techow. “They allow customers not only to try the product but also to interact and connect with the brand.”

Techow’s company now takes care of that crucial function for Peeled Snacks. “Each event ends up taking a ton of time, and they are literally taking all of that off our plate,” explains Waihsnaider. “Relish Food Project was able to do 50 events in just a month,” she adds, significantly more than the five or 10 Peeled Snacks was able to do with one in-house person.

These days, it seems like every would-be entrepreneur is launching a socially responsible food business. But when Waihsnaider and Techow entered Columbia in 2000, the trend was still brewing. Everything changed their second year.

“I think 9/11 was a big part of it. At the Business School, it was the first time that everyone was like ‘Wow, what happened? Who are we in the world?’” remembers Waihsnaider. One month later the Enron scandal broke, she says, and “social responsibility suddenly became a bigger topic in business schools. People were talking about it. Classes were cropping up around it.”

After graduation, Waihsnaider worked for food and household products company Unilever. Witnessing the amount of high-fructose corn syrup, salt, oil, and preservatives (she remembers a meaty pasta sauce with a two-year shelf life) in the food was an eye-opener. “I would go down to the lab and talk to scientists, and they’d say, ‘I wouldn’t eat that stuff,’” she recalls. “I thought people deserved better.” Waihsnaider

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Peeled Snacks’ Awards (Highlights):
• Healthy Food Award from Fitness
• Best Snack Award from Health
• Eaties Award from Parenting

Inc. named Peeled Snacks one of the country’s fastest-growing companies
• Waihsnaider was named a 2013 White House Champion of Change
I grew up in Israel, where dried fruit and nuts are popular snacks. She launched Peeled Snacks in 2005. Meanwhile, Techow worked for several organizations, including the American Museum of Natural History.

In 2008, Waibsnaider was preparing to go on maternity leave and needed someone to run Peeled Snacks. She and Techow had stayed in touch, so she included Techow in the mass e-mail she sent out with the job posting.

“I remember being like, ‘I’ll send this around. Actually, I’d like to do it,’” says Techow; Waibsnaider remembers hoping Techow would say just that. When the two talked, they realized the partnership was a good fit. “I had a lot of admiration and respect for the company,” says Techow. “It was all the things we had talked about in school.” Plus, having planned the Columbia social entrepreneurship competition, the two knew they worked well together.

“I’m more extroverted and Dawn is more introverted,” says Waibsnaider. “At Peeled Snacks, I was more focused on fundraising and PR and marketing, and she was managing internally. We’re very complementary that way, which enabled me to not worry about the ops, because I knew she would kick ass and get things done.”

The first year of working together proved challenging. Waibsnaider’s baby came early, leaving Techow in charge of Peeled Snacks on her very first day. Then the economic collapse occurred, and banks began recalling the company’s loans. “We called the winter of ’08–’09 the winter of hell,” says Waibsnaider.

Then, in 2009, Starbucks called, wanting Peeled Snacks to be part of a national rollout of nutritious food options in the coffee chain’s stores. To this day, they are not sure how Starbucks learned of Peeled Snacks. It could be thanks to the samples the team had been sending to a friend whose bottled-water company, Ethos, had been acquired by Starbucks. Or the right executive may have picked up a bag at an airport, where Peeled Snacks has a large presence.

However it happened, it was a game-changer. The company has won numerous awards from magazines for promoting healthy eating, including the Healthy Food Award from Fitness, Best Snack Award from Health, and the Eaties Award from Parenting. Waibsnaider herself was named a 2013 White House Champion of Change—the same year Inc. magazine named Peeled Snacks one of the country’s fastest-growing companies.

The company continues to grow, and Waibsnaider says she still believes the widest possible distribution can effect the broadest change, even if it means eventually selling the company. “It’s a social enterprise. First and foremost I feel good about our snacks,” she says. “My vision is huge distribution, to make healthful snacks as widely available to as many people as possible.”
“MIKE WAS A TECH ENTREPRENEUR AND A STRONG SALESMAN. I HAD A LOT OF RELATIONSHIPS IN THE INDUSTRY AND I KNEW WHO WE SHOULD BE MEETING WITH.”

When Michael Coleman ’05, a former tech entrepreneur, was applying to business school, there was one thing he knew for sure: he wanted to go somewhere he could also work on his movie, for which he so far had only the germ of an idea and the life rights to a chilling story. That meant New York or Los Angeles. So it was serendipitous that one of the 60-plus students in his cluster turned out to be Tom Heller ’05, who introduced himself to the class as a screenwriters’ agent and movie producer. That evening, at a mixer in Uris Hall, Coleman, Diet Coke in hand, approached Heller with his story about two Olympic wrestlers, brothers, and their relationship with a troubled heir to the du Pont fortune.

Heller is used to strangers’ screenplay pitches. “I was initially skeptical, thinking it was going to be some strange idea, but I found it fascinating right away,” he says.

Thus began a partnership and decade-long journey to make the thriller Foxcatcher, released in November 2014 to glowing reviews. The film stars Steve Carell as John du Pont, who sponsors an Olympic wrestling team at his estate.

Coleman had already been working on the project for a year and a half when he met Heller. He had been considering making a movie and had long been intrigued by the story of wrestler brothers Mark and Dave Schultz, played by Channing Tatum and Mark Ruffalo in the film, and their entanglement with the eccentric du Pont. (Foxcatcher was the name of the estate where du Pont formed the wrestling team for which he recruited the Schultzes.) Mark Schultz had coached Coleman’s brothers at Brigham Young University. “I did some research on the story and could tell that it had some pretty compelling elements. But it wasn’t until my brother Jared sent me a short autobiography Mark had written that I realized it could be something special,” Coleman recalls. “Everything that had been written about Foxcatcher focused on du Pont and Dave. Mark’s autobiography had a more personal story—his difficult family life, his bond with his brother, the inner demons that drove him, the pain he suffered physically and emotionally as a wrestler. In Mark I saw someone I thought audiences could root for, despite—and because of—his flaws.”

In the summer of 2002, Coleman met with Mark Schultz over pizza and told him the idea he had for the movie. “At the end he was crying,” recalls Coleman. “At that point, I was convinced that this movie had a chance.” Mark Schultz agreed to give him an option on his life rights, but that was as far as Coleman got before Columbia. “I hadn’t made much headway,” he says, “because I didn’t have many connections in the industry. I didn’t know how to navigate it.”

But Heller did. The two started meeting for lunch and coffee in Uris to discuss the project. “It had a lot of very interesting elements—true crime, a famous old family, the Olympics,” says Heller. “It was a compelling brothers
story, and I thought that the character of du Pont, an eccentric multimillionaire, was fascinating.” While at Columbia they worked and reworked the treatment and pitched it to countless people who might be able to make it happen—from writers and directors to producers and investors. “Because we were on campus every day we’d keep talking about it, and because we didn’t have class on Fridays we’d fly out [to LA] early Friday morning and meet with different people,” recalls Heller.

Heller also says the two made an ideal team. “We have very complementary skills,” he says. “Mike was a tech entrepreneur and a strong salesman. When we were in the room pitching the story, he was skilled at selling someone on an idea. Meantime, I had a lot of relationships in the industry, and I knew who we should be meeting with.”

In 2006, about a year after graduation, Heller took a gamble and approached the director Bennett Miller at a DVD signing at the old downtown Tower Records, on the corner of Broadway and East 8th Street. Miller had directed the much-acclaimed Capote the year before, and the dark, eerie movie had exactly the feel Heller and Coleman wanted for Foxcatcher. The director agreed to look at the treatment and presentation they had put together. He signed on several weeks later.

For the next eight years (a length of time Heller calls “a very extreme case”) the partners helped develop the movie, mostly by helping Bennett Miller learn everything he needed to know about wrestling. “We set him up on a number of research trips to events like the Dave Schultz Memorial and the New York Athletic Club wrestling tournaments,” says Coleman. “We took him to visit the Olympic Training Center to meet a number of people who knew Mark and Dave from their time at Foxcatcher. We also connected him with John Giura, a former teammate of Dave’s at Foxcatcher, who ultimately became the coordinator for all the wrestling in the movie.”

In the meantime, Heller also produced seven additional movies, including the critically acclaimed Precious, 127 Hours, and Mud. Coleman worked as a strategy and marketing executive at such companies as UBS, Booz Allen Hamilton, and Overstock.com. The two are close friends, attending one another’s weddings and getting together as often as they are able, although Coleman recently moved to Las Vegas, where he is doing digital marketing for Bank One. Heller is in New York and building his own production company.

The two did not see the final cut of Foxcatcher until its premiere in Cannes in May 2014, says Coleman. “It had been such a long, drawn-out process. It was kind of stressful right up to the end.” Still, the movie received a 15-minute standing ovation at the festival, an early bellwether for a film’s success.

“It was worth the wait,” says Heller. “It was the film Mike and I always envisioned when we were talking about it in school.”

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Foxcatcher’s Awards (Highlights):

- Cannes Film Festival Best Director (Bennett Miller)
- Creative Impact in Acting Award (Steve Carell)
- Gotham Jury Award
- Hollywood Film Award
- ICS Cannes Award for Best Actor (Channing Tatum)
- Independent Spirit Special Distinction Award