CORPORATE GOVERNANCE

BY MARIO J. GABELLI ’67, R. GLENN HUBBARD, GILE R. DOWNES, JR., ROBERT W. LEAR, IRA M. MILLSTEIN AND DIANA KATZ

In this four-part special section: Gandhian and other perspectives on institutional investors; what good is a good board; virtue and the corporate paradigm; and tomorrow’s business leaders brush up on their Shakespeare.

OPEN FOR BUSINESS

The School’s new building brings together alumni, students and friends.

ONE WRITER’S STORY

BY MELANIE CONTY

Once upon a time, Eudora Welty ’31 thought she would devote her life to advertising.
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A new, state-of-the-art business/law building welcomed the spring term with open doors.
Dear Friends:

As we stand poised on the cusp of a new millennium, Columbia Business School is inevitably concerned with current and future leaders—evaluating them, training them and bringing them together.

In this issue of Hermes, we examine corporate governance from multiple angles. Executive-in-residence Bob Lear pulls no punches as he discusses what factors contribute to a successful board of directors. Mario Gabelli ’67, chairman of Gabelli Funds, Inc., Glenn Hubbard, the Russell L. Carson Professor of Finance and Economics, and Gile Downes assess the role institutional investors play in corporate governance, from both the practitioner’s and the academic’s perspective. Receiving the Botwinick Prize for Ethical Practice in the Professions prompted Ira Millstein, a founder of the corporate governance movement, to reflect on the philosophical underpinnings of the corporate governance paradigm. Finally, we venture into the classroom in search of the perfect prince: In an innovative course, management professor John Whitney uses Shakespeare’s plays to teach his students about leadership. Even the business leaders of the 21st century can learn a thing or two from the Bard.

Speaking of tomorrow’s leaders, I am delighted to announce that the new business/law building is now open and bringing together the Columbia Business School community as never before. As we admire our new space, we salute the spirit of giving our alumni showed during the School’s two-year fund-raising campaign and consider how their generosity will continue to improve the quality of life at the School.

Whether excited about the new building or the School’s recent No. 2 ranking in the Financial Times’s first international evaluation of business schools, alumni will have no problem conferring about all the good news. We are proud to announce that by June of this year, all alumni will have access to the Columbia Business School online alumni network, also known as BANC (Business Alumni Networking Community). This Web-based system does more than offer a lifetime e-mail address. It allows every graduate to retrieve messages from colleagues, conduct searches for fellow alumni by name, industry or location, directly update addresses and subscribe to specialized mail lists.

We expect that BANC will, indeed, span the globe, just as our exciting and diverse alumni network links us together throughout the world—from Namibia, Africa, where Chris Marsh ’91 dodges elephants as he helps build schools in eastern Bushmanland, to Jackson, Miss., where Eudora Welty ‘31 has crafted some of the finest American fiction. We present these stories, and more, in the pages that follow.

Enjoy the issue, and keep in touch.

Sincerely,

Professor Meyer Feldberg ’65
Dean
Columbia's status as the No. 2 business school in the world, according to the Financial Times, is only one example of how well the School has fared in recent rankings. In recognition of the School's all-around excellence, international orientation and pro-female environment, Working Woman magazine has rated Columbia first among U.S. business schools, and Business Week has once again placed the School among a handful of elite MBA programs. The Financial Times ranking is the first of its kind—an international assessment of the top 50 MBA programs. Twenty criteria were used in the evaluation of each school, making this the most comprehensive ranking to date.

The aim was to "determine which business schools are equipped to prepare the international managers of the 21st century," wrote editor Della Bradshaw in a special section that ran on January 25. "Columbia won its place through strong salaries and salary increases."

Among the criteria used to evaluate the schools were the percentages of international students and international faculty members, the percentage of students who felt their aims were achieved in their MBA program, a research ranking, a diversity ranking and return on investment. Columbia was followed in the ranking by Stanford, Wharton and MIT. Harvard garnered first place. The top European schools were London Business School (eighth), INSEAD in France (11th) and IMD in Switzerland (13th).

Among the top 50 schools, Columbia boasts the largest increase in salary from pre- to post-MBA and the highest average number of job offers per student at a North American business school.

The Financial Times ranking came on the heels of the Working Woman survey that recognized Columbia Business School as the nation's top MBA program for women.

In October 1998, the magazine conducted a survey of the 33 most prestigious business schools in the United States and rated each based on name recognition, the starting salaries of graduates, other traditional measures and such criteria as the percentage of women among students and faculty, the influence of female student groups and the amount of attention devoted to gender issues in the curriculum.

Columbia ranked off the charts, says Working Woman, and is one of the few business schools that "offer a truly progressive, woman-friendly climate." In short, the article stated, "It doesn't get any better than this."

Finally, in its October 1998 survey "The Best B-Schools," Business Week ranked Columbia sixth among the nation's top business schools. The School ranked even higher (fourth) among recruiters.

"At Columbia University's B-School," Business Week wrote, taking special notice of how well Columbia accommodates non-U.S. students, "student peer advisers are matched with international students to help solve problems ranging from getting a Social Security number to finding the best place for a good Filipino lunch."

Business Week noted that the School is a favorite hunting ground for recruiters in the areas of general management, marketing and finance, and Columbia was also singled out in the ranking as one of the most selective business schools.
A TRIBUTE TO ROBERT W. LEAR, ‘THE QUINTESSENTIAL GRADUATE’

With a historic dedication, the School paid heartfelt tribute to Robert W. Lear, retiring executive-in-residence and member of the board of overseers, in a ribbon-cutting ceremony for the Robert W. Lear Amphitheater in the new business/law building on January 21.

Alumni, students, faculty members, friends and family filled the amphitheater and the main lobby to hear Lear’s colleagues and Lear himself, who will retire at the end of June, speak about his multiple and enduring contributions to Columbia Business School.

Many stories could be told about the new Lear amphitheater—its state-of-the-art technology, overnight fund-raising success, thoughtful design—but the only one told on this particular evening was of how its namesake’s vision has permeated every aspect of the Columbia Business School experience.

Dean Meyer Feldberg ’65 called Lear “the quintessential Columbia Business School graduate”—even though Lear is officially a Harvard graduate—and Russell Carson ’67, general partner at Welsh, Carson, Anderson and Stowe and member of the board of overseers, described him as “truly, a unique human being.” A founding partner of his firm, Carson recruited Lear as a board member in the late 1970s in order to add “a little bit of gray hair” to an inspired but young group.

“This evening is not about bricks and mortar and fund-raising,” declared Sabin Streeter ’67, executive-in-residence and member of the board of overseers, who headed the fund-raising effort for the amphitheater. “It’s about the special qualities embedded in your soul that you so magically were able to share with 8,000 students and advisees, countless faculty and administrators and your board of overseers for the past 20 years.”

In 1977, Lear became the first executive-in-residence at the School and, with the support of Deans Boris Yavitz, PhD ’64, Sandy Burton, PhD ’62, Kirby Warren, PhD ’61, and especially Meyer Feldberg, expanded the position beyond an advisory one to that of teacher, mentor, lecturer and curriculum planner.

Lear also had bigger dreams: “I decided my fundamental objective was to get the business community more interested and invested in Columbia Business School than it was and to get the faculty and the School more invested in the community than they were.”

“This is a great honor for me, and it’s an unfair one,” said the ever humble Lear. “I am the one who has made the friends. I am the one who has had the learning experiences, heard the lectures and been rejuvenated by the students.”

“This beautiful amphitheater; I shall never forget it,” said Lear. “Aside from marrying Dorothy Lear and having two sons, this is the finest day of my life.”

FUN AT THE FOLLIES

The fall ’98 Follies, held December 8, featured such satirical skits as “Breaking the Salary Barrier” and “IB Blues.” The biannual event is produced and created by Columbia Business School students, with some help from administrators.
Value investing is buying dollar bills for 50 cents. So says Bruce Greenwald, the Robert Heilbrunn Professor of Finance and Asset Management. In other words, value investing is the art of making money in the stock market by investing in bargains—stocks priced well below their true worth that have rising cash flow, hidden assets or higher earnings on the horizon.

To do this, says Greenwald, you have to know where to look, how to identify value and how to be patient. Greenwald is following in a hallowed Columbia tradition. Value investing was conceived of and developed at Columbia Business School by professors Benjamin Graham and David L. Dodd, MS '21, in 1934. Today, the School offers an advanced MBA course, a two-day Executive Education program held in New York City and an annual Graham and Dodd Seminar, given by one or two of the field’s most successful and renowned practitioners.

The advanced MBA course, which features the likes of Robert W. Bruce ’70, Warren E. Buffett, MS ’51, Mario J. Gabelli ’67 and Charles M. Royce ’63 as guest speakers, is one of the most popular at the School. Greenwald designed the course after he attended a seminar financed by Mario Gabelli and taught by the late Professor Roger Murray. He aimed to teach students real-world financial management principles and to supplement the class with talks by actual practitioners who had stellar track records.

This spring, assistant professor Michael van Biema teaches the class. Although the MBA course is consistently popular among students, van Biema notes that value investing has its ups and downs among investors in general. In fact, “it’s been out of favor for a while,” he says. “But people who have an understanding of the long-term history of the markets know that value investing seems to generate the highest returns.”

“There’s clearly a core of people who believe in it,” van Biema says. “When the market is doing poorly, the rest of the population remembers its existence.”

Greenwald and van Biema also make up the faculty of the brand-new Executive Education value investing program, which first ran in January of this year and will be held again in June. Fifty-one participants, representing five countries, enrolled in the January session. Ethan Hanabury ’85, associate dean for Executive Education, says participants are a very senior group and include many presidents and CEOs of investment management and research firms. He believes participants are drawn to Columbia partly because of the School’s Graham and Dodd tradition.

The eighth annual Graham and Dodd Seminar, held in the Rainbow Room in late October, featured Greenwald as moderator and, as speakers, Lewis A. Sanders, chairman and CEO of Sanford C. Bernstein & Co., Inc., and Jeremy Grantham, founding member of Grantham, Mayo, Van Otterloo & Co., LLC. The seminar was attended by MBA students, alumni who now work for investment management and research firms and other investment professionals.

In his speech, Sanders emphasized that value investors must not allow emotion to influence their decisions. “While we measure value financially, value is all about people, and obviously it is a behavioral phenomena,” he said. A firm, therefore, needs to “exploit these anomalies.”

Grantham, too, stressed the importance of minimizing human error: “To get a real value, build a value model,” he said. “Models are crude because they are based on history or data, but they don’t overestimate. They’re accurate.”

Both investors emphasized that their field is a notoriously stressful one. Sanders dryly stated, “We recommend that all value investors adhere to a daily dosage of 200 milligrams of Prozac. This indeed is the nature of value investing.”
ROSEN NAMED AN OUTSTANDING DIRECTOR

Benjamin M. Rosen '61, chairman of Compaq Computer Corporation and member of the School's board of overseers, has been named one of Corporate America's Outstanding Directors 1998 by Director's Alert.

"His biggest strength is the ability to analyze coming trends and to mobilize brains and money behind innovative projects," Director's Alert said of Rosen, who also serves on the boards of Capstone Turbine Corporation (which he cofounded with his brother, Harold), Memorial Sloan-Kettering Cancer Center, the New York Philharmonic and the California Institute of Technology.

"Colleagues know him as a fellow who can take off his shoes in the boardroom and still command respect," Director's Alert reported. "Staff know him as one who has balanced boxes on the tip of his nose to lighten up a sales meeting."

The magazine recognized Rosen and nine others in an effort to counteract publicity about corporate directors that is "too often negative," wrote executive editor Molly Butler Hart in an introduction to the special issue, which profiled each recipient. "We know that most directors take their jobs seriously and are making major contributions to their companies. We want more people to realize this."

TAKING TO THE STREETS OF NEW YORK—FOR 26 MILES

On Sunday, November 1, 42 Columbia Business School students ran the 26.2-mile New York City Marathon.

Each student wore a custom-made Columbia Business School T-shirt bearing his or her name. As they ran, the cheering crowds screamed out their names. "The shirts were great," says Kate Gellert '99. "Lots of people called out my name, and that made me want to run for them. I think I had a smile on my face the whole time."

For some students, such as Gellert and doctoral candidate Cornelia Kulmann, it was their first marathon. "I had the time of my life, and I almost felt sad when it was over," Kulmann says.

"Can't wait to run my next. Don't want to see, drink or smell Gatorade for at least a year, though."

The experience, while exhilarating, was of course physically arduous. But some students didn't even think about that until later.

"During the race there was so much going on and so much to see that we barely had time to think about the pain," says Michael Hejmanek '99.

The run was much more than a serious workout—it was an extension of the students' New York City experience. "The best spectator quote I heard," says Lauren Buxbaum '00: "'You are in the Bronx now, and you made it through five boroughs without even paying a toll. No one can do that in New York!'"
Professor Ann Bartel, director of the School’s Human Resource Management Program, and two colleagues have completed a landmark study of highly successful executives titled “Diversity in the Executive Suite: Creating Successful Career Paths and Strategies.” Cosponsored by Korn/Ferry International and the School, this is believed to be the first in-depth, cross-cultural study documenting the career paths of senior-level minority executives.

The 280 respondents to the survey make at least $100,000 a year in base salary and work either for the Fortune 1000 service and industrial companies or the top 200 financial institutions in terms of assets. Self-motivated and ambitious, the respondents have strong decision-making and communication skills. They enjoy challenges, seize opportunities and move to organizations where they can advance. They view formal and informal mentoring as a key to their development. Mentors are helpful in advocating for upward mobility and introducing their protégés to the informal rules and networks of the organization.

Although these executives are loyal—they have been with their current companies for an average of 12 years—52 percent would change jobs, primarily for a more challenging position. The executives have encountered discrimination in the workplace, but they have learned to respond to it proactively, mitigating any damaging consequences for their careers by giving direct feedback to correct the situation, viewing the situation as an opportunity for learning about the organization, and analyzing the situation and developing a plan.

The study points to some essential strategies for companies looking to attract and retain high-achieving minority employees:

- Ensure that minorities have the authority to influence decisions in strategy and policy making.
- Afford access to informal and, for those who might prefer them, formal mentors.
- Build a workplace community that is supportive of differences, effectively manages tension and is open to dialogue about perceived discrimination.

The editors of Hermes posed some follow-up questions to Professor Ann Bartel about this groundbreaking study.

**Q:** Why did you choose to study successful executives rather than companies that have a strong record of employing senior-level minority executives?

**A:** We chose to study the executives in order to hear their stories. Much has been written about companies that have a strong record of employing senior-level minority executives, but less attention has been paid to the personal attributes and skills of these individuals. We were interested in learning about the backgrounds and careers of these successful people, where they worked, the factors that accounted for their personal success and why they left their former companies. We felt that this perspective would provide valuable information to aspiring executives and the companies that wish to hire and retain them.

**Q:** Most of the respondents have had white male mentors. Do you foresee a change in this pattern?

**A:** We should see a change in this pattern since the individuals who are the subject of our study recognize the value of mentoring and will undoubtedly act as the mentors for the next generation.

**Q:** Where do you plan to go from here with your research?

**A:** In the context of the current study, we were unable to compare the careers of white and nonwhite executives. An interesting study would be to track the experiences of a particular MBA class to identify similarities and differences in career strategies and outcomes.
EMERGING MARKETS IN LATIN AMERICA

The Latin American Business Association hosted its first annual conference, "Challenges and Opportunities for Growth in Latin America," on campus last fall, stirring up moderate debate, some consensus and unanimous adoration over the emerging markets of the Southern Hemisphere. The all-day event, which was organized and run entirely by Columbia Business School students, brought together 22 Latin American and U.S. business leaders, many of whom are alumni of the School, to trade experiences with and insights into current economies and business prospects in Latin America.

Alejandro Valenzuela, director for external affairs at Banco de Mexico, discussed the rapid spread of the Russian and Asian financial crises into parts of Latin America. "The speed of the contagion"—which had psychological ramifications as well as financial ones—"was fully unaccounted for." But, he added, due to widespread economic reforms in the region, "For the first time, Latin America reacted. We did not wait."

Speaking about recent changes in the region, Frederico Sada Gonzalez, president and CEO of Vitro S.A. de C.V. in Monterrey, Mexico, said, "Ten years ago, we could hardly have visualized a Latin America without commercial barriers, with trade agreements, one that is moving toward a true democracy. We expect continuation of democratic, social and political stability."

Some participants' unrelenting optimism was countered by Charles W. Calomiris, the School's Paul M. Montrone Professor of Finance and Economics, who spoke about banking reforms. "There's a growing division between weak economies and strong economies," he warned, "between those who have instituted reforms and those who haven't. The weak will get more weak, and the strong will get stronger."

Arminio Fraga, managing director at Soros Fund Management LLC at the time of the conference and, as of early February, president of the Central Bank of Brazil, said that although "a recession is inevitable" in Brazil, "catastrophic predictions are wrong." In fact, he added, "if you're in the business of doing anything long term, I like Latin America."

Richard Watt, managing director of emerging markets at BEA Associates in New York, cited the key risks associated with investing in Latin America in 1999: global deflation, renewed problems in Asia, Japan's reflation, Brazil's domestic debt, Mexico's Y2K problem, the possibility of Argentina's falling victim to contagion and, finally, societal challenges to the economic development model.

"The question is, 'What is a nice guy like me doing in a place like this?'" quipped Norberto Morita '75, CEO of the Southern Cross Group in Buenos Aires and member of the School's board of overseers, who spoke about the changing nature of investments in the region. Morita recently left his position as CEO of the Bemberg Group to start a private equity venture in Latin America. The answer to his question, he said, is Latin America's high rates of economic growth in the long term, attractive demographics, sound economic policies and commitment to reform.

Charles Tate '72, president of Hicks, Muse, Tate and Furst, Inc., in Dallas, discussed his firm's dealings in Latin America and some of the challenges he has faced, such as obtaining sound financial information when it is not easily available. A Texas native, Tate fondly mentioned his own lifelong interest in the region. "In Texas, we share a 600-mile border with Mexico," he said. "We grew up going to Mexico."

Regardless of panelists' differing views on economic reform and other points, said Violy McCauland, president of Violy, Byorum and Partners in New York, "It's a big change to see that the United States is finally recognizing Latin America as a key region in the world, to see a greater degree of understanding of the importance of Latin America."
REMEMBERING HOKE SIMPSON

Hoke Simpson, who was largely responsible for the design and development of the Executive Education Program at Columbia Business School, died in September 1998 at age 83.

Having devoted 31 years to the School, Simpson had served longer than almost every member of the faculty and had worked with five deans by the time he retired. He first became acquainted with Executive Education in 1953 as a participant during the program's second year. He joined the administration in 1954 as executive director of Executive Programs and in 1967 became associate dean for Executive Education.

Grandson of the U.S. Senator who established Georgia's public school system, Simpson shaped and administered 36 weeks of programs a year at Arden House as well as programs in Europe and Latin America. Many of those programs set the standard for excellence in their field.

After graduating from the Georgia Institute of Technology in 1935 with a BS in mechanical engineering and industrial management, Simpson began his career at General Foods Corporation. He worked there first as a salesman and eventually as a sales manager, marketing manager, personnel manager and labor relations specialist.

During World War II, Simpson took a six-year leave of absence from General Foods to serve in the U.S. Naval Reserve. He was one of only two reservist officers to command a combat submarine and was awarded three decorations, including the Silver Star.

Upon his retirement in 1985, the faculty noted that Simpson was "a man who relishes the thought of leaving deeply visible footprints in the sands of time." He was inarguably successful in doing so at Columbia Business School.

A man who relished the thought of leaving deeply visible footprints in the sands of time.

EXPLORING THE WORLDS OF SILICON VALLEY AND HOLLYWOOD

Dean Feldberg led a group of students, alumni, recruiters, faculty members, administrators and distinguished guests on the School's second annual Silicon Valley Study Trip, held in San Francisco from January 12 to 16. Coordinated by the High-Technology Club, the trip provided a forum for students to learn about the industry, exchange ideas with practitioners, network and explore opportunities. Close to 90 students participated in the trip, which included site visits and a recruiters breakfast. Regina Resnick, associate director of MBA Career Services, notes that the high-powered participants, combined with students' energy and enthusiasm, created a highly educational and exciting event. Key supporters included Carolyn Everett '95, COO of Sunshine Media, Debra Schultz '96, of corporate treasury at Hewlett-Packard, and board of overseers member Sue Toigo, chairman of the Institute for Fiduciary Education and president and cofounder of the Robert A. Toigo Foundation.

In a separate but simultaneous event coordinated by the Media Management Association and the Southern California Alumni Association, 15 students embarked with administrators on the School's first study trip to Los Angeles. Susan Chevalier, director of Donor Relations, says the group was just the right size to meet with top executives at the Walt Disney Company, Paramount Pictures, New Line Cinema and Sony Pictures and to tour their world-renowned facilities. At Disney, each student lunches with an MBA-holding executive working in the student's area of interest. Students also met with peers from UCLA, helping them establish cross-continental connections.
Continuing to recognize that good deeds are essential to good business, the School awarded the 1998 Botwinick Prizes to two pioneers in business ethics. J. Michael Cook, chairman and CEO of Deloitte & Touche, was given the Prize in Business Ethics for improving his organization’s retention and advancement of women, and Ira M. Millstein, senior partner of Weil, Gotshal & Manges LLP, received the Prize for Ethical Practice in the Professions for his role as a founder of the corporate governance movement.

“The nature of this recognition is very special,” said Cook, who is a member of the School’s board of overseers, in his acceptance speech last September (see page 60). “This is not about longevity, this is not about popularity, this is not about being the fastest-growing or making the most money. This is about ethics. This is about doing the right thing.”

Cook has been lauding the importance of business ethics since the late ’80s, when he was chairman of the American Institute of Certified Public Accountants—and when the public was rapidly losing confidence in business because of the prevalence of unethical conduct. In 1993, at the helm of Deloitte & Touche, Cook implemented the Initiative for the Retention and Advancement of Women, a program aimed at curtailing the disproportionately high turnover of women at the company.

Over the past three years, by addressing such flaws as a male-dominated work culture and a lack of flexible work arrangements and by establishing new networking, mentoring and leadership development programs for women, Cook has nearly halved the turnover rate not only of women but of men. The disparity in turnover between men and women has been all but eliminated, and the number of women in leadership positions at the company has increased twofold. Cook’s achievements on behalf of

Susan Lee ’98 was named the first recipient of the Public and Nonprofit Assistance Grant in October. Former president of the Public and Nonprofit Management Association, Lee received $10,000 in support of her commitment to working in the nonprofit sector. Last May, the School also bestowed on her the Joanne Martin Award for Public and Nonprofit Management.

Lee works as the director of financial services at the Manhattan Borough Development Corporation. The organization’s executive director, Jeffrey Deasy, has said that Lee’s “considerable skills in the areas of financial analysis, business planning, written and verbal communication and her ability to work as part of a team or individually have already had a positive impact on the organization.”

The Public and Nonprofit Assistance Grant was realized when Dean Feldberg allocated $30,000 in February 1998 to fund the first two years of the grant program. A grant endowment is now in the making: Professor Raymond D. Horton, director of the Public and Nonprofit Management Program, and Catherine Murray, director of Development and Major Gifts, have already matched the dean’s $30,000. “This grant program,” Horton said, “will materially help the School’s Public and Nonprofit Management Program meet its obligations to students and the community.”
female employees have been recognized by Working Mother magazine. In closing, Cook mentioned his own daughters’ business careers. “I think about what I’d expect of the organizations that they work for. How could I expect anything less from the organization that I am a part of?”

Millstein, whom moderator Professor R. Glenn Hubbard introduced as “one of the founding fathers of corporate governance,” explained that his interest in ethics, and his involvement in corporate governance, came about because of a “profound dissatisfaction with uncontrolled power” while growing up during the Great Depression and the Holocaust. As an undergraduate at Columbia, he began to imagine a paradigm of society and business based on the ideas of Thomas Jefferson and Adam Smith. In this paradigm, people are equal and free to pursue their goals and the markets depend on that freedom in order to work (see “A Vision of Virtue,” page 22). Millstein’s own contribution to this paradigm was the recognition that “people are fine, but they’re not perfect” and cannot be depended upon to act benevolently. Accountability happens, Millstein realized, only when “everybody is watching everybody.”

Millstein began his work in shaping the role of corporate boards in the 1970s, after years of working as an antitrust lawyer. Since then, he has helped transform the relationship that shareholders and boards of directors have with management, encouraging all of them to scrutinize one another. Millstein has made shareholders more likely to respond when a company’s performance is slipping, and he has made boards of directors more aware of their role in making sure that a company is well managed. A conscientious board, Millstein contends, can perform the Jefferson-Smith balancing act of having imperfect people work together to make the world a better place.

The Botwinick Prizes, said Hubbard, “symbolize the importance of the ethics program at the School.” He stressed that prize recipients are recognized “not just for their commitment to the idea of ethics but for developing practical and real solutions for ethical issues.” Past recipients of the prizes include Eugene M. Lang, MS ’40, founder and chairman emeritus of REFA Technology Development Corporation and of the national “I Have a Dream” Foundation; Anita Roddick, CEO of the Body Shop; Lord David J. Sainsbury ’71, who recently stepped down as chairman of J Sainsbury plc to become Britain’s Minister of Science; and Washington Z. SyCip, founder of the SVC Group. The School’s ethics program was founded with a gift from Benjamin Botwinick, BS ’26, and his wife, Bessie, both of whom attended the awards event last fall.

LICHTENBERG RECEIVES SCHUMPEFTER PRIZE

Frank Lichtenberg, the Courtney C. Brown Professor of Business, was awarded the 1998 Schumpeter Prize by the International Schumpeter Society for his study titled “Pharmaceutical Innovation as a Process of Creative Destruction.”

The society, founded in 1986 with members from 37 countries, recognizes scholars who advance the work of Joseph A. Schumpeter, an Austrian-American economist and social theorist who originated the idea of creative destruction. This theory holds that new products create substantial value for consumers but undermine or destroy existing organizations, markets and institutions.

Lichtenberg’s research examines the influence of new drugs on several factors: demand for existing drugs, total market size, human life expectancy and overall economic growth. According to Lichtenberg, new drugs that improve on existing therapy expand the total market for drugs (new and old) that treat a given condition. However, new drugs that provide comparable but not improved treatment tend to deflate sales of existing drugs.

The research also indicates that innovation in pharmaceuticals has contributed significantly to the steady increase in Americans’ life expectancy and that, ultimately, government policies that influence firms’ research and development affect the life span of all Americans.
Do Institutional Investors Add Value?

14 Investor Mario J. Gabelli ’67 and Professor R. Glenn Hubbard and Gile R. Downes, Jr., present different perspectives on an increasingly important issue for shareholders.

Why Bet on Good Boards?

18 Do companies with effective boards fare better than those with ineffective ones? Executive-in-residence Robert W. Lear argues that the key lies in the relationship between the board and the CEO.
Egos and hidden agendas can often motivate the decisions of individual corporate directors. Ira M. Millstein, a pioneer of the corporate governance movement, presents a historical and philosophical essay on the eternal quest for virtue in the corporate paradigm.

A Columbia Business School professor places Shakespearean heroes in the context of modern-day business management. Diana Katz introduces us to Professor John O. Whitney, his innovative course and the future leaders who learn business from the Bard.
Shareholders’ Rights:
The Gandhian Approach to Corporate Governance

Mario J. Gabelli ’67

At Gabelli Funds, Inc., our magna carta states, “We are neither for nor against management. We are for shareholders.” Our main purpose is to help our shareholders’ money grow. Our clients do not hire us to fight with corporate management. We try to generate a 10 percent real return on shareholders’ money.

So, how do we get the attention of companies that we think are not doing a great job for shareholders? We take what we describe as a Gandhian approach to corporate governance. This is a form of forceful yet passive resistance that includes such methods as getting the press involved. For example, about three years ago, after we had acquired 10 percent of Santa Anita Companies, management threw up what we considered a Berlin Wall around shareholder values. The company agreed to sell to Colony Capital (where a Santa Anita director was CEO) a sizable block of stock at about $15 per share—about $15 per share less than what we calculated was the underlying value. It was an insider deal that, in our view, was not consistent with shareholder democracy.

So, what did we do? We notified the press. (We got the idea from the Pilgrims of the 17th century, who would put you in the stocks when you committed a crime to serve your appropriate tour of duty and expose you to public ridicule.) When the Los Angeles Times called, we pointed out, “It smacks of grab, grab, grab. This is not consistent with shareholder democracy.” In another article, I believe I was quoted as saying the deal stinks to the high paddocks. They wrote these things, among others, in the newspaper. Finally, after three or four quotes like this, the fellow called me and said, “Mario, I don’t want this company.” How did that happen? Well, his son would come home from school and say, “Dad, why are they saying these things about you?”

The Gandhian approach, in our context, also means we will not show up at an annual meeting, so the directors won’t get a quorum.

Continued on page 16
Hearing voices:
Institutional Investors, Corporate Governance and Performance

R. Glenn Hubbard and Gile R. Downes, Jr.

Given the rising importance of institutional investors as shareholders of U.S. corporations, one might ask whether and how those large shareholders can improve corporate performance. Exploring these questions is tricky because it calls for an investigation of institutional investors’ attitudes toward monitoring and governance and of the degree to which investors’ actions actually affect corporate performance.

The call for institutional investors to not just sit there but do something mirrors their sheer importance as shareholders and an intuitive belief that they may be skillful at improving the performance of firms. Nonetheless, to the casual reader, there may appear to be a wide gulf between practitioners’ views about the value of institutional investor activism in corporate governance and the views of financial and legal researchers. The nub is this: While the idea that institutional investors’ concern over corporate governance practices is a good thing, compelling empirical evidence linking activism and performance is lacking.

To bridge the gap between academic research and practitioners’ beliefs, we interviewed senior officials (the CEO, chief investment officer or general counsel) of 10 large institutional investors (mutual and pension funds) holding combined equity assets in 1998 of about $1 trillion. Using a detailed survey and personal interviews, we probed the mechanics of proxy voting, investors’ views of monitoring and corporate governance, and cost-benefit assessments of governance-related activism.

Our interviews yielded several important findings. First, while institutional investors agree on a definition of fiduciary responsibility, all have improved efforts in proxy analysis and voting in recent years by developing in-house proxy administration departments and employing voting services and consulting firms, such as Institutional Shareholder Services or the Investor Responsibility Research Center.

Continued on page 17
Another tool is technology, specifically the Internet. For example, our firm was sued by a closed-end fund shareholder who, although we told him he was wrong, refused to drop the suit. So we put his name and the names of his lawyers on the Internet and laid out our observations that they were careless and sloppy in their claims against us. All of a sudden, they realized that their names were known to the world and that anyone conducting an Internet search on them would come across this information and read our views about what they did. So now they have settled with us. There are many ways we can use modern tools cost-efficiently to instill effective corporate governance.

We created a “Magna Carta of Shareholder Rights” that states what we stand for so that companies we invest in know in advance, for the most part, how we would vote. We are in favor of

- Cumulative voting
- Golden parachutes (Why? Because we want management to think about harvesting for us and not worry about the next job.)
- One share, one vote
- Cash incentives
- Preemptive rights.
- We will vote against
- Greenmail, or voluntary repurchase of a hostile would-be acquirer’s shares at a price significantly above market
- Poison pills, or antitakeover provisions
- Supermajority voting
- Blank check preferreds
- Superdilutive stock options
- Option resets.

This is our policy, but we will make exceptions when we encounter management that demonstrates superior sensitivity to the needs of shareholders.

CEOs frustrate me when they build moats around themselves and when the moats deal with any issue of corporate governance that precludes shareholders who have strong opinions—particularly when the shareholders have been in the stock for five or 10 years. Poison pills are a clear example of where managements, in my judgment, are creating bad will between themselves and their shareholders.

We tend to be small-company oriented, so we need to telegraph to management where it should go to earn a return for shareholders and how we would vote on that. We have a proxy voting committee consisting of lawyers and analysts who research and track the companies we have invested in. They try to find out if the management is oriented toward shareholders or trying to enrich or entrench themselves. Then panel members vote on these issues, and we document the votes and report them to the plan sponsor, as is required by law.

In closing, in the best of all possible worlds, corporate managers view shareholders and their representatives as partners, not adversaries. The best way to maintain this relationship is through truly democratic corporate governance. We believe it is an important part of our job to respond passively, but forcefully, on issues that challenge corporate democracy.

Mario J. Gabelli is chairman of Gabelli Funds and adviser to the Gabelli family of mutual funds and Gabelli Asset Management Company, a money management firm. A member of the School’s board of overseers, he is a leading practitioner of the Graham and Dodd school of securities analysis.
Second, despite broad verbal agreement among the institutional investors about the importance for corporate performance of shareholder rights, effective boards, and efficient CEO compensation and succession, the net economic value of good governance and shareholder activism is still a matter of much debate in the industry. Mutual fund investors tend to believe strongly that there is no one-size-fits-all approach to corporate governance and are therefore disinclined to attempt imposition on their portfolio firms of any form of best practices model, such as those emerging in recent years from leading good governance proponents like TIAA-CREF and CalPERS.

Third, while investors may refer to corporate governance in their monitoring and intervention, informal or formal investor actions relate more often to perceptions of poor performance. Except in highly publicized cases of allegations of excessive executive compensation, dysfunctional boards or fraud, it is generally only after firms are identified as long-term underperformers that governance practices are given more-than-routine scrutiny.

Fourth, institutional investors view good governance as most valuable when a firm or its industry is in trouble. Despite somewhat differing views on the overall value of good governance practices, all investors in our sample agreed that having an independent board, solid succession plans and shareholder rights unfettered by restrictive anti-takeover measures helps to assure the fastest possible recovery for the firm and share values.

Fifth, while many commentators note that private and public institutional investors differ in their assessments of the costs and benefits of shareholder activism, we find that this disparity is less clear than it appears at first glance. Many institutional investors themselves, while expressing agreement about the importance for corporate performance of shareholder rights, effective boards, and efficient CEO compensation and succession, are skeptical of institutional investor activism per se. Indeed, most investors stress monitoring and activism related to measures of performance, as opposed to governance in isolation.

These results support the notion that concerns over corporate governance practices are important. All institutional investors interviewed expressed detailed and well-researched views on corporate governance. Our findings suggest the desirability of reorienting academic inquiry toward these questions: First, does the perceived importance of corporate governance best practices translate into improved corporate performance? Second, are institutional investors more likely to choose companies meeting these characteristics or to influence these characteristics? Third, does the emphasis on the importance of good governance in bad times suggest pitfalls in attempting to ascertain empirical links between governance and performance?

This article is based on the forthcoming report of the Columbia Corporate Governance Project. We are grateful to executive-in-residence Ehud Houminer, a project coordinator, for his advice and suggestions. R. Glenn Hubbard, codirector of the Columbia Corporate Governance Project, is the School’s Russell L. Carson Professor of Finance and Economics. Gile R. Downes, Jr., conducts research for and is the coordinator of the Project.
Why Bet on Good Boards?

BY ROBERT W. LEAR

For the last 20 years or so, corporate governance critics have been urging boards of directors to make a number of “constructive improvements” (in other words, to clean up their acts!). These observers include the institutional shareholders, such as CalPERS; blue ribbon commissions from the National Association of Corporate Directors; the Business Council; the Securities Exchange Commission and Arthur Levitt; relational stockholders, like Nell Minnow; all kinds of academics; and many writers and consultants, such as myself (I write a regular corporate governance column for Chief Executive magazine and am a principal in the corporate governance consulting firm Lear, Yavitz & Associates).

Most of the critics call for greater independence for boards, with fewer insiders and fewer beholden directors—lawyers, bankers, consultants who do significant business with the company. They advocate the adoption of written principles of governance and believe in regular formal appraisals of the CEO, the board and the directors themselves. They do not want the CEO to dominate the board but want the board itself to determine who should be the new director nominees, who should chair and be appointed to committees, what and how directors should be paid and when they should retire and, perhaps most important of all, they want the board to have the primary say when it comes time for management succession.

These functions are a far cry from the days when CEOs did all these things to their own satisfaction and pretty well determined their own pay, perks, board procedures and their own successors.

There is no question that much progress has been made, largely on a voluntary basis—there has been relatively little legislation and regulation in regard to corporate governance. Boards are getting
Why Bet on Good Boards?

better, in that fewer insiders and beholden directors are being elected, much greater diversity is taking place and much stronger board committees are being developed. Even among the largest companies in the United States, it is fairly commonplace for boards to replace the CEO and shake up the corporation when things go awry.

Now, however, some critics—notably academics—are saying, “Is all this corporate governance turmoil really worthwhile? Do companies with “good” boards fare better than companies with “bad” boards?” In an article in Chief Executive magazine, Dean Dan Dalton and Professor Harold Poling of the Kelley School of Business at Indiana University contend that “there is no relationship between the independence of the board of directors and corporate financial performance—none whatsoever.” They cite a meta-analysis of 40 years of data and more than 40,000 companies. In effect, they believe that the CEO makes the difference without regard to the board.

Now, I am not much for arguing against meta-analysis or academic research as such, but I would like to argue a few elements of the case.

I’ll start off by agreeing on one point made by my Indiana academic friends—the CEO is the most important single ingredient. A brilliant, driven, vital CEO can make a company go for some time, regardless of his or her board’s competency. In small companies and start-ups, the founder rarely has an experienced board behind her or him—it is his or her talent that makes the company grow in quantum fashion. So, too, is the acquisition genius who is able to negotiate deals and perform financial manipulations—he or she does not need or want board help, as witness some of the great raiders of the ’80s. Some of the leveraged buyout and venture capital firms have done extremely well in financing companies and in taking strong positions themselves on the boards.
Who needs boards when you can find these wonderful CEOs? Well, not all those CEOs are quite so wonderful as they appear to be at first blush. Some crash and burn, like most of the raiders of the '80s. Some are good up to a point but can't cut the mustard when the company grows beyond the length of their arms. Some make critical mistakes of judgment with only yes-men to guide them. Some—maybe most—are incapable of finding appropriate successors for themselves when and if they do retire. These one-trick ponies appear far too often in U.S. corporate boardrooms.

Isn't it far better to have a combination of a top-flight CEO and a talented, experienced board? The board can support the CEO, help prevent serious errors and, of course, see that the right successor is planned and instituted.

How much better it is to have a Jack Welch, who reorganized and revitalized GE and at the same time is planning for the future with full-board support. And there are many other great CEOs like him who have built for the future—Andrew Grove of Intel, Charles Knight of Emerson, David Johnson of Campbell Soup, Lawrence Bossidy of AlliedSignal; they build good companies and good boards.

Contrast Jack Welch with Michael Eisner, who may be just as talented an individual, but who has a docile, captive board. Eisner placed his company in jeopardy when he lost his key executive team and then underwent a major operation without a successor. He is a CEO who pays himself excessively and indulges in personal whims like the Ovitz caper. Something is wrong with this picture, and it's the lack of corporate governance. I think of Peter Grace of W. R. Grace, John Sculley of Apple, Al "Chainsaw" Dunlap of Sunbeam and William Agee of Morrison Knudsen—talented executives all, for a time, but who had pussycat boards and left their once-great companies with weak earnings and no plans.

It is a common mistake of many so-called board pundits to judge a board primarily or exclusively on its composition. Simply because a board has a woman, an African-American, an academic, no conflicted lawyers or bankers, no relational shareholders and only one or two employee directors does not in itself make a board "good." Some of the "worst" boards Dean Yavitz and I have found in our annual Best/Worst Board Survey have been staffed with so-called independent directors who were pals of the CEO and were loath to criticize him while the company struggled.

A good board keeps the CEO and the company on their toes. It asks tough questions about lack of progress, about new products and markets, about capital projects, about new financing. It takes executive compensation and auditing practice seriously. It participates in strategic planning and in major decisions. It evaluates the performance of the CEO and the board itself. It is ever aware of management succession. It always represents the best interests of the shareholders.

Do good boards make a difference? You bet they do.

Robert W. Lear, a principal in the corporate governance consulting firm Lear, Yavitz & Associates, will retire as executive-in-residence from Columbia Business School in June. He currently serves on the boards of Newsbank, Ronin Development, the David Deutsch Company and Columbia Business School.
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I grew up in New York, a child of the Depression, and entered the thinking stage during the Second World War. Of course, I didn’t like any bit of it. In the perhaps oversimplistic view of youth, I attributed the Holocaust and the aggressions of the time, East and West, to unreasonable men with unyielding ideologies wielding uncontrolled power; I came to abjure all ideologies as too constraining and too certain of themselves.

It took some maturity, higher education and experience to find a more flexible and comfortable paradigm within which to think—a paradigm combining the Jeffersonian vision expressed in the Declaration of Independence, the free-market vision of Adam Smith’s Wealth of Nations (both first published in 1776) and the age-old vision of a world order based on morality, justice and mercy.

Jefferson’s gift: “All men are created equal . . . endowed by their creator with . . . inalienable rights; that among these are life, liberty and the pursuit of happiness, and that to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed.” The individual equal to other men, with a right to be left alone in a world where opportunity...
exists, to make it or not in accordance with abilities and desires; with government only to the extent necessary to assure opportunity, sometimes to provide opportunity and to protect the fallen—our national character is based on this vision. Seymour Martin Lipset today describes our character as comprising liberty, egalitarianism, individualism, populism, laissez-faire, equality of opportunity regardless of socioeconomic condition, antistatism and individual “rights.” Certainly the Jeffersonian vision will never be totally fulfilled, but I believe it’s worth striving for: And the striving is what counts.

Jefferson’s vision requires a free market, and Adam Smith’s vision of a free market requires a Jeffersonian vision. The market—be it for goods, services, capital, people or ideas—cannot exist in a totalitarian world. The market requires freedom to interact, compete if you will, in the belief that interaction among people free to pursue their individual concepts of self-maximization will ultimately bring greater public and social good than state planning. Again, there will never be a perfect market, but it is the vision of that market and the striving for that vision that count.

But, importantly, Adam Smith relied for his market vision on a view of a highly moral man—early in his career, Smith held the Chair of Moral Philosophy at the University of Glasgow. In his Theory of Moral Sentiments, he expected men to have the virtues of “prudence, justice and beneficence, temperance, decency, modesty and moderation;” men who
would be “scrupulous . . . never either to hurt or offend.” And Jefferson recognized inalienable rights endowed by the creator.

This brings us to the third vision—morality, justice and mercy. None of us, nor will society, always, or maybe most often, do the right thing. But having some vision of the right thing and striving, even unsuccessfully, to do it is what counts.

For me, these three visions, combined, form a worthwhile paradigm within which to think about a society and its working parts.

Virtue Beclouded by Self-interest

I have spent the bulk of my professional career working for, against and certainly around corporations. Arguably, our modern society and our individual lives are dominated more today by the market and its primary player, the corporation, than by government or even religion. Let’s examine how my paradigm fits in thinking about this very significant organism and its functioning in society. For focus, today, let’s grant the existence of markets and political freedom and examine virtue and morality.

Can we rely on Smith’s virtuous man to direct the corporations that affect all of us, when we know we cannot be counted on ourselves always, or even most often, to live up to that vision?

The state-chartered corporate structure apparently doesn’t think so: managements are to be accountable to boards of directors, and boards are to be accountable to shareholders. The corporate structure is designed to provide some checks to the power of managers using other people’s money, but checks on power and discretion display a certain lack of confidence in universal virtue, and rightly so.

The men and women who run the world’s significant corporations are not accidental arrivals or saints. For the most part they are ambitious, hardworking, dedicated individuals with the drive, ambition and talent to weather the vagaries and intrigues that permeate any large organization and to succeed. For the most part they treat their families and friends within a range of acceptability, and, within a range of acceptability, feel appropriate compassion for their fellow men and women, their employees and members of their communities. They are not much different—altogether—than the rest of us, and they have the qualities to succeed at what they set out to do. Accordingly, I don’t see them as villains or heroes. I see them as flawed humans, just like you and me, certainly sharing a vision of the right thing, but sometimes not accomplishing it.

Imperfect human beings have a tendency to act perhaps not quite selfishly but in their own self-interest. Who among us is so perfect as not to believe that when acting in his own self-interest he is really benefiting the people who depend on him? A difficult example: At the height of corporate power, where discretionary time and corporate money are more available, how many executives reach out to serve on a host of business and government committees or to donate funds to philanthropies? Such activities can always be justified in terms of benefit to the enterprise’s reputation through the enhanced visibility of the executives and the contribution to social progress or important causes. Yet how much of the exercise is self-interest and ego, and how much is truly for the benefit of shareholders?

Integrating Social Concerns and Profit Maximization

Governance of our major enterprises is intended to deal with people like ourselves who are succeeding but who may be acting in their own self-interest. It is intended to develop the means to monitor and appraise their performance, provide incentives and remove them in a timely manner when they are failing. And the task of finding, monitoring and mentoring these persons, who are generally as imperfect as the rest of us, has to be performed by other successful men and women who are also imperfect—the
be less regulated. To the extent they don’t meet expectations in addressing the extrinsics, there will be more governmental intervention and intrusion. The task is to find, wherever possible, the means to integrate these concerns while being profitable.

Freedom in the Marketplace

Certainly the primary responsibility for achieving integration lies with management. But integrating also implicates the board, for it is part of the board’s role to view the corporation in a broader context and to integrate these extrinsics into management’s decision-making process. Because the board is not as steeped in day-to-day concerns as is management, it can pull back and regard these issues in conjunction with the immediate management concerns at hand. Such diligence is not simply aimed at achieving goodwill; it ensures that the corporation continues to earn its freedom in the marketplace.

The board of directors, then, has at least a dual function: overseeing management to ensure that it is performing in the interests of the “owners”—the shareholders—rather than its own quite normal self-interest and overseeing the integration of extrinsics. Indeed, the board is best positioned to oversee both because it is sufficiently removed, and yet sufficiently informed, to keep both in focus.

In returning to my paradigm of individual liberties, the market and the virtuous man, let’s continue to focus on the virtuous man. The board of directors is the surrogate for the owners to curb self-interest on the part of management, promote efficient performance and integrate extrinsics. It therefore is an important supplement to the virtuous man, which no one of us—individually—can be expected to be at all times. And shareholders must understand that directors are not invariably virtuous either. Hence, shareholders must be vigilant to place people in the role of director who understand their tasks and, more importantly, to remove those who don’t. I see no further source to supplement individual virtue. We have to stop somewhere and hope that individual virtue plus the board will make the paradigm work. I personally think that they will—if we promote and encourage both.

Ira M. Millstein, senior partner and member of the management committee of Weil, Gotshal & Manges LLP, is one of the founders of the corporate governance movement. He is credited with making corporate directors more aware of their responsibility, as shareholder representatives, to ensure that their companies are well managed and with making shareholders more likely to act when performance is poor. This year’s Botwinick Prize for Ethical Practice in the Professions was awarded to Mr. Millstein in recognition of these contributions.
Late on an autumn Monday afternoon, about 60 Columbia Business School students sit in a dark classroom watching an excerpt of King Henry IV, Part I, by William Shakespeare. During the 10-minute clip, Henry IV chews out his son, Prince Hal, for getting sloppy drunk in public and carousing with commoners. “For thou hast lost thy princely privilege with vile participation,” the king bellows. When the lights come up and the BBC videotape stops, John O. Whitney, professor of management, launches a critical discussion.

“So,” he asks. “How’s that for an annual merit review?”

And an analysis of Henry IV, CEO, begins.

One student backs up Henry: “People won’t have faith in you if you go around playing practical jokes in the office.”

Another objects: “The king’s micro-managing.”

Clearly, this is not your average Shakespeare class. These students are not reading Henry IV to learn more about iambic pentameter or to round out an especially spreadsheet-heavy term. This is a business course, and Whitney’s students are here to learn how to manage, to follow and—especially—to lead, by reading Shakespeare.

“In Search of the Perfect Prince” is a Shakespeare class that views the dramatis personae through the context of leadership. From Henry V’s rallying speeches to Coriolanus’s ruthless assaults, from Hamlet’s soul-searching to Othello’s acts of revenge, students contemplate which behavior makes a character effective or ineffective as a leader.

Whitney, the creator and teacher of this course (taught for the first time in fall 1998), is no tweedy English PhD, but a renowned and popular professor at the School; codirector of
the W. Edwards Deming Center for Quality, Productivity and Competitiveness; former CEO of several turnarounds; prolific business speaker and writer—and he was an Elizabethan literature major in college.

Also a Rhodes scholarship candidate at the University of Tulsa, Whitney turned down an opportunity to pursue a PhD in his major (in fact, he has never earned a graduate degree). Whitney knew he was destined to dedicate his life not to the Bard, but to business.

Within seven years of graduating, Whitney had founded his own advertising agency, the most successful firm of its kind in the Tulsa area, and he also established his own consulting firm. Since then, he has spent five years as the president of Pathmark Supermarkets and nearly 10 as the president, chairman, director or CEO of several turnaround companies. He has taught at Harvard Business School and Columbia, written two books (and is at work on a third: In Search of the Perfect Prince, based on the course), appeared regularly on television and conducted seminars abroad. And, on occasion, he has read from a book of Shakespeare’s plays.

“I’ve always been able to relate to some Shakespearean character in what I do, and it’s given me a lot of comfort,” Whitney says. “Shakespeare mixed in every leadership issue I’ve ever faced as a businessperson: how I lead people, how I follow, the way I conduct myself, the way I think. He holds up a mirror which has not only reflected but magnified the mistakes I have made. He has reached across the centuries to give me a few pats on the back for things I might have done well.”

This explains why Shakespearean plays make a viable reader for a leadership course. While many literary works, from the Bible to
Ron Chernow’s Titan, could also be used as leadership course material, only Shakespeare managed to encompass the issues of leadership so thoroughly.

“The Elizabethans were obsessed with the monarchy,” says Whitney. “Pre-Renaissance England had suffered grievously from tarnished leaders. Serious problems of leadership and succession persisted for the 136 years between Henry’s death and Elizabeth’s coronation.” Shakespeare and his audience were earnestly in search of the perfect prince.

After half a lifetime of leading companies, heading up turnarounds and teaching others how to do so (and occasionally meeting other top CEOs who had a closet passion for the Bard), Whitney, one of the most in-demand professors at the School, developed a leadership course based on Shakespeare.

Most of the readings are Shakespeare’s plays, but there are also plenty of other materials: an interview from the Harvard Business Review with Franco Bernabe, then of Italy’s Eni; John Byrne’s epic Business Week article on Jack Welch of GE; guest appearances in class by the likes of Bud Gravette, CEO of the Turner Corporation; satirical articles from the New York Times about Bill Clinton’s troubled presidency; a healthy dose of Machiavelli; copies of Queen Elizabeth I’s most famous speeches; clips from contemporary films such as Wag the Dog; and plenty of class discussion.

Each class focuses on one play (supplemented with the other materials) and hammers out several major management issues: How does Henry IV compare to Al “Chainsaw” Dunlap (formerly of Sunbeam Corporation)? Will King Lear, who almost murders Kent for telling him the ugly truth about Lear’s elder daughters, ever get an honest appraisal from anyone ever again? What can we learn from Iago about how employees behave when passed over for a promotion? Why does every enterprise need a Coriolanus, but not as CEO? Are Henry V’s reasons for firing Falstaff valid?

These questions engender astute and surprising comments from the students. During a Hamlet discussion, Whitney asked if anyone would hire Hamlet as an employee. The class broke up into groups of four, and then students came back with a unanimous opinion about perhaps the most celebrated protagonist in all of English literature: no.

“We couldn’t find a good use for Hamlet, period. He’d sit around and plan all day.”

“He didn’t know how to organize people; he was way too emotional.”

“He shows that he has convictions, but he’s not really a doer.”

“He’s a good brainstorming person . . . maybe a person to bounce ideas off of.”

Former English majors might wince at such a quick dismissal of the pained prince of Denmark. In business school, however, Hamlet comes out the loser—conscientious, yes, but stuck in “analysis paralysis.” This is not to say that students have no literary appreciation for Hamlet and the other plays.

Jason Kritzer ’99 is a self-confessed Shakespeare “convert”
who slogged his way through the requisite Shakespeare unit in high school English and never saw any relevance in Macbeth or A Midsummer Night's Dream. "I never really had anything to connect Shakespeare to," he explains. "I had nothing to apply it to."

And relevance, says Wendy Kritzer, Whitney's research assistant and Shakespeare expert on-call (as well as Jason's wife), who has taught Shakespeare to high school students, is what any student needs to find in literature for it to be meaningful, whether he or she is a teenager or a business student. "Unless students find relevance... the class doesn't go anywhere, and the students don't get it and they don't care about it," she says.

Whitney sings the praises of Wendy Kritzer and another research assistant, Ken Craddock, as well as his full-time assistant, Joy Glazener, who have helped shape the course through their research, conceptual suggestions, and ideas for exams and papers.

Although there are a few former English majors who began the class with a full-fledged love of Shakespeare, most students' sentiments echo Jason Kritzer's. "When I was in high school," says Karim Rochelle '99, "I didn't take Shakespeare seriously, and I used to make fun of whatever play we were reading at the time." But in Whitney's class, "I got into Shakespeare. I really like it. It was fun, maybe because I'm developing a side of myself that I haven't developed in a long time."

"The class shouldn't be such an anomaly," says Jessica Bier '99. "You can always teach someone technical skills, but this is something that you can't train. This is the sort of education that you're not going to get from a future employer. Shakespeare wasn't writing about LBOs or IPOs, he was writing about what is at the core of a human being."

Another reason that his students have become new aficionados of Elizabethan literature, says Whitney, is that "the language is so powerful that it pulls people into it. There's more evocative stuff in Shakespeare than just in local hearsay, what I call the 'me and Joe went fishing' folks."

Whitney often asks students to read monologues aloud, such as Hamlet's "to be or not to be" speech, which, he reminded his class, "is the most famous speech not just in Hamlet but in Shakespeare's whole career."

Although students sometimes sound more like Columbia Follies than the Royal Shakespeare Company, it certainly beats "me and Joe."

Whitney himself shies away from telling personal anecdotes and even apologizes for them when he rarely indulges. But Whitney is not just modest, he's a staunch proponent of the Socratic method and wants students to learn from themselves. Group discussion sometimes consumes 100 percent of the nearly three-hour class, and lectures happen only when a guest speaker drops by.

Throughout every class, Whitney places query after query on the overhead projector ("How will we, as CEOs, be like Henry IV? Hotspur? Prince Hal? Falstaff?"), and his students begin debating. Occasionally, he asks more
John O. Whitney's "In Search of the Perfect Prince" views the dramatis personae through the context of leadership. From Coriolanus's ruthless assaults and Hamlet's soul-searching to Othello's acts of revenge, students contemplate which behavior makes a character effective or ineffective as a leader.

troubling and personal questions: Has anyone here ever fired someone or been fired? Has anyone overheard a conversation colleagues have held behind his or her back? Has anyone been severely rebuked by a boss?

“You don’t have to answer,” he says if he senses that a question is too private for class discussion. “This isn’t a Quaker meeting. Just think about it.”

“Thinking about it” is the key objective in a Whitney class. “The most learning comes from within, and you just have to find someone to help you turn it out, or you figure it out yourself,” he says. “The Sophists made their living going around and giving speeches, saying this is the way you should think, this is what you should do,” Whitney explains. “But in my view . . . and in Socrates’ . . . people weren’t really learning anything. So I want my students walking around out there still thinking about it, still a little uncertain.”

As a teacher, Whitney is calm and good-natured, encouraging the rare reticent student to venture forth with an opinion (“If the spirit moves you, raise your hand,” he prods. “Tough question—take your time to think about it.”)

Almost self-deprecating, Whitney is constantly reminding his class that he is still learning too. “The correct answer sometimes is, ‘Professor, that’s a dumb question,’” he has said. Or: “That confirms what I told you in the first class: I’m not a Shakespeare expert, I’m a student.”

Whitney’s students speak about him in reverent tones fit for one of Shakespeare’s kings. “He is a master teacher,” says Bier. “One of the reasons that the students love him so much is because as a human being, he’s so special,” says Rochelle. Almost all say their primary motive for taking the class was simply to take Whitney—no matter what he was teaching.

Whitney regards his students with equal esteem. In October, he told the class that their midterm papers had all been either “excellent” or “just damn good.” And at the end of one class in which the discussion had been particularly animated, he said, “Folks, you just astound me. You come into this class and you just tear it apart—I look forward to this more than anything that I do.”
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MONDAY, MAY 3, 1999
6:00–9:30 P.M.
THE WALDORF-ASTORIA

The 1999 Distinguished Leadership in Business Award will be given to
Professor Meyer Feldberg ’65, Dean of Columbia Business School,
in honor of his 10th anniversary as dean.

The 1999 Distinguished Leadership in Government Award will be given to
United States Senator Charles E. Schumer.

Columbia Business School’s Annual Dinner is one of Columbia University’s
most prestigious annual activities and a highlight of the New York business community’s calendar.
The fund-raiser is attended by more than 1,200 members of the Columbia community,
including corporate executives, alumni, faculty members and students.
If your firm would like to participate, corporate table sponsorship opportunities are available.

Lead Underwriter $50,000 (two tables)
Leadership Sponsor $20,000–$30,000 (two tables)
Dean’s Circle Sponsor $15,000
Corporate Table Sponsor $10,000
BY MELANIE CONTY

Comfortably ensconced in her brick-and-stucco house in Jackson, Miss., a town once known mainly as a stopover between Memphis and New Orleans, Eudora Welty ’31 has created some of the finest literature of this century.

“I once was asked to tell one of my stories in my own words,” remembers Welty, who has been described as the most acclaimed Mississippi author this side of Faulkner. But a long time ago, on the cusp of adulthood, the writer who would eventually help transform the face of American fiction decided that she needed to study business.

“If you were going to be a writer you needed another way to earn your living,” Welty says her Ohio-born businessman father, Christian Webb Welty, told her when he learned of her decision. So in 1930, after earning a bachelor’s degree from the University of Wisconsin, she went to New York City and entered Columbia Business School to prepare for a career in advertising. “At that time, most all that girls could do was either teach school or go into business,” she recalls. “I didn’t want to teach school, so I spent over a year in New York going to school. I didn’t get any kind of business degree. All I did was take courses in business so I could apply for jobs.”

Welty, who as a child had accompanied her father to New York on business trips, enjoyed her time at the School. “The year at Columbia was the most marvelous year,” she recalls. When course work was done, she and other Jackson residents living in Johnson Hall, then a University women’s residence on 116th Street and Broadway, would go dancing in

“There’s no way to unimagine something once you’ve imagined it. I don’t mean it’s going to be a success, but the act of imagining has its own velocity, its own power.”

—Eudora Welty ’31
Harlem, see Noel Coward on Broadway or stroll through Greenwich Village. “We would just go down there, wandering around Minetta Lane, to Romany Marie’s, and places like that. In that year, the theaters couldn’t have been more wonderful.” After completing her studies, Welty landed a job at a Manhattan advertising firm. Although not writing fiction, she was living a dream.

But then came the Depression—and her father’s swift and unexpected death from leukemia in the fall of 1931. Welty chose to leave her vibrant, self-made city life to return to her mother, Chestina Andrews Welty, and two younger brothers, Walter and Edward. “I was 22 when I came home,” she says. Her father, gone at the age of 52, “never knew if or what I could write.”

Back in the bosom of her family home, where she would stay, Welty went to work for WJDX, Jackson’s first radio station and one her father had helped found. There, Welty ghostwrote program schedules as well as much of the station’s newsletter, Lamar Life Radio News, and fan mail (“Dear WJDX, I love getting the opera on Saturday. Don’t ever take it away!”).

Then, in 1933, she took a job that would forever alter the course of her life and her writing. Welty went to work as a junior publicity agent for the Works Progress Administration, a program created by President Franklin Delano Roosevelt to relieve the Depression’s rampant unemployment. The job required her to travel throughout Mississippi and report on the living conditions of its people, exposing her to settings and ways of life she had not experienced while growing up down the street from the state capitol.

“For the first time, I saw that Mississippi was a rural world. I found it much easier to write about than a town,” she says. “What I discovered was the people in the rural setting. They were poor. It was all so much worse than I could have imagined. They had no radios, no TV’s. They were living in small shacks and cabins and were cut off from things.”

Throughout her career, Eudora Welty wrote her fiction in longhand, cutting and pasting the paragraphs to make her words flow. The writer turns 90 years old in April.
Welty interviewed these people and photographed them engaged in their daily lives. Her passion, she realized, "would be not to point the finger in judgment but to part a curtain, that invisible shadow that falls between people, the veil of indifference to each other's presence, each other's wonder, each other's human plight."

For a time Welty thought photography might be the way to do this, but she ultimately embraced her first love—writing. The Mississippi images that had etched themselves into her mind flowed through her imagination and became the unique and memorable characters and scenes of her world-renowned stories.

Welty has said that while those travels helped provide the meat of her fiction, her 1970 novel Losing Battles was a direct outcome. "I read the county papers in Mississippi as a result of working for the WPA," she remembers. "Everything was there if you'd only interpret it, things that would never happen in Jackson, and very touching stories. They would deal with people like those in Losing Battles." Family reunions, trends, gossip—all could be discovered in the local newspapers. "That gave me a picture of what life was like, much as I think it did for Faulkner."

In 1936, at the suggestion of writer friend and neighbor Hubert Creekmore, Welty sent a short story titled "Death of a Traveling Salesman" to Manuscript—a small, Ohio-based magazine. To the surprise of both writers, the editors published the story—Welty's first published piece. "I didn't sell any other piece for a long time," she says, "but it made me feel that I was connected to the world. I could write something someone else could read. It sounds very simple, but it's like a revolution in your brain."

That small success would be the beginning of a writing career during which she would attain worldwide acclaim and earn many distinguished awards, including the Pulitzer Prize, Légion d'Honneur and the United States Medal of Freedom. Welty's quiet, steady work in her room at 1119 Pinehurst Street would catapult her into the ranks of the nation's literary elite.

Contrary to popular belief, the writer, who never married, is neither reclusive nor priggish.

Indeed, as Kreyling's Author and Agent makes clear, Welty and Russell spent decades trying to attain recognition. But even through the early, frustrating years of few and scattered successes, the fruits of which made neither rich, Welty continued to create her fiction. "As time went on, I realized that the stories I was writing were related," Welty says. "People were there in other names, but they were the same characters at other times. It's just like your imagination to play tricks like that on you!"
To date, Welty has published four short story collections, three essay and book review collections and seven novels—one, titled The Optimist’s Daughter, won the 1973 Pulitzer Prize in fiction. In an attempt to satisfy queries about her personal life and discourage potential biographers, the extremely private author has also written a 100-page autobiography, One Writer’s Beginnings.

Recently, however, osteoporosis and severe arthritis have forced her to stop writing. “Since my right hand is so arthritic, I’ve been doing things with my left hand, like eating,” says Welty, who has called herself a “broken southpaw.” “I can do everything but write and brush my teeth.” On April 13, she turns 90 years old. “She uses a walker and is no longer able to go upstairs in her home,” wrote the journalist Michael Skube in the Atlanta Journal-Constitution after a visit with her in 1996—one of the last press interviews before her doctor forbade them. Friends say she is frail but still alert.

To be certain, Welty has lived a life of variety, from New York advertising professional to fledgling ghostwriter to epic author of fiction. Kreyling observes that Welty’s time at the School and in New York “probably had as much effect on her writing as being a Southerner, in a way.” The museums, plays and nightlife she loved so much left her with “an edge on her Southernness” and, subsequently, on her fiction.

Had she stayed in the city, writer and critics agree, her writing would likely have portrayed a different kind of scene and people, but the creator would have remained loyal to her love.

Concludes Welty: “I don’t know what I might have turned into if I had stayed up here [in New York]. But I know I would have written stories.”

This article is based on interviews with secondary sources as well as earlier published interviews with Eudora Welty, which are found in the books Conversations with Eudora Welty and More Conversations with Eudora Welty, edited by Peggy Whitman Prenshaw and published by the University Press of Mississippi, Jackson, 1984 and 1996, respectively.
Kevin Young had the perfect setup: a high-paying job at Microsoft complete with stock options, plenty of perks and a comfortable life in a high tech Mecca.

Why did he bag it all to come to Pittsburgh? FreeMarkets OnLine®.

“There are limited opportunities for people to get in on the ground floor of a hot, Internet-based company,” Mr. Young said. “That’s where the action is.”

FreeMarkets OnLine is the global leader in creating online markets for business-to-business purchasing. Using proprietary online bidding technology, world-class sourcing expertise and knowledge of global supply markets, the company organizes and conducts online bids that enable large buying organizations to purchase parts and commodities at competitive prices.

“It’s pretty clear the Internet is changing the way business is done around the world,” Mr. Young said. “The idea FreeMarkets has is really big. And it’s going to change the way both purchasing and sales are done in every organization around the world.”

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Atriums and floor-to-ceiling windows spread light and warmth throughout the new 83,140-square-foot business/law building, located on Amsterdam Avenue and 115th Street. The building, which opened for the spring term, is home to nine Business School classrooms as well as the entire Executive MBA Program. A gala opening celebration was held on March 4.
Sunlight streams through a windowed facade, illuminating rooms and stairwells in the attractive new building on the northeast corner of Amsterdam Avenue and 115th Street. Thanks to the efforts and generosity of loyal alumni, faculty members and friends of Columbia Business School, the business/law building is no longer a concept. It is real—all 83,140 square feet—and, in keeping with the McKim, Mead & White design of the Columbia campus, it employs neoclassical principles in a distinctly modern translation. The vaulted ceilings, glass walls and two-story atriums promote the sense of a modern, airy oasis in the middle of a dynamic metropolis. Workers broke ground at the site less than two years ago, and by January the $41 million structure, which is shared by the Business School and Columbia Law School, was open for business.

THE HEILBRUNN AND LEAR LEGACIES

Two of the many contributions that helped make this building possible come from Robert and Harriet Heilbrunn and the friends of Robert W. Lear.

The main foyer has been named the Robert and Harriet Heilbrunn Lobby, in recognition of a $2 million gift from the Heilbrunns—the most recent of several gifts reflecting their long-standing interest in and dedication to the School. Robert Heilbrunn got his start when, during the depths of the Depression, he met Benjamin Graham, cocreator of what later came to be known as the Graham and Dodd method of value investing. The two became close friends, and through that friendship Heilbrunn met Warren E. Buffett, a 1951 graduate of Columbia Business School, and then made his fortune investing with Buffett.

In another instance of outstanding munificence, more than 75 individual and corporate sponsors together contributed over $1 million toward naming the Robert W. Lear Amphitheater, located on the second floor. Many of these donors were former students who sought to acknowledge the impact Lear’s wisdom had on their lives.

In 1977, Lear, who earned his MBA from Harvard, founded Columbia Business School’s highly successful Executive-in-Residence Program, which brings practical experience to the classroom. “I am very fond of this school,” he says. “It has welcomed my ideas and suggestions and has been a home away from home. I have enjoyed it a
thousand times better than anything else I have done.” The Executive-in-Residence Program has brought some top business leaders to teach at the School, among them Oliver Sockwell, retired president and CEO of the Construction Loan Insurance Corporation (Connie Lee), Ehud Houminer, retired president and CEO of Philip Morris USA, Sabin Streeter ’67, retired managing director in investment banking at Donaldson, Lufkin & Jenrette Securities Corporation, and, of course, Lear, who retired as chairman and CEO of the F&M Schaefer Corporation and is now a principal with the corporate governance consulting firm Lear; Yavitz & Associates LLP. Lear is retiring from the Executive-in-Residence Program this year.

REACHING OUT TO ALUMNI


“There is a lot of enthusiasm among our alumni and corporate friends for the new building, reflecting support for the direction of the School and the steps we are taking to strengthen our program and better the overall environment and sense of community at the School,” Goeltz says.

Many individuals, groups and corporations gave generously, among them the nation’s top investment, consulting and accounting firms. “The mix of the School’s leading recruiters and individual supporters reflects a wonderful sense of partnership around the building,” says Marilyn F. Kohn, associate dean for External Relations and Development. Goldman Sachs, Morgan Stanley Dean Witter and Merrill Lynch led the way by naming amphitheaters, providing support from the corporation and the alumni at the firm. DJJ and Lehman Brothers similarly provided support for a classroom and the student lounge, respectively (Lehman’s second at the Business School). Chase Manhattan Bank also provided one of the campaign’s largest gifts, funding the student resource center on the second floor.

Another major source of support has been the reunion and class gift programs, with classes providing support for everything from telephones to classrooms.

The School recently launched an unusual fund-raising initiative. In recognition of a $5,000 contribution, the School places an inscribed name plaque on a classroom seat, or in recognition of a $2,500 contribution, the plaque is placed on a student locker.

As of February, 40 seats and 18 lockers had been named. These contributions combined with smaller donations totaled over $280,000. “The response has been overwhelmingly warm and positive,” says Kelley Martin, director of Individual Giving. “We’ve never had a naming opportunity like this before at this level. It just seems to be something that appeals to alumni and their families and clearly has sparked their imagination and interest.”

The seat and locker campaign led to many first-time donors taking the opportunity to honor someone—a teacher, relative or other mentor. One special gift came from Ellen and Louis Pettit, who met at the School in 1931—they bought seats next to each

NEW BUILDING LEADERSHIP GIFTS

Robert and Harriet Heilbrunn Lobby
Meyer Feldberg ’65 and Barbara Feldberg Lecture Hall, donated by their friends Russ Carson ’67 and Judy Carson
Class of 1969 Amphitheater
Classes of 1970 and 1971 Amphitheater
Goldman Sachs & Co. Amphitheater
Merrill Lynch & Co. Amphitheater
Morgan Stanley Dean Witter & Co. Amphitheater
Robert W. Lear Amphitheater
AlliedSignal Breakout Room
Class of 1995 Breakout Room
Ernest Higa ’76 Breakout Room
Ernst & Young Breakout Room
Nathan Gantcher ’64 Breakout Room
Nursalim Family Breakout Room
Philip H. Geier, Jr. ’58 Breakout Room
Richard Karl Goeltz ’66 Breakout Room
Robert A. McCormack ’68 Breakout Room
Salomon Smith Barney Breakout Room
Classes of 1987 and 1988 Atrium
Class of 1996 Communications Station
Class of 1998 and Paul B. Guenther ’64 Computer Center
Chase Manhattan Bank
Student Resource Center
Classes of 1972 and 1973
Student Study Center
OMRON Corporation Classroom
Donaldson, Lufkin & Jenrette Classroom
Burt B. Steinberg ’70 and Francine Steinberg Atrium
Roger F. Murray Faculty Suite, donated by Gabelli Asset Management Company
Lehman Brothers Student Lounge
Deloitte & Touche Conference Room
Paul Montrone, PhD ’66, and Sandra Montrone Amphitheater Technology
other: “With a twinkle in our eye, and a little chuckle, we said if you get those two chairs together, there will be a lot of students who will look at them and say, ‘Oh, look at those two old chairs!’” says Ellen Pettit, BS ’32. There is sentiment attached, too. In addition to meeting his wife at the School, Louis Pettit, BS ’32, fondly recalls his class with David Dodd, MS ’21, who admired Pettit so much that, at the semester’s end, he excused his star pupil from the final exam.

STATE-OF-THE-ART FACILITY

The building features cutting-edge technology, such as network jacks at every classroom seat, extensive audiovisual systems, ceiling-mounted LCD projectors, a cable-television distribution system and program and speech audio systems.

The Business and Law Schools share the 10,000-square-foot first floor, which features the Robert and Harriet Heilbrunn Lobby. Another highlight of the first floor is the Feldberg Lecture Hall, dedicated to Dean and Mrs. Feldberg by Russell L. Carson ’67, general partner at Welsh, Carson, Anderson & Stowe, and his wife, Judy. The lecture hall converts from a 70-student classroom to a very attractive event space when the sliding wall that separates the room from the main lobby atrium is opened. This floor also includes two Law School classrooms.

Floors 2 through 4 of the eight-story structure are devoted almost exclusively to the Business School and total 30,000 square feet. Floors 2 and 3 contain amphitheater classrooms modeled after Room 142 in Uris Hall, which was constructed as a prototype. These two floors additionally provide amenities ranging from breakout rooms to a computer help station.

The fourth floor features flat-floor classrooms with movable furniture to accommodate seminars, the Lehman Brothers Student Lounge and the administrative offices of the School’s Executive MBA Program.

“With first-class technology and distinctive high-end finishes throughout, the building makes a statement reflective of the quality of our faculty and students,” says John Preis, associate dean for Administration and Finance and overseer of the construction.

Monday through Thursday, the building’s nine Business School classrooms are used for MBA courses. Friday and Saturday, however, the EMBA Program takes over the entire building.

“The Executive and Summer MBA Programs are especially fortunate as chief beneficiaries of all new classrooms, in addition to the daily convenience of a more technologically advanced administration center,” says Dina Consolini, assistant dean of the Executive and Summer MBA Programs. “We are grateful for the chance to flourish in an exciting new environment.”

A LEGACY OF EXCELLENCE

One of Dean Feldberg’s first projects upon his arrival at the School in 1991 was to initiate a quest for more space. The concept of a new building was born. “We determined that a new structure would help catapult us into the ranks of the nation’s top business schools by the year 2000,” Feldberg says. “A major league school requires a major league facility.”

The dean has made clear that, despite the added classroom space, the number of students admitted to the School each term will not increase, and student selectivity will not decrease. The new building’s main function is to dramatically improve the quality of life and learning for the Business School community.

Says Feldberg: “The new learning environment is an embodiment of the educational and cultural distinction the School has stood for throughout its history and that has strengthened in recent years. With premier facilities to match our premier program, faculty, students and location, Columbia Business School will be assured of a legacy of excellence in producing business leaders for the 21st century.”
BANC: AN ONLINE ALUMNI COMMUNITY
Ever wonder what happened to a Columbia Business School classmate? Alumni Relations is pleased to announce that all alumni will have access to BANC, the School’s virtual Business Alumni Networking Community, by June 1999. This alumni search system will strengthen the Columbia Business School global network by creating lifetime e-mail addresses, permitting alumni to retrieve messages from colleagues as well as conduct searches according to name, industry or location; directly input address updates; and subscribe to specialized mail groups.

WE’RE BANC-ING ON YOU!
The success of BANC as a network depends on your participation. BANC will be rolled out over the next few months, and we need you to sign on, update your information and make it accessible to others. By connecting with classmates and Columbia Business School alumni clubs worldwide, you will strengthen the School's network. You can set up mail groups to initiate conversations based on industries, interests or geography. But remember, BANC’s effectiveness depends on your full participation. BANC is a password-protected online system, available only to the Columbia Business School community. You will shortly receive a mailing (if you have not already) that contains your log-in name and an initial password and describes how to use the system. To safeguard your privacy, we will not give out passwords over the phone. To find out more, visit the Alumni Relations Web site at www.gsb.columbia.edu/alumni.

If you have not received your log-in information, you may still update your address via the World Wide Web at www.gsb.columbia.edu/alumni. You may also fax or mail your corrections to Columbia Business School Uris Hall 3022 Broadway, Room 822 New York, NY 10027-6902 Fax: (212) 678-0825

BANC GIVES YOU
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  Freely give out your BANC address to colleagues, family and friends. Even if you move or change jobs, your BANC address stays the same. It will automatically forward all messages to an existing home or office e-mail account.

• Alumni Network Search
  Looking for a fellow alum? Moving to a new city? Search BANC for individuals or company contacts by location, industry, year of graduation or job function.

• Class, Club and Topic Mail Groups
  With the click of a mouse, keep in touch with your class or club by signing up for existing mail groups or suggesting new ones.

• Address Updates
  Why send out change-of-address cards? Update your contact information with the School as well as classmates via BANC.

• Web-Based Access
  Looking for a lunch date in Tokyo? Because BANC is Web-based, you can access information from any computer, anytime, anywhere in the world.
STOCK BUYBACKS INCREASE
When Coca-Cola Enterprises repurchased 14 million shares, finance and economics professor Laurie Simon Hodrick was not surprised. She has been following corporate buybacks, which are at an all-time high. She explained to the New York Times (11/19/98) that companies repurchase stock for tax advantages, to deter possible takeovers or to invest in undervalued stock. And while announcing a buyback is not required, it can be an important way to communicate confidence.

STUDY OFFERS INSIGHTS ON MINORITY EXECUTIVES’ SUCCESS
Finance and economics professor Ann P. Bartel led Columbia Business School in possibly the first in-depth, cross-cultural documentation of highly successful senior-level minorities’ career paths (see Newsmakers, page 7). In the study, co-sponsored by Kom/Ferry International, minority executives provided insights on issues ranging from workplace support to discrimination. In an article highlighting the study, the Boston Globe (12/13/98) homed in on the finding that mentors have significantly affected these executives’ lives. The Los Angeles Times (11/29/98) noted that many participants overcame discriminatory obstacles through positive, proactive strategies and by remaining focused on career goals.

ZOMBIE BANKS IN JAPAN
Enormous loan losses have made Japanese banks insolvent. Charles W. Calomiris, the Paul M. Montrone Professor of Finance and Economics and an authority on international financial institutions, estimates these banking losses to be equal to 20 to 30 percent of national income. On ABC’s World News Tonight and Nightline (11/20/98), Calomiris noted that bailing out the banks would significantly burden taxpayers and that zombie banks—Japanese banks functioning without capital—make the entire system risky. With stricter lending policies, future loans will likely be repaid, and bank capital can be rebuilt, but this would be a slow process. Calomiris argued that a combination of bank closures and taxpayer-assisted recapitalizations (of relatively healthy banks) is the best policy option.

MUCH ADO ABOUT LEADERSHIP
In his new course, titled “In Search of the Perfect Prince,” management professor John O. Whitney teaches students about leadership with some unorthodox case studies: William Shakespeare’s plays (see “Chairman of the Bard,” page 26). Columbia Business School students are not the only ones who think this innovative approach works. In the Sunday Business section of the New York Times (12/6/98), editor Hubert Herring said the course is not “a gimmick”—rather, one is likely to walk out of Whitney’s class asking, “How could anyone teach issues like ethics and leadership without using Shakespeare?”
For over 20 years, management professor Raymond D. Horton actively pursued New York City and state officials to improve management practices. As president of the Citizens Budget Commission, he led its efforts to monitor city and state budget practices. At the commission’s annual dinner on February 24, its board of trustees honored Horton, whose contributions were also acknowledged in a New York Times editorial, reprinted below.

A NUMBERS WARRIOR DEPARTS

For nearly two decades Raymond Horton has served as an indispensable nuisance for successive mayors, governors, lawmakers and labor leaders in New York State. That was not his official title, of course. Mr. Horton’s job has been president of the Citizens Budget Commission and author of countless critiques of New York City and state budget practices. He retires Monday after a career of angering more people for more of the right reasons for longer than almost anyone else in the city.

Only this year, New York City officials attempted to get corporate donors to withdraw support from the Budget Commission, which under Mr. Horton had the audacity to question the city’s fiscal practices and labor agreements. The commission then held one of its most successful fund-raisers ever. That is because ... officials, whether they realize it or not, have been able to use Mr. Horton’s suggestions to push for better policies.

Mr. Horton has been more than a number cruncher. He rejects the idea that budget gaps need to be closed by cuts in welfare, aid to the poor or vital city services. Instead he and the commission have shown how savings can be made by improving productivity, work rules and sloppy management practices. Above all, Mr. Horton and the commission have played a major role in making the city’s budget practices more open than those of most governments. Mr. Horton returns to writing and teaching at the Columbia School of Business. New Yorkers will miss him.

—New York Times
Saturday, November 28, 1998
As we entered the '90s, although we didn't have a glass ceiling in our organization, we certainly did have a leaky pipeline issue to deal with, because we saw significant differences in turnover between men and women. A number of factors were at play. One was the culture of the organization. We had a male-dominated culture. Not surprisingly, virtually everyone in our organization in leadership positions was male and had been with the organization for the best part of his professional career. We were all aware of the differences that were taking place in terms of the number of women joining our organization, but we were lost in terms of understanding what that meant to an organization such as ours.

Second, we thought we had absolutely equal opportunity for men and women. But as we learned more about ourselves, we found that wasn't always so. When we asked why, the assignment directors told us that continuity is most important; our clients want to deal with people they have dealt with year after year. And women leave the organization sooner than men—so how are we going to fulfill this expectation of continuity on these very large accounts? Of course, the way to do that is to assign the men instead of the women.

Well, the women would see the men more frequently getting the assignments to the major accounts, and they would say, "Whoops, don't have enough opportunity here." So guess what? They'd leave. Guess what the assignment director would say? "See, I told you that's the way it would work." So most kept assigning the men to the larger engagements. Once we saw what was happening, we took steps to correct the situation, and it has made a big difference in terms of women's having not only received a real equal opportunity but their share of the most important assignments as well.

Another important item is flexibility. Once again, those of us "knowledgeable" senior people in the firm said, "Of course we encourage flexibility. Look at all these terrific programs." And on paper, they were terrific. The only problem was that they didn't work. The reason they didn't work goes back to the culture of the organization. If women came to talk about one of these flexible work arrangements—they had been reading about all the state-of-the-art programs we had—the first thing said by the supervisor would be, "Why do you want to do that?" Or, "Aren't you committed to your career?" Or maybe if those weren't the words, the body language noted the same. The culture had not adopted flexibility. So we had to change the culture.

The results have been dramatic. We now have more than 200 women partners—that's triple the number when we began this process. We have been recognized by Fortune magazine and Working Mother, among others. And the ultimate payoff: We have substantially reduced the turnover of not only women but also of men in the organization by being much more sensitive to their needs and to human resource issues. Three years ago our turnover rate was about 25 percent. Today it is 16 percent. In the current year, we hope to take that down into the low teens and may be able to reach a level where 10 to 12 percent will be the norm. This makes an enormous difference in a client-service organization—being able to retain experienced, high-talent people makes us that much better able to serve our clients with excellence.

While it was the smart thing to do—and I can give you all of the business reasons why this is so—I'd like you to also note that we did this because it was ethically the right thing to do to fulfill our obligation to the people of our organization to provide them with the maximum opportunity to realize their full potential as professionals.

J. Michael Cook and Deloitte & Touche received the 1998 Botwinick Prize in Business Ethics for their commitment to helping employees balance work and family. Cook established the company's Initiative for the Retention and Advancement of Women.