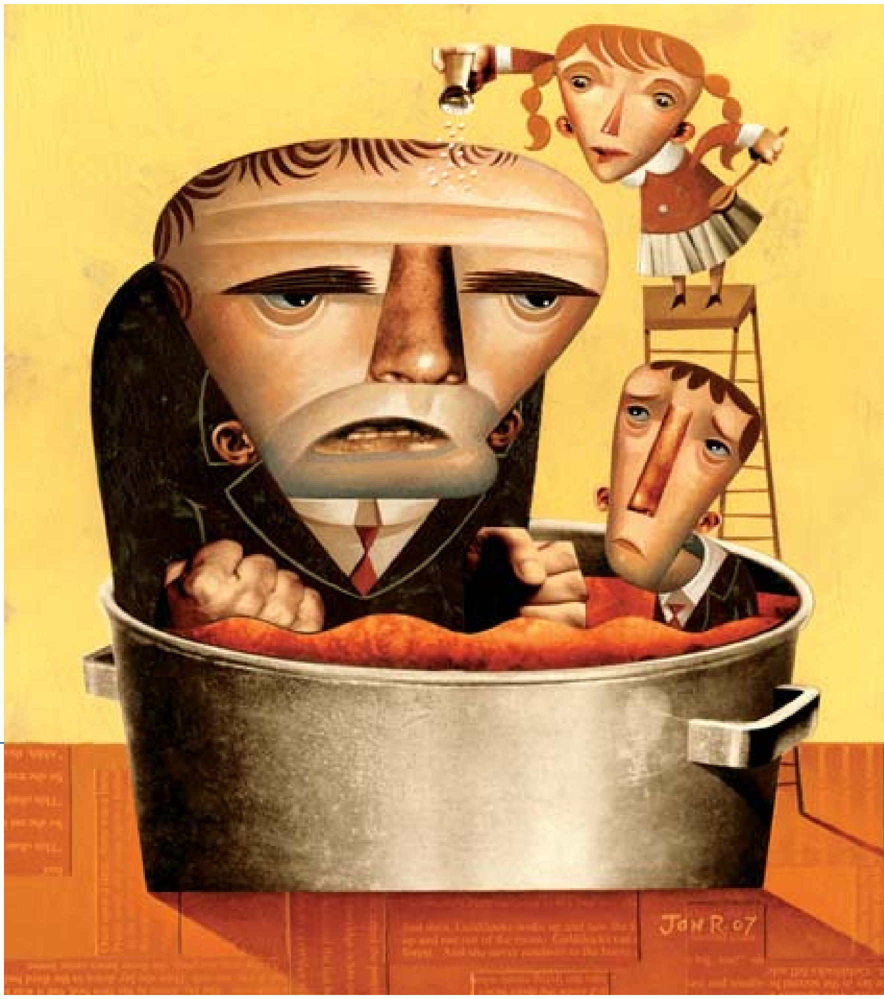
Columbia
Business
School

HERMES

SUMMER 2007



WIMPS, BULLIES AND GOLDILOCKS An action plan for getting assertiveness just right • The School updates its visual identity • Ogilvy's Shelly Lazarus '70 on advertising's "new cool" • Insight into how people interact at networking mixers • Is the consolidation trend in the capital markets viable?

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COVER ILLUSTRATION: JON REINFURT

HERMES SUMMER 2007

Consumers today control what they read, see and hear. The challenge for marketers, says Shelly Lazarus '70, is to seduce consumers with creativity so good that they can't say no. (See "Connection and Creativity," page 20.)

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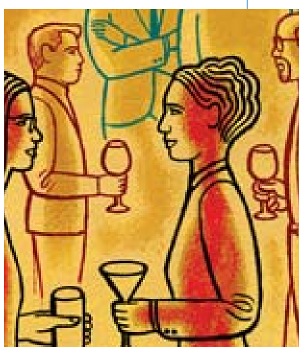

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HERMES *welcomes letters to the editor and Class Notes updates submitted via the Alumni Web Site or sent by mail or e-mail to the addresses above.*

HERMES, Columbia Business School's alumni magazine, is published twice a year by Columbia Business School, Columbia University.

DEAN'S MESSAGE

Dear Alumni:

With the start of a new academic year, we have much to look forward to at Columbia Business School. Uris Hall has recently been renovated in preparation for our new and returning students, and we continue to develop new curriculum initiatives that speak to the unique challenges that business leaders face in today's world. The goal is to provide our students with an arsenal of skills by weaving active, project-based learning and sophisticated, nuanced group work throughout our curriculum, preparing students by having them do, decide and create. In keeping with that mission, this year we are launching Columbia CaseWorks, which supports the development of new teaching materials and business cases closely tied to and based on the research and expertise of our world-class faculty.

In this issue of HERMES, you will find samplings of some of that faculty research in a feature on Professor Daniel Ames's work investigating assertiveness in the workplace and the ways in which leaders can tailor their levels of assertiveness to more effectively lead. An innovative study by Professors Paul Ingram and Michael Morris that shows how we try—with varying degrees of success—to meet new people is reprised in a reprint from *Columbia Ideas at Work*. The issue also includes an excerpt of remarks that Shelly Lazarus '70, a member of our Board of Overseers, gave at a conference here at the School, in which she discusses the creative challenges that professionals face in the advertising and marketing worlds today. And, for this issue's Endpaper, we have another faculty member, Larry Glosten, offering his thoughts on the complex issue of global trading floors.

I have enjoyed this past year and the trips I have been able to take meeting with so many of you around the world. Wherever I go, I am struck by the number of alumni who tell me that their time spent at Columbia Business School and the lessons they learned here had a truly transformative effect on their lives. I wish the same things for future generations of Columbia Business School graduates and believe that the work we are undertaking, along with the contributions of so many of you, will contribute greatly to making that happen.

With regards,

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

NEWSMAKERS

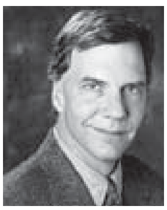
Alumni Report Experience Is Key to Entrepreneurial Success

Should new MBAs launch their own businesses or wait until later? What predicts entrepreneurial success? A survey of more than 2,600 alumni entrepreneurs by the School's Entrepreneurship Program generated encouraging news for graduates itching to kick-start their own companies: The most powerful predictor of entrepreneurial success is experience. With each successive business, performance improves.

The Entrepreneurship Program started collecting data from alumni in February of 2006 and analyzed the results last summer. The findings confirm that entrepreneurship is a major part of the post-MBA career: 61 percent of alumni respondents were involved in start-ups, resulting in more than 3,000 new ventures. The findings also suggest that the best time to launch a first business is relatively early—within two to five years after graduation.

"My instinct has always told me to encourage students to start businesses early in their careers, even though there have been moments when I wondered if I was right," says Murray Low, director of the Entrepreneurship Program. "These results really support the work that we do."

Perhaps most important, alumni entrepreneurs are happy with their career choices. Whether the venture succeeded or not, 90 percent of respondents who started a business considered it a good professional decision.



Lawrence Glosten

Nasdaq Grant Awarded to Columbia Law and Business Schools

A unique $715,000 grant from the Nasdaq Stock Market Educational Foundation—the first of its kind at the School—has linked the study of the economic forces affecting capital markets with research on relevant financial regulations.

Beginning this fall, Lawrence R. Glosten, the S. Sloan Colt Professor of Banking and International Finance, and Merritt B. Fox, the Michael E. Patterson Professor of Law at Columbia Law School, share the Nasdaq Chair of the Law and Economics of Capital Markets.

"This interaction will allow both of us to better understand security markets," says Glosten, who is an expert on capital markets. "The move around the world toward exchange consolidation—the NYSE-Euronext merger, for example—raises very interesting regulatory issues that require both economic and legal expertise." **(See Endpaper, page 44.)**

FT.com Showcases School's Admissions Criteria

Linda Meehan, assistant dean for admissions and financial aid, answered questions from prospective students around the world in a live "Ask the Experts" forum on FT.com in January.

Meehan and other panelists that included Della Bradshaw, a business editor at the *Financial Times*, and Edward Snyder, dean of the University of Chicago Graduate School of Business, fielded questions on the differences between traditional, accelerated and executive education programs, employer recruiting trends and what it takes to get into a top business school.

"As I always explain," Meehan responded to one participant, "Having focus and knowing your skills and interests is very important when it comes to succeeding in business school. We are indeed looking for la crème de la crème."

Quotable: "I am happy to note that Columbia Business School, under the leadership of Dean Glenn Hubbard, plans to focus specially on India, in its research and teaching programs. Our government will be happy to support any initiative that will strengthen the academic and intellectual relationship between our two countries."

Prime Minister Manmohan Singh of India commenting, in a letter, on the growing relationship between his country and Columbia University, including the School's partnership with the Indian Institute of Management, Ahmedabad (see related story, page 5)

More than 1,100 alumni and guests returned to campus on April 13–15 for Reunion 2007. (Left to right) Jodi Garner, Bruce Nelson, Liz Kramer and Michael Pfeffer from the class of '92 reconnect at the kickoff reception in Lerner Hall. **For more reunion photos, visit www.gsb.columbia.edu / alumni / reunion.**

The School's Outrageous Business Plan Competition was featured on BusinessWeek TV on April 20. Winner Michael Dwork '07, CEO of GreenWare (subsequently renamed VerTerra), a line of disposable organic and biodegradeable plates, cups and bowls, was interviewed along with Murray Low, director of the School's Entrepreneurship Program, and venture capitalist and competition judge Dan Burstein.

NEWS MEDIA

In recent months, the School's faculty members were featured in a range of media outlets. A select few are highlighted here.

Eric Abrahamson, *Washington Post,* March 6: "Giuliani's Firm Sells Investment Business"
Professor Abrahamson comments on former New York mayor and presidential hopeful Rudolph W. Giuliani's decision to sell the multimillion-dollar investment banking unit of his consulting firm.

Sudhakar Balachandran, *Globe and Mail,* March 7: "Battle Over Bonuses Thrust into Spotlight"
Professor Balachandran comments on the growing tension over record-high CEO pay in an article on executive compensation.

Ray Fisman, *Forbes,* February 26: "Luck or Hard Work?"
Research by Professor Fisman and Maura O'Neill of UC Berkeley's Haas School of Business reveals gender differences in whether success is ascribed to luck or hard work.

Ray Horton, *Wall Street Journal,* May 8: "Students and Nonprofits: Mutually Beneficial Relationships"
Professor Horton is quoted in a feature that highlights the School's new Nonprofit Board Leadership Program, which links students with alumni mentors on nonprofit boards across New York.

Glenn Hubbard and **William Duggan,** *Financial Times,* June 5: "Why Africa Needs a Marshall Plan"
In an editorial on the 60th anniversary of George C. Marshall's proposal of the European Recovery Program, Dean Hubbard and Professor Duggan propose a similar business-sector support project for Africa.

Charles Jones, *Business Week* online, March 1: "Greenspan vs. Bernanke: Hold Your Bets"
Professor Jones is quoted in an article that compares former Federal Reserve chairman Alan Greenspan with current Fed chief Ben Bernanke.

Michael Mauboussin, NPR's *Talk of the Nation,* August 17: "The Psychology of Stocks"
Professor Mauboussin discusses the psychology behind stock market volatility.

Chris Mayer, *BusinessWeek Weekend,* June 2: "Home Sales Outlook"
Professor Mayer fielded questions about the housing market.

Willie Pietersen, *Crain's New York Business,* March 4: "More Executives Become Leaders in the Classroom"
Professor Pietersen is quoted and cited as an example in an article on the influx of seasoned executives into higher education.

Snapshots from Africa

BEN VISHNU MANDELL ’05 WORKED AS A CONSULTANT TO A SMALL CRAFT BUSINESS IN SOUTH AFRICA—AND IN HIS FREE TIME HIKED KILIMANJARO AND RAFTED DOWN THE ZAMBEZI RIVER

When I graduated in May of 2005, I never imagined that six months later, I’d be on a flight bound for Cape Town, South Africa. The previous summer, I joined Ben Powell ’05 in Nicaragua, where he was starting Agora Partnerships, a social venture capital firm that helps local entrepreneurs launch businesses. In doing so, I realized that I had a passion for and a future in international development. A few months after returning from Nicaragua, I flew to South Africa for a friend’s wedding. While there, I fell in love with the country and its people and decided to stay, spending most of 2006 working and traveling in southern and eastern Africa.

Photography by Ben Vishnu Mandell ’05

Ben Vishnu Mandell '05 (front row, center) in the workshop of African Allsorts, a Cape Town bead and wire art craft business for which he consulted.

There were many dramatic moments, including rafting down the mighty Zambezi River, flying in an ultralight plane over Victoria Falls and suffering through a bout of malaria. In Namibia, I was nearly stampeded by an angry elephant. In Tanzania, I climbed to the roof of Africa, Kilimanjaro, and in Mozambique I dove with 30-foot whale sharks and 15-foot manta rays.

I worked as a consultant to African Allsorts, a craft business in Cape Town that employs Zimbabwean refugees to make bead and wire art. I helped them build their first catalog, design inventory and production systems and export products to the United States. With my assistance, the company tripled its revenue from the previous year, operated far more effectively and expanded its staff to 25 people.

My work life went far beyond typical business management—I got to know the artists on a personal level. They told me stories of hiking through lion-infested bush, of countless family tragedies and of oppressive political leaders. I taught them how to use e-mail; they showed me how to craft animals out of wire.

Last fall, I helped bring the company to Manhattan for the New York International Gift Show at the Javits Center. The show was a great success, and overnight, these African refugees began selling their crafts to American consumers. It was simply beautiful.

Ben Vishnu Mandell '05 is now working in Ethiopia with TransFair USA, helping coffee farmers become fair trade–certified. In addition, he is making a documentary film about the upcoming Ethiopian millennium (www.ethiopianmillenniumfilm.com).

Flying over Victoria Falls (in background) in an ultralight plane was just one of many dramatic moments, both at work and in his leisure time, Ben Vishnu Mandell ’05 experienced during his time in Africa.

Columbia B

A few hours after he was born, the Greek god Hermes sneaked out of his cradle, invented the lyre using the shell of a tortoise and secretly hid 50 of his older brother's sacred cattle. He discovered how to light a fire, ritually sacrificed two of the cows and crept back home before the day was over. When his enraged brother—none other than Apollo—heard Hermes play the lyre, he was so enchanted that he accepted the instrument from Hermes in exchange for the animals. And thus began trade and commerce.

Honoring its past, the School introduces a new visual identity for the 21st century

usiness School

The evolution of Columbia Business School's visual identity reflects a commitment to growth and adaptation. The School has significantly modified its visual identity three times. Form follows content: each incarnation of the Hermes symbol has coincided with major transformative periods at the School characterized by significant changes to its curriculum, facilities and position in the world.

With the latest of these modifications, the School logo has taken on a new look. This modern interpretation of the Hermes icon paired with a stronger and cleaner typeface for the Columbia Business School wordmark is designed to reflect the School's identity in the early 21st century.

When the Hermes symbol was first adopted in the 1950s, Columbia Business School was under the leadership of Courtney Brown, dean from 1954 to 1969. He selected the "Hermes Four" and registered the symbol with the U.S. Patent and Trademark Office as the School's official trademark. When Brown became dean, the School—like

Hermès?

While most alumni associate the Hermes icon with the School, many are uncertain of its history and meaning. It's not uncommon now and then to hear people pronounce Hermes (HUR-meez) as if it were spelled "Hermès" (air-MEZ)—like the legendary French luxury-goods company. The School did host its first retail and luxury goods conference in the spring, but the logo bears no relation to the label that was founded in 1837.

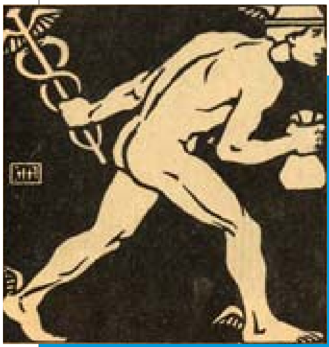
1950s The "Hermes Four" was adopted as the School's emblem because of the Greek god's association with trade, commerce and travel.

many business schools—was still known on the Columbia campus as "the trade school," and the majority of students enrolled part-time. The School had only recently shifted its focus to graduate education, discontinuing the bachelor of science in 1949. Brown led a transformation of the School, which during his tenure became increasingly professionalized and grew in size and prestige.

Brown also led the effort to establish the School's first real home, and Uris Hall was dedicated in 1964. It housed a plaque displaying the Hermes Four with these words: "The sign of the Greek god Hermes was adopted because of the god's association with trade, commerce and travel. The Hermes symbol was incorporated into the trademarks of many mercantile guilds during the Renaissance, and it now serves as a fitting emblem of the Business School."

In the 1960s, the Hermes icon became firmly established as the emblem of the School. In 1961, the custom of presenting graduates with a lapel pin bearing the Hermes icon was instituted. That same year the Hermes icon first appeared on the cover of the *Business Cycle*, the School yearbook, and in July of 1968 the inaugural issue of the *Hermes Exchange*, the School's first alumni magazine, went to press.

The School didn't significantly modify its visual identity again until the early 1990s, when Meyer Feldberg '65, dean from 1989 to 2004, led a redesign initiative. An oval circle,



WHAT DOES THE 21ST-CENTURY MBA HAVE IN COMMON WITH A MYTHOLOGICAL GREEK HERO? MORE THAN YOU MIGHT THINK

Hermes may be affiliated with trade and commerce, some point out, but isn't he also known as a god of trickery and deception? Although he is occasionally referred to as a "prince of thieves" in the Homeric Hymn *To Hermes,* Hermes is most often characterized—as the story of his birth reveals—as extraordinarily versatile.

The son of Zeus and the nymph Maia, Hermes is an epic traveler and a gifted negotiator. In the Odyssey, he appears mainly as a messenger of the gods and as the conductor of the dead to Hades. The least warlike of the gods, Hermes accompanies Zeus on his journeys across the Earth, in addition to serving as an intermediary between gods and men.

The sacred number of Hermes was four, and the fourth of the month was his birthday. Hermes' most frequent attribute—the caduceus, or herald's staff, he carries—is a symbol of his negotiating skills. "Originally the caduceus was a rod or olive branch ending in two shoots and decorated with garlands or ribbons. Later the garlands were interpreted as two snakes entwined in opposite directions with their heads facing; and a pair of wings, in token of Hermes' speed, was attached to the staff above the snakes."*

The "Hermes Four" originally adopted as the School's emblem resembles the caduceus, which in ancient Rome became a symbol for trade and communication. Because of its similarity to the staff of Asclepius the healer, in modern times the caduceus was adopted as a symbol of physicians.

**ENCYCLOPAEDIA BRITANNICA ONLINE*, S.V. "CADUCEUS," HTTP://SEARCH.EB.COM/EB/ARTICLE-9018504 (ACCESSED OCTOBER 11, 2007).

or colophon—a classic Roman punctuation symbol that marks the end of a phrase or sentence—was introduced to the logo, fixing the size, shape and style of the Hermes icon. During Feldberg's tenure, the School capitalized on its "New York advantage" and expanded its reach and reputation around the world.

Today, the School is again in the midst of a transformative period, even as business education itself evolves. As Dean Glenn Hubbard told fellow business school deans at the AACSB International Deans Conference in February, "Business education in the 21st century, and especially the MBA program, has changed from a reliance on imparting a set of functional silo skills in marketing, finance and management to honing the skills of entrepreneurially minded people."

At Columbia Business School today, the curriculum is evolving innovatively to prepare MBA students for a lifetime career of leadership in the rapidly changing global business environment. Pathbreaking faculty research is being made more accessible to business practitioners. And the School is preparing to move to new state-of-the-art facilities in Manhattanville that will dramatically transform its physical environment, further strengthen its programs and match its status as a premier business education institution.

In introducing a new visual identity, Columbia Business School acknowledges its rich tradition of innovative business research and education and looks forward to continued success.

COLUMBIA BUSINESS SCHOOL

1990s A colophon fixing the size, shape and style of the Hermes icon and a wordmark were introduced to the logo.

Columbia Business School

2007 A modern interpretation of the Hermes icon paired with a stronger and cleaner typeface for the Columbia Business School wordmark is designed to reflect the School's identity in the early 21st century.

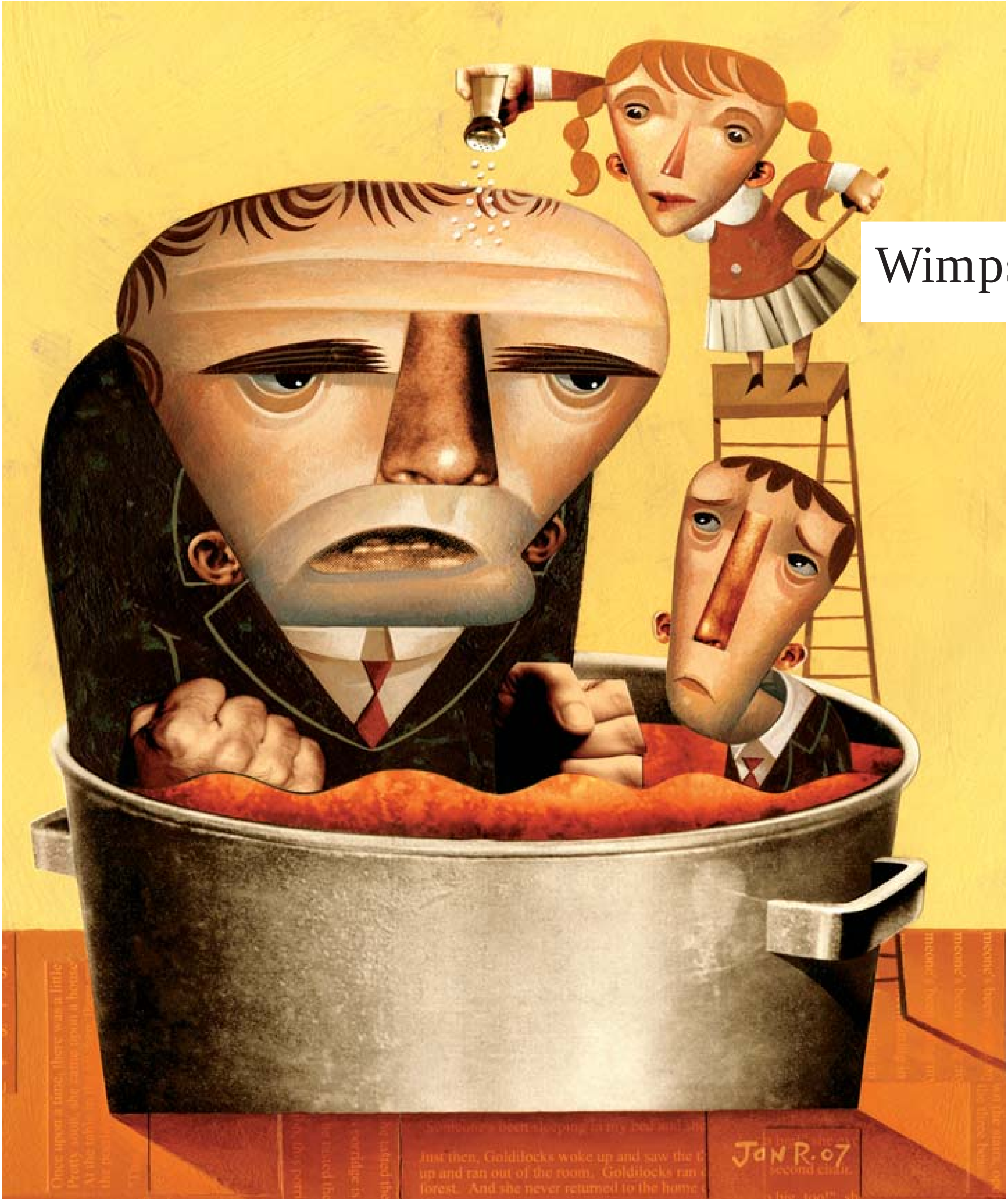
Support Our Brand

The new logo is the visible symbol of Columbia Business School's commitment to strengthening its identity among students, faculty members and alumni, to showing the business world who we are and to fostering pride and ownership in the School's success.

Here's how you can play your part:

- Above all, stay in touch and stay informed.
- Identify and refer strong MBA candidates to Columbia Business School.
- Recruit our graduates for your company, and sponsor your best employees for the Executive MBA program.
- Send participants to our Executive Education programs. (See related story on page 6.)
- Recommend guest speakers from your company or institution to our alumni and student clubs.
- Forward our thought leadership e-newsletters to friends, colleagues and associates.
- Invite the School's faculty members to key industry presentations and media opportunities.
- Be active in your local alumni club.
- Offer to host an alumni event or admissions reception.
- Financially support Columbia Business School.

For more information about getting involved, please contact the Office of Alumni Relations at (212) 854-8815 or alumni@gsb.columbia.edu.



Wimps,

EFFECTIVE LEADERS GET ASSERTIVENESS "JUST RIGHT," SAYS PROFESSOR DANIEL AMES—HERE'S HOW

Bullies and Goldilocks

by Marina Krakovsky

When people describe effective leaders, some qualities come up again and again. Good leaders tend to have charisma, intelligence and conscientiousness in abundance. But according to research by Daniel Ames, the Sanford C. Bernstein & Co. Associate Professor of Leadership and Ethics, that's not true of assertiveness.

Working with then colleague Francis Flynn, now at Stanford University, Ames studied MBA students and their bosses and found that more assertiveness is good only to a point. Whether leaders he studied were seen as either too assertive or not assertive enough, colleagues judged them as less effective than those who got assertiveness just right.

"It's a sort of Goldilocks effect," says Ames, adding that the idea first came from feedback work colleagues were giving students in his leadership class. Some students were hearing, "You need to speak up and stand your ground," while others got the opposite advice—to ease off. So it became obvious that when it comes to assertiveness, people can err in either direction, with only some consistently finding the happy medium between pushing to get their way and kowtowing to the wishes of others.

Less obvious is how that happens. Clearly, low assertiveness can break a leader because failing to stand up for your values and goals gets in the way of getting what you want. But equally damaging is pushing too hard to advance your own agenda. That approach backfires, as Ames's research confirmed, by incurring high social costs. A boss who announces a major organizational decision without consulting the people it will affect, for example, will erode important relationships. And over time, such a domineering style will likely lead to high turnover and undermine the organization's productivity, teamwork and innovation: hardly the stuff of effective leadership.

But while colleagues' reviews often mention flaws in assertiveness, professionals who do get it just right rarely get credit for that skill. In this sense, Ames says, assertiveness is like salt in a sauce: when there's too much or too little, it's hard to notice anything else; the right amount goes unnoticed, but it lets the leader's other "flavors" come through.

If that perfectly assertive leader sounds like you, you may be right—or you may be like most people, who don't know when they're being too tough or not tough enough. It turns out that while plenty of us come across as either bullies or pushovers, "virtually everybody puts themselves in the 'appropriately assertive' category," Ames says. In fact, he believes if we knew we were getting assertiveness wrong, we'd adjust our actions accordingly.

That's because we decide how assertive to act based on our assumptions and predictions about where our actions will lead, according to another of Ames's studies. For example, if people act pushy and overbearing, it may be because they wrongly assume they can push hard before others are disgusted by them. "So it's not that overassertive people are callous jerks and underassertive people have no ambitions about getting their way," explains Ames. Instead, both types may be making inaccurate predictions that are causing them to behave in ineffective ways.

This insight highlights a path for change: if you can just get people to rethink their assumptions, they'll adjust their behavior.

To get assertiveness right, then, Ames recommends learning how others see you. And not just your friends, since people tend to surround themselves with similar others—the very people who can make you conclude your approach is normal and effective. Ames suggests gathering 360-degree feedback—multirater reports from your boss, your peers and your direct reports—and working with an executive coach to find patterns in the data. He insists seeking this kind of coaching is not a sign of weakness. "It's a sign of taking leadership development seriously to say, 'I can benefit from a small amount of time with someone who can extract a story from colleagues' feedback—and turn that into an action plan."

Though there's no one-size-fits-all action plan, Ames does offer a general tip: once you identify your problem areas, replace them with better behaviors. Suppose the feedback reveals that you tend to interrupt others, a common habit of the overly assertive. It's hard to simply rein in this problem behavior, but it's relatively easy to learn some listening behaviors to take its place. If your impulse is to cut somebody off, for example, Ames suggests asking a question instead.

> Assertiveness is like salt in a sauce: when there's too much or too little, it's hard to notice anything else.

The substitution strategy works for the wimpier end of the assertiveness spectrum as well. If you tend to shy away from conflict, Ames says, chances are it's because you're terrified of upsetting your partner. So rather than simply confronting that fear, you can learn ways to start a difficult conversation graciously, setting a tone that will make your partner feel safe in the face of conflict.

A key to all this is realizing that you shouldn't always aim for the middle way. For starters, the right level of assertiveness depends on the situation. In a high-stakes negotiation with a tough adversary, for example, it makes sense to bring out a style that's more aggressive. And when working through a problem with an employee who's feeling threatened, a gentler approach may be best. "Being able to read a situation and call up the style that's called for—that's a recipe for effective leadership," Ames says.

In any situation, though, the best approach is the smart one. Think again of negotiation. It's true that the extremely assertive move of opening with an outlandish offer can strain relations with the other party, even as it does help you get your way. But Ames argues that it needn't be a tradeoff. If you're diplomatic, you can make an aggressive offer without incurring high social costs. For example, you can show respect for the other party by simply adding a rationale for your extreme offer.

Much of what Ames has found applies to all levels of management. A failure to build relationships, he says, is a major reason for executive derailment—why managers get off the fast track. That may seem surprising, since rising through management ranks tends to weed out low-assertive people more than high-assertive people. After all, the overly assertive sometimes get promoted since their bosses notice their accomplishments more than the social costs they incur.

Even so, the take-no-prisoners approach isn't the best way to the top because social costs pile up and can eventually undermine success. Sure, we've all heard of brash, egotistical CEOs. But Ames contends these stories grab headlines because of their drama, not their ubiquity. "There's no question," he says, "that the most effective leaders are able to find that sweet spot where they're getting their way but also getting along."

COLUMBIA ALUMNI ARTS LEAGUE

MEMBERS ENJOY SPECIAL BENEFITS AND DISCOUNTS AT MANY OF NEW YORK'S FINEST CULTURAL INSTITUTIONS

The new Columbia Alumni Arts League has partnered with many of New York's premier museums and music, theatre, film and dance organizations to provide discounts and special benefits for Columbia University alumni.

Enjoy New York's best cultural offerings, connect with fellow alumni, save money, and support the arts at Columbia by joining today with a tax-deductible contribution of *only* $25.

Most partners extend benefits to members plus one or more guests!

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Send your name, address, phone number, Columbia affiliation and graduation year, email (if you have one) and a donation for $25 or more to: Arts Initiative, 632 W. 125th St, Suite 206, New York, NY 10027. Check should be made out to "Arts Initiative at Columbia University."

PHONE
Call 212.851.1879 Monday–Friday 10–5. Please have your credit card available.

ARTS INITIATIVE
AT COLUMBIA UNIVERSITY

CAAL membership is open to alumni of Columbia University and its affiliate institutions: Barnard College, Jewish Theological Seminary, Teachers College, and Union Theological Seminary. The membership is good for one year from the date of enrollment. To access benefits, members must provide their membership card at partnering box offices and venues. The membership card will be sent following receipt of payment to the address provided upon purchase. The membership card admits member plus one guest unless otherwise noted. Member guests need not be a Columbia University Alumna / us. CAAL organizations and program benefits are subject to change.

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BAM
Museum of the City of New York
Jazz at Lincoln Center
Asia Society
MTR
The Metropolitan Opera
Miller Theatre Columbia University
Dance Theater Workshop
New York City Ballet
Guggenheim Museum
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Film Forum
Dahesh Museum of Art
The Library of America
made Event
Knitting Factory
Playwrights Horizons
NY City Center
Orchestra of St. Luke's
Classic Stage Company CSC
el Museo del Barrio
Orpheus Chamber Orchestra
The Tribeca Cinema Series
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Joe's Pub
symphonyspace
Goethe-Institut New York
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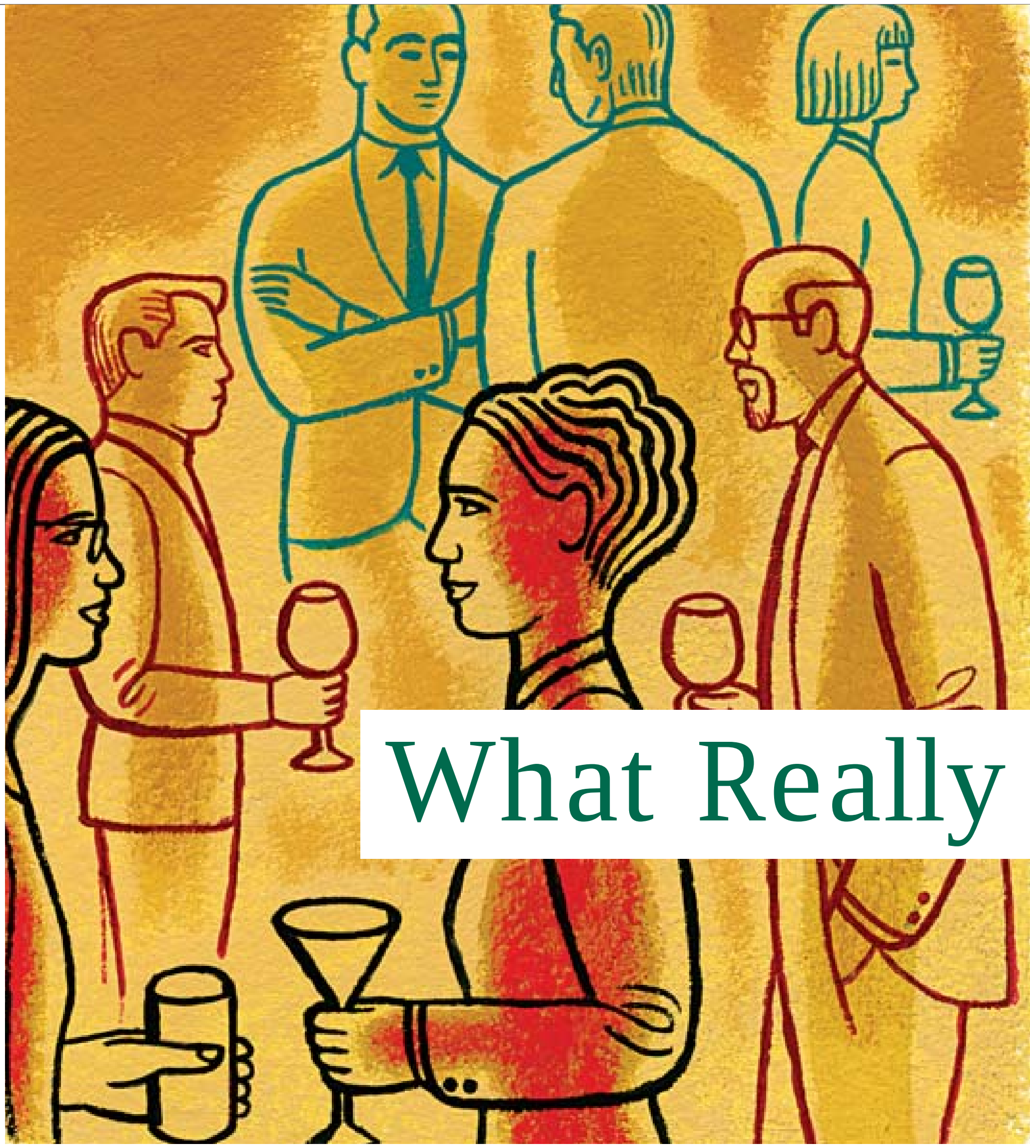
59E59 Theaters
Gotham Writers' Workshop
Manhattan Theatre Club
Apollo



What Really

AN INNOVATIVE EXPERIMENT SHOWS HOW WE TRY—WITH VARYING DEGREES OF SUCCESS—TO MEET NEW PEOPLE

Networking parties hold so much promise. A mixer hosted by a large firm, a professional association or a business district is an opportunity to gain social capital, which has come to be seen as a critical factor in success. Many people devote significant money and time to these events with the simple goal of making new contacts.

But there has been little research about how people interact at mixers. Lessons from social science are discouraging; researchers have found that a person's past contacts tend to limit future contacts. Furthermore, a phenomenon known as *homophily*—the tendency of people to bond with others similar to themselves, in terms of sex, race, education and career—suggests that guests at mixers won't mingle in diverse groups.

MORE THAN A NAME TAG

To get a second-by-second record of the interactions at the EMBA mixer, Ingram and Morris had all the guests wear nTags: four-inch by six-inch electronic devices that look like fancy name tags. The nTags registered each time they faced another nTag at a distance of less than eight feet (a limit chosen through testing). A "meeting" was defined as two nTags staying in contact with each other repeatedly over the course of at least one minute. (This avoided recording such momentary encounters as two people simply crossing each other's path.) When two individuals met, their tags would display a two-line greeting, such as "Hello, Elizabeth. This is Jay." In that way, the nTags functioned as an icebreaker—not unlike similar gimmicks used at many mixers to help people introduce themselves to each other.

ILLUSTRATION BY JAMES STEINBERG

To learn whether mixers are effective, Professors **Paul Ingram** and **Michael Morris** conducted an unusual experiment. They arranged for the School's Executive MBA Programs to hold an after-work event, similar to dozens EMBA hosts every year, for four classes. Early on a Friday evening, about 100 guests—managers, entrepreneurs, consultants and bankers—gathered in a reception room in Warren Hall, where they mingled over hors d'oeuvres, wine and beer. To get a precise record of whom each executive met during the night, and the duration of these interactions, each wore a small electronic device called an nTag that tracked their encounters. (For more about how the nTags worked, see "More Than a Name Tag.")

Before the mixer, the executives had used an electronic facebook to register which of the guests they already knew. On average, the executives were on friendly terms with about one-third of the others; the rest were unknown to one another. When asked why they were attending the event, 95 percent of the guests said they wanted to meet new people.

Happens at Mixers?

"Overwhelmingly, people come to these types of events with an important purpose in mind," says Ingram. "And that is to make new connections that may help with their careers." Given the ratio of friends to strangers at the mixer, it seemed the guests wouldn't have much trouble. But the nTags showed that the average guest had 14 encounters during the night and that friends accounted for a disproportionate half of these encounters.

The reason, the researchers say, is comfort. "It's challenging to make new connections," says Morris. "If you stay with your friends, there's no risk they won't get your jokes or that they won't accept you. And comfort is not to be derided—these are social events, after all."

Ingram and Morris point out that people manage to make some new contacts at mixers; they just don't maximize their opportunities. The researchers advise those who really want to meet new people to show up alone: "Don't go with a cluster of your friends, or you'll end up spending a lot of time with them," says Ingram. "Or you'll be introduced to people who are already acquainted with your friends and who are not necessarily broadening your network in the best way."

Although the guests spent much of their time with their friends, they did manage to mingle with people different from themselves, the researchers found. There was surprisingly little evidence of homophily at the mixer. "People don't seem concerned about these factors—race, gender, job—and will basically talk to anybody," says Ingram. "So this does indicate that these events are good ways for firms to encourage diversity and mixing between people who do different types of work."

Ingram and Morris discovered some distinct patterns through their analysis of the event. Early in the evening, there were more encounters between people of the same gender, whereas later there were more between people of opposite genders. This is because people do what is easiest and most comfortable—meeting others like themselves—at the beginning of an event but gradually break out of their comfort zone. There's also a "part of the party" effect that establishes a feeling of comfort, says Ingram. "Over the course of a mixer, people establish a social bond that extends to everyone in the room," he says. "The party takes on a life of its own, and demographic categories matter less."

The study also offers a bit of reassurance to anyone who has ever attended a mixer and spent the whole time chatting with friends and acquaintances. Though many of the executives who attended the EMBA event made fewer new contacts than they'd intended, they said they valued the opportunity to strengthen their existing relationships. "Relationships have to be maintained," Morris explains. "We can turn acquaintances into true friends by having more personal conversations than we've had before. Mixers turn out to be very good for that."

Read More

Ingram, Paul, and Michael Morris. "Do People Mix at Mixers? Structure, Homophily and the Pattern of Encounter at a Business Networking Party." Working paper, Columbia Business School, 2007.

Paul Ingram *is the Kravis Professor of Business and* **Michael Morris** *is the Chavkin-Chang Professor of Leadership in the Management Division at Columbia Business School.*

Read more about faculty research at **www.gsb.columbia.edu/ideas**.

ENDPAPER

Trading Places

by Larry Glosten

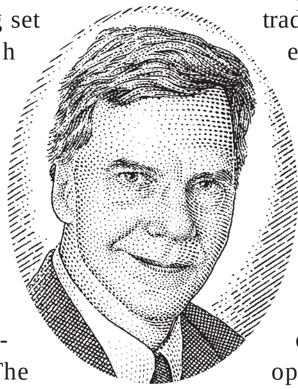
With global trading floors merging at an unprecedented rate, a faculty expert on capital markets suggests that fewer exchanges are more efficient.

The most prominent feature of the changing securities markets landscape today is consolidation. The New York Stock Exchange and Euronext—itself the product of the merger of the Amsterdam, Brussels, Lisbon and Paris exchanges—completed their merger earlier this year (NYSE/Euronext), and that was after the NYSE merged with Archipelago, an electronic market. In the derivatives arena, the Chicago Board of Trade and the Chicago Mercantile Exchange finalized their merger in July, while the Deutsche Bourse has purchased the International Securities Exchange.

Can we expect an ever-diminishing set of exchange acronyms, or are such mergers temporary aberrations?

A key to assessing the viability of the consolidation trend is understanding an exchange's output. The exchange provides an arena in which market participants transact, producing a sequence of transaction prices. The specifics of the trading rules determine the nature of the competition among market participants. The prices themselves are important outputs of the exchange, because they tell the rest of the world the consensus value of the securities. In return for this information, an exchange collects transaction fees and sells access to the prices determined in its markets.

If communication is costly, then the advantages of a single exchange are clear—for example, if you want to sell shares of IBM at the best price, you should send your sell order to the exchange where there will be the most competition to buy those shares. As others do likewise, the trend will be toward concentration of trading on a single exchange. Of course, communication today is not very costly; in fact, prior to this era of consolidation we saw a host of new competing electronic exchanges and a corresponding concern about order-flow "fragmentation" as price determination occurred in various milieus.



But my research demonstrates that competition among participants in a single electronic market is essentially identical to competition among multiple exchanges. It is efficient, therefore, to organize trading on a single exchange because traders need not have multiple exchange interfaces and markets need not duplicate resources to provide optimal competition. Thus, even a small communication cost can lead to concentration.

This is not, however, the whole story. The preceding argument suggests why we might see trading on IBM on only one exchange, but not why IBM and ABN Amro need to be traded on a combined NYSE/Euronext exchange. The issue is still one of communication cost.

With consolidation, we will see trading-platform uniformity, which will allow traders to reduce their investment in software and communication. This suggests that we should see even more consolidation and also points to the merger of equity and derivative (futures and options) markets.

We may well see "NYSE/Worldnext," but we will see something else as well. Despite the economic forces that might favor a single exchange, the giants of Wall Street and elsewhere will ensure that at least two exchanges survive to prevent a monopoly.

The economics of the exchange industry tells us that the consolidation is not an aberration. The question now is how will capital market regulation evolve in response to global exchange ownership. Will there be a regulatory "race to the bottom"? Will governments reject foreign ownership of national exchanges? These and other legal questions are just now being studied.

Lawrence R. Glosten is the S. Sloan Colt Professor of Banking and International Finance at Columbia Business School. Beginning this fall, he and Merritt B. Fox of Columbia Law School share the Nasdaq Chair of the Law and Economics of Capital Markets. *(See related story, page 3.)*

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