



Jim Bradford

Owen's CEO Dean Races Ahead to Make Business Education Relevant

THE HEALTH CARE DILEMMA

How to Get a Handle on Costs Spiraling Out of Control

NANOTECHNOLOGY

What's The Big Deal?

WORLD VIEW

Tsunami Aftermath; Thoughts of a U.N. Peacekeeper

SPECIAL SECTION

Anatomy of an Entrepreneur
What Makes Them Tick



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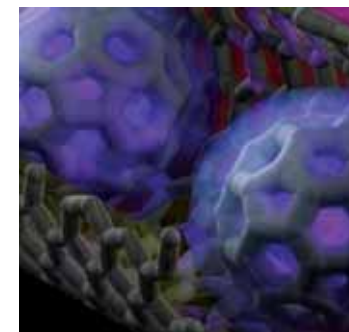
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On Course

Being in the driver's seat, whether on the golf course or in business, requires strategy and an eye on the ball.

MAREN SCOGGINS, '05, KNOWS HOW to play the game. Golf, she confirms, is 80 percent mental and 20 percent skill. The mental part—the strategy—is what she likes best. “Every time you hit the ball, you change your environment. You never have the same shot twice.”

A competitive golfer since age 13, the game has served her well. She received a golf scholarship to Vanderbilt, where she studied engineering as an undergraduate. After working as a PGA professional in Virginia, she returned to Nashville as head golf professional at the Tennessee Golf Foundation, and in that capacity started a program called Golf for Business and Life for Vanderbilt students. The program teaches the basics of the game and how to use it in a business situation.

A short time thereafter, she decided it was time for her to learn again and entered Owen as a career changer. She now works for Baptist Hospital Services Inc. as a senior operations analyst. She got the job—you guessed it—through a connection on the golf course.

“Golf is a good activity for business people, because players of varying skill level can play together,” she says, noting also that success on the golf course can correlate to success in business. Both require patience, tenacity, and integrity.

“In golf, you spend at least four hours with others in a golf cart or walking the fairway and get to know their personalities well. You never know when someone, months after a round of golf, will call you up with a great opportunity.”

VB



NEIL BRACE

Maren Scoggins, '05, senior operations analyst, BH1

Everyone's Business

Owen and the Vanderbilt Community Tackle

Critical Issues of the Day

By BETH MATTER

FALL 2005

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DEAN

JIM BRADFORD

EDITOR

BETH MATTER, MLAS'02

CONTRIBUTORS

EBENEZER ARYEE, '06, NEIL BRAKE, JOAN BRASHER, MURRAY DASHE, DANIEL DUBOIS, SHARON FITZGERALD, PAUL FRANKENBERG, E'03, JILL GABBE, MITCH GLAZIER, L'91, KARL HACKENBRACK, SUSANNE HICKS, RANDY HORICK, JENNIFER ROBINSON, NED SOLOMON, FRED TALBOTT, BART VICTOR, LISA WADDLE, CAROL WISSMANN, GANTIAH WURYANDANI, '93

DESIGNER

MICHAEL T. SMELTZER

ART DIRECTOR

DONNA PRITCHETT

DIRECTOR OF ADVANCEMENT

COMMUNICATIONS

KEN SCHEXNAYDER

EDITORIAL OFFICES: Vanderbilt University, Office of Advancement Communications, VU Station B 357703, 2301 Vanderbilt Place, Nashville, TN 37235-7703, Telephone: 615.322.0817, Fax: 615.343.8547, owenmagazine@vanderbilt.edu

PLEASE DIRECT ALUMNI INQUIRIES TO:

Alumni Affairs Office, Owen Graduate School of Management, VU Station B 357754, 2301 Vanderbilt Place, Nashville, TN 37235-7754, Telephone: 615.322.0815, alum@owen.vanderbilt.edu. Vanderbilt University is committed to principles of equal opportunity and affirmative action. Visit the Owen School on the Web: www.owen.vanderbilt.edu. Alumni Publications on the Web: <http://www.vanderbilt.edu/alumni/publications>

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THIS PAST SUMMER, I HEARD AN ANNOUNCER on NPR radio marvel at the fact that his favorite magazine—*Vanity Fair* (mine too besides VB Magazine)—is the same magazine that revealed dissension among the cast of *Desperate Housewives* AND broke news of Deep Throat's identity. That's a diverse publication! *Vanderbilt Business* isn't that far-reaching, but we also strive to offer a variety of lively and interesting articles for our readers.

Many of you have already met Jim Bradford, Owen's dean, but our cover story will give you a closer look at the man. A CEO for two corporations before deciding to devote himself to his true love—teaching—he arrived at Owen in 2002 and imparted valuable knowledge about strategy to hundreds of students and made important corporate contacts for the School. Now as dean, he is pedaling fast to make sure Owen remains a leader among schools offering relevant business education. A few of his initiatives are outlined in this issue.

Code Blue for Health Care? Who among us isn't worried about health care in some form or fashion? I am lucky to live in Nashville, a health care capital, and like my doctors. But that is becoming unusual. Studies show consumers are increasingly dissatisfied with their health care providers and often think they are not getting the right care at the right time. The U.S. health care system—a \$1.6 trillion industry, consuming 14.6 percent of America's GDP—is ranked 39th among westernized nations in terms of primary care, preventive care, and immunization. Not only is our health care system expensive, it is ineffective. As Tom Cigarran, chairman/CEO of Ameri-

can Healthways, puts it, "Health care is the Titanic headed for an iceberg."

Two articles look at the state of health care. The Business Roundtable article, "The New Health Care Leader," features Cigarran and Dr. Harry Jacobson, vice-chancellor for Health Affairs, discussing challenges facing tomorrow's health care leader, and "The Health Care Dilemma" underscores rising health care costs and what can be done to stem the problem.

Both articles point to the importance of Owen's new Health Care MBA. The program will train leaders to understand the health care business from the inside. Students will earn a traditional MBA, but also take immersion courses in hospitals, labs, and health care companies, and have exposure to health care executives. Vanderbilt University Medical Center is integral to the program, offering support through its services, education, and research. Graduates will lead hospitals, labs, pharmacies, and biotech and device companies, and be able to know what is of value to the patient and deliver products and services in a user-friendly and cost-effective way. Not willing to throw their hands up and say there is nothing to be done about health care, they will make a difference because they want to, they believe they can, and Vanderbilt made the training possible.

Other articles include Michael Eisner's problems at Disney, the benefits of good business relationships, and how alum Michael Magevney took Vanderbilt's own Alternative Spring Break to college campuses across the nation. But the most important news is about YOU, so please send in a class note or letter to the editor. beth.matter@vanderbilt.edu.

DAVID STEINLICH, KRT

SUCCESS AND BALANCE

I was interested to read about Erica Whittinger's new career direction in the last issue and remember her well from her days on *Sound Money*. Perhaps because I was reading *Vanderbilt Business* while on an extended vacation, enjoying extra time with my family, her questions about "refraining" one's life resonated with me.

So many of us associate financial success with buying power and net worth. But it seems equally important to recognize that financial stability is a resource that can help create a balance between work, family, and other life priorities.

Jeanne Lyles ('88)

GOOD READS

Loved the article on Cumberland Pharma! And the update on Anuj.

Mindy Sauers McGrath ('97)

THE RIGHT MEDICINE

I very much enjoyed the article on Cumberland Pharmaceuticals and Owen graduate A.J. Kazimi ("Prescription for a Pharmaceutical," winter 2005). The story very effectively highlighted the challenges and complexities of building a pharmaceutical start-up in today's environment, as well as the importance of assembling a strong management team and experienced advisory group.

As a rapidly growing pharmaceutical company with a strong product line, Cumberland Pharmaceuticals truly brings a new dimension to Nashville's health care industry that complements the premier health care services industry cluster here. This new life sciences dimension



Inbox

"Mr. Kazimi is certainly to be complimented for Cumberland's continued growth and success, and for his contribution to Nashville's dynamic health care industry."

Vanderbilt accomplishments and activities. This is now a publication that can be showcased both inside and outside the Owen community.

Inside Owen and Inside Business are two sections I have found very interesting, for example Eric Hall's insider perspective on Yahoo. Furthermore, it is great and rewarding to see companies like Asurion featured in the Corporate Spotlight, leveraging Owen's talent.

Congratulations to Dean Bradford on his anniversary of leading our school and his appointment as dean. As an active member of the Owen alumni community, I look forward to working with Jim to invigorate alumni and support students.

Jeff Kudlata (E'96)

KUDOS TO THE OEC CENTER

Great article on the OEC [Owen Entrepreneurship Center] in the latest VB issue. Wonderful to read about OEC progress and improvements.

Sam Graber ('01)

The editor welcomes letters and comments from readers of Vanderbilt Business. Send to Beth Matter, editor, Office of Advancement Communications, VU Station B 357703, 2301 Vanderbilt Place, Nashville, TN 37235-7703, or by email, beth.matter@vanderbilt.edu. Letters may be edited to suit space requirements.

includes the clinical talent and management expertise to move a product through the FDA regulatory and approval process, and to bring it to market.

Moreover, through their Cumberland Emerging Technologies joint venture with Vanderbilt University and the State of Tennessee, Cumberland has helped provide much needed infrastructure to the region for moving new biopharmaceutical technologies forward, as well as for fostering the growth of additional life sciences companies here. Mr. Kazimi is certainly to be complimented for Cumberland's continued growth and success, and for his contribution to Nashville's dynamic health care industry.

Matthew S. Gallivan, president, Nashville Health Care Council

MAGAZINE'S BROAD APPEAL

I just completed reading the second issue of *Vanderbilt Business* magazine. The new format is rich in content and does a terrific job of highlighting both Owen and

INSIDE OWEN

Conference *Individual as Polluter* | Faculty *Online Privacy Concerns* | Students *28 Days to the Business World* | Outreach *Middle East* | Panels *Investable Trends in Media* | Speakers *Eliminating Poverty, Overstepping SOX*

CONFERENCE

Pollution: It's a Personal Thing

CORPORATIONS HAVE BEEN SO SUCCESSFULLY regulated environmentally that individual behavior is now one of the major sources of pollution, said speakers from the academic, government, non-profit, and business worlds at a symposium on Individual and Household Environmental Behavior, held last Earth Day at Vanderbilt and co-sponsored by the Vanderbilt Center for Environmental Management Studies.

Backyard barrel burning, for example, comprises more than 60 percent of current dioxin emissions, and almost a third of ozone precursors are released by such individual activities as driving cars and light duty trucks, and residential electrical and product use. Widespread SUV use not only leads to air pollution emissions, but adds to reliance on foreign oil. Although cars are 70-90 percent cleaner than they used to be, many more people now are driving many more miles.

The environmental consequence of one person driving an SUV is nothing, but in the aggregate it negatively affects environmental quality. So how do you change behavior collectively?

Legal sanctions and economic incentives, including taxes, are unpopular solutions, but social norms may provide the answer, suggested the speakers. "During an energy crisis, people will engage in conservation behavior on a short term basis,

when it is relatively simple. But if the behavior is inconvenient or sustained, it probably won't work," said Ann Carlson, professor of law at UCLA.

Steven Hetcher, Vanderbilt professor of law, and others suggested that social norms that employ a sense of guilt or duty to act may be one answer. "For example, kids now wear bike helmets, and that is not a law. But people over time saw other people wearing helmets and thought that was a smart idea. Maybe we could incorporate that kind of learning into environmental matters," he said.

John Sheerin, retail environmental manager at Bridgestone Firestone Retail and Commercial Operations, and Art Gibson, vice president of Environmental, Health, and Safety with The Home



Depot, talked about how their companies are trying to be good environmental citizens. Companies that have such positive reputations not only do the right thing but typically have higher sales, consistent performance, customer loyalty, higher quality employees, and better publicity," Gibson said.

FACULTY

Despite Privacy Concerns, Few Online Incidents Reported

CONSUMERS WANT MORE CONTROL OVER data captured from their online behavior but don't know how to gain that control, says Professor Donna Hoffman, co-director of the Sloan Center for Internet Retailing.

"Consumers don't like that their browsing behaviors are captured, and don't think that capturing the "click stream" is necessary for marketing purposes," she says. "Consumers think that what is captured invades their privacy and tend to want 'opt-in' privacy policies instead of the current market practice of 'opt-out.'"

Despite these concerns, they willingly provide personal information to Web sites. "Only about a quarter of consumers are hard-core 'privacy protectionists' who never provide personal information online. Most do not use available privacy-protection tools (encryption, anonymizing software, cookie rejection and deletion,



LAMBERTO ALVAREZ, KRT

Retailers need to be aware of Internet pitfalls and treat customers with respect.

giving erroneous information), mainly because they do not know how."

Although there have been noted online privacy violations with retailers (Toysmart.com, Pharmatek, Inc., and Acer), studies show U.S. adult online users do not feel victimized often. Only 28 percent report receiving offensive emails; 4 percent have been threatened online; 3 percent say they have been cheated in online shopping, and 3 percent had their credit card information stolen online.

"Privacy concerns can definitely limit the Internet's potential, so managers need to be aware of pitfalls and go to great extents to offer reassurances and treat customers with respect," she says.

HEATHER MCKINNON, KRT

STUDENTS

28 Days to the Business World

CAN YOU GET DOWN TO BUSINESS IN just a few short weeks? Definitely—just ask the 53 undergraduate students who participated in Owen's Accelerator Summer Business Institute, designed to give such students a jump start in the business world.

The students, hailing from various colleges and universities, spent 12-14 hour marathon days in classes, following a curriculum designed by Owen faculty and business leaders, and working on hands-on projects aimed at solving real business problems. Students tackled such

challenges as how the O'Charley's restaurant chain can gain more market share, helping the Music City Motorplex reach a younger demographic, and designing operational strategies for Velocity Sports Performance, a sports training facility near Nashville.

Students also formed teams and created one-day businesses that they operated at the Nashville Flea Market on the last day of the program, pulling all of the lessons learned against their business plans. Backed by money from actual venture capitalists, any profits received were donated to charity.

Mike Sicard, faculty director, and former chief operating officer for a \$650 million company and former McKinsey & Company consultant, knows what companies look for in employees and planned the program accordingly.

"In my work with numerous companies, I noticed they shared a common challenge—no matter how bright and determined their newly graduated hires were, they weren't used to the business world and tended to slow the pace of the company," Sicard says. "In today's economy, employers must have new hires that can accelerate quickly and become as productive as possible in a short time."

To that end, the curriculum focused on strategy, financial accounting, managerial economics, marketing, finance, operations, human resources and organizational behavior, business ethics, problem solving, communication, teamwork, and career planning. The students were challenged to apply this instruction to their numerous projects. They "graduated" from the pro-

gram with a certificate, a letter of reference from an Owen faculty member, a business skill set, interview practice, a portfolio of work to show recruiters, and networking contacts gleaned from the many business breakfasts and dinners. A number of students indicated they would be interested in earning an MBA at some point in their career.



Twenty-eight days in the Accelerator program revved undergraduates for the business world.

Student evaluations indicated that Accelerator exceeded their expectations and they considered it a good investment. "This has been the most productive four weeks of my life. It's an amazing opportunity to get hands-on experience and learn key business skills," said one participant. Another remarked, "This program has single-handedly changed the direction of my life, through finding my niche in the marketplace and getting the tools I need to succeed in that niche."

PANELS

Investable Trends in Media

MARKETING AND TRADITIONAL MEDIA—late to step away from the industrial age—are now modernizing and offering excellent investment opportunities, said Mark Wright, E'84, principal with Blue Chip Venture Company, at a venture capital panel sponsored by Owen's Entrepreneurship Center last spring.

What spurred this change is consumers themselves—no longer one-size-fits-all,

viewers now demand control of what they watch, where and when they watch it, and with which device; and Internet advertising—with its precise band optimization and ROI calculations.

An advertiser at the forefront of this shift is Procter & Gamble, which is collaborating with Arbitron and VNU in Project Apollo, "probably the most important marketing and media issue undertaken in a decade," Wright said. The project synchronizes multi-media message exposure, brand recognition and preference, and actual purchase behavior in an effort to bring the "ability to ROI equation to media and marketing mixed media efforts."

Media and marketing, a \$450 billion industry, "has traditionally functioned with less accountability than McDonald's would expect from a night shift manager," Wright pointed out. The increased desire for accountability, more savvy consumers, and a margin squeeze among content providers has led to various investment opportunities including automated technology platforms, which can track adver-



tising spots and deliver the right ad to the right consumer at the right time. "With TIVO and other time shifting technology, about 90 percent of ads are sacked. But people can opt into advertising that is relevant to them."

Another good investment now is online content, he added. "There was a major advertising bust in 2000, but what was predicted then is becoming reality now. For the first time, major advertisers are allocating significant portions of their budgets for online space."

COMMENCEMENT

Majoras to Graduates: Leave Positive Imprint on Global Marketplace

OUR FREE MARKET IS AND MUST REMAIN the foundation of our enviable economic system—a system that produces robust competition, which in turn breeds innovation, creativity, and entrepreneurship at unmatched rates, FTC Chairman Deborah Majoras told the 252 graduating students at Commencement.

"When the market functions well, consumers and business alike benefit. This dynamic market is spreading to all corners of the world, as nations replace government-controlled economies with market-based economies. Fifteen years ago, only 20 countries had competition laws; today some 100 countries have some variation of competition law, and our bilateral discussions on competition policy include such nations as China and Russia."

The spread of capitalism has the potential to serve and protect consumers better than government autocracies and bureaucracies, but it also means the U.S. alone does not set the rules for the global marketplace, she added. "To exercise leader-

ship, we must continue a process of self assessment and improvement. Our opinions about superiority of markets will be influential only to the extent that foreign observers perceive our implementation and experience to be worthy of emulation."

Establishing and maintaining faith in the free market is possible only when we accept that "free" does not mean free of responsibility, she continued. "The market fails when plagued by cheaters and cowards who fear competition on the merits. At the FTC, we use antitrust and consumer protection law enforcement to protect consumers and the market. But government enforcement alone cannot ensure that free markets serve the public interest. It also requires corporate leaders to be accountable—to the right people and in the right way."



Majoras: Free market does not mean free of responsibility.

We as a nation have become so focused on rights and desires that we often have neglected our responsibilities—a trend that has extended to the boardroom and conference room, she said. "The trend must be reversed and it can be. But designing organizations less susceptible to opportunistic behavior by managers is only a first step. We must reinvigorate a culture of integrity and accountability in our work and in our lives, and ultimately in the global marketplace. Within such a culture, consumers will receive the respect they deserve, and you will instill in consumers the faith that the market needs to stay strong and dynamic."

MORE ON SOONG

IN THE LAST ISSUE OF *VANDERBILT BUSINESS*, WE MENTIONED AS PART of the "Dragons and Bald Eagles" article that Charlie Soong, an 1885 Vanderbilt graduate, a successful entrepreneur, and one of China's most powerful men during the 20th century, became financial backer for revolutionary leader SunYat-sen, whom his middle daughter Ching-ling married. She served as vice-chairman of the government of the People's Republic of China from 1949 until her death. We neglected to tell you about Soong's other daughters, who also led interesting lives. Soong Mei-ling, who married Chiang Kai-shek, was a member of the central executive committee of the Kuomintang and sought to enlist American support for the Chinese Nationalists against the Communists. Soong Ai-Ling married K'ung Hsiang-his, minister of finance and governor of the Bank of China, and she engaged in child welfare work.

OUTREACH

A Slice of Owen in the Middle East

PETER VERUKI, MANAGER OF EXTERNAL relations, took his job title to heart and recently volunteered to help a fledgling MBA program at the University of Balamand in Lebanon. Pairing with Kim Kehoe, professor of management at Rice University, Veruki consulted the school on administrative matters and Kehoe on educational components.

The University, owned by the Greek Orthodox Church, is one of few colleges in the country located outside Beirut and struggles with such problems as attracting qualified faculty and top students, developing curriculum, and obtaining current teaching materials. Veruki and Kehoe recommended, among other things, that the school should support faculty development through collaboration with colleagues at other universities, strengthen relationships with corporations, and identify and build relationships with alumni.

Veruki wants to send the school some textbooks and syllabi from Owen courses

to supplement their materials, and hopes to eventually establish collaborations between Owen and Balamand faculties and student exchanges between the schools.

The student body is diversified between Muslim and Christian, and most come from rural areas of Lebanon and Syria. "They are hungry to meet successful business people from the U.S. and Europe and to acquire firsthand knowledge of the free market systems in developed countries." He encourages Owen alumni and students from Lebanon to visit the school if the occasion arises.

SPEAKERS

Doing the Impossible: Eliminating Poverty in Bangladesh

MUHAMMAD YUNUS MAY BE AN economist but to poor people in Bangladesh he is a miracle worker. Armed with a Ph.D. from Vanderbilt, he returned to Bangladesh in 1972 with dreams of trying to help rebuild the country following its

independence from Pakistan. He took a job as head of the rural economics program at Chittagong University, but soon became bothered by the contrast between what he was saying inside the classroom and the reality outside. "In class I would talk about billions of dollars of investments, but just a few feet from my room were people for whom just a few dollars would change their lives," he said last year during Vanderbilt's Georgescu-Roegen lecture, held in partnership with the University of the South.

Wanting to make a difference, but not sure how, he started offering to do small favors for local villagers everyday. Making his way around, he noticed people needed very small amounts of money to clear up debts and get ahead. A bamboo stool maker, for example, needed only 25 cents per week to buy bamboo to avoid borrowing from a lender who insisted on buying her stools back at a price she could not make a profit. His first list included 42 people who collectively only needed \$27.

He approached banks, but they would not consider loaning even such small amounts without his guaranteeing the



Yunus uses microcredit to help eliminate poverty.

loans. The villagers paid the money back promptly, but to the banks they were still uncredit-worthy.

Yunus decided not to depend on the banks but opened Grameen Bank (www.grameen.com), which now has 1,267 branches covering 46,000 villages. The bank has reversed conventional banking practice,

he says, by providing microcredit to the poorest of the poor without need for collateral, and creating a banking system based on mutual trust, accountability, participation, and creativity. Today Grameen is owned by the poor whom it serves. Borrowers of the bank own 90 percent of its shares, while the remaining 10 percent is owned by the government. Close to one-half million dollars is lent out a year.

The bank has started offering home loans, student scholarships and financial aid, promoting information technology as a way out of poverty, and building health insurance programs. "Maybe some day we will offer health insurance to the poor and uninsured in the U.S. and offer them world-class service," he quipped.

Yunus encourages a broader view of capitalism, one that includes not only busi-

nesses that make money but also those that "do good," and says a social stock market could stimulate such endeavors.

Poverty is not created by poor people, he says, but by the system and the policies we have pursued. "If financial resources can be made available to the poor people on terms and conditions that are appropriate and reasonable, these millions of small people with their millions of small pursuits can add up to create the biggest development wonder."

STUDENTS

Confronting the Tough Questions

WHAT ARE THE FOUNDATIONS FOR A business ethic? To whom are professionals accountable? How do you define leadership? were just a few of the questions discussed at the fourth annual Cal Turner Program student retreat, which brought together a handful of students from each of Vanderbilt's five professional schools to discuss moral and ethical challenges in today's working world.

The primary goal of the retreat is to nurture students' engagement with ethical and moral concerns relevant to a range of professions, says Joanne Sandberg, executive director of the Cal Turner Program. "Students are exposed to and discuss a range of challenges and are encouraged to think critically about leadership, particularly as it relates to their professional lives. The event allows them to compare and contrast basic assumptions held by different professions in order for them to be more effective leaders in cross-professional settings."

Much of the subject matter this year centered on health care, highlighting such issues as the Terry Schiavo case, late term abortion, end of life care, and patient con-

RICH POPE, KRT

identiality.

"As a business person, it was interesting to learn the economic and business aspects of cost of care in terminal cases and overall cost of health care versus the 'right to health care,'" says second-year student Amit Misra.

"The implication of such issues for business people is big," adds Carlos Miranda, another Owen participant. "As many of us go into health care and make decisions that might affect service to patients and the community at large, we need to have a well thought out ethical framework."

One of the discussions Miranda found most relevant was whether a hospital should be run as a business. On one hand, health institutions have a calling that goes beyond generating profits, but on the other, healthy competition typically benefits consumers with lower prices and wider availability of services, he says.

"Many times the choice is not between something good and something bad, but between two good things, and as business students we need to learn how to think through ethical issues before we face them," he continued. "Business doesn't have an established ethics code like other professions, so as we assume leadership roles it is up to us to understand these challenges from a broad perspective and develop internal ethical alarm mechanisms."

SPEAKERS

Overstepping SOX is Problematic Too

SARBANES-OXLEY AND OTHER RULES arising from the recent corporate scandals are generally good for business, but some-

times oversight can go too far, said Alice Peterson, '81, president of the Listen Up Group, at an Owen Boardroom Breakfast last spring.

"The new rules have been directionally right, but there have also been cases of misinterpretation and over-scoping of work," she said. "Those instances have been driven less by new laws than by directors' and executives' fear of humiliation and reputation damage. We all work hard to build our personal brand and know how quickly that can be snapped in two."

Board members today are more diligent and vigilant, making boards more of a strategic advantage to companies than in the past, she pointed out.

"But some activities undertaken in the name of SOX or NYSE rules or federal sentencing guidelines are in fact not good and unintended by the rules themselves. Bill McDonough, chairman of the Public Company Accounting Oversight Board, recently stated that field examiners would be equally harsh with respect to finding accounting firms over-scoping SOX 404 as with finding inadequate controls work. This is the kind of leadership needed by the PCAOB, because accounting firms have been known to spend shareholders' money more to protect themselves than to protect the shareholders for whom they ultimately work."

Directors must primarily focus on strategy, succession planning, executive compensation, and general oversight, rather than micro management, she added. "Many boards are in a better position today to add value than they have been for years. Boards that haven't stepped up should consider how painful it would be to get a wake-up call in the form of a reportable finding when their house is not in order."

LOOKING BACK

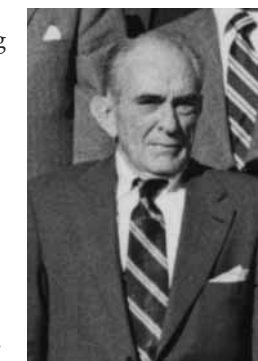
Ralph "Peck" Owen Remembered

OWEN'S NAMESAKE — RALPH "PECK" Owen—a 1928 graduate of Vanderbilt's College of Arts and Science and a Vanderbilt trustee, was featured in the winter 2004 issue of *The Record*, the alumni magazine of Sigma Alpha Epsilon, in an article titled "Titans of Business: Industry Leaders; Icons of Success," along with other SAE founders/supporters of leading business schools.

The article discusses that Owen, co-founder of Equitable Services Corporation, ranked the second largest investment banking firm in the country in 1950, and chairman of American Express from 1960 to 1968, was instrumental in making the Graduate School of Management a reality. Owen, like many other Nashville executives, was interested in educating future potential executives.

Founded in May 1967, the School was renamed the Owen Graduate School of Management in 1977, the first time that a Vanderbilt

school was named after an individual. In 1996, the estates of Ralph and Lulu Owen gave \$33.5 million to the Owen School. That gift combined with others made while the Owens were living, brought their total contribution to \$62 million, an amount thought at that time to be the largest sum of gifts from a single source to a business school.



Owen

FINANCIAL INNOVATION

THERE HAS ALWAYS BEEN INNOVATION IN THE EXCHANGES. At the turn of the last century, there were 40 plus exchanges, and almost all of them are now gone. If you trace each technological event and the effect it had on the exchanges—from telegraph to transatlantic wires to ticker—you can see they all brought substantial change. Technology is now driving change faster and will continue to drive it faster. But there has always been innovation and competition—you have to have competition to move things forward.

—Rich Lindsey, president, Bear Stearns Securities Corporation, during the panel on financial innovations at the Financial Markets Research Center conference May 19-20, this year held in honor of Hans Stoll, professor and FMRC director.

The New Health Care Leader

Dramatic Change Faces Tomorrow's Health Care Leaders. How Owen Can Help.

DR. HARRY JACOBSON, VICE-CHANCELLOR FOR HEALTH AFFAIRS at Vanderbilt University Medical Center, and Tom Cigar-ran, chairman of American Healthways, recently sat down with Owen students, faculty, and staff to discuss challenges facing future health care leaders and how Owen's new Health Care MBA can help prepare those leaders. (See Owen's program: www.owen.vanderbilt.edu). Others participating in the discussion were Nancy Hyer, professor and head of the curriculum committee for the program; Jeff Kaplan, associate vice-chancellor for Health Affairs; Beth Matter, *Vanderbilt Business* editor; and students Brad Womble, Josh Nickols, Keith Lui, and Gregory Kunst.

Q-Matter: What are going to be the demands on health care leaders in the future, and what traits will be necessary to be successful in the field?

Jacobson: Health care in the U.S. certainly has challenges. We used to think they were mostly economic but now realize they are as much, if not more, related to quality and value. Health care leaders need to understand those challenges and the clinical business of health care before they can be effective leaders. That is true across the board. For example, providers determine not only success of the provider community but also of innovators, because they prescribe innovators' prod-



CORBIS, PAUL ANDERSON

ucts—medical devices, drugs, etc., so understanding optimal provider behavior is key. And they need to understand that health care is a transaction, not just a paternalistic activity. The other piece is how do you best engage with the patient? The patient and provider both have to do the right thing. How does that happen? Mostly through good decision making. Health care leaders haven't talked about values in a serious way. We need to get value back into health care.

Cigarran: I agree. Look at what other countries spend on health care, as low as 7 or 8 percent up to sometimes 10 or 11 percent of their GDP. We spend over 15 percent, and studies show we could spend 18 percent and still afford it. The overarching problem isn't how much we spend but the value we receive for what we spend. The consumer, who is the final judge, says the value isn't there. Consumers are not confident that when they go to the doctor, or the hospital, or

to other providers they get the right care at the right time. They certainly don't have an experience they consider valuable or worthwhile.

Cost is also an issue, but if we deliver value and do the right thing at the right time, the cost problem will be smaller because we won't be spending money on things we shouldn't.

What does it take to be a successful leader? It is important to have leaders who appropriately define success. Success is not about 43 quarters in a row of increasing earnings per share or getting your picture on the cover of *Fortune* magazine, or making \$10,000,000 a year. A health care leader has to think in terms of defining success as making the world a better place and changing the lives of as many people as possible in a positive way. Leaders have to be able to find and keep great people. If they define success properly, they will attract great people, and keep them. They have to be strategic thinkers and enjoy operating in an environment where change is the norm, and be able to engender trust in people they work with and get them to buy into a common vision. Finally, they have to create an organizational culture that allows people to do their best work.

Q-Womble: Does it come down to being able to sell that vision?

Cigarran: It is more than selling. Selling sounds like you are hawking snake oil or selling people a bill of goods. Rather, it's getting people to buy into a vision because it makes sense—because it is

something important, something worth spending your life pursuing.

Jacobson: The overall quality we need will come from asking the question, how can I do well by doing what's best for the patient? So that the clinical goal of doing what's good is the primary driver. What should drive your thinking? Not how can I design a drug that does the same thing as this other drug and grab some market. Or how can I capture this or that? As a provider, those are important questions that determine the success of your business, but the thing that should drive your thinking is, how do I apply my skill?

Q-Matter: How do you view Owen's new Health Care MBA program?

Cigarran: Institutions have only a few opportunities to do something world changing. To do that, institutions have to have a clear vision, people who want to effect change, and the resources—financial resources and people resources to make it happen. Owen is facing one of those opportunities today.

The leadership of the University—the Board, the Chancellor, the Vice-Chancellors, the Owen faculty and leadership, the Medical Center, the Law School, and other parts of the University are definitely behind this Health Care MBA program. We are headed into a time where change in health care has to take place—costs cannot keep growing at the rates they are growing, producing as little value as is being produced. Owen has a chance to create the health care leaders who will

help lead that change for the benefit of our country and then the world.

Q-Kunst: What will be the most difficult for Owen in terms of developing the MBA into a world-class program?

Cigarran: Making the decision to do it—making the emotional commitment that the Owen MBA program is going to be the best health care leadership program in the world. Why couldn't that be the case? The answer is there are no insurmountable obstacles to doing it. So, why not do it?

Q-Nickols: Change requires new thinking and innovation. How do you teach people in the Health Care MBA to be entrepreneurs?

Jacobson: My definition of entrepreneurship is probably broader than most. I think entrepreneurs always look for opportunities that come from business or technology innovation, such as how they can take advantage of the current environment and their knowledge of a need and what can fill that need. And being able to put that all together. If you can do that well, whether on the service side or product side, then I consider you entrepreneurial. And, are you willing to act on what you see? To complete the definition of an entrepreneur you have to be willing to act on that vision and take that risk. You can teach the former, but it is harder to teach the latter. You can get people who aren't risk takers to take risks, but you do that by minimizing the risk. And that is really not risk taking.

We used to think that CHALLENGES to health care WERE mostly ECONOMIC, but NOW we realize they are as much, if not more, RELATED to QUALITY and VALUE.

Cigarran: We usually think of entrepreneurs as being outside of organizations. They have an idea, and they must do it themselves, and do it their way. There are also entrepreneurs, many more in fact, within organizations. In the future, it will be important to have more entrepreneurs within organizations, who reinvent their businesses on a regular basis and look for opportunities to change for the better the ways things are done. It can be easier to be an entrepreneur within an organization, because you have a regular paycheck, you don't

have to spend your time raising money or dealing with investors on a regular basis, and you can just work on your ideas. It can be just as satisfying with a much greater chance of success.

We started American Healthways in 1981 and invent a new business every five years. When we hire people, we tell them we are not training them to go outside of our company and be an entrepreneur. If that is what they are interested in, they can go work somewhere else. They have to buy into our vision. We want to train them, invest in them to work within our company until they retire, even if they arrive at age 21, and to satisfy their recognition and financial needs as well. It is up to us to create the professional challenges and a work environment that they love.

We have managed to attract a lot of entrepreneurial people this way and must continue doing that going forward, because the level of change in health care across all of the providers and all of the institutions will be massive, and the change is not going to occur by putting one foot in front of the other, by not taking chances, and by doing only the same things we did last year. It will be an entrepreneurial driven change.

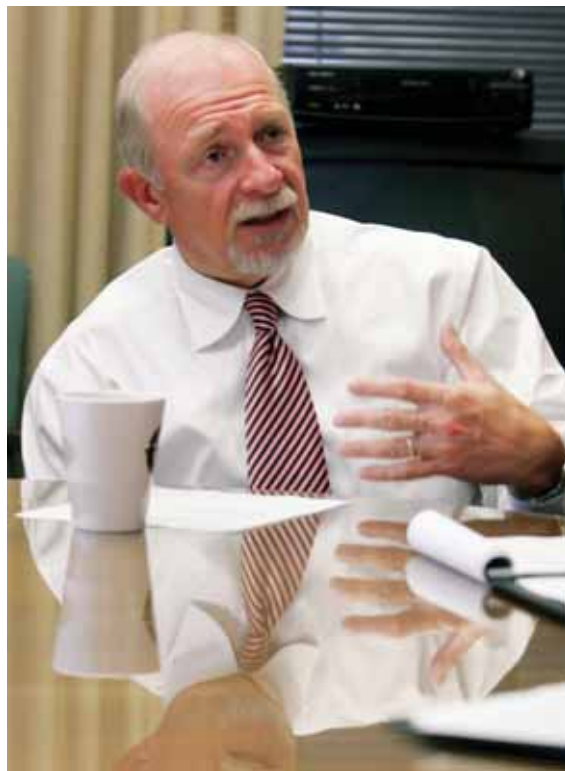
Jacobson: Being an entrepreneur is not just starting up a new company. There are many opportunities to be entrepreneurial in existing companies. What I am talking about, for example, is a company that is worried it is going to stop growing or even shrink and diversifies into another business line or makes a strategic acquisition. Those things are also entrepreneurial.

Cigarran: Several years ago 3M sold off their traditional products and created a culture in which they create new items everyday. Everyone from factory workers up think of products they can create, and when those products mature, they sell them. They want to go on to the next new thing. That is a great, exciting environment in which to work. Whoever created that did a heck of a job.

In health care, what do we have to do to get where we want to go? Our vision of how health care ought to work should be one of quality, where the consumer has a great experience—because what we deliver is exactly what they need, and it is delivered in the way they expect and receive as consumers in almost every other area of their lives.

Q-Nickols: It sounds like it is important to teach managers to allow the creative process to happen rather than having a tightly reined company where you do the same thing everyday.

Cigarran: I think entrepreneurship is teachable, but we try to hire people who already have an idea of how to allow the creative process to happen. They are



Jacobson: The overall quality we need will come from asking the question, how can I do well by doing what's best for the patient?



NEIL BRAKE

The panel talked about the unique aspects of Owen's Health Care MBA, among them that students will take immersion courses in hospitals and labs and be mentored by health care executives.

people who don't want to defend what happened in the past, who aren't looking to be comfortable, not looking to do what has always been done and just get to retirement. They have a different mindset. Once you have people like that, it is a matter of creating an environment to encourage and support their entrepreneurial inclinations.

Q-Womble: What are the biggest lessons you have learned in leading health care organizations?

Cigarran: For me, it is the importance of an organization's culture. If you have a clear and important vision, if you get good people and put them in the right culture, you have a high likelihood of success. What makes my job easy is if I have smart people who have the right skill sets and who give their absolute best everyday. Our people regularly come up with innovations I wouldn't think of in a million years. You can keep people like that if you develop the kind of culture where they can do their best work and where they

feel valued and supported. We started purposefully doing this 20 years ago, but if we had started doing it 30 years ago, who knows what we could have accomplished.

Jacobson: I have learned the importance of aligning incentives and having the right incentives, which also falls under having the right kind of culture. In health care, which requires teamwork and the sharing of information and referring of people, you have to understand what incentivizes people and how

*We are beaded into a time where **CHANGE** in **HEALTH CARE** has to take place—**COSTS** cannot keep **GROWING** at the rates they are growing, producing as **LITTLE VALUE** as is being produced.*

to align those incentives. That is more of a challenge in health care than any other industry. I have also learned that winning isn't absolute. The right kind of compromise can be the winning solution. Don't sacrifice success for control. Why try to control 90 percent of a small pie as opposed to 40 percent of a larger pie? How do we get to where we want to go without always winning? The other thing I have learned is the discipline of being willing to lose. Don't do a deal just because you are presented with the opportunity.

Q-Lui: One of the most fascinating value-added features of the Health Care MBA is the medical immersion aspect. How do you see that benefiting a potential employee wanting to work in the field?

Cigarran: Every student entering the program is an individual, and the program should be tailored to that individual. Some students will come with experience in medical devices, research, services, or pharma, and will know a lot about that aspect, but not necessarily much or anything about other aspects—what a hospital does, how an emergency room works and why. Some students with no health care experience will also want to enter the program. If they have the skill sets and non-health care experiences and aptitudes that we need in health care, then you have to give them a strategic overview of health care. The immersion program is a perfect start to this. But for those who do have experience, supplement what they know. A

pharma person knows pharma, but have they spent any time in a hospital? Nursing home? Research lab? Do they know how a lab works and why? You cannot put all of the students through the same courses. The pharma person will be bored to death studying about pharma—they will not be learning anything new or using their time productively. An individual program can and should be designed for each student.

In addition, students need to have as broad an exposure to the health care experience as possible. Not only will Owen have the immersion aspect, it will have interactions with many health care companies in Nashville and the Vanderbilt University Medical Center. Students can work on projects that interest them, with mentors who are running companies or labs or hospitals. This is not possible at any other health care MBA program in the country.

Jacobson: This program is unique because we can teach you to understand health care from the inside. You will understand the business you are in and have knowledge about health care—not only about how does it run, but how should it run, and what are the problems and the challenges, how can they be fixed, and how does this create opportunity?

Q-Matter: What do health care leaders need to do differently in the future?

Jacobson: They will have to ask the questions, how does my health care sector add value to the patient? Are my goods and services doing what is best for

the patient? You can ask these whether you are developing a drug or manufacturing a new stent, or developing a specialty hospital. If you can't answer those questions, both in terms of how you add value and how to make money doing it, you are not going to be a leader in that sector.

Q-Matter: What are other challenges and opportunities in health care and for the Health Care MBA?

Cigarran: We know we have to dramatically change almost everything we are doing today in the largest single industry in our country. That is enough challenge for several lifetimes. There will be opportunities in every segment of health care. Owen can ask all the best and brightest people in the country, "Do you want to be really rational about your career? What industry do you want to go into?" Let's see.... Let's start with the biggest industry in the U.S.—health care. What kind of shape is it in? It is in terrible shape, meaning there are plenty of opportunities in almost any area you can imagine to make a difference, and probably do well from doing it. In addition, you would also be making the world a better place. Knowing that, why would you want to spend your life building more Wal-Marts, or going into the lipstick business?

In five years, the cost of health care will be as much as 18 percent of our GDP. Nothing will change that curve if we keep doing what we have always done. So what change is going to take place? Who knows? But we know it is

going to be dramatic. We have to change the system itself, so that it is coordinated, efficient, effective, and consumer friendly. Effective, meaning it delivers on what it is suppose to at a very high quality level, which it doesn't do today. There is a need for skilled entrepreneurial leaders who can develop these new solutions in every area of health care. The opportunities are huge.

Jacobson: I think the biggest opportunity will be in the service area, because that is by far the largest sector in health care. The challenge of this MBA program will be to market its alums to the service industry, convincing them this is what the industry needs and we're fulfilling that need. But I want to emphasize that our students will be prepared for any sector of the health care industry.

Cigarran: One of the biggest obstacles has been that graduates of MBA programs at graduation almost universally do not have an overarching strategic understanding of health care. They come with a skill set, but it takes up to two years of on-the-job experience before we can turn them loose and not be worried about what they might do.

Jacobson: If I have a \$200 million annual revenue business inside my hospital and I want to get a senior leader



Cigarran: It is important to have leaders who appropriately define success.

for that, I would hire an MBA if they could come in and know what is supposed to go on in surgery, for example.

Q-Kaplan: What about teachers on the medical side? If you are looking to recruit two or three stars, where do you go? What type of people are you trying to recruit?

Cigarran: Start with what faculty does Owen need to make the program the best in the world? Ask yourself, if we had unlimited money, unlimited resources, what would we do to make this really great? Start with that.

Jacobson: We need to do due diligence on whomever we recruit, whether they are in the Nashville health care community or elsewhere. You can't have a faculty member teach in this program if they don't know the subject matter themselves.

Cigarran: Some world-class experts do not necessarily know how to teach effectively. You could help these knowledge experts design a course in their subject area, in other words to teach these experts how to teach.

Q-Matter: It seems like the public in general still seems to think that our health care system is great.

Cigarran: That is less and less true as time passes. Surveys show that people are less happy with their health care experiences. They get treated like cattle, they wait forever, they fill out the same form ten times. It is not user-friendly. They are starting to question whether their doctors are even telling them the right things. That is the value issue. We need these things: doctors and other providers delivering what people need and expect and for it to be delivered as perfectly as possible, and we need health care that is user-friendly, convenient, priced appropriately, and health care that provides value. Health care is an exciting field to go into. We need future Owen Health Care graduates to help us move the Titanic away from the iceberg. **VB**

Thoughts of a U.N. Peacekeeper

Witness to Bloodshed, Student Desires to Turn Africa Around

By EBENEZER ARYEE

AS A LITTLE BOY IN ACCRA, THE CAPITAL city of Ghana, I experienced firsthand how poverty and economic deprivation can reduce a whole community. The children had no hope of a better future. My prayer as I grew up was for God to help me attain enough stature to allow me to extend a helping hand in eliminating poverty and reversing adverse trends there.

I joined the Ghana Armed Forces in 1990. Two weeks after graduating from military school, I was astonished when my commanding officer told me I was to go immediately as a platoon leader into Liberia to help quell civil strife there. I did not think that I was ready to operate in a theater of war. But we set sail to Liberia with high hopes amidst fears to bring peace to the West African country. Unknown to me, this was just the first of many journeys into war torn areas in search of global peace and security.

Over the years, I have come face-to-face with much human suffering. I was not prepared to see brutality meted out to man by his own kith and kin, and could not

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EBENEZER ARYEE, a second-year student, has been recalled by the U.N. to Sierra Leone and is on leave of absence from Owen.



Aryee, center, with two other South African peacekeepers. Peacekeeping, Aryee says, “robes you with future managerial qualities.”

believe that people living across the street in the same neighborhoods could kill each other in the name of ethnic superiority. I led men on various missions in Liberia, Sierra Leone, Rwanda, Lebanon, and the Democratic Republic of the Congo, among other countries. In Liberia, my three duty tours unveiled atrocities that rebels—some of whom were kids—unleashed on children and women. Rebels raped and killed anyone who came

between them and their goal of looting Monrovia, the capital. In some cases, children were slaughtered because it was feared they would grow up to be able-bodied adults who could fight for their ethnic divides. My first day at Vai Town, the community under my control as a commander, brought back my memories of growing up in the deprived community in Ghana. The area was deserted except for poor women and children.

I asked my platoon to offer cash and food contributions, showing by example with the donation of my whole food reserves specially packaged for me from Ghana by my wife. The platoon helped mobilize the community to rebuild their destroyed homes. Community self-help within the shortest time became the norm in the area. I made contact with non-governmental organizations and relief agencies to encourage them to begin operating there with my guarantee of security. Not long thereafter, a local football league started, and the area bustled with activity. Within two months, the population increased from a paltry 40 people to 2000.

After three months, I was posted to the headquarters of the West African Peacekeeping Force. There, I learned one does not always have their way with people of diverse backgrounds and beliefs. To work amicably, you might have to compromise. I led a team of people from various countries who were creating a food rations scale document for purchases of rations from various contractors, and supply of same to various contingents. We had to work under cost limitations, so it was prudent to use as reference diets common to most West African states. A vocal minority insisted on using an English-biased diet as reference for selecting items to include. They said the English-bias diet was more international and would be acceptable by both Anglophone and Francophone nations in West Africa. The Francophone majority countered this as myopic and counterproductive. They argued that because they were the majority, a French-bias diet as reference would be cost effective since the minority could learn to adjust. Although they all subscribed to basic tenets of commitment, integrity, and hard work, they came with different perspectives because of their different cultural backgrounds. I listened carefully but used my knowledge of nutrition and food sci-



Children wearing U.N. paraphernalia is a good sign that a community is accepting the U.N.'s presence and their activities, Aryee says.

ence to explain the necessity of selecting food not on the basis of taste preferences but nutritional value. I asked them to consider selecting international commodities with high nutritional value. The team voted to use that as reference and agreed that the cooks be trained how to prepare dishes to meet national tastes.

This reinforced in me the value of diversity in communities and the workplace. I learned to respect and accept dissenting views and broadened my views of others' values, opinions, and beliefs. I returned to Ghana more mature and confident, having lived with and managed people of diverse backgrounds.

The sub-regional peacekeeping force (ECOMOG) put in place by member countries of the Economic Community of West African States (ECOWAS) did what it could to stop the carnage. The men and resources lost in this effort could have been channeled into other areas of development such as health and education to benefit people of the West African sub-region. Instead, these resources were wasted in the effort to end senseless killing

in the name of ethnic superiority.

In Sierra Leone, the situation was no different. My tour as part of the initial sub-regional ECOMOG force and later the United Nations force also witnessed untold atrocities. Amputations of limbs of supposed enemies were the order of the day. Babies were not even spared: They had to pay for the supposed sins of their parents and grandparents. Disease, hunger, and deprivation resulted from these insurrections. More often than not, the weaker folk—women, children, and the elderly—were at the receiving end of these treatments.

What about Rwanda? I will not elaborate much on my experiences there. The story has been told again and again. To summarize, the events were simply horrifying and beyond human perception. The lessons, however, are clear enough. Africa is slipping into oblivion. Years of ethnic strife and resultant hunger and deprivation have led to the destruction of this otherwise potentially wealthy continent. Its intellectuals most often have been in the lead on this path towards self destruction. >>>

Years of ethnic STRIFE and resultant HUNGER and DEPRIVATION have led to the destruction of this otherwise potentially wealthy continent. The CONTINENT is really WEEPING blood.

The continent is really weeping blood. The example of Rwanda, with two major tribes that speak the same language and intermarry battling each other in the name of achieving ethnic superiority, is hard to comprehend.

I am a living library of what war can do to communities. I live with it today. My heart still aches during sleepless nights with memories of what I witnessed and the knowledge that the efforts have been in vain. Africa continues to witness war. War still rages in the Democratic Republic of the Congo (my last mission before Owen) and on the Ivory Coast. There is hunger and deprivation. Maybe the world will stop waiting until the last minute to intervene—when and only when the dead have been counted. The world needs to rally together and forever end these atrocities through empowerment of sub-regional and global institutions like the

United Nations, which are involved in the promotion of peace, security, and socio-economic development across the globe.

My coming to business school was an answer to my child's prayer in Ghana. I want to use my national and international experience in human and material management to set up a logistics consultancy in deprived areas in Ghana and eventually other African countries that have low levels of trained management personnel in procurement, storage, transportation, and distribution. It is no secret many African countries still grapple with produce handling—from production centers to the consumer. This results in high levels of postproduction losses and dwindling finances for most budding African enterprises involved in logistics/supply chain management.

The leadership, entrepreneurship, and communication skills I attained at Owen

will let me help facilitate the reinvigoration of Africa's socio-economic developmental process. And because of Owen's emphasis on diversity and leadership, I am convinced I can bring to the table more than enough dishes, from military leadership qualities and respect for diversity and dissenting views, to knowledge of how community service can better the deprived and underprivileged.

With today's business operations traversing boundaries, global managers and other key employees are increasingly asked to perform essential tasks overseas—transferring technical skills to local operations, supporting customer service, and recruiting staff for international localities. Cross-cultural competence is critical when conducting business around the globe. The new manager needs to have a diverse background and be able to mix and work anywhere in the world, with people of various backgrounds and beliefs. As I have learned from my classmates, they have also learned from me the importance of encouraging and sustaining volunteerism, and contributing generously through corporate entities they will manage towards the betterment of the underprivileged. This will enhance their operational capabilities in internationally diverse/deprived environments should they find themselves in one.

After Owen, I will team up with other budding African leaders with similar vision. I believe the emancipation of Africa from the shackles of war, poverty, and economic deprivation is near, and my dream will become reality. **VB**



A peacekeeper assesses damage to a patrol car on a dangerous stretch of road in a rebel-held area.

Headlines from Around the World

Who's Quoting Us: MBA Jungle, Business Week, Fortune, Market Watch, Barron's, Wall Street Journal, more



FOR THE POOR, HELP FROM MBAs. Venkat Shankar, an M.D. and 2005 EMBA graduate of Vanderbilt University, returns to his native India regularly to help manage a community health facility in Chattisgarh, India. An interest in doing larger-scale projects similar to this one is what prompted him to enroll in the EMBA program in the first place. Shankar represents a new wave of students who see business—not charity—as the solution to poverty. —*BusinessWeek Online*, August 17

TRADING BARBIES. Of Barbie, Chinese Currency Policy, and the U.S. Trade Deficit: Opinion piece co-written by David Parsley, associate professor of management, on the increasing value of the yuan having little meaningful impact on the trade imbalance between the U.S. and China. —*San Francisco Chronicle*, August 8

MORE ISN'T NECESSARILY BETTER. At least not when it comes to adding outsiders to a corporate board, a new academic study finds. Indeed, Charu Raheja, an assistant finance professor at Vanderbilt Owen Graduate School of Management, finds evidence that installing a high percentage of outside directors could be disastrous for companies in cutting-edge industries. —*MarketWatch*, August 10

EXECUTIVE EDUCATION. "Our executive education programs are designed for the person who has been successful for a period of time career wise," says Tami Fassinger, associate dean of Executive Education.

"There comes a point when the rate of learning has slowed down, or they look and find that to attain the next job level they need additional skills or have come up through a specialty field and have not broadened their experience." —*The Manufacturer*, April 11

NAME CALLING. As more Asian business partnerships are developed, it has become critical for U.S. schools to establish an identity in the Asian market. Owen 2005 graduate Shih-Ping Wang's work in establishing Vanderbilt's Mandarin name, "Fandebao," is featured. —*Biz Ed*, July/August

WATCHING A WATCHDOG. Recipients of recent hefty accounting fines from the Securities and Exchange Commission probably had a chuckle after a General Accountability Office audit found the agency had inadequate controls in the preparation of its financial statements. Paul K. Chaney, professor of management, is quoted. —*Barron's*, August 8

WHY IT'S A GOOD TIME TO BE AN MBA. With hiring way up, MBA candidates have more job options. The Owen Graduate School of Management is mentioned. —*Fortune*, May 24

HELPING YOUR PORTFOLIO, NOT THE WORLD. The case for socially responsible funds: Investors have flocked to socially responsible mutual funds in recent years, with their assets easily outpacing asset

growth for all stock and bond mutual funds. Study by Nicolas Bollen, associate professor of management, and Mark Cohen, Justin Potter Distinguished Professor of American Competitive Business, is mentioned.

—*Wall Street Journal*, August 3

VENDOR MANAGED SUPPLY CHAINS IN HEALTH CARE. It's relatively new to health care and has made few inroads, but the efficiencies it generates can be impressive. "It's incredibly more efficient," says David Dilts, professor of management. "Management lets suppliers stock the inventory and when they use it, they pay for it." —*HealthLeaders*, August 5

MBA FOR HEALTH CARE LEADERS. The MBA combines the standard MBA topics such as finance, management, operations, and marketing with health industry specific subjects. Emphasis lies on the strategic, economic, ethical, and operational aspects that high-level personnel in the health sector are expected to have. From the outset, the students are connected with hospitals and enterprises as well as "hands-on" projects. —*Handelsblatt.com*, August 4

SOAK IT UP. Calandra Turner, financial management associate at Citigroup Inc. in New York City, was featured in the *MBA Jungle* explaining what attracted her to Citigroup and offering advice for new graduates: "Be a sponge," the 2004 graduate said. "Absorb as much as you can. Take every opportunity to learn and to network. Talk to as many business professionals as possible."

—*MBA Jungle*, June 2005

INSIDE

Forensic Accounting *Detecting Deception* | Intellectual Property *Copyright on Trial* | Currency *Fast Food FX*

FORENSIC ACCOUNTING Detecting Deception

BY KARL HACKENBRACK

SUPPOSE YOU ARE AN OUTSIDE BOARD member for a company that recently released yet another set of impressive financial results. The company's stock price is at an all-time high. Senior management is happy with their bonuses. And the company's future looks bright.

Then one phone call changes everything. You are asked to attend an emergency board meeting the next day, a meeting with one agenda item: How to deal with a purported financial fraud?

Corporate executives and boards of directors are increasingly finding themselves in crisis management mode. The first task for the board in such a situation is to get the facts, which is often difficult in an environment where members rarely know enough initially to allay fears that senior management is involved.

The board needs to act quickly should a preliminary investigation reveal there is evidence to support the claim that an accounting fraud has occurred. If the company has any debt, it has potentially violated its lending agreement, placing it in a cash crisis. If investors in the company's securities are trading on the basis of materially misstated financial statements, the board needs to disclose something quickly, if only to stop the increase in liability arising from each new trade based on false information.

The board should retain expert professional services to navigate what for most

members is a novel situation. Outside counsel will almost always be retained, and should have no significant ties to members of company management who could have been involved in the fraud, and should report to and be supervised by the audit committee of the board.

Outside counsel will, in turn, generally retain a forensic accountant. Forensic accountants are trained in discovering the who, what, when, and how of what happened. They are versed in interview techniques, cognizant of legal issues, and skilled at retrieving and interpreting data from computer systems. One reason forensic accountants are generally retained by outside counsel is to argue that the forensic accountant's work is privileged, and thus confidential. The hiring of a forensic accountant is viewed favorably by such regulators as the Securities and Exchange Commission.

A primary difference between an annual financial statement audit and a forensic investigation involves the professional's point of view. Under normal circumstances, an auditor does not assume



In a forensic investigation, everyone is suspect.

unquestioned honesty, but neither assumes dishonesty. In a forensic investigation, everyone is suspect. The veracity of documents and veracity and completeness of statements from company personnel are scrutinized. Credibility must be earned.

Key to moving beyond the crisis is generating a new set of audited financial statements. This can be one of the biggest obstacles the board will face. How the board handles the crisis will significantly influence whether the company is able to retain the incumbent auditor.

KARL HACKENBRACK is an associate professor of management and co-director of Vanderbilt's Law and Business Program.

INTELLECTUAL PROPERTY Copyright on Trial

BY MITCH GLAZIER

IN JUNE, THE U.S. SUPREME COURT handed down its decision in *MGM v. Grokster*—a decision that determined that operators of peer-to-peer (P2P) networks should be held responsible for encouraging and profiting from theft of copyrighted works. *Grokster* is a P2P network allowing users to "share" songs,

RICHARD HODGES, KRT

DANIEL DUBOIS

BUSINESS

Work Force *Generation X vs. Baby Boomers* | Leadership *Mickey Mouse Management* | Retail *Girl Power*

CURRENCY

Fast Food FX

BIG MACS ARE CONSUMED AROUND THE GLOBE, but the sandwich in the U.S. costs around \$3 versus €2.92 in Italy, or about \$3.60 at current exchange rates. The Big Mac Index, compiled since 1986 by the *Economist* indicates that the euro is overvalued by 17 percent against the dollar. What factors account for this difference, and how long can it persist? David Parsley, associate professor, and Shang-Jin Wei, of the International Monetary Fund, focus on the ingredients of the Big Mac to answer these questions in their paper, "A Prism Into the PPP Puzzles: The Microfoundations of Big Mac Real Exchange Rates," reported on in the June issue of the *Economist*. With 25,000 McDonald's restaurants in 116 countries, the Big Mac, with its standardized ingredients, is a good choice for global price comparison. The pair found that between 55 and 64 percent of each burger goes towards non-tradables such as labor, rent, and electricity. Ingredients that trade internationally converge towards purchasing power parity quickly (price discrepancies in beef, for example, will be halved in about 18 months) but non-traded inputs converge slowly (for example, differences in rental costs have a "half-life" of more than 4 years).

Parsley: Non-tradable inputs take a bite out of the Big Mac, accounting for much of the global price differences.



movies, software, and other creative works without payment. Because the software creates a designated file on a user's computer and offers access to that file to millions of other users around the world, Grokster also turned everyone connected to its network into a world-wide distributor of stolen works.

Quite simply: Grokster facilitated theft of copyrighted works for its own gain. The more users lured with their offer for free copyrighted material, the more money they received from advertisers who ran banner ads or sent pop-up messages to users of the P2P program. Ninety percent of the files on its network are copyrighted—and were “shared” without permission. Grokster claimed it did not actually “know” when a user of its software was actually stealing a work. In reality, it created a system of “willful blindness”—purposefully turning its back on what happened on its system, hoping it could avoid liability. The company's entire business model was based on infringement.

Just as you cannot walk into a store and steal a CD, a DVD, a videogame, or a book, you should not be able to steal those same items over the Internet. Yet an entire culture developed around “free” that has altered expectations and responsibility online. While technology changes, basic principles of society do not. Theft is wrong—whether it occurs on the street or in your house through an Internet connection. These problems are not new—we faced them with cable and

satellite black boxes. Tough enforcement and clarity of the law are necessary to combat the problem both legally and culturally.

Like any creative work, bringing music to market involves the work of countless people: songwriters, engineers, manufacturers, performers, promoters, and others who cannot afford to not be paid for their work. Investment in music has fallen by a third since the rise of free P2P programs, and in 2003, songwriters and musicians were the largest loser in earnings in the entire U.S. economy. This trend has forced many artists out of the field, with the result being less music for everyone. Sadly, we will never know the true scope of this loss.

While some say that the decision holding Grokster liable will hurt technological progress, nothing could be further from the truth. The ruling should stop the abuse of technology, not the development of it. No one is advocating that P2P technology should be stopped. It simply needs to be harnessed for legal applications.

While the positive decision in the Supreme Court will not end all copyright infringement on the Internet, it will help all of the players in the industry continue to do what they love—share their music with the world—on a level playing field.

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MITCH GLAZIER, a 1991 graduate of Vanderbilt Law School, is senior vice president/government relations of the Recording Industry Association of America.



WORKFORCE

The Apprentice: Generation X vs. Baby Boomers?

BY PAUL FRANKENBERG

HERE'S A COMPETITION BETWEEN THE ages that would cut through the clutter and boredom of prime-time network television and add a needed spark to Donald Trump and *The Apprentice*: Let's pit a team of experienced Baby Boomers against a team of up and coming Generation X members.

Most people, I think, would agree that Donald Trump has successfully elevated his profile to a level equal to royalty and high profile celebrities. The Donald lacked any significant prior television experience, but he and NBC developed a show that has captured the attention of millions of viewers each week. If you've ever watched an episode, you're tuned into the show's recurring, weekly format. It's a fast-paced competition pitting men against women, “book smarts against street smarts,” and myriad other combinations involving bright, motivated, assertive, successful, and generally photogenic team members. The goal is to test the contestants' egos, intellect, marketing skills, people skills, and ability to function in a high-stress environment. Clearly defined winners and losers are spotlighted every week. However, after several seasons of relative sameness, it's time to find out how two disparate groups can compete in this high-stakes prime-time format. It's time to pit a group of seasoned Baby Boomers against a group of high energy, techno-enabled, Generation X business professionals.

The format would remain the same.

However, adding the single largest demographic in our society to the show's fan base would increase ratings to an all time high. No longer would we pull for Andy or hope that Ivana is fired. Instead, we would find ourselves cheering for the musical fans from the 60s and 70s or those from the 80s and 90s. We would root for either parents and grandparents or young adults. We would pull for proven professionals or recent Ivy-league graduates. Who would win?

I would bet on the Baby Boomers. Trump's competitions rarely require sophisticated technological knowledge, physical fitness, or an energy level that would give an immediate advantage to Generation X. What the competitive projects do require and reward is clear and concise communication, thoughtful planning, sound tactical execution, and perhaps most of all—teamwork. To me, it is safe to assume that years of experience equates to improved communication skills, planning skills, and real-world experience. I'll bet on the Baby Boomers.

With the media (CNN, *Fortune*, *Time* and *WSJ*) covering stories about Baby Boomers being forced out of the workforce well before they are ready to leave, the impact of the show would be significant. Trump's show would provide the stage for Baby Boomers to convincingly demonstrate what their generation already knows: Baby Boomers are not ready to exit the business world. The Baby Boomer generation is still creating tremendous value and service for their businesses and communities, and the format of *The Apprentice* would emphatically highlight this point.

I'm going to call NBC and suggest this premise for an upcoming season. As for “real life,” I encourage you to stay sharp, continue to learn, and work smart. Com-



petition for positions is increasing rapidly, and those vying for the same jobs include those with book smarts, street smarts, and the Baby Boomer generation.

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PAUL FRANKENBERG, E'03, is president of Kraft Search Associates, LLC.

LEADERSHIP

Mickey Mouse Management

BY BART VICTOR

WE ALL KNOW SUCCESSION CAN BE unpleasant, but rarely is it as bad as it was at Disney. The Disney parade was fascinating to watch but uncomfortable for everyone involved. It was valuable however as a catharsis—letting us learn vicariously so we will never do what Michael Eisner did and as a result cost our companies \$140 million.

.....
What is the wrong way to hire an executive?

1. Give them an unrealistic job interview. Eisner told Michael Ovitz he would be the number two person, that he would be in-line for his job, and that he would be his primary confidant—because they were old friends—and none of that was true. That started the inevitable decline.

What does that tell us? Expectations matter. They matter, because when expecta-

tations are not met, we feel cheated, and that sense of inequity is a powerful demotivator.

Expectations matter because we see the world through a specific lens—in this case, a job selection process. When you talk with a candidate about a job and how they would fit in, the new hire comes in expecting that. Before signing on, Ovitz came to a meeting of the executive team acting as if he were the number two guy. One member said to him, “I am not reporting to you.” Another said, “Nor am I.” But Ovitz kept acting like the number two guy, and everyone thought he was nuts. It had all been set up by Eisner in his enthusiasm to get this man to join him. Don't do that.

2. Hire them for a job in isolation.

We don't hire executives for a job in isolation but for a job in our company with the people who work there, doing the things we do in the way we do them. What happened with Michael Ovitz? He came from a world in which he was everything, he was a superstar agent, and everything revolved around him. He walked into Disney, which is a big company, with a lot of reporting responsibilities and all the baggage that comes with bureaucracy. A small scale, highly professional entrepreneur isn't a good match. Everything he thinks is right is wrong. He doesn't know how to listen to people talk. And what about attitude? He came from Hollywood, from a “let's get it done” attitude. He walked into a big company that, like most big companies, spends most of the time not doing what really needs to be done but going through all of the ritual around it.

Michael Eisner, for example, held lunches at which he said silly things, and everyone listened and acted like they understood what he was talking about. And nothing would happen. Ovitz said

that was silly, he wasn't going to go to those anymore; it was a waste of time. Big mistake. His attitude was wrong, and he never fit in.

3. Don't check your impressions of the candidate. Interviews are misleading. Why? We are lousy at interviewing and make perceptual errors. We look in the mirror and like what we see so are biased toward people like us. We are bad at processing information, paying more attention to negative than positive information. And we form impressions quickly and resist changing our minds. After a while, nothing changes our minds. Our interviews are effectively random, with no relationship between the success of an applicant and our perception of them during the interview.

Eisner really liked Ovitz. They went skiing together and were great buddies. Ovitz also thought he knew Eisner. Five minutes on the job—all out the window. Make sure to check your perceptions with someone else.

4. Change the rules for getting into the CEO chair. How does someone move into the CEO chair? The CEO is well paid not because it is such an important job but because it is the prize. Everyone below is motivated by the possibility of getting into that chair.

There are two typical ways to get into the chair. One is through a tournament, and the other is through grooming, where we hire someone with the expectation that they are in-line for the job. In those cases, everyone understands that the person is

being groomed. That is fine. The two approaches are just incompatible.

What happened at Disney? Disney had an active tournament going on. The senior executives were vying to be Michael Eisner's successor. It was a huge prize to be Michael Eisner. Plus you got to be on TV with Mickey Mouse. And how good is that?! Then here comes Ovitz. Eisner tells him he is bringing him in to groom him for his job. Everyone else thought it was a

tournament and had been busting their butts for the job. Then the rules changed on them. Pick one approach. Don't do both.

5. Hire them to change them. When hiring someone, look at what they have done, because that is what they are going to do. Successful people have learned to do what they do well. And not do

what they don't do well. And avoid doing things they do badly. So, succession can become problematic if someone can't be what you want them to be.

6. Don't look at your own shortcomings that may play into the problem. Everyone should have a 360 degree evaluation. Why? Because in business, success is realized by the reactions of others. The more senior you are, the truer this is. Knowing certain things about yourself—like when you talk, are people inspired or turned off? Do you have a bad temper? Are you a good listener? Do you have a habit of telling really bad jokes?—is important to an executive's ability to lead. Except we resist getting that information. Eisner created a situation where no one told him anything about himself except what he wanted to hear. So he didn't realize his problems until he read about them in the *New Yorker*. Don't do that.

Judgment is more important than skill, and lack thereof gets in the way of executives' success. I know an executive who headed a company in Europe at a time it was involved in a merger. His comptroller called saying the company wanted to book U.S. revenue on the European book for tax purposes, but he felt uncomfortable about it. The executive said then don't do it, and hung up. If he had said go ahead, he would have become part of a big problem. He might be in jail. That is how judgment works. Ethical problems don't appear with big neon signs on them. They come quietly, softly.

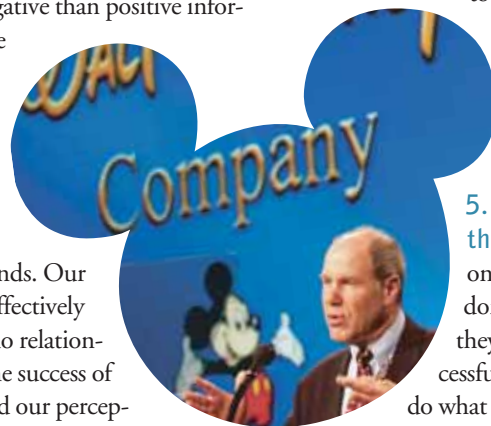
7. Wait too long to let them go or to bring in HR. We hate telling people it is not working out. But that can be costly. Eisner waited too long in letting Ovitz go, and it cost the company \$140 million.

HR is a critical function that can help prevent these types of problems from escalating. But HR is often brought in too late, when there is no hope of fixing the situation.

But there are ways to salvage the situation. Sometimes people need a mirror put in their face. Sometimes they need to practice. Sometimes they just need some quiet time to get over bad habits.

It is rarely as bad as we fear. Usually the people involved know it is not working out and want it to change. An honest talk between adults can go a long way. We find we dance, and we wait, and we fear, and all it would really take is to say, "you know what is going on, I know what is going on; let's figure a way out of this."

BART VICTOR is the Cal Turner Professor of Moral Leadership. This article is based on his talk, "Luring, Living With, and Letting Go of Leaders," presented at an Owen Boardroom Breakfast.



Michael Eisner's mistakes with Michael Ovitz cost Disney \$140 million.



JOE BURBANK, KRT

DANIEL DUBOIS

RETAIL/MARKETING

Girl Power

TEEN GIRLS TODAY HAVE TREMENDOUS buying power and are increasingly spending money on luxury items, a trend not unnoticed by high-end brands. But for teens, luxury is now more about quality and value than status, says Jaqueline Conard, the Madison S. Wigginton Assistant Professor of Management. "For young women, the total shopping and product experience is incredibly important. They use brands to express their personal style, and rationalize paying a lot of money for a designer purse or a pair of designer jeans because they will wear them often." Although celebrities play a large role in shaping trends, wanting a "cool brand" has more to do with how the brand fits with the teen's lifestyle than with the name, she adds. "It's more of an internally driven definition of brand than we have seen in the past." Conard tells her students in her marketing strategy course that retailers will have to work hard to stay in tune with this most marketing savvy generation yet. "But it will be worth it," she says, "because if consumers develop brand loyalty at a young age, the lifetime payoff is tremendous."

Conard: Teenage girls with deep pocketbooks want luxury items with quality and value.

Benefits of Good Business Relationships

Create Positive Supplier Partnerships and Reap Unexpected Dividends

By MURRAY DASHE

AS AN EXECUTIVE FOR A LARGE DEPARTMENT STORE chain in the late 1960s, I learned that relationships with suppliers were assets of the corporation and not to be taken lightly. Thus, a department store buyer might vary the volume of purchases from a vendor from season to season, depending on sales forecasts, but could not “drop” the line entirely without a thorough review by higher management and a courtesy review with the vendor.

The Concept of Partnership

Such a courtesy review would be helpful to the vendor, since it could provide insight into why the store felt the products might not appeal to its customers. The vendor then might restyle the line in time for the coming season or improve the line for a future season.

This review process, even during such “off seasons,” makes a vendor feel that a constructive partnership is continuing. I applied this concept not only as a buyer but later in my career when I led management teams.

Similarly, I encouraged suppliers to provide insights into how we might improve our businesses, which led to valuable improvements and greater profitability for both parties.

In the early 1980s, I served as general manager of a small but growing chain of young women’s apparel shops, which sold various styles of popular T-shirts. A problem developed between our lower level employees and those of one of our suppli-

ers and escalated to the point where our staff withheld payment for a shipment of shirts. The supplier reluctantly brought this to our attention. Our stores had complained that too many of their shirts had defects, making them non sellable at full retail price.

Consequently, our stores developed a tedious inspection process and deducted the cost of the defective shirts from pay-

ments to the vendor. We even introduced a special defect tracking form, delineating the type of defect, batch, and date of delivery. This system was so complex it took nearly 60 hours per week per store, draining much of the profit from the product.

The upside was that our process was so detailed it enabled the supplier to identify and easily eliminate the source of most

defects. We then simplified the contract, agreeing to accept a certain percentage of defects without recourse in exchange for an additional discount. We also simplified the defect identification process, saving more than 40 man hours per week, amounting to pure profit. Since the remaining defects were usually minor and acceptable to the customer at a discount, the defective items were clearly identified and placed on clearance racks for final sale.

This experience made the ongoing relationship between our two companies more profitable and amicable. The customers benefited as well, since they could decide in the store whether it was worth the savings to buy a shirt with a barely noticeable flaw, rather than discovering the defect only after they had taken the item home.

Do Unto Others

Despite company policy, what occurs in the trenches can differ markedly from what senior management intends, making a case for periodic monitoring of important inter-company relationships.

An amusing experience (although I did not find it humorous at the time) from my own days as a department store menswear buyer occurred in 1974 when I had had the job for less than three months.

I was one of the first to test the concept of “leisure suit.” The suit consisted of slacks, usually polyester—the wonder fabric of the day—and a matching jacket worn with an open-collared shirt. The suit was dressy enough to wear to “casual dressy” events and more comfortable than a tailored suit that required a dress shirt and necktie.

The outfit quickly caught on, leading to permanent change in the way America dressed. The phenomenon is still referred to in retail trade journals as the “casualization of America,” and not only continues to influence the way people dress but how they furnish their homes and offices: in short—how they live.

As the leisure suit business accelerated, I placed large orders with three manufacturers with different styles and price

points. When the order arrived from one, it contained twice as many suits as I had ordered: 1200 suits too many!

I called the manufacturer’s sales representative and requested authorization to return the excess. He said it was a simple factory error, and a letter authorizing the return would arrive in a few days.

Days became weeks, and in response to my calls, the sales rep began suggesting that I keep the suits and try to sell them. My purchasing budget had been depleted by the excess, and I had no money left to purchase other goods my customers were demanding. In retail parlance, I was “overbought,” which is embarrassing and potentially career-ending for a newly minted buyer.

After exhausting all reasonable efforts to return the suits, I arranged for one of our company trucks to deliver several large cartons of suits to the salesman’s home. Each carton was nearly four feet high by eighteen inches square, and the delivery blocked his door. An accompanying letter warned that return authorization labels were expected within 48 hours, or the remaining cartons would soon block his driveway and cover his lawn.

I received the return authorization labels the next day.

This nontraditional solution to my problem significantly raised the level of esteem in which I was held by my colleagues and generated a great deal of laughter at the salesman’s expense as well. The experience also impacted the salesman’s income, because my future orders with him were never as large. When he complained, I told him I was unwilling to risk my company’s money with someone I couldn’t trust.

Instead, I used the money to buy goods from a new supplier, beginning a new and more profitable relationship.

Unexpected Dividends

Most of my experiences with suppliers, however, have been decidedly positive and true partnerships. As stated earlier, I have viewed and endorsed supplier rela-

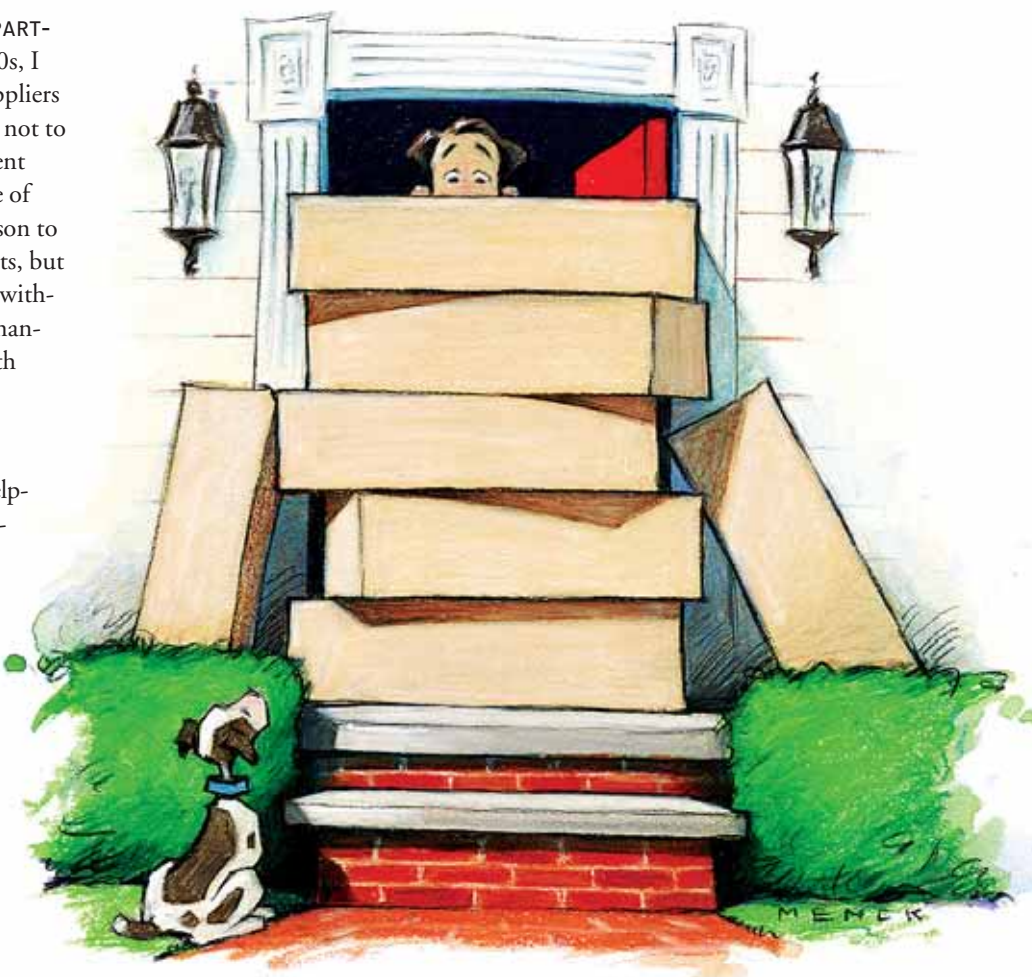


ILLUSTRATION BY KEVIN MENCK



Dashe: Cost Plus World Market took seriously the notion of partnership with their suppliers around the globe.

SUCCESSFUL *business DEALS* are often as much the result of a positive **RELATIONSHIP** between the **PEOPLE** involved **AS** they are about the **QUALITY** or **PRICE** of the product.

tionships as assets throughout my career and encouraged associates to do the same. Often these relationships pay dividends in unexpected ways.

When I became CEO of Cost Plus World Market in 1997, I discovered their relationships with suppliers were exemplary. They took seriously the notion of partnership with their suppliers, which spanned the globe. Many of those relationships could be traced back to the company's founding in the late 1950s, and a number of those suppliers had grown with us.

Two unrelated incidents illustrate the company's strong, positive relationships with vendors. The first occurred one day in 2002, as I left our offices with a writer from a trade journal who was preparing a

feature article about us for her magazine.

As we walked down the front steps of the building, a nicely dressed man approached and asked if I was the CEO. I said yes, and he proceeded to tell me—while the reporter took copious notes—that he didn't have any business with us that day but merely stopped by to cheer himself up. He explained he had just come from a meeting with a competitor, whom he felt unfairly abused him, and he had dropped by our offices to give himself a "lift."

Our executives, he said, always treated him courteously and although they were highly effective negotiators, they were always fair and hospitable. He wanted me to know how much he appreciated the way we did business.

I asked how long he had been doing business with us. He said about 15 years but that he hoped it would go on forever. "We give you deals no one else gets, because your company is so great to work with," he added.

The reporter of course believed the incident had been staged and teased me about it for the rest of the interview. I wondered how much more profitable our business had become just because that salesman felt good about us. I later learned we frequently were offered first preference on limited quantity items from that supplier.

Another example occurred in the late 1990s, when one of our buyers requested that I write a letter to an Asian bank on behalf of one of our vendors from this South Asian nation. The owner of a manufacturing plant that made goods for us had died unexpectedly under tragic cir-

cumstances, and his bank threatened to discontinue financing the business for his family.

All I had to do was acknowledge that we expected to continue to purchase certain quantities of merchandise from this company as long as the prices remained consistent, the quality maintained, and timely delivery continued. We had been doing business with this family for nearly 30 years, and their products were unique, so it was a pleasure to write the letter.

Several years later, I was advised that because of a dramatic unfavorable shift in the currencies of our two countries, this company had temporarily ceased doing business with American companies—except Cost Plus World Market. A message from the head of the family indicated they would never forget the letter written on their behalf that helped them stay in business. Positive relationships can be beneficial in unexpected ways.

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MURRAY DASHE, a *Distinguished Speaker at Owen*, is a 37-year veteran of the retail business. Starting as an executive trainee, he worked his way through various positions in merchandising, marketing, and store management in both department and specialty stores, and led two nationwide retail chains as COO, then CEO, before retiring earlier this year. He continues to serve on the board of directors of Long's Drugs (LDG, NYSE), a chain of nearly 500 drugstores with annual sales approaching \$5 billion. He reports that his wardrobe of leisure suits mysteriously disappeared shortly after his marriage in 1977.

PEOPLE WERE ENJOYING THEIR holiday on Sunday morning December 26, 2004—a bright sunny day in Aceh—North Sumatera—when suddenly massive earthquakes occurred, followed by a great growling noise roaring like hundreds of helicopters, followed by huge waves (tsunami) as high as 10-25 meters coming at hundreds of miles per hour. It was pure chaos. People shrieked in panic and infants cried. Everywhere you heard, "Run!! The water is coming!!" Within minutes, a 10,000 km² area was destroyed, with nothing left standing except several mosques that were only slightly damaged. The tsunami lasted less than an hour but brought total disaster to the people of Aceh.

The survivors ran from the waves and swam and struggled in the black swift-mud flood mixed with debris and rubble. Most people drowned or were wiped out by the giant black waves. Most survivors did not believe they could escape, and now they can never forget it. They were left with only the clothes on their backs: Their relatives, wives, husbands, children, homes, and belongings vanished with the waves. Imagine laughing and talking with your family in the morning, and within the next hour you are alone with nothing. The next several hours brought

Tsunami Aftermath

Following Wave of Tragedy Comes

Wave of Compassion

By GANTIAH WURYANDANI



An Indonesian woman surveys the devastation following the tsunami.

a macabre sight, where dead bodies mixed with debris everywhere. Some were tangled in huge piles of debris, others half-submerged in silt and mud, or buried beneath the rubble and the mud. A similarly large number washed out to sea. The survivors looked for their families, hoping at least to find the bodies. Then there was another fight for survival, since there was no food, clean water, shelter, electricity, telecommunications, and transportation. They spent the night in the dark in fear of more

tremors and waves. It is estimated that there were 150,000 dead, 15,000 missing, 300,000 wounded, and 150,000 evacuated.

Estimated Victims

Death toll	150,000
Missing	15,000
Wounded	300,000
Evacuated	150,000

The earthquakes and tsunami occurred not only in Aceh but in such

BUSINESS RELATIONSHIP BASICS

- 1 If a business relationship is not favorable to both parties it will not last.
- 2 Successful business deals are often as much the result of a positive relationship between the people involved as they are about the quality or price of the product.
- 3 Keep the agreement between the parties simple.
- 4 Do unto others...

The **TSUNAMI** destroyed everything in an hour, but it will take at least five years for Aceh to **REBUILD**. Building this new Aceh is **NOT** simply about **INFRASTRUCTURE** and **PHYSICAL DEVELOPMENT**, however, but also about building **PEACE** in the area.

areas as Nias, Meulaboh, and Simeuleu Island as well. The epicentre in Aceh also had multiplier wave impact to such other countries as Thailand, Srilanka, Bangladesh, India, and South Africa. However, Aceh had the worst impact. The people there questioned why it happened to them. What did they do wrong? They already had suffered for decades from GAM (Aceh Separatism) that made their lives insecure and impoverished, and now they had to bear another big burden physically and mentally. In a time of modern technology and science, why is there no early warning signal for that kind of natural event? There had been a series of big earthquakes and tsunamis on



A woman in a refugee camp in Banda, Aceh, Indonesia.

the west coast of Sumatera hundreds of years ago. The number of victims on Simeuleu Island in fact was low compared to other areas, since they had been passed information from their ancestors to run to high places as an earthquake begins instead of to the coast. Earthquakes are still rolling to the south-west coast of Sumatera Island and are predicted to move to south Java up to Nusa Tenggara. Rolling earthquakes provoked volcanic activity along the ring fire in the Indonesian region. Some volcanoes in Sumatera and Java including Krakatau are being revived and are regarded as caution or alert situations. Will there be a bigger tsunami than in Aceh? No one knows.

Emergency Rescue

The tsunami quickly attracted media attention and the news spread around

the globe. People instantly pooled donations in cash and in kind. Volunteers from around the world, from military, private, and non-profit organizations and individually, came to Aceh-North Sumatera immediately. More than 250 international and national organizations responded, reflecting solidarity regardless of background, tribe, or religion. If the world were as cohesive as Aceh at that time, there would be no more war.

The day after the tsunami, the foul smell of the decomposed corpses was everywhere. Most corpses that washed out to sea came back in swollen horrifying figures hardly identifiable. The priority was to clean the debris and have a mass burial. Volunteers evacuated the survivors, and collected and buried the corpses. It was not easy, since the decomposed corpses were difficult to lift into bags and took weeks to do, since the bodies outnumbered the volunteers. Heavy equipment was needed to clean the debris and make the transportation infrastructure work, but we often had the equipment but not enough operators. Shelters and food supply facilities were built, and clean water was provided by foreign troops, but there was not enough food, and people went to bed hungry all of the time. People were obviously distressed, and volunteers tried to mitigate the trauma through psychological treatment. Luckily, disease did not spread, even with death and mud everywhere. The refugees have now been able to begin dreaming of having their homes back, and enough food, jobs, incomes, and resuming education as before.

The Aceh economy totally collapsed.

PAULINE LUBENS, KRT

To help, survival bank offices opened the day after the tsunami and emergency clearing was conducted in the volleyball field. Most lost their identification, yet they were able to withdraw a limited amount of money. To revive Aceh's economy and to smooth aid distribution, the priority became cleaning debris, wreckage, mud from roads, and recovering bridges.

The general secretary of the United Nations Kofi Annan, U.S. foreign minister Colin Powell, former U.S. president Bill Clinton, and others witnessed the devastation directly. Foreign efforts including military help were significant in the rescue and rehabilitation of some areas. However, Aceh is a restricted conflict area for foreigners, so the government issued a deadline of March 26, 2005, for foreign workers to leave the devastated province.

Rehabilitation and Reconstruction

The death and destruction cost a lot to the region and people of Aceh and North Sumatera, and reconstruction is a vast task. Damage occurred to buildings, ports, transportation, water and sanitation facilities, and roads. Telecommunication and electricity were recovered after three days. It is estimated that infrastructure and capital damage cost USD \$2.9 billion, and the loss of production factors reached USD \$1.5 billion. The major damage occurred in the social sector, particularly housing and education, followed by transportation infrastructure. The productive sector—agricultural, fishery, and

industry/trade—had major potential losses estimated at USD \$830 million, but their damages were not the most severe. The banking sector had the smallest impact with just one probable bankruptcy of a regional development bank.

The Aceh region contributes only around 2.3 percent to the national GDP, therefore its economic collapse statistically is not disturbing to the national economy. The impact of the tsunami on the national economy would reduce the GDP in 2005 around 0.2 percent from that previously forecasted, while the regional GDP of Aceh is predicted to be lower by 10.38 percent. By sector, the biggest damages occurred in agricultural, transportation, telecommunication, and construction. Cement and fertilizer fabrics also had significant damage, affecting the supply and distribution of those commodities nationally. The major export of Aceh—gas production—was not affected by the tsunami.

Rehabilitation is planned to take two years with infrastructure and social services the priority. Reconstruction is longer term and expected to take five years, with a focus on the economy, infrastructure, transportation, telecommunication, housing, and the social system. The province should be open to anyone offering assistance. Therefore, the international community must be given access. The world community has pledged hundreds of millions of dollars for the reconstruction. Capital flows in foreign direct investment are expected, since Aceh has abundant natural resources for the tapping. Through

Damages and Losses (Million USD)

Sector	Damages	Losses	Total
Social Sector	1682	57	1739
Housing	1398	39	1437
Education	119	9	128
Health	82	9	91
Religion	83	-	83
Infrastructure	637	240	877
Transportation	391	145	536
Communication	19	3	22
Energy	68	-	68
Water and Sanitation	27	3	30
Flood Control	132	89	221
Productive Sector	353	830	1183
Agricultural	84	141	225
Fishery	102	409	511
Industry and Trade	167	280	447
Others	253	399	652
Environment	155	394	549
Adm & Regional Govt	84	5	89
Banking & Finance	14	-	14
Total	2925	1526	4451

investments, the economy will revive, as will jobs and income. Nonetheless, building this new Aceh is not simply about infrastructure and physical development but also about building peace from the GAM conflict.

Aceh rehabilitation and reconstruction is funded through grants, projects, loans, fiscal, and debt moratorium. CGI (Consultative Group of Indonesia) gave

Continued on page 63

Boutique & Bulge Bracket

SIG's Model Provides Individual Research

But Big Market Execution

By BETH MATTER

ASK ERIC NOLL, '90, WHAT DIFFERENTIATES Susquehanna International Group from its competitors, and you'll get a picture of a company that is nimble and sees opportunity in turmoil.

For starters, he says SIG

- is one of the largest traders of securities and market making firms in the country;
- provides boutique quality research but big market execution capabilities;
- provides liquidity to its market desk so customers can get the best prices;
- is quantitatively oriented, managing risk aggressively on both micro and macro levels, using a variety of derivatives.

Noll joined the company in 1993 to help generate and create new derivative structures for SIG to trade as a market making firm. Now he is director of research, which encompasses 27 fundamental analysts, 17 market analysts, and 75 researchers providing services across a variety of sectors for their 1,500 institutional clients. The department is only two years old but already has been ranked 18th out of more than 200 firms nationwide in terms of quality of research by the *Wall Street Journal*. Four of their analysts also were picked as being the best in their sectors.

Like others in the research business, they are facing the challenges of intense



Noll: Investors still want research but only what is relevant to them.

competition in the equity markets, enormous pressures on commissions, and a changing regulatory landscape.

"But that is why we entered the business—we saw an opportunity in this turmoil," Noll explains. "It was an opportunity to sculpt a different product and a different message for institutional investors." He and his group talked with

investors and found they still wanted research, but only what is relevant to them. They complained that all of the research looked the same.

"Research started looking the same because no one was willing to do the extra hard work," he says. "Researchers would meet with a CFO of a company, who would tell them their company is

stores, talks with shoppers, and sees what they are buying. "Based on that baseline, the analyst will then go talk with the store and ask what do they see as a company? The company may think they are going to make their numbers, but the analyst may know that is unlikely because no one is going into their stores or that they are stocking the wrong product.

"We do this virtually in every sector," Noll continues. "Our semiconductor analyst goes to China and Taiwan and talks with foundry makers and chip makers—asking what chips are they making, who are they selling to, how much are they selling for, is there a

we recently started a new effort in investment banking."

Owen faculty members have traveled to Philadelphia as consultants to teach classes on corporate finance and other topics for the employees, and likewise Noll has traveled back to Nashville to be a guest speaker in some of the classes. The company also has been a long time supporter of the Financial Markets Research Center.

Right now only two Owen alumni work at the corporation. In addition to Noll, Pat McCauley, '91, serves as associate director of their tactical strategic trading group and looks at different ways of doing electronic and algorithmic

Susquehanna entered the research business because we saw an opportunity in the turmoil—an opportunity to sculpt a different product and a different message for institutional investors.

demand—and from that extrapolates a view of what is happening in the semiconductor world. This takes more work and requires more detail, but it is a much more relevant research product from the investor point of view."

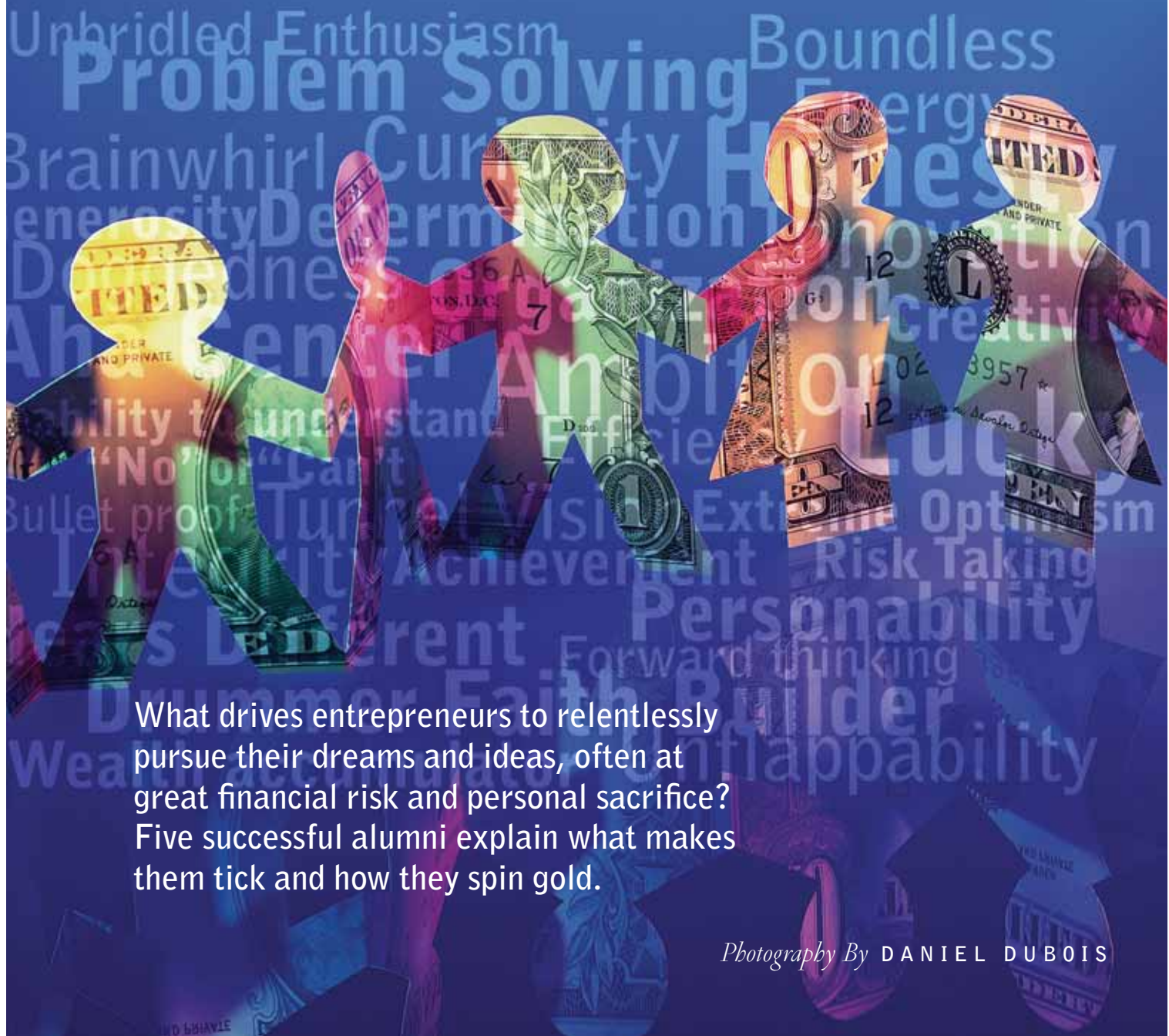
SIG started in 1987, a youngster compared to similar firms (the founders still work in the company, which has an amazingly flat meritocracy) but it has grown steadily from 30 employees in 1987 to 1,400 this year, a trend Noll sees continuing. "We build new businesses in areas that represent growth opportunities. Right now we see growth opportunity in sales and research, and

trading. But the company recruited at Owen for the first time last year, and Noll sees the possibility of the alumni ranks growing there.

"Our desires are for very smart people with strong quantitative/analytical skills, who are interested in the markets and are competitive and hardworking, but also team players. We have broadened our net to look for them," he says, "and Owen and Vanderbilt are places we will continue to recruit—the students are a good match, because they have those very skills."

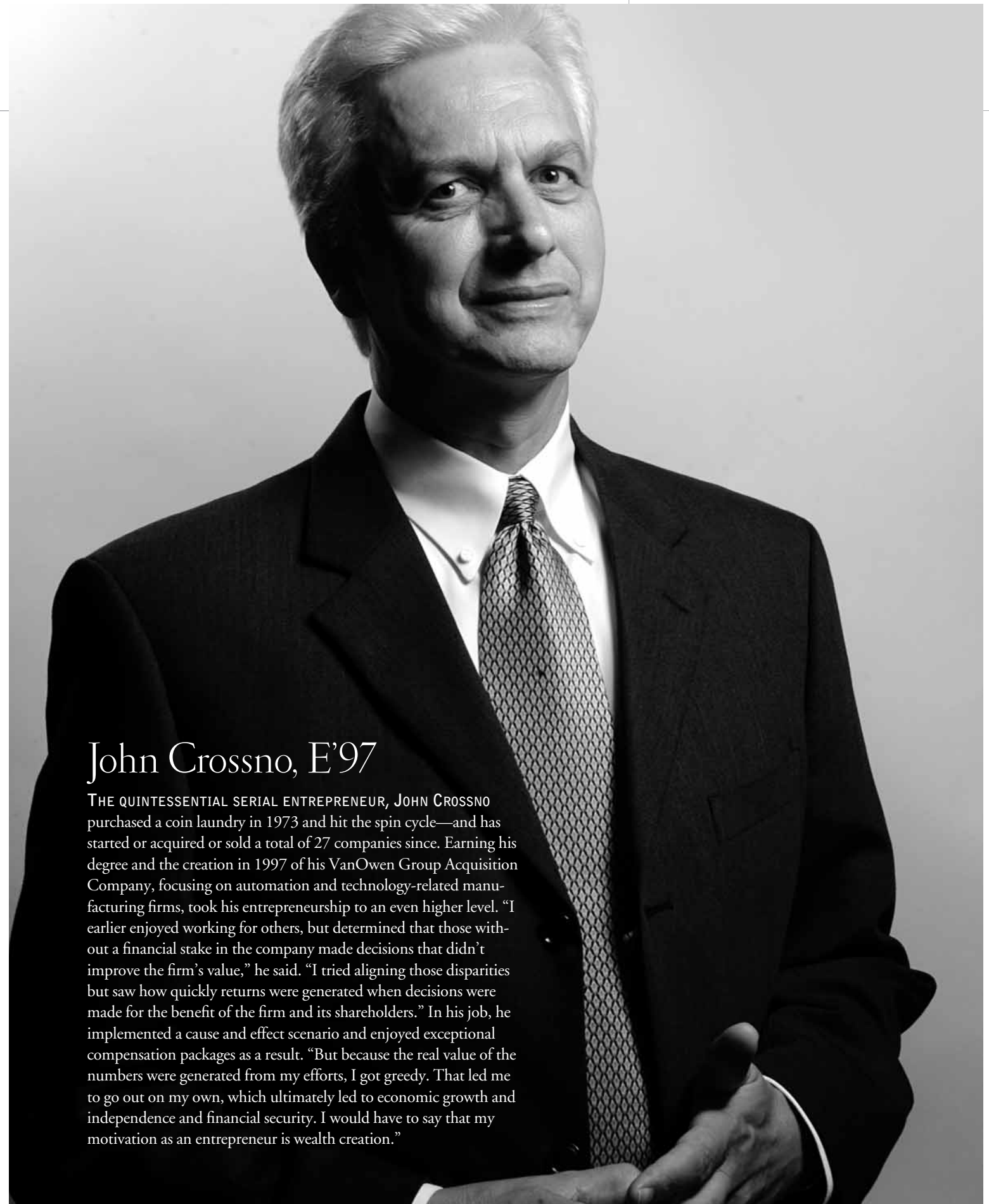
VB

Anatomy of an ENTREPRENEUR



What drives entrepreneurs to relentlessly pursue their dreams and ideas, often at great financial risk and personal sacrifice? Five successful alumni explain what makes them tick and how they spin gold.

Photography By DANIEL DUBOIS



John Crossno, E'97

THE QUINTESSENTIAL SERIAL ENTREPRENEUR, JOHN CROSSNO purchased a coin laundry in 1973 and hit the spin cycle—and has started or acquired or sold a total of 27 companies since. Earning his degree and the creation in 1997 of his VanOwen Group Acquisition Company, focusing on automation and technology-related manufacturing firms, took his entrepreneurship to an even higher level. “I earlier enjoyed working for others, but determined that those without a financial stake in the company made decisions that didn’t improve the firm’s value,” he said. “I tried aligning those disparities but saw how quickly returns were generated when decisions were made for the benefit of the firm and its shareholders.” In his job, he implemented a cause and effect scenario and enjoyed exceptional compensation packages as a result. “But because the real value of the numbers were generated from my efforts, I got greedy. That led me to go out on my own, which ultimately led to economic growth and independence and financial security. I would have to say that my motivation as an entrepreneur is wealth creation.”



Brian Fox, '01

TIMING HAS BEEN BOTH RIGHT AND WRONG FOR BRIAN FOX and his company Capital Confirmation. As an accountant, he had to do audit confirmations manually and realized the process should be automated. He devised his business plan to do so while at Owen and had just received his first seed funding when 9/11 occurred. "I love risk taking and challenge, but it would have been so easy when the financial markets tanked to call it quits," he says. "I was determined to succeed, however, not only for myself but for others who had put money into the company." His secure communication tool not only provides an efficiency gain but fraud protection, something that didn't interest CPA firms at the time. "They said they knew their clients, and that they wouldn't lie, cheat, or steal," he recalls. Later when the corporate scandals broke, many of those same firms called back saying, "Can you explain that service to us a little more?" The unique product landed Fox on the cover of the *New York Times* business section in 2003 and an honorable mention in the *CPA Technology Advisor* 2005 Innovation Awards in June. "Fraud is terrible," Fox says, "but for us it is an opportunity—we're sort of like fire-fighters putting out fires."



Scott Sohr, '89

WHAT'S NEXT? IS THE QUESTION OFTEN ON SCOTT SOHR'S MIND AS HE looks around for another great opportunity. The president of STS International entered Owen expecting to go into the corporate world, but a plastics rep business he started in college and continued through Owen grew so much that by graduation it was hard to justify getting a "real job," he says. That success enabled him to branch out and soon he discovered the "thrill of the deal." Sohr now, with his partners, is one of the largest residential land developers in Middle Tennessee and owner of a third party administration company and has other interests as well. He finds smart, fiscally conscious people to run his businesses, while he keeps a hand involved. "I never use venture capital—I start a business with as little overhead as possible and grow it on its own strengths. I like making money and evaluating opportunities. I am a visionary, not a corporate person and don't take direction well. I surround myself with smart people and gather information and learn from others' mistakes—it is cheaper that way. I don't ever want to look back on the end of any given year and say 'what a great year this would have been if not for this deal...'"

A black and white portrait of Sandra Curry, a woman with long dark hair, smiling. She is wearing a light-colored cardigan with a dark patterned trim over a dark top and a necklace with a small pendant.

Sandra Curry, E'92

DO WHAT YOU LOVE AND SUCCESS WILL FOLLOW is a proven maxim in Sandra Curry's case. She worked as a private banker but had the heart of an entrepreneur. Curry realized she got more joy out of educating her clients than from doing the financial transactions, and one day her "Aha" moment struck: If she did financial planning on her own, she could reach more people than through the bank. Starting BC Holdings in 2001, she offers several financial products. The collegiate product is offered by colleges to students to help guide them on financial decisions they will make in college. The universal product discusses topics ranging from budgeting to real estate and investments and is usually purchased by corporations as a perk for their employees. "Studies show employees are more productive, absenteeism is lower, and morale is higher if their finances are together," she says. They offer workshops and financial coaching but do not sell products to employees, so clients consider them unbiased. "You do have to be driven to do something like this. You have to close a contract and immediately go after the next one," she says, "and be able to relate to a wide range of people and make it possible for them to trust and become believers in what you are doing."

A black and white portrait of Doug Hudson, a man with short dark hair, smiling. He is wearing a light-colored button-down shirt.

Doug Hudson, '94

SAY WHAT? THE 55-YEAR AND OVER DEMOGRAPHIC IS ONLY GETTING larger, and Doug Hudson is there to sell them hearing aids. Previously an institutional bond salesman, Hudson wanted "off the treadmill" and into a "results-based economy," where he could leverage off of other people's time and efforts in order to spend more time with his family. He got his wish by creating HearingPlanet and selling hearing aids, an idea he got from his father, a traditional hearing aid dispenser, but added television and Internet marketing to the mix. A customer contacts the company and is scheduled at a locally endorsed clinic for a hearing test and fitting. "Through us, a patient receives the same hearing instrument as they would elsewhere but at lower cost and with more convenience," he says. Hudson now works to make his model better—compressing operational time and customer acquisition cost. "It is morally wrong to expect financial gain for myself unless I create value for others first. But if you help others, it is going to come back and serve you, and that is a huge driver for me."

Is Bigger

Better?

By SHARON H. FITZGERALD

Vanderbilt Explores the Commercial Potential of Nanotechnology

“Sometimes you can tell a large story with a tiny subject.” Those were the words of American photographer Eliot Porter in 1990, the year he died. With an artistic spirit and a scientific sensibility, Porter, a trained biochemist, photographed nature’s detail in color long before his colleagues accepted the newfangled medium. Today, scientists and a handful of visionary investors are banking on another groundbreaking approach—nanotechnology—to again tell a large story, this time with the tiniest of subjects.

“Nano is nothing more than a dimensional description that everybody understands as little bitty, and that’s OK,” explains Jim Davidson, Vanderbilt professor of electrical engineering with a specialty in electronic materials. Davidson is one of many scientists across several disciplines on campus whose research these days falls under the loosely constructed umbrella of “nanotechnology.” Considering that a nanometer is one billionth of a meter, scientists in this field are working at the molecular and even at the atomic level.

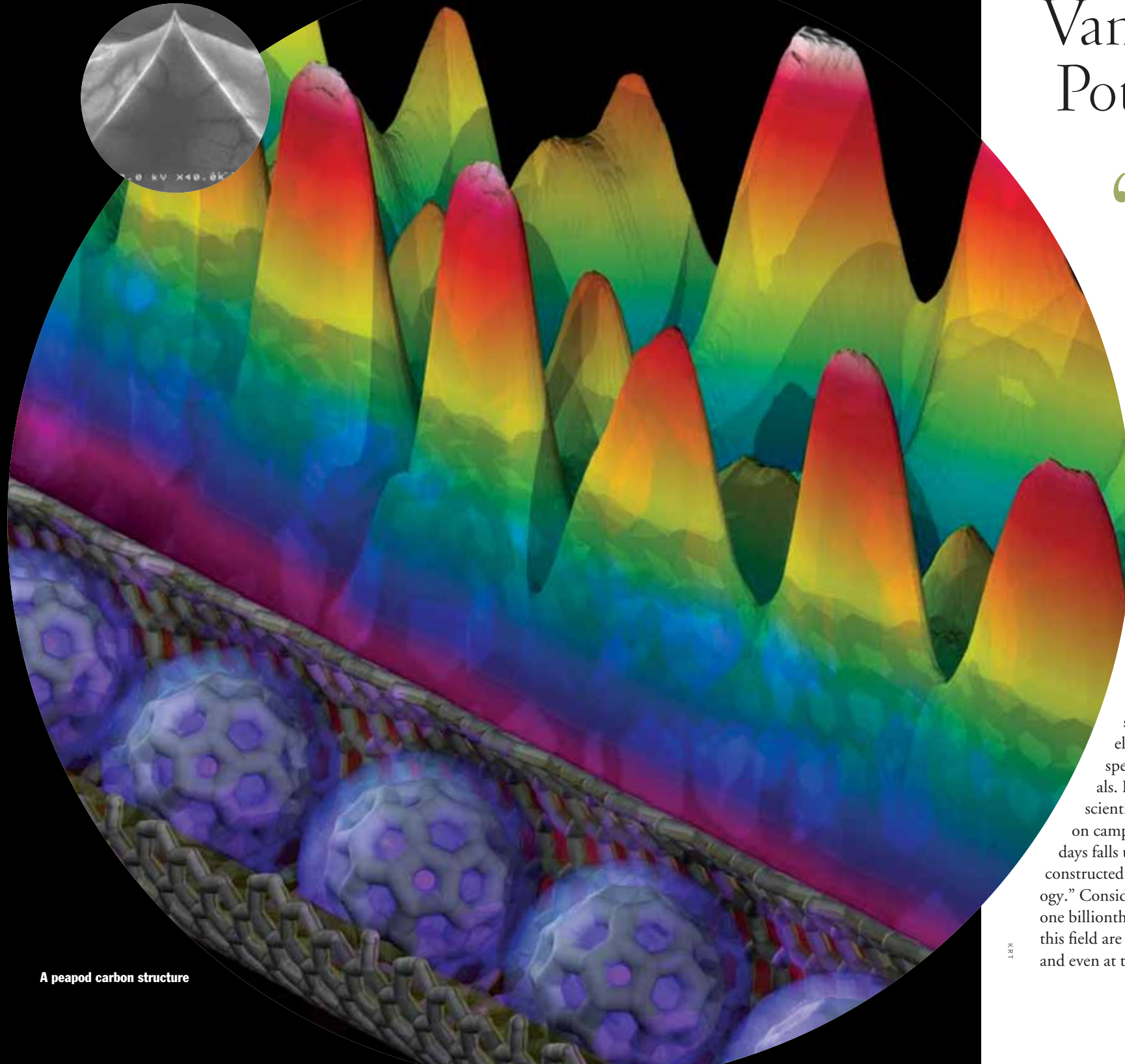
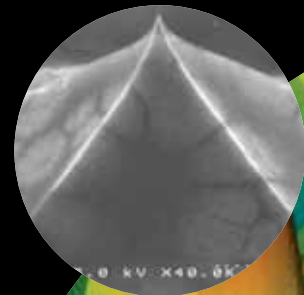
While the work may be revolutionary, it really isn’t new, Davidson says. “I don’t want to take the fun out of the buzz, so to speak, but people working with materials at the atomic level, which is the only fundamental place to work with materials anyway, have been doing nanoscience for decades.” What’s changed is the lingo and the packaging, helping nonscientists, including investors, identify and categorize research at this elemental level and recognize its potential.

What Nanotechnology Could Mean

The essence of nanotechnology is that, at the nano scale, a material is very dif-

ferent from when it is in bulk. For example, gold under normal circumstances is shiny but rather boring; in fact, gold is known as a “noble” metal because it doesn’t mix with anything. Yet a tiny gold nanocluster of 100 atoms or so is extremely reactive chemically and thus an effective semiconductor.

“Nanotechnology is about creating materials at the molecular level and in the future—we hope—from the atomic level,” says Mark Darty, director of research and development for Brother International Corp. in Bartlett, Tennessee. Darty says “the dream of nanotechnologists across the world” is to create new materials which are then introduced into the products of today and tomorrow.



A peapod carbon structure

KRT

“Unlike disruptive technology such as the Internet, nanotech is going to creep up on us from materials vendors,” Darty foresees. Consumers may purchase items, such as tires or a radio, and not realize that nanotech has improved the product’s performance or durability. That said, nanotech may also improve a product’s profitability. Smaller, cooler-running laptop computers. More effective pharmaceuticals. Scratch-resistant sunglasses. Tennis balls with longer-lasting bounce. Stain-resistant khakis. From life-saving innovations to delightful improvements, changes wrought by nanotech will permeate society.

“The timing, in my opinion, is right. I think it is going to happen, and in a very short time. Somebody is going to come forward and say, ‘I have a product that is based on nanotechnology, and here it is.’”

The minute that announcement comes, every Tom, Dick and Harry will jump on it,” predicts Tarun Surti, found-

Unlike disruptive technology like the Internet, nanotech is going to creep up on us from materials vendors. Consumers may purchase items and not realize that nanotech has improved the product’s performance or durability. Nanotech may also improve a product’s profitability.

ing chairman of the ARTE Center for the Advancement of Research, Technology and Entrepreneurship in Nashville. Surti’s nonprofit incubator for new technology-based businesses opened in May 2005 with a mission to marry Tennessee’s world-class research with commercial opportunity.

Owen’s Perspective on Nano

Not surprisingly, Surti is an occasional partner in the efforts of Owen’s Entrepreneurship Center (OEC). The OEC helped Surti open his incubator and hopes to have Owen students involved in projects there.

Last year the OEC sponsored its first symposium on nanotechnology, and a second conference was held this October.

“Last year it was extremely difficult to find anybody who was investing in nanotechnology companies,” recalls Germain Böer, founder of the OEC and professor of management. “Now it’s easier to find a few people doing that. It’s just so new.”

Böer sees the center’s job as a catalyst for communication, bringing together the often disparate worlds of science and business. “If we start stimulating more interaction between scientists here at Vanderbilt and the business community, we hope something good will come out of that,” he says.

Nanotechnology appears to be fertile ground, he adds, because of Vanderbilt’s research strengths. “People who understand the science side say it’s going to be the next hot thing. Unlike the dot-com bubble, you really have to know something to do this,” Böer says. “People are gambling that this is going to really let us do some things. I’m sure some people are going to win on those gambles, and some

are going to lose. It’s still really early in the life of this.”

One of those gamblers is Clint Bybee, managing director of Austin-based ARCH Venture Partners, a venture capital firm that invests in start-up and early-stage technology companies nationwide. “Most companies we invest in have their genesis in academic research institutions and national labs,” says Bybee, who spoke at an OEC venture capital panel last year and this year’s symposium. About 40 percent of ARCH’s investments are in the physical science arena, including materials innovations prompted by nanotech.

Bybee says “part of why nanotechnology is so real today and why there’s so much interest” is because science tools—such as microscopes—that work at the

nanotech level have improved significantly. “Eventually, nanotech will offer the opportunity to look inside an individual cell, and I think you’ll see many innovations come out of that,” he adds.

ARCH is a seed investor in Nanosys, a West Coast company based on the nano research and licensed technology of several universities. Earlier this year, Nanosys entered into an agreement with Sharp Corp. to develop nanotech-enabled fuel cells to improve the operation of such small consumer electronics as laptops, cell phones, and cameras. ARCH also co-founded a company called Innovalight, using nano materials to improve solid-state illumination products. “We’re investing with a mind toward aggressively applying the materials innovations to solve real commercial problems,” Bybee explains.

“A new revolution” is the way Larry Bock, Nanosys executive chairman of the board, describes nanotechnology. “By using nanotechnology, a single chemistry graduate student can create novel devices and device architectures not even imaginable or manufacturable by today’s biggest microprocessor companies. That’s because these devices are fabricated chemically, or from the bottom up,” Bock explains. Thus, the very nature of nanotech research puts entrepreneurs and small companies at the table with industry giants. “It is difficult for major companies to remobilize and dominate this new field,” he says. “Simply put, the major industrial players will have to partner with small companies to gain access to this new technology.”

Bock spoke at this year’s OEC symposium, which he describes as “a promising forum for idea exchange as the nanotech industry continues to evolve.”

Bybee acknowledges that there may be “a little bit of hype” around nanotech today, yet adds that the attention has lured federal research dollars. “The effect that’s had has been to bring some of the best and brightest scientists to work

under the auspices of nanotechnology. And it’s brought out biologists working with chemists working with physicists working with engineers, and this convergence of ideas of different disciplines is part of the magic. The innovations are real. The materials behave fundamentally differently at the nanotech scale, and there are real opportunities to exploit that in commercial products,” he says.

Nano at Vanderbilt

In Jim Davidson’s lab, the magic of nanotechnology literally sparkles. That’s because Davidson’s medium is diamonds, actually diamond dust. “When you can make electronics out of diamond films, suddenly what you can do with those electronics becomes much broader. You can make them faster and work more efficiently,” he says. Imagine computers 10 times faster and operating at a 10th of the power.

What’s more, hot diamond films have the ability to generate electricity. “No moving parts, no muss, no fuss... That translates directly into a 10 to 20 percent reduction in the consumption of fossil fuels,” Davidson says. It’s no wonder his research garners commercial interest. The Tennessee Valley Authority, in particular, is following Davidson’s work with nanodiamond powder, which when added to a liquid helps keep the liquid cool. Add the fine powder to transformer oil and the thermal conductivity of the transformer is improved by more than 50 percent. Davidson says most U.S. transformers are about 40 years old, so reducing their heat stress will extend their life.

Prolonging human life via nanotech just might happen as the result of work in Todd Giorgio’s

Engineering professor Jim Davidson has seen much commercial interest in his work with nanodiamond powder, which can help improve thermal conductivity of transformers and extend their life.

lab. An associate professor of both biomedical and chemical engineering, Giorgio is a member of the research team at the Vanderbilt-Ingram Cancer Center, where a goal is to develop “smart nanoparticles” or “responsive bionanoparticles” that sense their environment and act accordingly.

Targeting a tumor without damaging surrounding tissue “has been a goal for a long time using a lot of different technologies,” Giorgio says. “What if we

Nanotechnology has been described as a revolution—putting entrepreneurs and small companies at the table with industry giants. Major companies will find it difficult to remobilize so the major industrial players will have to partner with small companies to gain access to the technology.

could deliver a drug that’s completely inert except when it gets to the tumor, where it becomes toxic? Wouldn’t that be a great thing?”

Giorgio says Vanderbilt is in the running for funding from the National Institutes for Health as a Center of Nanomedicine and has applied with the National Cancer Institute for funding as a Center of Cancer Nanotechnology Excellence.

To market, to market

Physics Professor Richard Haglund works at the interface of nanotechnology



and lasers, perfecting the use of light to probe without damaging at the nanometer scale. Haglund is also in the throes of commercializing a coating process developed in his lab.

“Using Vanderbilt’s free electron laser, we discovered a dry vacuum deposition process that seems to work for almost all organic materials and can deposit thin films at the nanometer scale with extreme precision,” Haglund says. While using heat to apply Teflon pow-

der may be fine for a frying pan, it’s less than ideal for a thin and fragile computer magnetic disk drive. Thus the private sector’s interest.

Haglund says Vanderbilt boasts “a generous and forward-thinking technology transfer policy” and necessary commercialization expertise through the Office of Technology Transfer and Enterprise Development (OTTED).

OTTED Director Chris McKinney explains, “Our sole client base is our own faculty. We’re inside the Beltway, so to speak.” His office works to protect and promote the intellectual property developed in Vanderbilt labs, and he acknowledges that research at the nanotech level offers “a strong opportunity” for commercialization. To protect their market potential, McKinney declined to specify nanotech projects currently in the OTTED pipeline. Some of the projects are “at a stage of discussion that is pretty sensitive,” he says.

Both McKinney and Haglund describe the process of technology transfer as “nonlinear.” Haglund says “science and technology and commercialization have always gone around and

Continued on page 62

Owens' CEO Dean

*Jim Bradford Races Ahead to Make
Business Education Relevant*

Early on a Saturday morning, Jim Bradford greets fellow cyclists for a tour of the scenic hills and valleys around Nashville. During the next few hours, the group will chat about the view, debate current affairs, and break into the occasional sprint over the rolling terrain.

What sets this ride apart is that the cyclists are Owen students, and Bradford is their dean. This informal get-together reflects his view of why Owen provides a special brand of business education.



Photography By DANIEL DUBOIS

“On any journey, whether solo or with a group, there are bumpy patches,” he says. “To get to your final destination—in life or in business—you must seek guidance, support your colleagues, and provide sound advice and spirited encouragement.”

As Bradford settles into the role of Owen’s fifth dean in 36 years, he brings the keen eye of a seasoned CEO and attorney to the task of innovating business education to ensure its relevance for the 21st century.

He is also bringing to the School an intellectual perspective grounded in traditional liberal arts thinking and his personal experiences balancing left brain/right brain pursuits. For Bradford, this means tapping into his avocations as a hammered dulcimer musician and nature photographer as a balance to his real-world academic-business life of sizing up opportunities for market development and growth.

Students who come to Owen will leave with the skills necessary to step into any industry, plus a framework for lifelong learning—a concept that applies to the dean himself. The student cyclists have

Excelling at one or two things won't make you an effective executive. The best preparation is broad and deep—one that integrates knowledge and experience from different disciplines in an interactive, open environment.

become adept at turning Bradford’s love of the Socratic method back on him—usually at the bottom of the hill when he is gasping for breath.

“When they lob a complex question my way as I pedal uphill, it’s playful revenge at work, but the important thing is that they ask,” says Bradford. “I’m learning that I may be the School’s CEO, but I answer to many bosses.”

Back Home at Vanderbilt

One could argue that Bradford’s philosophy on life and work, and now his vision for Owen can be traced back to an influ-

ential teacher and class at Vanderbilt Law School. “Paul Hartman [known by students as the ‘Dutchman’] taught contracts,” Bradford says. “Paul used the Socratic method and would stand you on your feet for hours at a time and filet you. Whatever idea you had, he took it apart and fed it back to you. He taught me some great lessons—one of which was never go anywhere or do anything in life unprepared. That has served me well the rest of my life.”

After graduating in 1973, Bradford worked for 11 years in private legal practice and then as general counsel for AFG Industries, Inc., the country’s largest vertically integrated glass manufacturing and fabrication company in Kingsport, Tennessee. He then became president and CEO of the company, which in 1992 became part of Asahi Glass Company, the world’s largest company in that field. He later served as CEO and president of United Glass Company.

Then, 9/11 happened, and like many others, he took stock of his life and left the business world to follow his heart’s desire: teaching. He had previously

taught part time at Emory and Henry College in Virginia and at East Tennessee State University, but he wanted to do it full time. He cold-called on then Dean Bill Christie and was hired to teach strategy. He soon became associate dean of corporate relations, then acting dean when Christie stepped down, and was named dean in February.

The Culture of Owen

Returning to Vanderbilt made sense for Bradford and his wife Susan, who graduated from Vanderbilt herself, along with her dad, brother, sister-in-law, and

assorted aunts and uncles. The two were high school sweethearts, having met at Murfreesboro Central High School. They have been married 37 years, have four grown children—ages 25 to 34—and 10 grandchildren.

Despite his familiarity with the institution, Bradford was surprised at how much he enjoyed moving back into the culture of Vanderbilt, and interacting with the high quality of student he found here. “I had worked in business with many people and lots of bright graduates from fine institutions,” says Bradford. “When I came here I found something extraordinary about the culture and the place, and I fell in love with the students instantly. These incredible, energetic, experienced human beings want to change the world. That’s a delightful environment to be in, and I wanted to participate in that.”

It seems the feeling is mutual, according to Professor Joe Blackburn, who headed Owen’s search committee for the new dean. “He has an easygoing style that resonates well with students, alumni, and faculty. He listens well and communicates his ideas clearly. As a leader, he is demanding, but not overbearing, and this style should help win him the support of the faculty—support that is essential to move the School forward.”

Professor David Owens echoes the sentiment. “Dean Bradford has earned the respect and support of everyone I know. He works extremely hard, stays open to ideas, knows when he needs to get the help of experts, and is a very approachable person. I think his success here, and his value to Owen, is that he truly believes we are doing something of fundamental and critical importance through our research and teaching.”

What Great Universities Do

Being prepared is a lesson Bradford is also hoping to impart through his leadership to Owen students. It is why he has extensively researched other universities



DANIEL DUBOIS

To keep Owen relevant to business, Bradford implemented three new initiatives: an MS in finance, a Health Care MBA, and Accelerator, a summer business institute for undergraduate students.

and businesses throughout the country to understand what makes a great business program and what the market is looking for in graduates. It is also why he has implemented new initiatives aimed at ensuring Owen’s status as the place to go for business study, and the place for companies to go to recruit the best and the brightest.

“You can never know it all,” says Bradford, “so what do you do? What great universities do—what great education does is give you frameworks, lenses, curiosity, skepticism. They give you a view, a methodology. They show you how little you know and how biased you are. If an institution can do that, that is pretty powerful.”

His education and years in business have helped Bradford develop his personal prescription for success, outlined in his “Top Ten Plus Two Life Takeways” (see sidebar). Ultimately, Bradford hopes students leave—no matter their concen-

tration—armed with the ability to defend their ideas. “My philosophy is the best idea wins,” he says. “If I challenge you on an idea will you defend it? And by challenging it, and defending it, it makes it better. What is it going to take to convince your boss, or your co-workers, your client, or your customer that you’re right?”

Owen’s New Offerings

Bradford lives life to the fullest and doesn’t sit still for long. That drive is evident in his desire to diversify Owen’s offerings, and make them relevant to the real world, by implementing three initiatives in his first year as dean: an MS in Finance, a Health Care MBA, and Accelerator, a summer institute aimed at introducing undergraduates in liberal arts programs to basic business principles.

“If you look at Owen as a business—and that’s how I look at this institution—and our product mix, we

were basically an MBA program with a Ph.D. piece on top of it,” explains Bradford. “We applied the same concepts we teach to our own business school and now offer a high piece of differentiation—a new product mix. And that’s what business schools ought to be doing.”

That philosophy resonates well with his colleagues. “Jim understands what it takes to succeed in the business world and how to run a business school like a business,” Blackburn says. “He has shown that he can lead and transform organizations, and that leadership is exactly what Owen needs at this point. He has the ability to think strategically, articulate a strategy for the School, and then motivate the organization to pursue that common goal.”

MS in Finance

“In strategy, one of the things you do is a resource-based analysis: What are the resources of this organization? Where are you weak? Where are you strong? What are you good at? What skill sets and knowledge base do you have?”

Shortly after becoming dean, Owen’s executive team gathered to discuss these questions. Professor Owens appreciates that level of scrutiny and introspection. “Our last two deans brought us extremely far as an intellectual community and taught us that we can—and must—pursue fundamental questions, and do so in the most scientifically rigorous ways. I believe we now find ourselves in a place where the insights and truths we value are more likely to be found in the interstices between and among traditional disciplines.”

The team decided to capitalize on Owen’s resources in finance, with its outstanding finance faculty noted worldwide, most recently in *Financial Time’s* Top Ten. “The MS in Finance utilizes our strength, there’s a market for it, and it’s a complement to the MBA education,” Bradford says. The intensive nine-month program launched this fall.

The team has now turned their focus to

developing a strong marketing discipline. “I’ve been in 250 companies in the last 20 months,” says Bradford, “and they ask for two things: marketing and finance. That’s where the jobs and careers are. We have a portion of a great marketing program, but we will continue to build it.”

Health Care MBA

Bradford and the team acknowledged Owen’s untapped strength and opportunities in another area: health care. Currently 16 faculty members are writing in the health care area, and Owen is in close proximity to nearly 300 health care companies in Nashville, including a top research-based institute at Vanderbilt University Medical Center. “If we reach across the University and partner with law and medicine and divinity and engineering and really do it right, there are elements here of what I think could be the best graduate health care business education anywhere,” he says. “We can outperform the market pretty heavily.”

Bradford left nothing to chance. After hiring a design team to create the curriculum, he conducted research to determine the program’s validity. “We held a workshop at Vanderbilt’s Center for Better Health and looked at where the industry is going,” says Bradford. “Then we took a hard look at our curriculum to decide what’s right and wrong about it—and what’s missing.” This program, headed by health care veteran Jon Lehman, also launched this fall.

Accelerator

“My wife and I are big believers in liberal arts education, where you learn lots about lots of things, but graduate sometimes wondering what you’re going to do,” says Bradford. “My oldest son starts churches in Philadelphia and is raising capital, running budgets, business planning, things he didn’t learn at the Divinity School. Another son is a writer and a farmer, and doing business plans for his farm—not something that was taught at his college.

Accelerator is a four-week intensive business camp, aimed at the liberal arts side of life and people like my children.”

Owen staff visited 50 liberal arts private colleges throughout North America, and recruited rising juniors and seniors and some recent grads to attend the program, held this past June. “We gave them a real taste of business,” continues Bradford. “They had an interactive portfolio of work to do, so when they enter the business world they’ll have the vocabulary and some knowledge to compete well for that first job. There’s a huge need for this, and it will serve the business community well.”

From Academia to Real-World Application

Dean Bradford takes issue with recent media criticism of business schools for being overly fixated on pure “scientific” research. He points to Owen’s legacy of interdisciplinary programs, its many student-initiated business activities, its research centers focused on the financial markets, e-commerce, ethics, environment and business, and entrepreneurship, and its record of relevant “real world” research as evidenced by former Dean Bill Christie’s odd-eighths study, which forced fundamental pricing changes in major trading markets, and in Professor Donna Hoffman’s pioneering research on the burgeoning Internet environment. The faculty is currently addressing such timely topics as medical clinical trials, negotiation and conflict resolution, and politically connected firms around the globe.

Walking the global walk is another of Bradford’s “real-world” emphases for the School. “We’re not talking about having a diverse student body—though we currently have over 35 countries represented. We want to ensure that all of our students, no matter where they are from, have the perspective and tools to succeed in different cultural and economic environments on a daily basis.”

Owen students routinely study at lead-

ing business schools throughout the world through exchange programs, and have recently participated in intensive short-term visits to Eastern Europe, China, Latin America, and elsewhere. Bradford reminds students that in the global business world, they will be dealing with a “whole person,” not just a business executive, and it is important to understand a culture and what drives people. “Today’s executives need to appreciate all the elements of an individual’s world view—not just the economic model but art, music, social mores, history, cuisine—and how they can influence business practices.”

That kind of learning begins in Owen’s own halls. Many international students arrive at Owen having studied English as a second language but are not prepared for the complexities of American slang and dialect. The “Owen Voices” program begun last year teams U.S. students with those from all over the world, including India, China, Korea, Japan, Vietnam, France, and Russia (see related article, page 64). “Over 80 students are now participating, and the number is growing—and it works,” Bradford says. “It is gratifying to see students grow in awareness through exchanges of language, culture, and friendship. Owen Voices provides a tangible connection to different cultures—and to the global economy.”

Bradford is also proud of the fact Owen incorporated ethics into its curriculum long before Sarbanes-Oxley and continues to serve as a resource for ethics in business through Vanderbilt’s Cal Turner Center for Moral Leadership in the Professions, and Vanderbilt Directors College, an annual two-day program designed to address director education and best corporate practices in the wake of the reforms of 2002.

Shaping the 21st Century Executive

Throughout his career, Bradford has sharpened his view of what makes a successful business leader. The key is to be

well-rounded. “Excelling at one or two things won’t make you an effective executive. The best preparation is broad and deep—one that integrates knowledge and experience from different disciplines in an interactive, open environment.”

This includes sharpening “soft skills,” he says—the communications and leadership abilities generally not covered in a traditional B-school curriculum, but that can make a difference in motivating and leading organizations. Invoking an analogy from his music background, Bradford says, “Managers must often think like conductors, listening to each voice, engaging fully with all constituents and, in the end, achieving harmony.” Plans are underway for a program that will evaluate entering students’ soft skills, identify areas for improvement, and monitor individual progress.

It’s Owen Time

Bradford’s first letter to the Owen community as dean asked all members to act, reach inside themselves, and make great things happen, declaring “It’s Owen’s Time!”

He also reiterated his belief in the “Owen Promise,” instituted this past year, which articulates the School’s responsibility to members of its community, marking the first time any business school committed so publicly to ensuring an academic environment that fosters and fulfills goals for all its groups. The Promise underscores the School’s dedication to the kind of business education that is not only increasingly relevant but imperative in today’s evolving business world.

“If we live up to our Promise, we’ll realize our professional mission, graduating people with the knowledge, confidence, and skills to face the challenges of tomorrow.”

As he was in industry, Bradford wants to be held accountable for meeting and exceeding the goals he has set to create a lifelong learning framework and build a

DEAN BRADFORD’S TOP TEN (PLUS TWO) LIFE TAKEAWAYS

- 1 **Know Thyself:** Know who you are, what you’re doing, why you’re here, and what your limitations are. The people who often fail are smart and talented but try to do it all themselves.
- 2 **Know Your Customer:** And if you’re in a B2B, know your customer’s customer.
- 3 **Exceed Expectations:** Do more than people expect, and in a more timely fashion.
- 4 **The Devil’s in the Detail:** The answer is never evident on the surface but usually down in the muck, so you gotta dig in.
- 5 **Say What You Think:** As a CEO I was shocked by how few people told me what they thought, and so often told me what they thought I wanted to hear. The ethic I demand is, while we’re making a decision, I want your 100 percent critical analysis. Once the team makes a decision, we lock arms, and there’s no, “hey, I didn’t vote to design the Edsel.”
- 6 **Surround Yourself with Smarter People Than You:** They make you look great!
- 7 **Give Credit:** Acknowledge those around you who do the work.
- 8 **Pay People Well Who Perform Well:** Find the right folks and pay them well.
- 9 **Set Good Examples by What You Do, Not By What You Say:** As a CEO, you set an example every day. It’s hard to fly on the corporate plane and stay at the Four Seasons and then walk on the plant floor and demand cost cutting. It doesn’t work.
- 10 **Be a Serving Leader:** Don’t ask people to do things you wouldn’t do.
- 11 **Do It the Right Way:** People sometimes find themselves in a position where taking the short cut, or doing something slightly off-color is the easy thing to do. It’s not. We all have a pretty good compass. When it comes to basic fundamentals, doing it the right way allows you to sleep at night and hold your head up.
- 12 **Do Something You Like:** I’m amazed when I meet people who are miserable. We live in a country where most of us are not worried about where our next meal is coming from, and no one is shooting at us on a daily basis. Consequently, we have choices. Every job has about 10 percent crud that we hate. If that gets up to about 40 percent, get out of there. It’s not worth it.

model for relevancy in graduate management education.

Cycling through the Tennessee countryside with his students, Bradford thinks about how he can help them stay on a path where they will always succeed as long as they do the right thing.

“Moral decisions we face in life and business are often not readily apparent at the time. They come masked as an

opportunity or as a trying business situation,” says Bradford. “But if you remain open, honest, and truthful, you’ll sleep at night, and find that people will follow your lead during the day.” **VB**

Ned Solomon, Jill Gabbe, and Jennifer Robinson contributed to this article.

The Health Care Dilemma

Costs are Spiraling Out of Control. What

Employers Can Do. What Consumers Must Do.

By LISA WADDLE

It's a top concern of employers nationwide: how to get a handle on health insurance premium costs rising each year at such an alarming rate it is eating the bottom line. The answer grows increasingly complex as all parties recognize the country's health care system is ailing—and needs a cure.

There's no doubt the U.S. health system is Big Business. "It's about a \$1.6 trillion enterprise," estimates Paul Keckley, executive director of Vanderbilt's Center for Evidence-Based Medicine. Health care currently consumes about 14.6 percent of America's GDP.

If this level of spending sounds excessive—and it is high, compared to other countries—it is only going to get worse. In 1980, health care costs were 8.8 percent of U.S. GDP; in 1990, they were 12 percent. At the current growth rate, adult care in the U.S. will reach 20 percent in four years.

Yet all that money isn't getting us better care: The U.S. ranks 39th among westernized nations in terms of primary care, preventive care, and immunizations, Keckley says. The system, definitely broken, needs to be fixed.

Cost Drivers

Both providers and receivers of health care are to blame for the out-of-control costs.

On the physician side, variability of care drives costs up, says Keckley. "Doctors follow guidelines that have a strong evidence-base only 54 percent of the time. Certain surgeons get better results, yet we don't discourage use of those who don't perform as well."

Health care is also capital-intensive, with ever-advancing technology driving up costs. Yet when a hospital invests in PET scans, doctors don't change their behavior, Keckley notes. The new technology becomes add-on, not always a cost-saver. "Unlike many industries, the more capital put into health care, the higher the cost."

Roberta Goodman, principal at Health Care Analytics LLC, a Nashville-

based strategic consulting firm specializing in the health services industry, agrees: "We can do more for people today clinically than in the past, but doing so has costs. A key driver of health care costs has been and will continue to be technology."

On the patient side, consumer behavior contributes to escalating health care costs because of reluctance by patients to take ownership of their health and a lack of understanding of how the system works.

"There's a gap between what consumers are supposed to do and what they do," Keckley says. "Only 23 percent of the time does a patient choose healthier behavior. You can take a lot of cost out of the system if consumers do the right thing—lose weight, quit smoking, exercise."



MARIA RENDÓN

It doesn't help that health care is one of few purchases where consumers don't engage in cost-benefit analysis. This is largely because managed care put the focus on price discount and largely failed to address consumers' economic incentives, Goodman says.

"Third-party payment for health care is inherently cost-increasing," she says. "People will go to the doctor more frequently if it costs \$5 than if it costs \$25 or \$100."

There are three primary parties to the health care transaction: the payor (either an insurance company or the employer who is the ultimate payor anyway), the physician, and the employee who is the patient, says Corbette Doyle, E'87, EVP, AON Risk Services. "Managed care organizations (MCOs) contained prices temporarily by forcing providers to accept deep price discounts. When more savings were needed, MCOs created financial incentives for providers to deliver cost effective care. Not only did providers start going bankrupt, but health care consumer advocates balked at the idea of physicians benefitting financially by withholding care.

"If the payors (MCOs and employers) can't control cost, and the providers aren't able to, that only leaves one party in the transaction who can—the consumer or employee."

Hopeful Signs

The latest trend is to shift health care costs from employers to employees in response to dramatic increases in health insurance costs. Between 2003 and 2004 alone, companies' health insurance expenses rose 11.2 percent, according to the Kaiser Family Foundation. Many employers responded by reducing the percentage of health care they will cover—pushing more of the cost onto employees.

Consumer-driven health care gives employees incentives to spend their

medical dollars wisely. The theory is that employees make better consumer decisions—and change their lifestyle and behaviors—when they have a stake in the cost/benefit trade-off.

The most familiar of these plans is the medical flexible spending account, or FSA, which shelters employer and employee contributions for health care expenses from taxes.

"The problem is the use-it-or-lose-it provision makes these less attractive," says Larry Stewart, an attorney with Adams and Reese/Stokes Bartholomew LLP in Nashville. At the end of each year, any unspent money in an employee's FSA does not roll over, discouraging use.

To address this shortcoming, legislation creating health savings accounts, or HSAs, was passed in 2003. These are personal medical savings accounts used in conjunction with high-deductible health insurance plans. For smaller expenses, individuals pay out of their HSA, while catastrophic insurance covers larger expenses.

"One benefit of HSAs is that employees can set it up themselves," Stewart says. "The money stays with the employee and rolls over if they change jobs."

Another vehicle is a health reimbursement account, or HRA. This account is funded solely by the employer to reimburse employees for medical expenses. Unused portions can be carried over year-to-year. In these accounts, pre-tax dollars accumulate tax free, which is attractive to both employee and employer.

"The adoption rate of consumer-driven health care plans by employees is still small, but by January 2006, we'll see a majority of employers offering this," Doyle says. "There's a significant



DANIEL DUBOIS

Keckley: Only 23 percent of the time does a patient choose healthier behavior.

movement toward these programs among the largest employers, and that will trickle down to smaller employers as the options increase."

At their core, all these plans are about shifting dollars and decisions to employees, something that will take years to achieve, but is inevitable if the system is to survive.

"Health care consumerism is a trend here to stay," Keckley says.

Course of Treatment

Reducing health care costs is going to take a multi-pronged strategy. A number of changes need to occur to transition the system.

• Consumer/Patient

Patients are going to experience the most radical change, as they go from being passive receivers of health care to

drivers of the care they receive. Patients need to go from unquestionably following a physician's orders to weighing options and choosing a provider and method that best suits their needs.

"The individual should have some proverbial skin in the game," Goodman says. "But economic incentives alone aren't enough. You have to offer information and decision support structures, so the consumers can choose how to spend their money more effectively."

• Doctors/Health Care Providers

Another strategy is to give doctors incentives to follow evidence in care management, Keckley says. By aligning financial rewards with outcomes, doctors would be less likely to prescribe unnecessary tests or drugs, when the evidence shows they have no effect on a patient's outcome. "Right now, adherence to evidence-based medicine is not an incentive," he says. He points to the fact that 19 percent of all antibiotic prescriptions written are for antibiotics to treat bronchitis. But bronchitis is viral, not bacterial, so antibiotics don't clear up the disease.

"Doctors say they do that because they don't have a lot of time with the patient and the antibiotic isn't going to hurt anyone. But that's a \$13.5 billion retail price point waste. And it wouldn't happen if you had a patient asking why they are getting an antibiotic for something that's viral."

The difficulty is that cost savings from this strategy are not a near-term ROI, but a long-term result of behavioral changes.

"Doctors have to make decisions with patients, not for them," Keckley says.

• Employers

Because health care has so long been tied to employment, companies play a crucial role in the move toward consumer-driven health care.

"Employers need to understand what they want their health plan to accomplish and what role they want in the oversight of their employees' health," Doyle says. "One reason they don't want to totally remove themselves is worker productivity. Employers origi-

ing's Faculty Practice Network.

The clinic is free to Sanford's 900 employees and their dependents and spouses. Usage has grown from 100 patients a month in the first quarter of 2004 to 160-180 a month in the first quarter of this year. Jenkins estimates

Consumer behavior contributes to escalating health costs because of reluctance by patients to take ownership of their health and a lack of understanding of how the system works. Health care is one of few purchases where consumers don't engage in cost-benefit analysis.

nally offered insurance because they didn't want their employees out sick or disabled. They want employees coming to work healthy and fully engaged."

Some employers have devised innovative approaches to managing health care costs. The Sanford Corporation opened a health clinic at its Lewisburg, Tennessee, plant two years ago. The result has been health care for employees who otherwise would miss work to drive to a doctor's appointment or simply skip seeing a doctor all together.

"Because they can just step down the hall to the clinic, employees are more likely to come for lifestyle changes like stopping smoking, weight loss, and wellness issues," says Caroline Portis Jenkins, the family nurse practitioner who runs the clinic, managed by Vanderbilt University School of Nurs-

that 60 percent of her work is primary care and disease management, 25-30 percent is preventive care, and 10 percent is workers' compensation-related care.

"This year, we expect we'll save at least five times our cost in the clinic," says Howard Broadfoot, Sanford's operations manager. That savings comes from calculating the cost of office visits,

productivity losses, and workers' compensation.

Because the company pays a fixed cost for the clinic, Broadfoot expects those savings to grow even more.

"We're planning to add more safety awareness programs and expand early diagnoses of diabetes, hypertension, and other diseases that, if caught early, cost everybody less," he says.

This type of venture is a way employers can have a hand in reducing spiraling health care costs, Keckley says. "Employers need to educate themselves about health care, not just health costs."

Another innovative approach is taken by Eastman



Chemical. Two years ago, the company opened a pharmacy at its Kingsport, Tennessee, plant, to serve 7,000 employees and 6,000 nearby retirees. Last year, the pharmacy handled over 100,000 prescriptions and saved the company approximately \$750,000, according to Rob Johnson, Eastman's director of global benefits.

"You have to have the number of employees for this to work," Johnson said. "It probably wouldn't work for 1,000 employees or less."

Employees are encouraged to use the plant pharmacy by paying a slightly lower co-pay than if they go to a commercial pharmacy. Eastman saves money by getting a lower drug cost from pharmaceutical companies because of the guaranteed market share. Employees view the convenience of the pharmacy as a benefit, Johnson says. Other large

No matter what plan they choose, to get the best return on investment, employers need to assess their workforce and adopt a strategy that will best serve their population to avoid spending money on a service their employees won't use or don't want.

industrial plants, including Nissan and Bridgestone/Firestone, also have on-site pharmacies.

No matter what strategy they choose, to get the best return on investment, employers need to assess their workforce and adopt a strategy that will best serve their population to avoid spending money on a service their employees won't use or don't want.

"Employers need to pinpoint their highest costs through health surveys," says McKinley Moore, '78, senior vice president of Iasis Healthcare in Franklin. "They can then target specific programs

and incentives to their employees to entice them to participate."

Another strategy to reduce costs that many large employers have adopted is a wellness program. Aon offers employees a plan to help with weight loss, fitness, and smoking cessation. Employees who use the program get a 20 percent discount on their premium, Doyle says.

"Because the HMO model hid the true cost of care at the point of purchase, most employees don't have a clue how to make better decisions," she says. "Employers can't just shift the cost to employees. They need to engage them in the cost/benefit decision making process. Once you put information, combined with appropriate incentives, in the hands of consumers, you will start to impact behavior."

• Leadership

Recognizing that the current health care system cannot continue, the Owen School is focusing on how to equip future leaders with skills to build a free enterprise health care system that works through a Health Care MBA program begun this fall.

"We feel there is a need for this," says Jim Bradford, dean. "Health care is a broken system, and we saw an opportunity to meld Vanderbilt resources into a world-class resource in health care management."

Students in the program, headed by health care veteran Jon Lehman, will earn a traditional MBA with a concentration in an area such as finance, management, operations, or marketing, but will also take health care-specific courses, including immersion courses in clinical settings, which will prepare them for

DANIEL DUBOIS

careers in health services, medical device, biotech, consulting, pharmaceuticals, or managed care. Advantages to students include the close collaboration of Vanderbilt University Medical Center in the program and access to health care companies and executives in Nashville, a health care industry capital.

This represents a major shift from the 1980s, when business and medicine were not only completely separate fields, but any overlap wasn't considered advantageous, says C. Wright Pinson, associate vice-chancellor for clinical affairs and chief medical officer at Vanderbilt University Medical Center. After completing his MBA, Pinson attended medical school at Vanderbilt. In 1983 he took a year out of his surgery residency to do research, and he recalls a reviewer telling him not to reveal on his papers that he had an MBA.

"It was considered unethical at the time for a doctor to think about the money side," Pinson says. "There's been a huge shift, so that now a doctor is out of place if he's not thinking about the business."

Today, business leaders are studying the workings of the health care system and physicians are gaining an understanding of business management skills. "As we are getting people in the industry with both skill sets, they are beginning to manage health care differently," Pinson says. "That will go a long way toward cutting health care costs."

• Government

Recognizing the need to make changes, the federal government has embraced the shift to consumer-driven health care. Federal regulations have enhanced the attractiveness of such programs as HSAs and HRAs by using tax-free incentives to encourage employees and employers to take on the cost-benefit analysis for their own care, Doyle says.

As consumers, providers, employers,

and the government gain a better understanding of the health care system, each party will become more empowered to bring about change—change that fundamentally aids the whole system, Goodman says.

"There needs to be a lot of communication on the nature of the problem. People need to understand why the system they are living under is contributing to the problem."

Recovery

Shifting health care responsibility to consumers is not an easy or fast fix, and to be accomplished requires a completely different way of looking at a health care system that's become entrenched.

"We've created the expectation that health care is a benefit, and employees expect it free," Keckley says. "Most employees don't understand that their health care can be improved if they are more involved. They assume that every prescription, every surgery is necessary, that every doctor is accurate, and that's not the case."

Many employers fear their employees may leave jobs that require them to spend more time on health care in favor of companies sticking to the old formula. But that's just short-term thinking, Keckley notes.

Employers wanting to introduce consumer-driven health care can ease the shock by tailoring plans to the needs of their workforce, notes Doyle. "Health care now is a recruiting and retention tool. Employers need to understand their demographics as they decide how to act."

Doyle offers the examples of a technology company with a majority of young workers would benefit from



Doyle: By January 2006, a majority of employers will be offering consumer-driven health care plans.

stronger maternity and young child care, while an older population needs services focused on cardiac or diabetes care.

All parties need to understand the long-term implications of continuing under our current system, or making a shift to consumer responsibility, adds Iasis' Moore. "It will take a while to see results, but we do think shifting from a managed care perspective to a focus on the consumer making the decisions will change behavior. Making costs more apparent and transparent to consumers ought to have an impact."

"Employees are better at making decisions than you think," Doyle says. "And employees who are spending the most money, if given the relevant and necessary information, are going to sit down and analyze their options." **VB**

EMPLOYERS GOING TOO FAR A CAUTION ON CARING TOO MUCH ABOUT EMPLOYEES

HELPING EMPLOYEES TO TAKE BETTER CARE OF THEMSELVES seems a noble move by employers. But it can go too far. An eagerness for low insurance premiums has led some companies to step over the line from caring about an employee's health to violating their personal rights, says Bruce Barry, professor of management and sociology and a board member of the American Civil Liberties Union of Tennessee.

"A classic case was CNN under Ted Turner, who would not hire smokers, even if they smoked only outside of work," Barry says.

In an effort to control their health insurance premiums, some employers try to regulate aspects of employees' lives, from diet to alcohol intake to high-risk hobbies such as motorcycle riding. Although some states have laws that limit what employers can force or not allow employees to do outside of the workplace and off the clock, the prevailing employment-at-will doctrine allows employers to set these types of conditions, even if they seem unreasonable.

"If health insurance was not tied to employment for so many in the U.S., this would be less of a problem," Barry says. "Then employers would be worried about their employees' health for the right reasons, as it relates to productivity and absenteeism, and they could offer incentives for employees to make healthier lifestyle choices."

“CLASSTACTS”

Don Whiteman '76 *High-Powered Days. Hometown Nights* | Amy Jorgensen Conlee '77 *Distinguished Alumna Invests in Youth* | Michael Magevney '98 *Volunteer Vision*



'76

HIGH-POWERED DAYS.
HOMETOWN NIGHTS

To paraphrase a common colloquialism: You can take the man out of the small town and put him in Chicago, but you can't take the small-town sociability out of the man. Such describes Don Whiteman—friendly, outgoing, extroverted—who by work week manages \$230 million of his client's assets at RBC Dain Rauscher, and on his off-hours volunteers to help run the village government of his hometown, Northfield, Illinois.



Whiteman

Northfield, population 5,400, has been Whiteman's home for three-fifths of his life. After earning his MBA in 1976 from what was then called Vanderbilt's Graduate School of Management, Whiteman returned to the towns skirting Lake Michigan's north shore, where he grew up. He worked initially for A.G. Becker, Inc., managing the floor clearing operation for processing trades of the newly formed Chicago Board Options Exchange and the Chicago Stock Exchange.

Today, he is First VP of Dain Rauscher's Chicago office. Using a bal-

anced approach—half equities and half fixed-income—he invests for trusts, small to medium-sized businesses, employee retirement accounts, and for individuals.

And each night he takes the commuter train home to his wife Nancy and two children, and to tiny Northfield

where he's served as the treasurer of the village caucus, on the architectural commission, and where he recently ended two four-year terms as president (mayor) on the village's board of trustees.

Maintaining a rural environment has been a major objective for the village government. "For

instance, there's a two-lane road that runs through the middle of our town," Whiteman says. "One of our biggest successes—a battle that took us to the governor's office—was keeping the state from widening it to five lanes."

Whiteman loves the human involvement component of both his city and country-based roles. So what does a perpetual people-person do to relax? Contact the amateur radio call letters, KK9H, and ask Don Whiteman for yourself.

— CAROL WISSMANN

'77

DISTINGUISHED ALUMNA
INVESTS IN YOUTH

AMY JORGENSEN CONLEE, '77, has had an enviable career as one of the first women executives to enter the senior ranks on Wall

Street, and then as owner of a consulting firm in Atlanta.

Conlee also loyally serves her alma mater as a member of the investment committee for Vanderbilt's endowment. She has also given a talk during Owen orientation at which she encouraged students while in school to make sure to "practice good business methods, spend time on friendships, and in knowing yourself and your opportunities. Loving your job is the most important determinant of success."

But some may think that Owen's newest Distinguished Alumnus is now doing her most important work: instilling a sense of community service and philanthropy in young girls. She created and teaches a hands-on course in philanthropy and community for tenth grade girls at Atlanta Girls' School, and is working to make the curriculum available to other grades at AGS and

to other schools with limited or moderate resources.

"We want the students to learn about contributing responsibly and giving real money—learning what prob-



Conlee

lems money can fix and what problems service can fix, and how they can play a role in improving society," she says. The girls also work together on such projects as cooking and serving dinner at a homeless shelter.

"These tenth-grade girls have impressed me enormously with their passion for things," she says. "This has been a great experience for all of us."

Conlee's own passion and dedication made her the perfect choice for Owen's award—an honor given in recognition of graduates "who exhibit outstanding achievement in their professional and public lives, who serve as role models for current students, and whose achievements make the Owen Graduate School of Management proud to claim them as their own."

— RANDY HORICK

VOLUNTEER VISION

MICHAEL MAGEVNEY'S VANDERBILT UNDERGRADUATE philosophy education and Owen education both play into his words and actions. While he brings organizational and analytical skills to his business and volunteer activities, his obvious orientation is in keeping an eye on "the bigger picture."

Magevney, '98, is director of operations for the \$100-million accounting and finance division of MPS Group, a Fortune 1000 publicly traded company headquartered in Jacksonville, Florida. He coordinates the 48 branches of the executive placement, staffing, and consulting firm.

Magevney is also vice-chair of Break Away—the nationwide Alternative Spring Break program. It was in his sophomore year at Vanderbilt that he and his now wife, Laura Mann, volunteered to spend their spring breaks on Alternative Spring Break (ASB) helping others. Vanderbilt created ASB in 1986 to provide an alternative to students who wanted to work on service projects rather than go to the beach during spring break. Michael worked on urban poverty issues in Nashville—from low-income housing to homelessness. Laura built houses in Appalachia, in Rose's Creek, Tennessee.

Committed to the experience, they co-chaired the program their senior

year. They saw the need for a national office to facilitate the spread of the program to other colleges and universities, and wrote a business plan with a proposal for seed money and presented it to then Chancellor Joe B. Wyatt. "Next thing we knew, we had a job right after graduation to make good on



Magevney, center, with student volunteer trainers at a Break Away summer leadership initiative.

our offer," Magevney says.

"The service element of Break Away gave me some practical, concrete accomplishment and application—helping round my education," he continues. Today Magevney brings that balance to both his endeavors. "My leadership ability has helped me grow and manage multiple offices and teams at MPS—while keeping my core values," he says.

"You can have a lot of passion in a non-profit, but if you don't run it like a business, you won't last," he cautions. "There's not much difference between profit and non-profit organizations. Well-run is well-run."

— CAROL WISSMANN

IS BIGGER BETTER

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around together. There is a sort of linear model of technology transfer that says things start in a laboratory as basic, curiosity-driven activities with nobody interested in applications, and then they move through a phase of technology or engineering development, and then finally they're ready to be commercialized. In fact, it turns out that people who have studied the way technology moves from laboratory into commerce find that this is a very inadequate description. I like to think of it much more like a circle, where commercialization, basic science, and engineering development are all points on that circle."

Owen student Jeff Ervin may some day jump into that loop. Currently pursuing an MBA with a concentration in finance and entrepreneurship, Ervin sees nanotech as "an entrepreneurial opportunity." After earning a bachelor's degree in finance in 1999 at Miami University in

Ohio, Ervin was a business analyst for an investment firm that placed almost \$2 million in seed money into various nanotech ventures. This past summer, Ervin analyzed health care opportunities for a private equity investor. "As for working in the nano space after graduation, I must weigh all my options to find the best-fitting opportunity," he says. "However, the nanotech sector has a tremendous potential in the next two decades."

A job creator

Eric Cromwell agrees with Ervin's assessment. Cromwell is director of the Technology Development Division for Tennessee's Department of Economic and Community Development. He points to three "core disciplines" when it comes to technology development: information technology, biotechnology and life sciences, and nanotechnology. "These are the pillars of technological innovation right now that will drive economic growth for the foreseeable future," he says.

Telling Tennessee's story of science and technology strength is part of the state's role. "We have world leading science and technology assets, in fact much more than we're given credit for. Others' perception of us around the country really does not match our sophistication. We're focusing on communicating and leveraging the strengths we do have," Cromwell says.

To that end, the East Tennessee Nanotechnology Alliance was launched in May 2005 "to promote nanotechnology and its effects and its promise in East Tennessee," he says. "Of course, the alliance could expand statewide as we get more and more people involved and identify additional assets. Around Nashville, Vanderbilt really is the primary asset as far as what's happening around the scientific side of nanotechnology."

That's something Germain Böer likes to hear as the OEC continues to put scientists, entrepreneurs, and investors in the same room. **VB**

TSUNAMI

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higher loans to Indonesia than expected, of which USD \$1.7 billion is specifically for Aceh. Nevertheless, the amount of debt moratorium, USD\$ 0.37 billion, was not significant and delayed for only 3 months until March 2005. To relieve tight fiscal burden, debt trimming would be preferred to debt moratorium, but since Indonesia is not included in HIPC (highly indebted poor countries) debt trimming would be difficult to earn. Meanwhile fiscal reallocation is needed to accommodate tsunami natural disaster financing. Financing of Aceh rehabilitation and reconstruction from fiscal is USD \$2,233 billion. The tsunami also affected positively the balance of payment (BOP) through the capital inflows of aid around USD \$1 billion, which supported the level of national reserves to USD \$ 37, 5 billions.

The tsunami tragedy has faded from the headlines, but the aftermath of relief efforts in Aceh could have far-reaching consequences. The tsunami created tremendous momentum. Let us look at this terrible event as a turning point in cultivating a new constructive attitude and behavior, paving the way for reconciliation. Let us create something good out of this disaster so that those killed did not die in vain. The tsunami destroyed everything within an hour, but it will take at least five years for Aceh to rebuild. Currently, government has delivered 11,000 of the 1,300,000 houses needed. With the building of 11,000 houses taking two months, then 1,300,000 units will take more than five years to complete. Once again, the people of Aceh have to be patient to have their dreams realized. **VB**

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GANTIAH WURYANDANI, '93, is an economist with Bank Indonesia in Jakarta.

OWEN VOICES

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native who teamed with Jaesock Kim of South Korea.

Gaby Diaz of Venezuela and Kathleen Wernert of Illinois swapped languages, coaching one another in Spanish and English.

Indeed, while American and other native English speaking students are sharing their language they are also being introduced to Chinese, Korean, French, Japanese, Spanish, Marathi, Russian, Vietnamese, and other languages. Now Owen's 27 percent international population is seen as a fantastic resource.

Loomis saw the value of Owen Voices immediately. He'd spent two years as

marketing director for a tire and battery importer and distributor in Costa Rica.

"After living in Costa Rica I know that spending time with locals is the best way to learn while living abroad," he said.

The rewards? Getting to know great people and having fun learning with them.

"We've discussed Japan, China, living conditions and cultural differences in Asian countries and the U.S., and sports," said Loomis. "We went to lunch about once a month, and he and his wife came to my house for our Super Bowl party—they had researched the NFL and were quite well informed."

"Owen Voices is an amazing witness to the power of community—the Owen community," says Dean Jim Bradford.

"Building bridges and lifelong friends, it helps establish an understanding of other cultures and makes us all appreciate the difficulty of communication."

During the summer, Owen Voices played key roles in Owen's international student language program and the fall orientation. There is also talk of it spreading to other MBA and other graduate programs.

All because two young fathers from opposite sides of the world randomly assigned to speak together decided that was a pretty good idea.

Owen Voices—creating a world business community and inspiring multilingual savvy one friendship at a time. **VB**

Owen Voices

Championing the World of Business

Through Friendships.

By FRED TALBOTT

JOHN LOOMIS AND SO SHIGEOKA ARE deep in discussion when they slide into my booth at Panera's for lunch. Their focus: steel production in Japan and the U.S., with each tossing and fielding questions and sharing fascinating perspective.

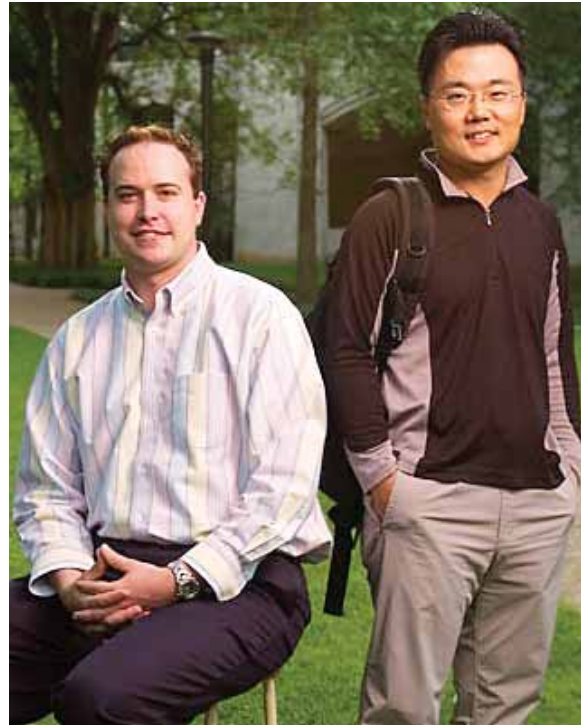
No, it has nothing to do with a class assignment or project. For Loomis, an American and former marketing director and futures and options broker, and Shigeoka, a Japanese steel executive, it's simply a friendly, interesting chat.

That conversation and their friendship may have never happened had it not been for a speech given by two Owen students last year. Their talk birthed *Owen Voices*, uniting the School's world community and possibly solving a challenge faced by many business schools.

For years, U.S. MBA programs have wrestled with a dilemma. Remarkably bright students from other nations with the courage to seek a master's degree *in a foreign language* would enroll. Suddenly, after having trained in proper English, they would find themselves overwhelmed by a confusing mix of American accents, speech rates, and colloquialisms that seemed downright baffling. Imagine your first day in the U.S. placing an order at a fast food counter and hearing "Soyouwanfrywidat?"

Add to this the challenge of adapting to a completely different culture, missing family and friends, and competing in class with native English speakers. The result is confusion, overwhelming culture

FRED TALBOTT is clinical professor of business communications at Owen.



Nathan Bradford and Seong-Wook Sim

shock, and resulting linguistic doubt and regression.

Amid all of this, MBA programs would immediately toss the students into multicultural teams whose members expect excellence. When an international student's writing or speaking seemed lacking, American students would gently—and in some cases harshly—protest and leave them behind. This ostracism created academic outcasts, and also blunted potential friendships, the sharing of cultural knowledge, and potential to create world business networks.

Then along came Nathan Bradford of the U.S. and Seong-Wook Sim of Korea,

two young fathers randomly assigned to share a team speech. They saw their situation as a solution: *pick a partner from another nation and language and talk.* Their eight minute speech outlined the need for such a program and that it would be a magnificent opportunity for students.

It's that simple. And an ideal way to unite the Owen community and spawn international business friendships and savvy.

Within two weeks of their speech that's exactly what more than 80 Owen students from four continents did.

Kai Yi of China teamed with Lee Ann Karr of St.

Louis, Missouri. "I learned interesting contemporary vocabulary used in TV dramas I couldn't look up in the dictionary," recalled Yi. They also discussed cultural differences and similarities, travel, and holidays giving Yi "a great opportunity to practice my English."

Partners hosted family gatherings and reported discussing a myriad of topics, from the Iraq invasion to business to sports to cooking.

"It's broadened our horizons, helping us focus on coaching, learning, and development," said Justin Miller, a Tennessee

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A photograph showing three people smiling and participating in a fundraising event. In the foreground, there are three large glass jars filled with cash, each with a different colored tag (pink, purple, and pink). A woman in the center is reaching into the pink-tagged jar. The background is a well-lit indoor space, possibly a university building.

Penny wars
between Owen
students and
faculty raised
nearly \$2,500 for
Katrina victims.