

# OWEN@Vanderbilt

VOLUME 21/ISSUE 1  
SUMMER 2001

M A G A Z I N E

OWEN  
LAUNCHES  
ELAB;  
BUSINESS  
AND LAW  
PROGRAM

U.S. LABOR  
SECRETARY  
ELAINE CHAO  
SPEAKS AT  
COMMENCEMENT

*A Guide for Today's  
Entrepreneur*



Minding Your  
OWEN Business

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U.S. Secretary of Labor Elaine Chao highlighted upcoming workplace issues at Commencement. Story on page 6.

PHOTO BY PEYTON HOGE



Kim Graham Newton, '96, is this year's Distinguished Young Alumnus. Story on page 39.

PHOTO BY PEYTON HOGE

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MAGAZINE

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● **Dean**—William G. Christie ● **Editor**—Beth Matter ● **Designer**—Deborah Hightower Brewington ● **Contributors**—Skip Anderson, Erin Arras, Megan Barry, Michael Blackburn, Germain Böer, Rebecca Folmar, Thomas Gallagher, Lew Harris, Harry Jacobson, Victor Judge, Paul Keckley, Bruce Lynskey, David Owens, Ned Solomon, David Swenson, Randall Thomas, Robert Weller, Carol Wissmann ● **Director of Alumni Communications and Publications**—Anthony J. Spence

**EDITORIAL OFFICES** • Vanderbilt University, Office of Alumni Communications and Publications, VU Station B 357703, 2301 Vanderbilt Place, Nashville, TN 37235-7703; Telephone: 615/322-0817; Fax: 615/343-8547; [owenmagazine@vanderbilt.edu](mailto:owenmagazine@vanderbilt.edu)

Please direct alumni inquiries to: Alumni Affairs Office, Owen Graduate School of Management, 401 21<sup>st</sup> Avenue South, Nashville, TN 37203-9932, Telephone: 615/322-0815  
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## eLAB TO TAKE UNDERSTANDING OF E-BUSINESS TO NEXT LEVEL

The recent dot-com meltdown underscores the need for better understanding of online consumer behavior. Owen's pioneering e-commerce faculty—Donna Hoffman and Tom Novak, among the first academics to recognize that Internet-based business could be a legitimate field of study—are again at the vanguard with the launching of eLab, a virtual online consumer lab.

eLab, expected to be operational this fall, is virtual because research using actual e-commerce businesses is extraordinarily difficult, says Hoffman, speaking from experience. She and Novak

have worked with nearly 30 companies since 1994 through their earlier e-commerce lab, Project 2000. "Few companies are willing to stand by while a researcher manipulates its business in real time to test theories. eLab, in contrast, will provide opportunities to find out what works best online without the profit pressures real companies face."

Directors Hoffman and Novak will coordinate staff, MBA and Ph.D. students, and faculty from Owen and other Vanderbilt disciplines, as well as work with colleagues at other universities in creating actual e-commerce Web sites, drawing visitors to the sites, and discovering what makes consumers "click" online, says Novak. "Many users surf the Web but disengage before making a purchase. Based on what we learn, we can propose changes to Web sites that can result in positive consumer behaviors."

The project marks a new paradigm in academic research. eLab is not limited to one area of study like many other e-commerce labs, but will conduct multiple studies on pressing problems facing scholars and Internet practitioners. Research areas will include online customer satisfaction and retention, effective online retailing, clickstream modeling, Internet strategy, economics of the Internet, virtual teams, online negotiations, social influence, and online recruiting. "The goal is to do high impact, cutting edge research that not only addresses business and economic issues, but also organizational issues and policy dilemmas that thus far have confounded both startups and established businesses seeking success in the e-world," Hoffman says.

The lab is funded by an initial \$1.05 million grant from Vanderbilt. Eventually, Hoffman and Novak plan to raise another \$20 million from donors to make it self-sustaining.

"eLab will help solve many of the riddles and problems exposed during the explosive growth of the Internet, and is just one example of Owen's commitment to link academic research with business and consumer practice," says Dean Bill Christie.

Hoffman and Novak established Project 2000, the first graduate business school e-commerce research program, in 1994 and the first MBA e-commerce curriculum of its type a year later. The pair in 1999 were named the top two Internet scientists in the world by a panel of 600 Internet experts in a survey conducted by the ProfNet Institute for Internet Marketing in Dortmund, Germany.

Owen's e-commerce curriculum encompasses 21 courses taught by 16 professors across six areas of study. The School also offers a "super-concentration," combining information technology and electronic commerce for students wanting a more technical e-business track.

*Professor Donna Hoffman prepares for a consulting trip.*



NEL BRAKE

## OWEN AND LAW: PARTNERS IN BUSINESS

Vanderbilt long has offered a joint JD/MBA degree, but students interested in both fields now have another option: the Law and Business program. This new joint initiative of OGSM and Vanderbilt Law School enables students of both schools to earn a concentration in business and law. Business students can gain an understanding of laws, regulations, and government agencies, while law students learn the intricacies of business and obtain a grasp on the principles of finance and accounting.

The program draws on faculty from both schools. The pilot course—The Life Cycle of a Corporation—co-taught last spring by Craig Lewis, Owen associate professor, and Randall Thomas and Robert

Rasmussen, law professors, followed a corporation from inception to initial public offerings to bankruptcy, and all points in between.

Courses to be offered next year include Law and Finance of Equity Markets, co-taught by Dean Bill Christie and Robert Thompson, law professor; Developing an e-Commerce Business, taught by former chairman of Federal Express, Joe McCarty; and the Law and Business Seminar, co-taught by Ronald Masulis, holder of Owen's Frank K. Houston chair, and Thompson. Both schools plan to add about five new business and law courses to its curriculum for the program.

"This is a fantastic opportunity to leverage the strengths of Owen and Law," Christie says. "The program is

an incredible intellectual exercise, a great marketing tool for students, and a way for Vanderbilt to show that its schools can work together."

Plans call for the establishment of both a Center for Law and Business, which will coordinate interdisciplinary work by faculty and host distinguished speakers and other events, and the *Journal of Law and Business*, to be edited by an Owen faculty member.

"The opportunity for business students to gain a deeper understanding of the legal constraints they are going to face is invaluable," Masulis says.

"We want lawyers to understand what business people expect of them, and to give MBA students some ability to be critical of legal advice they receive," adds Rasmussen.



DAVID CRENSHAW

*Jim Cochrane, left, senior vice president of the New York Stock Exchange, chaired a panel on "Decimalization and Depth" at the FMRC conference. Professor Hans Stoll, right, is the center director.*

## FMRC CONFERENCE EXAMINES MARKET QUALITY

This year's Financial Market Research Center Conference (April 19-20) focused on definition and measurement of market quality. The Securities and Exchange Commission now requires markets to provide detailed disclosure of execution quality, and brokers to disclose order routing and any payment for order flow received.

More than 20 presenters discussed issues revolving around the efficacy of alternative indicators of market quality and the extent to which measure of market quality should determine order routing decisions. Sessions focused on stock exchanges, options exchanges, futures markets, as well as new Web-based markets. Speakers included Annette Nazareth, director of market regulation, Securities and Exchange Commission; Philip DeFeo, chairman and CEO of Pacific Exchange; Mike Edelson, chief economist, Nasdaq Stock Market; and George Sofianos, vice president, Goldman Sachs.

## MANAGEMENT HALL GETS MAKEOVER

Alumni visiting Owen this fall are going to step into a new and improved Management Hall. Five simultaneous construction projects were undertaken this summer to modernize the building and help remedy the space shortage. Most noticeable is the larger and updated student lounge/café that gives the lobby a unified, professional look. The lounge area features a café bar, expanded 8:10 café, vending area, glass-enclosed group study rooms, professional wooden lockers, and a 48-inch plasma television.

In addition, Owen now sports:

- A more comfortable Averbuch Auditorium with two new air conditioners, double doors to reduce noise, and a reconfiguration of the white boards and screen for better viewing. Student changing rooms replaced the OSSA office adjoining the auditorium;
- Nine new faculty offices and a faculty conference room that replaces the third-floor balcony. A by-product of this project is the reinforcement of the roof over the dean's office on the second floor



Dean Bill Christie received student input regarding building improvements from Chris Ward, OSSA president.

- and refurbishment of the dean's conference room;
- New office space for the information technology staff and eLab research center. This space replaces the computer lab, no longer needed since OGSM is wireless;
- Additional offices and a group study room in the library.

## HIGH MARKS FROM WSJ, INDUSTRY STANDARD, FINANCIAL TIMES

Owen again made the grade—this time with top rankings from the *Wall Street Journal*, *Industry Standard*, and the *Financial Times* publications.

In its first ranking of business schools, the *Wall Street Journal* in May rated Owen the 16th Best Business School in the world; 10th among top private schools; 11th among small schools; and 2nd as a hidden gem—“lower profile schools whose graduates sparkle.” In addition, the paper praised OGSM's business plan competition, in which students offer solutions to an existing company's problem.

In the survey, *WSJ/Harris* Interactive polled recruiters about their experiences at 150 top business schools worldwide.

The survey examined quality of the career service office, past success with graduates, the core curriculum, faculty, the school's success in preparing students for the new economy; and students' communication and interpersonal skills, original and visionary thinking; ability to work well as a team, international perspective, and entrepreneurial skills.

The *Industry Standard* in April rated Owen as one of the 10 Business Schools that “get it”—the new economy, that is.

The magazine surveyed business schools in the U.S. and Europe, examining high-tech curricula, student clubs, business plan competitions, ranking among recruiters and student

career paths, startup activity, and how well the school creates new high-tech knowledge.

“Owen is known for its strong e-commerce curriculum and research, and it produces an unusually high number of students interested in the new economy,” the article stated.

In January, the *Financial Times* ranked Owen 24th best business school in the world, moving it up from 27th place last year and 32nd in 1999. Among U.S. business schools, Owen tied for 20th place with the University of Texas at Austin. Criteria included career progression, diversity among the student body, and the school's quality of research.

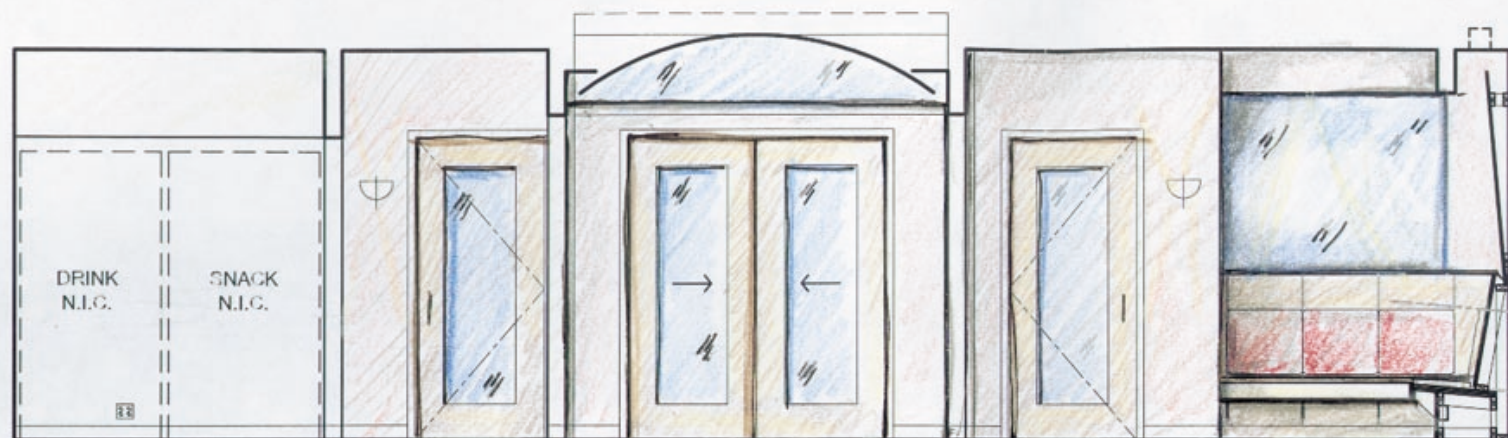
The projects, totaling \$2 million, are funded from interest accumulated from the generous gift of Ingram Micro stock by the Ingram family, and allocations from the operating surplus and reserves. Fundraising activities are underway to replenish

the portion from reserves.

“We are extremely tight on space, and these projects are a first step toward remedying that,” says Dean Bill Christie. “Over the next five years, we hope to embark on even greater projects, including building an executive education center. Such a

building would not only free up Management Hall for day students but would allow us to expand our ever-growing executive education programs, a potentially critical source of revenue for the School.”

The new student lounge.





Elaine Chao, U.S. Secretary of Labor PEYTON HOGE

## U.S. LABOR SECRETARY CHAO SPEAKS AT COMMENCEMENT

**M**BA and EMBA graduating students heard firsthand information about the coming workforce from the definitive source: Elaine Chao, U.S. Secretary of Labor.

Critical issues facing the workforce include the skills gap and worker shortage, she told students, their families, and friends at Commencement on May 11. "High-paying, high-tech jobs go begging, and yet many Americans don't have the requisite skills to grasp even the first rung of success. The workforce also is aging, and people are retiring at an earlier age, leading to a worker shortage." The Department of Labor recently created the Office of the 21st Century workplace to help address such issues, she said.

"As managers, as leaders, one of your primary responsibilities will be to develop a quality workforce, which will be your organization's most precious resource. You will discover quickly that you are only as good as the people you lead or manage." And in this age of increasing globalism and diversity, communication, teamwork, and

interpersonal skills are more important than ever, she added.

Chao, a Harvard MBA, previously served as a fellow with the Heritage Foundation; as president and CEO of United Way of America; and as director of the Peace Corps, where she established the first Peace Corp programs in the Balkan nations of Latvia, Lithuania, Estonia, and the newly independent state of the former Soviet Union. She is the first Asian American woman appointed to a president's cabinet.

"My last visit to Owen was wonderful," Chao said, referring to her visit to Owen to explore the possibility of assuming the Deanship, "and I left a part of my heart here, as evidenced by my presence here today."

"I had hoped Elaine would grace our stage today as dean rather than speaker," said Dean Bill Christie, who served on the dean search committee following the death of Dean Martin Geisel in 1999. "But she eluded our grasp, and it seems to have worked out pretty well for both of us," he laughed. Christie was appointed dean in July 2000.



Dean Bill Christie congratulates Pradeep Parameswaran, this year's Founder's Medalist. PEYTON HOGE

### MBA Awards

Founder's Medalist:

*Pradeep Parameswaran*

H. Igor Ansoff Award:

*Mohit Ramani*

Flournoy A. Coles Jr. Prize:

*James Rile*

Bruce D. Henderson Merit Prize:

*Juan de Urtubey*

Matt Wigginton Leadership Award:

*Charles Fenner*

eLab E-commerce Award:

*Martha Skinner*

Owen Service Award:

*Andrea Kulik*

### EMBA Awards

Dean's Award for Academic Excellence:

*Patrick Bowman*

Martin S. Geisel Award for Leadership in Executive Education:

*Mark Jones* (received posthumously)

### Faculty Awards

Dean's Award for Research Productivity:

*Robert Blanning*

Dean's Award for Research Impact:

*Dick Daft*

James A. Webb Jr. Teaching Award:

*Amar Gande*

EMBA Teaching Award:

*Bill Christie*



Daft WOODIE KNIGHT



Harrington WOODIE KNIGHT

## TWO NEW DEANS ROUND OUT ADMINISTRATIVE TEAM

**P**rofessor Dick Daft, a familiar face around Owen, recently joined the Dean's Office as associate dean for academic programs. In this capacity, Daft serves as a facilitator for admissions, faculty development, promotion and tenure, curriculum and new academic programs, and day-to-day concerns among faculty and students.

Daft, holder of the Ralph Owen Chair since 1989, specializes in the study of organizational design, change, and leadership. He has authored or coauthored 11 books, including his best selling textbooks *Organization Theory and Design*, 7th edition (West 2001), and *Management*, 5th edition (Dryden 2000), and his most recent work, *The Leadership Experience* (Dryden 2001). Daft has served as a management development and change consultant for numerous companies and government agencies, including National Academy of Science, American Banking Association, Bell Canada, NL Baroid, Tenneco, Central Parking System, U.S. Army, the United States Air Force, State Farm Insurance, Pratt & Whitney, and

Northern Telecom. A Fellow of the Academy of Management, he received his MBA and Ph.D. from the University of Chicago.

Beth Harrington, a new face to Owen but no stranger to Vanderbilt, has been named associate dean of alumni and development. She plans, organizes, and implements all aspects of Owen's development and external relations efforts, including developing major gifts priorities for the upcoming capital campaign and soliciting major gifts prospects for Reunion and other capital projects.

Harrington comes to Owen from San Diego Law School, where she served as assistant dean of development and external relations. She earlier worked as director of development for Rice University, and development officer for Vanderbilt's Reunion Office (1993 to 1996). A Vanderbilt Arts and Science graduate, she also holds a master's degree in communications from Western Kentucky University. Alumni wishing to get more involved with OGSM should contact Harrington at (615) 343-4072 or [beth.harrington@owen.vanderbilt.edu](mailto:beth.harrington@owen.vanderbilt.edu).

## APPOINTMENTS

**Steve Johansson**, assistant dean for Career Services and Corporate Relations, has been named associate dean for Corporate Relations. This newly created position reflects Owen's commitment to developing and maintaining the strongest relationships with OGSM's corporate customers, present and future. Johansson, who came to Owen last year, previously directed career services at Cornell University's Johnson School of Management.



Johansson DANNY SULKIN

**Susan Faldetta**, director of Alumni Programs, will plan and implement a variety of events including class reunions, receptions around the country, the annual Leadership Dinner, and Alumni Board activities. A graduate of Vanderbilt University, she previously worked for Andersen Consulting, Deloitte Consulting, and SCSi Solutions.



Faldetta NEIL BRAKE

**Miguel Bota** has joined Owen as associate director of Admissions and Marketing. He previously served as director of MBA admissions for Escuela Superior de Administracion y Direccion de Empresas (ESADE) in Spain, one of Owen's exchange partners. A native of Barcelona, Bota received his undergraduate and master's degrees in communication science from Universidad Autonoma de Barcelona. He worked in the advertising industry for several years before earning his MBA at ESADE.



Bota NEIL BRAKE

## DISTINGUISHED SPEAKER SERIES



DAVID CRENSHAW

"The dot-com world over the past year is an example of how companies need more than just a lot of money to succeed. Internet companies that succeed in the coming years will not only be grounded in solid business principles but will have the strength to stay the course in a very difficult market." —*December 6, Michael S. Kranitz, 1985 graduate of Vanderbilt Law School, president and co-founder of DriveOff.com, the first e-business to sell automobiles to customers completely online.*



DAVID CRENSHAW

"We want to make sure that the slowdown we are undergoing right now is manageable, that we achieve a soft landing, and that we don't get a buildup of momentum....Our economy is clearly undergoing a stock adjustment to bring the supply and demand for capital goods in some sectors into better alignment." —*February 14, Roger Ferguson, vice-chairman, Federal Reserve*



JUDY WILSON

"I'm on five corporate boards where we've had to fire the CEO. In four of those cases, it was for lack of interpersonal skills. It wasn't for lack of vision, it wasn't for lack of knowledge of the business, it wasn't for lack of energy—it was because these people tended to isolate themselves or deal in an arbitrary way with subordinates, or just didn't have the necessary skills." —*March 21, Frank C. Carlucci, chairman, The Carlyle Group, former Secretary of Defense, National Security Advisor, Director of CIA, and U.S. Ambassador*

## MBA STUDENTS OFFER SOLUTIONS TO NURSING SHORTAGE

**B**usiness students recently stepped forward to help solve a real medical crisis—the growing nursing shortage, which is endangering public health and costing the healthcare industry billions of dollars.

Six teams from around the country pitched ideas on how to attract and retain nurses, and thereby improve healthcare, at the National Black MBA Association's (NBMBA) case competition, sponsored by HCA—The

Healthcare Company, held at Owen February 9-10.

Winning teams from Owen, Ohio State University, and Belmont University split the \$27,000 prize money. Other teams competing were from Case Western Reserve, Fayetteville State University, and the University of Memphis.

Keynote speaker during the awards banquet was Jack Bovender, HCA president and COO.

"The competition benefited all

involved," says Thomas Rossi, manager of corporate recruitment for HCA. "The students brought a fresh creativity to the problem that our judges and executives enjoyed. Several of their ideas are under consideration, and we hired one of the participants and are considering hiring a second." HCA recently contributed \$100,000 to NBMBA for educational purposes.



DAVID CRENSHAW

Jon McBride, standing left, moderated a panel on "MBAs and the New Economy." Mike Bamburak, VP, AT&T Wireless, stands far right. Judges for the contest were, standing: Peter Tarrant, IBM, and John LeMarque, Nortel; sitting: George Tziahanas, Proxicom, and Scott Winstead, Accenture.

## eSTRATEGY CONTEST BENEFITS AT&T

**A** University of Michigan team's comprehensive strategy for AT&T Wireless Internet Services captured first place and a \$25,000 check in Owen's second annual eStrategy Contest, held February 16 at OGSM.

The contest took an intrapreneurial twist. The problem: How to make AT&T the leader in the U.S. wireless Internet market? Twenty-seven teams accepted the challenge, with the field narrowing to six in the finals. In addition to Michigan, finalist teams included Florida, Harvard, Maryland, and two from Owen.

Michigan's suggestions to AT&T included

- form strategic partnerships to offer an end-to-end wireless solution to customers;
- focus on mobile professionals, with product offerings that allow secure, broadband access to corporate servers and applications;
- develop content-rich applications for mobile consumers, focusing on "generation Y"; and
- develop fixed wireless infrastructure that allows AT&T to bypass regional telecom

companies and provide multi-media broadband access for consumers and business.

"The team identified fixed wireless as a unique AT&T asset that should be leveraged and become a major part of our winning strategy," said Mike Bamburak, vice president, technology architecture and standards, AT&T Wireless. "This is consistent with our strategy, and something we want to capitalize on."

Final round judges also participated in a panel discussion on "MBAs and the New Economy," moderated by Jon McBride, co-founder of *MBA Jungle*. Judges included Peter Tarrant, VP, e-business marketing, IBM; George Tziahanas, regional director, strategy, Proxicom; Scott Winstead, senior manager, Accenture; and John LeMarque, director, wireless Internet market development, Nortel Networks.

"Business schools around the country now know about Owen's \$25,000 contest, and this year's success ensures the contest will continue year after year," says Kiernan Cavanna, '01, one of two student organizers.



The winning team from Michigan.

WOODIE KNIGHT

## VIEWS FROM THE TRENCHES

**Bamburak:** "Mobile Internet will excel in areas where fixed Internet is challenged: immediate access to information and instantaneous information based on user's location. The technology will change our lives more than fixed Internet can or has or will."

**Winstead:** "Technology linking players in the supply chain is an area of explosive growth. Despite what trade magazines say, however, no one yet has really spread their broad tentacles all up and down the value chain."

**Tziahanas:** "The perception is that it is a bad time to start your own company. We think it is a great time because good ideas are still getting funded, and the marketplace for talented people is less expensive."

**Tarrant:** "Whether you work for a subgroup in a large company or start your own company, the skillset you need is fairly similar: know the technology, know your customers, know where you are going, know your ideas. Use resources, from inside or outside the company, to achieve your goal."

**LeMarque:** "The world is changing from a telecom perspective. We no longer sell boxes, but solutions and services."

# Enron, Owen Get It Together

## NEW CONCENTRATIONS

Owen faculty recently approved two new concentrations of study: strategy, coordinated by Mark Cohen, associate professor; and human and organizational performance, coordinated by Ray Friedman, associate professor. The latter incorporates the existing organizational management and human resources concentrations.

What do you get when you cross Enron Corporation, one of five corporate giants that “get it,” with Owen, one of 10 business schools that “get it”? Energy, of course, and not just the kind that Enron packages and trades. Energy of imagination, innovation, and implementation.

Enron was praised by *Business 2.0* in June 2000 as one of five corporate giants with the brightest prospects for Net-economy survival. And it has not let them down. Originally a pipeline business, Enron morphed itself in the mid-80s after deregulation into an innovative marketer of natural gas and electricity. At the dawn of the Internet, Enron again proved that big need not mean slow. In November 1999, they quickly rolled out EnronOnline.com, an e-commerce trading site, immediately changing the entire industry. The largest Web site in the world, they handle about 5,000 transactions per day, with more than 1 million transactions and \$525 billion of commodities traded in its history.

How did this old economy business transform itself so successfully into a new economy business? Through innovation, entrepreneurship, and flexibility, says Mark Koenig, Enron executive vice president.

“The entire organization is structured to take advantage of new and innovative opportunities,” says Douglas Fuehne, '98, a manager who creates and markets new Web-based business-to-business automation tools. (EnronOnline.com in fact was practically up and running before top man-



ALYSE HERASIMCHUK

agement even knew about it.) “After becoming efficient at applying their technology to their own commodities, they now use it to trade other commodities such as paper, steel, and bandwidth.”

“Enron is effectively a collection of many smaller companies,” adds Susan Edison, '98, an IP (Internet Protocol) trader for Enron Broadband Services, who earlier made oil and gas investments, and worked on water privatizations for Enron in its London office. “If you have an idea for a new business, you are encouraged to pursue it, as long as you can show how the value is developed for Enron.”

“Enron is an intersection of a startup, an investment bank, and an energy company,” says Vikas Dwivedi, '00, an associate in the rotation program. “It’s a moving target, and if you’re after comfort, you won’t enjoy it. But if you want to get both ‘broad and deep’ in your business experience, Enron is your place. We are big, but we still act and think like a small company.”

*Industry Standard* in this past April highlighted Owen as one of ten

schools that “get the new economy,” saying it is “known for its strong e-commerce curriculum and research, and produces an unusually high number of students interested in the new economy.”

But “getting” the new economy is not the only thing Enron and Owen have in common. Try finance and teamwork. Owen’s excellent finance program prepares students to work at Enron where they trade commodities often more complex than many on Wall Street. And the teamwork stressed at Owen is also an essential part of the Enron environment.

Enron is growing so quickly that they are adding a 40-story building across the street from their 50-story headquarters building in downtown Houston. Although Owen’s contingent is small (twentysomething) they are proving they have the right stuff to help fuel Enron’s success. And with Owen’s increased emphasis on entrepreneurship, more and more alums are sure to find Enron’s innovative atmosphere a good match.—Beth Matter

## EMBA/HEALTH CARE/MBA TRIPS ABROAD

MBA and EMBA students journeyed overseas this past year on two separate educational whirlwinds to get a firsthand look at multinational business.

Second-year Executive MBA students traveled to Paris, Brussels, Amsterdam, and Utrecht to gain a greater understanding of the changing and integrated market of the European Union. Of the many activities, one highlight was their visit to INSEAD, the leading European business school, says Martin Rapisarda, associate dean of executive education. They also enjoyed their time at Cap Gemini/Ernst & Young, a major consultancy in Europe based in Utrecht, where they observed a demonstration of new high-tech products and enterprise management software, and presentations on retail marketing.



EMBA students in Paris

MARTIN RAPISARDA

After Paris, the Health Care EMBA contingent diverged to London, where they visited Brocklebank Health Care, St. George’s Hospital Tooting, West Middlesex University Hospital, and Ashurst Morris Crisp, an international law firm.

Ireland, the fastest growing economy in Europe for the past six years, was the destination for the

MBA Seminar in International Management Issues. The focus of the trip was on three “live” market entry analyses. Students met with various businesses and industry observers in Dublin in connection with class projects, and formally presented findings and recommendations after returning to Nashville.

# Minding Your OWEN Business

## OGSM OFFERS ROADMAP FOR ASPIRING ENTREPRENEURS



**A**lthough the economic boom is tapering off, there is no doubt that 2000 was an astounding year for venture capitalists. According to PricewaterhouseCoopers, national venture capital investments hit a record high of nearly \$70 billion, an 80 percent increase over the previous year. This activity did not go unnoticed by the Owen School, which is offering entrepreneurial-minded students new courses and an environment fostering the entrepreneurial spirit.

Germain Böer understands that spirit better than most. Professor of management and an entrepreneur himself, he established a small retail photo shop in Stillwater, Oklahoma, in 1972, which ultimately evolved into a successful full service photo store catering to sophisticated amateur photographers.

Böer knows individuals bitten by the entrepreneurial bug need the foundation of core business classes and then to be cut loose and left to their own devices. “Entrepreneurs tend to be mavericks,” says Böer, “and don’t like to follow anybody’s rules. They like to do their own thing. I encourage them in that, because that’s part of what makes them so successful—they’re willing to go out and just try something.”

For Sam Graber, an ’01 grad, *trying something* involved spearheading a groundbreaking



PEYTON HOGE

### MAKING TECHNOLOGY RELEVANT

Owen’s Institute for Entrepreneurial Studies hosted a half-day conference last spring that examined how universities can encourage and improve technology transfer. Speakers were drawn from universities with established technology transfer programs: Stephan Brown, Massachusetts Institute of Technology; Buz Brown, Yale University; and Lou Berneman, University of Pennsylvania.

project with a startup company in the competitive climate of the music industry. A professional musician from Washington, D.C., Graber was drawn to Vanderbilt’s MBA program in the hopes of launching a managerial career in the entertainment industry. Along the way, he stumbled upon an entrepreneurial concept that may further revolutionize the current trend of downloading digital music pioneered by Napster, but with a slant that would appeal equally to the threatened recording industry.

“I’ve been working with Copyright.net,” explains Graber, “a local firm making big waves in the digital media arena. Copyright.net has been trying to enable the legal delivering of digital media, specifically music and movies. I’ve been collaborating with the CEO

and VP on best positioning their product and service within the Internet distribution landscape.”

### Courses for Entrepreneurial Students

Owen’s wide array of classes helped guide Graber along his way. The Introduction to Entrepreneurship course gives students a glimpse into the entrepreneurial environment and addresses challenges and pitfalls associated with starting new business ventures. An Advanced Entrepreneurship course teaches students how to develop a sound business plan, and then requires them to create their own.

Other courses include Small Business Management, Accounting and Finance for Entrepreneurs, Business Law for Entrepreneurs, Investment Banking and Venture

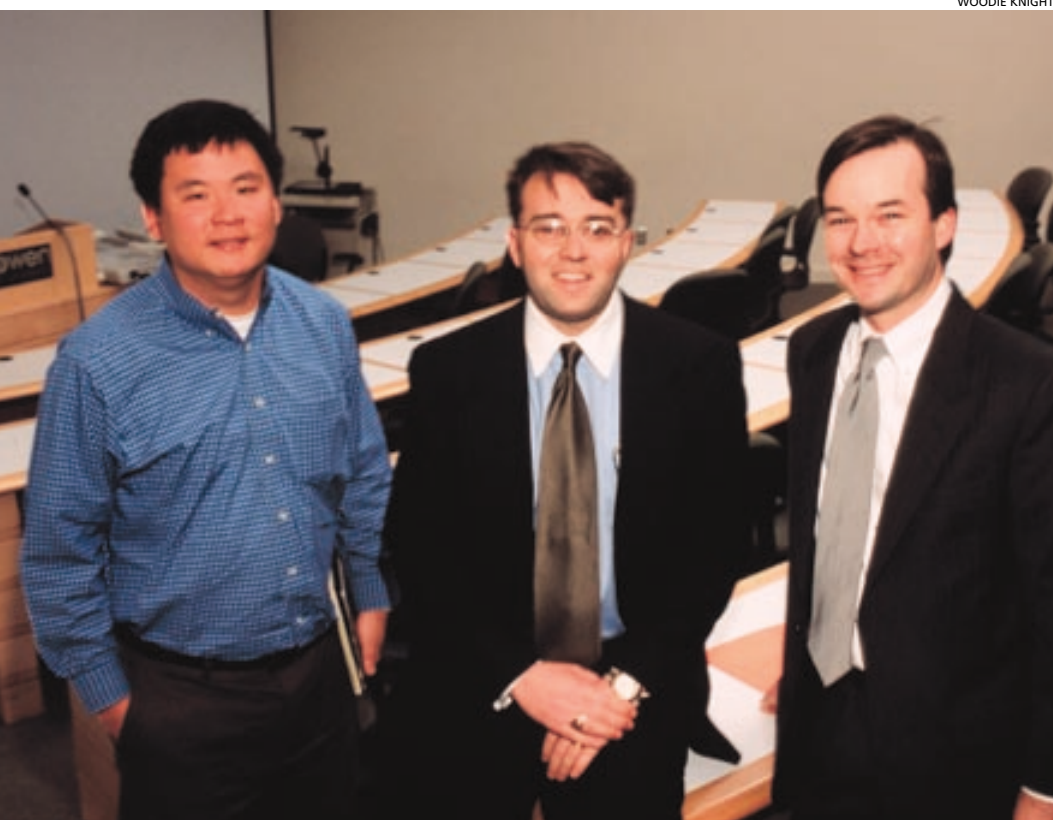




WOODIE KNIGHT

## NETWORKING

Owen provides opportunities for students to network with entrepreneurs and venture capitalists. Top: Bobby Stark, president of Hammock Publishing Inc., and Rob Stevens, president of Material Handling Resources, are two of the entrepreneurs who attended a joint meeting of Nashville's Young Entrepreneurs Organization and students at OGSM. Bottom: Professor Germain Böer often arranges for venture capitalists to speak to students. Three who shared tips last year were Jason Chung, Pretium Capital Group, Inc.; Chris Kryiopoulos, Clayton Associates; and Jack Harrington, '95, Nelson Capital.



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Capital, and Creating New Products, Processes and Services, which examines the path of a product from development to prototype. A course in the new Law and Business program—Life Cycle of a Corporation—follows a corporation from inception to initial public offerings to bankruptcy, and all points in between.

### Beyond the Classroom

Two other courses take students outside the educational and experiential limitations of the classroom setting. Adventures in Entrepreneurship gives students the opportunity to work with startup ventures and experience firsthand what it is like in a new venture.

Students taking the Independent Study develop their own curriculum under the guidance of a professor, and often work with an entrepreneur to develop a unique product or business plan.

One group of Böer's students decided to create a better baby bottle. Their exercise brought them face-to-face with the issues any company encounters when developing a new product. "They conducted market research," explains Böer, "and talked to people with children to see if they would buy it and what they considered important. They engaged engineering students to work on the design, and are talking to companies like Gerber to see if they would be interested in selling the product."

In both courses, students learn

the value of networking with other students and with entrepreneurs in the business community. Patrick Harkleroad, '00, believes networking is the most vital aspect of the Entrepreneurship program. "The independent study allowed me to talk to entrepreneurs who had acquired a small business and to learn from them what to do and what not to do. If I acquire a business, I will want to provide the same help to another aspiring entrepreneur at some point."

### The Owen Library

Owen students and alumni have one of the greatest business resources at their fingertips: the Owen Library. Entrepreneurs not associated with Owen also can access the library's extensive book and periodical collection and electronic databases for a nominal annual fee.

"Our library is a phenomenal resource," says Böer, "offering about any database you would ever need. One student told me he never realized how comprehensive the library is, and that he's reluctant to tell others about it because he's afraid of losing his competitive advantage. He found information in the library he believes will

significantly increase his income."

### Entrepreneur's Desk

A recent addition is the Entrepreneur's Desk, a Web site that assists entrepreneurs outside of the University in hiring the brightest MBAs with a minimum of effort and expense. Companies seeking employees can post information about their ventures on the Web page, while students searching for startups can peruse the potential companies and contact entrepreneurs to determine if there is mutual interest.

### Entrepreneurship Roundtable

The Entrepreneurship Roundtable—a think tank of individuals within the University who are interested in entrepreneurship—gathers periodically to brainstorm and attend presentations on hot button business topics. Representatives are faculty from the Medical, Engineering, and Law schools, Peabody and Arts & Science.

### Meeting the Challenges of Today's Economy

One challenge facing Böer and other faculty is creating a curriculum that

meets the needs of students who will be negotiating a volatile economy. "Up until last spring, all of the attention was on the hot new startups and the dot-coms and all the wonderful things they were doing," says Böer. "Ventures devoid of a good idea are now gone. The focus now is on established companies that are trying to make e-commerce work and who realize they need to make it work."

The entrepreneurship faculty, he says, is seeking more ways to incorporate the Internet into the curriculum to give students a competitive edge in an economy becoming increasingly dependent on e-commerce. "Many students are interested in businesses that incorporate some component of e-commerce. The Internet is a resource students can use to develop further ideas built on e-commerce and make it an integral part of their new ventures. We can equip entrepreneurs with those skills, because we have such a strong e-commerce program at Owen."

Whether or not students end up as entrepreneurs, Böer knows Owen's program provides a valuable foundation by instilling the basics, allowing freedom to learn by trial and error, and by offering the opportunity to network with established entrepreneurs—those who have faced the same challenges and can share decisions made on the road to financial success.

—Ned Solomon

If you are an entrepreneur, or if you want to be involved in entrepreneurial activities at the Owen School, please register your name at the following Web address: [http://mba.vanderbilt.edu/external/entr\\_signup.htm](http://mba.vanderbilt.edu/external/entr_signup.htm)

## SUCCEEDING IN A HIGH-TECH WORLD

Owen Conference Examines Entrepreneurship on the Technology Frontier

Business today is filled with rainbows and brick walls. Life is good for those with a great idea and top-notch business plan. New companies with amazing technologies are springing up overnight, creating billions of dollars of wealth. Businesses without a clear vision and understanding of today's economy, however, run the risk of crumbling at the hands of a nimble startup. How

do you make sure you have a winning edge?

An Owen School/Goldman Sachs conference held October 13, 2000, provided some guidance. The conference on Entrepreneurship on the Technology Frontier examined entrepreneurship from various angles: how to get money from a venture capitalist, crisis management, impact of technology on the economy, and

emerging opportunities in healthcare, education, and overseas.

This year's conference, scheduled for October 26, will examine technology-based enterprises, especially those related to biotechnology and information technology. For more information, visit this Web site: <http://mba.vanderbilt.edu/entrconfs/conference2001/confpages/conf.htm>.



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"Ninety-five percent of the wealth in the U.S. has been created since 1980. And in the 1990s, we surpassed what had been considered ideal employment levels. Where did the new jobs come from? The entrepreneurial sector. Twenty-five million new jobs were created during the same time period the Fortune 500 lost four million jobs....

"When looking for an industry to go into, where should you put your money? Look for an S curve, for an industry that has meandered along and for some reason suddenly has an S curve. That is a region of opportunity for financial and technological investment, and what venture capitalists are also looking for....

"Questions to ask yourself about your business—Am I headed in the right direction, or is the wind in my face? What is working and what isn't? Am I in a linear mode or exponential mode? Am I in a region of slow change or fast change? You can't force a technology in the marketplace; you have to create the reason and need for it." —**H. Lee Martin**, plenary speaker, director, Tennessee Technological Entrepreneurial Leadership Center, and founder of TeleRobotics International, Inc., now iPIX



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"Customers understand that technology is moving fast, but they don't know where or how—it is shifting under their feet. Executives fear there is someone in a garage today reconstructing their business and that they are going to get 'Amazoned.' But entrepreneurs also have to understand how quickly everything is moving in order to understand and measure the market opportunity for whatever they are creating in their garage....

"Internet commerce soon will surpass a trillion dollars, but the real gains are from doing business in this manner. Cisco achieves savings through the Internet by using seamless communication within the organization, handling trouble calls and software upgrades over the Web, and making data available electronically, enabling us to close our books in a day....

"Using supply-chain management, no Cisco employee touches the order or product before it goes to the customer. Supply-chain management is a huge opportunity in entrepreneurship now. Someone needs to help smaller companies—those that make screws and bucket seats for example—get linked to the Internet so they can participate in supply-chain management." —**Tom Stevenson**, plenary speaker, retired vice president of Global Partners Cisco Systems, Inc.

## A GUIDE FOR TODAY'S ENTREPRENEURS

### THINKING LIKE AN ENTREPRENEUR

BY GERMAIN BÖER

Entrepreneurs see opportunities where the rest of us see problems; they see new relationships where we see barriers to change; they craft new businesses to change society while we defend the status quo. Entrepreneurs are change agents who build structures and relationships (called businesses) that improve society, create wealth, and provide interesting jobs for thousands of people.

#### Innovative Thinkers

Entrepreneurs seek ways to turn ordinary ideas into successful enterprises. Consider the idea of providing physicians access to all materials presented at medical conferences. A typical convention has plenary sessions, parallel sessions, and poster displays. Physicians at meetings often skip one event to attend another, and some cannot attend at all because of conflicts or time restraints.

The problem: How to make all materials available to all physicians. Answer: Videotape the material and sell access to doctors. Sounds simple enough. But selling to doctors is not easy. They are busy, have little time to talk to salespeople, and pay even less attention to mail advertisements than the rest of us. Furthermore, marketing directly to physicians is so expensive it is impractical. Digiscript, a Nashville-based company, solved this problem by working with medical societies. The societies offer

the material to their members and benefit by receiving part of the Digiscript fee. Digiscript benefits because it avoids a significant marketing expense.

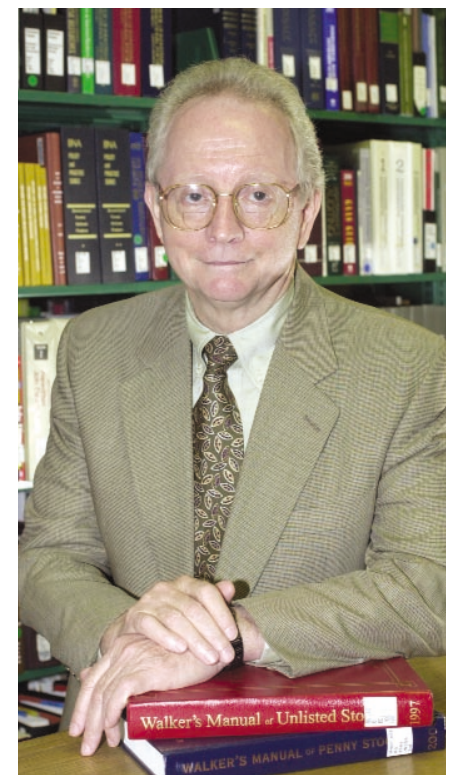
Entrepreneurs often find creative ways to use their customers. Dan Proctor, '83, founder of Passport Communications, developed a Web-based product that allows staff in doctors' offices to verify insurance information (among other things) on patients.

Dan looks for disgruntled customers because "They tell you what is wrong with your product."

**Entrepreneurs are thought to seek out risk; successful entrepreneurs, however, manage risk rather than seek it.**

He relates a case in which an employee in a medical office disliked his Passport product so much she complained about it continually.

At a user group meeting, Dan did not open the floor for comments at the end of his presentation but went directly to the unhappy customer, gave her the microphone, and asked her to explain the problems with the product. The system wasted a lot of her time, she said, as she enters patient identifier numbers all day, and every time she enters one, it takes about 15 seconds to respond. Dan said he could modify the system to allow her to enter multiple patient



Böer

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numbers before getting a response. "That would be great" was her reply. He soon had a test version for her to use, and when she was satisfied, he made the change available to all Passport customers.

#### Risk reduction

Entrepreneurs are thought to thrive on risk; some even believe entrepreneurs seek out risk. Successful entrepreneurs, however, manage risk rather than seek it.

With a new startup, managing risk often involves controlling the cash burn rate. An entrepreneur who raises \$600,000 to cover the first two years of operation can easily spend the money during that time, but the smart one will try to spend the money over four years. How do you do this? Locate in a low rent area and buy furniture from used furniture stores; negotiate with equipment suppliers to spread payments over three years instead of paying up front; share resources like copiers, fax machines, and conference rooms

with a supplier or another entrepreneur; and, pay yourself a small salary. Getting customers to pay cash for services or to pay half the purchase price when they sign a contract and the rest on delivery also helps stretch out the cash. The goal

## INNOVATION BY DAVID OWENS

While most entrepreneurs find it easy to innovate (or hard not to), many fail to predict reactions to their new ideas. Seasoned innovators readily say that when they introduce ideas, many individuals and organizations show disinterest. Not only does a “closed audience” make it harder for the innovator to gain acceptance for the idea, it diminishes the chances

*Ideas are a dime a dozen, and the difficulty is in gaining understanding, acceptance, and implementation of ideas.*

that the innovation will succeed. The research literature on innovation suggests (as do my own firsthand observations) that idea-acceptance can be more critical to success than even the quality of the initial idea. Most innovators agree that “ideas are a dime a dozen,” and that the difficulty is in gaining understanding, acceptance, and implementation of ideas.

In my class on innovation, we examine why so few good ideas get

is to make the initial cash last until the business takes off and becomes self-sustaining.

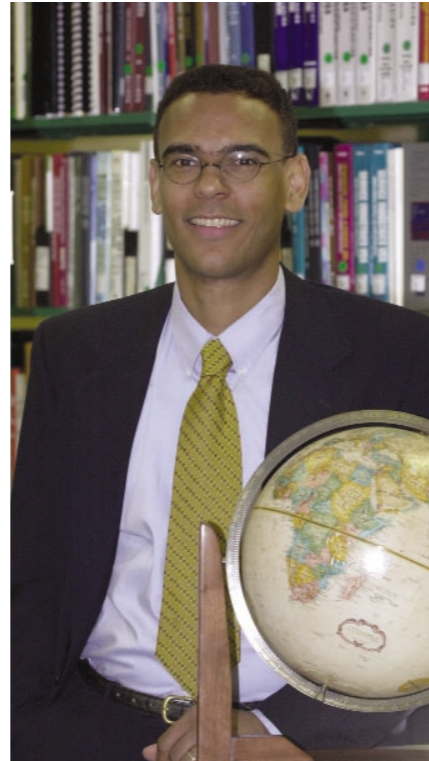
Successful entrepreneurs look for innovative ways of structuring businesses or product delivery systems so they work, and seek out

accepted. We study barriers to innovation with the goal of helping entrepreneurs and others get ideas implemented. If innovators can anticipate and mitigate likely reactions to the innovations they propose, they are more likely to gain acceptance.

Problems of innovation in business exist on three levels: individual, group, and organizational. Individuals may present barriers to innovation that are based in problems of perception (data-gathering) and of cognition (how we process data). As you attempt to gain acceptance for your innovation, it may be worth evaluating your audience in the following ways. Do they always look in the same places for information and answers? Do they use the same old strategies to solve even unfamiliar problems? Do they tend to ignore the realities of the new business environment? If so, you may wish to “package” your innovation in terms and language they already understand. You can demonstrate that you have better answers to questions they already have. Also, educating others more generally about the barriers to innovation can

procedures, tools, or arrangements that manage business risk.

**Germain Böer is professor of management and coordinator of the entrepreneurship program.**



Owens

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help to create a receptive audience for any future innovations you may wish to present.

When individuals form groups, new barriers arise. Group norms pose formidable challenges to innovation. Ask: Does the group espouse traditional norms and a conservative culture? Is it overly cohesive? Is consensus valued over all else? If so, you should probably not simply lay the innovation in front of them. You could “factionalize” the group, breaking them into smaller

constituent groups. Or, move the entire group into a different environment or an unfamiliar mode of interaction. Educating your audience is the best offense against “group think.”

A third set of barriers exists at the organizational level. Internal politics, skill and resource allocations, corporate strategies, and institutionalized decision-making can impede acceptance and implementation of new ideas. Ask:

## LEGAL ISSUES FOR ENTREPRENEURS

BY RANDALL S. THOMAS

Entrepreneurs starting a new business confront various legal issues, the first being choosing the appropriate business entity. Twenty-five years ago, this was a fairly simple decision because there were only two choices: partnership or corporation. Many forms now exist including limited liability companies and limited liability partnerships. These have legal characteristics that frequently make them more desirable than their older cousins.

Limited Liability Companies (LLCs) are the most popular of the new entities. While more costly to start, they have tax and limited liability advantages. LLCs offer the attractive tax features of partnerships because the Internal Revenue Service treats them as a pass through entity. Unlike corporations, where profits are taxed both as corporate income and as dividend income when paid to its shareholders, LLC profits are taxed only once as income distributed to the owners.

Are the organization’s decision-making practices suited for evaluating risky innovations? (Not likely!) Does your innovation deviate from “accepted” corporate strategy? Are you communicating with those empowered to support and enforce your proposal? With these questions in mind, you may decide to go outside of the traditional “initiative” process in an organization. The innovation literature indicates that success in

LLCs further provide their owners, or members, with limited liability protections at least as strong as those pro-

*Twenty-five years ago, there were only two choices of business entities for entrepreneurs: partnership or corporation. Many forms now exist that are often more desirable than their older cousins.*

vided to corporate shareholders. Just as in a corporation, owners of the LLC are not held personally liable for obligations of the entity beyond the amount of their investment in the business.

Legal rules governing LLCs vary from state to state. Most states require organizers to file an articles of incorporation, containing a minimum amount of information about the firm. A more complex

innovation requires the support of a champion who has both the understanding and the power to help you make it work.

Though this barely scratches the surface of the problems innovators face, I hope that the ability to proactively diagnose barriers to innovation—even at this rudimentary level—can be a useful tool for directing your efforts. **David Owens is an assistant professor of management.**



Thomas

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document, the operating agreement, may be drafted to cover important questions concerning the operation and management of the enterprise. Experienced legal counsel will need to insure that these documents accurately reflect the investors’ intentions and understandings.

Limited Liability Partnerships (LLPs) are a second new statutory form of organization with many of the same desirable tax and limited liability provisions as the LLC. They are simpler to create because an existing partnership generally only needs to file a short application with the state in order to elect LLP status.

LLP's have desirable tax features and also are viewed by the IRS as a pass through entity. This means that all profits must be distributed to the partners and be taxed as individual income of the investors.

LLP statutes vary substantially in

the degree to which they provide complete limited liability protection for partners. Early statutes limited the liability of investors to tort claimants but not to contractual creditors.

Many states have extended these statutes to block contractual creditors from asserting that the firm's investors are individually liable for the firm's debts beyond the amount of their investment in the firm.

In some cases, the corporate form of organization is worth considering. A corporation is most advantageous when investors are planning to take their new venture quickly through an

initial public offering (IPO). If investors will be selling stock publicly within the first few years, the greater marketability of corporate stock is a significant advantage.

There are subtle differences among these forms of organization according to the type of business being created. A prudent entrepreneur should consult with legal counsel familiar with the LLC, the LLP, and corporate laws of their state and other states before making a final decision about entity form.

**Randall Thomas is a professor of law at Vanderbilt Law School.**

## DRIVING YOUR STARTUP'S MARKET VALUATION

BY BRUCE LYN SKEY

**A**s CEO of a startup company, it is your obligation to structure and position your venture in a way that maximizes its value for your investors and employees. In today's harsh "back-to-basics" market, there is nothing more important than developing a sound, realistic business plan that puts your company into profitable territory within a reasonable time period.

If you are pursuing traditional funding avenues, you will go to venture capital markets (private VC's and corporate VC's) a few times prior to listing your company. These formal rounds of funding are referred to as the "A Round", the "B Round", the "C Round", and possibly a "D Round". (I have spoken to a few companies that are out beyond their "K Rounds" of funding. Would you invest in such a company?)

Taking a private company to the market for additional funding requires that a "price" or market valuation be put on your venture and

**Your planned product or service and your startup's management team are arguably the two most important factors setting the market valuation on your company.**

that you sell the next round based on a per share price that was determined by that market valuation.

In addition to your business plan and ability to execute that plan, there are other factors that figure into setting a market valuation for your company. You need to play these



Lynskey

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factors to your advantage whenever possible.

Beyond operational challenges, you need to make your small startup

venture seem bigger than life, filling a critical need in your target market. Strive to look important by appearing to surround your company with appropriate business partners, customers, influencers, and so on. For example, if you were a startup software company, it would be desirable to announce an alliance with Oracle or Microsoft and to announce that your first group of customers included Wal-Mart, Home Depot, the Central Intelligence Agency, Goldman Sachs, and Morgan Stanley. And, by the way, Bill Gates has agreed to be an advisor to your venture.

If you can do this effectively, you will separate your startup from the competition and be noticed. Here are some other factors for you to consider:

### ● Your Product or Service

Your planned product or service and your startup's management team are arguably the two most important factors setting the market valuation on your company. For this article, I will assume you have a great product or service concept, that you are the first into the market, that your market has money it is anxious to spend, and that your market is efficiently reached and growing at an impressive annual rate.

### ● Your Target Market

Your market is as important as your product or service concept. You don't want to try to sell high-end luxury automobiles to Appalachia. Who your target market is will be a significant factor in setting the market valuation of your startup. Factors to consider are (1) what is

your total available market, (2) how easy is it to reach your market, (3) what is your market's spending behavior in your product/service area, (4) how fast is your market growing, (5) are there forces that can annihilate your market, and (6) what is your market's price sensitivity.

### ● The Management Team

The caliber of the executive management team is arguably the single most important predictor of success. An original and clever idea is one thing, but if the idea falters, you are entirely dependent on a seasoned management team to redirect the venture into the appropriate space. Startups cannot afford to pay management consultant firms' steep fees. Traditional management consulting firms also do not have the experience and expertise required by the startup arena. In the post-dot-com era, the single most important management qualification sought by investors is "has the person done a successful startup before?" Long gone (for now, at least) are the days of younger is better.

### ● The Board of Directors

You need a board of directors that is dominated by seasoned industry representatives—not by venture capitalists or your closest, supportive associates. Many venture capitalists (but not all) have limited line management experience and often have not been through the startup experience. The market recognizes this and rewards startups shrewd enough to have a topnotch board of directors.

### ● Your Advisory Board

The "advisory board" comprises a

star-studded stable of industry influencers compensated with stock warrants. These advisors work for you as needed, typically a few hours per month or quarter. Use them to substantiate your brash assertions to the skeptical market and to defend you against the evil competition. Use them to open doors at the highest possible levels with prospective customer companies, strategic partners, or potential acquirers. Shield the existence of this board from the public, but use them ruthlessly. Your investors understand that you need such a weapon and will want to know the roster of your advisory board.

### ● Smart Money vs. Dumb Money

Venture capitalists and most corporate investment capital groups will tell you "all money is not green." This means their money is of higher quality than others' money—primarily because of their experience, their connections within your industry, and their Wall Street connections. Believe it or not, there is some truth to this. You need to court and select investors who have achieved "home runs" in your specific market segment. Nothing serves you better. This type of money is called "smart money." Everything else is called "dumb money." It is imperative that you are not distracted by the name of the VC firm or of the institution from which the money is coming. Some VC firms venture out of their area of expertise and explore new markets. Regardless of their achievements in their home market, they represent "dumb money" in the new market.

Likewise for all of Wall Street's most prominent investment banks that have active venture capital units. Although you may sacrifice market valuation when you accept "smart money" in your A, B, and C rounds of financing, you will more than make up this lost valuation when the "exit event" occurs.

#### ● Your Early Customers

Surprisingly, your early customers can have a material impact on valuation of your company. How large are these customers? Are they highly respected institutions? Are they typical "early adopters" of new products and services? Are they rich with large purchasing budgets? The importance of this cannot be overstated. It is well worth spending the time and effort to work your way (or use the influence of your advisors and directors) into the offices of appropriate businesses. Always take the position that your product or service is of high importance to the market. The proof-in-the-pudding is that some prominent firms agree with your assertions and have

become your early customers.

#### ● Your Strategic Alliances

As with early customers, you want to put on a face that says you only strike business alliances with the very best. This obvious strategy helps optimize the quality of the company you keep. Identify market leaders in the relevant complementary segments, go after them (again, using the influence of your advisors and directors), and strike alliances. This tactic is known as enriching the "eye candy" surrounding your startup, and it will have a material effect on your firm's market valuation.

#### ● The Industry Analysts

Most market sectors have a group of (sometimes self-appointed) analysts or consultants who follow developments in that sector, write columns in the trade press, and advise customers in that sector. It is mandatory that you identify these analysts, consummate relations with them, and keep them up-to-date on your company and your products or services. These analysts are key influencers in your space. Maintain a

positive impression with them. Their opinions can positively or negatively impact the market valuation on your company. You often can lure an analyst onto your advisory board.

#### ● The Financial Analysts

No one pays attention to reports of stock analysts anymore. It is recognized they have no performance accountability and are more or less just cheerleaders or entertainers. Until banks abolish their positions, however, use them to your advantage. Identify the analysts who follow your sector, schedule briefings with them, and use them as a conduit to investment bankers. Maintain ongoing relationships with about six different investment banks—2 "tier-one", 2 "tier-two", and 2 "tier-three". These folks will help set your market valuation. It is imperative they thoroughly understand your business and your vision. **Bruce Lynskey has held executive officer positions in several networking/telecommunications startup companies and will be joining the Owen School faculty full time in September.**

investments, as well as follow-on rounds for existing venture portfolio companies. The primary drivers of these changes include:

- Publicly traded companies with significant stock price reductions turned to the private markets for needed capital, offering their equity at attractive valuations to their public valuation. Fund managers sought to shore up their valuation/risk profile of their portfolios with these well-established companies. This event had a domino effect throughout the marketplace as other

The IPO market has returned to its discriminating rational self, requiring in most cases a track record of revenue, positive cash flow, and an attractive earnings growth story.

traditional private offerings are now being priced off of these new valuation benchmarks. It also had the effect of reducing available funds for traditional venture investments.

- Most companies slotted for an IPO in 2000 and early 2001 were forced back to the private markets for needed capital at valuations below that of the previous round. The valuation/risk profile of these pre-IPO companies became so attractive relative to other opportunities that the traditional private funds soaked up these deals. This resulted in a further reduction in available funds for traditional venture investments.

- Venture-backed companies seeking a new round of capital found little or no interest from other funds, even after significant reductions in valuation. Consequently, the venture backers became the only source of capital available for these companies. This realization caused most funds to re-evaluate their portfolio companies and their reserves for follow-on investment. This exercise resulted in (a) an increase of such reserves at the expense of funds available for new investments and (b) a separation of portfolio companies into two groups: those earmarked to receive follow-on support and those who are not. In the last three quarters, the marketplace has seen an inordinately large number of venture-backed deals go out of business or sell at historically low valuations. This carnage is not yet over.

- Traditional funding sources for the venture industry also have been impacted by the declining stock market. Capital earmarked for alternative investments such as venture capital is managed as a percent of the overall portfolio value, typically 3-5 percent. As the publicly traded portion of the portfolio contracted, it also reduced the absolute dollars available for alternative investments. Thus, the supply of capital available for venture funds has materially contracted from previous levels. As a result, many established venture funds are delaying their next fund raise for two primary reasons: 1) the hope that public markets will rebound, thereby increasing the absolute dollars available for venture fund investment, and 2) the hope that a public market rebound will create IPO and liquidity events for venture-



Gallagher

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backed companies, and that such valuation increases will help create an attractive return story from which fund managers can secure commitments to their new fund.

#### What should an entrepreneur do?

The economic law of supply and demand proves true once again in the private capital marketplace. Eighteen months ago it was a sellers market as valuations hit record levels and entrepreneurs in their twenties, without track records, secured tens of millions of funding merely with ideas. The supply of capital was robust due in large part to a vibrant IPO market, which arguably was providing public venture capital as well as liquidity to private investors. Today, we have the inverse. Venture

## SECURING PRIVATE CAPITAL—THE GREATEST CHALLENGE

BY THOMAS GALLAGHER

The effect of the 2000 stock market downturn has not fully played out in the private capital markets yet. For readers considering launching a new venture, and CEOs contemplating another capital raise, securing private capital at reasonable valuations may prove to be your greatest challenge. Just as the Nasdaq of 18 months ago

bears little resemblance to today's market, private capital markets quickly are becoming a candidate for the endangered species list.

#### What should an entrepreneur know?

Let's first examine the profound effect the 2000 market downturn is having on the private capital

marketplace. When Nasdaq dropped from 5000 to 2000 and the IPO market reduced to a slight trickle of new offerings, events were set into motion that are dramatically changing the state of the private capital marketplace. These events are having a culminating effect of significantly reducing the availability of venture capital for new

capital is becoming scarcer for traditional deals as more deals compete for funding from a shrinking pot of capital, and valuations continue to test new lows. The IPO market is functioning, but not as a source for public venture capital. It has returned to its discriminating rational self, requiring in most cases a track record of revenue, positive cash flow, and an attractive earnings growth story. Now, given this evolving state of the private capital markets, what should an entrepreneur or CEO consider in contemplating launching a company, or in securing the next round of capital?

Here are some things to consider if you do not meet the venture capital standards of “a great management team,” which generally means you are seasoned and have made money for your venture investors before having completed an IPO or sale returning at least three times capital invested.

- Assume professionally managed capital will be difficult to attain. Consider structuring a plan to raise your seed and first couple of rounds of capital from family, friends, and local angel investors.
- Relationships are increasingly

## SEEKING VENTURE CAPITAL

BY MIKE BLACKBURN

**W**hew! What a difference a year makes...what a difference a decade makes! Depending upon your point of view, the venture capital industry is experiencing the worst of times or the best of times. We are all well

valuable in a scarce capital market. Consider utilizing board seats and a board of advisors as a way to build and maintain relationships with individuals who can be of value in the capital raise effort.

- The seed and first rounds of funds should underwrite the following milestones for a service-based business (a product company would follow similar path) and reduce the perceived risk of your model's implementation and economic performance. In doing so, you will significantly enhance your ability to secure professionally managed capital.

1. Prove model in first market with revenue generation and positive cash flow. Establish a clear value proposition to your customer.
2. Launch second market and establish similar economic results to first, showing that model can be replicated.
3. Attain predictable revenue generation.
4. Establish foundation for scalability.

- Consider building relationships with well-established companies that may become candidates for the role of valuable strategic partner or even as an investor.

aware of the dramatic rise and fall of the Nasdaq stock market recently. From March of 2000 to March of 2001, the Nasdaq dropped 60 percent from 5000 to 2000. On the other hand, the Nasdaq went up five fold, from the beginning of 1990

- Remain nimble. Markets evolve and change. The speed of change is what is difficult to predict. Do not be blinded by pride of authorship. Become a student of your industry and learn from the mistakes and successes of others.

- Develop relationships with Wall Street analysts who follow specific companies in your industry. Those analysts can become valuable sources of information, and they also value what they can learn from you.

- Develop a collaborative and collegial culture. Mine the value of your employees by giving them intellectual ownership to the company's mission and business plan. Become a superior listener, and foster the brain trust you've built within your employee base, your board, and your advisors. Final decisions are yours as CEO. Your challenge is to gather effectively and to utilize all the relevant data and insights to help you make your best decisions.

**Thomas Gallagher, a 1984 graduate, has worked in Wall Street investment, was a partner in a venture capital firm, and for the past nine years has started and built three healthcare companies.**

through March 2001.

As the Nasdaq goes, so goes venture capital. The venture capital industry experienced explosive growth during the decade of the 1990s. Total dollars invested by venture capital firms in private companies increased

from \$3 billion in 1990 to \$68 billion in 2000. “VC's” became the rock stars of the latter '90s with soaring returns and exciting initial public offerings, only to be vilified for the failure of so many companies in the recent past. So what does the future hold for venture-backed companies and what implications do the “Soaring '90s” have on the entrepreneur of 2001?

In an odd way, we can take com-

**Perseverance is the strongest personality trait among successful entrepreneurs. If you truly believe in your idea, keep searching until you find an investor who shares your passion.**

fort in current market conditions. The traditional methodologies for starting, building, valuing, and exiting a company have returned. Gone are valuations based on “eyeballs” and growth assumptions based upon capturing 10 percent of a trillion dollar market opportunity. Now, entrepreneurs and their investors can focus on building great companies, rather than trying to chase the next hot IPO.

Rule Number One for venture capital investors is, “back great management teams.” How do you know if you are a great management team in the eyes of a potential investor? First, do you have experience in the industry in which you are starting a business? There were countless glamorous articles in the press over the past several years about the twenty-



Blackburn

NEIL BRAKE

something CEO of the latest dot-com startup who received millions in venture capital. Not only did he not have any experience in the industry, he didn't have any WORK experience. The untold side of those stories is that most of those businesses failed and oftentimes those founding CEO's were replaced before their first annual review. The classic entrepreneur is someone with 10 to 20 years of experience in an industry with a track record of success, who recognizes an opportunity and starts a business on his or her new idea.

A close corollary to Rule Number One above is, “pick the right market opportunity.” The venture capital business is a home-run business. In order for venture capital firms to generate the returns they need to attract investors into their next fund, they need you to produce a very high

return for them. A general rule of thumb is 5 to 10 times their money in a 5 to 7 year time horizon. In order to achieve this heroic result, you must be able to build a big company. To build a big company, you need a big market opportunity. Again, a general rule of thumb is to target a market that can reach \$1 billion in size. This is a very complex calculation for venture capitalists and the main reason so many of us have MBAs from prestigious universities: take the average size of one of your sales and multiply that by the total number of prospective customers. If the number is greater than \$1 billion, then the potential for you to capture, say, 10 percent of that market and thereby create a \$100 million company is not too far fetched and is the stuff dreams are made of for ever-optimistic venture capitalists.

After you have satisfied Rules One and Two, you are ready to go. My best advice is, “don't give up!” You will be turned down many, many, many times by potential investors. You will hear lame excuses such as, “you're too early or you're too late, it's too big or it's too small, we don't do tech or we don't do services, etc, etc, etc.” Perseverance is the strongest personality trait among successful entrepreneurs. If you truly believe in your idea, keep searching until you find an investor who shares your passion and, as the great modern philosopher, Dr. Seuss said, “Oh, the places you'll go!”

**Mike Blackburn, a 1994 EMBA graduate, is a partner with Petra Capital Partners in Nashville.**

## ETHICS AND ENTREPRENEURSHIP

BY MEGAN BARRY

I'm an entrepreneur and, like many others, between serving clients and recruiting new business, I don't have a lot of time to think about deeper issues. The goal is to build the business and worry about details later. Unfortunately, the "details" often concern ethical business practices and corporate responsibility infrastructure. Inattention to both can cause unforeseen problems and be a missed opportunity to influence how businesses interact in society.

Take for example a friend of mine at a small startup. One evening, she received a call from a board member asking her to assume the outgoing president's duties. Her former colleague had submitted expenses that included charges for prostitutes. A potential customer had asked for the services and, since the windfall from this business venture would bring greater value to the shareholders, the president felt it was okay. When I asked my friend if the company had outlined specific ethical business practices, she said they hadn't gotten around to it yet.

This is an extreme example. You're probably thinking that employees and officers of your company don't need an ethical framework specifically disallowing payment for prostitutes. Surely, they have more common sense than that. So, what is an ethical framework for doing business? Isn't obeying the law enough? You have to obey the law, but doing business within an ethical framework often goes beyond the

law. Another example: In many communities, there is a huge debate about paying a living wage. In the U.S, as in many countries, the law sets a minimum for employee pay. It's illegal not to pay the minimum. But often these kinds of wages don't come close to providing employees with the ability to maintain a basic existence and support families. Can an employer not pay a living wage? Certainly—no law is broken—but should they pay more than the minimum? That's an ethical question.

When I bring issues like these up with business leaders, what often follows is a discussion focusing on company stakeholders. Many believe shareholders are the only stakeholders who matter. The decision by the president to pay for a prostitute and the decision to pay a minimum wage both are driven by the belief

**You have to obey the law, but doing business within an ethical framework often goes beyond the law.**

that shareholders will benefit. But there are other stakeholders—employees, customers, suppliers and communities. These stakeholders also require consideration.

As small business owners and entrepreneurs, we all can have a far-reaching impact on stakeholders. We're in the unique position to contribute to the discussion by setting a leadership example and



Barry

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stating at the outset the ethical framework within which we will operate. Take Nancy Bradshaw, the 2000 Ethics in Action Award recipient for Individual Ongoing Social Responsibility. She is the former owner of HOPE Unlimited, a retail store. From the beginning, the company had explicit policies that included screening all products for labor practices and environmental impact, local supplier preference, a 10 percent profit community give-back program, and progressive staffing policies. Her commitment to these issues from the beginning helped make her company a success. How about your company? What are your ethics?

**Megan Barry, a 1993 graduate, is former associate director of the Vanderbilt University Cal Turner Program for Moral Leadership in the Professions and president of Barry and Associates.**

## PROSPECTS FOR THE HEALTHCARE INDUSTRY

BY W. DAVID SWENSON

The healthcare industry, like most industries, is cyclical in nature, moving in and out of favor with the investor market. Within the healthcare sector, components such as care services, devices, biotech, genomics, the Internet, and payors also move in and out of favor. Sectors currently in favor, or expected to be in favor, include biotech, genomics, healthcare payors, and healthcare ser-

**The healthcare services market is expected to become more attractive as the year progresses.**

vices, including providers. Most dramatically out of favor is the healthcare Internet sector.

When we look for investment opportunities in the healthcare services sector, we assess the potential of each investment in the context of the broader healthcare environment and where it likely will be in three to five years. Investing, like choosing a career or starting a business, has long-term implications. We look at a company's ability to become a significant business in sectors that will be rewarded by the market, something entrepreneurs also should consider.

Healthcare services, including hospitals, alternate site providers, managed care companies, and insurance companies, have been depressed in the marketplace for sever-

al years. The Balanced Budget Act of 1997 reduced reimbursement to many providers and in turn affected their profitability. In cases of home healthcare and nursing homes, it affected their viability. Money shifted out of the services market to such high tech opportunities as healthcare Internet, further depressing the healthcare services market. Recent events, however, have had positive effects on the services market: legislation giving back part of the reimbursement taken away by the Balanced Budget Act; increased insurance premiums which tend to trickle down to providers; and a flight of investment dollars away from technology and the Internet and back to the value of significant provider companies. We expect the healthcare services market to become more attractive as the year progresses.

Opportunities exist now in the provider sector to build large companies that deliver efficacious care at a good value in convenient locations for customers. Such companies are going to become more important as insurance shifts from defined benefits, where the employer purchases a set of healthcare benefits for the employee, to defined contribution, where the employer provides dollars to the employee, who then is more directly involved in purchasing his/her own healthcare. Employees will be making decisions about where to spend their healthcare dollars and looking for information and value. Many companies are forming around



Swenson

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the idea of providing information to consumers to allow them to make informed buying decisions about care. Convenience and cost of healthcare become more important when consumers feel they are spending their own money.

As you assess opportunities for starting companies in the healthcare field, consider your customer carefully and make certain that what you intend to offer is something the customer will find valuable enough to buy.

**W. David Swenson, a 1982 graduate, is a general partner with Coleman Swenson Booth, Inc. in Franklin, Tennessee.**

BRINGING RESEARCH TO THE MARKETPLACE  
*Vanderbilt University Medical Center Transforms Ideas into Better Healthcare*  
 BY HARRY JACOBSON AND PAUL KECKLEY

**Case Study:  
 The Stethoscope**

In 1819, 38-year-old French physician Rene Theophile Hyacinthe Laennec published results of his discovery in *De Lascultation Mediate*. For three years, Laennec had used a hollow, foot long wooden cylinder to listen to patients' chests and lungs. His discovery: the stethoscope, today a staple of modern medicine.

Laennec came under fire from peers who charged that his "tool" was harmful to patients and should be avoided at all costs. Physicians, they argued, need only depend on their instincts and training. By 1821, even the reputable *British Medical Journal* carried critiques about the stethoscope. Such is the saga of entrepreneurship in medicine. Many innovations come at the price of criticism from peers. Passionate champions like Laennec and others simply persevere until acceptance is realized.

**Academic Medicine:  
 The Environment**

There are 125 schools of medicine in the U.S. that are committed to a three-part mission of teaching, research, and patient care. The federal government vests these centers, at the frontier of biological science, with the responsibility of unlocking the most complex and fundamental secrets of human life and disease. Basic science research—the heart of academic medicine—

gives rise to new drugs, new devices, and new approaches to patient care. Why then do so few blockbuster drugs and novel devices actually arise from academic centers?

Several reasons impede academic discoveries from making it to the marketplace. First, there is a cultural gulf. Academic careers are made based on the advancement of scientific discovery—on all things

*The leadership of Vanderbilt University Medical Center recognizes that knowledge left unapplied to real problems and opportunities is knowledge wasted. Entrepreneurship is not a bad word at VUMC; it's a stimulus for energizing exploration into newer, better ways to deliver care.*

"publishable"—not on applied science. Second is money. The National Institutes of Health, the modern day de' Medici's of scientific discovery, have had a decided bias toward basic science research. Only recently has the NIH begun to sponsor actively "translational" research, which turns basic science into new therapies and diagnostics. Third is that companies such as

pharmaceutical and biotechnology firms already commercialize many discoveries by taking published literature and turning it into profitable products, typically paying a modest licensing fee for the intellectual property.

Building businesses based on a new idea is a distant concern in most academic medical centers. While some basic scientists help start new companies based on their discoveries, more are recruited into industry. The vast majority, however, have no interest in pursuing the commercial value of their research. Clinical faculty test innovations—new drugs and devices—for others. They prepare grant proposals for funding while attending to teaching duties and managing patients. New approaches to care, and new ways to improve the quality of care and enhance the efficiency of the system, or improve its financial performance, are frequent hallway discussions but rarely the basis for business building.

**The Vanderbilt Difference**

At Vanderbilt, innovation and entrepreneurship are intrinsic to the culture and operating philosophy. While maintaining its position in the top tier of medical schools alongside Duke, Emory, Washington University, and others, it is quickly establishing itself as a center for health care entrepreneurship and innovation.



Keckley and Jacobson

NEIL BRAKE

Consider these success stories with Vanderbilt roots:

- **Renal Care Group**, a publicly traded company in Nashville, provides care for patients diagnosed with end stage renal disease (ESRD). In its five-year history, Renal Care has consistently generated growth in earnings for its investors and has a market capitalization of \$1.4 billion. The Vanderbilt connection: a co-founder is Harry R. Jacobson, vice chancellor for Health Affairs at Vanderbilt.
- **The Holcomb Magnet** is used by thousands who suffer from arthritis and other forms of chronic pain. Magnetic therapy is a proven pain management technique for many. Sales for the Holcomb magnet are handled by Amway. The Vanderbilt connection: Robert R. Holcomb, originator of the technology, is a pediatric neurologist at Vanderbilt.
- **BAI Software**, originally the Asthma, Sinus and Allergy Program at Vanderbilt, developed a unique infrastructure for managing patient information in an electronic record format. Not content to limit its

application to ear, nose, and throat specialists, it currently is targeting the obstetrician-gynecology market and recently signed an agreement with the American College of Obstetrics and Gynecology.

Vanderbilt's role in stimulating entrepreneurship and innovation in healthcare has further expanded with the development of the Vanderbilt University Technology Corporation (VUTC). Using initial funding from the Chancellor Fund, VUTC has launched more than a dozen companies in the past two years including:

- **EBM Solutions**, a developer of evidence-based guidelines and data collection tools used by health plans, employers, disease management companies, and hospitals to reduce inappropriate variability and increase patient compliance. EBM Solutions was funded in March 2000 with \$6.7 million from private investors. Vanderbilt has two seats on its five-person board and owns 23 percent of the company. Today, the company is fully operational with seven licensees, a robust pipeline, 60

guidelines completed, and 81 in production. It has 140 academicians under contract for its clinical decision support activity and a Nashville staff of 13 in sales, marketing, finance, and clinical support.

- **IntelliTx**, a commercial venture built on licensing of the Vanderbilt University Medical Center (VUMC) clinical software. Vanderbilt's Department of Biomedical Informatics in concert with certain faculty and staff has developed several applications from WizOrder, a decision support tool, and StarChart, an electronic medical record. VUMC served as a prototyping lab for the development of these informatics tools. The use of WizOrder alone has decreased annual operating expenses in the Vanderbilt Hospital by more than \$4 million.
- **Cardiovascular Services of America**, still on the drawing board. The Vanderbilt-Page Campbell Heart Institute is one of the originators of the concept. CSA is led by David Maron, associate professor of cardiology, the company's chief medical officer, and healthcare entrepreneur John Dayani, PhD '76. CSA's business plan proposes joint venturing with cardiologists on outpatient diagnostic facilities while providing their practices with nurse practitioners and disease management services.
- **MXISystems**, developer of a unique approach to imaging. Using a laser technology, monochromatic x-rays are produced with an almost



100-fold better resolution at a much lower x-ray dose. Scientists from several schools within Vanderbilt used the Free Electron Laser to discover this technology.

### The Vanderbilt Advantage

What makes VUMC a successful innovator and entrepreneurial catalyst?

#### VISION AND STRATEGY:

Traditional funding sources—research grants, teaching stipends, tuition payments, and patient care revenues—simply are inadequate to maintain and enhance an institution's standing in the top tier. At VUMC, *entrepreneurship and innovation surrounding applications of Vanderbilt-originated intellectual capital is the first priority. The leadership of VUMC—department chairs, faculty, researchers and students—recognizes that knowledge left unapplied to real problems and opportunities is knowledge wasted. Entrepreneurship is not a bad word at VUMC; it's a stimulus for energizing exploration into newer, better ways to deliver care.*

**STRUCTURE:** Without an organized approach to sorting concepts, building credible business plans, piloting the business, recruiting management, obtaining private investment, and executing the business plan, ideas never would materialize into successful businesses. At Vanderbilt, the Board and Chancellor are supportive of entrepreneurial activity in health services and applied medical informatics. VUTC works closely with William T. Spitz, vice-

chancellor for investments and treasurer, and David Williams, vice-chancellor and general legal counsel, to assure that Vanderbilt interests are fairly represented in the company's ownership and equity. Rather than a structure harmful to innovation, VU's has been the reverse. As a result, new business opportunities from Vanderbilt's faculty and researchers provide a fertile pipeline for startup opportunities.

**MANAGEMENT:** Executing the business plan is critical to the success of any enterprise. Attracting management teams to startups is a challenge. For most startups, management must be up to the challenge of long hours, constantly changing business models, and close scrutiny from investors. Not for the faint of heart, the CEO of a startup is necessarily a jack-of-all-trades. Vanderbilt's support for entrepreneurship and the climate of support within VUTC makes recruiting CEO's and management teams much easier.

**CAPITAL:** Vanderbilt's approach to funding each venture is unique and shrewd: to validate that a company has the potential to be successful in the market, VUTC matches investments of private investors on a one-to-two or one-to-three basis, rather than exposing itself to the risk as the sole investor. This process, overseen by the Chancellor Fund, assures that risky investments are minimized. This also fosters strong relationships between Vanderbilt and the investor community. For instance, in the

funding of EBM Solutions, Vanderbilt is a co-investor along with A.M. Pappas, Research Triangle Park, North Carolina; Life Science Ventures, Munich, Germany; Furman Selz, New York; and Martin LLC, Nashville.

#### What's Ahead?

There are 100,000 articles per year espousing new approaches to care. Genomics and proteomics have the potential to revolutionize the development of drugs and diagnostics. New technologies, self-care devices, and the emergence of a new wave of intelligent information systems portend major opportunities for healthcare entrepreneurship in coming years.

Considering the fact that healthcare is one-seventh of the U.S. economy and a worldwide market, it's obvious that a bent toward entrepreneurship holds great promise for Vanderbilt.

Good business and leading-edge healthcare share a home at Vanderbilt!

**Dr. Harry Jacobson is vice-chancellor for Health Affairs at Vanderbilt University Medical Center. Paul Keckley is president and chief executive officer of EBM Solutions. Jacobson, vice-chairman of Renal Care Group, and Sam Brooks, chairman and CEO, won the 2001 Ernst & Young Entrepreneur of the Year Award for the southeast.**

## NANOTECHNOLOGY: OPPORTUNITIES AT THE BOTTOM

BY ROBERT A. WELLER

**H**ow small can you make a machine? The size of a fine Swiss watch? Or of a Pentium chip? Or perhaps the size of a molecule?

When I was a graduate student at Caltech, there was a glass case outside the office of the director of graduate studies of the department of physics. From a distance, all it seemed to contain was a large magnifying glass. However, if you looked in the case, you could see the magnifying glass was focused on a tiny object. There was a big button, and if you pushed it, the tiny object would begin to move. In fact, it was a motor. Many years before, Richard Feyn-

*There is plenty of room at the bottom, and we have hardly begun to explore and fill it.*

man, the legendary Caltech physicist, asked himself the above questions. His conclusion, unchallenged to this day, was that there is plenty of room down in the micro world for all kinds of things. The motor was the result of a public challenge. In his inimitable style, Feynman had proclaimed in a public lecture, "I'll give a thousand dollars to the first guy who can make an operating electric motor—a rotating electric motor that can be controlled from the outside and, not counting the lead-in wires, is only 1/64 inch cube."

In 1959, when Feynman offered his challenge, most machines were big. Even electronic systems filled rooms. In asking the question and offering his answer, "there's plenty of room at the bottom," he was laying the intellectual groundwork for revolutions to follow. The first was the semiconductor revolution. Transistors already existed, but the idea that you could combine more than one on the same "rock" of silicon had just occurred independently to Jack Kilby at Texas Instruments and Bob Noyce at Fairchild Semiconductor. The resulting monolithic integrated circuits were the first general purpose micro machines. Now after four decades of remarkable development, silicon integrated circuits are beginning to reach some fundamental size limits and quantum mechanics, the esoteric tool once used solely by physicists to describe the world of atoms and molecules, has been taken over by engineers.

So where do we go from here? If the manufacture of integrated circuits becomes a commodity business and Texas Instruments and Intel, the company Noyce later founded, begin to resemble Archer Daniels Midland, is it the end of innovation? Don't count on it. Remember what Feynman said? There's *plenty* of room at the bottom. His well-known flamboyance did not extend to exaggeration when he was talking about science. There is



Weller

NEIL BRAKE

plenty of room at the bottom and we have hardly begun to explore and fill it.

The first step, which is well under way, is the development of micro electromechanical systems or MEMS. The restlessly creative engineers who fabricate integrated circuits realized their processing steps could be used to build mechanical as well as electrical structures. Let's hope your air bag never goes off, but if it does, you can thank a MEMS accelerometer for realizing your problem and acting decisively on your behalf. But are these devices small? Really small?

The answer, of course, is that micro electromechanical systems are not at the bottom, they are simply a stop along the way. *The bottom* is the province of an emerging field called nanotechnology that is now the

subject of enormous interest and enthusiastic effort in the scientific and engineering worlds, as well as the subject of a presidential-level national initiative. How big is a nano-anything? Most people agree that to be “nano,” an object must be no bigger than about one ten-millionth of a meter in linear dimension. Put another way, if these nano-objects were standing shoulder-to-shoulder, about one hundred million would fit on the head of a pin. Big molecules qualify, but they are not alone.

Is such a thing possible, you ask? Well, have you looked in the mirror

lately? We have total undeniable proof that molecular-sized machines are possible. They are us or, more precisely, within us. Since Feynman realized how much room there is at the bottom, Watson’s and Crick’s discovery of the double helix of DNA and countless other less well-known discoveries have laid the groundwork for the future now upon us. C60 molecules (buckyballs) and carbon nanotubes are commercially available to researchers, and every technique in the scientific arsenal from synthetic chemistry to ion beams and even subatomic particles is being used to fabricate and

analyze nanostructures.

Where will it lead? Who knows? Who in 1948 could have imagined the impact of the invention of the transistor? Lots of people at Vanderbilt in science and engineering are working on problems in nanotechnology, and if you ask them, you will get many answers but no consensus. This much, however, is certain. There’s plenty of room down there and some of it is filled with — dare we say it — *business opportunities*.

**Robert A. Weller is an associate professor of electrical engineering at Vanderbilt University School of Engineering.**

### CASE STUDY: AMY DIX/2ND YEAR STUDENT AND ASPIRING ENTREPRENEUR



PEYTON HOGE

Dix

**Background:** A scientist, Amy represents a new category of student Owen is recruiting to help meet the growing needs of the biotechnology industry. A PhD in immunology, she previously conducted cancer research at Chandler Medical Center in Lexington, Kentucky.

**Work Experience:** In addition to going to school, Amy works as a project manager for Cumberland Pharmaceuticals, founded in 1998 by A.J. Kazimi, '84. The Tennessee-based company acquires and markets niche prescription pharmaceuticals, each with less than \$50 million in annual sales, to specific physician segments. A subsidiary, Cumberland Emerging Technologies (a joint initiative among Cumberland Pharmaceuticals, the State of Tennessee and Vanderbilt University) brings biomedical technologies and products conceived at Vanderbilt University Medical Center and other regional laboratories to the marketplace by providing infrastruc-

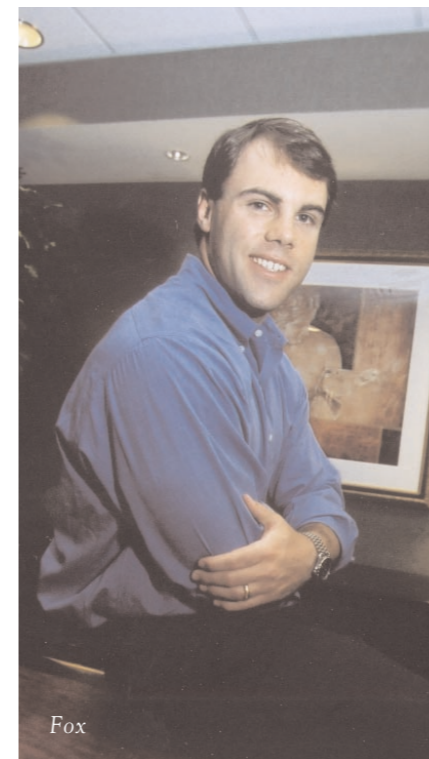
ture and facilitating federal grants.

**Highlights:** “Because the company is small, I am able to work with top management directly,” she says. “I am learning how to work in an industry that is dominated by giants, and how a small entrepreneurial group can be a competitive force in this environment.”

**Career Goal:** Business Development/Consultant. “Ideas developed at a university often linger in the lab, and I hope to help take these ideas into society.”

**Advice:** “If you have a background in science, come to Owen. The School has strong relationships with the scientific community through both small local startups and large international companies. The faculty appreciates the future of technology, discovery, and innovation, and incorporates this into the classroom.”

### CASE STUDY: BRIAN FOX, '01, NEW ENTREPRENEUR



PEYTON HOGE

Fox

**Background:** A May graduate, Brian began his company, Capital Confirmation, while at Owen. He earlier worked as a CPA for PricewaterHouseCoopers.

**The Business:** The company, an Internet site, is an intermediary between banking and accounting firms for confirmation of clients’ bank account balances. “As a staff accountant, I had to do the confirmations manually. It was 1996—the dawn of the Internet—and I predicted the process would be automated soon. But that never happened, and at Owen, I decided to pursue the idea.” Fox formulated the business plan in school and selected courses that helped him get his

business off the ground. He interned for himself between first and second years.

**Highlights:** At one year, Capital Confirmation has raised \$600,000 for seed funding and is raising another \$2.5 million for initial round financing. The company, an IBM partner, currently is beta testing a software prototype. One large bank is a customer, two others are interested, and there are potential applications for the technology in the consumer market.

**Advice:** “Start sooner than later. Even if your business plan is not perfect, move forward.”

### CASE STUDY: JOE MAXWELL, '94, ESTABLISHED ENTREPRENEUR



PEYTON HOGE

Maxwell and Bond

**Background:** Owen actively recruited Joe because of his commitment and passion to entrepreneurship. Ever the entrepreneur, Joe entered school and immediately created his own degree. He petitioned for a second entrepreneurship course: small business management, which started the ball rolling for more offerings. He previously worked in quotations and logistics for the automotive and trucking industry.

**The Business:** Joe started Investment Scorecard with classmate Mel Bond, and another classmate, Allen Brown, joined six months later. A back-office performance reporting business, the company monitors investment portfolios of financial institutions. They employ 85 people and actively recruit at Owen.

**Highlights:** Investment Scorecard was the fastest growing private company in Nashville two years ago, and the third fastest growing last year. Maxwell was a southeastern finalist in 2000 for Ernst & Young’s Entrepreneur of the Year Award. The national company boasts 420 customers under long-term contract.

**Advice:** “Seek active mentors, because you cannot do this alone. Always make your next hire better than the last. People make the business. An idea is 10 percent of the company; execution is 90 percent.”

## CASE STUDY: JANE HATLEY, '87, ENTREPRENEUR ONCE AND AGAIN



Hatley

BERT VANDERVEN

**Background:** A writer and artist, Jane worked in nonprofit—first as assistant director of Duke University Institute of the Arts and later as executive director of the Tennessee Dance Theater—and entered Owen to learn business skills to apply to that arena.

**The Business:** After graduation, Hatley redirected herself toward business and consulting. She worked part time as a consultant while raising four children with her husband, Tom. In 1998, she became general manager of NewEraCom (provider of Skyrunner wireless Internet service), later rising to CEO. She recently sold the company after growing it substantially.

**Highlights:** Hatley looks back with satisfaction because she realized her goal of building the company to the point it could handle a national expansion of wireless service.

“Another highlight was being in on the Internet boom, which was also the greatest challenge because everything moved faster than light.”

**Future Goals:** Hatley is now designing retreats for corporations and women executives, with a focus on restoring personal balance and creativity to management. She hopes to take workshops on creativity and balance into the workplace itself.

**Advice:** “Understand that running an entrepreneurial business takes your whole heart and soul. It is both wonderful and overwhelming.” She compliments Linda Philips-Madson, associate dean for administration at Owen during Hatley’s years there. “She was a great mentor and helped me envision how I could use my degree creatively.”

## How to Succeed in a High-Tech World

Plan now to attend

### Owen’s 2nd Annual Entrepreneurship Conference October 26

The Conference will examine technology-based enterprises, especially those related to biotechnology and information technology.

For more information, visit our Web site: <http://mba.vanderbilt.edu/entrconfs/conference2001/confpages/conf.htm>

## HEADLINES FROM AROUND THE NATION

### “E-Mail Shows Difference Between Bosses and ‘Grubs’

A word to the wise: the next time you forward the funny joke you found on the Internet, think again or give up any thoughts of that executive corner office. An e-mail study led by David Owens, a management professor at Vanderbilt, revealed that there was a pattern in how the Big Bosses wrote an e-mail and how the grubs did. Owens spent an entire year at a California company, studying how bosses and employees related to each other. At his disposal were some 30,000 interoffice e-mails, which he could look at on condition the firm remained anonymous. Want to see where your e-mail fits in the power structure?

**High-status:** type in lower case. short. curt. don’t bothr to corrcr- spelling & grmmr. Are informal and end e-mail with “-Scott” or “-Mary,” or maybe just initials, “-d.” They also take the longest to reply to e-mails.

**Middle-status:** Use detailed “signature files” at end of e-mails to tell about themselves. Write long e-mails with plenty of detail. Tend to use spell-check. **Lower-status:** Use lots of smiley faces and winking eyes and other emoticons. Send jokes and greeting cards. Try to ingratiate themselves. Don’t use “signature files” at end of their e-mails because they’re afraid to.

—*The Seattle Times*, April 15

### “The Fever’s Alive

The dot-com startup craze may be dead, but the entrepreneurial spirit that helped create it is alive and well in business schools. Some MBA students have been learning how to channel their entrepreneurial energy into big companies. Vanderbilt University’s Owen School of Management, for example, jumped into the entrepreneurship game with a business plan competition that reflects the growing interest in “intrapreneurship” — identifying and capitalizing on business opportunities within an established company. Rather than developing plans for new businesses, contestants try to provide the best solution to an existing company’s problem. This year, they were challenged to devise a wireless strategy for AT&T Corp., a far cry from the scores of B-to-B exchanges and dot-com ideas that cluttered most competitions last year.

—*The Wall Street Journal*, April 30

### “Music City Ranks Among Most Wired

Middle Tennesseans logging on to the Internet at home over the past year made Music City one of the top 25 most wired American cities. Internet research service Nielsen/NetRatings said that 53.2% of households in the Nashville television market had Internet access from a personal computer

at home. “Traditionally, Internet users are more affluent and have (college) degrees. Nashville’s economy includes a number of higher education institutions and a population with multiple degrees,” said Jerry Harder, a professor of information technology at Vanderbilt University.

— *The Tennessean*, April 5

### “Federal Reserve Vice-Chairman Compliments Owen School

“The technological developments that enable us to engage in electronic commerce today have created tremendous opportunities to improve the ways in which we do business,” Federal Reserve Vice-Chairman Roger Ferguson told Owen School students during a talk in March. “Even as some businesses fail, they are contributing to our store of knowledge about what will and will not work in e-commerce...I commend Vanderbilt University and its Owen Graduate School of Management for moving so forcefully to train the next generation of leaders in the e-commerce world. Not only are you serving your students, you are serving the global economy.”

— *Reuters*, February 14

# faculty NEWS

**Bruce Barry**, associate professor, gave an invited talk on ethical issues in negotiation at the Department of Psychology of the University of Amsterdam, The Netherlands. He also published a chapter, "Influence Tactics in Organizations from a Social Expectancy Perspective" in a new edited volume on *The Use and Abuse of Power* (Psychology Press, 2001).

**Joseph D. Blackburn**, James A. Speyer Professor of Production Management, presented an invited paper "Valuing Time in Make-to-Stock Manufacturing: Calculating the Limits of Time-Based Competition" at the sixth International Workshop on Distribution Logistics at the University of St. Gallen, Switzerland, in February. He presented workshops on the same topic at the University of Mannheim; Stuttgart Institute of Management and Technology; and INSEAD in Fontainebleau, France.

**Robert W. Blanning**, professor, as an invited speaker, presented his paper, "E-Business and Beyond," at the International Conference on E-Business and Web Technologies, May 10-11, in Rzeszow, Poland.

**Germain B. Böer**, professor, published an article "Managing the Cash Gap" in the *Journal of Accountancy* (October 1999) that was selected by the International Federation of Accountants as an article of particular merit for the year 2000. Böer organized a half-day conference on technology transfer at Owen on March 16 that featured

speakers from MIT, Yale, and the University of Pennsylvania.

**Anchada Charoenrook**, assistant professor, gave a talk on derivative use of firms to 600 professional and academics at the SET (Stock Exchange of Thailand) in December.

**Mark A. Cohen**, associate professor, presented a paper "Why do Firms Pollute (and Reduce) Toxic Emissions?" at a conference on Management Strategy and the Business Environment at the Wharton School. He presented a paper, "The Economics of Crime and Punishment," at a Symposium on Federal Sentencing Policy for Economic Crimes and New Technology Offenses, sponsored by the United States Sentencing Commission at George Mason University Law School.

**Bruce Cooil**, associate professor, coauthored an article on "Modeling Fuzzy Data in Qualitative Marketing Research" that was published in the *Journal of Marketing Research* (37, 2000) and has another article forthcoming in *American Heart Journal* on the topic of "Use of Electron Beam Tomography to Develop Models for Prediction of Hard Coronary Events."

**J. Dewey Daane**, professor emeritus, attended NFA board meetings in New York in February and May, an NFA finance committee meeting in Chicago in April, and the Bank Structure Conference at the Federal Reserve Bank of Chicago in May. For his spring 2001 Seminar on

Monetary and Fiscal Policy, Daane brought in a number of distinguished speakers including Roger Ferguson, vice-chairman, Board of Governors, Federal Reserve System; David Jones, chairman, Aubrey Lanston & Co.; William Hoagland, majority staff director, Senate Budget Committee; and Paul Volcker, former chairman, Federal Reserve System.

**Raymond A. Friedman**, associate professor, was the keynote speaker at the Conflict Management and Diversity Conference at Texas A&M University in April. During the summer, he visited Taiwan National University, where he conducted research on the effects of culture on negotiation.

**Luke M. Froeb**, associate professor, and Vanderbilt math faculty members Philip Crooke and Steven Tschantz, received a Dell STAR (Strategic Technology and Research) grant to update their award-winning Mathserv software, and are training economists at the Swedish Competition Authority to use their simulation software. The training exercises will go into the second edition of Crooke's book, *Mathematics and Mathematics for Economists* (Blackwell, 1997).

**Amar Gande**, assistant professor, was honored at Commencement by the graduating class of 2001 with the prestigious James A. Webb Jr. Award for excellence in teaching. He presented a paper, "Role of Incentives in the Prevention of Financial Crises in Emerging Economies," at the University of Kansas in April, and discussed research papers on diversification discount and Inter-

net valuations at the American Finance Association meetings in January and the Maryland Finance Symposium at the University of Maryland in November.

**Donna L. Hoffman**, professor, made a presentation in May at the United States Securities and Exchange Commission's Portals Roundtable: "Relationships Between Broker-Dealers and Internet Web Sites" on the topic of online advertising strategy and pricing models. She was an invited speaker at the UCLA Conference on Accelerating Change in the Information Economy, sponsored by *Fortune* and Nasdaq in February, and a speaker at the subsequent research conference; was an invited speaker at the "Focus E-Business" winter lecture series at the Daimler-Chrysler headquarters in Stuttgart, Germany; and presented a research paper on "Web-Based Business Models" at the Marketing Science Institute board of trustees meeting.

**Debra C. Jeter**, associate professor, coauthored (with faculty member Paul Chaney) the paper "Audit Pricing in Private and Public Firms," which she presented at the London School of Business on May 11, and which has been accepted for presentation at the annual American Accounting Association conference in Atlanta in August. Another paper by Jeter and Chaney, "The Information Content of Restructuring Charges: A Contextual Analysis," was presented in June at the Hawaii Business Conference.

**Larry J. LeBlanc**, professor, visited Waiden Telecom in France in June and gave seminars on

Management Science in Spreadsheets at the University of Naples. Recently accepted papers include "Virtual Private Network Design Using Heterogeneous Telecommunication Services: SMDS and Leased Lines," *Telecommunication Systems*; "Adoption of Business-to-Business Electronic Commerce: The Role of Buyer-Supplier Relationships," *IEEE Transactions on Engineering Management*; and "Business-to-Business Electronic Commerce From First- and Second-Tier Automotive Suppliers' Perspectives: A Preliminary Analysis for Hypotheses Generation," *Technovation*.

**Neta A. Moyer**, assistant professor, presented two papers at the annual meeting of the Society for Industrial and Organizational Psychologists (a division of the American Psy-

chological Association). The presentations covered the reconceptualization of the psychological contract and the measurement equivalence of paper-and-pencil versus Web-based surveys on a multinational basis.

**David C. Parsley**, associate professor, along with faculty members Bruce Barry and Gary Scudder, led the International Management Seminar class on a study tour focusing on Ireland's enormously successful economic revival. He also visited the Hong Kong Institute of Monetary Research as a research fellow and conducted studies on exchange rate stabilization and economic integration.

**Piyush Kumar**, assistant professor, coauthored a paper entitled "Self-Other Discrepan-

cies in Waiting Time Decisions," accepted for publication in *Organizational Behavior and Human Decision Processes*. Kumar is working on a project that examines interactions between corporations' financial structure and product market competition, and has presented a paper on the topic in the U.S. and abroad.

**David L. Rados**, professor, in June gave a seminar on using the case method to the business faculty at the University of Sao Paulo and taught some of the school's EMBA classes.

**Hans R. Stoll**, Walker Professor of Finance and director of the Financial Markets Research Center, has been elected to a three-year term as a public governor of the Pacific Exchange, and has several forthcoming publications in-

cluding "Market Fragmentation" in *Financial Analysts Journal*; "Exchange Rates and Firms' Liquidity: Evidence from ADRs" in *Journal of International Money and Finance*; and "Tick Size, Bid-Ask Spreads and Market Structure" in the *Journal of Financial and Quantitative Analysis*. In March, he spoke on securities market structure at a conference on Law and Business at Vanderbilt Law School, and in April, spoke on the measurement of market quality at the spring conference of the Financial Markets Research Center.

## E-MAIL ESCALATION

It's tempting to fire back at an angry e-mail message with another angry message, but you may be wiser to hold your response for 24 hours or, better yet, walk down the hall to discuss the issue in person.



Friedman

Managing conflicts via e-mail can send things spinning out of control and damage relationships in the workplace, says Ray Friedman, associate professor, coauthor of a paper on the topic.

"E-mail inherently has characteristics known to make conflicts more violent and extreme: deindividuation, where people are seen as less individual and real, and computer interaction, where norms of politeness often slip away. With e-mail, there is no facial feedback, which can lead to a greater chance of misinterpretation. E-mail enhances communication in many ways and is great for simple conversations, but it does have a greater chance of becoming problematic than other forms of communication. You can end up spending more time and money repairing a relationship than it would have taken to walk down the hallway to talk in the first place."

## HAVE IDEAS, WILL SHARE?



WOOLIE KNIGHT

Moye

Entrepreneurs need a steady stream of ideas to continually improve products and processes. But how do you motivate employees to generate creative ideas and then share them with the company?

Neta Moye's 150-page newly minted dissertation from the University of Maryland offers some clues. Studying two firms in the computer industry, and drawing from two social science theories—the Social Exchange Theory and the Psychological Contract—Moye concludes that employees who feel they have a “relational” contract with a company, as opposed to a “transactional” contract, are more likely to stoke up the idea generator.

“If employees perceive that the company is investing in them beyond the scope of their immediate jobs, such as in offering child care or elder care or additional training, they are likely to want to reciprocate,” says the assistant professor of organization studies. “Employees in such relational contracts are more likely to identify with the organization and to share its goals, and therefore feel more motivated to create and share ideas.”

## BREAKING THE GLASS-STEAGALL CEILING

The relaxing and subsequent repealing of the Glass-Steagall Act (prohibiting commercial banks from underwriting securities) actually has had a positive, pro-competitive effect on investment banking, says Amar Gande, assistant professor of finance.

He and his coauthors' research found that issuers whose debt securities are underwritten by commercial banks not only get a higher price at issuance relative to debt securities underwritten by investment banks but benefit from significantly lower underwriter spreads due to increased competition from commercial banks. Their research can be found in the *Review of Financial Studies*, 1997, and the *Journal of Financial Economics*, 1999.

“Regulations often are taken for granted and not always examined in a rigorous fashion,” Gande says. “We scrutinized commercial banks and found no evidence of a conflict of interest in underwriting securities (i.e., of certifying an issuer to be of good quality and using the proceeds from the security issuance to liquidate the bank's loans to the issuer) that previously had been presumed.”

—Beth Matter



WOOLIE KNIGHT

Gande

# LEADERSHIP OWEN

## Supporters Gather for OGSM Fête

OGSM owes much of its success to its friends. Alumni and other key figures provide critical support—time, money, ideas—that help propel Owen into the top tier of business schools. Case in point—Kim Graham Newton, '96, this year's Distinguished Young Alumnus, has helped to open some new doors for the School.



PEYTON HOGE

Professor Fred Talbott and Honoree Kim Graham Newton, '96.

Newton's lifelong dream had been to combine art and business in a career at Hallmark Cards, said Professor Fred Talbott in introducing her as this year's guest of honor at Owen's Leadership Dinner April 19. But as a first-year business student, Hallmark rejected her internship application twice. Not deterred, she conveyed in a voice mail message that she could prove she was one of the most creative MBAs in the country. The company took the challenge, flew her out, and indeed hired her as its first Owen intern. She now serves as marketing manager for the Gold Crown Hallmark Stores, previously launched and managed various card lines, and in 1999 was selected by the CEO to help facilitate a long-term corporate strategic plan for the company.

“Of all the human qualities we celebrate, courage and perseverance are two of the most important,” Talbott said, “and Kim possesses both. She was not hired initially

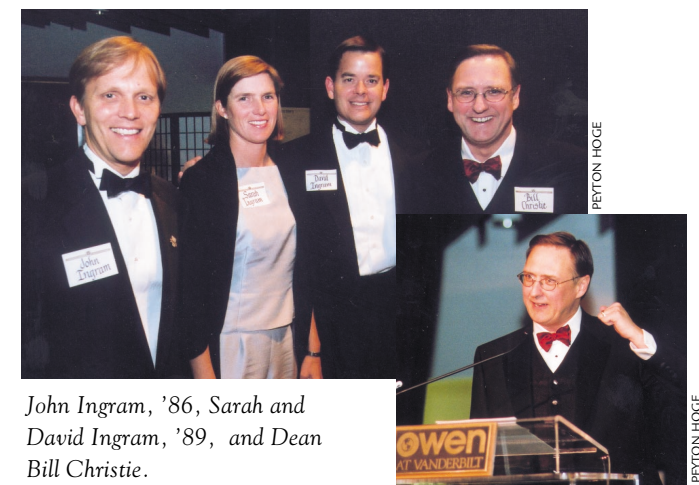
because Hallmark did not recruit at Owen at that time. But she championed the process—not only did she help with the future of Hallmark, she brought the company back to Owen. Now a regular recruiter at Owen, Hallmark has employed eight additional interns and six graduates.”

“My mother would tell me to just be gracious and say thank you for this wonderful honor,” Newton told the assembled supporters. “But my livelihood would tell me to send a Hallmark Thank You card!”



PEYTON HOGE

James Herring, '89, Anna and Craig Savage, '98, and Geoffrey Mavar, '90. Herring, Savage, and Mavar are members of the Owen Alumni Board of Directors and work at Goldman Sachs.



PEYTON HOGE

PEYTON HOGE

John Ingram, '86, Sarah and David Ingram, '89, and Dean Bill Christie.

Dean Bill Christie tells supporters good news about OGSM.

## class ACTS

'72

**David Adcox**, president of Highland Corporation in Hohenwald, Tennessee, is vice-chairman of the Petroleum Marketers Association of America for 2001.

'74

**Francis Guess**, executive vice president of Danner Foods, Inc., is serving a one-year term on the Nashville Area Chamber of Commerce Board of Governors' executive committee.

'75

**John Stein**, executive vice president of Bank of America, has been elected to a one-year term on the Nashville Area Chamber of Commerce Board of Governors' executive committee.

'80

**Bill Secrest**, of Greenwood Village, Colorado, is senior vice president of client services for Quaero and supports the company's business development and client relationships throughout the western U.S.

'81

**C. Turney Stevens, EMBA**, is co-founder and chairman of Harpeth Capital, LLC, a Nashville-based mid-market investment banking firm focused on healthcare transactions, and continues to serve as a corporate director of Printing Arts America.

'82

**David Costello, EMBA**, of Nashville, president and CEO of the National Association of State Boards of Accountancy,

has been named among the "Top 100 Most Influential People in Accounting," by *Accounting Today*.

'83

**Eric Harry, JD/MBA**, of Houston, is vice president and associate general counsel for Apache Corporation, a gas and oil independent with operations in North America, Egypt, Western Australia, Poland, and China.

**Andrew Townes Smith**, of Hackettstown, New Jersey, and his wife, Penny, welcomed their second child, Tyler Duggan, born on May 14. He joins big brother Griffen Townes.

'84

**Carlos Bowden** is CFO for DiscoveryCom Inc. in Huntsville, Alabama.

**Carol Freeman**, second vice president of LOMA in Atlanta, married Larry Lindberg on January 6.

**Bill Teague**, of Vienna, Virginia, vice president of The Nasdaq Stock Market Inc. in Washington, D.C., is in charge of Web-based products and services offered to executives of companies listed on the Nasdaq stock market.

'85

**Rob Misesy, JD/MBA**, is an attorney in the Milwaukee office of Reinhart, Boerner, Van Deuren, Norris, and Rieselbach, s.c. in the corporate, international, and tax departments. He regrets missing his 15-year reunion last fall and hopes that any classmates visiting the frozen North will call him.

**Carolyn Pugh** is category insights manager with Kraft Foods in Madison, Wisconsin.

'86

**John Rovani**, of Arlington, Virginia, is president and CEO of POS.Com, the first and only provider of real-time, browser-based business application services (including point-of-sale solutions) to the restaurant industry.

'87

**Peter J. Carnes**, of Silver Spring, Maryland, is vice president of global operations for ioWave, Inc., a designer, developer, and marketer of broadband wireless products for Wireless Local Loop.

'88

**Christopher Snyder** is vice president of Provident business credit and is overseeing the new Provident Bank in Dallas/Fort Worth.

'89

**Todd Green** is director of marketing for GovXcel and **Catherine Gibson Todd** is director of sales for AT&T in Europe, Mid-

dle East, and Africa. They live in High Bridge, New Jersey.

**Edgar Halphen**, of Youngsville, Louisiana, is senior human resources supervisor for Enesco, International.

**James Herring** and his wife, Carol, announce the birth of their first child, James H. Herring III, in April. James is regional manager/wealth management for Goldman Sachs in Salt Lake City.

**Peter Jueptner**, of Alexandria, Virginia, is chief commercial officer for WorldWide Retail Exchange, a Web-based B2B retail e-marketplace that facilitates and simplifies trading between retailers and more than 100,000 suppliers, partners, and distributors.

**Steve Taylor** is manager in the human resources dynamics practice at Deloitte Consulting. He and his wife, Maria, and their two children, Harrison, 7, and Brittany 4, live in Atlanta.

**Breck Wheeler**, of Nashville, joined Legg Mason Capital Markets as managing director and senior analyst in the equity research department's sports, media, and entertainment group.

**Jim Welch** is a principal at Pitiglio Rabin Todd & McGrath, a management consulting firm to high tech companies. He and his wife and four children live near Boston.

'90

**Betty Price, EMBA**, is an associate vice-chancellor for administration at Vanderbilt University.

**Allison Kay Jarvis** and husband, David, of Tyler, Texas, had twins born on April 5, 2000—Ransom (boy) and Isabelle (girl).

'91

**Vance W. LaVelle, EMBA**, of New York City, is chief marketing officer of PNC's Regional Community Bank.

**Nim Chinniah** is an associate vice-chancellor for administration at Vanderbilt University.

**Russell Fleischer** is vice president and CFO for Adams Golf in Plano, Texas.

'92

**Ron Ford, EMBA**, of Atlanta, is COO of ForestExpress. He is the 2001-02 president of the Owen Alumni Association Board of Directors.

**Jennie Floyd, EMBA**, has retired after a 21-year career in telecommunications because of an ongoing battle with chronic fatigue immune dysfunction syndrome. She resides near San Francisco with her husband, Keith, and pug, Pasha, and does freelance writing and sings as her health permits.

**Bryan Pennington**, of Dearborn, Michigan, is manager of training and communications for Visteon Corporation.

**Donald Townswick**, of Wethersfield, Connecticut, and his wife, **Sarah, '93**, had their first child, Charlotte Margaret Elise, on December 8. Don is senior equity portfolio manager for Aeltus, and Sarah is a designer for the Project Planning Group.

**Brian Ward** is senior vice president/investments, senior investment management consultant, and retirement planning advisor for Prudential Securities Inc. in Brentwood, Tennessee.

'93

**Judy Spinella, EMBA**, is vice president/operations for the

## THE E-BUSINESSWOMAN

**M**artha Skinner, '01, is today's E-Businesswoman, according to the *Industry Standard* (Special Report: The New MBA, April 16). The publication featured Skinner in an article pointing out that although students are less interested in joining small startups, they are gravitating to e-commerce in old economy businesses. Last summer, Skinner helped take Pitney Bowes' escrow system online and now is with Citibank as an associate in the eCiti division.



Skinner

Methodist Hospital in Houston.

**Dan McCormick**, wife **Carrie, '92**, and son Riley, 2, live in Chicago where Dan is a director in institutional equities at Credit Suisse First Boston.

**Ric Mayfield** and **Lori Dunn Mayfield, '94**, announce the birth of their daughter, Emma Elizabeth, on September 7, 2000. Ric is portfolio manager for SunTrust Bank in Atlanta, and Lori is senior consultant for the North Highland Company.

**Leslie Turner Schuster**, of Delaware, Ohio, and her husband, **Jim**, announce the birth of their first child, Lucille Elizabeth, on June 15, 2000.

**Rene Ward** is vice president/investments and retirement planning consultant for Prudential Securities Inc. in Brentwood, Tennessee.

'94

**Edgar** and **Cara Heilmann**, of Laguna Hills, California, announce the birth of their son

Eric on February 27. Cara is regional manager of human resources for PageNet, and Edgar is with Inforte.

**Tibor Hejj**, formerly with The Boston Consulting Group's Budapest Office, is now with A.T. Kearney's Hungarian subsidiary.

**Craig Senick**, of Flower Mound, Texas, and his wife Marlo, announce the birth of their son, Colin Matthew, on November 25, 2000. He is a sales director for Nortel in Richardson.

**Bill Wolfenden**, of San Francisco, is portfolio manager for RS Investment Management's RS MicroCap Growth Fund.

'95

**Jerry Kennon, EMBA**, and wife Julie, had their third child, Cole Everett, on September 3, 2000. Jerry is an attorney in Nashville.

**Trey Sikes** and wife, Kellie, of Columbia, Tennessee, are expecting their first child. He is business leader for snow products for

## ALUMNI NETWORK EXPANDS

New developments are going to enable alumni to better connect with one another and with OGSM.

**First Thursday Dinners.** Alumni dinners are coming soon to a city near you. Already a successful tradition in Atlanta, the dinners also are popular in Austin, Chicago, Nashville, New York, and Seattle. Plans are underway to organize in Memphis, Washington, D.C., Boston, and in other national and international locations. The purpose is to improve the Owen community and provide networking opportunities. Events may incorporate a range of activities from baseball games to evenings with prospective and admitted students. Alumni visiting in a city hosting an event are welcome to attend. *In order to be included, OGSM must have your e-mail address. Send your e-mail address to alum@owen.vanderbilt.edu.*

**Record Breaking Class Gift.** The 2001 class gift of \$440,000, pledged over five years, broke the previous class gift record of \$330,000 set by the class of 1998. The money is earmarked for alumni connectivity, so look for a bigger and better alumni network in the near future.

Murray Outdoor Products.

**LeeAnn Huey Stone** is principal and eSolutions Service Area leader with The North Highland Company, a management and consulting firm in Atlanta.

## '96

**Kevin Crumbo, EMBA**, of Nashville, is chief development officer for Phylve, a provider of technology-based solutions enabling the healthcare industry to securely deliver information.

**Brian Booker, JD/MBA**, of Chicago, is manager for legal, compliance, and business risk for London-based Henderson Global Investors (North America) Inc.

**Geoffrey Reynolds**, of San Diego, is director of e-business development for Peregrine Systems.

**Hal Sandstedt** and his wife, Hatsuyo, announce the birth of their first child, Amy Fukui, on April 24. They live in Tokyo, where Hal works with UNISYS Corporation.

**Roland Seidel**, of Muenchen, Germany, is on leave of absence from Arthur D. Little and touring around the world with his girlfriend, Tina Kemnitz. You can check their whereabouts at [www.geocities.com/tinarolanndde/home.html](http://www.geocities.com/tinarolanndde/home.html).

## '97

**Eric Butler**, of Plano, Texas, is field finance manager for Blockbuster Entertainment's Midwest area, covering approximately 1100 stores and \$900 million revenue.

**Michelle Chow Agee** and husband Mark announce the birth of their daughter, Claire Chow Agee, on August 10, 2000. Michelle works in pri-

ivate client services for Goldman Sachs in Dallas.

**Lara Darden** married Wim Schalken in December 1999, and they currently are living in Eindhoven, The Netherlands. She telecommutes part time to EDS E.solutions in Dallas.

**Taylor Frederickson** is manager of the Dallas office of GNB Industrial Power.

**Tom Fry** and wife, Mary Leigh, celebrated the birth of their first child, Matthew Thomas, on February 28. Tom is finance manager for Compaq Computer in Charlotte, North Carolina.

**Kristy Lutz** and Curt Ulmer married on September 23, 2000. After honeymooning on the French Riviera, they settled in Atlanta. She is marketing manager for B2E Solutions in Austell, Georgia, and would love to hear from fellow alumni at [kristyulmer@yahoo.com](mailto:kristyulmer@yahoo.com).

**Thomas Pagnani, JD/MBA** is an investment officer with CapitalSource Finance LLC in Washington, D.C.

## '98

**Don Coleman, EMBA**, and wife, Patti, of Lake Orion, Michigan, announce the birth of their daughter, Sara Elizabeth, on November 14. He is senior vice president and division manager of National City Bank.

## '99

**David L. Maynard, EMBA**, and his wife, Stephanie, announce the birth of a daughter, Allison Brooke, born on May 11. He is a financial consultant with Merrill Lynch in Winston-Salem.

**M. Gregory O'Hara, IEMBA**, of Toronto, is president and

CEO of Fastvibe Corporation.

**Kimberly Windrow, EMBA**, of New York City, is vice president of human resources for MONY Life Insurance Company.

**Charles Grummon** is a financial advisor at Merrill Lynch in Nashville, and his wife, **Sharling Chen Grummon, '00**, is a program specialist for Dell Computer Corporation's Workforce Development Program.

**Yoshi Kittaka** and his wife, Louise George Kittaka, announce the birth of their third child, Marin Shanley, on January 10. He is the Asia-Pacific commercial director at Delphi Harrison Japan Ltd. in Tokyo.

**Carter McNabb**, an analyst with River Cities Capital Funds in Cincinnati, has been named to the board of directors of Fullscope, Inc., in Ann Arbor, Michigan.

**Joseph Ngo**, of Richmond, married Lily Phan last November and is shift production coordinator at Philip Morris USA.

**Kyoko Taguchi** and her husband, Michio, announce the birth of their son, Takumi Christopher, on April 22. They live in Durham, North Carolina, where she is executive assistant for Nortel Networks.

## '00

**Brian Hamilton, EMBA**, and his wife, Carmen, announce the adoption of their daughter, Natalie Nicole Elizabeth (born September 20, 2000), welcomed into the family in November. He is controller for St. Jude Children's Research Hospital in Memphis.

**V. Seenu Reddy, EMBA**, is chief surgical resident at Vanderbilt University Medical

Center. He married Meera Balal in March.

**Kevin LeSage** and his wife Katherine had their second child, Courtney Drake, on April 2. Kevin is an associate with First Union Securities in Charlotte, North Carolina.

**Melanie Urick**, of New York City, is head of asset allocation and diversification services, private client services, for Credit Suisse First Boston.

## '01

**J. Mitchell Collins, EMBA**, of Memphis, SVP and CFO of Resort Quest International, says that at age 33, he is arguably the youngest CFO on the New York Stock Exchange.

## Deaths

**Peter P. Mikuliak, '73**, died September 5, 2000 after a long battle with cancer. After serving in the Peace Corps in a small Brazilian village (1969 to 1971), he came to Owen to study economics and management to assist small business development in poor regions of the world. He later studied at St. Vladimir's Orthodox Theological Seminary and worked at Church World Service, raising money to fund relief and development projects. He also coordinated post-war, re-development projects for ethnic groups in the Balkans. In 1998, he married Dr. Pamela Olsen and moved to Idaho, where he worked for [netivation.com](http://netivation.com), now [medinex.com](http://medinex.com).

## BANKER CONSIDERS OWEN GREAT INVESTMENT

Arturo Girona, IE '99, answers his own telephone calls. It's a startling and refreshing twist in a world of secretaries, pagers, and endless voice mail menu "choices." It's more surprising yet for a man who heads the Syndicated Finance Business for Latin America in Barclays Capital's regional office in Miami—the largest foreign bank agency in Florida. "I certainly have a secretary and people who could answer the phone for me, but we're customer-focused and it's important that I'm accessible," Girona says. His clients are the likes of supranational organizations, corporations, banks, insurance companies, and governments. In international investment banking, his typical loans are \$100 million with \$500-600 million not unusual.

Girona starts each day with an informal meeting of his tightly knit team. "We have an open platform, and it's necessary to know what each other is doing," he says. The team looks for cash flow in a volatile Latin America. Loans are for corporate purposes, trade, or are project related. "It's 20 percent science and 80 percent intuition," Girona explains. In

syndicated loans, several banks work together. Arriving at a "market-clearing price" is a balancing act of matching clients with investors. "It's not a liquid market. You can't see the trading prices—or the level of appetite for risk." Girona bridges the leap of faith between science and intuition with his two decades of experience in banking. Born in Cuba, his parents migrated to Mexico City after the Revolution. He was educated in Mexico, until the family ultimately sold their advertising agency and moved to the States.

Girona started in banking as a teller, earning money while going to college. Never intending to stay in either North America or banking, 20 years later, after working his way through the ranks, he is married with a daughter, 18, a boy 2, and eight people who report to him at Barclays Capital.

"North Americans need to become more knowledgeable about Latin America. It's in our own self-interest. Large trade blocks are joining forces south of the border. Countries like Brazil, with one of the top 10 economies of the world, and Mexico,



Girona

RAIG AMBROSIO

our largest trading partner, are tremendous powerhouses," he points out. "Each Latin American country is unique, with different levels of economic development and political situations."

Even with his extensive background in foreign finance, Girona rates his IEMBA degree (International Executive MBA) at Vanderbilt as "one of the best investments I've ever made." "The faculty is up on current events and well organized in terms of practical knowledge. The interaction with other students of senior talent is also enlightening."

Girona had been looking for the right opportunity to get his MBA when he saw an ad for Vanderbilt University. "I was looking for a major university. It had to be major," he cautions. And though the curriculum was all Girona lived and breathed during the intensive 18 months that he attended the program, he would now like his daughter to go there.

High ratings from a banker's banker.

—by Carol Wissmann

## ONLINE ALUMNI DIRECTORY

Current home and business addresses, phone numbers, e-mail addresses, and other information for thousands of alumni are available to you online as an Owen alumnus. You can search by name, class year, academic concentration, geographic location, or employer. Contact the School to register your name and receive your password. Simply call 615/322-3653 or e-mail us at [alum@owen.vanderbilt.edu](mailto:alum@owen.vanderbilt.edu), and we'll get you online.

Get Back in Touch **TODAY!**

## Conflict and Chaos; Courage, Confidence, and Change

Van Tucker-Simmons, E '96, knows art. Music, painting and sculpture, architecture, theatre and screen—she embraces art in its broadest sense. As senior vice president and director of the Entertainment Group for Bank of America, her office sits appropriately in the branch on Nashville's Music Row.

Tucker-Simmons also knows (and loves) Nashville. And she knows the city offers a lot more than the country & western for which it's known.

Consider pop, rock, urban, hip-hop, Americana, and a huge Christian music industry. "There's no better place for live music," she proudly says.

For the past 20 years, the banking industry has benefited from her creative mentality—a marriage of money and music. She instituted such products and services as mobile ATMs on trucks and a group banking division, when the only other bank to do so in the U.S. was Chase Manhattan.

A native Tennessean, she began her banking career as a teller in Franklin. Not wanting to attend college, she fell into banking inadvertently when her next-door neighbor, the president of a small-town bank, helped her get her first job. She moved through the ranks, from secretary to financial analyst—

profiting professionally while benefiting the bank.

But seven years ago, Tucker-Simmons's creativity ceased. "I became bored," she says. The industry had deregulated, and banks were merging into ever-bigger conglomerates. Seeking the input of her boss, he suggested she get her MBA at

Vanderbilt. Without an undergraduate degree, Tucker-Simmons had to hit the books hard to pass the GMAT and be admitted.

It was worth it. The Executive MBA program broadened her outlook. "It was one of the most wonderful experiences of my life," she says. "I acquired a framework for critical thought that gave me creative choices. I started asking questions of myself I didn't even know to ask." The process led to conflict and chaos.

And while she admits to not wanting to live her whole life in a state of upheaval, still she emerged with the confidence to make a change.

With the conviction that she knows Art, Nashville, Banking and Business, Tucker-Simmons has decided to "sing her own song" and make money doing it. She is quitting banking to start her own arts manager company.



Tucker-Simmons

Artist managers establish close-knit relationships with their clients, who may be actors, painters, singers, pop groups, directors, or producers. Much time is spent coordinating record labels, producers, publicists, accountants, attorneys, and the media. They develop and implement strategic business decisions, freeing up the artists to concentrate on the creative aspect of their careers. Great managers concentrate on the long-term careers of their clients.

Few survive. Managers such as Tucker-Simmons, with both an appreciation of art and a grounding in business, are unique. "My love of art allows me to move—and be moved in many directions, without confines," says Tucker-Simmons. So has her education at Vanderbilt.

—Carol Wissmann

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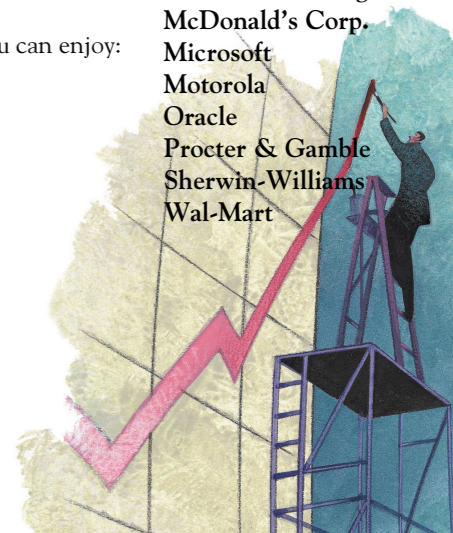
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