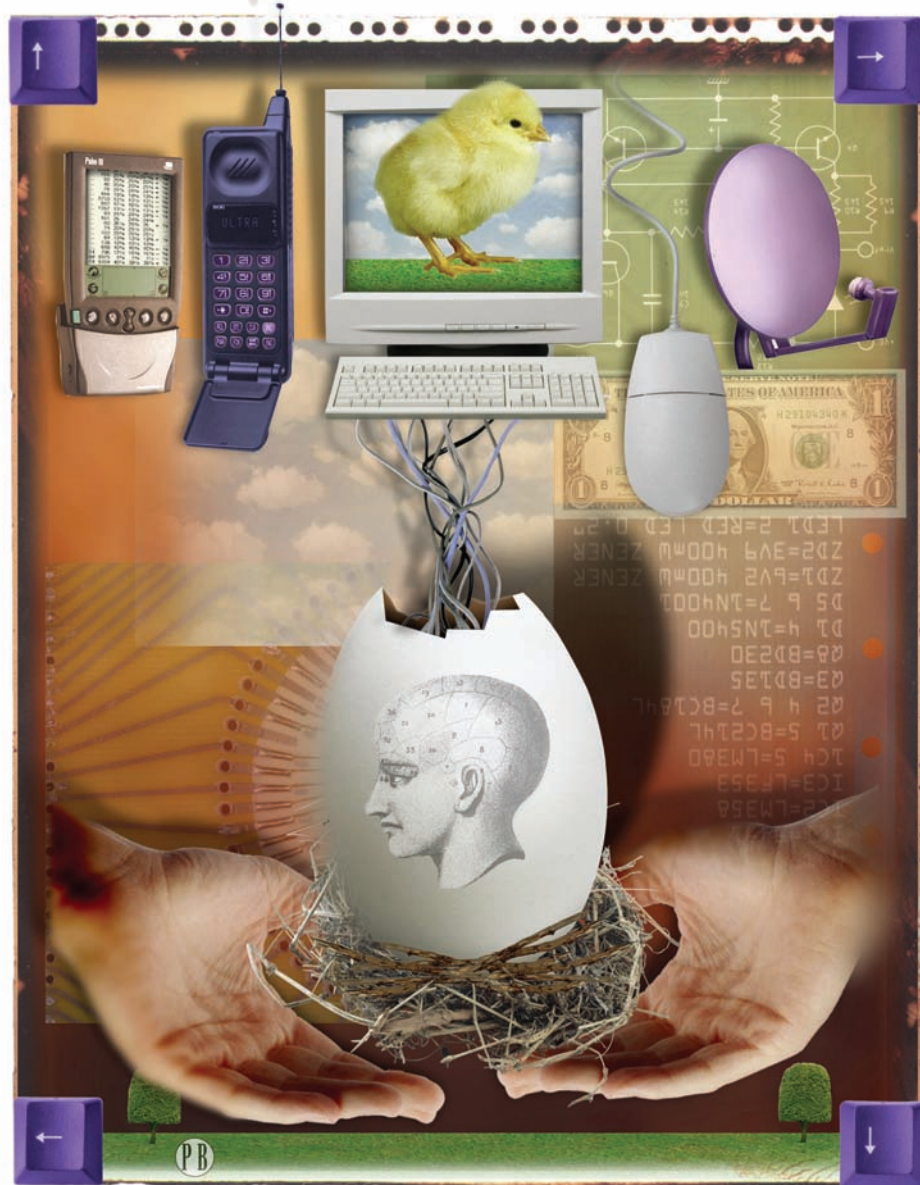


Capital Ventures

Five Takes on the Rewards and Pitfalls of Entrepreneurship

In February Owen students hosted the Southern Wildcard Match of the premier private equity MBA tournament, the Venture Capital Investment Competition, in which teams of MBA students hear pitches from actual early-stage firms and then make evaluations which are judged by a panel of seasoned venture capitalists. *Vanderbilt Business* caught up with five alumni who supported the competition either by judging or underwriting the event, and asked them for their insights.



Photography By DANIEL DUBOIS



Eric Bergesen, MBA '00

Member, vice president, 2nd Generation Capital, LLC Network, network. That's Bergesen's advice for fledgling entrepreneurs. "The entrepreneurs I have worked with who have been the most successful have been ones who have networked before they have even gotten to the point where they've made a pitch." That networking scope should encompass competitors in the industry, as well as investors. One common pitfall Bergesen sees in his work is the difficulty to secure early investment dollars. "In order to get a business started and get that first million dollars in the early stages, you are generally beholden to finding a rich relative or former colleague. So getting that first million dollar investment is going to be the hardest thing you will probably do as a business owner." Another mistake entrepreneurs make is being overly optimistic or too conservative with sales projections. And finally, a great management team is essential, as is putting together a good sales and marketing team. "I think most investors will tell you that they will take a great management team with a good idea rather than a great idea but with a good management team."



Victor E. Gatto III, MBA '02

Partner, Massey Burch Capital Corp.

An entrepreneur who came to Owen after riding the dot-com wave and selling the successful software firm he helped found in 1993, Burch is one of four partners at an early-stage investment firm specializing in health care and technology companies. Burch and his associates do everything from making investments to serving on boards of directors. The intangibles he looks for during the due diligence process are something he calls the three M's—management, [business] model and market. Gatto likens the pivotal relationship between an investment firm and company management to a marriage. "You're going to be basically living with this person through your full-time job." It's also critical for companies to not lose sight of the values that helped distinguish them among competitors in their industry. "There are many common growing pains companies go through as they evolve from 10 employees and a few customers to 50 employees and maybe 200 customers to 200 employees and nearly 1,000 customers. We try to help them grow through this process and keep the kind of culture and spirit that helped them win in the early days."



Les Coble, MBA '83

President, Nashville Cash & Carry

A successful investor and business owner whose wholesale food and party supplies store in downtown Nashville specializes in everything from tailgate fare to filet mignon, Coble says "entrepreneurialism is alive and well and healthier than ever. Fewer people want to take the corporate track and people are more likely to work for five or six companies in their lifetime. From an investor's standpoint, there is certainly more money chasing more deals. And where there's money, people will come up with innovative ideas," says Coble, who spent 15 years in investment banking with Equitable Securities and JC Bradford. One mistake entrepreneurs make is to sell themselves short and not ask investors for enough funding. "Their projections are either too rosy and their business plan is too aggressive, or, consequently, they are not asking for enough money and they assume they'll hit this target and a certain amount of money is needed to hit it, but they don't make their goal." He also advises those with a business pitch to think big. "I think in some cases people don't have an idea that can be big enough. The ideas that sell are those that have a ten-time return, instead of a two- or three-time return."

Don Moody, MS '90

Partner, Waller Lansden Dortch & Davis
Moody advises companies seeking venture capital funds to first get their corporate house in order. "They should make sure they know exactly who owns how much of the company in stock and options and who owns the intellectual property. Too often entrepreneurs grant options and don't focus on keeping good records of who owns what and that is absolutely critical when you are looking for venture capital financing."
Moody enjoys the work he does as it combines the business aspects he learned at Owen with the legal courses he took while pursuing his JD at the University of Alabama. "I work with both venture capital firms and companies that are seeking venture capital, so I see both sides of the fence, and that involves everything from determining whether the company will operate as a corporation or LLC, to crafting and creating the VC documents." Moody's firm has worked with Owen faculty members Bruce Lynskey and Germain Boer for several years. "We're happy to help support the next generation of business people. For me as a lawyer there is nothing more satisfying than helping to form a small company and then watch that company grow through early financing, through venture capital financing, and then wind up as a publicly listed company."



Christopher Rand, MBA '04

**Senior Associate, Enterprise Development,
Vanderbilt Office of Technology Transfer and
Enterprise Development**

Rand likens the work done by Vanderbilt's Office of Technology Transfer and Enterprise Development, which involves linking investors, management teams, and innovative ideas developed by Vanderbilt inventors, to matchmaking of sorts. He is inspired to find that diamond in the rough among the start-ups that come his way. This unique office licenses technology developed by Vanderbilt inventors and innovators and assists in the start-up of companies which commercialize Vanderbilt technology. Rand describes the entrepreneurial spirit at the university level as a grassroots kind of energy. "At the university level it's just sort of catching up with where sort of the entrepreneurial business community has been for some time. Vanderbilt is pretty entrepreneurial in the way that it approaches commercializing technologies. We focus a good amount of our time on start-ups, but we also have the ability to invest capital out of the university endowment into start-up companies. From that perspective, we are a bit like a venture capital firm. Although we don't lead a deal, we do try to help the company raise capital and find a lead investor."





ASIA RISING

Schmoozing in Shanghai, Hobnobbing in
Hong Kong & Trend-spotting in Taipei

Photos and Text By JIM BRADFORD

One of Jim Bradford's objectives as dean is to travel the world and reconnect with Owen alumni. This story is taken from the blog he wrote during his trip to Asia in 2006. He will be visiting Asia again November 4-13 and will be traveling to many cities in the U.S. in the coming months. Check the alumni calendar at <http://community.owen.vanderbilt.edu/calendar/> for a listing of his scheduled travels to a city near you.

Tokyo

November 8

This is my 46th flight to Tokyo, but I approach it with a new sense of energy and wonder. The purpose of this Asia tour is to meet with our alumni, companies, other universities and friends to strengthen the bond uniting our university and graduate school to a dynamic and important group of people and institutions. Accompanying me are Jennifer Howe, Vanderbilt associate vice chancellor for international advancement and university initiatives; Tricia Carswell, Owen associate dean of development and alumni relations, and her husband, Ben; and my wife, Susan.

Tokyo is a thriving city and has changed a good deal in the seven years since I was last there. Notably, as we land in Narita we can see Mt. Fuji.

November 9

We start our trip with a visit to the vice chairman of Nissan, one of three meetings with Nissan while in Tokyo. We are exploring ways that Nissan, Vanderbilt and Owen can work together. Interestingly, the meeting is the same week that Dominique Thormann, senior vice president, administration and finance for Nissan North America, is speaking at Owen—and the same week that our marketing faculty and students are working with the Nissan global advertising group for a presentation during their worldwide media summit in Nashville. The day moves on with calls at Mizuho Bank and a warm greeting from Kazuaki Osumi, MBA '05, and Takeo Sakai, MBA '04, and a meeting with Satoru

Ochiai, deputy general manager, human resources for Mizuho Financial Group.

Heiki Miki, MBA '96, a vice president of JFE Steel in America, has worked to fill the trip with excellent discussions. JFE Steel is a highlight and our Mitsuo Kudo, MBA '03, plays an important role in carrying on the tradition of excellent work inside this important world supplier of steel and related products.

The day ends with a reception for Vanderbilt alumni and friends at the International House in Roppongi, Minato-ku, Tokyo. It's a packed house, and I hear of the many opportunities and successes from graduates of the College of Arts and Science, the Law School and Owen, with a predominantly Owen flavor.

November 10

Friday begins with a visit to Bridgestone headquarters followed by a meeting with the chairman of the Foreign Language Service, Nissan, and then dinner with my former colleagues from Asahi Glass.

My impressions as I depart for Shanghai on Saturday morning:

The Japanese economy is doing well and the strong work-centered culture remains firmly entrenched.

We have many great alumni and friends in Japan, and if we are to continue

to recruit great students from Japan we must have a visible presence in this important market.

Nissan and Bridgestone are highly respected global companies and, as both have their Americas headquarters in Nashville, our opportunities are great. We will have to work to continue to foster their involvement with Owen, but the geographical proximity creates natural opportunities for Owen.

Vanderbilt's name is not as well known as that of Columbia, UCLA, Harvard and other business schools. We have some brand building to continue to do.

Shanghai, People's Republic of China

November 11

We are welcomed the first evening by 50 Vanderbilt alumni and friends at the French Concession offices of Vinson & Elkins. Serving as our greeting committee and official hosts are Shih-Ping (Nancy) Wang, MBA '05; I-Chun (Eunice) Chou, MBA '04; Paul Deemer, Vanderbilt BA '69/JD '75, a partner in Vinson & Elkins; and Xiaohu (Steve) Li, Vanderbilt PhD '91.

More than 17 million residents call the city home, yet it is difficult to find a

native Shanghai resident. Even people who have lived in the city for an extended period often view themselves as visitors, explains the dean of the Fudan Graduate School of Management as we explore potential university relationships.

November 13

Monday brings meetings with the leadership of Fudan University and Graduate School of Management, the United States Consulate and finally a fun evening in old town enjoying the great tastes of Shanghai dumplings.

Shanghai is an impressive and awesome city, difficult to capture mentally or by camera. It is a crush of people and traffic and yet in its own way highly organized and efficient. The architecture is an eclectic mix with each new building seemingly designed to outdo its neighbor. The to-be tallest building in the world is being constructed and will begin occupancy in 2007.

We spend the morning with Paul Winnowski, MBA '99, president and CEO of United Technologies, Fire and Security-Asia. Paul's picture graces the cover of the most recent industry magazine. A dynamic leader, Paul explains the many opportunities awaiting the adventurous who will accept the challenge of working in a city in constant change.

This is my second visit this year to Shanghai. As in Tokyo, we have a great group of alumni who are determined to make Vanderbilt a well-recognized name.

Hong Kong

November 15-16

More than 7.8 million people occupy this beautiful center of trade. This city is full of high-end malls and shopping areas, high-rise buildings and walkways

The back streets retain the buzz of local life with billboards and signs everywhere for the latest in cell phones, electronics, jewelry and dress.



to shield the pedestrian from inclement weather. The populated hilly mountainsides with single residences, condos and commercial space speak of wealth and success. It is a comfortable well-thought-out city design which handles the amazing amount of traffic with relative ease. The classy bay area is surrounded by high-rise office buildings, condos, restaurants and shops. The back streets retain the buzz of local life with billboards and signs everywhere for the latest in cell phones, electronics, jewelry and dress.

We are hosted by the Wans, parents of Ian Wan, a first-year MBA student at Owen. From racetrack to reception, they exude the hospitality and welcome we feel everywhere.

The firms we visit sound like an investment banking closing list in a major transaction: JP Morgan, Goldman Sachs, Citigroup, Skadden Arps, Shearman & Sterling...and many more. Todd Miller, Vanderbilt BA '88, managing director of Sony Entertainment for Asia ex Japan, talks of the vast markets served, distribution systems and channel and content creation and management.

Hong Kong lacks the feel of the wild, wild west that is the trademark of Shanghai. It is comfortable and while I

would miss some of the explosive growth of the mainland, it is clearly a great place to work.

A reception at the exclusive Hong Kong Club draws Vanderbilt alumni from Owen, Law, Peabody, Engineering, Arts and Science and Medicine as well as friends of the university like the Tynes. Michael Chandler, MBA '00, of Goldman; Fang Fang, MBA '93, of JP Morgan/Chase; Clark Lu, MBA '99, of HSBC; and Huimin Wu, MBA '97, of Prime Capital Management have all obtained great success and world perspective working in this interesting city. They each express a willingness to help those who are prepared to learn the language, work hard and apply their skills and knowledge in the vast Far East. They issue warnings that an MBA is the minimal credential to enter and competition has driven down the expat packages that once existed. For the right Owen grad, this is an excellent place to work and live.

Taipei, Taiwan

November 17

It feels like summer as we step off the airplane. This lush island of almost 23 million people is proud of its heritage

SMALL WORLD DEPARTMENT

To the person who lost his/her keys in a Shanghai cab last December 7: Steven Yu has them.

Yu, Vanderbilt MS '02, is a strategic sourcing manager with MacGREGOR Group in Shanghai. He was taking a taxi home last December when, as he prepared to climb out, he found a set of keys on the seat. "I couldn't believe my eyes to notice that the key ring token was marked as '范德堡' in Chinese," Yu writes.

The symbols represent the Vanderbilt name in Chinese characters, pronounced "Fan-de-baow." Shih-Ping (Nancy) Wang, MBA '05, now assistant vice president for Goodhouse Design in Shanghai, spearheaded a drive to develop a Chinese name for Vanderbilt while she was a student here, commissioning key chains for Owen students to take on a trip to China to give as gifts to alumni and corporate visitors.

"I suppose the keys were left by the previous passenger who took the same taxi, and he or she must have some connections to Vanderbilt—either alumni or relatives/ friends to our alumni. The cab driver informed me that the previous passenger got on the taxi from Yongjia Rd," says Yu, a volunteer for the Vanderbilt Shanghai Club, adding, "Now you can see how important it is to be connected to your local Vanderbilt community."

So far, the owner has not been located. If you know whom the keys belong to, please contact Yu at way2success@sina.com.



and status as the global leader in semiconductors and a significant investor in mainland China.

The purpose of our visit is to meet our alumni and talk with two noted graduate business schools, National Taiwan University and National Cheng-chi University. A substantial portion of a day is spent discussing possible exchange programs, school structure, the Asian manu-

facturing and technology boom, and comparing programs and development in Asian markets. A portion of the manufacturing sector is moving to mainland China, and Taiwan is focused on serving the high-end technology, banking and service markets.

Chiew Chang, MBA '92, a specialist with the department of foreign exchange for the Central Bank of China-Taipei,

is our host along with his wife Hilan Chen. Chiew has worked to bring not only Owen alumni but many Vanderbilt alumni to the reception, including Kien-Tsu (James) Lin, MBA '73, and distinguished guest Ray Dwan, chairman of the CDIC—the equivalent of the FDIC. Recent Owen graduates attending include Tao-Sheng (Dawson) Ni, MBA '05, James Chuang, MSF '06, and Jeffrey Kung, MBA '06.

While there is little time for sightseeing, I cannot resist a visit to Taipei 101, the tallest building in the world (for now) and capturing a view of Taipei at night.

Our many alumni encourage us to return and offer suggestions on how we might help connect the Asian alumni back to Owen. I enjoyed the reception immensely, especially seeing the children of our alumni enjoying the dessert table and playing games in the hallway.

Seoul, South Korea

November 20 and 21

Is this the most technologically advanced/wired society in the world? So it seems. The technology is everywhere, from DBM phones that display multiple channels of TV and movies to large stacked LCD displays atop many of the endless downtown buildings. Elevators are equipped with scanners that permit or deny entry by floor based on guest registration. Electronic voices provide personalized messages in the appropriate language as you enter your room, or welcome you into the building for a meeting. Cameras and other electronic sensors record pedestrian and car traffic. Your hotel room is equipped with LAN and wireless ultra-high-speed Internet as well as a mobile phone that has you pre-registered on a network and charges calls to your hotel account.

This nation—the size of Indiana with a population of 48 million—has an economy that is consumed with

electronics. Seung (Jerry) Jang, MBA '04, with Samsung and Myeong Cho, a popular visiting professor here at Owen who will be back with us this January, guide us through our appointments with Samsung as well as with global oil, chemical, and electronic conglomerates SK Corporation, LG, and GSK. All are exploring entry into the Chinese (PRC) market. I am most impressed with SK, Samsung and LG, three of the big four players in the electronics market.

Vanderbilt has a long and noted history in Korea, as many of its past political leaders received their education at Vanderbilt. Peabody and the Divinity School have particularly deep roots. Our reception is attended by more than 35 alumni, all very proud of their Vanderbilt education and desirous of helping Vanderbilt strengthen its position in the Korean market. Our host, In-Won Lee, president of the Vanderbilt Alumni Association of Korea (and of Capro Corporation, a producer of the raw material required for nylon) is called away from the reception by a labor disruption. I meet extremely successful alumni like Jongsoo Kim, MBA '94, CEO of Wizwid; and his Vanderbilt-educated legal counsel, Jiyul Yoom JD '95. Byong-Kyun Kim, Vanderbilt MA '82, executive advisor and former CEO of Daihan Investment & Securities, directs the activities for the evening.

Despite the proximity of North Korea and its recent nuclear activities, our alumni disclaim concern over international political problems, believing the nuclear issue will be resolved. Instead the talk is of the high real estate prices and dissatisfaction with the current president. While the schedule is hectic, we have a few minutes to see some of the sights of Seoul. I am most impressed with the many parks that dot the city and the numerous reminders of past history and ways. **VB**

ON THE BULLET TRAIN

I have always been fascinated by international cultures and history. Earlier this year I applied for the China Project course led by Professor Ray Friedman, and this spring I traveled to Beijing, Qingdao, and Shanghai, with a particular focus on elderly housing in China. It was an eye-opening experience, one of the best I've had at Owen, and it influenced my thinking about my professional career.

In preparation, I had taken Professor Friedman's "Doing Business in China" course and also a very basic course in Mandarin. Before my trip, I had the perception that China was going to be the next great world economy. China's development from 2000 onward, I thought, would shape the world economy and be a major force in the next century. I had read articles proclaiming that this is the Chinese century and comparing the 2008 Beijing Olympics as China's coming out party.

The reality struck me as quite different. Several major issues will potentially affect China's development in the next 10, 50 and even 100 years, beginning with poverty.

Although China is using its building boom to foster development and lift people out of the poverty ring, in smaller villages and older neighborhoods it was amazing to see how much poverty still exists—sometimes juxtaposed next to a Luis Vuitton shop in a high-end shopping center. China faces serious issues as its middle class is emerging. One result may be a rich higher class

and a poor lower class. China has focused on equality, but given the amount of poverty, it will take an enormous effort to help its people get out of poverty.

Another factor that will affect Chinese growth has to do with how real estate is developed. When the Chinese build something, they don't erect one building—they build five or six at a time. If you multiply that by many blocks, it affects the price of goods along with potential long-term demand of those goods. China is experiencing a major real estate boom which may echo the asset bubble we had in the U.S. in the late 1990s. It will be interesting to see how China controls the overextended growth; if it doesn't, it seems likely that in the next five years we'll see a crash like we saw here after 1999. Given the amount of foreign investment and domestic investment, it's difficult to see how China can address this.

It is possible now to get from Shanghai's Pudong International Airport to the suburbs in seven minutes, taking one of the magma high-speed trains that can travel at speeds up to 430 miles per hour. That struck me as a great metaphor for what is happening in China: we don't know what's going to happen if it changes course, decelerates, or accelerates. Many people are determined to make the economy grow, but ultimately it will depend on how society can handle the growth of China. Within the next 10 or 15 years China will profoundly affect how we do business in the world.

—MATTHEW WHITE, MBA '07

SECURING CHINA'S CITIES

More than 500 million people in China live in urban areas, and that number is swelling by nearly 15 million a year. The growing population drives investment in housing, commercial and industrial facilities, and infrastructure—all of which need to be protected from fire and security threats. These demographics are favorable to growth in the fire and security industries.

Paul Winnowski, MBA '99, was last year named president of UTC Fire & Security Asia, a unit of United Technologies Corp. "UTC Fire & Security's footprint in China is steadily increasing," says Winnowski. "Currently we have 13 sites in six cities, with our Dongguan factory alone producing 23 million smoke/CO detectors a year. We are the acknowledged global leader in foam production used in fire fighting around the world, which we produce in part at our factory in Shanghai."

Based in Hartford, Conn., UTC Fire & Security has approximately

50,000 employees working in more than 25 countries with a total revenue of U.S. \$4.3 billion in 2005. It provides products and services

under a number of brand names, primarily Chubb, Kidde and Lenel.

"UTC Fire & Security produces fire extinguishers, locks and safes for the domestic and export markets through local partnerships within China," Winnowski says. "The company currently has 6,500 employees and contractors and more than 30,000 customers in China, and is firmly committed to further expansion."

Winnowski first went to China about a decade ago and has held a series of senior management positions at GE Security, including president of GE Security for Greater China/Asia.

With the 2008 Olympics in Beijing, the 2010 World Expo in Shanghai, and the 2010 Asian Games in Guanzhou, business will only grow, Winnowski predicts. "We are going to be involved with all aspects of security including digital video surveillance, alarms, access control points and more."



The Giant Awakens

Fifteen Years Have Brought Warp-Speed Change to India. Yet 400 Million People Have Yet to See a Computer or Make a Phone Call.

By ASIF SHAH MOHAMMED, MBA '08



GETTY IMAGES

More than 4 billion people around the world are considered poor, earning an average of \$2 a day. Project Pyramid is one of the first classes in the country to bring together MBA students with divinity students and give them the tools to create sustainable businesses and programs that combat poverty. The program uses the teachings of Nobel Peace Prize winner and Vanderbilt graduate Muhammad Yunus, PhD '71. This spring a total of 25 Project Pyramid students and faculty took part in trips to Dubai and Hyderabad, India, studying slave labor in Dubai and poverty in India.

“If we can bring profitable business to impoverished areas throughout the world, we can help raise the standard of living for people who have long been forgotten, those at the bottom of the pyramid,” explains Owen student and Project Pyramid co-creator Rehan Choudhry, MBA '07, who wrote about Project Pyramid in the Fall 2006 issue of *Vanderbilt Business*.

Asif Shah Mohammed, a native of Bangladesh and a second-year Owen student, recorded his first return to the region in his blog, adapted here for publication. For more on Project Pyramid, go to <http://www.projectpyramid.org/home/>.

February 27

Getting Ready

It has been 15 years since I was last in India and from what I hear, things have changed a lot. When I was last there during my boarding school days, India was not very different from Bangladesh, my home country. It had just emerged from almost 45 years of a mixed economy and Socialist policies, and the Bharatya Janata Party (BJP) was just on the brink of coming to power after years of Congress rule since independence from the British. India was just about to open up its economy to the world, under the guidance of its new Finance minister, Manmohan Singh, who is currently the prime minister and a man credited with transforming India into the global powerhouse it is on the verge of becoming.

India at that point had still not found itself. We were on the threshold of the new Information Age, but almost no one had yet conceived the power of the

Internet. Back then it was extremely difficult to find foreign goods or cars due to the high import tariffs imposed by the government, in its apparent efforts at developing the local economy. The only “foreign” car one saw on the streets was one developed by Maruti, in a joint collaboration with Suzuki, and everywhere around you were the old Ambassador vehicles, which no doubt we will see even now in the form of cabs.

The big cities—Calcutta, Bombay, Madras (all of which now have different Indianized names) and Delhi—were basically overcrowded super-cities with old British-era infrastructure. Telephones were still a luxury item and to make a long distance call one would have to go to an STD-ISD phone booth, or make a trunk call using the help of operators. Air conditioning was another luxury, and malls that actually had air-conditioning were called “A/C Markets.”

India did have one thing which set it apart from the rest of South Asia—its educational system. The IITs (Indian Institutes of Technology) were still churning out world-class engineers and were just as hard to get in then as now.

Its medical schools were producing some of the best doctors, and it was producing a large amalgamation of English-speaking educated middle class that today forms the vanguard of its economy (and the techies we speak to when we call Dell, or those pesky telemarketers that call us in the middle of the day).

The India I saw then was a sleeping giant still dreaming of making it big, but about to wake up.

March 3

The Blending of the Old with the New

One of the first impressions everyone has of India is the juxtaposition of the modern world with the old, keeping alive its traditions while trying to steamroll its way to the forefront of technology and innovation. India has managed this dichotomy with astounding success. People here are barraged with western-style TV stations, yet India has the capability of ‘Indianizing’ everything, assimilating the East and the West. India has slowly but surely mixed its own blend of culture into the West, as evidenced by the proliferation of fusion music, where one can hear drums and guitars seamlessly blending with the sitar and tabla.

There is the newer side of Hyderabad, with its cacophony of car horns, auto-rickshaws and modern glass and steel structures, and then the old Hyderabad. The Hyderabad of the Nizams. With its old open markets, shopkeepers pedaling traditional clothes and antique goods, narrow over-crowded roads, open Dhabbas and restaurants—this looks like a place that with the exception of the advent of electricity would still have looked and felt the same even 400 years ago when the Charminar and the Makkah Masjid (India’s second largest mosque) were built.

From the outside, before one actually sees India first hand, you’d think that India represents the essence of modernity, with companies like InfoSys, Tata Consulting Services, Cognizant etc. making breakthroughs on the NYSE and gobbling up IT companies in the West on a seemingly daily basis. With its vast bastion of software engineers and IT professionals, any call to a tech support company in the U.S. will lead to some Indian calling himself ‘George’ or some other more easily pronounceable name.

Yet all this hides the reality that more than 400 million people in this country live in abject poverty, unable to get their basic needs fulfilled, never having seen a computer or having made a phone call. It is for this segment of the population that Project Pyramid was envisioned.

Tomorrow when we go out to SKS Microfinance, it is my hope that our group will learn about one approach towards dealing with poverty alleviation. It is also my hope that we come back with the knowledge that there is not just one single approach, but myriad solutions. Yet each solution must ensure that it engages the target population in a way that we do not make the error of trying to impose our views on the people whose lives we strive to improve, rather that one must custom-ize solutions that fit the needs of these people. One of the questions I have been asking myself: is it better to take a macro-economic approach to developmental issues, where a country develops its infrastructure and finds a niche segment that eventually acts as a cash-cow much like India has, with the belief in the old aphorism that a rising tide lifts all boats? Or does one look at this through a micro lens and work towards developing one community at a time giving people in that particular community the access and skills they need to help themselves and in the process increase the size of the proverbial pie?

March 6

Every Solution Only Creates a New Set of Questions

Yesterday included a trip arranged by SKS Microfinance to one of the villages they serve. SKS Microfinance, founded in 1998 by Vikram Akula, an ex-McKinsey consultant, is one of India's leading Microfinance Institutes (MFIs) with branches in 11 states in India and serving over half a million "clients." Borrowers take loans for a range of income-generating activities, including livestock, agriculture, trade (such as vegetable vending), and production (from basket weaving to pottery). SKS also offers interest-free loans for emergencies as well as life insurance to borrowers. A large part of our goal in Project Pyramid involves studying microlending and looking at sustainable ways that peo-

ple at the "bottom of the pyramid" are using these loans from MFIs to generate income and in the process get out of the cycle of poverty. One of my goals for being on this trip to India had been to look at the Indian approach to microfinance.

Bangladesh, with Grameen Bank, BRAC and other MFIs, has a long and successful history of using microfinance as a tool towards poverty alleviation and empowerment of people at the bottom of the pyramid. As far as I could tell, the model started by Dr. Yunus at Grameen Bank is the framework used by SKS towards loan disbursement and the repayment model is also the same.

We sat in on a meeting involving the loan officer and women in the village who are part of the program. SKS focuses exclusively on women and rarely gives loans to men, the rationale being that women have a much higher repayment rate than men in these kinds of programs. The women are divided into teams of five. For a new person to become part of the program, she has to be accepted into a group, or form a new group of cohorts.



Every meeting starts and ends with a pledge recited publicly in unison by everyone. It includes a promise that no one will abuse the money given to them and that they will do everything possible to repay the borrowed money. Before money is given to anyone, she must have unanimous support from all the women in

the circle, not just from her own team.

Once the loan officer approves a loan amount (which is capped at Rs. 12,000—approximately \$300) and everyone has voted on disbursing the amount, the borrower walks up to the loan officer who then hands over the money to her in public. Everyone is a witness to the fact that this person has borrowed the money, thereby creating a feeling of obligation to use the money properly and stressing the importance of repaying the loan. A person knows that if she is to borrow money and is unable to pay it back, she will never again be able to borrow from SKS or any other MFI. One can immediately see the effect of having such a large sum of money in one's possession. There is at once a look of immense sincerity and gratitude on her face, but one can also see how empowered this person feels. As a neutral onlooker, I found it humbling to think that an amount which is seemingly so small for us can have such a transforming effect on a person's life.

A recurring question from a number of my B-school cohorts: does this system have the effect of keeping these people in a continuous cycle of borrowing money and create a dependency on an MFI? Granted that entrance to the program is a self-selecting process, does a microlending institute ever make provisions for helping people graduate out of the program to move on to expanding their business? What opportunities exist to help people who have an idea that may seem far-fetched to the lending institute, but which may have higher returns—probably involving greater risk?

March 7

India Shining

The Indian School of Business campus is magnificent. Sitting in their classrooms it is hard to imagine that we were actually in India.



Since my last trip here 15 years ago, one of the most astounding changes I have noticed is the sense of confidence and optimism around me. Gone are the days when people here would just talk about the negative aspects of living in India and the challenges they face. Now India and a vast number of its people believe wholeheartedly that India has become a global player and is going to build world-class institutes that will be second to none.

"Cyberabad"—what locals call the area that ISB is located in—almost feels like a different world, with its luxury high-rise apartments, shopping complexes and offices of most of the major players in Silicon Valley. India is slowly but surely emerging on the global playing field and it is trying to do so in a manner that makes a statement. ISB is just one example of that—no longer content with training managers just for the Indian market and looking at all other institutions except those at the very top, even in the West, with almost a touch of haughtiness.

March 9

Land of Contradictions

One statement I heard and experienced many years ago: "India is the land of contradictions. For everything that you know to be a fact here, the opposite is also true."

This trip reinforced that oft-repeated statement. Where else but in this part of the world will you see a BMW standing opposite motorbikes, auto-rickshaws, cows and camels, all in the middle of a crowded road with pedestrians wearing expensive western clothing and beggars wearing almost nothing, a wedding band marching down the street while a group of mourners are coming from the opposite direction?

This contrast was made more poignant during our trip to the Indian School of Business and the University of Hyderabad, both on the same day, where the difference in amount and type of resources available to the two institutions could not have been starker. In spite of these seeming contradictions, India has managed to balance the

One of the first impressions everyone has of India is the juxtaposition of the modern world with the old, keeping alive its traditions while trying to steamroll its way to the forefront of technology and innovation.

two sides and create a sense of harmony which to an outsider could only look like organized chaos.

That is the essence of what we are trying to achieve with Project Pyramid: create an awareness of global poverty. We who live in the First World are in a bubble of sorts. We read about and see pictures and news flashes of poor people living in Asia and Africa. Some of us give to charity or support various causes when we look at pictures of poor malnourished children in Africa or when a major natural disaster hits. But at the end of the day, many of us are unable to truly empathize with the issues and have so little context to give us a proper frame of reference to deal with this. Without that, it is hard to come up with a sustainable framework that will ultimately help alleviate poverty.

As we witnessed on our trip, the people here have a sense of innocence and naiveté, yet given the chance they understand the need to get out of the cycle of poverty they have been forced into through circumstances of birth. They are no less entrepreneurial than the average person living in a First-World country and they are willing to work just as hard. Today, we

visited a garment factory where young women were tediously making apparel (which probably retails at \$50 to \$100 apiece) for under \$50 a month. Without the factory, a lot of these people would be domestic servants or, worse yet, living under abusive in-laws. We learned that it is not necessarily true that the poor do not

care about quality or brand names; it is just that they have to make sure that with the limited resources available to them they can get the

best product that will give them the most bang for the buck.

Project Pyramid is not about just looking at things from a hypothetical perspective; it is about taking action. My interactions with students from Vanderbilt Divinity School have helped open my thoughts to the notion that there must be an element of idealism to all of this. But altruism for its own sake has no meaning without taking measures to bring about change. And business is the perfect vehicle for achieving this. Institutions such as the Divinity School help provide the balance we need so we can keep things in perspective and do not lose sight of our ultimate goal, which should be profitability without exploitation.

With this trip to India, Project Pyramid has taken its first step towards fulfilling the goals that we aspire to. In the coming year, we will hope to incorporate all the resources available to us at Vanderbilt, through the juxtaposition of Owen with Vanderbilt Law School, the School of Medicine and the Divinity School to achieve our mission. We now have the context, and the theories from our class have given us the framework.