

OWEN@Vanderbilt

VOLUME 23/ISSUE 2
SUMMER 2003

M A G A Z I N E

NASD's SCHAPIRO
SPEAKS TO GRADUATES

SLOAN GRANT
ESTABLISHES INTERNET
RETAILING CENTER

INVESTIGATING/ SURVIVING
ENRON

EMBA
25th
Anniversary

The E-Factor:
EMBA's Executive Advantage





Dean Bill Christie and Edward Guilbert III, Owen's Founder's Medalist, proceed to the stage during Commencement activities. Guilbert, from Peachtree City, Georgia, is now an asset manager for the Arcohn Group in Irving, Texas. Commencement story on page 2.

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M A G A Z I N E

SUMMER 2003

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NASD'S SCHAPIRO TO GRADUATES: ACT WITH INTEGRITY, DREAM WITH ABANDON

Integrity and ambition are not mutually exclusive and are equally important to defining the successful future of American business, said Mary Schapiro, vice chairman of NASD and president of its Regulatory Policy and Oversight Division, to the 216 MBA and 61 EMBA graduating students in her Commencement address May 9.

But ambition run amok and erosion of integrity in business led to the recent string of corporate and accounting scandals that may be unprecedented in scope, she added.

"A free market capitalist economy promotes a sort of Darwinian survival of the fittest and ensures market vibrancy and growth over the long term," she explained. "But this evolu-

tion must have rules, because you cannot seek long term growth by cannibalizing the economy's foundation with voracious market and corporate conduct. The voyage to the margins of acceptable corporate behavior and beyond is hastened by the imperceptible winds of perceived need and entitlement and rationalization."

Markets in previous times suffered from corporate malfeasance, but because markets are no longer the province of the privileged and now hold the nest egg of the average worker, and because of the sheer number of recent scandals, there has been a far wider impact than prior transgressions. "The question has changed from 'who is perpetrating the fraud?' to 'who is left to trust?'"

The bursting of the bubble led to loud cries for reform and louder cries for retribution, she pointed out. "Regulators are taking steps to help restore confidence and to instill a driving obligation of integrity through

the regulatory process. Regulation is necessary, but no set of rules can cover every eventuality, and a career spent skirting the edges of the laws, instead of honoring their spirit, is one likely to end in disgrace."



Schapiro

She lauded Owen's emphasis on business ethics, and referenced Dean Bill Christie's scholarship in 1994 (with Paul Schultz, professor from Notre Dame), which discovered that Nasdaq market makers manipulated spreads, or market maker profits, and led to the creation of the division Schapiro now heads, and Associate Professor Paul Chaney's scholarship on the Andersen accounting scandal, as evidence that the School is on the forefront of important issues.

"Wall Street learned in the past two years that integrity is not relative; it is absolute," she added. "Company culture matters a great deal. Throughout your career, look for companies that address issues instead of burying them, companies with a pervasive commitment to operating with the highest standards and a robust compliance structure to ensure that commitment, and companies that play it absolutely straight in the big and small decisions, putting obligations to shareholders, customers, employees, and community first."

Schapiro concluded by talking about "dream capital," which she calls an essential part of the American experience. "No other economy originates and creates on the scale of America." She encouraged the graduates to dream wildly and powerfully. "Dream the impossible. Flabbergast us with the unimaginable, and create products and services and companies that we cannot conceive of today."

For the complete speech, go to http://mba.vanderbilt.edu/speakers/mschapiro_text.ctfm.



JOHN RUSSELL

COHEN NAMED POTTER PROFESSOR, SENIOR ASSOCIATE DEAN

Mark Cohen, newly appointed Justin Potter Professor in American Competitive Business, also has been named senior associate dean, with responsibilities for day-to-day operations of the School, implementation of Owen's strategic plan, research and budgets, and faculty administration.

Co-director of the Vanderbilt Center for Environmental Management Studies, Cohen's research interests include government regulation, law and economics, white-collar and corporate crime, and environmental management. Chair of the American Statistical Association's Committee on Law and Justice Statistics, he previously served as senior economist with the U.S. Sentencing Commission, senior fellow at the Center for Crime and Justice Policy at the Vanderbilt Institute of Public Policy Studies, and has been affiliated with the Norwegian Academy of Sciences and the University of York.



Cohen

ACHIEVING CRITICAL MASS: C200 FORUM HIGHLIGHTS WORKING WOMEN'S ISSUES

Women-owned businesses open at twice the rate of men-owned businesses and employ more people than all Fortune 500 companies combined.

On the flip side, glass ceilings still exist, the pay gap between men and women widens as you move up the corporate ladder, and women still struggle to balance work and family.

These are just a few of the issues discussed at the Committee of 200's semiannual outreach seminar held in Nashville and hosted by Owen's Women's Business Association on April 4. Titled "The Courage to Stand: Developing Women Leaders and Achieving a Critical Mass," the seminar offered students and business leaders sessions on operations, finance, marketing, international business, entrepreneurship, and mentoring. C200 is the preeminent organization of women business leaders, numbering more than 400 senior level corporate executives and entrepreneurs worldwide.

Carolee Friedlander, president and CEO of Carolee Designs, one of the keynote speakers, discussed how she

achieved success in the fashion accessories business and the importance of balancing family and work.

"In the beginning, I was a one-person operation and didn't always know what I was doing. But I was a risk-taker and had vision, perseverance, courage, a sense of humor, and leadership skills to move the enterprise forward. My goal was never to be the biggest, but being the best stoked my competitive juices."

Being an entrepreneur allowed Friedlander to drive her business faster or slower as family needs dictated. "I was 10 minutes from home and my children's plays. These decisions, although not always bottom line decisions afforded me balance, and I wouldn't have changed that for anything."

Balance still is generally missing from the corporate world, she pointed out. "Balance is a legitimate demand. Loyalty and morale increase with work/life balance; therefore balance

benefits the bottom line and holds promise for business growth."

Ann Moore, A'71, chairman and CEO, Time, Inc., second keynote speaker, offered pearls of wisdom from her career. "Surround yourself with a good support team. Find good people and keep



DANIEL DUBOIS

Carolee Friedlander, center, president/CEO of Carolee Designs, Inc., a keynote speaker, is greeted by Victoria Jackson, E'81, back right, and others following her talk. "Balance still is generally missing from the corporate world," she pointed out.

them on the job. Power accrues to those who can produce results.

"Glass ceilings do exist—they are higher or lower depending on your industry, so pick your first job wisely. It only takes one woman appointed by one brave man to bring about total demolition. All behaviors emanate from the top—don't work for fools."

A highlight of the day was the awarding of the C200/Nancy Peterson Scholar Award to Donna King, rising second-year, from a final field of three students. The award consists of a \$25,000 scholarship, a summer internship with a C200 company, and a trip to the C200 annual conference in Toronto.

C200 was formed in 1982 by 15 notable women including Katherine Graham, Christy Hefner, and Jane Evans, A'65, currently head of Opnix Internet Technologies and C200's first vice president. Owen also hosted the organization's first-ever outreach seminar in 1991, "Meeting of the Minds," thanks to the efforts of Victoria Jackson, E'81, president of Victoria Belle, Inc., and C200 member.



DANIEL DUBOIS

Jane Evans, left, A'65, Martha Ingram, Vanderbilt Board of Trust chairman, and Ann Moore, A'71. "Don't work for fools," Moore urged.

ACADEMIC CONFERENCE SPARKS MAJOR LEAGUE RHUBARB

A baseball manager kicking dust on an umpire after a disputed call at home plate couldn't have caused a bigger rhubarb than the uproar that emanated from remarks made by baseball executive Sandy Alderson during a Vanderbilt academic conference on baseball economics in February.

Alderson, EVP for baseball operations for Major League Baseball and one of the conference panelists, said a struggling stock market has caused some baseball owners to cut back on spending. He specifically cited "lousy investments" by Texas Rangers owner Tom Hicks and the stock market problems of AOL Time Warner, owner of the Atlanta Braves.

"I can tell you Tom Hicks is probably a lot more conservative than when he signed Alex Rodriguez," Alderson said. "Part of that is the recent history of the Rangers, given their success or failure on the field. But part is perhaps lousy investments in telecommunications. His investments have suffered dramatically."

Hicks, roundly criticized by fellow owners and members of the media a few years ago for signing Rodriguez to



Allen Barra, right, sports columnist for the New York Times, keynote speaker, was a hit with Chancellor Gee and others attending the Academic Conference on Baseball Economics.

a 10-year, \$252 million contract, reportedly exploded when he heard about Alderson's comments at the Vanderbilt conference.

Hicks fired back in a phone conversation with Alderson two days later, according to the *Fort Worth Star-Telegram*. The newspaper quoted Hicks as saying, "We had a very candid conversation and I made it clear to him that I didn't think his role was to comment on an organization. He took a small part of our firm's investments to make his point. We have lost money in the telecommunications field, but we've also returned \$3 billion to our investors over the past 2 1/2 years." Hicks is chairman of the board of

Dallas-based Hicks Muse Tate & Furst investment firm.

Alderson apologized to Hicks during their conversation, according to the *Star-Telegram*, and later explained in a conference call to reporters that the Rangers' example was one of three he used at the conference to illustrate how external factors can affect a team's spending. He noted his own prior experience as president and general manager of the Oakland Athletics and the recent problems of AOL Time Warner, which has affected spending by the Braves.

The day-long Vanderbilt conference was co-sponsored by the Owen School, the Law School, and the College of Arts and Science. The conference mixed scholarly papers on antitrust law, competitive balance, and contraction with comments from baseball insiders like Alderson; Steve Fear, a lawyer for the Players' Association; and Clark Griffith, former co-owner of the Minnesota Twins. Allen Barra, sports columnist for the *New York Times*, was keynote speaker. The proceedings from the conference will appear as a special issue (November 2003) of the *Journal of Sports Economics*.

—Lew Harris

AFTER ENRON: THE (UN)CERTAIN FUTURE OF CORPORATE RESPONSIBILITY

Regulatory reforms coming on the heels of corporate scandals may seem overwhelming, but in many respects they are just enforcing what corporations should already be doing, said Gary Brown, L '80, adjunct professor of law, and special counsel in the Senate Investigation of Enron, at a Law School panel that looked at the effect of Enron on corporate responsibility.

The panel, moderated by Dean James Hudnut-Beumler of the Divinity School, featured Brown, Robert Thompson, professor of law, and Bart Victor, Owen's Cal Turner Professor of Moral Leadership and director of the Cal Turner Program in Moral Leadership Across the Professions.

The Enron debacle resulted from a total failure of professionals to do their jobs—from executives running the company to investment bankers giving advice—which helped to push the pendulum into the Sarbanes Oxley Act, Brown said. "Companies are worried about extra liabilities, but many of the regulations can be distilled down to four words: Do the Right Thing. For companies already doing the right thing, the future is not uncertain. Those not doing the right thing are going to have to venture into different territory, but it is not uncharted. Shouldn't audit committees already have been independent? Shouldn't officers already have been responsible for their financial statements?" (See related article, page 28.)

Thompson said the corporate arena continues to be governed by a three-part regulatory system—economic incentives, private ordering, and law—although law recently has taken a larger role. "If you cannot sell your stock, because people think you have committed fraud, that is an economic incentive to do the right thing. Auditors and independent directors are an important part of private ordering governance. But when economics and private ordering fail, law steps in."

"Enron was an example not of the genius of capitalism but of theft and fraud," Victor said. "Many people get caught up in the daily detail and abstraction of work—management at 30,000 feet so to speak—and forget that choices really matter. Enron had very real consequences for very real people, and reminded us of the importance of choice. As managers, owners, or agents of companies, we might all wonder what could I have done in such a situation? The lesson I want us to take forward is to consider how we can create information, community, and ownership that enables employees and others to make the right choices."

Coffee pointed to the acknowledged failure in accounting, noting a Government Accounting Office study of the period 1997-2001 that showed 10 percent of all publicly listed U.S. companies restated their financial statements at least once, and that the number of restatements also rose on average from 50 per year during 1990-1995 to 250 in 2002. But he also noted disturbing trends relating to analysts and attorneys.



The Enron debacle resulted from a total failure of professionals to do their jobs, said Gary Brown, special counsel in the Senate Investigation of Enron.

WHAT HAPPENED TO THE GATEKEEPERS?

Law/Business Conference Examines Corporate and Securities Litigation

Enron and related corporate governance scandals have focused public attention on the asserted inadequacies of the accounting profession in recent corporate irregularities. Columbia University Professor John C. Coffee, a frequent commentator in the national media during these developing scandals, and keynote speaker at the third annual Vanderbilt Law and Business Conference in March, told attendees that attention should also be paid to other gatekeepers in a transactional setting, particularly analysts and attorneys.

The ratio of buy-to-sell recommendations rose from six to one in 1991 to one hundred to one in 2000, he pointed out, and the "number one factor that destabilized corporate governance in the 1990s was the change in the nature of executive compensation."

Of the three types of gatekeepers—auditors, analysts, and attorneys—there is no quantitative data on attorneys, but "when Congress

(continued on page 6)

DEVELOPMENTS

- **2003 MBA graduates**, with a record participation rate of 81 percent, pledged \$200,450 for facilities improvement.
- **2003 EMBA graduates** pledged more than \$70,000 to help fund an alumni event to be held in the fall and spring.
- **Honeywell** made a gift of \$47,000 to Owen, earmarking \$25,000 for Scholar's Weekend, \$20,000 for the Honeywell Scholar Program, \$1,000 for the Finance Club, and \$1,000 for the Human and Organization Performance Association.
- **Billy Mounger**, CEO of TriStar Communications, a 1979 arts and science graduate, donated \$45,000 to fund Owen entrepreneurship students to work on their start-up. Recipients are rising second-year students Evan Austill and Jerome Edwards. (See related article, page 9.)
- **AT&T** donated \$5,000 for the new VMBALife service, which enables users to access their Owen e-mail from a (WAP) wireless access protocol enabled mobile phone.

SPEAKERS DISCUSS FINANCIAL DISRUPTION, ORGANIZATION CHANGE, STRATEGY, HUMAN RIGHTS



Roger Ferguson
Vice-Chairman, Board of Governors,
Federal Reserve System
Distinguished Speaker, "September 11, the Federal Reserve, and the Financial System," February 5

Roger Ferguson

The incidents of September 11 taught us many lessons relating to central banking and financial stability.... We must address the possibility of major disruption in areas in which financial markets or operational centers are concentrated. We need to work hard to adopt consistent strategies for reducing risks that together address prevention, management, and testing.

Doug Duncan
President/CEO, FedEx Freight
Distinguished Speaker, "Organization Change, People First," March 18



Duncan

"Why did we integrate two trucking companies to form a new one? Organization integration is not easy to do, but the benefit of acquisition is speed to market. How did we do it? The most important thing is we allowed people time to accept change. We communicated what we were doing and why. We tried to show them the vision of what we could be as a corporation if we pulled together."

Other Speakers:

(Audiotape for many of the speakers is available on Owen's Website, keyword: speakers.)

Jack Bovender, chairman/CEO, HCA, January 16

Tony Zorn, COO, Newcom Communications Americas, videoconference, January 27

Bruce Barry, Owen professor, "Corporatism and Inequality: The Race to the Bottom (Line)," February 6.

Archbishop Desmond Tutu, Nobel Prize winner and human rights advocate, February 15

Tom Apker, CEO, WebMD Envoy, February 19

Sima Samar, chair, Afghanistan's first Independent Human Rights Commission, February 24

James Rogan, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, March 13

Frank Dixon, managing director, Innovest Strategic Value Advisors, March 17

Tony Torchia, partner, and Dan Creedon, senior manager, KPMG, March 17

John Eyler, chairman/CEO, Toys R Us, Distinguished Speaker, March 27

Bill Bass, VP/GM, Sears Customer Direct, and SVP/e-commerce, Lands' End, April 22

Gatekeepers *continued from page 5*

passed 307, it was clear that where there were financial irregularities, there almost always was a lawyer at the scene of the crime."

Attorneys sometimes act as gatekeepers, while also serving as advocates and transaction cost engineers, "and these roles can conflict," he said. "Sarbanes-Oxley mandated a divorce between the consulting and auditing roles for auditors; how does this carry over to the attorney? There is great synergy in having the same lawyer act as transaction engineer and disclosure counsel. But it is also possible to have separate counsel—one law firm structuring planning function and another firm for disclosure counsel—in recognition of the obligation to be skeptical.

"So, what happened to the gatekeepers?" Coffee concluded. "Gatekeepers, particularly the auditors, during this time became less of a litigation partner. The expected liabilities gatekeepers faced decreased significantly, while the expected gains from acquiescing to management increased."

The conference, sponsored by the Law and Business Program, brought together finance, accounting, and law professors to discuss papers relating to empirical studies of the role of litigation in corporate governance.

This year, the program offered 11 courses taught by both a business professor and a law professor, with students from both schools in the same class. The program seeks to provide students headed toward a transactional practice in either discipline with a grounding in the knowledge of the other discipline to enable them to better function in the current business climate.

SURVIVAL OF THE FASTEST: ADAPTATION IS KEY TO SUCCESS

The following is an excerpt from Brian Ferguson's talk as Distinguished Speaker on April 16. Ferguson is CEO of Eastman Chemical.

Imagine the evolution of earth as a year-long movie. January, there is no sign of life....April, jelly-like blobs appear....July, you see green plants and fish crawl onto beaches and adapt to air....August, there are larger, walking animals....December 31, four ice ages come and go in minutes....suddenly there are pyramids and giant cities....three seconds to midnight, there's such an explosion of invention, you can't keep up—printing presses, cars, movies, planes, spaceships, computers, WWI, WWII, 9/11, and the war with Iraq flash by.

Not only was there a huge acceleration of change, but the pace of acceleration changed. Change, starting as nearly a flat line, went up exponentially at the end of the movie.

The same has occurred in technology and business. Take our relatively fast journey through one industrial revolution, where raw materials and labor were the resources that created value, and rapid entry into a second revolution, in which the main engine for value creation is knowledge and information.

Have you noticed what's happened to the airline industry? It used to have growth potential, but from an evolutionary standpoint, it's matured. Like other industries, it hit the ceiling of the first industrial revolution and is struggling to evolve to the second.

My own industry—the chemical industry—is a sector on the fault line between the first and second industrial revolutions. We traditionally made chemicals and pioneered some innova-



Brian Ferguson

tions. But the value point has clearly tilted. We still make a modest profit producing chemicals. But the value of what we *make* is falling, whereas the value of what we *know* is increasing, and at such a rate that it's hard to keep up.

Change occurs so quickly that most industries hardly see it until it's too late. If you see an industry on the bubble of collapse, like the airline industry, you'll see an industry that didn't anticipate the pace of change or can't find a way to evolve. And it's not just happening to old-line industries. It's happening to the education system and our political systems. It's even happening to industries that just two years ago were at the forefront of industrial revolution.

Consider that the current downcycle in the tech industry might not be a cycle at all but the inevitable phase of an industry that is maturing.

Larry Ellison, CEO of Oracle, recently said in the *Wall Street Journal* that the computer industry's best days are behind it. "There's this bizarre notion in the computer industry that we'll never be a mature industry. [But] it's as large as it's going to be. This," he said, "is the end of Silicon Valley as we know it."

U.S. prosperity depends on whether we can remain a moving target, developing and patenting new technologies, and having enough students in the pipeline to fuel innovation. For our *businesses*, this means finding a way to shift from the old industrial model to the new one quickly, getting used to more volatility and becoming more adaptive.

The bottom line is this: The pivot point for success today isn't whether you have access to raw materials or labor. The pivot point for success is knowledge and information—who

owns it....who needs it....who can use it....and who can protect it.

Eastman is adapting to meet these challenges in a number of ways. Building on what we know, we launched a company, Cendian, in 2000 to distribute and move chemicals for other companies. Last year, we bought Ariel Research, which provides regulatory information and software products to chemical companies worldwide. Our coal gasification plant reliability and efficiency is the best in the world, and we have developed a business model for similar plants for other companies.

Remember, it's change and change quickly, or become a footnote in industrial history.

For *you*, this means being flexible and adaptable. Re-creation is a fact of life. When companies like Eastman go on the recruitment trail, we're not looking for experts in just one area. All of us—old industrialists and newer ones—are looking for people who can see possibilities, and help us reach the next level of evolution. We are looking for people who cannot only redefine themselves, but who can help redefine our businesses too.

NEW PLACEMENT INITIATIVES

The economy may be down, but activity is up at the Career Management Center, where more than 15 new initiatives have successfully produced hires despite the general decline in recruiter trips to campuses to hire MBAs.

The most far reaching of these is increased corporate outreach. Melinda Allen, CMC director, Dean Bill Christie, and Jim Bradford, associate dean for corporate relations, for example, recently called on companies in New York City, New Jersey, Atlanta, and Charlotte with the goal of not only identifying immediate opportunities for recent grads still seeking jobs, but laying a foundation for long-term relationships with the companies. Trips to other cities are in the planning stages.

Other initiatives include

- **eFair**—Vanderbilt, as part of a consortium of 18 MBA schools, is piloting an electronic career fair in which companies get unlimited job postings at all 18 schools.



RECYCLING—Emily Davis, rising second-year, knows that trash can become treasure for a company's bottom line. She is one of the Vanderbilt students who participated in the joint initiative between the University's Service Training for Environmental Progress and Metro Recycling to conduct waste audits for area businesses. "Waste reduction and recycling are no longer just a cause anymore; they are a financial imperative," Davis says. "Businesses can save hundreds to thousands of dollars per year with concise, conscious waste practices."

- **Alumni Appeal Email**—An email sent to all alums asking for assistance in finding students jobs has resulted in many alums stepping forward asking for student resumes.
- **Rapid Resume Referral**—Students placed resumes in functional specific electronic resume books that have been sent en masse to employers during just-in-time hiring cycles.
- **International Initiative**—Owen took the lead in getting peer schools to share a common list of companies hiring international students. A database of companies that have previously sponsored students also has been purchased as a networking tool.
- **Owen 2x1**—Students have stepped forward to help classmates find summer internships through this campaign. The student-led effort paired every internship-seeking student with two people (students, faculty, staff, alumni, or administration) to support the student's search.
- **CMC Open Houses**—The CMC held targeted small group strategy sessions for second-years with CMC and Walker Library staff. Similar sessions are continuing throughout the summer to help students who are still seeking full-time opportunities.
- **Nashville Strategy**—Students and CMC staff have increased contact with companies in Owen's backyard. The CMC additionally now provides life-long career services for alumni, a program that recently received press in the *Wall Street Journal*. To find out more about any of these initiatives, contact the CMC at (615) 322-4069 or mba.vanderbilt.edu/cmc.

SURVEY FEATURED IN AMERICAN BANKER

A survey conducted by Pinnacle Financial Partners in conjunction with Owen made the cover of *American Banker* in June. The survey showed that half of the 100 Middle Tennessee business leaders queried consider the local economy stronger than the national economy, with 61 percent of the respondents considering the national economy to be below average. Stephanie Swilley, rising second-year, constructed the survey, administered it, and compiled the results for Pinnacle.



IN GOOD COMPANY—Jarrod Watson, left, and Dallas Thornton, '03 grads, are quick to tell you about their start-up ByBlue, Inc., after participating in the Babcock Elevator Competition, and having National Public Radio ride along in the elevator during their presentation and later interview them on the air. The experience paid off: the team then entered and were chosen winners in the inaugural Tennessee Technology Development Corporation Student Business Plan Competition. Their company, with a business model similar to eBay, is a website free of commercial advertising and dedicated to helping consumers shop easier, faster, and smarter, and to give back to their favorite philanthropic organizations with every purchase.



CONNECTING FOR KIDS—For one night, the Owen lobby became an arcade for a good cause. Neal Moses and Ed Briscoe, '03 grads, played killer foosball to benefit the Boys' and Girls' Club of Middle Tennessee. Through a week of activities April 11-17 that included games, a golf tournament, and a silent auction, Owen raised more than \$6,000 for the club. Students also helped the club clean and landscape its grounds. Faculty, staff, and alumni also contributed to the event's success.

STUDENT PROJECT: VERAN TECHNOLOGY TO SET STANDARD FOR INTERVENTIONAL CARDIOLOGY

Heart disease, the number one killer in the U.S., is ready to explode into an even greater problem with aging baby boomers and attendant strain on an already burgeoned healthcare market.

Jerome Edwards, an engineer, envisioned a solution to ease this dilemma—technology that could make cardiology procedures more efficient and accurate, less invasive, and result in lower morbidity. Image-guided surgery (IGS) is now used for static-anatomy surgery; why not re-engineer it for dynamic-anatomy surgery (in which tissue moves) in such organs as the heart and lungs? He could invent the technology; what he needed was a way to bring the product to market.

Deciding that an MBA was his next step, he talked with Bruce Lynskey, clinical professor of management in entrepreneurship, who assured him that if he came to Owen, he would receive encouragement and support in launching his venture.

Edwards applied, earned one of the coveted Dean's Scholar Awards, and shortly thereafter partnered with fellow first-year student Evan Austill, a lawyer, and incorporated Veran Medical Technologies, Inc., in November. Establishing it as a student project, they enlisted the help of MD/MBA candidates, who have helped with research and business planning. One of the students, Ben Heavrin, now is chief clinical officer.

Their product: an IGS system for such interventional cardiology applications as catheterization procedures, radio-frequency ablation, coronary stent placement, and implantable defibrillator and pacemaker lead placement. The system uses magnetic tracking that allows surgeons to see 3D real

time representations of the beating heart and location of surgical instruments inside the body.

With approximately 2,500 hospitals in the U.S. having interventional cardiology departments, the students estimate a \$2.55 billion worldwide market for their VMT

Dynamic Tracking Technology. They filed a provisional patent in June and expect no trouble in obtaining funding in the current hot life-science market. Fueling their confidence, the team placed third in the Southwestern Business Plan Competition at Rice University in April and have received invitations from more than a dozen VCs for follow-up visits.

True to Lynskey's words, the students found Owen to be supportive and encouraging of student businesses. "Owen's Entrepreneurship Center [OEC] has served as a start-up incubator, enabling us to start and run this small business cost free," Austill says. "We have had access to professors, classmates, and research facilities at Owen, as well as law professors and physicians at the medical school—all the components we needed to define our concept and get the company underway." Austill is president of the Owen Entrepreneurship Association, a student club that encourages this interdisciplinary network at Vanderbilt and sponsors speakers and events promoting entrepreneurship.

The students received an unexpected boost in April when Vanderbilt alumnus Billy Mounger, A'79, CEO of TriStar



Evan Austill, left, and Jerome Edwards operate in the medical device arena with their start-up Veran Medical Technologies, Inc.

Communications, donated funds to the School to pay their salaries for the summer, allowing them to work on their company rather than finding other jobs.

"Entrepreneurship by definition is not clear cut—you need instruction here and there. It is the only discipline that ties all other business subjects together to form a real 'business.' You also need the right idea at the right time, tremendous discipline, and a lot of luck," Austill says. "At Owen, you can shape your degree to get what you want out of your business school experience. That, coupled with the fact that the School looks for ways to support you in your endeavor, is a premium in these difficult economic times."

Last year, more than 140 students worked on projects at companies ranging from Fortune 500 firms to student start-ups through the OEC. For more information on the program, or how to get students involved with your company, go to <http://mba.vanderbilt.edu/oec/index.htm> or contact Lynskey at bruce.lynskey@owen.vanderbilt.edu.

—Beth Matter

CONFERENCE ADVISES ON LAUNCHING A VENTURE

Newer companies have a greater market capitalization than older companies, which underscores the importance of entrepreneurship—that it generates wealth by creating new ventures that change the way people live, said Professor Germain Böer in opening Owen's third annual entrepreneurship conference last fall. Titled Launching the Venture, the conference highlighted how to have a successful business launch, change business direction, and transfer ownership.

Billy Mounger, A'79, CEO of TriStar Communications, spoke on "Secrets of



Mounger



Wright

a Successful Business Startup," outlining how he took his company from a small rural wireless operation to an AT&T wireless affiliate that provided service to 14 million customers. "We had a Big Hairy Audacious Goal: to be the premier

wireless company in the southeast U.S. That may not seem like a BHAG, but for a small group of entrepreneurs in Jackson, Mississippi, with no money, but a little bit of experience, that was a big goal."

Entrepreneurs who build around an exit strategy will not be as successful as those who build for the long term, said Tom Cigarran, CEO and chairman of American Healthways, in his talk on "Turning a Startup into a Successful



Professor Germain Böer, Tom Cigarran, and Jimmy Bradford, UBS Paine Webber

Company." "Because our company built for the long term, we were better able to weather the bad times." One of the critical factors in building and sustaining an entrepreneurial venture is having a quality team, he added. "The best people will only work for a company with a compelling vision. If you have really good people and create a work environment where they can do their best work, the culture will make everything work. An average business strategy will produce only average work."

Mark Wright, E'84, director, Blue Chip Venture Company, and serial entrepreneur, offered tips in his session on "Taking Your Company Public":

- Do it for the right reasons. It is a recapitalization beginning and not a finish line or exit.
- Obey "Henderson's law." Do not go public if it is too similar to the established niche of another for you will likely be subsumed or crushed.
- Assess other recap alternatives to see if a less expensive and less time consuming alternative exists.
- Determine the rigor and predictability of your model. The public market disdains downside surprises.
- Ensure that you have a real (entrepreneur) CFO.
- Do not put on rose colored glasses for the analysts.
- Learn to love the lawyers. An experienced and expensive legal team is critical to a successful IPO.
- Get your management in a "Cortez" frame of mind. Conquer your niche or see your stock price die.

TENNESSEE CAN BE HOTBED FOR START-UPS

The Owen Entrepreneurship Center recently gathered a small group of Nashville's most successful entrepreneurs to devise recommendations on how to better foster entrepreneurship in Tennessee, and shared the following suggestions with Governor Phil Bredesen.

- Encourage creation of early stage investment funds in the state. The state should create an investment fund focused on early stage companies and encourage money managers to invest into this fund.
- Refocus educational system to produce intellectual capital for high potential businesses. Tennessee's educational system already produces Ph.D.s in life sciences, but there is a shortage of trained bench level scientists to support this work.
- Develop infrastructure for new venture creation. Local venture capital is limited, and Tennessee start-ups need access to venture money on the coasts. Encourage lower airport gate fees for direct flights to these money centers, stimulating more flights to these areas. Law firms could develop expertise in intellectual property law; venture capital firms could hire individuals trained in evaluating high technology investments; and Tennessee could invest or co-invest in incubators for technology and life science start-up companies.
- Raise awareness of importance of entrepreneurship to Tennessee. Highlighting the importance of entrepreneurship to the creation of jobs and wealth in the state will help to foster a climate conducive to the creation of new ventures.

- Prepare for an Ilditarod where you will be both guiding and pulling your business sled. Going through an IPO is simultaneously a grueling and exhilarating experience.

Other speakers included Owen alums Aneel Pandey, '92, CEO, Transcender Company; Joe Cashia, E'95, and Bill Grainger, E'88, president, Optimum Solutions, Inc.

ASSESSING THE TRUE VALUE OF COMPANIES

Investors have a strong interest in assessing the true value of companies. Yet evidence indicates many companies, particularly those in the technology sector, were overvalued in the 1998-2000 bubble. Can the overvaluation be ascribed to accounting misdeeds, failure of analysts to do their jobs, or irrational exuberance? Can financial markets provide more effective discipline of managers?

Academics, industry leaders, and regulators discussed these and related issues at the Financial Markets Research Center Conference, "Corporate Behavior and Financial Markets," April 10-11

"The great strength of the U.S. financial system has been its ability to reform and heal itself," said Harvey Goldschmid, SEC commissioner and opening keynote speaker, referencing the 1933 Securities Act and the 1934 Securities Act arising out of the Great Depression.

"During the recent bubble, checks and balances thought to be provided by independent directors and independent auditors, securities analysts, lawyers, and others too often failed."

A permissive atmosphere allowed the scandals of the 1990s, and we are headed into a world of much greater corporate governance, Goldschmid concluded. "It is critically important that good people continue to serve cor-

porations, but it is also important that we don't interfere unnecessarily. The private sector has helped to make this country great, and while we need an SEC, we don't want a jury, judge, and SEC to set compensation."

The Enron scandals, while making us face serious systemic imperfections, also provided stimulus for thinking about reform, he pointed out. "Post-Enron developments may help the U.S. maintain strength, world position, and leadership in corporate accountability and financial disclosure."

Other speakers included John Biggs, retired chairman and CEO, TIAA-CREF; Susan Bies, governor, Federal Reserve Board; and Adena Friedman, '93, executive vice president, NASDAQ.



Adena Friedman, '93, EVP, NASDAQ; Associate Professor Paul Chaney; and Paul Bennett, chief economist, NYSE



Professor Dewey Daane; Thomas Peterffy, chairman, Interactive Brokers; and Professor Hans Stoll

SLOAN GRANT ESTABLISHES INTERNET RETAILING CENTER

Internet retailing in 2002 beat even the most optimistic projections, with sales estimated to have grown 48 percent to \$76 billion and predicted to climb to \$100 billion this year.

How to develop best practices and increase this rosy picture is the focus of the new Sloan Center for Internet Retailing, launched in March with a grant from the Alfred P. Sloan Foundation.

"This is an important development for Owen, as Sloan centers significantly impact business practices in the industries studied," says Professor Donna Hoffman, co-director along with Professor Tom Novak, who have been pioneers in e-commerce since its beginnings in the mid 1990s. "Our center will emphasize the Internet retailing 'customer chain' and examine what firms are doing in specific applications, why they do it, and recommend how practice can be improved."

Other universities with Sloan centers include Wharton, MIT, Harvard, Carnegie Mellon, and Columbia.

The center will leverage Owen's eLab digital commerce laboratory for much of the research. eLab's virtual lab research infrastructure includes Web and database servers that support online experiments and large scale data modeling, data storage, specialty Web sites, and an online consumer panel targeted to grow to 20,000 individuals. Faculty members from various disciplines will gather information through direct observation of firm practices, behavioral and economic experiments, quantitative modeling, and survey research. Research priorities include multi-channel retailing, customer experience, loyalty, pricing and promotion strategies, and personalization and related online marketing strategies.

FedEx and Land's End/Sears have signed on as founding partners. Corporate partnership benefits include opportunity to influence research priorities, learning from other partners and sharing best practices, and priority recruiting access to Center MBA students. For more information on the center or corporate membership, contact Hoffman at 615/343-8112 or donna.hoffman@owen.vanderbilt.edu.



Biggs, Goldschmid, and Bies



EMBA 25th

The Executive MBA Program offers managers the strategic business perspective of senior management and the rigor and depth of a top-quality MBA degree.

The E-Factor: EMBA's Executive Advantage

BY NED SOLOMON

PROFILE PHOTOS BY DANIEL DUBOIS
ILLUSTRATIONS BY ANDREW JUDD

As finance director of the European Container Division of International Paper, Rochelle Weitzner is responsible for the fiscal and administrative operations of 28 facilities in six countries. She directly credits her current position to her experience in the Executive MBA program at Owen.

A '99 graduate, Weitzner took the advice of her professors and constantly challenges the applicability of the Owen methodologies in her real business environment. "One example was a meeting I initiated in my division to discuss the cash gap concept that I learned from Professor Germain Böer. I invited the CFO of the company and several other senior executives to attend the meeting. Presenting these concepts and applying them to our specific situation at IP certainly brought me to their attention. Shortly thereafter, I was offered an assignment in our executive headquarters, followed by an additional promotion, and my current position in Europe."

The EMBA Program, celebrating its 25th year, is designed to develop and enhance the skills of mid-career managers and executives like Weitzner. The program, enrolling approximately 65 students per year, is considered full-time, although class time is condensed into alternate weekends for 21 months. The goal is for managers to gain the strategic business perspective of senior management without sacrificing the rigor and depth of a top quality MBA degree.

Not all EMBA graduates can claim as dramatic a career transition as Weitzner, but most leave the program armed with skills to move to the next level of their careers or to dive head-first into their own enterprises.

"A typical EMBA student," says Dean Bill Christie, "is someone who has shown significant progress in their chosen career, but recognizes that further advancement or transition to a new career path requires additional education."

EMBA students, generally already established in their careers, are interested in learning to think strategically, managing people, and moving into the upper echelon of their businesses.

EMBA students obviously are highly motivated individuals who have a focused reason for returning to school, since they continue to hold demanding jobs while committing every other weekend to the classroom. That they make the commitment to the program is even more amazing considering these older students tend to have more obligations vying for their time and attention. "EMBA students tend to be more mature," Christie adds, "and have multiple responsibilities, including in some cases raising a family or dealing with serious life issues such as aging parents or divorce."

World-Class Program

The rest of the world is now just finding out what EMBA alums have known for some time—that Owen's program is one of the best. EMBA has been on a positive trajectory, ranking 17th in the world in *Business Week's* most recent survey of executive MBA programs. According to Martin Rapisarda, associate dean of executive education, three factors have led to this success.

"Ours is a rigorous program that ensures a high degree of competence in the foundation and functional areas of management, and gives each student the necessary set of skills to become leaders in their organizations. The program is also highly interactive and personal in nature. We're not as large as some programs, enabling us to be high-touch as well as high-tech. Thirdly, there is a strong strategic and applications component, which encourages students to immediately apply what they learn to their jobs."

The EMBA Difference

The EMBA program is kicked off with a weeklong immersion course, held away from campus in New Harmony, Indiana, a 19th Century historic village, giving students a chance to acclimate to their graduate studies. Through role-playing, case studies, readings, videos, and simulations, participants learn about themselves, leadership abilities of their peers, and Owen's emphasis on teamwork. They are also introduced to their first semester coursework in financial accounting, marketing management, business statistics, human resource management, micro- and macroeconomics, and organizational behavior.

The EMBA program differs from the regular MBA program in several ways. EMBA classes are held in one classroom, with two or three faculty rotating in the classroom per day. MBA students, on the other hand, numbering approximately 220 per class, do not all share the same faculty and have greater latitude in choosing electives and discipline-specific concentrations.

The MBA program is designed to help students change career paths or to develop advanced skills for positions they seek. EMBA students generally are already established in their careers, and are more interested in learning to think strategically, managing people, and moving into the upper echelon of their businesses.

No matter what company they work for or position they hold, the playing field is level in the EMBA classroom, as students do not specialize in a single area.



Stuart Miller, E'84

Technology Consultant, Nashville
Prior to Owen: Assistant VP/Computer Services, Nashville Gas Company
Since graduation: CIO for three publicly held companies, including WorldCom, 1989-1995.

Benefits of degree: "It gave me tools to communicate on other than a technical level with senior executives and to be more forceful in my management style."

Highlights of career: "Watching a company grow from \$120 million in revenue to \$5.7 billion, and being an important part of that growth."

Advice to others considering an EMBA degree: "Don't expect the degree to open all doors. MBAs are now looked upon with more skepticism than 20 years ago. Be an intent listener, and remember your fundamentals and that you're part of a team, not the Big Kahuna."

"The program is designed to produce a general manager," says Böer. "Everyone takes the same classes, forcing them to learn a general set of knowledge. At the same time, they learn from one another, because they come from different businesses—dot-coms, banks, manufacturing companies, and start-ups."

Jon McClimon, '80, graduate of the first EMBA class and president/CEO of Environmental Monitoring Technology, Inc., and president/CEO of MSDSEARCH.com, Inc., in Hendersonville, Tennessee, says he clearly benefited from the program's broad spectrum. "I was a medical equipment salesman when I entered Owen, and



Richard Kotler, Donald Ifshin, Billie Turmenne, and Robert Bergman commuted from Redstone Arsenal, Alabama, and the U.S. Army Missile Command to be in the first EMBA class.

DANNY SULKIN

my previous education had been in hard science—biology, chemistry, physics, math. The most difficult aspect for me at Owen was learning there was not just one right answer. In science, you either get it “right” or “wrong.” In business, there’s a range of things that work and more that don’t. The trick is not to find the ‘right’ answer, but the optimal solution.”

Many students represent companies on the leading edge of technological development and organizational design

such as FedEx, Intergraph, Bridgestone Firestone, Orchid Automation, International Paper, and Nu-Kote. When students from such companies share their ideas or products in class, even faculty become students again. “By learning what’s going on in industry,” Rapisarda says, “faculty not only can incorporate that information into the executive classroom but bring it back into the regular MBA program as well.”

Corbette Doyle, E’87

CEO, Aon Financial Institution Alliance/Resident Managing Director, Aon Tennessee, Franklin, Tennessee

Prior to Owen: Insurance Broker and Consultant

Since graduation: Moved from a staff and individual client role to a senior management role with significant responsibilities for strategy.

Benefits of degree: “My education enhanced my strategic skills well in advance of when I would have acquired those skills through on-the-job training.”

Highlights of career: “Growing Aon’s healthcare industry revenue base from \$40 million to \$200 million in seven years, and achieving company and industry recognition while maintaining work/life balance.”

Advice to others considering an EMBA degree: “Don’t pursue an EMBA strictly for career advancement unless you are on a dead end path or want a drastic career change. If you are happy with your company and career path, pursue the degree for personal development reasons as much as for a career boost.”



Robert Henry, E’95

President/CEO, American Endoscopy Services, Inc., Nashville

Prior to Owen: Worked for medical device manufacturer

Since graduation: Started and sold a physician-driven management company; as CEO of present company, helped re-direct the company’s focus and sold it to a New York equity firm, continues to run the services side of the newly formed entity.

Benefits of degree: “I discovered my capacity for work is much greater than I had thought, and I became computer literate.”

Highlights of career: “Providing a work environment in which people can grow and fulfill their potential; finding a buyer for the

company that provided a substantial return for shareholders and employees.”

Advice to others considering an EMBA degree: “Get your EMBA if you want to be challenged and expand your horizons. Do the program if you plan to give more than you receive. Don’t do this program to say you have an MBA.”

Real-Time Curriculum

Students quickly get back into the swing of school, and learn concepts and skills that they bring back to their workplace. “Students are able to distill from the classroom, even from the earliest days, aspects of management that they bring back to their jobs,” Rapisarda says. “I have heard many stories of students who took what they learned and saved their companies hundreds of thousands of dollars.”

Students take The Strategy Project, a capstone course in the second year, which has become one of the most vital parts of the program. Students, in addition to their courses, work with an

Students are able to distill from the classroom, even from the earliest days, aspects of management that they bring back to their jobs.

established company of their choice, analyzing the business and devising a set of strategy recommendations for solving problems. During the spring, they conduct a project based on their companies “that integrates everything they’ve learned in the program,” Böer says. “The quality of the students’ work is comparable to that of a consultant of a major consulting firm. They’re looking at the company from a CEO’s viewpoint—a total picture of the company.”

Students also travel as a group with faculty to a foreign country in the second year to study business practices in an international context and to develop an awareness of international issues that is necessary for today’s man-

agers and executives. In past years, students have visited companies and analyzed economic systems in Brazil, Argentina, China, France, and Amsterdam, and this year traveled to Czechoslovakia.

A Team Approach

As with the regular MBA program, teamwork is a significant component of the EMBA experience. Students learn quickly to value the experiences and expertise of their peers.

“Getting an MBA while working full time is not unlike being involved in a military campaign,” McClimon says. “The demands on the individual are such that you either bond with your classmates or you fail. As we struggled with class work, jobs, and family, we realized that we must work together as a team to be successful.”

Mark Wright, ’84, director of the Blue Chip Venture Company in Stamford, Connecticut, echoes McClimon’s sentiment. “The EMBA program is a two-year searing boot camp that inculcates its charges in the fundamental management value of collaboration. That engineer sitting two rows down may be your salvation in getting you through operations management. In turn, you may be that engineer’s salvation when it comes to grasping the refined nuances of organizational behavior.”

Rich Harris, ’01, president of CB Investments, LLC, in Nashville, believes the EMBA program gave him the confidence to start his own company. Some of that assurance stems from the collaboration skills he learned in EMBA group projects. “While I am athletic and played several different team sports,” says Harris, “I haven’t



Glenn Perdue, E’95

Senior Managing Consultant, LECG, Nashville

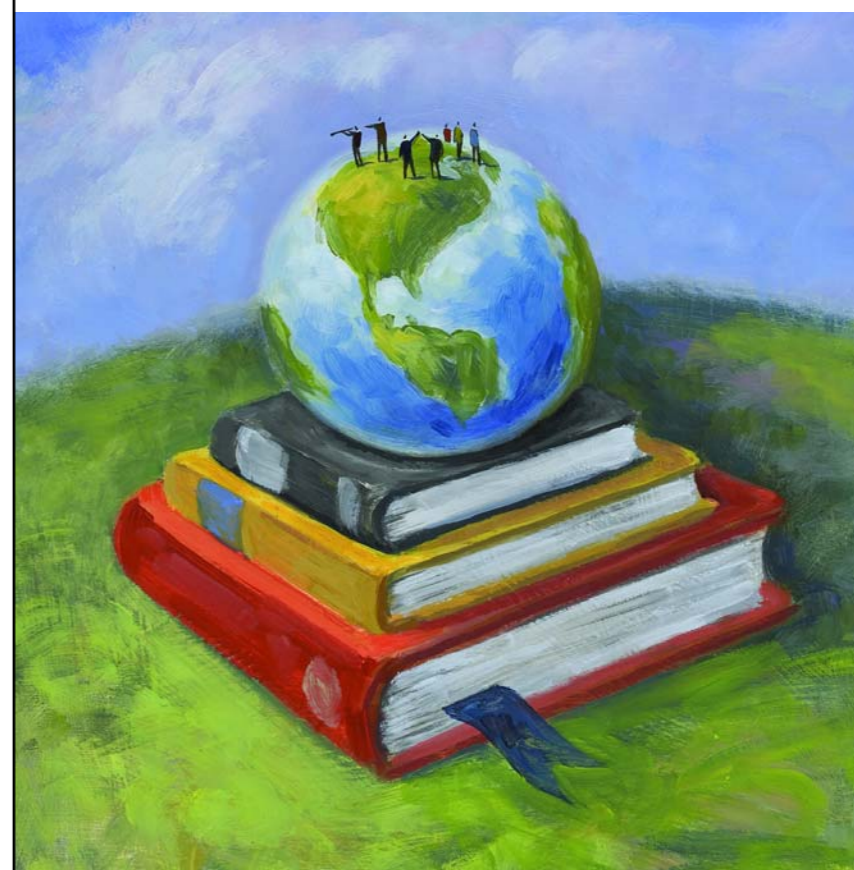
Prior to Owen: Created and sold Transouth Systems Group; associate at a venture capital firm.

Since graduation: Business and IT Consultant; launched several start-ups before joining LECG in 2002.

Benefits of degree: “I already had entrepreneurial and venture capital experience but wanted the EMBA to understand business at a deeper level. On any given day, I may work with a client on a valuation, a systems design issue, or

a strategy project. The degree gave me an analytical toolkit that transcends industries and disciplines, enabling me to address these situations with confidence.”

Highlights of career: “Developing insight and knowledge that makes or saves money for the client. The ultimate is doing so in a way that creates value for the client and knowledge for everyone involved.”





DANIEL DUBOIS

Tamer AbuAita and Dan Beuerlein, class of '03.

always been part of a team in the office. I learned being part of a good team is more important than individual accomplishments. Everyone has different skills, and that's what makes a team so powerful."

A Committed Faculty

The EMBA experience is clearly enhanced by the faculty, who each bring a unique set of skills and experiences to the classroom.

Professors Böer and David Rados, for example, have taught in the EMBA program since its inception, and their contribution to the curriculum and advancement of students' careers cannot be overstated. Rados imparts the importance of marketing to students, and Böer, the strategic use of financial numbers.

"In marketing, students learn how to analyze problems, taking into consideration a myriad of uncertainties," Rados says. "There are substantial uncertainties about what the customer will want two years from now, about

Getting an MBA while working full time is not unlike being involved in a military campaign. Struggling with class work, jobs, and family, students must work together as a team to be successful.

what your competitors are going to do, and what the dollar and the government are going to do. Retailers, wholesalers, jobbers, and distributors' interests also have to be taken into account."

"Rather than just handing students a set of tools to use, I try to give them a manager's viewpoint, getting them to think about business problems from a financial perspective," Böer says. "I explain that if they can learn how to do this, they can solve just about any problem they encounter."

Faculty/Student Awards

In 1998, then Professor Bill Christie and his wife Kelly, registrar, decided to

establish the Award for Leadership in Executive Education, awarded annually to a graduating EMBA student. "What is unique is that the students are the ones responsible for selecting this individual," Christie says. "The EMBA program is meaningful to me, and we wanted to ensure that the recipient receives at least a token \$1,000 prize with the award. When our dean at the time, Marty Geisel, passed away in February of 1999, Kelly and I immediately wanted to name the award in his name. Marty was a great friend and advisor, and he too loved the EMBA program."

Just as Christie endowed an EMBA award out of his love for the program, so too did alumnus David Davis, '87, a physician, and others in his class, in creating the EMBA Outstanding Teacher Award, also given at Commencement. Christie was one of the earliest recipients, honored in 1993. "It was a signal to the rest of the faculty that a star had arrived," says Davis. "And I guess you'd say the rest is history."

Alumni On Board

Alumni are a principal source of recruitment of new EMBA students because, according to Rapisarda, "they know what it takes to endure and succeed in the program, and are in the best position to identify colleagues and friends who could benefit from a Vanderbilt MBA. Our alumni are not only our field representatives, but also strategic partners."

Alums are now going to be even greater partners with the advent of the Owen Alumni Board's EMBA priority team. According to Nancy Abbott, '91, chair, the team is charged with bring-

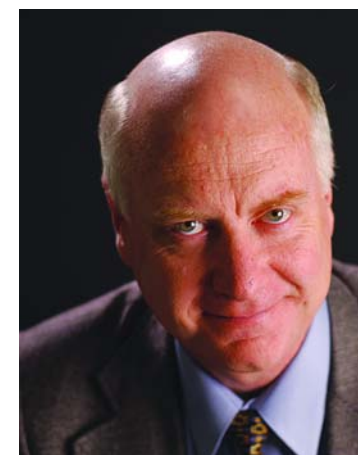
ing more alumni input and focus to the EMBA program, and other executive education offerings (short courses and custom programs).

"The team will solicit advice from other board members and those in industry on how to make the programs better, and publicize Owen's offerings to companies to interest them in sending employees through the EMBA program and executive seminars and workshops, and in establishing custom education programs."

Challenging Economy/ Bright Future

Owen's program, like other executive MBA programs, has been dramatically affected by the economy, most notably in the way companies support and sponsor people for executive development. In a tight economy, funding dries up, and companies are pressured to do more with less management personnel, making it difficult for employees to take time off work for classes.

As a result, more students are funding themselves through the program, believing the degree will give them the resources to weather tough times. "I call it defensive credentialing," Rapisarda says. "Students with the degree become



Wayne Beavers, E'98

Attorney, Wadley & Patterson, Nashville

Prior to Owen: General Counsel, Gibson Guitar Corporation

Since graduation: Private law practice; Owen Adjunct Professor, teaching courses in business law and intellectual property management.

Benefits of degree: "It gave me a better understanding of the business side of legal matters and helps me to devise practical solutions to clients' problems."

Advice to others considering an EMBA degree: "It is an eye-opening experience that will benefit you in more ways than you can imagine."

Gary Cone, E'99

President/CEO, Global Productivity Solutions, Clinton Township, Michigan

Prior to Owen: Sold a business and was temporarily retired

Since graduation: Started five businesses, two of them Latin-American based.

Benefits of degree: "It has enabled me to go into the boardroom of any corporation in North or South America and talk with credibility about their business."

Highlights of career: "I was able to help create Six Sigma Consulting, now worth approximately \$250 million per year, and have led change efforts worth more than \$2 billion in quantifiable savings."

Best general advice: "Embrace the Latin American business community.

The momentum of business today is toward China, but our most important emerging market is to the south of us."

more valuable to the company, more recession-proof, and more marketable. I tell students that if the proof is in the performance, and that's how companies are judging you, you have an opportunity to show enhanced performance through knowledge gained in the program. Students who do so get increased visibility in the company and stand the best chance of moving up."

Edith Kelly-Green, supervisor, general accounting, Federal Express Corporation, Memphis, and John Wells, VP/general manager, Big Sandy Hardware Company, Hagerhill, Kentucky, in 1980.



DANNY SULKIN



Dean Sam Richmond, Ken Roberts, left, graduation speaker, and Harvie Branscomb, chancellor emeritus, led the procession in the first EMBA graduation in 1980.

EMBA Beginnings

Developing the Weekend Program Just-in-Time

BY SAM RICHMOND

Establishing the Executive MBA program at Vanderbilt was a little bit like having a child. And, like a proud father—25 years later—I smile at its success. The program, however, might have never gotten off the ground, or at least not 25 years ago. Some dedicated people realized that an EMBA program was important to the future of Vanderbilt's Graduate School of Management and worked diligently to pull it together in record time. Now, just 25 years later, it is rated the 17th best executive MBA program in the world.

The EMBA Concept

The concept of a weekend master's degree program in business for working executives was introduced at the University of Chicago in 1943, and other universities soon followed. Columbia University, where I was on the faculty, was an early adopter and first offered a master of science degree rather than the MBA. Universities offering the master of business administration degree adopted the EMBA designation for their programs. I believed the EMBA was the way to go, and that the degree diploma received at graduation should be identical to the diploma awarded traditional day students. And that is how the program is designed at Vanderbilt.

I played various roles in the establishment of Columbia's program and



became convinced that such a program should be an essential part of any university's graduate school of business. Thus, when I came to Vanderbilt as dean of the Graduate School of Management in September 1976, the creation of an EMBA program was high on my list of priorities.

What follows is not a rigorous history of the EMBA program at Vander-

bilt but a personal memoir about the program and my love affair with it.

By virtue of the wonderful talents of Steve Waterman, director of development, I had the advice of the "steering committee" of the Associates Program. This group of Nashville business leaders acted not only as fundraisers for the School, but as the dean's personal and unofficial cabinet. It included Peck

Owen, Matt Wigginton, Bill Waller, Sam Fleming, Pat Wilson, Jack Anderson, Jack Kuhn, Jimmy Webb, Charlie Kane, and Ken Roberts, to name a few. They were devoted to the idea that Vanderbilt should have a premier school of business, and indeed, without them, the School could not have survived.

When I informed them in late 1976, two months after my arrival, that somehow in the fall of 1977, we would inaugurate an EMBA program, they in a single voice rose to counsel the impulsive dean and to dissuade him from that foolish idea. "You do not have the facilities." "You have at most 10 teaching faculty." "You must wait at least a few years." "There are higher priorities." Etc. Etc. They convinced me, but in my heart, I saw only one year delay.

Concept Becomes Reality

As the first step toward my goal, I redoubled my recruiting efforts, and the next fall five new faculty members arrived: Germain Böer, David Furse, David Rados, Martin Weingartner, and Roland Grandpre. As alumni are aware,

Thirty-two students registered to begin the nonexistent EMBA program the following fall. We had sold them an empty bag, and now we had to fill it.

each had an important impact on the EMBA program, but Grandpre was the crucial factor.

Grandpre had been my student at Columbia in the mid-50s, and some years later, he asked me to be a guest lecturer at the University of Sherbrook in Quebec, where he taught management. He then became head of a private executive school in Winnipeg, Manitoba, and I continued to regularly participate in his programs. In 1977, when it became clear that we needed someone to start and head the planned EMBA program, it was equally clear that Roland was that person.

He and I agreed on an employment package that would bring him to Vanderbilt, and I cheerfully presented that package to the provost, Jim Surface, who promptly rejected it as a gross violation of his table of organization. "We just cannot do this!" I responded that I

knew of no one else who could be depended on to get the job done, and that I needed him so badly I would appeal his ruling to Chancellor Alexander Heard, the ultimate authority. Jim replied that he would save me the trouble; he was seeing the Chancellor the next morning and could bring the matter to his attention.

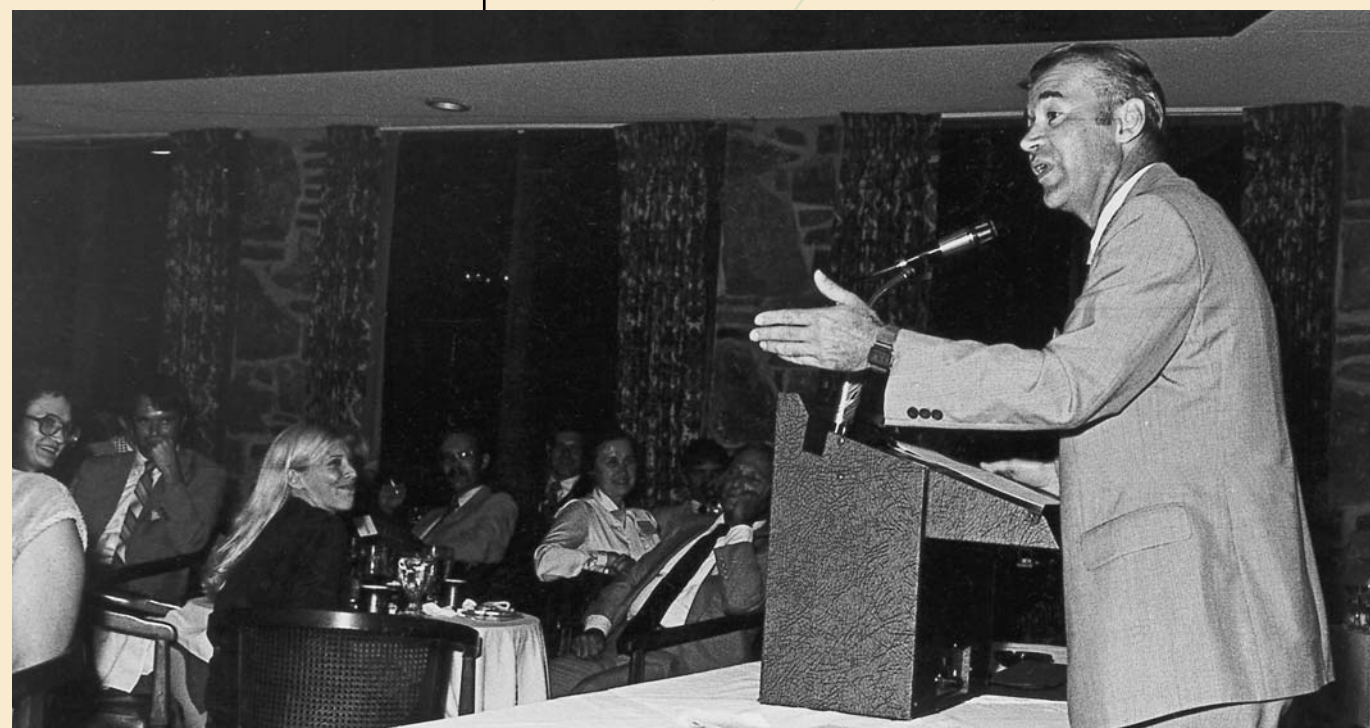
Perhaps because I was recently from New York, I was in a combative stance, and as we were adversaries in the matter, I did not believe he could present my case adequately before the Chancellor. He convinced me he could, and sure enough he called me the next morning, saying the Chancellor had overruled him, and I could proceed with the Grandpre package.

The First Year

Roland arrived in the fall of 1977 and hit the ground running. The bottom line is that 32 students registered that year to begin the nonexistent EMBA program the following fall. Roland had sold them an empty bag and now we had to fill it.

The experiences and adventures of EMBAI are legendary! (See Synnott sidebar p. 25.) The students were bright, motivated, and adventurous. Many still stay in touch, and I enjoy sharing their reunions with them. But that is getting ahead of the story.

Although we developed the curriculum quickly, finding teachers was a problem. We wanted only the best and went to great lengths to find them. We did not have a local person for one course, so Roland chose Professor Jerry Gray from Winnipeg, who traveled to Nashville every other week for a semester. He is still remembered with affection by students of EMBAI.



Grandpre

The program started with a week in seclusion at Fairfield Glade Resort on Labor Day, 1978. The first meeting was a pre-dinner reception (jackets and ties for the men), followed by dinner, and the dean's welcoming speech.

Giving that annual speech was a source of joy for me, and I changed it little from year to year. I told them that they could and would be successful, that our selection process was intended to ensure that. That they would make lifelong friends within this group of strangers, and that the experience would bind them to one another in the same way military service does.

They were warned that the program would be demanding of their time, that undertaking this essentially full-time academic program while continuing to hold their full-time jobs would leave little time for non-academic activities. Consequently, the program would place severe demands on spouses, whose

Blueprint for EMBA Success

Dean Richmond brought me to Vanderbilt for several reasons, prominent among them to determine the feasibility of a successful Executive MBA program, determine the parameters for such a program, and to win the support of the business community.

We wrote to 80 CEOs within a 250 mile radius, asking that they meet with us to discuss the idea of an EMBA program. Fifty-five agreed, and following these meetings, we concluded it was a feasible notion, and that an optimal structure for the program would be a one-week residential session, followed by biweekly meetings.

The faculty determined the program content, which we then took back to each of the CEOs, and urged that they sponsor students. After this round of meetings, we estimated a first-year enrollment of 33 students. We also decided that exceptional students without an undergraduate degree would be considered for admission. Indeed, four such candidates were admitted into that first class, and two of them graduated first and second in the class standing.

A marketing program was developed and implemented, and the rest is a most satisfying history. An important part of our marketing program was a series of informational meetings in various cities. My wife Jackie managed the details of these meetings, and Dean Richmond joined us for the presentations when possible.

For Jackie and me, our association with the Owen Graduate School of Management and the truly exceptional people who were our EMBA students was a high point in our professional and personal lives. —Roland Grandpre



Alexander Hall, the former funeral home, where classes were held in the early years.

cooperation was essential for their success. The good part is that what they learned in the program would stay with them forever and change their lives in many ways. Dozens of graduates over the years have told me that their experience did unfold the way I predicted that night, and the program did indeed change their lives.

I also had the privilege of delivering the first lecture, on the topic of operations research, and in later years, on statistics, and tried to set the standard for a demanding yet achievable level of academic difficulty. Many students were frightened and tempted to run, but they were highly motivated and stayed and succeeded!



Sam Richmond with students, October 1993.

Success Factors

Motivation was important and the primary factor in my own evaluation of applicants for the program. Whenever prospective students told me they were interested but uncertain because they had not had math for 15 or 20 years—or for some other reason—I often responded that they could make it because they had met the three critical criteria: They had to be bright, they had

The students were told they would be successful in the program—that our selection process was intended to ensure that. They had met the three critical criteria: they had to be bright, they had to be motivated, and they had to be motivated.

to be motivated, and they had to be motivated. (Not a misprint.)

The EMBA program was fortunate in the early years to have the leadership of Associate Dean Grandpre, and later Associate Dean Linda Phillips-Madson. We quickly realized we needed a preparatory short course in mathematics and hired Paula Sloan, who developed and presented that program for several years, and who still lives fondly in the memories of her students. The day-to-

and ways in which they could help their spouses succeed. Prior to that day, I would send the spouses a simple problem involving space allocation in a department store. Some were able to solve it, but most found it difficult. I solved it for them that day on the board, using a graphic two-dimensional linear programming procedure that was understandable to them. The point I wanted to make was that modern mathematical techniques can be highly useful and surprisingly graspable.

It is now 17 years since I was dean and seven years since I taught in the EMBA program. Much has happened in the interval. What has not changed is that Owen's program is one of the outstanding of its kind and is now recognized as such in this country and around the world.

EMBA students have much in common: they work hard, forego many other activities, work closely in teams, and strive to do well. It is, nevertheless, a distinct journey for everyone. Each student, considerably older and more experienced than the typical university student, brings his or her unique history and experience to the program, and likewise takes away an individually appropriate bundle of knowledge, skills, and attitudes that, for that person, are the most fitting, needed, and appealing.

Finally, one of the nicest things about EMBA students and alumni is that they enjoy and appreciate the program, and it shows.

day administration of the EMBA program has always been entrusted to a staff person, affectionately known as the "Den Mother." Becky Fritts has brought distinction to that position for 19 years.

Additionally, we recognized that cooperation of spouses and significant others is critical to the life and success of EMBA students, and instituted Spouses Day, which offered a variety of programs designed to explain EMBA

EMBAI

BY LEE SYNNOTT, '80

Thirty-six people entered the EMBA program in 1978 and met for the first time at Fairfield Glade Resort for a week of "in resident work," which turned out to be mental boot camp. Our lives were never the same. We averaged 35 years old, and for most, school had been a long time ago. We were entrenched in our careers and worked long weeks. But we were willing to make the time and energy the program demanded in order to "get ahead."

The first morning, after an orientation session and introduction to an unbelievable number of textbooks, we had our first lecture. Dean Sam Richmond gave an eloquent talk on queuing theory, scaring the devil out of us.

The workload—beginning that week and continuing for two years—was enormous, especially on top of the jobs we held. Fifteen of our group traveled from such places as Memphis, Birmingham, Huntsville, Chattanooga, and even Paintsville, Kentucky, and they had it tough.

Fear of failure bonded us in a special way. Understand that we were a group of competitors, each of whom hated to lose. Be it making the best presentation, winning the volleyball, game, or betting the top score on the test, we all wanted to be successful. Dean Richmond was heard to remark that the three most important characteristics for success in the program were that first you have to be bright, second you have to be motivated, and finally that you have to be motivated, and we were. But we soon learned that to get through our



Synnott

total workload, we had to depend on each other.

We became close and even partied together. Near the end of that first week, for example, we "borrowed" a piano and guitar from the bar and transported them to one of our condos at Fairfield Glade and had a terrific party that helped blow away the tension and

Fear of failure bonded us in a special way... Our classmates became as important a resource as our professors.... We became close and even partied together... We pledged to be there for one another, and we were.

concerns we had over the curriculum. Starting then, we pledged to be there for one another, and we were.

Our classmates became as important a resource as our professors. No matter the subject, someone was expert in that particular area and willing to share knowledge with the rest of us. The group's energy was catching. We looked forward to seeing one another and solving problems together in study groups, in work situations, and career counseling sessions.

Not only were our classmates a

diverse group, but so were our professors. Several traveled from distant points to be with us every other weekend. Between the Vanderbilt faculty and visiting professors, we ended up with world-class teachers. People like Germain Böer, Ken Gaver, Ivor Berg, Jim Surface, David Rados, Jerry Gray, and others became friends as well as mentors. On Friday nights after dinner at the University Club, we also heard successful businessmen explain the keys to their success, stimulating sessions even after a long day in the classroom. I was able to use several of their ideas in my own business.

Dean Richmond assigned Roland Grandpre the responsibility to launch the EMBA program, and from EMBAI's standpoint, he did it well. Roland and his wife Jackie nurtured each of us through the program, with Sam lending considerable

support. The recruitment of both students and professors was excellent and led to the remarkable chemistry in the program.

More than half of my classmates became presidents or CEOs of their companies, and others hold major responsibilities in multibillion dollar companies. Now averaging 60 years in age, most of us would say we could not have enjoyed the same measure of success without our EMBA experience. Our compensation per person will be millions of dollars better because of this

Fritts: Heart and Mind of EMBA

Becky Fritts has dealt with everything from haunted houses to missing persons during her 19 years as EMBA program coordinator.

A few of her more interesting adventures have occurred in New Harmony, Indiana, where beginning students start their Executive MBA experience with a week in residence, attending classes from 8 a.m. to 8 p.m.

"They have a haunted house in New Harmony, and one year we housed faculty there, because it is spacious," Fritts recalls. "Well, in the middle of the night, we had to move the faculty out of the house because they said it was haunted. They 'heard and saw things.'

"Sam Richmond [dean emeritus] stayed there, and I asked him, 'Sam is it really haunted?' He said, 'Yes, but they're friendly.' Not surprisingly, Owen doesn't use the house any more."

It was also in New Harmony that a student went AWOL.

"One student disappeared after a couple of days," Fritts says. "We looked everywhere and couldn't find him. We called back to Owen to see if he was there, and had the police looking for him. It turned out he had a toothache and went back to Nashville to go to the dentist. He just didn't tell anyone that."

There have been other obstacles at times. When Vanderbilt started its International EMBA program targeted at people doing business in Central and South America a few years ago, many of the applicants who called spoke only Spanish or Portuguese.

"None of us spoke those languages," Fritts says, "so we hired a student who could speak Spanish to answer the phones for awhile."

Despite the occasional hectic times, Fritts is convinced she has the best job in the world. "The students make the



Becky Fritts, EMBA program coordinator, and Martin Rapisarda, associate dean of Executive Education.

job—we've laughed with them and cried with them. We've had births, deaths, marriages, and divorces. I hear from former students all of the time. They're amazed that I remember their names. I've made a lot of friends in the EMBA classes over the years who are still friends today."

Current and past EMBA students send her wedding invitations, birth announcements, birthday party invitations, and other invitations. "If I went to every event, I wouldn't have time to work," she says with a laugh.

Fritts also has traveled extensively through her job. Every spring, the EMBA second-year class participates in an international residency, studying businesses outside of the United States for eight or nine days. Fritts has accompanied the group to Argentina, Brazil, Hong Kong, Paris, Budapest, and Vienna.

"When we think about what distinguishes Vanderbilt's EMBA program from the competition, it is clear that many have great faculty, great facilities, and terrific courses. What they don't have is Becky Fritts," says Martin Rapisarda, associate dean of Executive Education. "She is the critical difference."

"Becky has been a dear friend of the School since I've been involved in the EMBA program, which is now over a decade," adds Dean Bill Christie. "Students, staff, and faculty have a warm affection for her, and she is dedicated to ensuring students' interests are well represented. EMBA grads always ask about her whenever I visit them. She is a wonderful symbol of the spirit of enthusiasm and drive for excellence that we all strive to bring to work each day."

—Lew Harris

EASTMAN CHEMICAL: A GOOD MIX FOR OWEN MBAs

One of the more memorable lines from *The Graduate* is when family friend Mr. McGuire says in deadpan fashion to the newly graduated and vocationally-challenged Ben: "I just want to say one word to you—just one word: *plastics*."

What the 1967 movie script referred to was the explosion of plastics occurring in the late '60s, just before Eastman Chemical found its niche as a major player in the plastics industry. Eastman had its genesis in 1920 as Tennessee Eastman Corporation (a supplier of photographic chemicals to Eastman Kodak Company) and over the next eight decades, evolved into Eastman Chemical Company, an independent publicly held company, and the world's largest supplier of polyester plastics for packaging and top 10 global supplier of custom-manufactured fine chemicals for pharmaceuticals, agricultural chemicals, and other markets.

Despite its successes, Eastman in recent years has struggled to redefine its niche in this second industrial revolution in which information, rather than production, is what is increasingly of value. (See related article, page 7.)

"We are in the process of transforming ourselves to match changes occurring in the economy," says Brian Ferguson, CEO, explaining that Eastman's strategy has included starting new companies that bring their expertise in distributing and moving chemicals, provide regulatory information and software products, and offer coal gasification services to other companies. "And because it is harder today for any one corporation to have all the capabilities and skills needed to be successful, Eastman increasingly is looking to educational and public institutions for technical, business, and strategic help," he adds.

This innovative and creative culture is fertile ground for Owen-generated solutions. Current student Fernando Subijana already is making his mark on Eastman's future. The Argentine entered the MBA program in 2001, but on the last day of his internship with Eastman last summer was hired full time to implement his plan for customer segmentation for its North American Coatings Business. The company is sponsoring him in the EMBA program for his second year of school.

Carlos Alvarado, E'03, manages the supply chain for the North America Container Plastic Group. John Butler, '96, pricing manager for the Coatings Business, works with product managers in developing strategic direction for product lines and interfaces with distributors on pricing and product issues. Hubert Cui, '02, is an advanced auditor in Corporate Audit Services.

The company, located in Kingsport, Tennessee, a city not known for international cuisine or as an international travel hub, nevertheless opens a win-

dow on the world for the state. With more than 15,000 employees worldwide—located from Batesville, Arkansas to Sokolov, Czech Republic—there are plenty of international opportunities available. Cui will have assignments in Mexico and Argentina this year; Butler travels to Asia and Europe to meet with customers; Subijana supports a team that is developing a marketing strategy for Latin America; and Alvarado earlier worked at the Latin American headquarters in Miami, which better prepared him for managing products globally.

That the top management operates with the highest level of ethics and integrity is another factor the foursome said attracted them to the company. And to say there is access to top management is an understatement: Shortly after Butler joined the company, he flew on the corporate jet and was served breakfast by the CEO in upholding the tradition that the highest ranking employee onboard serves the other employees. —Beth Matter



In the mix: Carlos Alvarado, John Butler, Fernando Subijana, and Hubert Cui.