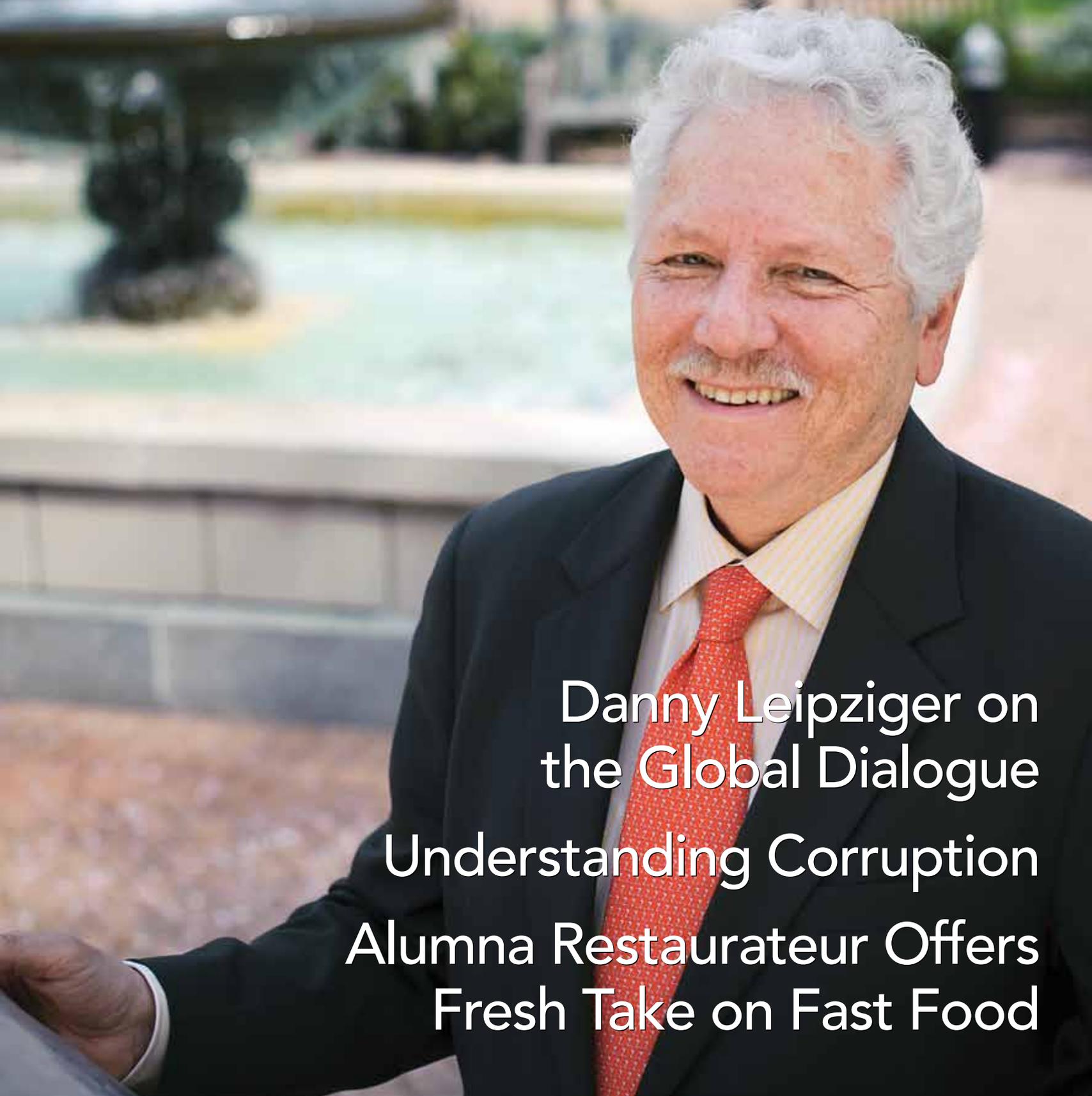


GW business

FALL 2011

THE GEORGE WASHINGTON UNIVERSITY



Danny Leipziger on
the Global Dialogue
Understanding Corruption
Alumna Restaurateur Offers
Fresh Take on Fast Food

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BusinessWeek

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The George Washington University School of Business



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Dean's Welcome



Corruption affects every industry, every nation, every business and, ultimately, every one of us.

In recent months, before the Rupert Murdoch headlines, before Chinese journalists bravely questioned the high-speed train crash “that never should have happened” and before whatever scandals will surface between my writing and the publication of this magazine, corruption has been on the minds of our faculty, our alumni and our students.

Is it a “moral problem” or a “cost of doing business?” And if corruption is unavoidable, who pays both the immediate and the long-term costs? How does it affect rich and poor countries, corporations and individuals? These are quandaries that a number of our faculty thought leaders and other observers examine in this issue of *GWbusiness* (page 8), leading us to a deeper understanding of corruption in its many forms.

Our faculty has always been committed to examining tough issues, preparing our students and helping our community navigate beyond conceptual problems to forge real change in the world.

In this issue, we also profile one of our leading researchers, Danny Leipziger, who served as vice president of the World Bank’s Poverty Reduction and Economic Management network before joining our faculty. He has launched “Growth Dialogue,” a forum that links academics, government figures and local and international experts with a common interest in the developing world (page 4).

Challenges come in many forms, and solutions come in unexpected shapes. One of our alumnae, a native of France who moved to D.C., was growing tired of the “fat, fast American food” she encountered at every turn. So she launched a delicious enterprise—Litestars—on L Street in D.C. (page 20). At Litestars, you can enjoy a delectable meal, a glass of wine and a tasty dessert, without the fries, calories or guilt. You may see the concept spreading.

Finally, I am sorry to share some sad news with you. One of our most respected colleagues and beloved teachers, Dr. Salvatore “Sal” F. Divita, who was a part of GWSB for 43 years and had recently retired to serve as professor emeritus, passed away this past summer (page 27). We know that many of his former students will remember him fondly.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Guthrie". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Doug Guthrie
Dean

Professor of Management
Professor of International Business



DANNY LEIPZIGER ON THE GLOBAL DIALOGUE

By **Richard Willing**

Photography: **Julie Ann Woodford**

DANNY LEIPZIGER'S 28-YEAR CAREER at the World Bank may have been winding down as he neared the bank's mandatory retirement age of 62. But Leipziger himself, a world-wise New Yorker then serving as the vice president of the bank's Poverty Reduction and Economic Management Network, was just picking up steam.

"I felt that all my experience had made me something fairly unusual," Leipziger said. "I have academic credentials and real-world experience... I certainly didn't feel like a retiree."

So instead of retiring in 2009, Leipziger joined the School of Business. As professor of international business, Leipziger's expertise aligns neatly with Dean Doug Guthrie's emphasis on enhancing GWSB's global focus and presence.

For his part, Leipziger said that joining the faculty has re-energized him, allowing the continuation of his career-long commitment to eliminating poverty through economic growth.

"I've got great faculty colleagues, inquisitive and hard-working students," he says. "It has worked out well."

Leipziger has already made his presence felt. He has begun and maintains the Growth Dialogue, a forum that links academics, government figures and local and international experts with a common interest in the developing world and its progress. Leipziger has also become a timely and provocative columnist on the GWSB website, firing off one-pagers on subjects such as the outlook for growth, the increasing importance of behavioral economics and what the developing countries have learned from

the recent world economic crisis. (Those lessons? Rely less on U.S. markets and more on Asian markets, and increase focus on domestic development.)

His course on Managing Developing Countries is often over-subscribed. Last year, Leipziger called on his network of contacts to help 21 MBA candidates fulfill their consultancy requirement by working for a pair of green technology manufacturers in South Korea.

“He is an academic and a practitioner held in enormous respect,” said Guthrie, who took over as dean shortly after Leipziger joined the faculty. “He brings human capital, expertise and networks. I wish I had 10 like him.”

The Growth Dialogue is Leipziger’s signature project at GWSB, occupying about a third of his time. It is a successor to the Commission on Growth and Development, an independent body that from 2006 to 2009 produced research papers and special reports by scholars, political leaders and other experts. It also produced the *2008 Growth Report* and a follow up that examined fallout from the 2008 world financial meltdown, which the report had not predicted, and suggestions for the way forward.

Michael Spence, recipient of the 2001 Nobel Memorial Prize in Economic Sciences, led the 21-member commission. Leipziger was its vice-chair.

The Growth Dialogue kicked off with an October 2010 conference examining the 2008-2009 recession and its implications for world growth. In June 2011, a conference in Lisbon brought together policymakers from African states, private sector leaders and representatives from the African Development Bank to address constraints to regional infrastructure development.

This fall and into next year, conferences are planned for Penang, Malaysia (city-led growth), Paris (technical innovation) and Bellagio, Italy (changing growth paradigms). Nobel Prize-winner Spence will lead the gathering in Italy.

The Growth Dialogue has issued its first working paper, on South Korea, and—particularly pleasing to Leipziger—has begun to receive requests for experts to supply advisory services to developing countries in the Eastern Caribbean region.

“The [Growth Dialogue’s] project director and chief economist will have shops at the School soon,” he says. “We are moving ahead.”

Leipziger’s interest in the world of business and the business of the world goes back to New York, to his roots in the Riverdale section of the Bronx. His parents, immigrants from Germany by way of Brazil, used several languages to discuss big ideas around the dinner table. His father, with a background in the import-export business on three continents, was a particular resource.

Already a year ahead of his class, Leipziger graduated from the prestigious Bronx High School of Science in 1964 and from City of College of New York four years later. At Brown University, the thesis for his PhD in economics focused on economic policy in Canada.

After stints with the U.S. State Department’s economic bureau and policy planning staff, Leipziger joined the World Bank. He held managerial posts at the World Bank Institute and in the bank’s East Asia and Pacific region, and he was director for finance, private sector and infrastructure in the bank’s Latin America and Caribbean region. As vice president and head of the Poverty Reduction and Economic Management Network, his final World Bank assignment, Leipziger led 700 economists and other experts in developing economic policy and undertaking lending and analytic work for the bank’s client countries.

He won distinction for leading the bank’s \$3 billion economic recovery loan for South Korea and for pressing equally hard for an \$80 million donor-funded program, “Gender Equality As Smart Economics,” to improve the capacity of women in developing countries to participate in the labor force and generate higher incomes.

Along the way, Leipziger found time to write books on banking, economic policy and development in East



THE
GROWTH
DIALOGUE

Asia and Chile and to publish more than 30 articles in economic journals. He is a frequent contributor to the *Financial Times*.

His central thesis is the need for developing countries to identify likely export sectors—for instance, manufacturing in South Korea—and to bring government policy and private support to bear on the target.

Developing human capital, he said, is vital. Leipziger noted that South Korea, one of the developing world's

recent success stories, has a powerful GWSB alumni community: more than 1,000 MBAs.

Former colleagues say Leipziger's capacity for hard work springs from his intense passion for his subject.

"It's not just an academic exercise for him," says Mahmoud Mohieldin, Egypt's former minister of investment and now a World Bank managing director. Mohieldin worked with Leipziger on the Growth Initiative.

"He has a passion for what he is doing, and he is articulate. With Danny, it's about knowledge and skills, but also about beliefs," he said.

By way of example, Mohieldin explained that Leipziger used a variety of tools—newspapers, op-ed columns, newsletters, speeches, direct emails—to "make gender an economic issue."

"He doesn't ever stop," Mohieldin said. "He follows up on matters until he feels he has used every way and means of education to get his message across."

Vinod Thomas, Leipziger's World Bank colleague for 20 years, said a "light touch" and ability to "joke about the serious" made Leipziger a natural leader with an ability to keep the "whole thing in perspective."

"It was the intellectual edge and personal warmth that kept me so very close to him," said Thomas, now a director general and senior vice president at the World Bank's Independent Evaluation Group. "He had the spark and the wit, with all the seriousness when needed, at the meetings that we attended together for the better part of a decade."

Leipziger calls on all those skills as he assesses the post-recession status of most developing countries. The good news, he said, is that the developing economies as a group

survived the crisis surprisingly well. Their banks and investment houses were far less likely to hold toxic assets or engage in "financial shenanigans." The housing bubble, he noted, was "not a big thing in Senegal."

On the down side, the food and fuel crises that preceded the 2008 crash are "coming back into play" in developing countries. At the same time, developing countries that tried to follow the Asian model by exporting their way into prosperity now face an

international environment "far less hospitable to globalization and openness as [developed] countries retrench and worry about joblessness," Leipziger said.

"Most developing nations don't have alternatives to export-growing strategies," he explained. "They'll need to rely less on external growth, however, and find ways to be more productive."

Leipziger is from the school that says, contrary to past recessions, the world economy is unlikely to revert to the status quo. Instead, a "new normal" will emerge and it will feature continued but muted growth, higher debt and more government involvement in the economy.

For developing countries, Leipziger said, this is not all bad news. They will be forced to become less reliant on U.S. markets, more reliant on Asian markets and more focused on internal industrial development.

"The real key is the relationship between government [in developing nations] and business," he said. "You have to have a policy that relies on the private sector for exports and the public sector for infrastructure, and they have to be in sync."

For GWSB, the message in this is clear: By focusing on international business and, particularly, development, the school serves not only its students but the greater good.

"A school based in Washington, D.C., should necessarily leverage its position to be involved in poverty reduction and economic development," Guthrie said. "Beyond the broad brush strokes engagement with a major grounded issue, this is very much the way a business school can be a force for change in society." **GW**

"He doesn't ever stop. He follows up on matters until he feels he has used every way and means of education to get his message across."



Understanding Corruption

CORRUPTION IS A SCOURGE THAT STRETCHES FROM MULTINATIONAL FIRMS in the United States, to manufacturers in China, to farmers in Latin America. It has led to water scarcity in Spain, child labor in China, illegal logging in Indonesia, unsafe medicine in Nigeria and poorly constructed buildings in Turkey, where collapses have killed people.

Corruption affects every industry in every nation, according to Transparency International, a Berlin-based group that monitors corruption around the world. GWSB professors are actively involved in studying the nature, scope and effects of corruption—as well as ways it can be curtailed. Among other things, they find that poor and isolated countries, as well as those with weak democracies, large bureaucracies and state-controlled economies, are especially susceptible.

“Corruption has a devastating effect on people, especially the poor,” said Huguette Labelle, chairwoman of Transparency International. In developing countries and emerging markets, bribes to politicians and government officials total as much \$40 billion a year, according to the organization.

In times and places in flux, such as war zones, corruption is rampant and harder to control. If anyone is willing to pay bribes, it makes it all the more difficult for companies, contractors or governments that have no-bribery policies.

**By Francis X. Donnelly
and Sarah Kellogg**



The problem of corruption is massive, global and, at the most fundamental level, difficult to even define. According to Stuart Umpleby, a professor of management, any discussion of corruption must begin with a conversation about cultural conventions. That's because what

constitutes corruption in Western nations may not be considered corruption in emerging ones.

For developing countries, which lack a strong sense of national identity, family or tribal alliances may trump national loyalty and might even lead to practices that flout the rule of law. However, as Meghana Ayyagari, associate professor of international business, explained, "Most commonly it's defined as a bureaucrat or elected official breaking the rules for private gain."

Even when there are laws, it's not always clear what is covered. The U.S. Foreign Corrupt Practices Act, signed into law in 1977, makes it a crime to bribe officials of foreign governments, but the U.S. Chamber of Commerce said the government's interpretation goes far beyond government officials to include employees of state-owned companies. There is also a problem of liability when a U.S. company acquires an overseas company with a history of bribe paying. The chamber is lobbying for changes that would clarify the scope of the law.

U.S. Rep. F. James Sensenbrenner Jr. (R-Wis.), has indicated that he will introduce a bill to amend the Foreign Corrupt Practices Act.

Regardless of how it is defined, corruption still plagues the planet. Trace International, an Annapolis, Md., nonprofit business association, trains companies in anti-bribery compliance. In 2006, it set up a network that allowed businesses to report bribe solicitations. In the network's first five months, companies reported 1,500 solicitations in 136 countries. Two years later, Trace surveyed 2,700 business executives in 26 countries. Nearly 40 percent of respondents claimed they had been asked to pay bribes in the past year.

While all industries were affected, the hardest hit were construction, oil and gas, and mining, where more than half of the respondents said their competitors resorted to bribery in the past five years. Trace noted that the problem was even more common in Egypt, India, Indonesia, Morocco, Nigeria and Pakistan, where 60 percent of the executives were pressured to make illegal payments.

In the United States, the growth of corruption can be seen in the burgeoning caseload of the Securities and Exchange Commission and the Department of Justice, said Mark Klock, professor of finance. Wrongdoing includes insider trading, bogus analyst recommendations, sham financial transactions, the subprime mortgage crisis and the collapse of the credit derivatives markets.

Corruption is a serious barrier to global economic growth. GWSB experts have found that it discourages foreign investment, weakens institutions, erodes trust in government, dilutes effectiveness of corporate governance and imposes additional costs on businesses. In countries where corruption is widespread, it can even lower stock market valuation, said Jennifer Spencer, associate professor of international business.

Corruption also inflates the costs of public contracts, leads to biased judicial rulings and nurtures a dishonest political class that plunders public funds, according to Transparency International. Even small bribes are harmful because they're funneled through the political system and help sustain the corrupt ruling party, the organization said.

The cost is real. A Transparency International survey shows that half of the business executives polled estimated that corruption increases the cost of projects by at least 10 percent. Besides direct costs and lost business opportunities, the executives lose money through damage to their brand, staff morale and relations with other businesses and governments.

And the price can go beyond a company's bottom line to affect the country as a whole, added Renato Barbosa Medeiros, a graduate of the Minerva Program at GWSB's Institute of Brazilian Issues and a Brazilian government official who has looked at corruption in both North and South America.

"The costs of corruption are well-known: economic growth slowdown, impediments to development, compromised political legitimacy and weakening of democratic institutions," he said.





MULTINATIONALS

TIMOTHY L. FORT

Corruption Spawns Violence

When it comes to war, multinational corporations have been blamed for everything from causing the conflicts to profiteering from them. But the director of GWSB's Institute for Corporate Responsibility argues that business can be a force for peace.

Timothy L. Fort, who also is a professor of business ethics at GWSB, has written three books that show how companies, run honestly, can promote peace in society. "Ethical business behavior has an unexpected payoff," he said. "It contributes to more peaceful relations among people."

The premise for Fort's fresh take was a study he worked on with Cindy Schipani, professor of business administration at the University of Michigan's Ross School of Business. That research showed how corruption fuels violence. By comparing two indices, one measuring corruption and the other political conflicts, they discovered a nearly perfect correlation between corruption and violence in countries around the world.

The more corrupt a regime, the more likely it was to resolve disputes through violence.

The violence doesn't just flow from rulers, said Fort. Sometimes the populace is so frustrated by corrupt leaders that their resentment finally explodes in a physical act. The uprising that has spread across Arab countries began earlier this year with resistance against the corrupt leadership of Tunisia.

"Those protests were largely peaceful," Fort said, "but the point is the level of frustration that can build in a corrupt system."

Ethical companies build trust in three ways, he said. Hard trust comes from following the law. Real trust comes from running a company that is fair and honest to workers and customers. Good trust comes from moral excellence in everything you do.

Ethical companies can promote peace in countries by respecting their laws, contributing to economic development and engaging in community building. "To the extent that a company can have a strong anti-bribery policy, it does something to move the needle away from violence," he said.

In his book *Business, Integrity and Peace*, Fort shows it wouldn't be much of a stretch for businesses to behave ethically. He said the basic components are already in place. That is, peace and ethics are deeply rooted in human, even primate, nature. People and companies just need to draw upon those instincts in contemporary times.

Asked whether any companies are known for acting ethically in foreign countries, he said it's difficult to say because corruption is hidden far from public view. But, given that caveat, he said, Motorola, Caterpillar and Deere & Company all seem to run ethical shops.



LOCAL GOVERNMENT

ANGELA GORE

Morally Ambiguous Actions Can Corrupt

If you think people are outraged by stories of corruption in big corporations and among top CEOs, you should see how they react to malfeasance—or even the hint of it—at the local-government level.

For Angela Gore, associate professor of accountancy, the intersection of politics and accountability in municipal government has been an absorbing research subject. One of the most volatile areas is compensation packages, a practice that is often legal yet politically risky.

"When people look at corporate CEOs and their compensation practices, they aren't as upset as when they hear

of the supply side of corruption in a global setting. Most corruption research has focused on bribe-takers rather than bribe-payers.

By studying who pays bribes, Weiner hopes to illuminate the decision-making process inside companies. “People have to imagine they’re in the shoes of the manager,” said Weiner. “In the past, we haven’t been able to inform the thinking of MBA students because we haven’t looked at bribery from a manager’s perspective.”

Weiner also found that private companies were more likely to pay bribes than public corporations. “I thought the type of firm wouldn’t make any difference, but it did,” Weiner said. “Companies listed on stock exchanges tend to get a lot more scrutiny. Privately held companies don’t have to provide the same breadth of information and face the same scrutiny and are more likely to pay bribes.”

Weiner said quality research on corruption is difficult because it requires data about activities that happen in the shadows.

“People are much more aware of corruption today than in the past,” said Weiner. “How much of that translates into clean and ethical behavior is very hard to know.”



ENTREPRENEURS

MEGHANA AYYAGARI

Corruption Dampens Innovation

Developing countries need entrepreneurs to spur economic growth. But corruption in those nations tends to hurt the innovative companies more than other firms, according to Meghana Ayyagari, associate professor of international business.

That’s because the bribes that entrepreneurs pay government officials hamper economic progress in the countries,

she said. It makes the cost of startup ventures prohibitive by diverting money that could be reinvested in the firms.

“Innovation and entrepreneurship are considered the engines of economic growth and development,” she said.

Last year, Ayyagari helped write a working paper (unpublished) that studied corruption and tax evasion at 25,000 companies in 57 countries. The co-authors were Vojislav Maksimovic, professor of finance at the University of Maryland School of Business, and Asli Demirguc-Kunt, chief economist of the financial and private sector network at the World Bank.

Their study found that entrepreneurs paid a larger percentage of their revenue in bribes than established firms. Entrepreneurs were more susceptible to corruption because they needed permits, licenses and other government services more than other firms. And the more time an entrepreneur spent with government officials, the higher the bribes they paid.

Despite paying the bribes, the innovative companies received government services that were no better than the service received by established firms.

“Corruption acts as a tax on innovating firms,” said Ayyagari.

The study also looked at tax evasion among the 25,000 companies, many of which were small and medium-sized firms in developing countries. It found that companies financed by mainstream banks were less likely to evade taxes than firms that were informally financed from sources such as family, friends or non-bank institutions that lend money.

The reason banks curbed such cheating is that their financing involves more scrutiny and monitoring, said Ayyagari. “If a firm is going to evade taxes, it will have to maintain a separate set of books,” she explained.

The study suggests the need to reform the financial sector in developing countries. With banks acting as curbs against tax evasion, a strong banking sector could boost economic growth, according to the study.

The report also found:

- Smaller and younger companies paid a larger percentage of their sales as bribe payments than other firms.
- Companies owned by individuals or families paid higher bribes than companies owned by a bank, the state, another corporation, an investment fund or employees of the firm.
- Companies in the construction industry paid higher bribes than firms in the manufacturing industry.



FINANCE

MARK KLOCK

More SEC Oversight Isn't the Answer

If Americans are hoping that the solution to a turbulent decade of financial chicanery is improved or increased oversight by the Securities and Exchange Commission, their hopes are ill founded.

Just look how badly the SEC bungled its investigations of Bernie Madoff and his massive Ponzi scheme, said Professor of Finance Mark Klock.

If the United States is serious about stopping crooks in high finance, it needs to allow victims to sue not only the thieves, but any individuals or companies that aided or abetted the scheme, he said.

“The integrity of our entire market is at risk,” said Klock. “Capital is being drained and the economy is floundering.”

In an article in the Fall 2010 edition of the *Arizona State Law Journal*, Klock also argued that law schools should teach more about financial markets to prepare lawyers to deal with financial wrongdoing and other issues. He wrote that the SEC lacks the competence to prevent future financial calamities. In fact, he described the agency as a bunch of Barney Fifes, referring to the bumbling deputy sheriff from “The Andy Griffith Show.” He described how the agency investigated Madoff several times beginning in 1992 with none of the probes resulting in action against him.

Madoff’s investments were especially suspicious in that they yielded big returns with little risk and high liquidity, said Klock. But the SEC continued to find nothing, even as news publications such as *Barron’s* in 2001 raised questions about how Madoff obtained consistent returns that didn’t seem tied to the stock market or anything else.

“Anyone who has taken a course in finance understands that the first and most basic principle of financial markets

is that average returns can only be increased by taking on risk,” said Klock.

The SEC’s failure to find any wrongdoing helped assure people that it was safe to invest with Madoff, said Klock. In fact, Madoff lured investors by trumpeting that fact.

The answer isn’t creating more regulations or giving the SEC more resources, said Klock. The agency still lacks the expertise to do adequate audits. Instead, the United States needs to bring back the right to file federal lawsuits against people who assist securities fraud, said Klock. The Supreme Court surprised legal observers by ending the practice in 1994.

Changing the law back would give accomplices to financial wrongdoing a motive to behave properly because they would have to pay victims back when wrongdoing is discovered, Klock explained.

Now, fraudsters know they have a small probability of being subjected to enforcement actions, he said.

“They can hide in the vast market and take their chances,” Klock said. “The gamble seems like a pretty good one.”



REPUTATION

JENNIFER SPENCER

Reputation Protects Corporations

When operating in highly corrupt countries, a good reputation is a corporation’s best shield, according to Jennifer Spencer, the director of GWSB’s Center for International Business Education and Research (GW-CIBER).

International companies may be pushed to offer bribes in highly corrupt countries, but the degree of pressure

they face often depends on the company's reputation, said Spencer, an associate professor of international business. A firm with a tough, anti-corruption track record is better able to resist pressure to pay bribes.

"Even in highly corrupt environments, government officials face risks when they try to extort money from firms, and they may apply less pressure on firms or managers they think are unlikely to pay the bribes," Spencer said. "If a company builds a reputation for zero-tolerance of employees engaging in corruption, it may be able to insulate its managers from intense pressure from local officials."

That's not saying that high-corruption environments aren't challenging, even for the most law-abiding corporations.

"Corruption has a negative impact on most firms operating in a country for several reasons," said Spencer. "In terms of a direct effect, requests for bribe payments by government officials tend to both raise firms' operating costs and increase the uncertainty they need to deal with.

"But the broader economic effect is probably more detrimental for business. In a country with pervasive corruption, it becomes impossible to trust the economic institutions and that can have a broad impact economy-wide."

For example, in highly corrupt environments, banks and other investors cannot rely on accuracy of companies' audited financial statements, Spencer said. As a result, they have no way of knowing which companies are good credit risks or superior investment opportunities, she added.

Corruption in public infrastructure projects also can damage the economy, Spencer said.

"In a context where contractors can use corrupt means to avoid building roads or other construction projects to the required specifications, the result tends to be a crumbling infrastructure," she said. "And that affects the ability of firms throughout the economy to transport people, materials and final goods throughout the country and the world."

Surprisingly, Spencer's research showed that acquiring a local representative may do more harm than good.

"It seems that the more a foreign firm tries to localize its strategy in a highly corrupt environment—by taking on a local business partner—the more pressure it may face to engage in corruption," Spencer said, noting that local partners make it more difficult to maintain a zero-tolerance policy on corruption. "A local person may be more likely to give into a bribe because they have local ties and face greater pressures.



INVESTMENT

NELI KOUNEVA-LOEWENTHAL

FDI: Corruption Is No Deterrent

The folk wisdom that corruption deters foreign direct investment (FDI) in emerging countries—and that good governance and transparency are required to ensure robust FDI—isn't true for energy sector, according to Neli Kouneva-Loewenthal, a PhD candidate in international business who is studying corruption, FDI and the energy industry.

"Everyone thinks that corruption always has a negative effect on foreign direct investment," said Kouneva-Loewenthal. "What I'm finding in the energy sector is that the level of corruption, even excessive amounts of corruption, has no relationship to foreign direct investment."

It may be the unusual nature of the energy sector that makes corruption merely a cost of doing business. Heavily dependent on natural resources, the industry has high entry barriers and an extended horizon for returns on investment. "Corruption is not a high enough obstacle to stop firms from getting in," said Kouneva-Loewenthal. "A bribe won't necessarily stop companies, despite the fact there could be sanctions for paying it."

It is difficult to detect corruption, and the risk of getting caught and fined is lower than the perceived benefit, she explained.

Corruption in the energy sector is concentrated in two key areas: the extraction of oil and gas, and the construction of electric power grids, she said. These enterprises have high fixed costs, and the unwieldy projects rarely generate a competitive bidding process, she added.

“The theory is that if countries adopt and implement legal measures, economies will be more open to imports and exports,” said Kouneva-Loewenthal, noting the correlation between corruption and FDI depends ultimately on the business sector and the country.

Of course, there are many examples of countries that have eliminated corruption and flourished because of it. Singapore instituted ambitious—almost draconian—regulations against corruption, and its ranking on international corruption indices dropped from high to low.

Transparency International, a global anti-corruption organization, annually measures public-sector corruption around the world. In the 2010 Transparency International Corruption Perception Index, Singapore, Denmark and New Zealand were tied as the least corrupt countries on the planet.

Although Kouneva-Loewenthal’s research has focused on the energy sector, she believes similar results might be found in the security/military sector, some types of heavy manufacturing and other industries. She noted that countries where corruption is ingrained have no trouble investing in other corruption-heavy countries. But globalization—including FDI—may be lessening the acceptability of corruption.

“China, India, Russia and Brazil have high corruption levels,” said Kouneva-Loewenthal. “They certainly wouldn’t be deterred by corruption in other countries.”

But as those four nations become greater global players, they may feel pressure from international corporations put off by excessive corruption.

“As they develop, corrupt countries will become less corrupt and, in doing so, will pressure their developing country partners to become less corrupt,” said Kouneva-Loewenthal.



PUBLIC SPENDING

RENATO BARBOSA MEDEIROS

Transparency through Technology

Of all the roles the Internet plays in society, add one more—corruption fighter.

Websites that monitor government expenditures can assure that the money is spent exactly as intended, said Renato Barbosa Medeiros, a graduate of the Minerva Program, which helps government officials in Latin America sharpen their skills in economics and public administration. The program is offered through GWSB’s Institute of Brazilian Business and Public Management.

Medeiros, a financial analyst for Brazil’s federal Court of Audit, wrote a research paper for Minerva showing how the Internet could boost the transparency of government spending in Brazil and the United States.

“Through transparency, government creates confidence,” he said. “The ability to see how government uses the public purse is fundamental to democracy.”

This kind of financial monitoring would have other advantages, he said. It helps citizens get involved in government by following how their taxes are spent, boosts public confidence in leaders if the money is spent wisely and reins in leaders if they’re wasting funds.

“Such analysis allows anyone to gauge the effectiveness of expenditures,” said Medeiros.

As part of his research, Medeiros compared websites that track government spending in Brazil and the United States. So far, the United States does a much better job monitoring the money, he said.

In fact, the United States was ranked second in the world for Internet access to government data, according to a survey last year by the United Nations. South Korea was first. Brazil was ranked 61st.

Among the U.S. websites that measure expenditures is data.gov, a clearinghouse of government spending programs that was launched in 2009. Two others are recovery.gov, which tracks money spent under the Recovery Act, and usaspending.gov, which follows the expenditure of stimulus funds.

Brazil's websites are far more limited, Medeiros said. But even though the United States has better online tools for transparency, he said the United States can improve its monitoring. Websites do a good job of showing spending within an agency, but they don't allow money to be followed as it moves through different branches and layers of government.

For example, it's difficult to track funds as they move from a congressional appropriation to disbursement by a federal agency, Medeiros said. The technology is there, but it's a matter of persuading government agencies to work together to provide complete access to information, he added.

Ideally, he noted, the public would be able to follow the full cycle of spending: from an agency's budget request, to its congressional appropriation, to its disbursement by the agency.

upon, adopting publicity-friendly policies to out dictators who moved money from their home countries.

It's an approach that other financial institutions would be wise to adopt in the aftermath of the global credit crunch and the Arab Spring, according to Scheherazade Rehman, professor of international business/finance and director of the European Union Research Center. She said global banks can no longer claim innocence when it comes to ethics or corrupt practices within their own ranks.

"The banking community is facing a change in public perception that stems from the financial crisis. To the public, they were the bad guys," said Rehman, author of *Corruption and the Persian Gulf*. "If the financial sector doesn't get on the ball and clean up its own house, it will suffer. The public outcry is already forcing governments to put legislation in place."

International financial institutions must act swiftly to self-regulate and immunize their industry from a disgruntled public and disaffected policymakers, Rehman said. If they don't, they could face onerous and punishing banking regulations. In her current research, Rehman examines the debate around banks, transparency and standards, providing a starting point for international efforts in regulation and developing a rationale for early action by financial institutions.

"Regulations are coming in a haphazard fashion from various governments and multilateral institutions," said Rehman. "Banks like to know what regulations they're facing up front. They need certainty. Money doesn't like uncertainty."

A number of critical events over the last decade set the stage for a pro-regulatory climate: the Sept. 11 terrorist attacks, the accounting scandals of 2002, the 2008 financial collapse and the furtive flight of money during the Arab Spring. These events left the impression that financial institutions were not self-regulating, Rehman said.

"Due to the financial crisis, the rest of the world wants more answers and more regulation," said Rehman. "Up until now, banks have been able to justify their wall of silence. This silence is becoming more and more deafening in the wake of the Arab uprising."

Critical reforms are underway globally, most recently through the Basel Committee on Banking Supervision, the international forum for monetary and financial cooperation, which sought higher capital requirements for large banks and surcharges on banks engaged in risky activities. The International Monetary Fund (IMF) and the World Bank are also involved in setting more rigorous financial standards.



BANKS

SCHEHERAZADE REHMAN

Banks: Self-Regulate Now or Suffer Later

Swiss banks, once sacred for their silence about secretive account holders, changed their behavior with the recent Middle East uprisings. They acted before they were acted

Taking early action on reform can help reverse the impression that banks are governed by self-interest, at the expense of the public, Rehman said.

“Banks must actively seek to guide healthy regulation,” she added. “If they don’t, they will have to live with regulations they don’t like, and that may damage the financial sector’s growth in the long term.”



SPORTS

LISA DELPY NEIROTTI

Corruption Follows the Money

Worldwide sports spectacles can be cash bonanzas for the countries hosting them. The Olympics, World Cup and Pan Am games raise epic sums through ticket sales, sponsorships and broadcast revenues.

Because the cash is so plentiful, the sporting events are also ripe for corruption, said Lisa Delpy Neirotti, associate professor of sports management.

The chicanery could begin even before a country wins the right to host the prestigious events. The competition is so fierce that a government will offer favorable trade agreements to other nations in exchange for their votes to hold the event in the government’s country, said Delpy Neirotti.

Members of the International Olympic Committee (IOC), which decides where the Olympics will be held, have received cash, university scholarships, medical treatments and lavish vacations. “Everyone justifies the unethical practice based on cultural differences or as a requirement to be competitive,” said Delpy Neirotti.

The IOC tightened its bidding process after a voting scandal at the 2002 Winter Olympics, but the World Cup continues to experience corruption accusations, she said. In May, after years of dismissing claims of corruption, FIFA Vice President Jack Warner and Qatar’s Mohamed bin Hammam were suspended after an inquiry into reports that Caribbean soccer leaders were paid \$40,000 apiece to back bin Hammam’s later-abandoned bid to become FIFA president.

Another magnet for corruption is the construction of sports facilities and other infrastructure, said Delpy Neirotti. It is a lucrative business. China spent \$40 billion on construction for the Summer Olympics in 2008.

Some event organizers delay construction to the point where it becomes an emergency, and contractors must quickly be selected without going through the official procurement process, said Delpy Neirotti. That drives up the cost and the opportunity for kickbacks to the officials who select the contractors, she added.

Organizers may also overstate the price tag for holding the events, with vendors submitting false receipts attesting to the exaggerated cost. After receiving the money from the government, the organizers and the vendors split the ill-gotten gains, Delpy Neirotti added.

The chief executive of the 2014 Commonwealth Games resigned last June after it was discovered he had accepted a gift from a prospective supplier.

“What surprises me the most is how many people know of the corruption but turn their heads,” said Delpy Neirotti. “They do not want any repercussions.”

Another type of corruption that occurs in sports has left many professional athletes in financial straits, she said. That’s when the athletes enter into business deals with unscrupulous people who fleece them of their money.

One of GWSB’s customized education programs, STAR EMBA, tries to address this problem, said Delpy Neirotti. The program helps athletes, musicians and other artists and celebrities leverage the success of their personal brand into business and social achievements. One of its classes, on ethics, teaches students to thoroughly review prospective business partners and opportunities so they know exactly what they’re getting into.

“Throughout their lives, athletes are conditioned to trust team members,” said Neirotti. “This trust is often carried off the field and into business deals where partners are not as trustworthy.”



CULTURE AND CUSTOMS

STUART UMPLEBY

Corruption as a Cultural Phenomenon

For Stuart Umpleby, a professor of management, any discussion of corruption must begin with a conversation about cultural conventions. That's because what constitutes corruption in Western nations may not be considered corruption in emerging ones.

"Corruption is a pejorative term, and it is used a lot by people from Western societies who look at what are quite common behaviors in Southern and Eastern societies," said Umpleby. "In tribal societies, your affiliations are determined by your family and religion, and your loyalties are there first, above laws and even nations."

For developing countries that lack a strong sense of national identity, family or tribal alliances may trump national loyalty and might even lead to practices that flout the rule of law.

"People and leaders in many developing countries are more likely to ask: Who are you committed to? Who are you responsible for?" said Umpleby. "The concept of corruption doesn't come up in these societies because you're supposed to look after your family, your tribe and your friends. If you don't, then you're not a good person."

Umpleby isn't arguing that corruption should be accommodated. An obstacle to development, corruption undermines the state's ability to effectively deliver goods and services even while it erodes trust in the electoral and judi-

cial processes. Any attempt to counter its insidious effects, however, can only begin with a thorough understanding of its cultural role, he noted.

Take the practice of nepotism. In a nation where identity is determined by tribe or religion, hiring a loyal relative who needs a job makes more sense than hiring a more capable stranger. "In most of the world, you get to know someone and socialize before you do business," said Umpleby. "The reason you do that is you don't have a legal system to enforce whatever agreement you come up with. The agreement is enforced through a set of personal relationships."

Effectively battling widespread nepotism and bribery is a top priority for a number of international institutions including the United Nations, the World Bank and the African Union, Umpleby said. These efforts have focused on establishing international and regional anti-corruption standards.

Umpleby said many corporations also have come to the forefront, unwilling to accede to bribery to win contracts or access to markets and natural resources. He noted that IBM's anti-corruption policies have cost it in some cases, but they have also led to a more stable business environment. In 2010, IBM's anti-corruption campaign at its Chinese facilities resulted in some 120 resignations and demotions.

Covalence, the Geneva-based organization that rates corporate reputations, ranked IBM top among 581 international companies for its professional ethics and corporate social responsibility in 2010.

"IBM recognizes that corruption makes your costs unknowable, and it chooses what countries to enter based on that knowledge," said Umpleby. "If your costs are unknowable, then your operating environment is completely uncertain. That's no way to run a business." **GW**



Annie Leconte uses fresh, locally sourced ingredients to craft the tartlets, soups and salads that highlight Litestars' menu.

Alumna Restaurateur

OFFERS FRESH TAKE ON FAST FOOD

It was 1987. Annie Leconte, MBA, '99, left her native France and immigrated to the United States with her husband, Didier, and three young children.

She didn't know the language or much about U.S. culture. A successful retail entrepreneur in France, Leconte felt her best bet was to start at square one in her new homeland. She enrolled in English courses and studied for the GED.

But it wasn't just the language or education system that required an adjustment on her part.

"Coming here, of course, like everybody, I ate hot dogs and burgers," Leconte recalled. "But after a while I felt it on my waist, I said, 'No way, I can't go on like that.'"

Her children's love of what Leconte calls "fat fast food" made her hearken back to her diet in France, where she ate convenient meals crafted from fresh, natural ingredients.

"I've always liked cooking for family and friends. It's been my passion," Leconte said. "But coming here, because of the high-fat, fast-food environment, I wanted to be informed so I read a lot [about the food industry] and felt a trend, something coming."

FROM CONCEPT TO REALITY

Fast forward nearly 20 years. The trend Leconte saw coming arrived.

U.S. sales of organic food increased from \$1 billion in 1990 to \$17 billion in 2006, spurring the rise of retailers like Whole Foods. Questions about the fast-food industry and public health have entered the public consciousness, thanks to the media and documentaries such as *Super Size Me*.



The Litestars menu features Annie Leconte's creations, including apple and ratatouille tartlets, muffins and soups.

To capitalize on the renewed focus on healthy, natural foods—and the American love of convenience—Leconte, her husband and son Eric, BBA, '05, founded Erandis, LLC, parent company of the D.C.-based restaurant Litestars, in 2006. Their goal? To make "the company the nation's leading, healthier, fast-casual foods company."

By Matt Lindsay

Photography: **Julie Ann Woodford**



Annie and Eric Leconte in their restaurant, Litestars. The GWSB graduates went into business together with the goal of becoming the leader in the healthy, fast-casual restaurant business.

It's an audacious statement for a company that at the time lacked a storefront, product or customer. But the Lecontes did their homework.

Annie subscribed to restaurant trade journals, studied the industry and closely followed nutrition trends. She applied the principles she learned in MBA courses, particularly those of marketing and brand positioning. And she worked on her recipes, tweaking them to fit a healthy, fast-casual venue.

Eric took a different route. He detoured from his academic concentration in finance—as a student he interned with Morgan Stanley and Merrill Lynch—and threw himself headlong into the restaurant industry.

“Graduating college and getting a job at Panera Bread is not the usual path to go, but that’s what I did,” he said.

Panera is a leader in the fast-casual restaurant market—along with Cosi, Corner Bakery and Au Bon Pain—and a Litestars competitor. Eric gained valuable insights during his year working for the competition.

By 2008, the Erandis team had done its due diligence and developed a business plan, menu and brand. But the most difficult aspect proved to be finding the right location.

“It took us almost two years to find the right space. That was the longest part of the journey,” Eric recalled. “After a year and a half of not being able to land something it’s easy to give up and move on, but it taught me to be patient.”

Finally, the Lecontes found the right venue on 21st and L streets in downtown D.C., just blocks from GWSB. Litestars welcomed its first patrons in late October 2010.

“We had a soft opening, no advertising, no marketing, we just opened the doors,” Eric said.

Relying solely on foot traffic, Litestars started slowly, but business began to pick up as word spread and some advertising began in early 2011. Annie also sought advice from a few of her old GWSB professors, including Senior Associate Dean Pradeep Rau and Associate Dean for Undergraduate Programs Lawrence Singleton.

“I remember Annie as a very dedicated and mature student,” said Rau. “She seems to have her heart in this venture so I wish her the best.”

Singleton said Leconte contacted him when she found herself encountering red tape. “Annie’s a go-getter. She was a dedicated student—always the one who examined things, went a step further in class—and that determination will pay off in her business,” Singleton said. “I am always pleased to try help alumni like Annie any way I can.”

The Lecontes aim to differentiate their restaurant from other fast-casual establishments by focusing on healthy, fresh foods and unique menu items, including tartlets and “soupdrinks.”

Litestars serves 10 different types of tartlets, from the vegan options of tomato and ratatouille to bison (Annie’s favorite) and salmon. Soupdrinks are liquid with all the nutrition of a meal, served in a cup for the on-the-go consumer.

Annie prides herself on the freshness of all Litestars’ ingredients. Produce is delivered to the restaurant twice a week and no frozen or canned fruits or vegetables are used. The Lecontes believe natural, fresh ingredients are required to produce tasty, nutritious food. They are confident that there is a burgeoning market for this type of fare.

ALL IN THE FAMILY

Annie and Didier each founded and managed retail businesses in France and their success as entrepreneurs there put them in an enviable position: They were able to use their own funds to get Litestars off the ground. While this gave them more control, a family owned and operated business is not without challenges. One practice they adopted is to compartmentalize the areas of the business that they each manage.

Didier oversees operations, finance and facilities. Annie manages the concept, the product and the image. Eric handles day-to-day operations and social media engagement; he also supports the finance and real estate work. “For me, it’s good because I get to learn the operation

“But coming here, because of the high-fat, fast-food environment, I wanted to be informed so I read a lot [about the food industry] and felt a trend, something coming.”

—Annie Leconte

on my own but have my parents behind me,” said Eric. “I know them so well and they know me even better, so sometimes it can be a little tense. But overall it’s definitely a great experience.”

Not yet a year into the Litestars venture, the Lecontes are sanguine about the prospects for the bistro but recognize that growth is necessary. At the moment, the business depends on lunch traffic, which accounts for approximately 65 percent of Litestars’ sales. Dinner brings in 20 percent and breakfast another 15 percent. The average ticket for lunch and dinner is \$8.50, while the average breakfast sale is \$5.50.

The Lecontes said they need to add catering—which can nearly triple a restaurant’s sales—and work on weekends and dinners.

Eric is considering keeping Litestars open one hour later to increase dinner traffic. “Right now we close at 8 p.m.,” he explained. “It’s a mental block for most people who eat around 7 or 7:30. Knowing that we close at 8 they will not come in.”

If sales continue to rise and the healthy, fast-casual niche gains traction, the Lecontes later hope to expand the number of Litestars venues. “The goal for us to prove the concept and then to find investors,” Annie said.

But for now, what started with family will remain all in the family. **GW**

To learn more about Litestars, visit www.litestars.com.

BEST PRACTICES

An Eye On Misconduct

From just one bad seed, wildly destructive corporate corruption can grow. Since all businesses, great or small, are comprised of individuals, it may be advantageous to take a micro, rather than macro, view when exploring strategies to reduce misconduct in the workplace.

I have researched negative behavior in organizations at the individual level. There are often direct parallels between the potential for corporate criminality and a company's hiring practices, employee policies and working environment. After all, even the CEO is usually hired in at a lower position before working his or her way to the top.

Certain characteristics and behaviors have been linked to the likelihood that an employee will be nasty with coworkers. Individuals may exhibit a dominating or aggressive style. They may be confrontational, disagreeable or difficult. But rudeness, aggressiveness and even harassment do not fall in the same domain as corruption.

Still, these behaviors can point to the possibility of more serious trouble in the future.

Presumably, a company's human resources department could play an invaluable role as the first defense in screening out potentially noxious personalities. There's some HR responsibility in making sure a company employs the best

screening tools and practices. But immediate managers and supervisors have a substantial responsibility to pay attention to the interactions among their employees. A manager is likely to have more influence over somebody who is being a bully or a jerk than is someone in HR who does not have the same day-to-day exposure to the employee.

More importantly, of course, are the questions that supervisors and managers ask during hiring interviews and the way those inquiries are framed. A manager can look at traits like integrity and honesty and gain insight by asking potential employees about past behavior. A sample question might be:

Think about a situation where you were under time pressure to complete a business project. Tell me how you dealt with that pressure. What types of things did you do to execute your responsibilities in a way that demonstrated honesty and integrity?

Managers can ask job candidates about their past employment history in a way that helps them assess whether the candidates work in a way that is ethical. For employees already within the organization, observance and implementation of company policies—particularly those addressing discrimination and harassment—can go a long way toward preventing a mindset that leads to high-level misdeeds.

If a policy requires that coworkers be treated with respect and courtesy, but a manager tolerates rudeness in the workplace, it's as though the policy doesn't exist. In such a case, action should be taken. You might think of these actions as "organizational interventions," and they need to be implemented consistently. They are

By Jaclyn M. Jensen
Assistant Professor of Management

Photography: **Abby Greenawalt**



predicated on having policies in place that direct employees toward the organization's behavioral standards.

At the same time, if you're going to promote someone with a history of being a bully, you have to step back and ask, "Are we promoting people for the right reasons?" I love to use this example in my classes:

Say you have a team manager who's a real jerk but his team is consistently able to meet its quarterly goals. Should he be promoted?

At some point, you would hope organizations would consider not just whether quarterly goals are met but also how they are achieving those goals. Many of the organizations with which I've interacted are starting to take that question into consideration. It's no longer just "Have you achieved your objectives?" but also "Have you done so in a way that's consistent with our values, with treating people properly?" This part of the evaluation is becoming more critical.

Legislation can help institutionalize these values. Sexual harassment is illegal, but now several states are also considering legislation that would outlaw bullying in the workplace. There is research that shows even general rudeness or incivility in organizations has substantial financial consequences, so the implications for policy are emerging at an opportune time.

GWSB Alumni Profile: Denise Dombay

DEGREE: GWSB, BAcy, '88

CURRENT POSITION: Senior vice president of global finance and chief audit executive at Marriott International.

FIRST JOB: My first job was as a lifeguard and summer swim-team coach during college. After graduation, I went to work for Arthur Andersen in the audit practice. I stayed there for 13 years.

BIGGEST CHALLENGE: Finding a way to balance the demands of my personal and professional lives.

BEST B-SCHOOL MEMORY: Taking tax accounting with my marketing-major roommate and best friend. We spent a lot of time learning the Tax Code together—or at least learning where we should put all of our tabs in the book for quick reference!

HOW GWSB LED TO YOUR CAREER: I was part of Beta Alpha Psi, the honorary accounting organization. BAP organized events to prepare accounting majors for the whirlwind recruiting season each fall. BAP events drew me to the Career Services Center, where I signed up for interviews. It was such a relief to have my job offer in hand from Arthur Andersen well before the Winter Holiday Break.

GOAL: Professionally and personally, I am constantly looking for ways to be relevant, learn new skills and add value.

RECENT READING: *Knowing Your Value* by MSNBC's Morning Joe co-host Mika Brzezinski.

PERSONAL: Lives in Darnestown, Md., with husband Alan Noznesky, a captain in the D.C. Fire Department, and children Eliana, 12, and Jacob, 9.





Sal Divita: GWSB Professor Remembered

The GWSB family was deeply saddened by the July 15 death of Sal Divita, professor emeritus. Divita, who taught marketing at the School of Business over the course of four decades, was extraordinarily popular with both colleagues and students. Many of his students kept in close contact with the professor for years—and even decades—after graduation.

“He was almost an institution himself within GWSB, having served here for about four decades,” said Pradeep Rau, professor of marketing and international affairs. “During that time he had many roles, including as department chairperson multiple times and as acting dean on one occasion. He was also the School marshal who officiated at dozens of graduation ceremonies over the years in his familiar Harvard crimson robe.

“Above all, Sal felt a deep attachment to the School and wanted to do the right thing at all times,” Rau added. “He will be greatly missed.”

A graduate of Brooklyn Technical High School, Divita earned a bachelor’s degree in industrial engineering from New York University, an MBA from Ohio State University (pursuing the degree while on active duty with the United States Air Force) and a DBA from Harvard School of Business. He was a full-time consultant at IBM for 10 years before teaching part-time at American University and GW.

He became a full-time member of the GWSB faculty in 1972. Divita retired from the School of Business in 2008.

Divita and his wife, Frances, were married for 58 years and had four children, 10 grandchildren, five step-grandchildren and four step-great-grandchildren.

An active member of the American Marketing Association, Divita wrote a regular column for the association magazine and appeared as a guest speaker at chapters across the country. A 2008 cover story



Sal Divita

in *GWbusiness* magazine described him as “an influential university professor and one of Corporate America’s most in-demand speakers and consultants.”

The magazine article detailed Divita’s pioneering research on effective marketing tactics and strategies that took into consideration an understanding of human behaviors and personality types. His work proved, in short, that marketing is a “people business.”

As the article noted: “‘Educator’ or ‘marketing expert’ just won’t do—Sal Divita was a great success in the people business.”

GWSB Climbs in the Rankings

GWSB has one of the top MBA programs in the nation, according to recent rankings from *U.S. News & World Report*. GWSB’s full-time MBA program took the No. 52 spot in the 2012 “America’s Best Graduate Schools” list, up from No. 55 last year. The School’s part-time MBA program was ranked 36th. The Undergraduate International Business program, meanwhile, rose two spots to No. 5.

The School also saw a jump in the specialty rankings by *Bloomberg Businessweek*, which concluded that GWSB’s international business curriculum for undergraduates was eighth in the country. *Bloomberg Businessweek* ranked the undergraduate program as 21st for corporate strategy.

“This latest ranking reflects our efforts to educate students who truly understand what it means to lead in the global economy,” said Doug Guthrie, dean of GWSB and professor of management and international business

U.S. News & World Report surveyed 437 accredited business schools to come up with its list of the top schools in the nation. The rankings reflect a number of factors, including a quality assessment score,



high-profile faculty in New York, Los Angeles and Washington, D.C., as well as mentors and coaches, STAR EMBA students create their own personal business plans.

“When I started playing in the NFL, I knew I wanted to one day go back and continue my education,” said Washington Redskins’ line-backer McIntosh. “I’ve got the opportunity now through STAR EMBA to do that in a way that fits with my schedule, provides me personal mentors and helps me use my current success to make a huge impact in the business world.”



Duane Starks

IMF and World Bank: A New Approach to Global Economics

The global financial crisis brought a big shift at two of the world’s largest financial institutions. Economists at the World Bank and the International Monetary Fund (IMF) are re-thinking their theories on sustainable growth worldwide.

At a high-profile event organized by GWSB students, World Bank Senior Vice President and Chief Economist Justin Yifu Lin said “one-size-fits-all” economic models no longer work. He explained

that economic theories that emerged after World War II, and were later modified after high inflation in the 1970s, do not adequately account for how countries grow and become competitive today.

The IMF, meanwhile, has acknowledged that deregulation and privatization did not unleash prosperity as expected nor did financial markets channel resources



Justin Yifu Lin

where needed. Rather, globalization showed a dark side in the form of the widening gap between rich and poor. Officials from both the World Bank and IMF said growth is not sustainable as long as the gap exists.

Lin told participants at “Crossroads: The Interplay of Business, Government and the Global Economy” that the global economic crisis and changes in the Middle East and North Africa have prompted a re-examination of development policies and strategies. He said poverty will only be eliminated when there is long-term sustainable growth—and governments and economists need to better understand how that growth can be fostered.

“Old ideas cannot guide us in the current world,” said Lin, who is a leading advocate of so-called new structural economics. New structural economics takes the approach that economies develop in stages and governments should facilitate upgrades of industry and infrastructure.

Labor Secretary: Stop Blaming Workers



Hilda Solis

Public sector workers should not be blamed for the country’s economic problems, U.S. Secretary of Labor Hilda Solis told the Labor and Employment Relations Association (LERA) during its national policy forum at GW. She also said that collective bargaining rights must be preserved.

“The public and policymakers may not understand what’s been given up by workers already,” said Solis, pointing to layoffs and slashed job benefits. She said many workers are legitimately worried about their retirement plans and others don’t know “if they’re going to receive a paycheck or a pink slip.”

The labor secretary’s remarks came during the June 6-7 forum co-sponsored by LERA and the GWSB Department of Management. The forum drew union officials, experts from think tanks and universities, U.S. government officials, lawyers and health care

Small Business, which is housed at GWSB.

Other participating schools included Ohio State University, University of Washington and Brigham Young.

“Digging into a real problem faced by a non-profit organization that lifts people from poverty through entrepreneurship and education was one of the most valuable exercises I have had as an MBA candidate,” Shop said. “Grappling with the challenges of our time and developing useful solutions is most effective when we combine the on-the-ground experience of Fundación Paraguaya with the frameworks and tools learned in a top MBA program.”

Battaglia said the competition was important because it allowed students to solve real-world problems using skills emphasized in the GWSB MBA curriculum. “Our matrix is a step in a new direction for creating a new industry standard to judge social enterprise,” he said.



MBA student Anthony Shop presents a model for social return on investment.

profit she helps run. Then it's a *Washington Post* video interview or a TV appearance on the “Colbert Report” or “The News Hour with Jim Lehrer.” Last year, Edward Elgar Publishers published *Corruption And Its Manifestation In The Persian Gulf*, a book Rehman wrote with GWSB Professor Hossein Askari and Nora Arfaa at the World Bank.

It's when you see the light go off—
that 'ah ha!' moment—that the
students get self-motivated.

Born in Pakistan and raised in Bahrain, Rehman has lived and worked in Turkey, the United Kingdom and Kenya. That global perspective benefits her work as director of the European Union Research Center at GW.

The Trachtenberg award is the third university-wide honor for Rehman, who is also a triple GW alumna (PhD, '92, MBA, '89, and BA, '85). Over the past year, the GW Institute of Public Policy honored her with its University Policy Research Scholar Award, and she earned the University Service Excellence Celebration Choice Award in the category of “Parents Choice.”

“Professor Rehman completely reshapes students' thinking about the world and is relentless in her desire for students to truly understand the material,” said Professor of Geography and International Affairs Marie Price, a 2005 Trachtenberg Prize winner and presenter of the 2011 awards.

International Business Professor Wins Award

Scheherazade Rehman, professor of international business, is the first faculty member of the School of Business to win a coveted University teaching award.

Rehman was one of five GW professors honored April 20 with the Oscar and Shoshana Trachtenberg Faculty Prize. She earned consistent praise from her students for her relevant and engaging presentation.

“It's when you see the light go off—that 'ah ha!' moment—that the students get self-motivated. I don't have to push them,” Rehman said. “Students come up with innovative ideas.”

Rehman keeps a busy schedule. She gives a keynote speech before a closed forum of U.S. Congress members one month, teaches in Rome the next, and then dashes off to Africa to do relief and development work for a non-



Scheherazade Rehman

ALUMNI NEWS

You are one of the 60,000 graduates of The George Washington University School of Business—and a lifetime member of the GWSB Alumni Network. Your GWSB stock is continually rising, and by investing your time and knowledge in your alma mater, you increase the value of the alumni network, creating a more powerful legacy for current students.

Over these past few months, members of the GWSB Alumni Network have contributed to our community through their work and wisdom. They have attended alumni events, hosted student “Career Treks,” served as MBA Mentors, led tables at the “Links for Life” luncheon, signed up for the Career Advisor Network, hired GWSB students or fellow alumni and submitted information for our alumni publications.

There are many ways to give back to GWSB. We invite you to participate in the way that is most meaningful to you.

One of the simplest gifts you can give GW is to keep your contact information updated. And it’s easy to do—just visit alumni.gwu.edu/alumni/update. While at this site, you can also subscribe to our alumni publications. That way you’ll hear about all the opportunities to stay connected to your alma mater.

As you read about our events, programs and volunteer opportunities, please consider how you can

contribute your work and wisdom to make the GWSB Alumni Network an even greater success!

We look forward to connecting with you.

GWSB Signature Alumni Programs

GWSB Students and Alumni “Link” over Lunch

The School of Business Office of Alumni Relations hosted its spring “Links for Life” luncheon for undergraduates on Feb. 15 and for graduate students on March 10. Each semester these luncheons provide a forum for students and alumni to create “links” to their industry or career of interest.

Alumni share their knowledge with students, and students update alumni on developments at GWSB.

The School of Business stresses the value of networking and mentoring, and Links for Life luncheons provide a springboard for students just beginning to build their networks as well an opportunity for them to meet mentors in the D.C. area. The luncheons also give students a chance to use skills learned in the classroom, such as the 30-second “elevator speech” and business etiquette.

Alexa Vogel, BBA, ’13, described Links for Life as very worthwhile.

“Duquès Hall was bustling with undergraduate students in their newest suits, prepared for a luncheon with alumni,” she said. “Over a delicious three-course meal, dozens of GWSB alumni and current students chatted about professors, internships, D.C. and what it requires to work in a specific industry.”

More than 50 students attended the graduate luncheon, taking advantage of the opportunity to discuss their career goals, ask for advice and practice their networking skills. Alumnus and table host Alan Susi, MBA, ’10, delivered opening remarks that reflected on his participation at the lunches as a student. He encouraged current students

to give back to the School and the University upon graduation.

Among the alumni at the spring luncheons were: Steve Potter, BBA, ’05; Heath Winter, BBA, ’98; Lauren Rurak, BBA, ’07; Jessica Toy, MAccy, ’07; David Gast, BBA, ’93; Erin Sousa, BBA, ’08; Michelle Ryan, MBA, ’96; Molly Swenson, MBA, ’07; Tricia Widgen, MBA, ’05; Anna Tant, MBA, ’08; Javier Arguello, BBA, ’95; Dana Stirk, MBA, ’07; Matt Gray, MBA, ’10; Blaine Atkisson, BBA, ’98, MBA, ’02 and Eran Goudes, MBA, ’08.

Thank you all for your sharing your wisdom and experience with GWSB students.

Luncheons will be hosted this fall for undergraduate and graduate



Alumni Matt Owens and Laurie Bailer at an Alumni Mentors event.



In April, Christine Brown-Quinn, MBA, '92 and author of *Step Aside Super Woman... Career & Family is for Any Woman*, spoke with students and alumni about the challenge facing women who balance professional and family life. The event was co-sponsored by the GWSB Office of Alumni Relations, the student chapters of GWWIB and NAWMBA and the newly formed United Women in Business (UWIB), comprised of recent GWSB alumnae.

students. If you are interested in participating, please email us at gwsbalum@gwu.edu.

MBA Students Trek to San Francisco

GWSB students meant business when they flew cross-country during the spring semester for the MBA Career Trek to San Francisco. The 30 students on the February trip attended corporate presentations and informal breakfast, lunch and dinner meetings with 25 Bay Area alumni. Students were split into three areas of business practice: finance, consulting/marketing and energy.

Participating alumni included: James Carruthers, MBA, '80; Bob Behray, MBA, '80; Ave Tucker, BBA, '77; John Santaguida, BBA, '84; Jack Bailey, MBA, '65; Logan Coker, MBA, '08; Kevin Colgate, MBA, '76; Thomas Grams, MBA, '84; Melanie Warrick, MBA, '01; Neil Baquiran, MBA, '07; Deborah Boyden, BBA, '94; Eric Ashdown, MBA, '84; Erin Reuther, MBA, '07; Jeff Berkes, MBA, '93;

John Wallace, MBA, '00; Osanna Avanesova, BBA, '97 and William Hsu, BBA, '99.

The MBA candidates also had the opportunity to network with members of the Bay Area GW Alumni community during a panel presentation and reception hosted at the Plug and Play Tech center. The program, "Where Washington Meets the Valley," featured high-level entrepreneurs who offered a range of perspectives on entrepreneurship. Program participants included panel moderator Don Polden, BBA, '70, who is dean and professor of law at Santa Clara University. Also taking part were Raymond "Ray" Everett-Church, GW Law JD, '97, who is director of privacy and industry relations at Responsys; Jim Chung, director of the Office of Entrepreneurship at The George Washington University; and Amit Pandey, GW friend and CEO of Terra Cotta.

MBA and undergraduate students will be visiting New York City this fall. If you live in the New York area and want to get involved in the Career Trek, please email us at gwsbalum@gwu.edu.

GWSB Alumni Programs Online

Connect with Us on LinkedIn, Facebook and Twitter

Alumni are invited to join us on LinkedIn (business.gwu.edu/alumni/linkedin), Facebook (www.facebook.com/gwsbalumni) and Twitter (@gwsbalumni). The GWSB Alumni Network's social-media outreach not only keeps you informed about upcoming programs and events but it helps you connect with fellow alumni.

Through these networks GWSB Alumni Relations can share information with you—as well as spark communication and dialogue within and throughout the alumni community. If you have a news article to share or a topic for which you would like to solicit feedback, we invite you to take the lead by posting this information.

In whatever way you choose to follow us online, you will receive news and information about our upcoming events and volunteer opportunities. We appreciate your support online, and we encourage

you to join in online discussions, post articles on business events, give us feedback on recent alumni programs or share your memories from business school. If you have questions or comments, feel free to contact us on LinkedIn, Facebook or Twitter, or e-mail us at gwsbalum@gwu.edu.

GW Tech Alumni Group

Happy hours, planning meetings and lifelong-learning programs were among the long list of spring events and activities sponsored by the GW Tech Alumni Group. On April 20, the group hosted a "Securing the Cloud" forum that explored security issues and challenges in the cloud-computing environment. More than 60 alumni, students and professionals turned up to hear speakers from business, government and academia. Organizations represented included Amazon, Akamai Technologies, the Federal Communications Commission and Apptis. Brian Moran, EMIS, '07, CEO of GovernmentCIO and



More than 60 alumni, students, and professionals turned out when the GW Tech Alumni Group hosted a discussion titled "Securing the Cloud." The gathering explored security challenges in the cloud computing environment.

GW Tourism Alumni Network (GWTAN)

The GW Tourism Alumni Network's annual spring colloquium featured a timely program, "Tourism as an Economic Growth Tool—A Live Case Study—Egypt." A panel of industry experts led an in-depth discussion of tourism and hospitality issues in light of the political events that had taken place in Egypt.

GWTAN, made up of alumni from the undergraduate and MTA

programs, is led by its president, Paul Totah, MTA, '09. To get involved with GWTAN, please visit the network's website, www.gwtourism.org/tan/index.html, or email: gwtan@gwu.edu.

GWSB Alumni Benefits

Because You Are GW Alumni

Don't forget that GW alumni are entitled to a host of benefits. You are eligible for discounts on car insurance and life insurance. You

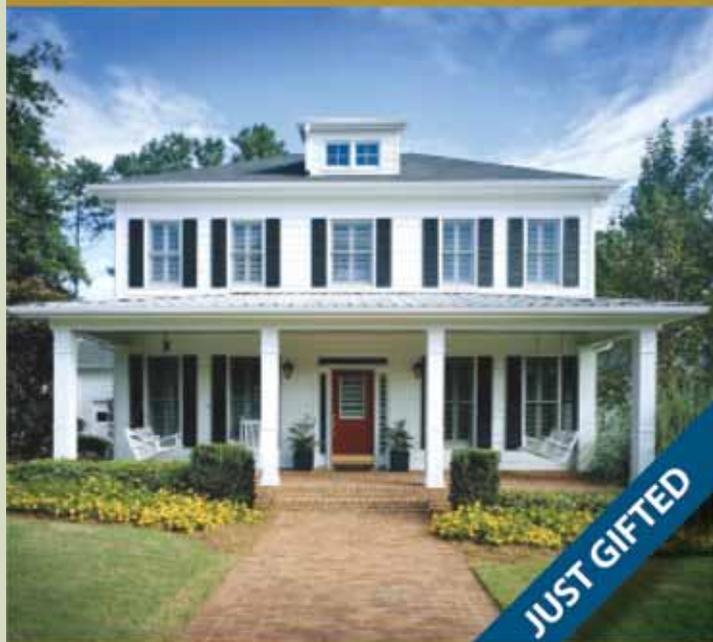
are a member of the Club Quarters business-hotel chain, can become a member of the NIH Federal Credit Union and can save on your home mortgage through CitiMortgage. Also, all alumni receive access to the databases at Gelman Library.

Featured Benefit

Zipcar and the GW Alumni Association have partnered to give you discounted access to the car-sharing service worldwide. Simply reserve online, walk to a nearby parking location, use a Zipcard to get into the vehicle and drive away. Gas, insurance, maintenance and

dedicated parking are all included in the low rates. Zipcars come in more than 20 makes and models, including BMWs, pickups, minivans, MINI Coopers, Toyota Prius hybrids, Volvos and more. To take advantage of the special alumni rate, go to www.zipcar.com/gwalumni. For more information, please contact the Office of Alumni Relations at 1-800-ALUMNI-7 or alumni@gwu.edu.

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- Help the GWSB program of your choice

GW accepts many types of property including residential and commercial property, and undeveloped land.

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Giving for Real Estate at 202-994-4979
or chasem@gwu.edu.

The George Washington University
Office of Planned Giving – Real Estate
2100 M Street, NW, Suite 310
Washington, DC 20037

NOTES CLASSES



KEEP THE ALUMNI NETWORK STRONG!

Your classmates want to hear from and about you in the next issue of *GWbusiness*. To share your news, complete the form on page 41 and submit it to Class Notes, GW School of Business, Office of Development and Alumni Relations, 2033 K St., NW, Suite 230, Washington, D.C., 20006. Or, you may fax your information to 202-994-4411 or email it to gwsbalum@gwu.edu. Send photos!

70s

James C. Wallace, MBA, '71, was appointed community and government relations officer at the Deborah Heart and Lung Center in Browns Mills, N.J. Wallace's career combines more than 30 years of experience in the health care, university, public and business sectors where he specialized in government relations, finance, operations management and development.

Robert F. Hussey, MBA, '74, joined the new board of directors at CPX Interactive, a global online advertising network. Hussey has worked as a financial, marketing and operations executive in various industries, including packaged goods, financial services and advertising. In 1991, he successfully led the IPO and sale of his company, POP Radio, after it became the nation's largest direct broadcast satellite network.

80s

Judy Ramage, MBA, '86, and her husband Dave run a successful real estate business and also own two Cape Coral, Fla., restaurants: First Round Draft Sports Bar & Grille and The Dog Bar & Grille.

90s

Sena M. Kwawu, BBA, '90, was featured in the February/March 2011 issue of *Procurement Leaders* magazine.



In the article, Kwawu, the head of procurement for insurance giant Genworth Financial, discussed some unusual alliances that formed when the recession forced his company to restructure its procurement processes.

Brian Forst, PhD, '92, professor of justice, law and society at American University, published his third book with Cambridge University Press, *Criminologists on Terrorism and Homeland Security*. Earlier this year, his chapter titled "Prosecution" appeared in *Crime and Public Policy*, edited by James Q. Wilson and Joan Petersilia (Oxford University Press, 2011). In April, Forst received the AU School of Public Affairs Outstanding Scholarship and Research Award.



Ida Ismael, MBA, '96, was promoted to manager of operations at Colliers International Indonesia, based in Jakarta. Previously, she was executive administrator of the residential tenant representation division within the company.

Kara Freeman, MBA, '97, has been appointed vice president for administration at the American Council on Education. Since 2008, Freeman has served as the organization's chief information officer. In her new role she will manage human resources, facilities and office services.

Maxine Somerville, MPA, '97, is executive director of administration and human resources for the United Nations Foundation. She can be reached at mesomerville@verizon.net.

Michael A. Brown, BBA, '98, has completed an MA in security studies at the Naval Postgraduate School Center for Homeland Defense and Security. Brown was awarded two outstanding achievement awards by faculty and classmates. He received the "outstanding thesis award," which is given to the thesis that best represents the contribution of research to homeland security as a professional discipline and academic domain, and the Curtis H. "Butch" Straub Achievement Award for an exemplary academic and citizenship record. Brown currently is an inspector at the Transportation Security Administration's Office of Inspection.

00s

Brandon Mason, MBA, '00, and **John Wallace, MBA, '00**, have launched UpStream Software (upstreamsoftware.com). The company focuses on the problems of attribution and marketing planning.

Kurt Uetz, MSPM, '00, is program manager for the Deep Submergence Vehicle (DSV) *Alvin* at Woods Hole Oceanographic Institution in Massachusetts. Uetz has begun the overhaul and



upgrade of DSV *Alvin* to improve its scientific capabilities and increase its depth rating to 6,500 meters from 4,500 meters. This depth provides access to 98 percent of the ocean floor. Uetz can be reached at kuetz@whoi.edu.



Derek Grosso, BBA, '01, was named "Best Community Leader" of 2010 by *Columbus C.E.O. Magazine*. Grosso

is president/CEO of the Columbus Young Professionals Club (CYP CLUB), a "for-impact" membership organization he founded in 2005. The club has grown to become one of the nation's largest and most active for 21- to 45-year-olds, with more than 12,000 members. CYP CLUB was also recognized as "Best Networking Organization" and for presenting the "Best Charity Event." The date auction and fashion show, "A Date 2 Remember," raised nearly \$150,000 for charities in central Ohio.

Vince Morabito, MTA, '01, has been promoted to senior account executive in Marriott's Mid-Atlantic corporate division. Previously a senior sales executive for Baltimore's Marriott Waterfront Hotel, Morabito now focuses on accounts for all of Marriott's locations in the Middle Atlantic region. He also handles large corporate accounts, including Northrop Grumman, the Baltimore Orioles and the Washington Redskins.

Giorgio Valentini, EMBA, '01, has become the World Bank representative for Jamaica and Guyana. In the new position, Valentini will focus on strengthening relationships between the World Bank and partner countries. With more than 20 years of experience in international development, Valentini has worked in Latin America and Africa on political, economic, legal and social development.

Michael G. McMillan, PhD in Accounting, '02, co-authored *Investments Workbook: Principles of Portfolio and Equity Analysis*, part of the CFA Institute Investment Series published by John Wiley and Sons. McMillan, a chartered financial analyst (CFA) and director of ethics and professional standards in the education division of the CFA Institute, has taught accounting and finance at GWSB and at Johns Hopkins University's Carey School of Business. He is a member of the CFA Society of Washington, D.C., and the East African Society of Investment Professionals. McMillan wrote the book in collaboration with fellow CFAs Jerald E. Pinto, Wendy L. Pirie and Gerhard Van de Venter.

Jayna Murray, BBA, '03, passed away on March 11. A resident of Arlington, Va., Murray graduated from GW in 2003 with a degree in international marketing and business. She was pursuing an MBA from Johns Hopkins University, where she received an MA in public and media relations in 2009.

Jason McCray, MBA, '04, was promoted to chief operating officer at Grantmakers for Effective Organizations (GEO), a national network of foundations and other grant makers working to strengthen nonprofit grant recipients. McCray's responsibilities include financial management, strategic planning, fundraising and internal evaluation. McCray joined GEO in 2004 as manager of operations.

George L. Langbein, MSPM, '06, was honored by Cambridge Who's Who as the "Professional Member of the Year in the field of Information Technology Program Management." Each year, Cambridge recognizes standout executives, professionals and entrepreneurs. Langbein's selection also recognized his outstanding leadership skills and dedication to service.

William Skeeane, MSPM, '06, has joined All Covered, a division of Konica Minolta Business Solutions USA Inc., as director of project services. All Covered is the nation's leading provider of computer network services and technology solutions for small to medium-sized businesses. Skeeane worked previously in IT services for Siemens Energy & Automation, where he spearheaded development of enterprise document imaging and distribution systems. He also worked for AT&T in network planning and engineering.

Richard Brower, Jr., BBA/MS, '07, has been appointed director of LGBT and ethnic marketing for Harrah's in New Orleans. Previously, Brower was the strategic

development and marketing director for the International Gay & Lesbian Travel Association.

Jesse Ryback, MBA, '08 and BA, '06, was one of the leaders on a naming rights deal that will put the name Overstock.com Coliseum on the sports venue previously known as the Oakland-Alameda County Coliseum, home of baseball's Oakland A's and the NFL's



Oakland Raiders. Ryback participated in the deal on behalf of sports and entertainment marketing firm Premier Partnerships, where he is manager of corporate partnerships. "Ryback first identified Overstock.com, with its international standing and innovative approach, as a perfect fit. Everybody is a winner here," Premier Partnerships Managing Director Jeff Marks said about the deal.

Jennifer Helton, MTA, '09, was recently awarded the Certified Meeting Professional (CMP) certification. The certification of the meetings, conventions and exhibitions industry recognizes individuals who have achieved the industry's highest standard of professionalism. Helton is a sponsorship and communications manager at FSA Management Group. She is a specialist in event management, membership, print and electronic communications, database management and sponsor relations.

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GETTING INK

““ The middle class is taking a big hit. And we wouldn't want to see policy makers overreact to inflation at the cost of stalling the recovery in the U.S. That would be bad policy. ””

—Danny Leipziger,
professor of international business,
cautioning against interest rate hikes as a way
to control inflation. (VOA, April 20, 2011)



““ The world has changed and most of the people are not well enough trained to follow the changes. ””

—Annamaria Lusardi,
professor of accountancy and economics,
on the low financial literacy rate of U.S. citizens.
(German newspaper *Südkurier*, April 19, 2011)



““ It's irrelevant that she is the very best candidate. What's more relevant is that she is the right choice for right now. ... She also happens to be what we call the rock star of central bankers in IMF and international finance ministers. ””

—Scheherazade Rehman,
director of the European Union Research Center at GWSB,
on Christine Lagarde taking over the helm of the IMF.
(PBS Newshour, June 28, 2011)



““ If it becomes too fashionable, the rugged workman image can be compromised. You want to be careful not to go too far. ””

—Salah Hassan,
professor of marketing,
on Detroit workwear maker Carhartt and its
designer clothing deal with Barney's New York.
(*Chicago Tribune*, April 13, 2011)



““ While the right spark can overthrow dictators in a matter of days, the initiation of a sustained economic turnaround, depending on the circumstances, could take a number of years. ””

—Hossein Askari,
professor of international business,
discussing the Arab Spring.
(*Asia Times*, June 2, 2011)





GWSB Alumni Profile: ANN BOMBA

DEGREES: University of Wisconsin, BBA, '05, major in Management and Human Resources; GWSB, MBA, '08, concentration in Human Resource Management.

CURRENT POSITION: Human resources business partner at Lockheed Martin, responsible for all employee activities in a more than 300-person program.

FIRST JOB: In college, I had a couple internships that solidified my interest in human resources. Just out of school, I entered the Lockheed Martin Human Resources Leadership Development Program.

BIGGEST CHALLENGE: Currently, the program I support is winding down, so we are starting layoffs. Although I understand why it is necessary for the business, it is a challenge on a personal level.

BEST B-SCHOOL MEMORY: At orientation with other first-year students we were sent on a scavenger hunt around D.C. It taught us to laugh under pressure, which came in handy during the MBA program!

HOW GWSB LED TO YOUR CAREER: It helped me network with interesting, smart people from all walks of life, and it gave me many different career experiences.

GOAL: To provide human resources leadership to a large global organization where I can influence organizational change, talent development and leadership effectiveness.

RECENT READING: I am currently re-reading *One Hundred Years of Solitude* by Gabriel Garcia Marquez.

PERSONAL: Lives in Arlington, Va.

What's New?



Keep us current on where you work, promotions, new business ventures, and any business or academic honors. Complete this form and send it to Class Notes, GW School of Business, Office of Development and Alumni Relations, 2033 K Street, Northwest, Suite 230, Washington, D.C., 20006. Or, you may fax your information to 202-994-4411 or email it to gwsbalum@gwu.edu.

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Don't forget to send us photos—wedding photos, baby photos, class reunion photos, etc.
(Photos cannot be returned.)

Thank you for sharing your news with GW and your classmates!



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