GSOM Recognized For Focus On Ethics, Environment

GSOM is among the top 100 schools worldwide recently named to The Aspen Institute’s 2011-2012 edition of Beyond Grey Pinstripes, which recognizes MBA programs that integrate social, environmental and ethical issues into their curriculum.

In addition, Entrepreneur and The Princeton Review recently named GSOM one of the top 16 institutions for MBA students to get an education in “Green Business” fields. GSOM initiatives also played a prominent role in Clark University being 17th in Sierra magazine’s fifth annual ranking of the nation’s “Coolest Schools.”

In ranking GSOM 86th, The Aspen Institute noted that GSOM “is clearly a leader in preparing MBA students for social and environmental stewardship, and these efforts should be recognized by current MBAs, alumni, prospective students and beyond.”

GSOM collaborates with the International Development, Community and Environment department to offer two dual MBA/MA degrees, including one in environmental science and policy, which includes the study of green business management, management of environmental pollutants, and climate change, energy and development. The other dual-degree program, community development and planning, addresses the challenges of environmental sustain-ability, social justice and economic well-being.

GSOM has also added new courses in topics such as social entrepreneurship, green supply chain management and energy management.

“We are honored and proud to be recognized as a global leader in organizational sustainability, ethics, and social responsibility education and research,” Interim Dean Joseph Sarkis said. “This recognition affirms Clark University and GSOM’s core values and ideals. We will continue to be leaders in responsible social change education at local and global levels. Our strategic efforts in education, research and community outreach on this socially important endeavor will not subside.”

According to The Aspen Institute, there is a national trend for business schools to add programs focusing on social responsibility, ethics and the environment.

“In all scoring categories used to determine the ranking, business schools have raised the bar,” said Judith Samuelson, executive director of the Aspen Institute Business and Society Program, which conducted Beyond Grey Pinstripes. “There are more courses with content on social, ethical and environmental issues, more courses about the role of business as a positive agent for change, more exposure of students to this content and more research published by faculty on relevant topics.”

Research: The Soul of GSOM
pages 4-6

Phuong Nguyen MS ’11 recently became the first scholarship recipient to earn certification as a Chartered Alternative Investment Analyst. Pictured with her are Program Assistant Andrew Tetraault and CEO Florence Lombard, both from the CAIA Association. Story on page 2.
Research - Contributing to the Body of Knowledge

Is there a more noble pursuit than research, the discovery of knowledge that was previously unknown?

At GSOM, we may not be researching a cure for cancer, but what we learn through research can improve our quality of life, create a more sustainable future, improve our knowledge of how markets work, increase workplace equality and make businesses more competitive.

So research, along with teaching, as covered in our last issue of Connect, is indeed a noble pursuit. It is also an important complement to teaching, as today’s research will be taught in tomorrow’s classroom.

Research also benefits students. A new study (“Does Business School Research Add Economic Value for Students?”) found that salaries for MBAs are relatively higher three years after graduation if they attend a school with significant research activity.

Research not only helps with AACSB accreditation, it also brings GSOM other forms of recognition. For example, it played a role in GSOM placing among the top 100 Business Schools worldwide in the Beyond Grey Pinstripes ranking. This ranking, which you can read about on page one, is also based on relevance of courses, student exposure and business impact.

GSOM’s ranking of 44 worldwide for its research on sustainability, ethics, and social responsibility is especially noteworthy; given that we are in rarefied company with universities many times larger than GSOM, such as the University of Virginia (43), the University of Melbourne (45), Rice University and the University of Maryland (tied for 46).

The diversity of research conducted not only by our faculty, but by current and former students, is also noteworthy. One former student, Stefan Nagel, is one of the world’s leading behavioral finance scholars, while Margaret Luciano began researching leadership and employee motivation with Associate Professor Laura Graves when she was still an MBA student here.

Many other alumni move on to careers that involve extensive market research or financial research.

In academia, the primary recognition of our research is through publication in peer-reviewed journals. To be published, a study or article must contribute to the body of knowledge in a discipline.

When our faculty publishes in peer-reviewed journals, it enhances the reputation of GSOM, which in turn increases the value of a GSOM degree. It is also a necessity for our faculty, since the Association to Advance Collegiate Schools of Business (AACSB) requires that faculty be “academically qualified.” This is a mark of a research university, although it is also important to balance theory with practice by having faculty who are “professionally qualified.”

Our faculty members are always asking questions about how things work — businesses, markets and the world in general. Professor Margarete Arndt’s management research into “gendering” in the healthcare industry is informed by her study of history. Associate Professor Keith Coulter “pays” attention to consumer behavior and pricing in his innovative research.

As we bring in new faculty, we also bring in new knowledge. Two of our newest faculty members, assistant professors Guillaume Weisang and Sitikantha Parida, have been pioneering research in asset pricing, hedge fund performance and other areas that we share in this newsletter.

Readers of Connect will conclude that GSOM not only has great teachers who have influenced their students and alumni, but also great researchers who have influenced the wider global community. In the next Connect, we will take a closer look at GSOM’s service role.

With warm regards,

Joseph Sarkis, Interim Dean

GSOM Scholarship Recipients Pass CAIA Exams

Phuong Nguyen MS ’11 recently became the first student ever to earn a scholarship from the CAIA Association in Amherst, Mass., and become certified as a Chartered Alternative Investment Analyst (CAIA).

Nguyen, who is currently an intern at State Street Bank, was the first GSOM student to receive a CAIA scholarship last year through a special relationship GSOM developed with the CAIA Association.

GSOM last year became the first business school in the country and one of only three in the world to form a partnership with the CAIA Association. Because of the partnership, GSOM graduates focusing on alternative investments have an opportunity to take up to 60% of the material required to obtain CAIA certification by the time they graduate. They also qualify for scholarships to pay all but $100 of the $1,500 cost of taking certification exams.

In addition, three other GSOM scholarship recipients all passed the level 1 CAIA exam. They include Taurai Chadyemhunga MSF ’10, Kofi Quansah MSF ’11 and Xueying (Rebecca) Zhang, who is scheduled to earn her MSF next spring.

The CAIA Association also granted scholarships for three current students who are scheduled to take level 1 exams in March 2012 — Xiaotian (Frank) Feng, Kai Zhang and Huitong Lu.

“We literally have a 100% pass rate for all of our scholarship students to date,” said professor of practice Sondra Vitos, who spearheaded the partnership. “This speaks very well of our students and our MSF program.”

Beta Gamma Sigma Honors GSOM’s “Exemplary” Chapter

Beta Gamma Sigma, the honor society for business students, recognized GSOM’s chapter as being among its 2011 “exemplary” chapters. The designation qualifies GSOM for a $500 matching scholarship.

“This recognition could not have been achieved without the efforts of (Administrative Assistant to the Dean) Laurie Kennedy Ivanauskas,” Interim Dean Joseph Sarkis said.
Sometimes it pays to follow irrational investors.

Irrational investment decisions by unsophisticated day traders pushed technology stock prices far higher than they should have been during the late-’90s technology stock bubble. According to textbook finance theory, sophisticated players like hedge funds would have been expected to trade against irrational traders and cause prices to stabilize. Instead, hedge funds followed the irrational investors, based on the rational conclusion that day traders would continue to boost stock prices.

Stefan Nagel MBA ’98, who recognized that the hedge fund managers’ actions were counter to the efficient market hypothesis, wrote his thesis on the topic and has been researching behavioral finance ever since. The efficient market hypothesis maintains that when securities are not priced accurately, traders will take advantage of the inaccuracies, pushing prices to where they should be.

A tenured associate professor at Stanford University’s Graduate School of Business, Nagel is also a research associate for the National Bureau of Economic Research in Cambridge, Mass., and a research fellow for the Centre for Economic Policy Research in London.

He earned his doctorate in finance from the London Business School in 2003, after receiving his diplom (the equivalent of a master’s degree) from the University of Trier in 1999. The German native initially came to Clark University in 1995 through its longstanding exchange program with the University of Trier. He returned to Clark in 1997, earning his MBA from GSOM in 1998.

“As soon as I started at Trier, I heard about the exchange program and talked to students who went through it,” Nagel said. “I was adventurous and wanted to spend some time in America, to get some new experiences. I had no idea I would actually end up staying here.”

While at Clark, studying with Maury Tamarkin and Rich Spurgin, “I discovered that I really love finance,” he said. His teaching was also influenced by Ed Ottensmeyer, and he said in the classroom he sometimes finds himself thinking, “How would Ed explain this?”

Stanford’s Nagel Finds Bubble Bursts Efficient Market Hypothesis

Most recently, Nagel has been researching how individuals’ expectations about future inflation are shaped by their lifetime experience. For example, he’s finding that people who are too young to remember the late ’70s and early ’80s are likely to believe that inflation will always be low.

He has also researched how living through the Depression has influenced investor behavior and how experience of booms and busts has influenced fund managers. He found that Depression-era investors and fund managers who managed through market downturns invest conservatively.

During the technology stock bubble of the late ’90s, he found, young managers invested less in technology stocks at the start of the bubble, but they chased the trend and eventually invested more than older managers.

While technological advances are making more and more data available for him to study people’s choices, today’s markets are more difficult to comprehend than in the past.

One reason is that high-frequency trading now accounts for the majority of all trades. High-frequency trading, which is conducted by proprietary trading desks at big banks and hedge funds, uses computers to make trading decisions and execute trades based on perceived pricing inefficiencies.

“It used to be market makers on the trading floor who provided liquidity to the market,” Nagel said. “They couldn’t run away as fast as high-frequency traders if trouble hit.”

With today’s electronic trading taking place in trading pools and other off-exchange trading venues, “it’s very hard to study, because trading is so opaque and fragmented.”

While “we can’t go back to the old days of trading on the floor,” Nagel believes a new regulatory framework is needed to make trades more transparent. Regulatory efforts to move to more centralized clearing platforms are a good start, but much remains to be done.

“It’s pretty stunning that in a crisis, a firm like AIG could take enormous positions in credit default swaps without regulators knowing more about it,” Nagel said.
Just as teaching is the passing on of existing knowledge, research is the discovery of new knowledge that builds on and enhances what is already known. GSOM professors are researching topics as fundamental as motivation and leadership, as well as ambitious and potentially influential topics such as asset pricing and the impact of hedge funds on the economy. The research by GSOM professors highlighted here is just a small sample of the work being done. GSOM graduates, such as Stanford professor Stefan Nagel MBA ’98 (see page three), are also advancing scholarship with their work. Nagel’s work in behavioral finance demonstrated that the widely accepted efficient markets hypothesis is not always accurate.

Margarete Arndt
Professor of Management

What are you researching?
For almost 10 years now my work has focused on the history of healthcare professions – hospital administration, nursing and now nurse anesthesia.

What is it about this area that interests you?
I have always been interested in the gendering of jobs and occupations. It became a specific research interest when I was doing archival research for a paper with Barbara Bigelow on the history of transferring business practices into hospitals. I had been a hospital administrator years ago, and as I was reading through hospital journals published during the early 20th century, I realized that hospital administration started as a female occupation.

It is not uncommon for male occupations to feminize – examples are secretarial work and bank tellers – but hospital administration is the only female occupation in modern times that masculinized.

In the case of hospital administration, the powerful men in the leadership of the women’s own professional association recast the occupation as male, identified men as more appropriate practitioners and largely kept women out of the early degree programs for hospital administration.

What do you expect to prove?
The specific research question is not necessarily known in advance in this kind of research. Rather, I may start with a general phenomenon (e.g., male nurse anesthetists in a field that began as a female occupation), and as I learn about the occupation, a specific question may emerge which is then explored (e.g., how did a disproportionate number of male nurse anesthetists end up in elected office in the professional association).

What are the implications and the potential impact of your research?
This stream of research contributes to the history of healthcare occupations. For example, by revealing the lost role of women in hospital administration, it can no longer be assumed that it began as a male field. Similarly, it revives a piece of nursing history, because the majority of the early hospital executives were also nurses by training. As well, it adds to the history of occupations in general, because it identified the rare process of a female occupation masculinized.

What are your biggest challenges?
First, it is not always known in advance what data sources will be available. Often I stumble on new sources as I study others, and gaining access to archival material can be time-consuming, at times even futile. Journal collections are not always complete, sometimes material has been de-accessioned and some collections do not lend out. Second, I am dealing with the past, and I have to learn enough about the societal conditions around the phenomenon I am studying to put it into its context in order to understand the information I am gathering, even if it is ultimately interpreted through the lens of more recent theories. Third, the text has to be translated into identifiable processes or events through content analysis or by creating data that can be quantified. Toward this end, I usually create a huge textual database that captures what I read under dozens and dozens of topics that emerge as I am reading.

For my current work on nurse anesthesia, I read and analyzed every issue of several journals in the field going back 70 years. I have spent over two years on this and am only now writing my first paper out of all this preparatory work. These aspects of my work are also a great source of joy and satisfaction.

How does it apply to your teaching at GSOM?
I teach a course on women in management and the nature of gendered work, as well as the history of occupations, and of women in management. My knowledge is also helpful to students who want to explore the topic of women in management for their independent work in my capstone seminar.
What is it about this area of research that interests you most?

Regarding behavioral pricing, consumer processing of price information does not always involve conscious, rational processes. Rather, nonconscious processes can operate during encoding to influence the way numerical information is represented and stored in memory.

For example, a consumer seeing a price in an advertisement or on a retail store display may encode the numerical information consciously, yet the processing of that information may be nonconsciously influenced by contextual stimuli, such as color, spokesperson or layout of an ad. Those stimulus aspects could impact not only how that price information is represented in memory, but also perceptions of the size, magnitude or expensiveness of the price. Some of these nonconscious influences are counterintuitive.

What are the implications of your research?

Some of my recent studies have shown that price magnitude perceptions can be nonconsciously influenced by certain visual elements associated with the numerical information itself, such as font size, or the physical distance between two prices. For example, one study showed that when a “regular” price (e.g., $210) and a “sale” price (e.g., $199) were placed side-by-side in a print advertisement, consumers had more favorable impressions of the sale price (thought it was cheaper) when the sale price appeared in smaller font than the regular price. The finding is counterintuitive and the opposite of what might be done in practice.

In another study, we manipulated the vowel and consonant sounds associated with prices by varying the numbers. Interestingly, we found that prices of greater numerical value could actually be perceived as less expensive than prices of lesser numerical value, just by changing the number “sounds” (e.g., 6s and 7s contain what are termed “front” vowels and “fricative” consonants, which convey smallness relative to “back” vowels, such as 1s, and “stop” consonants, such as 2s). The implication is that marketers can actually sell more by pricing higher!

What are your biggest challenges?

Most of my work involves experimental research and it is always difficult to find subjects.

The number one challenge is being able to come up with a good question. Even if you have an interesting question, it may take three years to come up with an answer.

Clark is a small university and the resources are limited, but the location takes care of the lack of resources. There’s a network already in place.

How does it apply to your teaching at GSOM?

I teach market pricing, and the pricing research is incorporated into the classroom discussion as a special topic. I’ll also be introducing an Internet marketing elective this spring and will be able to incorporate the research I’ve been doing on social media into that curriculum.

Laura Graves
Associate Professor of Management

What are you researching?

Margaret Luciano ’09 MBA ’10, who is pursuing a doctorate in management at the University of Connecticut, came to me with an interest in conducting research on the impact of leadership on employee motivation.

Working together over two years, we designed a study to understand the impact of leader-employee relationships on employee motivation. We mailed surveys to GSOM alumni and evening students, asking questions about their relationships with their bosses, their motives for doing their jobs, their well-being and their job satisfaction.

We found that there are different kinds of motivation and some are better than others. In particular, individuals thrive when they are motivated by their deep values, goals and interests, as opposed to external rewards and approval.

We believe this “good” motivation is more likely to occur when employees have high-quality rather than low-quality relationships with their bosses. In high-quality relationships, there is mutual trust, respect, and obligation. Low-quality relationships are impersonal transactions between the leader and employee.

Margaret presented the results of our work at a meeting of the Academy of Management, the international association of management scholars.

What is it about this area of research that interests you most?

I am interested in positive organizational scholarship. The goal of positive organizational scholarship is to create knowledge that enhances organizations and the flourishing of people in them.

What are the implications of your research?

Our work has direct implications for organizations. Often, managers develop in-depth relationships with selected employees; these employees are likely to experience a deep level of personal engagement in their work. They view their work as a means to satisfy their deep values, goals and interests. The remaining employees are likely to have lower quality relationships with their managers. Their motivation is likely to stem from the desire to obtain external rewards and approval, or to avoid punishment. They are less likely to be fully engaged in their work roles. Our work suggests that organizations need to strengthen managers’ ability to develop high-quality relationships with all employees.

What are your biggest challenges?

The biggest challenge is getting research data we need to provide solid advice to organizations. The study Margaret and I did took a snapshot of employees’ experiences at one point in time. To truly understand how leaders affect employee motivation, performance and well-being, we need to study the experiences of employees over time in multiple organizations. We are looking for organizations to be our partners in this research.

How does it apply to your teaching at GSOM?

I teach the required course on leadership that all MBA students take. I bring my knowledge of leadership and employee motivation into the classroom and share it with students. I talk about my own research, particularly the powerful effect of motivation that stems from the pursuit of deep values, goals and interests.

The nature of employee motivation is a critical component in determining whether employees perform well and thrive. In particular, employees who are motivated by their fundamental values, goals and interests are more likely to succeed. I want to understand how organizations and leaders affect the development of such motivation.
Sitikantha Parida  
Assistant Professor of Finance

What are you currently researching?
My current research interests lie in empirical asset pricing, mutual funds and behavioral finance. I am also studying the strategic behavior of sophisticated agents (such as hedge funds) during financial crises, and the impact of competition and various financial market regulations on the performance and trading behavior of the fund managers.

What is it about this area that interests you?
I became interested in pursuing a career in research in finance after I started reading about the famous bubbles and subsequent crashes of the stock markets in the last couple of centuries. I am interested in figuring out how the trading behavior of fund managers might contribute to systemic risk. I also like to explore the unintended consequences of well-meaning regulations, or the lack of regulation.

What do you expect to prove?
Long term, I would like to study asset pricing in a behavioral framework. Behavioral finance started during the ’80s, but it is still in its infancy. It has been a challenge to model human behavior in order to predict the return on financial assets.

What are the implications and the potential impact of your research?
While studying the impact of regulatory requirements, I’ve found that forcing mutual funds to disclose portfolio holdings more frequently may not be in the best interest of shareholders. This is because, with more frequent disclosure, funds suffer from activities such as front running and free riding, which adversely affect their performance. In a theoretical model, I show that in illiquid markets, strong agents tend to predate or front run against weak agents and force them to exit the market.

In another paper exploring the impact of competition on transparency in financial markets, I found a counterintuitive result — that too much competition may make financial markets less transparent.

What are your biggest challenges?
In empirical research, it is important to have access to relevant datasets. This could be a challenge at GSOM.

How does it apply to your teaching at GSOM?
Finance is a relatively young discipline and it is evolving continuously. To help students acquire the most up-to-date insights from this field, it is important to be at the frontier of the research.

Guillaume Weisang  
Assistant Professor of Finance

What are you researching?
Bayesian statistics and Bayesian econometrics, time series, hedge fund performance evaluation and replication, and hedge fund systemic risk.

The Bayesian approach is a slightly different take than the classic approach. The idea behind it is that any inference about the true state of the world is subjective rather than objective. So, in Bayesian statistics, you express the answers in terms of degrees of belief, thus allowing a researcher to incorporate prior knowledge and beliefs in the inference process.

I’m applying this approach to asset management and trying to guess what is in the portfolio of a hedge fund manager, knowing you cannot observe the actual portfolio, just the performance at the end of the month. It’s a little like trying to track a rocket using radar. You can’t directly observe the object, but you can use its “shadow.” It even uses techniques invented by engineers to track rockets.

In general, my area of interest is systemic risk. I’m looking at different avenues in the general field of network theory and contagion theory.

What is it about this area that interests you?
I have always been attracted to applied mathematics and finance. I discovered statistics (of which econometrics is one type) much later, while already well advanced in my studies, but it suited me right away. Financial econometrics is a natural combination for me.

What do you like most about your research?
I like to address practical problems, using advanced mathematical tools combined with computer science and algorithms. That’s what I find most interesting. Good theory grows out of and is grounded in practical research.

Advances in econometrics often come from trying to address practical problems, but it requires a combination of common sense, practical knowledge and theory.

What do you expect to prove?
I’m hoping to be able to find a new way to measure the impact of the hedge fund industry as a whole on the world economy, or at least the U.S. economy.

What are your biggest challenges?
The most difficult thing in research is to find the right question to ask. The way you ask a question is almost as important as finding the right answer.

It’s bad methodology if you change the question to fit the data. You need to start with a question, then you answer it.

How does it apply to your teaching at GSOM?
As a young teacher and a young researcher, I haven’t managed yet to find a good balance between the two. I’m hoping to use some of my research directly in my teaching. These are subjects that are very practical and can be used as case studies for students.
Sustainability programs have evolved to the point where they are becoming a necessity for many businesses, according to Steve Sacco, senior vice president, environment, health, safety and sustainability at Invensys PLC.

Speaking recently at GSOM’s “Sustainable Leader Speaker Series,” Sacco said the sustainability program at Invensys was initially just the right thing to do, but it has become increasingly important to the company.

“One of the five things that Invensys’ sustainability strategy is ‘derisking’ the business by protecting value, while lowering costs and reducing liability,” he said. “It’s a criterion by which we’re being selected and we’ve also begun to ask our vendors what they’re doing about sustainability.”

A sustainability program has many other benefits, according to Sacco, who said Invensys has a sustainability program because:

- It is the right thing to do for “ourselves, our children, our company and our planet.”
- It helps Invensys reduce costs, minimize risks and create new value.
- Customers, investors and employees are asking Invensys about its sustainability performance and carbon footprint.
- Competitors are using sustainability to their advantage.
- Government regulations are requiring it.
- Invensys’ Board of Directors has included sustainability in its business metrics.

So what is “sustainability?” Every organization defines it differently. For Invensys sustainability means “being a good employer, supplier, customer and neighbor, and protecting the environment.”

**Invensys’ Sustainability Strategy**

Invensys, a British multinational company with 2.5 billion pounds ($4 billion) in annual sales, considers sustainability both internally, by using natural resources efficiently, and externally, by offering products and services that help customers practice sustainability and operate more efficiently. Sacco noted that Invensys is incorporated into many aspects of its business offerings, which include the development of thermostats and temperature controls, hardware and software for operations management in refineries and power plants, and products to automate trains and make them more efficient.

“Sustainability has to be integrated into the business,” he said. “It’s not something that can be done on a stand-alone basis, or it won’t work.”

Invensys’ sustainability strategy is “derisking” the business by protecting value, while lowering costs and reducing liability. Its three-part strategy includes:

- **Reducing its environmental footprint** by minimizing waste; using energy, water and other resources efficiently; understanding the environmental impact of its products, and enhancing the performance of its suppliers.
- **Supporting the well-being of its employees and communities** by improving workplace safety, maintaining regulatory compliance and encouraging employees to participate actively in community events.
- **Communicating its sustainable performance** by sharing challenges and successes publicly, accurately and transparently; participating in external surveys and investor indices; producing a sustainability report, and including information about sustainability in the company’s annual report and on its website.

Invensys is now widely recognized for its sustainability efforts. For example, it is a member of the Dow Jones Sustainability Indexes, which includes only 10% of the world’s top 2,500 companies. But Invensys has been developing its sustainability program formally since 2006.

“Companies that think they’re going to do it by next year are fooling themselves,” Sacco said. “It takes time to gain the support of senior leaders and to engage many employees to contribute to the program.”

However, he added that many changes can be made to increase efficiency without spending a large sum of money.

“A lot of the changes are not capital intensive,” he said. “They’re just a matter of changing people’s behavior.”

**Sustainable Leader Speaker Series**

**Pursuing A Sustainability Career**

Like many professionals in the field of corporate sustainability, Steve Sacco “fell into” his career.

Now serving as senior vice president, environment, health, safety and sustainability at Invensys PLC, he began his career as a geologist, then earned his MBA.

“Many people grow in an organization and take on sustainability,” he said, “because you have to know the organization to effectively lead and engage people.”

Alumni and friends are welcome to attend . . .

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<th>Month</th>
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<td></td>
<td>Rich Goode,</td>
<td>Director of Sustainability, Alcatel-Lucent Sustainability and Energy Management</td>
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<td>February 9</td>
<td>Bruce E. Buckbee,</td>
<td>LEED AP, VP Operations, World Energy Solutions, Managing Cost of Energy</td>
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<td>February 16</td>
<td>Adam Braillard,</td>
<td>Attorney, Renewable Energy, Prince Label, Renewable Energy and the Law</td>
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<td>February 23</td>
<td>Bob Pojasek,</td>
<td>Professor, Harvard University, Sustainability Practice Leader, Capaccio Env. Eng., Sustainability and Energy Management</td>
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<td>March 15</td>
<td>Mike Ortolano,</td>
<td>CEO, Absolute Green Energy Renewable and Clean Energy Sources</td>
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<td>March 22</td>
<td>Mike O’Brien</td>
<td>Contact Will O’Brien at <a href="mailto:wobrien@clarku.edu">wobrien@clarku.edu</a>. GSOM Clark University</td>
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Series time: 6-7:30 PM Location: Carlson Hall, Room 231 Questions? Contact Will O’Brien at wobrien@clarku.edu.
How To Do Business in China

Contracts are meaningless, intellectual property is not protected and quality must be monitored closely.

Yet, in spite of these obstacles, China is a rewarding place to do business, according to a panel of experts that spoke at a recent symposium organized by the Worcester Business Journal and co-sponsored by GSOM and BDO.

“You can spend months developing contracts, but if you think you can enforce everything in that contract, you’re kidding yourself,” according to Joel Schwartz, senior vice president and general manager at EMC Corporation of Hopkinton, Mass.

James Molinaro, CEO of TechPrecision Corp. of Westminster, Mass., agreed, and added that when outsourcing manufacturing to China, “thousands of companies will come to you and say, ‘We can make this.’ They will do a phenomenal job on the first one. It will be perfect. But watch out after that.”

He added that many companies try to protect their intellectual property by closely guarding drawings of new products, but, regardless of precautions, “It’s reverse engineered faster than you can imagine. There’s nothing you can do about it and there’s nothing our government can do about it.”

Gabriel Royo, vice president at Siemens Industry Inc., said that Morgan Construction Company of Worcester, Mass., which was purchased by Siemens, sold 35 steel rolling mills to China, but another 70 copy cat mills were built there through reverse engineering.

Succeeding in China

To do business in China successfully, the experts advised, you must do business in China.

“You can’t do business sitting in your office in the U.S. and have people tell you what’s going on,” according to Schwartz, who logs 200,000 miles a year traveling to China and other countries.

Schwartz added that it’s important to learn about Chinese culture and customs to do business there, but it’s not important to learn the language, as there are plenty of people in China who speak English.

“When you’re there, the most important thing is to establish relationships with people,” he said. “Relationships are important not only to do business, but to ensure that your business will receive what it’s paying for.”

Morgan became the market leader in China “based on having the right person on board,” Royo added. “It’s better to have someone local and train them about the company and its culture, than to have someone who understands the company and try to train them about China.”

However, Morgan erred by working through licensees, rather than establishing manufacturing in China. That was a mistake, he said, because “our former licensees are our toughest competitors today.”

TechPrecision established a separate company in China called Wuxi Critical Mechanical Components Co. Ltd. to make components for nuclear reactors and other “clean tech” applications.

“We can produce extremely high quality parts, because we’re managing reactors and other ‘clean tech’ applications.

Critical Mechanical Components Co. Ltd. to make components for nuclear

Molinaro said doing business in China brought many new customers to TechPrecision, because they only wanted to do business with companies that do business globally.

George Z. Fang, audit partner and head of the China desk at accounting firm BDO, said that while China is often criticized, American companies are not always model citizens, either.

He cited a case in which a leading U.S. semiconductor company was offered a dedicated parcel of land in a special zone and the Chinese government spent two-and-a-half years working with the company on the project. Soon the company had hired nearly 1,000 people.

After working on the project for two years, the company received an offer to move its operations elsewhere in China and operate tax free for 10 years. It took the offer, leaving its initial workforce without jobs. The company soon found that the workforce in the new location was not as motivated and that it should not have moved.

Alumni Notes

Yousef Alguwaifli MBA ’08 is a global fellow, working on a special project at the Acumen Fund in Hyderabad, India. The Acumen Fund is fighting poverty by investing in social enterprises ...

Kurt Kitzmann MBA ‘11 is a senior life science analyst at Humedica in Boston, Mass.

If you have news you would like to include in “Alumni Notes,” please contact Deanna Scaramangos at dscaramango@clarku.edu.

Staff Notes

Gamache Marks 25 Years at GSOM

GSOM Coordinator of Registration Mary Gamache is celebrating her 25 year anniversary as a GSOM employee.

“For most of her years in GSOM, Mary has been the person students see when they are about to graduate,” said Interim Dean Joseph Sarkis. “She has helped many students ensure that they were registered and taking the correct required courses for their degree programs. Her door has always been open for anyone at Clark and she has always been willing to help. We value her commitment and dedication as an exemplary GSOM employee. Thank you, Mary!”