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HBS Past and Present

- Speaker: **F. Warren McFarlan**, Global Business Summit Faculty Chair, T.J. Dermot Dunphy Baker Foundation Professor of Business Administration

Overview

From its tentative beginnings in 1908, Harvard Business School has grown into a research- and publishing-focused global enterprise with remarkably diverse students and faculty and highly accomplished alumni. Eight enduring themes have characterized Harvard Business School from its earliest years, and remain as integral as ever to the way the School thinks and operates.

Context

Professor McFarlan presented a timeline with the key events in Harvard Business School's past 100 years and defined eight enduring themes that are deeply rooted in HBS.

Key Takeaways

- **Harvard Business School was founded on the idea of helping people make a decent profit, decently.**

Harvard Business School's roots extend back to 1895, the year that intense debate began at Harvard about offering a business education at the University. The notion of a Rail-roading School was rejected, but in 1906, a funding drive began for Harvard's "Graduate School of Business Administration." In 1908, a five-year experiment commenced as part of the Department of Economics.

It was in this context that Harvard saw the emergence of business management as a profession and saw an opportunity to develop business leaders. The School's seminal mission provided direction and legitimized the pursuit.

"To train people to make a decent profit—decently."

— F. Warren McFarlan, quoting HBS's first dean, Edwin Gay

The business environment in the United States at the time of the School's inception was very difficult. This was just one year after the financial crisis of 1907. Upton Sinclair's indictment of the meat-packing industry (*The Jungle*) was underway, as were Theodore Roosevelt's Trust Busters. And the times were very different. Women didn't vote and Harvard's African-American students lived in Pullman Porter quarters at the rail yard.

The School opened in the fall of 1908 with 15 faculty and 84 students, only one-fourth of whom returned the following year. Eight students went on to graduate in 1909 (they were the first Harvard graduates to ever receive their diplomas in English, not Latin). In 1909, the School's first two foreign students enrolled, representing another enduring theme—globalization. Permanent status was

achieved in 1912 as HBS was separated from the Department of Economics.

- **Eight common themes, rooted in HBS's history, characterize the institution still today.**

Deeply rooted in Harvard Business School's fiber are eight enduring themes:

1. *Making a decent profit, decently.* The School's founding mission, to train leaders who "make a decent profit—decently," remains as relevant and integral to the way HBS thinks and operates today as in 1908. Today the mission is summarized as "Leaders who make a difference."
2. *Case-method research.* In 1920, Dean Donham originated the case-study method, thinking at the time that a law-school-like library of business cases could serve as a repository of precedents to inform business decisions. That model didn't work, but cases as a teaching method did. From 1920 to 1947, almost 19,000 case studies were written. From 1945 to 1960, HBS helped to establish 20 business schools around the world, promulgating the case method.

"We are a field-oriented, case-method research school—it's how we do our research; it's how we do our teaching."

— F. Warren McFarlan

3. *Deep research impact on practice.* The establishment of HBS's Bureau of Business Research, in 1911, began the School's longstanding research tradition. An explosion of research output began in the early 1950s, and research continued to expand (e.g., in 1977, HBS professors published 29 books and 153 articles). In 1983, HBS's 75th anniversary, the School rededicated itself to an even deeper research focus. From the 1990s through the present, six global research centers were opened to do research and write cases.

"From the School's earliest origins, it has been a research school in a research university; that's deep in our tradition."

— F. Warren McFarlan

4. *Publishing outreach.* In 1922, the first issue of the *Harvard Business Review* appeared. In 1960, its well-known article "Marketing Myopia," by Ted Levitt, was published. Since then, more than 850,000 reprints have been sold. In 1980, Michael Porter's *Competitive Strategy* was released; it has now sold more than 3 million copies. During the 1980s, Harvard Business School Publishing was created.



"One of the earliest traditions of the School was communicating our ideas in a broad way."

— F. Warren McFarlan

5. **Faculty from diverse backgrounds.** In 1920, Shakespeare scholar Malcolm McNair joined the HBS faculty, becoming a "truly great retail professor." That hire began the School's long tradition of recruiting faculty from diverse backgrounds who were attracted to HBS's agenda and shared the characteristic of being highly original, creative thinkers. An example of HBS's renowned faculty is George Doriot, who first offered his famed manufacturing class in 1926. Doriot is considered the father of venture capital and modern research and development.
6. **Technology-friendly.** HBS has always explored emergent technologies. The first computers arrived on campus in 1966. In 1980, Harvard became just the second school in the country to issue computers to all students. In 1993, every aspect of campus life became transformed by creation of Harvard's intranet. Today HBS employs 110 IT staff.
7. **Globalization.** HBS has "embraced globalization every step of the way," enrolling foreign students and offering courses related to business abroad as early as 1909. Since the 1940s, the School has sought to export its case-focused teaching method to business schools around the world. During the 1960s, the School's International Teachers Program began. In 1973, HBS's first international office was established in Vevey, Switzerland, and over the next decade 30 faculty members spent two years there, returning with permanently altered perspectives on the world.

The early 1980s saw rapid growth in the number of students from Asia. Today, both the faculty and the student body are truly global, and will be even more so going forward. HBS's global focus is supported by six global research centers, in Hong Kong, Mumbai, Paris, Buenos Aires, Tokyo, and Palo Alto.

8. **Remarkable leaders as alumni.** Of all of its deep traditions, HBS takes the most pride in its alumni and their extraordinary achievements.

Other Important Points

- **Executive education.** The MBA Program was closed in 1943 and 1944 because of World War II. But many faculty stayed at HBS during this time and participated in teaching military programs. This led to the recognition of the value of offering mid-career education, which over time blossomed into various executive education offerings.
- **Educational partners.** In the 1960s, the business school worked with the law school to create the MBA/JD program. This set the stage for many joint programs and partnerships with other Harvard schools.
- **New offerings.** Beginning in the 1990s, HBS added entrepreneurship as an area of study and received funding from John Whitehead focused on the area of social enterprise.
- **The Hawthorn Effect.** An example of the research engaged in by HBS faculty members was research at Western Electric's Hawthorn Lab in 1928. The purpose of this research was to assess how changing the lighting in a factory affected the performance of workers. The researchers saw that increasing the amount of light improved performance, as did decreasing the amount of light. The conclusion had nothing to do with lighting. It was about the recognition that when workers receive attention, they perform better. This was the first of HBS's forays into organizational design.
- **HBS Shanghai.** The HBS Club of Shanghai was launched in 1934—and then suspended in 1942. The club was re-launched in 2006. An HBS research center in Shanghai is taking shape and a classroom is likely to follow.



Leadership for the 21st Century

- Moderator: **Charles P. Rose Jr.**, Journalist and Host, *The Charlie Rose Show*
- Participants: **John Doerr**, Partner, Kleiner Perkins Caufield & Byers
Jeffrey R. Immelt, Chairman, GE
Anand G. Mahindra, Vice Chairman & Managing Director, Mahindra & Mahindra Ltd.
Meg Whitman, Former President & CEO, eBay
James D. Wolfensohn, Chairman, Wolfensohn & Company LLC

Overview

Amid the unexpected and unprecedented financial crisis, this panel was generally confident about the long-term economic prospects for the country and the world. While a recession appears certain, there continue to be pockets of economic strength, innovation and entrepreneurialism abound, and at its core, America is a resilient and optimistic country.

What is desperately needed is leadership. This includes leadership in the near term to restore confidence in the economic system, and longer-term leadership in areas such as the environment. The key traits that leaders require include vision, integrity, decisiveness, accountability, great communication skills, and an ability to inspire others.

Context

In responding to questions from Charlie Rose, this panel of recipients of the 2008 HBS Alumni Achievement Award covered a broad range of issues including the current financial crisis, the changing relationship between business and government, and the key elements of effective leadership.

Key Takeaways

- **The current financial crisis is the overriding issue of the moment. Perspectives on the way forward differ.**

Each panelist was asked to share his or her perspective on the financial crisis and discuss what this crisis might mean for the future. These perspectives were:

- *The key is the consumer (Whitman).* Ms. Whitman described the situation as an unprecedented challenge for the world's financial system. For the United States, the most important question is how consumers will react. Consumer spending represents 72% of the U.S. GDP. In previous recessions, consumer spending tempered the recession. But in this crisis, consumers are scared and there is the risk that they will significantly pull back their spending, creating a deep and prolonged recession. The country needs leaders who restore confidence by telling the truth, explaining what happened, and inspiring everyone to move forward. Further economic stimulus may also be necessary.

"The price of inaction is far greater than the cost of making a mistake."

— Meg Whitman

- *Don't overreact (Mahindra).* Mr. Mahindra expects that people will call the current crisis "unprecedented" and

will call for "a new world order." He cautioned not to overreact and throw the baby out with the bathwater. He sees the U.S. economy, as well as that of India, as resilient. He is extremely optimistic about the long term. Instead of a new world order, he suggests "a reset" of the current system.

"I am totally optimistic about America. What you've got here is an environment that encourages entrepreneurialism. I fear an overreaction to this crisis."

— Anand G. Mahindra

- *The government always wins (Immelt).* Mr. Immelt sees the current crisis as a violent ending to the credit crisis that began 15 months ago. He is confident in the government officials who are leading the response efforts and confident that the government's efforts will ultimately lead to a solution. In Mr. Immelt's view, there are two problems: housing prices and tight credit. Through the government's actions to provide liquidity, the tightness of credit will ease. The sooner this happens, the faster the broader economy will be able to get back to business as usual.

In some ways, the economy is bifurcated; the financial system is in disarray, which will inevitably affect the economy as a whole, but there are segments of the economy—and of GE's business—that continue to perform well. Specifically, GE has several years of orders for airplane engines and wind turbines.

- *An environmental crisis would be bigger than this financial crisis (Doerr).* Mr. Doerr shared several thoughts on the current crisis. First, the bailout/response plan fails to get at the root cause of the problem, which is that the system put people in homes they can't afford, with mortgage terms they can't afford. Second, the country needs leadership, but President Bush lacks the credibility to calm and inspire people. Third, despite the financial crisis, innovation continues to race ahead. And fourth, and most importantly, if action is not taken soon, there will be an environmental crisis that will be far more significant than the current financial crisis. "You can bail out the economy; you can't bail out the environment."

"The U.S. is borrowing money from China to buy oil from the Middle East, and we are then burning it and throwing it into the atmosphere. Borrow. Buy. Burn. Every part of this has got to stop in the next decade or we will have a carbon crisis that will make the financial crisis look like a walk in the park."

— John Doerr



- *What are the assets?* (Wolfensohn). Mr. Wolfensohn sees the financial crisis response of providing liquidity as dealing with the liability side of the balance sheet. But the great unknown is the quality of the underlying assets.

He is also concerned about the ripple effect of the crisis on other countries, which in recent years have been an engine for economic growth. In addition, Mr. Wolfensohn is concerned about the amount of household debt in the United States due to society's consumption culture. People in the United States continue to spend far more than they earn, which has grave consequences.

"There is no future for our country unless we stop spending more than we earn."

— James D. Wolfensohn

- **Even in the midst of this crisis, opportunities exist and investment is taking place.**

Innovation continues to flourish. Mr. Doerr described the venture capital landscape as focused on three main areas:

- *Internet*. Internet engineers, who focus on bits and bytes, continue to drive the digital economy. However, there are too many inconsequential projects in this space and many will disappear.
- *Biotech*. Biotech engineers are focused on drugs and bugs. This sector continues to attract capital and create jobs.
- *Greentech*. Engineers in this space are focused on biofuels and batteries. This area represents the greatest influx of venture capital funds.

In general, VC-backed businesses are financed by equity, and not debt. Therefore, in the near term, the tightness of credit is unlikely to have a major impact on the innovation that is taking place. However, in the greentech sector, the new technologies that are being developed require scale, which will take capital.

Mr. Mahindra also continues to see opportunity in the United States and around the world. His company is currently investing in the United States in order to grow market share, and even though credit today is tight, his firm has been able to access capital from sources in the Middle East that are flush with cash.

Opportunity also exists for General Electric. The company will not follow a formula, such as "invest in a recession to beat competition," but will look at the situation for each of its businesses. In some sectors, because market capitalizations have come down so far, there may be attractive acquisition opportunities. In other sectors, the best opportunities may be to grow organically by leveraging investments in R&D.

- **Government needs to be a catalyst for innovation.**

The perception of Mr. Immelt is that over the past 5 to 10 years, the amount of interaction between business and government has increased. Some of this increase stems from the regulations enacted related to corporate govern-

ance. The panelists expect the amount of business-government interaction to further increase as greater regulation of the financial system takes place.

But the nature of business-government interaction need not be limited to the realm of regulation. The panel concurred that business and government must work together in situations where the market system is not able to bring about necessary changes.

"The notion that the free market solves everything just isn't true. The government does have a role as a catalyst for change."

— Jeffrey R. Immelt

Mr. Doerr commented, "The government needs to lead in dealing with climate change." This leadership includes both government policies and investment. Mr. Doerr suggested that the next president restore DARPA (the government agency responsible for creating the Internet) to its former innovation-focused charter.

There was agreement between Ms. Whitman and Mr. Immelt that the government should make energy independence a national priority. The country could be unified in working to solve this problem (analogous to the country's attitude in the 1960s about going to the moon). By making energy a clear national priority and by partnering with the private sector, the government can act as a catalyst in unleashing a wave of innovation.

In the view of Mr. Wolfensohn, the country's future is predicated on innovation. Half a century ago, the United States was the wealthiest country in the world. This is no longer the case. The foreign reserves of China and Russia are much greater than those of the United States. The wealth of the United States is no longer a competitive advantage; the country's advantage must be innovation.

"The one thing that can save us [the United States] is technology and innovation."

— James D. Wolfensohn

- **The United States needs to develop a more global perspective.**

Compared to students in other countries, students in the United States receive little education on other countries, especially those in Asia. Yet as stated by Mr. Wolfensohn, "The center of the world is moving east." To prepare young people for the future, they must be educated about Asia.

The government will be well served by thinking and acting more globally. The foreign minister of Russia recently told Mr. Rose that Russia wants the United States to lead, but also to consult and listen to the views of Russia and other countries.

For companies, becoming more global means segmenting the world differently, not just by size of population or income. At GE, where 60% of its 2008 revenues will come from outside the United States, the company segments countries as resource rich, people-driven rich, and



technology and education rich. Mr. Immelt believes that for societies to compete effectively in a global market, they require education, health care, energy policy; and a financial system that promotes innovation. U.S.-based companies cannot simply assume competitiveness; they must work hard to remain competitive.

▪ **Leadership is desperately needed. How it is defined differs slightly from panelist to panelist.**

The panelists agreed on the tremendous need for leadership in dealing with both the short-term financial crisis and the many longer-term issues facing the business community, the United States, and the world. Each panelist offered a different perspective on leadership.

- *Whitman*. Leadership entails painting a vision of where you want to go, establishing priorities for getting there, building the right team, aligning the organization, and holding people accountable for results. It also requires an ability to communicate effectively so that everyone is on the same page. In addition, effective leaders create cultures where mistakes are acceptable. (Key differences in the public sector are that acknowledging mistakes is not acceptable and greater consensus is required.)
- *Mahindra*. Leaders benefit from having a broad perspective. For this reason, a liberal arts education is extremely valuable.
- *Immelt*. Because the job of a leader is unpredictable, leaders must be able to learn quickly. Leaders must be decisive, accountable, transparent, and able to create unity. Leadership is a journey into one's self. It involves learning, giving, changing, and constant renewal.
- *Doerr*. A mantra for entrepreneurial leaders is "more than anyone thinks possible with less than anyone thinks possible." Entrepreneurial leaders recognize that

ideas are relatively easy, but execution is everything. And execution is based on a team; teams win. Leaders must be able to think on their feet, communicate effectively, and inspire others. And, leaders have character and integrity.

- *Wolfensohn*. In addition to the thoughts expressed by the other panelists, Mr. Wolfensohn believes that leaders should be attuned to the global environment in which we live and in which companies operate.

▪ **Because of these historic times, the U.S. presidential election is extremely important.**

The focus of the candidates on short-term, local/domestic matters is understandable, but the failure of either candidate to articulate a long-term, global vision is disappointing for Mr. Wolfensohn.

An adviser of Senator McCain, Ms. Whitman admires Senator Obama but believes that Senator McCain's economic policies will be better for the United States.

Mr. Mahindra provided an Indian business leader's perspective on the election. He said that Indian business people are conflicted. Their head is with McCain but their heart is with Obama. The reason that the head supports McCain is based on the belief that free trade is more likely under McCain, which is in India's self-interest. But the heart supporting Obama is based on the belief that Obama brings a new spirit and would enable the world to move past Iraq and what is perceived as American expansionism under President Bush.

"If I forget about my vested interest in India, I think a choice of Obama would somehow signal the finest that America has to offer."

— Anand G. Mahindra



Keynote

- Speaker: **William H. Gates III**, Cochair, Bill and Melinda Gates Foundation

Overview

While capitalism has been successful in many parts of the world, there are numerous examples of market failures. The results of these failures affect the health, education, and economic well-being of many of the world's citizens.

In assessing some of the world's most critical market failures, the Bill and Melinda Gates Foundation has identified specific problems that it seeks to address, adapting business practices (such as scorecarding) to maximize the results and impact of the foundation's funds.

But assisting the poor is not just the responsibility of philanthropists. American businesses can and should positively influence the outcomes of the world's poor by channeling some of their unrivaled innovation capabilities into tackling some of the world's major issues. This is both the right thing to do and can create future market opportunities.

Context

Bill Gates answered questions from Professor Emeritus James I. Cash about the philanthropic efforts of the Bill and Melinda Gates Foundation and about what American business can do to help solve the world's biggest problems.

Key Takeaways

- **The focus of the Gates Foundation is to provide assistance where capitalism has fallen short.**

Over the past 100 years, capitalism has been enormously powerful. It has helped improve health and living standards around the world, and has helped hundreds of millions of people move out of poverty. Yet, as powerful as capitalism has been, there are numerous instances where capitalism falls short, where market failure takes place.

An example of market failure: Because the poorest countries in the world have no money, there is no economic incentive for pharmaceutical companies to invest in developing and producing drugs to fight the diseases that affect the populations of these countries. (Ten times more money is spent developing a cure for male baldness than developing a cure for malaria, despite the fact that malaria kills 1 million children per year. The reason: There is a profitable market for male baldness, but no such market for malaria drugs.)

"The Gates Foundation steps in where capitalism falls short."

— William H. Gates III

The Gates Foundation is focused on addressing market failures in three areas:

- *Global health.* Fifty percent of the foundation's funds are spent on infectious diseases. The top five are malaria, tuberculosis, AIDS, diarrheal diseases, and respiratory diseases. These five diseases account for the majority of the difference in health outcomes between the poorest and the richest.
- *Assisting the poorest in the world.* Twenty-five percent of the foundation's funds assist the poorest people in the world in ways other than health care. This includes supporting programs in areas such as financial services.
- *Education in the United States.* Twenty-five percent of the foundation's funds are devoted to trying to improve high schools and community colleges, with efforts focused on educational experimentation.

In many parts of the world, sound governance combined with medical innovation (such as low-cost vaccines) has resulted in dramatic improvements in health. For example, the number of children dying before the age of five has been reduced significantly, with low-cost measles vaccines playing a key role. As a country's health improves, population growth declines and the country is in a better position to develop economically.

Much progress has been made in improving health and alleviating poverty in countries such as China, Mexico, Brazil, and India. Still, today about 2 billion out of the world's 6 billion people are caught in the trap of poor governance, poor health care, and poverty. The Gates Foundation is focused on these 2 billion people who desperately need assistance; the foundation's goal is to try to break the cycle that exists. The Gates Foundation often gives grants to governments, and has a philosophy that the local government has to ultimately take over the responsibility for the health care of its people. In countries with poor governance, this cycle is very difficult to break.

- **Scorecards are key to evaluating the effectiveness of the foundation's performance.**

While there is a great deal of wasted money in the non-profit world, the Gates Foundation is reapplying business practices to how it measures its success. Specifically, the foundation uses clear and specific scorecards to set goals and measure the results of every program it funds. Examples of measures include the number of malaria deaths, the number of people getting AIDS each year, and the income of dairy farmers in Africa.

"We are giving \$3.3 billion per year, half of which comes from Warren Buffett. That is enough money for high expectations that something dramatic will come from it."

— William H. Gates III



Thus far, the hardest area in which to use a scorecard and measure results is working to improve education in the United States—it is extremely difficult to measure results in the educational system. (Part of the problem: There are no national standards; “the Republicans oppose ‘national’ and the Democrats oppose ‘standards.’”) In addition, there are no incentives for good teachers and there is little sharing of best practices. In the absence of metrics, creating success models that can be reapplied is difficult. The result is that 25% of society is well educated, goes to college, and provides business leadership and innovation. The other 75% is not educated and faces a tough time competing in the global workforce.

- **Corporations should pursue “creative capitalism,” where some of their resources are focused on innovating to assist the poor.**

The power of American business innovation is unrivaled. American businesses have an opportunity and a responsibility to engage in “creative capitalism.” This means using their innovation power to develop products and services to assist the poor. Amazing accomplishments could occur if companies took 5% of their best innovators and had them examine the needs of the poorest in the world in the context of their realm of expertise. Drug companies, cell phone companies, food companies, and others could do tremendous things to help the world’s poor by tapping into their power to innovate. This isn’t just about giving money; it is about innovation and creating new markets.

“U.S. businesses need to take some of their innovation power and focus it on the poorest.”

— William H. Gates III

Beyond helping the poor, such actions will help companies attract top talent. As young people today enter the workforce, they care about the mission of the company they work for and want to work for a company that exhibits strong values.

Other Important Points

- **Perspective on the financial crisis.** Mr. Gates views the current financial crisis as fascinating. It shows the dangers of leverage and the naiveté of those who took enormous risks, expecting to consistently earn returns of 10% to 15%. We are now experiencing a double whammy of a financial/credit crisis and an economy in recession. Consumer confidence has been killed, unemployment will rise significantly, and there is no telling how long the recession will last. While the recession will be painful, the government can’t and shouldn’t try to prevent it.
- **Population growth.** In 1960, a widely published report estimated that the world’s population would grow to 20 billion. However, it now appears that worldwide population growth will max out at 8 or 9 billion. Almost all of the world’s population growth today is concentrated in some of the poorest areas, including northern India, Bangladesh, Nigeria, and Pakistan.
- **Philanthropy in the developing world.** The United States has a long history of philanthropy, as rich individuals have given back in a thoughtful way. This is best reflected through the forward-thinking Rockefeller Foundation. However, since wealth is relatively new in places like China and India, there is not yet a tradition of philanthropy in these countries. How the wealthy will behave is not clear. Hopefully, they will follow the lead of U.S. philanthropists.



Globalization Keynote

- Speaker: **Niall Ferguson**, William Ziegler Professor of Business Administration, HBS; Laurence A. Tisch Professor of History, Harvard University

Overview

Neither globalization nor financial crises are new. What may be new is that today's highly efficient global financial system is so optimized that it appears vulnerable when unexpected events occur, which they invariably do.

While most people seem surprised when financial crises take place, they shouldn't be. Taking a long view of history—such as 100 years or more—shows that financial crises and unexpected events occur frequently. While most business leaders have not personally experienced a major financial crisis, they should consider history when developing their strategies, plans, and models, and should keep in mind that outlier events occur. When such events do occur, the consequences are often immediate and significant.

Context

Professor Ferguson offered a historian's view on globalization and on the current financial crisis.

Key Takeaways

- One's perspective on globalization is based on the map that is used.**

There is not one map of the world, but many different maps, each of which tells a different story. There are geographic maps, which show land mass; maps that show the populations of each country; and maps that show relative GDPs (which show that wealth is not synonymous with population).

But perhaps the maps that best illustrate globalization are those that show transport lanes—through which physical goods flow around the world—and maps of submarine cables, through which information flows. It is the network of transport lanes and cables that truly connects the world.

"Globalization is about connectivity and integration."

— Niall Ferguson

- Globalization isn't new, but globalization today has both similarities to and differences from 100 years ago.**

When Harvard Business School was founded 100 years ago, there was in fact globalization; it was an era of Anglo globalization as the British Empire governed (directly or indirectly) about 25% of the world. Using sea lanes, there was significant global trade, there was significant financial integration, and it was a wired world that was connected by telegraph lines. In the late 1800s and early 1900s, the speed of moving information increased dramatically, while the cost of moving information fell equally dramatically.

Important similarities between globalization today and 100 years ago include:

- *Free trade.* Despite the restrictions that exist, there is trade of goods and services.
- *Free capital markets.* Then as now, the world is financially integrated and capital flows around the globe.
- *Migration of labor.* Labor continues to move, often through mass migrations. However, 100 years ago, labor was moving away from Europe; today labor is migrating to Europe.

Important differences include:

- *Dominant world power.* As it was 100 years ago, the dominant power is English-speaking: 100 years ago it was England; today it is the United States.
- *Behavior of the dominant world power.* England was a "saver" and the United States is a spender/consumer. (England was viewed as the saver of last resort; the United States is the consumer of last resort.)
- *Currency.* Money was gold 100 years ago. Today, there are currencies with floating exchange rates.
- *Foreign direct investment.* FDI was less important 100 years ago, but is extremely important today in how companies do business in international markets.
- *Institutions.* One hundred years ago, there was no global framework for international trade. Today, there are entities such as the World Trade Organization and the World Bank that work to facilitate global trade.

- Optimized global networks may be vulnerable to crises.**

The current financial crisis and the series of previous crises over the past century raise the question: Is globalization chronically crisis prone? Further, is a downside of globalization that the market periodically blows up?

Over the past 100 years, there have been two major economic crises: the Great Depression, from 1929 to 1937; and the stagflation of the 1970s. It appears that the current financial crisis will be an equally significant and perhaps even greater crisis. In addition, there have been other economic crises over the past 100 years, with a significant crisis occurring every 10 to 20 years. (In the past 100 years, there have been six years when the S&P index declined by more than 20%: 1917, 1930, 1931, 1937, 1974, and 2002; 2008 could be the 7th such year.)

It may be that as financial markets and global supply chains have been driven to maximize efficiency, they have become more fragile. Author Nassim Nicholas Taleb has written that "a flat world is over-optimized to maximum vulnerability." The interconnected, globalized world may work well in normal, stable times. But because this world has no slack, if/when the expected occurs—which it invariably does—crises result.



"This [a global network where efficiency is maximized] may be the Achilles heel of globalization."

— Niall Ferguson

▪ **Business and political leaders are often surprised by crises; they don't take a long enough view of history.**

Despite the fact that economic crises occur every 10 to 20 years, leaders seem to always be taken by surprise.

"Financial crises are more frequent than we expect them to be, happening roughly every 10 to 20 years."

— Niall Ferguson

One reason may be attributed to a "black swan" way of thinking. Because most people have never personally seen a black swan, they have a tough time actually believing that such a swan even exists. So too is the case with financial crises: people have a difficult time imagining events that they have not experienced personally.

However, people's personal experiences are limited. Take, for example, the duration of the careers of today's Wall Street CEOs, which are 25 years on average. This means that, on average, these individuals began their careers in 1983. Their world view is based on those 25 years, during which time minor, but not major, financial crises occurred. Even experts such as former chairman of the Federal Reserve Alan Greenspan and current chairman Ben Bernanke made statements in recent years about decreased economic volatility—statements based on a short-term, not a long-term, perspective.

Nowhere was this the failure to take a long-term view more acute than in the models used by those on Wall Street. Such models often used just five years of data, and made assumptions that eliminated rare low-probability/high-risk events—providing an inaccurate and overly optimistic perspective.

"Models can be blamed for the current crisis more than any other single factor."

— Niall Ferguson

The reality is that when looking at 100 years of data, there have been nine months during that time when the monthly return of the Dow Jones Industrial Average was more than four standard deviations from the mean. This longer view of the data shows that crises do occur with some degree of regularity. It is impossible to predict when a financial crisis will occur and what its magnitude will be, but it is not impossible to predict that there will be another major financial crisis in the next 10 to 20 years.

"History reminds us that 10 sigma events do happen, and when they do, liquidity can ebb much more quickly than it previously flowed."

— Niall Ferguson

For those who see economic history as a waste of time, Professor Ferguson suggested creating models with 100 or 200 years of data, which will help leaders and their organizations be prepared for black swans.

▪ **Biological evolution is a metaphor for the financial system, with a few key differences.**

When most people and firms think about financial evolution, they see it as concentration. For example, Citigroup was previously hundreds of smaller entities that "evolved" into the behemoth it is today. But concentration from many small entities into one large entity distorts the term evolution. In biological evolution, there is one common root that branches out and creates multiple different results. Evolution is about the creation of new species that use the same resources and compete to survive; some species adapt and flourish while others go extinct.

The concept of biological evolution is a good metaphor for financial evolution, with the following important differences:

- *Conscious mutation.* In the natural world, mutation is random, but in the financial world, mutation—through means such as innovation and M&A—is controlled.
- *Endogenous change.* In the natural world, evolution is often triggered by external events, such as an asteroid hitting the earth. ("The environmental factors that affected dinosaurs weren't the dinosaurs' fault.") However, the disasters that affect the financial system are endogenous; they are caused by the financial system.
- *Intelligent design.* In the theory of biological evolution, there is no intelligent design; evolution doesn't involve divine intervention or moral judgments. But in the financial world, there are regulators who are supposedly intervening to intelligently design the system. These regulators are torn: If they don't regulate at all, there will be crises that have negative consequences. But when they do regulate, they are usually regulating to address the last crisis, not prevent the next one, and the nature of regulation creates a moral hazard and stymies innovation. Intelligent design impedes natural selection.

Considering biological evolution as a metaphor for financial evolution brings to mind Joseph Schumpeter's concept of "creative destruction." In a capitalistic system, as in biology, the companies that don't adapt will fail. This reality revolutionizes the world's economic structure by destroying the old and creating the new.



Harvard and HBS: The Next 100 Years

- Speaker: **Jay O. Light**, George F. Baker Professor of Administration, Dean of the Faculty

Overview

Throughout the past 100 years, Harvard Business School has been at the forefront of business education. As the institution looks ahead to the next century, there are four key areas where more work is needed. The School must become more global, and must devote attention to knowledge-based businesses. In addition, it must collaborate with other schools at Harvard, and cultivate a faculty and student body that can react to economic crises like the current one.

Context

Dean Light discussed Harvard Business School's history and highlighted key focus areas for the future.

Key Takeaways

- **Harvard Business School began as a “delicate experiment” during a time of deep recession.**

The founding of Harvard Business School in 1908 was an act of courage during uncertain economic times. (It was begun as a five-year “delicate experiment” that many at the University thought was doomed to fail.) There were already many two-year business schools in existence. However, these institutions were basically trade schools. Harvard proposed a radically different approach: taking university graduates who had worked for a year or two and training them to become the leaders of America.

There were many questions about whether the core qualities of leadership could be taught and how best to teach them. The School knew that it did not want to use the traditional lecture format. Although Harvard Business School experienced some difficulties during its first decade, the School came into its own in the 1920s. The case method was developed as a form of participatory learning. In addition, a research methodology was created where research was closely tied to actual business practices, and during this time, the business school separated from the Economics Department and built a new campus.

“From the beginning, Harvard Business School was different from other universities and other business schools.”

— Jay O. Light

- **In today's crowded marketplace of MBA programs, Harvard Business School remains distinctive.**

Today, MBA programs are the growth market of higher education. In 1966, just 9,000 MBAs graduated worldwide. In contrast, last June there were 156,000 MBA graduates in the United States alone. There is a great variety of MBA programs, ranging from one-year programs to 16-month programs, weekend programs, evening executive programs, and even MBAs that can be purchased online for

\$59. In this crowded marketplace, Harvard is distinctive. This is due to several factors: the faculty is close to business practices and is committed to teaching; students are engaged, responsible for their own learning and for teaching others; the MBA Program provides a learning model, rather than a teaching model. Supporting HBS's distinctive environment is a residential campus that fosters a unique sense of community.

- **The intellectual agenda for Harvard Business School must become even more global.**

During the 1960s, there were only a handful of women at Harvard Business School, and the majority of students were from the United States. Today, one-third of students carry international passports, and the majority of American students have had international assignments. The faculty is also extremely international and diverse.

While the global nature of the people in Harvard Business School's community is important, the institution also realizes that it must develop new ideas about globalization. To support this effort, the School has opened six research centers around the world. At these centers, research assistants work under the guidance of faculty to create cases and conduct research. Last year, there were 160 global cases produced, as well as 40 pedagogical pieces and 80 research papers with a global focus.

Harvard Business School also offers leading executive education programs in places like China, India, and Europe. During January, MBA students participated in immersion programs in multiple countries. Programs like these are helping the School build the same strong network abroad that it has created in the United States. Even with the many global activities that are underway, the School must strive to become even more global in the years ahead.

“It's [the focus at HBS] all about leadership, but the definition of leadership is changing as we move to a more global world.”

— Jay O. Light

- **In coming years, knowledge-based businesses will form the backbone of the economy and must be a primary area of focus at HBS.**

Looking ahead, knowledge-based businesses, such as health care and science-based businesses, will be important segments of the economy. These are areas that Harvard Business School is already taking steps to promote.

— *Health care.* Health care is the third most popular career choice for Harvard Business School graduates, behind consulting and financial services. HBS and Harvard Medical School have launched a five-year, joint MD/MBA Program. The business school has also started executive education programs for medical leaders.



- *Science-based businesses.* The business school has initiated an innovative course called Inventing Breakthroughs and Commercializing Science. Small teams study cases about how important inventions of the past were brought to market. They then find current ideas within Harvard University and determine how they would commercialize them.

One success story from this course is the Diagnostics for All project. A team composed of individuals from Harvard Business School and other Harvard schools is commercializing an ultra-low-cost way of diagnosing diseases. The Diagnostics for All business plan won both the Harvard Business School Social Enterprise Business Plan Contest and the MIT \$100K Entrepreneurship Competition. The team's idea is currently being pursued as a nonprofit venture, with funding from the Gates Foundation and other organizations.

- **In many ways, the business school is at the center of Harvard.**

Over time, Harvard has been acquiring individual plots of land around the business school. Within 30 years, the plan is to move the University's professional schools to the region around the business school. This will place Harvard Business School at the geographic center of the campus.

At the same time, HBS is taking on an increasingly prominent role at the center of the University. HBS is focused on and engaged in collaborating with other parts of Harvard. The broad agenda for the professional schools is attacking the most important societal problems of our time. Leadership is an important component of how these problems are solved, and it is what Harvard Business School knows how to address.

- **Moving forward, focus must be placed on cultivating a faculty and student body that can react effectively to economic crises.**

Reflecting on recent events, those at Harvard Business School did not realize how fragile the global financial system had become until the current crisis emerged. In the short run, the financial system must be stabilized. Several members of the faculty are actively involved in these efforts.

Looking ahead, there is a significant amount of surgery that needs to be performed on the financial system. This work includes determining how capital should be injected, how toxic assets should be purchased, and what the near-term fixes must be.

In the years ahead, our financial systems will look very different from today. The people who will lead and map out those changes are the current Harvard Business School students. As a result, the School and faculty have a duty to prepare students for the challenges yet to come.

- **Harvard Business School must continue to promote the five elements that are essential for leadership.**

There are five key elements needed for effective leadership. They are:

- *Developing judgment.* With strong judgment, leaders are able to look at a complex situation, work out the right priorities, and determine the right questions to ask.
- *Having an entrepreneurial perspective.* When leaders have such a perspective, they are not constrained by the current situation. Entrepreneurial vision enables leaders to redefine challenges and turn them into opportunities for growth.
- *Using good communication skills.* Strong communication and listening skills support leaders in responding to organizations in compelling and persuasive ways.
- *Behaving with integrity.*
- *Having the courage to act.* After all the analysis is done, leaders must have the courage to make decisions and move forward.

These leadership skills cannot be instilled through lectures. But they can be instilled by doing three cases per day, every day, for two years. Putting students in situations where they are forced to make decisions and act based on imperfect information helps shape the key leadership skills that are required for tomorrow's business leaders.

"At the end of the day, it's all about committed faculty and engaged students who learn from each other—and a learning process, not a teaching process, that transforms students."

— Jay O. Light



Harvard and HBS: The Next 100 Years

- Speaker: **Drew Gilpin Faust**, President, Lincoln Professor of History, Harvard University

Overview

Over the past 100 years, Harvard Business School has strived to educate business leaders who make a difference in the world. Such leaders are needed more than ever before.

As Harvard Business School contemplates how to educate future business leaders, it should aspire to go beyond just teaching students to make a living or be the best at their professions; HBS must create leaders who have the vision, knowledge, skills, and leadership capabilities to “build cathedrals.” This entails educating leaders who make a difference not just *in* the world, but *for* the world.

Context

President Faust reflected on Harvard Business School's past 100 years and shared a visionary perspective for the types of leaders that the School should aspire to produce.

Key Takeaways

- At this time of crisis, we must consider the lessons of the past as we confront the future.**

Throughout the past 100 years, Harvard Business School has been dedicated to developing business leaders who are motivated not simply by profit, but also by the desire to contribute. This theme rang true at the School's 25th anniversary, which took place in 1933, in the middle of the Great Depression, and it rings true today at the 100th anniversary.

At a ceremony in 1933, Harvard Business School Dean Wallace Donham delivered a speech titled “The Failure of Business Leadership and the Responsibility of Universities.” He spoke about the inability of business and political leadership at that time to rise to the challenge of the situation the nation faced. Donham believed that the most pressing concern of the day was equipping American business leadership with the skills and breadth of vision to pursue business objectives that would contribute to social stability and progress.

In creating a professional business school, pursued within a university environment, the guiding purpose of Harvard Business School was and continues to be providing business leaders with specialized knowledge to manage organizations, and offering the breadth of vision to make business a force for social good.

“In short, the vision for Harvard Business School was to educate manager-statesmen who would be motivated not just by profit, but by the improvement of society.”

— Drew Gilpin Faust

In light of the current financial crisis, the vision on which Harvard Business School was founded takes on a new urgency.

“Never have we more needed leaders who make a difference.”

— Drew Gilpin Faust

- The types of business leaders that HBS desires to create are those with a broad vision who recognize the interconnectedness of the world.**

In describing the types of leaders that the School should aspire to create, and the sort of difference these leaders can make, President Faust shared the following parable:

Three stonecutters are asked to describe their work:

- *Stonecutter #1: focuses on material rewards.* The first stonecutter says that he is making a living. The substance, purpose, and context of his work don't matter; he is focused purely on the material rewards of his work.
- *Stonecutter #2: aspires to be the best.* The second stonecutter says that he is doing the best job of stonecutting in the county. Like so many Harvard students, this stonecutter has higher aspirations than just the material rewards from his work. This stonecutter is driven, creative, competitive, and analytical. This stonecutter is an unshakeable individualist, believes in the power of the human mind, is cosmopolitan, and focuses on quality. Individuals with this mindset have helped bring about substantial prosperity. Yet, the vision of this stonecutter is incomplete; this stonecutter is consumed with personal ambition but misses the interconnectedness of humankind.
- *Stonecutter #3: builds cathedrals.* This stonecutter has a broader vision and is motivated by a greater purpose. This person views his work as almost spiritual in nature; he is performing a task that serves to connect people.

The current financial crisis arose from the second type of stonecutter; ambitious individuals who acted in their self-interest, lacked vision, and failed to understand the interconnectedness of the world.

“The crisis we confront is a broad and systemic crisis that has arisen from a failure of wider vision.”

— Drew Gilpin Faust

The goal of universities in general, and of Harvard Business School in particular, should be to strive to create leaders like the third stonecutter. Business leaders must understand that the individual is not enough. True leadership is a matter of values, vision, and having a commitment to a purpose beyond oneself.



- **In educating future business leaders, HBS should keep in mind the types of leadership traits that are most important.**

Increasingly, every part of Harvard is focused on producing future leaders. And seemingly all of the schools at Harvard—the law school, the medical school, the school of public health, and more—are interested in working with HBS based on its legacy and expertise in the area of leadership.

As HBS goes about the business of educating and preparing future leaders, some important ideas about leadership that must be kept in mind include:

- *Leadership is a means, but not an end in itself.*
- *Leaders exist to serve followers.* Leadership is not an exercise in self-satisfaction. Leaders must be committed to a group and a cause that are larger than themselves.
- *The success of a leader is measured by the direction in which the leader takes those who follow.*

Ultimately, the goal of Harvard Business School in the century to come must not just be to educate leaders who make a difference *in* the world, but to shape leaders who make a difference *for* the world.



Leadership for the 21st Century

- Moderator: **Nitin Nohria**, Richard P. Chapman Professor of Business Administration, Senior Associate Dean, Director of Faculty Development
- Participants: **Jaime Augusto Zobel de Ayala II**, Chairman & CEO, Ayala Corporation
James Dimon, Chairman of the Board & CEO, JPMorgan Chase & Company
Orit Gadiesh, Chairman, Bain & Company
G. Richard Wagoner Jr., Chairman & CEO, General Motors

Overview

The basics of leadership haven't changed much over the last 100 years. Leadership is about acting with integrity, persuading others to follow (because they want to, not because they have to), creating a culture of openness, having discipline, communicating clearly, and forging relationships built on mutual confidence. Not much changes during a crisis. Leaders focus on the basics, prioritize, create a sense of urgency, make decisions, and act.

While the core elements of leadership don't change, the tools of leadership and the techniques for training leaders can change. With this in mind, HBS should explore opportunities to change its curriculum to ensure that its leadership education remains at the forefront.

Context

The panelists reflected on important leadership lessons they have learned and how to apply these lessons in times of crisis.

Key Takeaways

- **The key aspects of leadership have remained largely unchanged over the past 100 years.**
Harvard Business School's first dean described leadership as courage, judgment, character, and an ability to get things done. Not much has changed in the past 100 years; the same qualities still ring true.

Ms. Gadiesh offered other important attributes of leaders and leadership:
 - *Being the boss does not equate with being a leader.* "Boss" is about authority, title, or position, but "leader" is about behavior.
 - *True leaders use soft power, not hard power.* Hard power is what comes via authority and includes power in the form of rewards (such as compensation and bonus) and penalties. Soft power is where a leader is followed because a person wants to follow. Soft power is far more effective.
 - *Leaders must build relationships that entail strong mutual confidence.* When supervisors delineate "expectations," they are telling people what they want them to do. More effective is when a leader is able to forge a relationship with mutual confidence; the leader is confident in the follower and the follower is confident in

the leader. Such confidence-based relationships are far more successful.

"The first challenge of leadership is to earn the confidence of followers."

— Orit Gadiesh

- **Leadership lessons are often learned in difficult situations.**

When asked to reflect on an event that provided a valuable leadership lesson, each panelist drew upon an extremely challenging personal experience. These experiences included being fired after 17 years; being on the verge of bankruptcy; getting a first general management experience, in a volatile emerging market; and being thrust into a situation where previous business experiences and tools didn't provide adequate preparation.

Among the lessons learned from such experiences:

- *A job is only about a person's net worth, not self-worth.* However, this doesn't mean that leaders should not take their work personally or that they should try to protect themselves emotionally by distancing themselves from their job or company (such as in referring to themselves or the company in the third person). Leaders need to live, breathe, and bleed for their company. If they don't, their employees won't either.
- *Turning around struggling organizations requires creating a sense of collective pride.* Leaders figure out the most effective approach at a given moment in time to rally the troops.
- *Leaders build trust.* Leadership entails taking very conscious actions aimed at building trust with all stakeholders. Trust isn't built in one day, and is certainly not established in the middle of a crisis; it is built over a long period of time.

- **The experience of these leaders is that crises amplify the basics of leadership and of business.**

Each of these leaders has led during crises, including the current financial crisis. The advice they offered included:

- *Focus on the basics.* Mr. Dimon emphasized that leadership principles don't change during a crisis, but you do have to identify fatal flaws or your firm could die. Mr. Wagoner said that in times of crisis it is necessary to go back to the fundamentals, the basics.

"View a crisis as an opportunity to fix the basics."

— G. Richard Wagoner Jr.



- *Create an open environment.* It is essential to create an open, honest environment where everyone is free and encouraged to speak his or her mind. Mr. Dimon was once given advice to always have one truth-teller in the room. His reaction: I want every person in the room to be a truth-teller.
- *Prioritize.* In a crisis, establishing clear priorities is imperative. Organizations have to have a sense of urgency, which comes from the top. At JPMorgan Chase, this has meant throwing out the 2009 strategic plan, canceling trips and travel, and creating clear priorities in the midst of the crisis. Many firms have lacked this sense of urgency and have failed to establish priorities.
- *Have discipline.* Leadership means creating processes and systems and having the discipline, even in a crisis, to regularly review these processes and systems.
- *Communicate what and why.* GM has experienced massive and painful workforce reductions. No one is happy about these reductions. But if leaders explain clearly the decisions that were made and why they were made, most employees will be supportive.
- *Act with integrity.* Too often, firms state their values but then in a crisis fail to live up to them. Integrity means having the courage to fire your top sales person if that person's actions are not consistent with the company's stated values.

"The core of good leadership doesn't change [during a crisis]."

— James Dimon

▪ **HBS must evolve its curriculum to continue effectively educating the leaders of tomorrow.**

To equip tomorrow's business leaders with the skills they will need, the panelists agreed on the need for even greater diversity of the student body. In addition, Mr. Zobel de Ayala offered the following suggestions:

- *Integrate complexity into the curriculum.* Greater complexity, along with a greater sense of history, is needed to broaden the perspective of students.

- *Incorporate social entrepreneurship into the curriculum.* Students should learn about the social perspective and social contract.
- *Teach that downturns occur.* Most students have lived during mostly positive economic times. Students need to be taught that bad times do in fact occur. They need to be prepared to lead and manage in such situations.
- *Focus more on the interaction between the public and private sectors.* The interaction between government and business has increased in importance and needs to play a larger role in the classroom.
- *Provide a more holistic perspective on growth.* Historically, companies have focused solely on their own economic growth. But there must be new ways to think about the growth equation that take factors such as the sustainable use of natural resources into consideration.

"There must be a new way to look at the growth equation . . . a more holistic solution to growth."

— Jaime Augusto Zobel de Ayala II

Other Important Points

- **Lack of government fortitude.** While business leaders must be decisive and have fortitude, it seems that political leaders often lack fortitude. An example: a seeming unwillingness to deal with the country's energy problem, a problem that has existed since the 1970s. Politicians seem to lack the leadership capabilities to honestly confront this problem and resolve it. Mr. Dimon sees a fuel tax on BTUs as an effective solution, though a solution that requires leadership and courage.
- **Statesmanship needed.** Mr. Wagoner noted that when corporate executives meet with elected officials in Washington, D.C., they seem to have a very specific agenda and are lobbying for something in their own narrow self-interest. What is needed is a collective approach where executives work to build an economic base that is in the country's long-term best interest. Executives need to show statesmanship, focusing less on their own self-interest and more on the country's economic foundation.



The Future of Market Capitalism Introduction

- Speaker: **Joseph L. Bower**, Baker Foundation Professor

Overview

The spread of market capitalism around the world over the past 100 years has lifted the prosperity of many nations and people. Research from the World Bank predicts the trend of rising wealth will continue, a view that is shared by many global business leaders.

But recent research conducted by HBS indicates that business leaders harbor many concerns about market capitalism and see critical challenges that must be addressed. These issues include inequities in the distribution of wealth, environmental challenges, migration of workers, and the threat of protectionism. Governments and international organizations need to devise solutions to this problem.

Harvard Business School can play a role in contributing to the resolution of these issues by equipping future business leaders with the understanding, skills, and values to embrace these challenges.

Context

Professor Bower distilled takeaways from a two-year research project exploring the views of global business leaders and Harvard faculty on what might threaten the world's economic progress.

Key Takeaways

- Market capitalism has propelled unprecedented global prosperity.**

The past 100 years have seen market capitalism create unprecedented economic growth and wealth across societies the world over. Economically, the world is light years ahead of where it was a few decades ago when India was synonymous with famine.

Data from The World Bank shows that from 1975 to 2002, two-thirds of the world's territories increased in wealth. More growth is projected over the next 25 years, even in low- and middle-income countries. As a consequence, gaps in societies' income extremes are projected to shrink.

An implication: globalization can be pro-poor. Trade liberalization benefits lower-income segments of populations and plays an important role in increasing the ranks of the global middle class.

Yet amid this widespread prosperity, two years ago (well in advance of the current financial crisis) Harvard Business School initiated a research project asking global business leaders and HBS faculty, "What could go wrong? What could injure or kill the golden goose?" These questions could not be more timely. Even after the U.S. financial sector's immediate problems are resolved, mighty

economic and societal challenges will still face the world's political and business leaders.

"The question is only slightly different now: 'What else could kill the golden goose?'"

— Joseph L. Bower

- While optimistic about market capitalism, global business leaders see clear threats.**

The business leaders questioned—from Europe, Asia, Latin America, and the United States—expect the stunning growth that capitalism has wrought to continue. But they voiced myriad interwoven concerns related to the management of companies, the management of countries, and the ability of governments and businesses to build international institutions equipped to confront future challenges.

The concerns primarily fell into four categories:

- *The political and social consequences of inequities in the distribution of wealth.* Even as the economic situation of many poor people around the world has improved, in many cases the gap between rich and poor has grown. As a result, even though people are better off than they once were, there is still a growing sense by many of being left out. Many segments of societies have little hope of participating in the economic growth going on around them. The poor in America are no more prosperous than they were two decades ago.

"There's a growing sense of being left out even as the world becomes more prosperous. You can't achieve a sense of legitimacy, cannot have moral credibility if the system is unjust."

— Research participant

A danger of people feeling left out is political backlash and the acceptance of populist leaders, such as Hugo Chavez in Venezuela. The progressive government in India, which championed "India Shining," was voted out, as only a small minority of India's population saw the benefits of India's economic development, and a majority said, "I don't see anything shining."

The critical factor in addressing this inequity is social mobility. The World Bank has shown a correlation between the degree of social mobility and income disparities—the greater the ability of people in a society to move into a higher socioeconomic segment, the more equitably income is distributed within the society. Dramatic economic progress has been seen in countries where mobility is high, such as China. Income growth is also associated with higher-level skills and education.

- *Dramatic income disparities can escalate migration between countries*, with difficult political consequences. In many parts of the world, migration is a reality and presents a significant challenge. As one research participant said, "Needed are productive, progressive ways



to enable people to move in and out of countries to fill a service gap but not be a threat to existing populations.”

- *The environmental challenges associated with economic progress.* Businesses have responsibilities not just to shareholders for profit, but to people and planet as well. But too often, the people and planet responsibilities seem to go unrecognized by business.
- *The inability of national governments and international institutions to unite around sensible solutions to these problems.* Research participants worried that governments will respond to societal challenges in ways that slow economic growth rather than expand its accessibility to lower-income populations (e.g., via education).

In general, governments and businesses don't seem to realize that they're “in this together,” that both have interests in promoting stable and inclusive economic systems. Participants also expressed concern that governments are not working together to build the kinds of international institutions that are required to deal with the world's global economic and environmental problems. Such collaborative institutions are needed to create trade-liberalizing and stability-promoting systems that serve the broad interests of people around the world.

“I think it behooves all CEOs to understand that we have a stake in stability also, and we're going to have to learn to make our contributions to worldwide stability.”

— Research participant

▪ **For HBS, these challenges require cultivating the appropriate understanding, skills, and values in future leaders.**

Research participants were asked how they thought Harvard Business School could contribute to the resolution of these issues. “We heard three kinds of answers,” said Professor Bower:

- *Create entrepreneurs who create companies that promote socioeconomic equity.* Many of the challenges participants noted are entrepreneurial opportunities in

disguise; Harvard Business School should develop awareness of these challenges and of the necessity to create businesses that create economic opportunities for poorer populations.

- *Create leaders with the global management skills to manage diversity, complexity, and scale.* These skills are desperately needed to resolve the future challenges of governments and global institutions.
- *Provide thought leadership.* Harvard Business School should create more resources (such as case studies) that highlight these global challenges, create working groups to find solutions, devote more resources to understanding these issues, and teach their lessons. These complex issues will require entirely new paradigms that encompass an expanded role for business leaders. Future leaders will be encouraged to reach for objectives beyond maximizing shareholder value, taking them into uncharted waters.

“We're discussing complex objectives, not just maximizing shareholder value. . . . When leaders begin to deal with system-level problems, their authority is far from clear, and their legitimacy will often be attacked.”

— Joseph L. Bower

If HBS is to embrace these challenges, new understanding, new skills, and an appropriate set of values will be required. Developing those attributes will be a huge challenge—but they are what the future requires.

Other Important Points

- **Continuing African poverty.** The data showing that market capitalism has boosted incomes masks different realities for people living in different countries at different socioeconomic levels. Specifically, economic growth in Sub-Saharan Africa is failing to keep up with growth rates elsewhere. This low economic growth combined with high population growth is perpetuating poverty in Africa.



The Future of Market Capitalism Keynote

- Speaker: **Lawrence H. Summers**, Charles W. Eliot University Professor, Harvard University

Overview

The United States stands at a time of unique challenge requiring decisive action. This includes both near-term action to deal with the current financial crisis, and decisions on three broad issues that hold enormous ramifications for American society and the world at large. These issues are: maintaining stable prosperity and economic growth; making sure that prosperity is widely and legitimately shared; and building a new global system that works for the citizens of all nations.

Confronting these challenges represents a historic opportunity to save capitalism from itself, and in doing so, to create more prosperity and improve the lives of more people.

Context

Professor Summers shared his view of the challenges facing America at a time of financial and economic turmoil, and the opportunities they present.

Key Takeaways

- **America faces a host of major economic challenges.**

The current financial and economic crisis reminds us of Keynes's insight that the market system is not always self-stabilizing. Today's troubled American and global economy is caught in a vortex of five vicious cycles:

1. *A liquidation vicious cycle.* As financial assets fall in value, some asset owners (especially those who purchased assets using debt) are forced to sell, which pushes the prices of those assets even lower.
2. *A capital deleveraging vicious cycle.* As assets lose value, financial institutions have less capital, giving them less to lend, causing assets to lose more value.
3. *A credit accelerator vicious cycle.* A weakening economy leads to a weaker financial system, which leads to less lending, which leads to a weaker economy.
4. *A Keynesian vicious cycle.* Lower spending leads to lower employment, which leads to lower incomes, which leads to lower spending.
5. *A panic vicious cycle.* Individuals, seeing financial institutions in trouble, rush to withdraw funds—putting institutions in more trouble and causing more people to rush to withdraw their funds.

Beyond the current financial crisis, we are living in a period of abnormally high disillusionment with society's elite and abnormally low faith in our leaders in Washington and in corporate America. Most Americans don't believe the United States is progressing in the right direction or that their children have an opportunity for greater prosperity than they have.

- **The short-term response to the current crisis is taking shape, but critical decisions must still be made.**

In the face of such a crisis, there is no substitute for firm and decisive action. The essential elements of a near-term response plan are coming into place: guarantees to protect the basic flows of money between banks, substantial capital infusions to prevent deleveraging, and provision of credit to areas where it is starved—important steps reflecting the government's crucial role as a guarantor of macro-economic stability.

But other crucial decisions loom in the next year or two:

- *Economic stabilization.* The financial system can be no healthier than the economy as a whole. The appropriate set of steps to restore economic strength (be that more tax cuts, infrastructure, or both) will be necessary for a return to more normal market conditions.
- *Financial system stabilization.* At the same time that steps take place to stabilize the economy, changes must be made to the country's financial system. While the current financial system has been a source of flexibility and prosperity, over the past 20 years there have been seven major financial crises (the 1987 stock market crash; the S&L debacle and the commercial real estate crash of the late 1980s and early 1990s; the Mexican financial crisis; the Asian financial crisis; the LTCM liquidity crisis; the bursting of the NASDAQ bubble and the associated Enron threat to corporate governance; and now the current crisis, which is the most serious of them all). A system with seven major crises in 20 years is not working well enough.

The events of the past year make clear that the current system is not working and the system's architecture must change. Regulation will have to shift from its traditional focus on regulating individual institutions to focus on the stability of the entire system.

"There cannot be debate, after seven crises in 20 years, that we do not have a [financial] system that is functioning effectively."

— Lawrence H. Summers

While all presidential elections are said to be crucial, because of the critical decisions that must be made in the near future—decisions that will shape society for generations and have enormous effects on people around the world—the upcoming election is in fact crucial.

- **In the near term, the country must deal with the current crisis, but other broad issues must also be addressed.**

These key issues are:

1. *Maintaining stable prosperity and economic growth.* Without a sense of growth and without a sense of security in that growth, it is almost impossible in the United States or any other country to even think about



addressing the broader set of domestic or global challenges. The near-term response plan and the plans to stabilize the economy and the financial system are of enormous importance in restoring a sense of prosperity and economic growth.

2. *Making sure that prosperity is widely and legitimately shared.* Consider these facts that illustrate how the prosperity of recent years has not been shared widely:

— The rich have gotten richer and most of U.S. society has gotten poorer. Shifts in U.S. income distribution since 1979 reflect a wealthier top 1% (which have gained about \$600 billion per year in annual income, equal to about \$500,000 per person in the top 1%) and a less prosperous bottom 80% (which have lost about \$600 billion in income per year). The income of those in the 80th to 99th percentiles is unchanged. If incomes in the bottom 80% had kept pace, they would have been twice what they were over those years.

— The gap in health status between the fortunate and less fortunate has widened. Twenty-five years ago, the gap in life expectancy between the well-off and the less fortunate was close to two years. It has expanded to four years, which is hardly a mark of social and economic success. (While two years of life expectancy may not sound like a lot, it is equal to the gain in life expectancy that would be realized if cancer were completely eliminated.)

— Children of privilege and children of poverty are more likely to remain in those socioeconomic situations as adults. For most of American history, the tendency for prosperity to pass from father to son was diminishing. But for the last quarter-century, that trend has stopped and, some say, reversed. Prioritizing education must be part of the solution, along with creative approaches to assisting adults who are no longer in the educational system.

The failure to ensure that prosperity is broadly distributed represents a problem of legitimacy for society.

"Efforts [are needed] on the part of government . . . to assure that the distribution of opportunity becomes more equal, more legitimate."

— Lawrence H. Summers

3. *Building a global system that works for the citizens of all nations.* This financial crisis, along with events of the past decade, has changed the world's view of the United States. A decade ago America stood apart on

several dimensions. The United States was widely admired for its military strength; despite its faults, America was seen as a moral beacon for the world; and America's economy was the envy of the world.

The situation is different now. Based on the country's experiences in Iraq and Afghanistan, the country's military strength has been diminished; after Guantanamo, Abu Ghraib, and Katrina, the United States is not the moral beacon it once was; and the financial crisis has altered the perception of the United States's economic strength.

With this as the context, the United States must work with other nations in creating an integrated, collaborative world system that provides prosperity and peace for all people. (No single issue is more important for this world system to tackle than energy. There is not yet clarity on the specific solutions to the world's energy-related problems, but what is clear is that the current path does not work economically, environmentally, or geopolitically.)

- **In these challenges lies the opportunity to make the world's economic system work for the people of the world by saving capitalism from itself.**

These three issues reflect the need to forge systems that work for people—people who will never come to Harvard Business School; people who are living lives of great value but who no longer feel secure in their communities, their livelihoods, their nations, or the world; people who are uncertain that they will be a part of the world economy. Thus, the overarching challenge is to make the system work for all of those people.

This has happened before. A Republican Roosevelt (Theodore) and a Democratic Roosevelt (Franklin) both presided over periods when capitalism saved itself from itself. Enlightened public policy played a crucial role, and business leaders recognized that while there may be conflicts about their short-run interests, there is less conflict about their long-run interests, because of their enormous long-term interest in being part of successful societies.

"We have an enormous challenge of saving capitalism from itself."

— Lawrence H. Summers

The challenge of saving capitalism from itself represents an immense opportunity to create more prosperity and better lives for more people than at any time in history.



The Future of Market Capitalism Panel Discussion

- Moderator: **Michael E. Porter**, Bishop William Lawrence University Professor
- Participants: **Thierry J. Breton**, France's Former Minister of Economy, Finance, and Industry; Senior Lecturer, HBS
Sir Ronald M. Cohen, Chairman, Portland Capital LLP, Portland Trust, Bridges Ventures
Lawrence H. Summers, Charles W. Eliot University Professor

Overview

Today, the world faces an agonizing dilemma: Wealth creation comes from market capitalism, yet the market system has been hard for many parts of society, resulting in insecurities and inequalities. Under political pressure to make changes, the business world and the public sector must devise strategies and policies for revamping the capitalist system.

Possible solutions include applying business principles to societal problems through social entrepreneurship, and seeking profits in ways that also make a broader contribution to society.

Context

This panel discussed shortcomings of the capitalist system and ways the business community can better serve broader societal interests. Topics included social entrepreneurship, the role of public policy, and the development of a stronger safety net for workers.

Key Takeaways

- **There is a growing sense that capitalism is failing.**

For years, society equated capitalism with a better future. People wanted to generate wealth for themselves and create a better life for their children. Progressive societies recognized that only businesses can create wealth.

However, there are many negative consequences resulting from a market system, such as fears, insecurities, and inequalities. People feel that the capitalist system is failing.

There are real questions about the legitimacy and integrity of a system where executives make, on average, 350 times more than the lowest-paid workers. Making hundreds of millions of dollars seems immoral in a society where people are living in poverty. Today, in a time when governments are becoming so involved in the financial world, there is increased push-back on high executive pay.

Another reason for the perception of failure is that in many countries, when citizens pay taxes, the money is used to pay off the country's debt. It is not used to invest in the well-being of its citizens by building schools or improving the health care system.

"The debt that has accumulated will be one of the worst problems of capitalism that countries will have to address."

— Thierry J. Breton

In Sir Ronald Cohen's view, market capitalism will ultimately be judged by the reaction of the business sector and public sector to the human problems caused by today's crisis. If steps are not quickly taken to improve the social consequences that affect huge portions of the population, the backlash against capitalism will be serious.

- **The capitalist system must change and help to support a safety net for workers.**

All of the problems associated with capitalism have worsened with globalization. American workers now compete with workers all over the world. In this environment of job insecurity, the safety net for the working class is nonexistent in the United States.

"This issue of the safety net is crucial."

— Michael E. Porter

It is Professor Summers's assertion that executives typically get about a year or more of severance pay if they are let go from a job. Non-executives, such as secretaries, drivers, and janitors, typically get just a few weeks of severance. There is no process to help individuals through a job loss. The training system is incapable of providing any meaningful support.

"There is something odd about the way our economic system is structured, where people who least need insurance against bad outcomes get the most, and people who need insurance the most get the least of it."

— Lawrence H. Summers

Moving forward, if the capitalist system is going to exist, many aspects will have to change. This includes insurance, pensions, and training. These are all areas where the business community has an important voice and can make a difference.

- **Social entrepreneurship is coming of age, but must be developed into a formal profession.**

Business entrepreneurship is the most powerful way of creating wealth for the population. Using the same principles, social entrepreneurship provides a fresh approach to addressing some of society's greatest problems.

There is a close correlation between economic prosperity and social cohesion. Investments are never made in poor areas. As a result, there are few opportunities. Studies show that when less than 5% of the people in an area are positive role models, the area spirals down into crime and violence. It is crucial to provide opportunity to these areas and to do so in intelligent ways, using replicable, sustainable, and scalable models.



The time has come to develop social entrepreneurship into a formal profession and to create institutions to support social entrepreneurship. Social venture funds could become a significant element of private equity investment and entrepreneurial finance. Sir Ronald Cohen has asked the British government to contribute 300 million pounds from unclaimed bank assets to an organization focused on social finance. This organization will act as a wholesaler of capital to the social sector. For these sorts of institutions to succeed, talent needs to be attracted into the social entrepreneurship arena.

Social investment is the way for people with business backgrounds to show that business principles can serve as a multiplier for philanthropy. Applying the analytical skills and methods taught at Harvard Business School to the solution of social enterprise is absolutely fundamental to this effort.

"Thirty years ago, if you'd talked about the potential impact of entrepreneurship, [in Europe] people would say you're crazy. Today, the same is true of social entrepreneurship."

— Sir Ronald M. Cohen

▪ **In addition to social entrepreneurship, broad-reaching public policies are needed.**

While social entrepreneurship is important, in Professor Summers's view, the small-scale successes of social entrepreneurship will not on their own have a large enough impact on society. In addition to the efforts of social entrepreneurship, broad-reaching public policy is needed to make society's fundamental systems, like education and health care, work more effectively. (When people discuss policies and reforms, they often focus on the poor. Professor Summers encouraged focusing on the middle class. This group doesn't want handouts; it simply wants the opportunity to compete.)

However, one of the barriers to the implementation of public policies to address the negative consequences of market capitalism is that such policies are often not widely supported by the business community. Too often, members of the business community are narrowly focused on advancing the specific issues relevant to their own short-term interests. They push to lower taxes, pursue specific tax breaks, or lobby for a particular issue. In these ways,

business actually makes it more difficult to address society's larger, long-term interests.

The business community and business leaders must acknowledge the need for public policy to address the issues that threaten the future of capitalism. Businesses must look beyond their narrow, short-term interests toward what is good for society and for their businesses in the longer term.

"We need public policy that makes sure that every kid has a chance to have an education, that does something about big urban school districts, and that makes a health care system that generally works."

— Lawrence H. Summers

▪ **There are many ways businesses can address social problems, while still satisfying their own self-interest.**

Businesses should seek profit opportunities in places that also make a broad societal contribution. By employing a lens that focuses on doing well (financially) by doing good (for society), many attractive opportunities are likely to be discovered. Specific examples include:

— *Employing the disadvantaged.* Businesses are uniquely positioned to create independence for people through jobs. When the government provides unemployment benefits, it creates dependency instead of giving people a chance. Some companies have elected to locate in economically troubled areas. In many cases, they find workers who are better and lower-cost than if the business were located in a "fashionable" place to live.

"People don't want charity; they want a chance."

— Sir Ronald M. Cohen

— *Environmental initiatives.* Some of Harvard's highest-return investments have been stimulated by looking at environmental issues like better insulating a building. These types of projects had a three-year payback period, while also benefiting the environment.

"Make sure that no stone goes unturned in terms of seeking profit opportunities in the places that are also making a broad societal contribution."

— Lawrence H. Summers



Speaker Biographies

HBS Past and Present

F. Warren McFarlan, MBA 1961, DBA 1965

Global Business Summit Faculty Chair, T.J. Dermot Dunphy Baker Foundation Professor of Business Administration

Warren McFarlan is the T.J. Dermot Dunphy Baker Foundation Professor of Business Administration, Albert H. Gordon Professor of Business Administration, Emeritus, and faculty chair of the Global Business Summit at HBS. He earned his BA from Harvard College in 1959 and his MBA and DBA from HBS in 1961 and 1965, respectively. He has had a significant role in introducing materials on management information systems to all major programs at HBS since the first course on the subject was offered in 1962. He was a longtime teacher in the Advanced Management Program, the International Senior Managers Program, the Delivering Information Services Program, and several social-sector executive programs. He now teaches the first-year Financial Reporting and Control course; the second-year elective Doing Business in China in the Early 21st Century, in the MBA Program; and several short Executive Education programs. He is cochair of the Senior Executive Program for China.

In 1973, shortly after his appointment to full professor, McFarlan and four other faculty members were sent to Switzerland to set up the School's International Senior Management Program. He returned from Switzerland in 1975 to become chairman of the Advanced Management Program, a position he held until 1978; he was chairman of all Executive Education programs from 1977 to 1980. McFarlan was senior associate dean, director of research from 1991 to 1995; senior associate dean, director of external relations from 1995 to 2000; and senior associate dean, director of Asia Pacific from 1999 to 2004.

McFarlan's book *Connecting the Dots*, written with Cathleen Benko, appeared in 2003.

That same year, *Seizing Strategic IT Advantage in China*, written with HBS professor Richard Nolan and Professor Guoqing Chen of Tsinghua University, appeared (available only in Chinese Mandarin). His newest book, *Corporate Information Strategy and Management: Text and Cases* (seventh edition), with HBS professors Lynda Applegate and Robert Austin, appeared in 2006. *Creating Business Advantage in the Information Age*, also with Applegate and Austin, appeared in 2002. "Working on Nonprofit Boards: Don't Assume the Shoe Fits" appeared in the November-December 1999 *Harvard Business Review*, and "Information Technology and the Board of Directors," with Richard Nolan, appeared in the October 2005 *Harvard Business Review*. McFarlan is editor of *The Information Systems Research Challenge* (1984). He served a three-year term as senior editor of the *MIS Quarterly* (1986-1988). He is a member of several corporate and nonprofit boards, and has served for more than 10 years on hospital boards.

Leadership for the 21st Century

Charles P. Rose Jr. (Moderator)

Journalist and Host, The Charlie Rose Show

Emmy Award-winning journalist Charlie Rose has been praised as "one of America's premier interviewers." He is the host of *Charlie Rose*, the nightly PBS program that engages America's best thinkers, writers, politicians, athletes, entertainers, business leaders, scientists, artists, and other newsmakers. *USA Today* calls *Charlie Rose* "TV's most addictive talk show." *New York Newsday* says, "Charlie's show is the place to get engaging, literate conversation. Bluntly, he is the best interviewer around today."

Guests have ranged from international statesmen Nelson Mandela and Mikhail Gorbachev and Nobel laureates Toni Morrison and Seamus Heaney to leaders in business like Bill Gates and Andy Grove. In the artistic arena, Rose's guests range from actors Tom Hanks and Julia Roberts to musicians Bruce Springsteen and Yo-Yo Ma. His program serves as a window on cultural areas rarely seen on TV, such as architecture, painting, photography, and classical music.

Charlie Rose Special Edition presents hour-long profiles on such prominent entertainers as Meryl Streep and Garth Brooks, as well as week-long specials about the cutting edge of science, such as the Human Genome Project. Drawn from major exhibits at distinguished museums, his series called *Great Masters* takes an in-depth look at an artist's biography as well as the artist's visual presentations of his or her art. All specials are produced by Charlie Rose Inc., which also presents other programs in multimedia formats.

Rose was born in Henderson, North Carolina, and graduated from Duke University with a BA in history and a JD from the School of Law. He is a member of the Council on Foreign Relations and has received honorary doctorates of law from C.W. Post College and the University of North Carolina at Pembroke. He is the recipient of the George Peabody Broadcasting Award, the Emmy Award, and the CableACE Award.

He is a popular speaker on a wide variety of subjects at college campuses around the country and a frequent moderator of technology conferences in the United States.

Rose lives in New York City and Bellport, Long Island.

John Doerr, MBA 1976

Partner, Kleiner Perkins Caufield & Byers

John Doerr is a partner at Kleiner Perkins Caufield & Byers. Together with KPCB's partners, Doerr has backed many of America's best entrepreneurial leaders, including Eric Schmidt of Google, Jeff Bezos of Amazon.com, Scott Cook of Intuit, and Scott McNealy of Sun Microsystems. These ventures have created more than 150,000 new jobs.



In 1974, Doerr joined a small chipmaker, Intel, just as the company invented the legendary 8080 microprocessor. He worked in engineering and marketing and became a top-ranked sales executive. He joined KPCB in 1980 and soon started Silicon Compilers, a VLSI CAD software company, and @Home, the first broadband cable Internet service.

Doerr's interests include green technology innovation and policy entrepreneurs helping to fight global warming; Internet/Web ventures with strong network effects; building a new, open nationwide wireless network; and breakthroughs to prevent pandemic avian flu and global infectious disease. He also cares deeply about public education, global poverty and health, medical research, and women as leaders. Doerr is backing exceptional social and policy entrepreneurs, including Ted Mitchell and Kim Smith, as cofounder of the NewSchools Venture Fund; Lezlee Westine, John Chambers, and Jim Barksdale, as cofounder of TechNet; and Al Gore of the Alliance for Climate Protection, Climateprotect.org.

Doerr is a techie and inventor, holding patents for computer memory devices.

He earned a BS and MS in electrical engineering from Rice University and an MBA from HBS.

Jeffrey R. Immelt, MBA 1982

Chairman, General Electric

Jeff Immelt is the ninth chairman of GE, a post he has held since September 7, 2001. Immelt has held several global leadership positions since coming to GE in 1982, including roles in the plastics, appliance, and medical systems divisions. He became an officer of GE in 1989 and joined the GE Capital board in 1997. A few years later, in 2000, Immelt was appointed president and CEO.

Immelt has been named one of the World's Best CEOs three times by *Barron's*. Since he began serving as CEO, GE has been named America's Most Admired Company in a poll conducted by *Fortune* magazine, and one of the World's Most Respected Companies in polls by *Barron's* and the *Financial Times*.

Immelt is a member of The Business Council and the board of the Federal Reserve Bank of New York.

He earned a BA in applied mathematics from Dartmouth College in 1978 and an MBA from HBS in 1982. He and his wife have one daughter.

Anand G. Mahindra, MBA 1981

Vice Chairman & Managing Director, Mahindra & Mahindra Ltd.

Anand Mahindra is vice chairman and managing director of Mahindra & Mahindra Ltd. (M&M), a Mumbai-based "federation" of almost 100 companies with revenues of \$6.6 billion and 60,000 employees.

After earning his MBA at HBS in 1981, Mahindra returned to his native India and joined Mahindra Ugine Steel Company Ltd. (MUSCO), the country's foremost producer of specialty

steels, as executive assistant to the finance director. In 1989, he was named MUSCO's president and deputy managing director. During his stint at MUSCO, he initiated the Mahindra Group's diversification into the new business areas of real estate development and hospitality management.

In 1991, Mahindra was appointed deputy managing director of Mahindra & Mahindra Ltd., the country's dominant producer of utility vehicles and tractors. He was named managing director in 1997, and in 2003 was given the additional responsibility of vice chairman. Mahindra has been engaged in a comprehensive change program at M&M Ltd. to make the company an efficient and aggressive competitor in the new liberalized economic environment in India. Mahindra was a co-promoter of Kotak Mahindra Finance Ltd., which in 2003 became the first company in India to convert to a commercial bank. Today, Kotak Mahindra is one of India's leading financial conglomerates.

Mahindra is a member of several corporate boards. He is the cofounder of the HBS Association of India and cochairman of the International Council of the Asia Society, New York. He has served as president of the Confederation of Indian Industry and of the Automotive Research Association of India. He is the founding chairman of the Mumbai Festival. Launched in 2005, it is the first comprehensive festival to celebrate the rich cultural diversity of the city.

Mahindra frequently shares his views and ideas on the Indian economy and business through his writings in some of India's leading business magazines. Before attending HBS, Mahindra earned a BA in visual studies (film) from Harvard College.

Meg Whitman, MBA 1979

Former President & CEO, eBay

Meg Whitman served as president and CEO of eBay from March 1998 until March 2008, when she stepped down to focus on philanthropic and political endeavors. Still involved as an eBay board member, Whitman has served as national cochair of John McCain's presidential campaign.

When Whitman joined eBay in 1998, the fledgling online auction startup had 30 employees, \$4.7 million in revenue, and a 70% compound monthly growth rate. With her expertise in brand-building at top consumer companies, Whitman helped eBay evolve into an unmatched global e-commerce engine that continues to influence and reshape the way people trade, pay, and communicate around the world. Today eBay, which Whitman took public in 1998, has over 16,000 employees in 39 countries, with 2007 revenues of \$7.7 billion. More than 1 million people make some part of their living selling things on eBay.

After graduating from HBS in 1979, Whitman worked at Procter & Gamble for two years. She then joined Bain & Company's San Francisco office, where she rose to vice president. After eight years with Bain, Whitman joined the Walt Disney Company as senior vice president of marketing, Disney Consumer Products. She then worked for the Stride Rite Corporation as president of the Children's Group and as



EVP of product development, marketing, and merchandising in the Keds Division. This was followed by a stint as president and CEO of FTD, the world's largest floral products company. Before joining eBay, Whitman was with toymaker Hasbro Inc., overseeing global management and marketing of two of the world's best-known children's brands, Playskool and Mr. Potato Head.

Whitman serves on the boards of the eBay Foundation, Procter & Gamble, and DreamWorks Animation SKG Inc.

Before attending HBS, Whitman earned a BA in economics from Princeton University.

James D. Wolfensohn, MBA 1959

Chairman, Wolfensohn & Company LLC

James Wolfensohn is chairman of Wolfensohn & Company LLC, a private investment firm and an adviser to corporations and governments. He became chairman of the Citi International Advisory Board on April 18, 2006. He is also adviser to Citi's senior management on global strategy and on international matters.

Wolfensohn served as president of the World Bank Group from 1995 to 2005. At the end of his second term, he left office and assumed the post of special envoy for Gaza disengagement for the Quartet on the Middle East, a position he held until April 2006. He is also chairman of the advisory group of the Wolfensohn Center, a research initiative focused on global poverty, at the Brookings Institution. As president of the World Bank, he successfully led initiatives on debt reduction, environmental sustainability, anticorruption, and AIDS prevention and treatment. He developed activities on religion and culture and decentralized offices overseas linked by the most modern telecommunications system in the international community.

Before joining the World Bank, he was an international investment banker. His last position was as president and CEO of James D. Wolfensohn Inc., his own investment and corporate advisory firm set up in 1981 to work with major U.S. and international corporations. He relinquished his interests in the firm upon joining the World Bank. Before setting up his own company, Wolfensohn held a series of senior positions in finance. He was executive partner of Salomon Brothers in New York and head of its investment banking department. He was executive deputy chairman and managing director of Schroders Ltd. in London, president of J. Henry Schroders Banking Corporation in New York, and managing director of Darling & Co. of Australia.

In 1970, he became involved in New York's Carnegie Hall, first as a board member and later, from 1980 to 1991, as chairman of the board, during which time he led its successful effort to restore the landmark New York building. He is now chairman emeritus of Carnegie Hall.

In May 1995, he was awarded an honorary knighthood by Queen Elizabeth II for his contribution to the arts. He has also been decorated by the governments of Australia, Belgium, Brazil, France, Japan, Germany, Georgia, Mexico,

Morocco, The Netherlands, Norway, Peru, Pakistan, and Russia. Wolfensohn holds a BA and an LLB from the University of Sydney and an MBA from HBS. He and his wife, an education specialist, have three children.

Keynote

William H. Gates III

Cochair, Bill and Melinda Gates Foundation

Bill Gates is cochair of the Bill and Melinda Gates Foundation. Along with cochair Melinda Gates, he shapes and approves grant-making strategies, advocates for the foundation's issues, and helps set the overall direction of the organization. Bill and Melinda Gates work together to expand opportunity for the world's most disadvantaged people by collaborating with grantees and partners. They also participate in national and international events and travel extensively to focus attention on the issues the foundation champions.

Gates created the William H. Gates Foundation in 1994 to focus on global health. Three years later, he and Melinda created the Gates Library Foundation, which worked to bring public-access computers with Internet connections to libraries in the United States. (Its name changed to the Gates Learning Foundation in 1999 to reflect its focus on ensuring that low-income minority students are prepared for college and have the means to attend.) In 2000, to increase efficiency and communication, the two groups merged into the Bill & Melinda Gates Foundation.

Under the Gateses' leadership, the foundation's grant-making is now organized into three programs: global development, global health, and the United States. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to ensure that all people — especially those with the fewest resources — have access to the opportunities they need to succeed in school and life. Since its inception, the foundation has given \$16.6 billion in grants. The foundation has more than 500 employees and supports grantees in all 50 states and the District of Columbia. Internationally, it supports work in more than 100 countries.

In 1975, his junior year, Gates left Harvard College to focus on Microsoft, the company he founded with his childhood friend Paul Allen. As chief software architect and chairman, Gates led the company to become the worldwide leader in business and personal software, services, and solutions. In July 2008, Gates moved out of a daily role in Microsoft to focus on philanthropy.

Gates also founded Corbis, which is developing a comprehensive digital archive of art and photography from public and private collections around the globe. He is a member of the board of directors of Berkshire Hathaway Inc.

**Globalization Keynote****Niall Ferguson**

William Ziegler Professor of Business Administration, HBS; Laurence A. Tisch Professor of History, Harvard University

Niall Ferguson is the William Ziegler Professor of Business Administration at HBS and the Laurence A. Tisch Professor of History at Harvard University. He is also a senior research fellow at Jesus College, Oxford University, and a senior fellow at the Hoover Institution, Stanford University.

Born in Glasgow in 1964, Ferguson graduated from Magdalen College, Oxford, with first-class honors, in 1985. After two years as a Hanseatic Scholar in Hamburg and Berlin, he took up a research fellowship at Christ's College, Cambridge, in 1989, later moving to a lectureship at Peterhouse. He returned to Oxford in 1992 to become a fellow and tutor in modern history at Jesus College, a post he held until 2000, when he was appointed professor of political and financial history at Oxford. Two years later he took up the Herzog Chair in Financial History at the Stern Business School, New York University, before moving to Harvard in 2004.

Ferguson's first book, *Paper and Iron: Hamburg Business and German Politics in the Era of Inflation, 1897–1927* (1995), was short-listed for the History Today Book of the Year award. In 1998, he published *The Pity of War: Explaining World War One* and *The World's Banker: The History of the House of Rothschild*. The latter won the Wadsworth Prize for Business History. In 2001, he published *The Cash Nexus: Money and Power in the Modern World, 1700–2000*, after a year as Houlton-Norman Fellow at the Bank of England.

Ferguson is a regular contributor to television and radio on both sides of the Atlantic. In 2003, he wrote and presented a six-part history of the British Empire for Channel 4, the U.K. terrestrial broadcaster. The accompanying book, *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power*, was a best seller in Britain and the United States. The sequel, *Colossus: The Rise and Fall of the American Empire*, was published in 2004. *The War of the World*, a global history of the Second World War, was published to critical acclaim in 2006. He is now completing a biography of Siegmund Warburg and has recently begun researching a life of Henry Kissinger.

A prolific commentator on contemporary politics and economics, Ferguson is a contributing editor of the *Financial Times*.

Harvard and HBS: The Next 100 Years**Jay O. Light, DBA 1970**

George F. Baker Professor of Administration, Dean of the Faculty

Jay Light is dean of the faculty at HBS and the George F. Baker Professor of Administration. He is a graduate of Cornell University (engineering physics, 1963) and Harvard University (the joint FAS–Business School doctoral program in decision and control theory, 1970). He worked in systems analysis and satellite guidance at the Jet Propulsion

Laboratory and in management consulting before joining the HBS faculty in 1970.

Light has been chairman of the Finance area (1986–1988); senior associate dean, director of faculty planning (1988–1994); and senior associate dean, director of planning and development (1998–2005). In the last role, he led the School's strategic-planning efforts and helped shape new educational and research program initiatives.

Light was interim dean of HBS from August 2005 through April 2006, when he was named dean. He has overseen the close of HBS's successful \$600 million capital campaign, supported new faculty initiatives in health care and science-based business, and completed the renovation and restoration of Baker Library | Bloomberg Center. He has led innovations in the School's core educational programs, including a team-based learning initiative in the MBA Program and a modular leadership development program in Executive Education.

Light has taught in the MBA and doctoral programs and in various executive programs for CFOs and investment managers. In the MBA Program, he has taught Finance, Investment Management, Capital Markets, Entrepreneurial Finance, and Negotiating Ventures.

Light is the author (with W.L. White) of *The Financial System* (1979), numerous articles, and more than 50 cases and notes. His research and course-development interests include asset management, risk management for global investment management, negotiation and deal structuring, and corporate finance. He has explored strategic business decisions in the money-management industry and problems that arise in the management of very large pools of tax-exempt money, particularly pension funds and endowments. He has also examined how negotiation analysis and related techniques can be used in structuring financial transactions in the context of entrepreneurial situations and to enhance value in private-equity investments.

Light is a director of the Harvard Management Company and Partners Healthcare (the Massachusetts General and Brigham & Women's Hospitals), a member of the investment committees of several endowments, a director of several private firms, and an adviser or trustee of several corporate and institutional pools of capital. He lives in Belmont, Massachusetts, with his wife and two children.

Harvard and HBS: The Next 100 Years**Drew Gilpin Faust**

President, Lincoln Professor of History, Harvard University

Drew Gilpin Faust took office as Harvard University's 28th president on July 1, 2007. A historian of the Civil War and the American South, Faust is also the Lincoln Professor of History in Harvard's Faculty of Arts and Sciences.

She earlier served as founding dean of the Radcliffe Institute for Advanced Study, a post she took up on January 1, 2001. Faust guided the transformation of Radcliffe from a college



into a wide-ranging institute for advanced study. Under her leadership, Radcliffe emerged as one of the nation's foremost centers of scholarly and creative enterprise, distinctive for its multidisciplinary focus and the exploration of new knowledge at the crossroads of traditional fields. Before coming to Radcliffe, Faust was Annenberg Professor of History and director of the Women's Studies Program at the University of Pennsylvania, where she served for 25 years on the faculty.

Faust received her bachelor's degree from Bryn Mawr in 1968, magna cum laude with honors in history, and her master's degree (1971) and doctoral degree (1975) in American civilization from the University of Pennsylvania.

She is the author of six books, including *Mothers of Invention: Women of the Slaveholding South in the American Civil War* (1996), for which she won the Francis Parkman Prize in 1997. Her most recent book, *This Republic of Suffering: Death and the American Civil War* (2008), looks at the impact of the Civil War's enormous death toll on the lives of 19th-century Americans.

Faust has been a trustee of Bryn Mawr College, the Andrew Mellon Foundation, and the National Humanities Center and serves on the educational advisory board of the Guggenheim Foundation. She has served as president of the Southern Historical Association, vice president of the American Historical Association, and executive board member of the Organization of American Historians and the Society of American Historians. Faust's honors include awards in 1982 and 1996 for distinguished teaching at the University of Pennsylvania. She was elected to the American Academy of Arts and Sciences in 1994, the Society of American Historians in 1993, and the American Philosophical Society in 2004. Faust is married and has two daughters.

Leadership for the 21st Century

Nitin Nohria (Moderator)

Richard P. Chapman Professor of Business Administration, Senior Associate Dean, Director of Faculty Development

Nitin Nohria is the Richard P. Chapman Professor of Business Administration and senior associate dean, director of faculty development at HBS.

Nohria's research centers on leadership and corporate transformation. He is the coauthor of more than ten books. His most recent book, *Paths to Power: How Insiders and Outsiders Shaped American Business Leadership*, chronicles how leaders from different backgrounds rose to power in American business. This is a companion book to *In Their Time*, which draws lessons from some of the greatest American business leaders of the 20th century. His other books include *What Really Works: The 4+2 Formula for Sustained Business Success*, a systematic large-scale study of management practices that truly differentiate business winners. *Changing Fortunes: Remaking the Industrial Corporation* examines the decline of industrial firms in the last quarter of the 20th century and discusses what can be learned from this experience. *Driven: How Human Nature*

Shapes Our Choices explores four basic drives that shape human motivation and choice. *Master Passions: Emotion, Narrative, and the Development of Culture* discusses how passions shape not only our individual lives but our social and organizational culture as well. *The Arc of Ambition: Defining the Leadership Journey* examines the role of ambition in the making of great achievers. *The Differentiated Network: Organizing Multinational Corporations for Value Creation* won the 1998 George R. Terry Award, given by the Academy of Management for the best book written by an academy member. *Fast Forward* presents the best ideas on managing business change, and *Beyond the Hype: Rediscovering the Essence of Management* looks beyond the quick-fix panaceas being thrown at managers. In another work, *Building the Information-Age Organization*, Nohria examines the role of IT in transforming organizations. And in *Networks and Organizations: Structure, Form, and Action*, an edited volume of original articles, he explores the emergence of network-like organizations. Nohria is also the author of over 75 journal articles, book chapters, cases, working papers, and notes.

Nohria teaches courses in the MBA, doctoral, and Executive Education programs at HBS. He was a visiting faculty member at the London Business School in 1996.

Before joining the HBS faculty in July 1988, Nohria received his Ph.D. in management from the Sloan School of Management at MIT and a B.Tech. in chemical engineering from the Indian Institute of Technology, Bombay.

Jaime Augusto Zobel de Ayala II, MBA 1987

Chairman & CEO, Ayala Corporation

Jaime Zobel is chairman and CEO of Ayala Corporation, one of the most respected business groups in the Philippines. He is also chairman of the Bank of the Philippine Islands, Globe Telecom Inc., and Integrated Microelectronics Inc.; and co-vice chairman of Ayala Land Inc. and the Ayala Foundation Inc.

Zobel is a member of various international and local business and socio-civic organizations, including the JPMorgan Chase International Council, the Mitsubishi Corporation International Advisory Committee, the Toshiba International Advisory Group, and the International Business Council of the World Economic Forum. He is also a member of the Harvard University Asia Center Advisory Committee, the Board of Trustees of the Asian Institute of Management, and a national council member of the World Wildlife Fund (United States).

Zobel was chosen as one of the World Economic Forum Global Leaders for Tomorrow in 1995 and was a Ten Outstanding Young Men awardee in 1999. In 2006, he was named Management Man of the Year by the Management Association of the Philippines, and he received the prestigious HBS Alumni Achievement Award in 2007. Zobel earned his BA in economics, cum laude, from Harvard College in 1981 and his MBA from HBS in 1987. He is married and has four children.

**James Dimon, MBA 1982***Chairman of the Board & CEO, JPMorgan Chase & Company*

Jamie Dimon is chairman of the board and CEO of JPMorgan Chase & Co. He became chairman on January 1, 2007, after his appointment as CEO on January 1, 2006. He assumed the title of president upon the company's merger with Bank One Corporation on July 1, 2004.

Dimon began his professional career at the American Express Company, serving as assistant to the president from 1982 to 1985. He then became a member of the team that launched and defined the strategy for the Commercial Credit Company in October 1986, when the consumer lending company was spun off from Control Data Corporation. He served as its CFO and an EVP and then president. A completely restructured Commercial Credit made numerous acquisitions and divestitures, substantially improving its profitability. Most significantly, in 1987, it acquired and changed its name to Primerica Corporation, which in 1993 acquired the Travelers Corporation and was renamed Travelers Group.

At Travelers, Dimon was president and COO for seven years. He was named chairman and CEO of its Smith Barney Inc. subsidiary in January 1996, having previously been the firm's COO and chief administrative officer. In November 1997, with the merger of Smith Barney and Salomon Brothers, he became cochairman and co-CEO of the combined firm. In 1998, he was named president of Citigroup Inc., the global financial services company formed by the combination of Travelers Group and Citicorp. He also served as chairman and co-CEO of Salomon Smith Barney Holdings Inc., the investment banking and securities brokerage subsidiary.

In 2000, Dimon was named chairman and CEO of Bank One. During his four years with the company, he engineered a dramatic turnaround, taking the bank from a half-billion-dollar loss in 2000 to record earnings of \$3.5 billion in 2003.

A summa cum laude graduate of Tufts University, Dimon holds an MBA from HBS, where he was a Baker Scholar. He serves on the boards of a number of nonprofit institutions, including the Federal Reserve Bank of New York, HBS, and the United Negro College Fund.

Orit Gadiesh, MBA 1977*Chairman, Bain & Company*

Orit Gadiesh is widely acknowledged as an expert on management and corporate strategy. As chairman of Bain & Company, she has worked with hundreds of CEOs and senior executives of major international companies on strategy development and implementing change within the corporation. Besides serving as chairman, she continues to be directly involved with her own clients.

Gadiesh is a frequent contributor to business publications. Articles she has written include "China's 'Good Enough' Market" and "Think Globally, Market Locally" for the *Wall Street Journal*; "Outsmarting China's Start Arounds" for the *Far Eastern Economic Review*; and "Transforming Corner-

Office Strategy into Frontline Action" for the *Harvard Business Review*. She is the coauthor of the 2008 book *Lessons from Private Equity Any Company Can Use*.

Before joining Bain & Company, Gadiesh served in the Office of the Deputy Chief of Staff of the Israeli Army. She holds degrees from Hebrew University in Jerusalem (BA, summa cum laude) and HBS (MBA with highest honors), where she was a Baker Scholar and received the Brown Award.

She is a board or council member at Ben-Gurion University of the Negev and a member of the international advisory board of HEC School of Management in France. She is also a director of WPP, the World Economic Forum (Foundation board), and the Peres Institute for Peace. She is a member of the Council on Foreign Relations, a trustee for the Eisenhower Fellowships, and a committee member of the Metropolitan Museum of Art in New York. She sits on the international advisory boards of the Atlantic Council of the United States and the British-American Business Council, and the international advisory council of the James Martin 21st Century School, University of Oxford.

Gadiesh has received the 2000 HBS Alumni Achievement Award, the 2000 Distinguished Leadership Award from IDC University, the 2002 Leadership Award from Ben-Gurion University, the International Institute of Boston's 25th annual Golden Door Award in 2002 for outstanding contributions to the community, and Le Trophée INSEAD in 2006. She was recently given the 2007 Lifetime Achievement Award by *Consulting* magazine. She has also been named by *Forbes* as one of the 100 most powerful women in the world (2005, 2006, and 2007) and by *Fortune* as one of the most powerful women in business (numerous times).

G. Richard Wagoner Jr., MBA 1977*Chairman & CEO, General Motors*

Rick Wagoner was elected chairman and CEO of General Motors on May 1, 2003. He had been president and CEO since June 2000.

Wagoner was elected president and COO in 1998 and had been EVP of GM and president of North American operations since 1994. He served as EVP and CFO from 1992 to 1994 and also had responsibility for worldwide purchasing from 1993 to 1994. Wagoner was president and managing director of General Motors do Brasil (GMB) in 1991 and 1992. Before that, he was vice president in charge of finance for General Motors Europe, based in Zurich, Switzerland, in 1989 and 1990.

Born in Wilmington, Delaware, in 1953 and raised in Richmond, Virginia, Wagoner received a bachelor's degree in economics from Duke University in 1975 and an MBA from HBS in 1977.

Wagoner began his GM career as an analyst in the Treasurer's Office in New York in 1977. After several promotions there, he became treasurer of GMB in São Paulo in 1981 and, in 1984, GMB's executive director of finance. He moved to GM of Canada Ltd. in 1987 as vice president and



finance manager. In October 1988, he became group director, strategic business planning, for the former Chevrolet-Pontiac-GM of Canada Group.

Wagoner is a member of the Board of Trustees of Duke University, the Tsinghua School of Economics and Management Advisory Board, the Board of Dean's Advisors of HBS, and the boards of directors of Catalyst and the Detroit Country Day School. He is chairman of the Society of Automotive Engineers' A World in Motion Executive Committee and a member of the Business Council, the Business Roundtable, and the Detroit Renaissance Executive Committee.

The Future of Market Capitalism Introduction

Joseph L. Bower, MBA 1961, DBA 1963

Baker Foundation Professor

Joseph Bower, Baker Foundation Professor at HBS, has been a leader in general management for 35 years. The faculty chair of The Corporate Leader until this year, he was also the founding faculty chair of the General Management Program; both are in Executive Education. An expert on corporate strategy, organization, and leadership, he has devoted much of his teaching and research to challenges confronting corporate leaders in today's rapidly changing, hypercompetitive conditions. He is now focusing on corporate value-added, the contribution corporate groups make to their operating divisions, and on the management of CEO succession.

Bower has been active in developing institutions and programs. Between 1968 and 1973, he helped establish the International Institute for Applied Systems Analysis in Vienna, Austria. In 1978, he founded the Senior Managers in Government Program at Harvard's Kennedy School of Government, and in 1995, he founded the General Management Program at HBS.

Bower is the author or coauthor of more than a dozen books. *From Resource Allocation to Strategy* (2005) won the Best Book in 2006 Award from *Strategy and Management*. His most recent book, *The CEO Within: Why Inside Outsiders Are the Key to Succession Planning*, was published in 2007. This book is the outcome of a decade's work on corporate value-added. Previous work dealt with the strategic problems posed by the restructuring of industry throughout the world. A 1986 book titled *When Markets Quake: The Management Challenge of Restructuring Industry* reports the first phases of that study. Other publications include *Business Policy: Text and Cases* (1982, 1986, and 1991), *Business Policy: Managing Strategic Processes* (1995), and *Managing the Resource Allocation Process* (1970), which won the McKinsey Foundation book award in 1971. *The Two Faces of Management: An American Approach to Leadership in Business and Government* was published in 1983.

Bower has consulted widely on problems of strategy and organization with companies in the United States and abroad. He is a director of Anika Therapeutics Inc., Brown Shoe Company Inc., Loews Corporation, New America High Income Fund, and Sonesta International Hotels Corporation

and a trustee of TH Lee, Putnam Emerging Opportunities Portfolio. He is a life trustee of the New England Conservatory of Music and a trustee of the DeCordova and Dana Museum and Park.

The Future of Market Capitalism Keynote

Lawrence H. Summers

Charles W. Eliot University Professor, Harvard University

Larry Summers is the Charles W. Eliot University Professor at Harvard University. From July 2001 to June 2006 he was president of Harvard University.

Summers received a BS from MIT in 1975 and a Ph.D. in economics from Harvard in 1982. By the time he was awarded his doctorate, he had taught economics for three years at MIT, where he was named an assistant professor in 1979 and an associate professor in 1982. He then went to Washington as a domestic policy economist for the President's Council of Economic Advisers.

In 1983, he returned to Harvard as a professor of economics, and in 1987, he was named the Nathaniel Ropes Professor of Political Economy. He also served as an editor of the *Quarterly Journal of Economics*. In 1987, Summers became the first social scientist to receive the National Science Foundation's Alan T. Waterman Award, and in 1993, he was awarded the John Bates Clark Medal, given to the outstanding American economist under the age of 40.

Summers returned to Washington in 1991 as the World Bank's vice president of development economics and chief economist. There he played a key role in designing strategies to help developing countries, served on the World Bank's loan committee, and guided its research, statistics, and external training programs.

In 1993, Summers was named undersecretary of the treasury for international affairs and two years later was promoted to deputy secretary of the treasury. In 1999, the Senate confirmed him as secretary of the treasury to serve as the president's main economic adviser and CFO of the U.S. government. As secretary, he helped engineer a historic pay-down of U.S. debt, worked to extend the life of the Social Security and Medicare trust funds, and led the effort to enact sweeping financial deregulation. He worked to reform the international financial architecture and the International Monetary Fund, secure debt relief for the world's poorest countries, and combat international money laundering. At the end of his term, Summers was awarded the Alexander Hamilton Medal, the Treasury's highest honor.

After leaving the Treasury in January 2001, Summers served as the Arthur Okun Distinguished Fellow in Economics, Globalization, and Governance at the Brookings Institution in Washington.

Summers's many publications include *Understanding Unemployment* (1990), *Reform in Eastern Europe* (1991, coauthored with others), and over 100 articles in economics journals. In 2002, Summers was elected to the National



Academy of Sciences, a private organization of scientists and engineers dedicated to the furtherance of science and its use for the general welfare.

The Future of Market Capitalism Panel Discussion

Michael E. Porter, MBA 1971, Ph.D. BE 1973 (Moderator)

Bishop William Lawrence University Professor, Harvard University

Michael Porter is the Bishop William Lawrence University Professor, based at HBS. The author of 17 books and over 125 articles, he is a leading authority on competitive strategy; the competitiveness and economic development of nations, states, and regions; and the application of competitive principles to social problems such as health care, the environment, and corporate responsibility. In 2001, HBS and Harvard University jointly created the Institute for Strategy and Competitiveness, dedicated to furthering his work. Porter teaches the MBA elective Microeconomics of Competitiveness, open to graduate student from all parts of the University. He also created and chairs the New CEO Workshop, an HBS program for newly appointed CEOs of the largest corporations.

Competitive strategy is the main focus of Porter's research. His first book, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (1980), has been translated into 19 languages. *Competitive Advantage: Creating and Sustaining Superior Performance* (1985) is in its 38th printing. *On Competition* (1998) includes a series of articles on strategy and competition, including his 1996 award-winning *Harvard Business Review* article "What Is Strategy?"

Porter's second major focus addresses the competitiveness and economic development of nations, regions, and cities. *The Competitive Advantage of Nations* (1990) presents a new theory of how nations compete and their sources of economic prosperity. He has also published books about national competitiveness in New Zealand, Canada, Sweden, Switzerland, and Japan.

Porter's third main research focus is the relationship between competition and society. He has conducted extensive research on economic development in America's inner-city neighborhoods, beginning with the 1995 *Harvard Business Review* article "The Competitive Advantage of the Inner City." He founded and chairs the Initiative for a Competitive Inner City, a nonprofit, private-sector organization that works to catalyze inner-city business development across the country.

Since 2001, Porter has devoted much attention to a fourth research area, competition in the health care system. His work, with Elizabeth Teisberg, is helping to catalyze health care reform in the United States, Holland, Germany, and the United Kingdom. Their 2006 book, *Redefining Health Care: Creating Value-Based Competition on Results*, received the American College of Healthcare Executives James A. Hamilton award for the outstanding health care book of 2007.

Porter received a BSE with high honors from Princeton University in 1969, an MBA with high distinction (Baker

Scholar) from HBS in 1971, and a Ph.D. in business economics from Harvard University in 1973.

Thierry J. Breton

France's Former Minister of Economy, Finance, and Industry; Senior Lecturer, HBS

Thierry Breton, France's former minister of Economy, Finance, and Industry (February 2005–June 2007), is a senior lecturer at HBS, where he teaches a section of the first-year MBA required course, Leadership and Corporate Accountability.

Breton's interests are in leadership, management, corporate accountability, entrepreneurship, international relations, and government affairs. He is the author of many books, the most recent being *Anti-Dette*, published in 2007.

Before becoming a government minister, Breton served as chairman and CEO of France Telecom (2002–2005) and Thomson SA and RCA (1997–2002) and as vice chairman of the Bull Group (1995–1997). He was also chairman of the University of Technology of Troyes (2000–2005), a member of INSEAD's international advisory board in Fontainebleau (2000–2005), and professor of applied mathematics at the École Supérieure d'Informatique in Paris (1976–1979).

Sir Ronald M. Cohen, MBA 1969

Chairman, Portland Capital LLP, Portland Trust, Bridges Ventures

Sir Ronald Cohen is chairman of Portland Capital LLP, the Portland Trust, and Bridges Ventures. He was the founding partner and former chairman of Apax Partners. Founded in 1972, Apax Partners is one of the world's leading private equity investment groups, operating in nine countries across Europe, the United States, Israel, and Japan. Apax advises and manages funds of over \$35 billion.

Cohen is chairman of the Social Investment Task Force and the Commission on Unclaimed Assets. He serves as a trustee of the British Museum and of the International Institute for Strategic Studies. He is a member of the Harvard Board of Overseers, a vice chairman of Ben Gurion University, and a member of the University of Oxford Investment Committee.

Cohen has been chairman of the Department of Trade and Industry (DTI) "Tech Stars" Steering Committee and a member of the DTI UK Competitiveness Committee. He was a founder and former vice chairman of Easdaq and former director of Nasdaq Europe. He was a founder-director and past chairman of the British Venture Capital Association and a founder-director of the European Venture Capital Association and the Quoted Companies Alliance.

Cohen is a graduate of Oxford University, where he was president of the Oxford Union, and is an honorary fellow of Exeter College. He received an MBA from HBS.

Lawrence H. Summers

Charles W. Eliot University Professor, Harvard University

See preceding summary.