

HBS Faculty Presentations

Friday, May 29, 2009

For a complete listing of other publications and topical areas, please visit the HBS Alumni Web site.

Note: Presentation times are subject to change

Session I

10:00 a.m. – 11:15 a.m.

Malcolm P. Baker

Behavioral Finance

At the foundation of finance theory is the idea that investors and managers act rationally. This leads to the simple predictions that capital market prices reflect fundamentals and managers respond to incentives in predictable ways. The field of “behavioral” finance proposes a broader role for social, cognitive, and emotional biases in individual choices and market outcomes. Drawing on his research and examples from a new course in the MBA program, Professor Baker will describe how insights from psychology and behavioral finance can help explain the behavior of capital markets and firms and the function of financial intermediaries.

Thomas J. DeLong

Why Smart People Won't Change

Many High-need for achievement personalities find the process of individual change very difficult. Some professionals resign themselves to life and organizational situations that are miserable or where they feel caught, where there is a lack of learning taking place. Professor DeLong will discuss individual motivation and how to leverage the opportunities that confront us in our professional and private lives.

Thomas R. Eisenmann

Google's Next Moves

Following in the path of IBM then Microsoft, Google is emerging as the new hegemon of information industries. We will explore Google's business model and strategy with several questions in mind. Is Google likely to monopolize web search? If it does, what might be the repercussions for advertisers, Internet content providers, and society at large? How will Google gain access to mobile phone and TV screens as it strives to become the dominant intermediary connecting consumers and advertisers? Finally, to what extent is Google vulnerable to external challenges and internal management problems?

Lee Fleming

Regional Disadvantage: How Non-compete Agreements Impact Careers, Entrepreneurship, and Innovative Dynamics

Most U.S. states enforce employee noncompete covenants. Such agreements typically prohibit the employee from taking a job with a competitor for a specified time (generally one to two years). While some have argued that California's lack of enforcement is largely responsible for Silicon Valley's success, others claim that such agreements are difficult to enforce and thus often ignored. But causality is very hard to determine. For example, is California's technological dynamism due to the lack of enforcement of noncompetes, or other economic, social, and cultural reasons?

We exploit an inadvertent change in the noncompete laws of Michigan as a natural experiment to explore the implications of noncompete agreements for careers, entrepreneurship, and innovative

dynamics. We supplement 35 years of patent data with field interviews and questionnaire data. We find that noncompetes substantially impact career mobility, especially for inventors with specialized technical skills, firm-specific skills, and greater social capital. From field work we learn that much of this impact stems from uncertainty and fear of prosecution: even though few noncompete cases are brought to court, most individuals do not understand the law, and most lack the financial resources to fight a protracted legal battle. While we find historical evidence that inventors and knowledge have migrated from states that enforce noncompetes to those that do not, the causal evidence for a “brain-drain” remains weak. We do find, however, that inventors who leave their employer are less likely to join entrepreneurial firms and more likely to leave their technical specialty.

These deleterious effects of noncompetes, for both human and social capital, may be exacerbated in difficult economic times. Most noncompetes are constructed to be enforceable against individuals who were laid off, contributing to un- and underemployment. Noncompete enforcement also places a brake on entrepreneurship as incumbents receive extensive subsidies and individuals become more risk averse. We close with a brief discussion of legislative activity on the topic.

Regina E. Herzlinger

Who Killed Health Care and the Current Public Policy Options?

This session will discuss how the US reached its present health-care situation-47 million uninsured, high costs, and high but erratic quality; the public policy cures currently being discussed; and their impact on the business community and society as a whole.

Daniel J. Isenberg

The New Global Entrepreneur

The globalization of capital markets, the growth and other changes in emerging economics, the easy access to information, and the migration of labor are all contributing to a newly emerging model of global entrepreneurship in which opportunities are global in nature and sourced anywhere, and new ventures are “born global”. Professor Isenberg will present numerous examples of global ventures from his course development and experience as an entrepreneur, and draw some conclusions about what factors lead to success of global startups.

Mukti Khaire

Entrepreneurship in Emerging Economies: The Challenges of Being a Pioneer

While entrepreneurship in the best of circumstances can be a challenge, being an entrepreneur in an emerging economy is a process with multiple levels of uncertainty. Often, entrepreneurs in emerging economies are pioneers, in fact creating the industry they are in. This raises unique problems of legitimacy and the lack of established templates. Understanding how such “pioneer-entrepreneurs” deal with these challenges has implications for all managers and entrepreneurs operating in highly uncertain environments.

Tarun Khanna

Thriving During the Financial Crisis in Emerging Markets

Tarun Khanna will speak on Entrepreneurship in China and India, during and after the Global Financial Crisis, Understanding the relative strengths of China and India forms the backdrop for this discussion. He would also be drawing comparisons to some crisis situations in other emerging markets, such as Asia, Latin America and the Middle East in the last decade, during his talk.

Herman “Dutch” B. Leonard

Into the Unknown: Ernest Shackleton and Leadership in Troubled Times

As leaders, we take our organizations into unknown circumstances every time we launch a new project, develop a new product, enter a new market. What can we learn about how to organize ourselves and our team, how to make decisions, and how to stay positive in troubled times from explorers who found themselves in grave peril for extended periods – and survived? Ernest Shackleton and 26 companions ventured south in 1914 in an attempt to cross Antarctica. Instead, they became stuck in the offshore icepack, which eventually crushed and sank their ship. Left with only three small lifeboats and modest provisions, they camped on the ice for months – and, after an epic 15-month struggle including an 800-mile journey across the roughest seas on earth in an open boat, they arranged a self-rescue.

Nicolas P. Retsinas

The State of the Nation's Housing

Housing markets imploded in 2007. Mortgage performance eroded badly and lenders responded by tightening underwriting standards, sparking an even steeper slide in home sales and housing starts. The market has overreacted and the government atypically has under-reacted. With housing markets in a tailspin, many have begun to question the long-term underpinnings of demand. When will this housing slide end? What are the prospects for recovery?

William A. Sahlman

Managerial Lessons of the Financial Crisis

Will focus on understanding the management decisions that led to the crisis in the first place and how management has to change going forward

Richard H.K. Vietor

The Power of Wind

Wind power is the most rapidly growing source of energy in the world today. It is renewable, secure and generates no carbon. But Americans have been relatively slow to develop wind, both because of local political opposition and the absence of consistent and supportive public policies.

Andrew Wasynczuk, Former COO of New England Patriots

Negotiating for Player Talent in the NFL

Engaging specialized talent is common and critical in many industries including entertainment, health care and financial services. In this interactive session, a brief case will be analyzed in which an NFL G.M. (disguised) considers what steps to take to retain his star player. An assessment of the “value” of the player is merely a starting point. Other factors, including alternatives, motivation of the player, and impact on the rest of the team are considered. The advantages and challenges of working through an agent are also explored.

Session II

11:45 a.m. – 1:00 p.m.

Joshua D. Coval

Is the Financial Crisis a Liquidity Crisis?

This presentation will analyze the financial crisis through the lens of a structural risk model. We will investigate the extent to which the dramatic repricing of credit securities can be explained by economic fundamentals. We discuss a number of policy implications of the fundamentals-driven repricing perspective.

Rafael M. Di Tella*The Demand for Capitalism*

To maintain public support for capitalism, we must regularly punish people who are perceived to be corrupt and “mean”. This is a theme which runs from Teddy Roosevelt in his "Trust Buster" days to anti-trust regulation and law enforcement of today. It is hard to know why this institutional aspect of capitalism is under-supplied in the developing world, but we believe that it should be part of the agenda of international development institutions like the World Bank.

Robert G. Eccles & Das Narayandas*Building Capabilities: Ensuring Long-Term Success in a Professional Services Firm*

Economic, regulatory and technological forces are constantly creating new challenges for companies, the clients of professional service firms (PSFs). In order to help their clients meet these challenges, PSFs must build new capabilities. Expanding into new territories or new service offerings also involves building capabilities, both for the individual professionals and for the firm. One of the most effective ways to build capabilities is through a disciplined process for selecting projects and clients. This is surprisingly rare in PSFs where the more typical process is an ad-hoc and reactive one. Other important aspects of building capabilities including branding, thought leadership and knowledge management. Long-term success in a PSF depends upon institutionalizing capability building as a core process of the firm.

C. Fritz Foley*Foreign Direct Investment and Trade during Turbulent Times*

In this session, we will discuss some of the challenges that multinational firms, importers, and exporters are facing during the global financial crisis. Levels of foreign direct investment and trade had reached record levels and were showing signs of continued growth at the beginning of the 21st century. However, multinational firms now face threats that are a consequence of turbulence in financial markets as well as several other risks including the possibility of significant tax policy changes. The session will explain some basic aspects of the nature of trade and foreign investment and consider how these inform current challenges.

Stuart C. Gilson*What Every Manager Needs to Know About Chapter 11: Lessons from the Restructuring of Delphi Corporation*

In late 2005, Delphi Corporation, principal supplier of automotive parts to General Motors, filed for Chapter 11, making it the largest industrial company to ever seek U.S. bankruptcy protection. Delphi's ongoing effort to restructure itself, complicated by the global credit crisis and economic recession, represents one of the most complex and challenging bankruptcies in modern times. Through analysis of Delphi's bankruptcy, this session will cover the basics of Chapter 11, including the tools and strategies that managers can use to restructure debt and other obligations (e.g., leases, pension plans, and retiree health care benefits). The session will also cover the increasingly influential role played by “vulture investors” in restructuring of distressed companies, and the serious challenges that currently confront the U.S. auto industry.

Sunil Gupta*Digital Marketing*

Digital media, and in particular social media like Youtube, Facebook, Blogs, and Twitter, represent radically new tools for reaching and collaborating with customers. In this presentation we will discuss the trends in new media and a framework for formulating your digital strategy.

Richard G. Hamermesh*Healthcare at HBS – It's Not Your Father's Oldsmobile*

Healthcare accounts for 17% of US GDP, attracts 10% of HBS students and is a key research focus of close to 20% of the faculty. In 2005, the HBS Healthcare Initiative was launched under the leadership of Professor Richard Hamermesh. Professor Hamermesh will review the accomplishments of the Initiative and the key role the School is playing throughout the Harvard community in healthcare. In addition, Professor Hamermesh will discuss his own research on Personalized Medicine. He will try to answer what the \$1000 genome means for you as an individual and as a source of new business opportunities.

Linda A. Hill*Where Will We Find Tomorrow's Leaders?*

What kind of leadership do world-class organizations need? Professor Hill will discuss the connection between leadership and innovation, explaining that the type of leaders we need in the future may differ from those in the past.

Robert Steven Kaplan*Discussion of the Current Economic Crisis*

Discussion of the current economic crisis and implications for participants.

Joseph B. Lassiter*Building Green Businesses*

This is a field-based program designed for students, alumni and faculty who have a specific interest where environmental & energy impacts, consumer & social attitudes, and political & regulatory processes are dominant forces providing the opportunity for the creation of new businesses, the scaling of embryonic businesses, or the re-design of established businesses.

David A. Moss*Toward a New Financial Architecture: A Strategy for Systemic Regulation*

Given the magnitude of the current crisis, it is now likely that Congress and the President will create a "systemic regulator," which could have enormous implications for the structure and competitive dynamics of the American financial system. What is less clear is exactly what that regulator will do and what powers it will have. In his talk, Professor Moss will put the current financial crisis in historical perspective, suggest a specific strategy for how best to regulate systemic risk in the future, and explore its potential consequences. (Professor Moss is the author of *When All Else Fails: Government as the Ultimate Risk Manager*; he was recently asked to prepare a draft report on financial regulatory reform for the Congressional Oversight Panel.)

Benson P. Shapiro*Tighten the Belt Without Strangling the Business*

Managing a business has always been difficult. But, almost everyone agrees that managing a business during the current economic malaise is more difficult than at any time in memory. In this crisis period, it is particularly important to manage customer value, costs, prices, and risks. But, it is not terribly clear how to balance conflicting needs and goals. This talk will deal with those issues. Much of the time will be spent in interactive discussion after the presentation of a framework for considering management in these tough times. The material is based on Professor Ben Shapiro's continuing research on high profit, high performance companies.

Howard H. Stevenson*Make Your Own Luck*

Humans are gambling animals, and not just when we invest in the stock market. Every time we take an action—deciding which job applicant to hire, which product to launch, how to price a product, or even whom to marry—we are betting our time, reputation, effort, and money in the expectation or hope but not the certainty of achieving some future result. Some people base their bets on dumb luck. But people who have consistent records of success don't depend on dumb luck. Highly and consistently successful people like Bill Gates, Warren Buffett, and Oprah Winfrey make their own luck, repeatedly. These people develop core skills for making their own luck. They develop “predictive intelligence.” With a few simple steps, you can up the odds that you will achieve the results you desire with the least risk and the most upside and avoid “analysis paralysis,” which can keep you spending so much time thinking that you miss the opportunities to take the actions with the best chances of getting you where you want to go.

Peter Tufano*Putting Consumers Back Into Finance*

“Finance” at HBS is more than corporate finance, hedge funds and private equity. Professor Tufano has been studying the multi-trillion dollar consumer finance activities in the US and around the world. In 2009, he co-launched a new joint MBA-JD course (and an Exec Ed offering) on consumer finance. Much of his work involves research and development of financial services aimed at better serving low to moderate income families. Tufano has been testing his ideas in practice through a non-profit he founded (Doorways to Dreams Fund, www.d2dfund.org). The session will explore a host of innovations to help families save, better control their credit, and to learn how to manage their finances through an engaging new approach of “financial entertainment.”

Session III

2:15 p.m. – 3:30 p.m.

James E. Aisner, Director of Media Relations

Campus Tour

Steps of Baker Library

Want to reminisce about buildings you used to frequent as a student? Want to see new additions to the campus plan since you graduated? Then this leisurely walking tour is for you as we see the sights, including Baker Library I Bloomberg Center, Morgan Hall, Shad (the School's physical fitness center), the Class of 1959 Chapel, and the Spangler Campus Center.

David E. Bell*The Revolution in Food*

Exciting things are happening in the food business. After 5,000 years of at best steady progress, the last 20 years have seen dramatic changes in the way food is grown, distributed, and eaten. In this talk you'll hear how farming has changed (think Brazil), hear how brands are dying (thank Wal-Mart and Whole Foods, each in its own way), and come to grips for the first time with the implications of the fact that 99% of all 20-somethings can't and won't cook. (Hint: Forget kitchens.) This presentation will give an overview of the industry, project the future, and help you lose weight. Guaranteed, or your money back.

Bhaskar Chakravorti*Letting No Serious Crisis Go to Waste: Entrepreneurship and Innovation in a Downturn*

As the economy and the job market continues to look forbidding for the foreseeable future, many of our students ask me if the time is right for a plunge into the murky waters of entrepreneurship. At the other

end of the business spectrum, even in the very largest of companies, I find managers puzzling over a similar question and wondering if they ought to invest in innovation and new ventures precisely because the competition is pulling back. Of course, there is plenty of anecdotal evidence that creativity can thrive in crises. 18 out of the 30 Dow Jones industrials were launched during a downturn, as were iconic innovations from nylon to the iPod. But we also know that the capital to fund entrepreneurship is scarce. Clearly, this limited pool of capital must find its way to the best ideas. I offer a three-part framework for spotting the most promising innovation and entrepreneurship opportunities – for corporate and for stand-alone entrepreneurs.

Kenneth A. Froot

Vicious Cycles, Investor Behavior, and the Current Financial Crisis

This talk examines some of the basic mechanisms that are driving the propagation of financial and economic malaise. It looks at a series of facts drawn from markets and investor actions to help piece together a better sense of why losses in sub-prime mortgage debt have led to the most severe downturn since the great depression. It also examines financial policies that might help avoid such severe exposure.

Raymond V. Gilmartin

The Unique Challenges of Leading a Science Based Business

If you are the CEO of a science based business, you invest on behalf of your successor in high risk discovery projects that have ten to fifteen year time horizons. Most of these projects will fail. These investments are made in a stock market environment where shareholders do not seem to look any farther ahead than the next quarter. What are the implications for the role, responsibilities, and attributes of the CEO?

Allen S. Grossman

Building and Sustaining High Performing Nonprofit Organizations

In a time of shrinking resources, donors and board members are demanding higher levels of performance from nonprofit organizations. More than ever before, these stakeholders expect demonstrable results for their investments of time and money. However, high performance in the nonprofit sector is often elusive—hard to define and difficult to achieve. Key to the challenge is that the numerous barriers to nonprofit high performance are often different from those in the for-profit sector. This session will analyze some of the barriers to high performance and discuss a new framework to address them.

William C. Kirby

China and the United States: Mutual Dependency?

How have China and the United States come to matter so much, in so many areas, to each other? What are the economic, political and cultural dimensions to the world's most important international relationship? Which American companies have done best in China? What are the areas of opportunity in coming years? This presentation will look at the past, present, and future of US-China relations, and will discuss, as examples, new HBS cases developed for the EC course, "Doing Business in China in the 21st Century."

Christopher J. Malloy

Social Networks and the Stock Market

We study the impact of social networks on financial market behavior and investment performance. Exploiting novel data on the educational backgrounds of mutual fund managers, sell side equity analysts

and senior officers of firms, we test the hypothesis that school ties to senior officers facilitate information transfer in financial markets. We find evidence that both mutual funds and sell side analysts outperform on their stock holdings and stock recommendations when they have an educational link to the company.

Robert C. Merton

Observations on the Financial Crisis: Macro Financial Risk Propagation, Structural Risks, and Regulatory Recommendations

For nearly four decades, financial innovation has been a central force driving the global financial system toward greater efficiency with considerable economic benefit having accrued from those changes. The scientific breakthroughs in finance in this period both shaped, and were shaped by, the extraordinary innovations in finance practice that expanded opportunities for risk sharing, lowering transaction costs and reducing information and agency costs. Today no major financial institution in the world, including central banks, can function without the computer-based mathematical models of modern financial science and the myriad of derivative contracts and markets used to extract price- and risk-discovery information as well as execute risk-transfer transactions. But, also today we are in a global financial crisis of a magnitude and scope not seen in nearly eighty years, which some attribute to the changes in the financial system brought about by financial innovation, derivatives and mathematical models. The lecture will analyze and offer observations on structural questions about financial crisis: How does risk propagate so rapidly across the system? Why do the reported losses in financial institutions continue and actually get larger, even though those institutions are largely in a static portfolio position and are not actively adding more risk? Is there a structural relation between financial innovation and the risk of crisis? What are the implications of the inevitable incompleteness of all models: proprietary risk, accounting, and regulatory? What can be said at this point about institutional and needed regulatory changes? What will be the role of financial innovation in the future beyond the crisis?

Mark H. Moore

The Competitive Struggle for Social Legitimacy

Increasingly, private firms have to compete not only for customers in consumer markets, and investors in capital markets, they also have to compete for social standing and legitimacy in the wider society. In the past, this function has not been given much standing in discussions of corporate strategy. The job has been left to some combination of corporate PR operations, to the Offices of General Counsel, and to government lobbying activities. However, as business firms enter developing markets, and as they are expected to do more for social purposes in developed markets, the strategic task of managing a firm's social legitimacy is becoming more important as a tool of competitive advantage. The important question is how these legitimating functions of the firm might best be managed for competitive advantage.

Ronald W. Moore

Valuation of Firms in Financial Distress

The need for corporate restructuring arises when a gap opens between the value of the enterprise -- present value of expected free cash flows -- and the aggregate claims of stakeholders such as creditors, employees, retirees, vendors, etc. The restructuring process thus entails multi-party negotiations with the objective of scaling back future commitments to a level consistent with available value. Such negotiations may take place out-of-court or under the supervision of a bankruptcy judge. In either case, a successful resolution requires that the interested parties reach consensus about enterprise value.

My proposal is to explore three interrelated issues that frequently arise in this context, using the Sunbeam-Oster case as a basis for discussion and illustration. The first is the inadequacy of weighted average cost of capital based discounted cash flow analysis to estimate enterprise value in this context. The second is the basis and implications of self-serving valuation biases on the part of interested parties. The third is a review of empirical evidence as to whether such biases materially influence valuations used in corporate restructurings.

Das Narayandas

Managing Mature Products in Declining Markets

Co-author – Vic Hunter. A third of industrial marketing firms product offerings are either mature or late stage products with stagnant or declining sales and margins. Firms typically respond by investing in new features and product line extensions to extend the product life cycle profitably. In the current environment, with limited resources available, firms are no longer able to invest in product development efforts to rejuvenate sales and margins. As a result, they are being forced to drop a number of these mature products. We believe that this is a classic case of “killing the goose that lays the golden egg.” A key managerial oversight, in these situations, is that these mature products actually have a very loyal customer base. We will discuss an approach that can sustain these products profitably over time. The heart of this approach is a radical shift in focus from “managing products for profits” to “managing customers for profit.”

Bruce R. Scott

Is The Financial Crisis a Crisis in Capitalism or Even US Capitalism?

The Financial Crisis that apparently began in August 2007 seems to have been centered initially in the US, and to have spread to the rest of the world. I will consider its causes, and especially the possibility that its root causes were in capitalism, and particularly in a notion of self regulating markets that took root in the US in the 19th century. I will review some of US legal history, and the role of the Supreme Court in supporting the notion that the economic system was independent of the political system, an idea that was revived with deregulation after 1980. In addition I will inquire whether certain ideas of Theodore Roosevelt, e.g., when he proposed that the all firms which wished to operate in the US continental market would require a federal license or federal charter as a precondition for such operations, might be a partial model for reform in the current search for appropriate reforms in the global financial system.

Arthur I. Segel

Re-securitizing Real Estate?

With the recent economic turmoil, many commentators have focused their attention on securitization, particularly the securitization of homes, offices, and other types of real property assets. This presentation discusses the many types of securitization that developers use to attain financing. It examines whether securitization is a healthy economic process, and if real estate should be and will be widely securitized ever again.

Willy Shih

Rules are Dead, people are Alive: Harnessing Bottom-up Innovation on the Factory Floor

Our ongoing studies of factory floor settings seek to give managers tools for understanding the causes of variability between different factory settings that manufacture the same products or utilize the same processes, and for capturing and harnessing the bottoms up innovations that come from production workers.