

KELLOGG



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U.S. CAPITOL BUILDING

The United States Capitol Dome may well be one of the most renowned landmarks in America.

Constructed of nearly 9 million pounds of cast iron, the dome, completed in 1866, has long signified a crowning achievement in American architecture.

Fitting, then, that the building houses the U.S. government's legislative branch. Covering a ground area of more than 175,000 square feet, the building is where members of Congress, including U.S. Representative **Robert Dold '00** and Senator **John Hoeven '81** (Learn more about Hoeven in "The Ask"), debate the issues of the day and draft the laws of tomorrow.

A \$60 million restoration project is underway to repair cracks and water damage and restore the dome to its original, awe-inspiring splendor.





KELLOGG INITIATIVES: Architectures of Collaboration

Collective wisdom. Human-machine partnerships. The crowd. We harness these various relationships to gain insight. It's how we transcend our individual abilities and turn information overload into breakthroughs. The question is: *How do you forge those relationships?*

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NORTHWESTERN UNIVERSITY

Kellogg

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NORTHWESTERN
UNIVERSITY

How can business leaders win without control?

Today, teams and networks are more global and diverse, yet interconnected in unprecedented ways. Moreover, the abundance and novelty of data available to decision-makers creates unparalleled challenges and opportunities. The Kellogg Architectures of Collaboration Initiative (KACI) enables leaders and enterprises to win by harnessing relationships, networks and collective intelligence.

Kellogg faculty members **Jeanne Brett** and **Leigh Thompson** are pioneering advances in cross-cultural negotiations and virtual teamwork. **PJ Lamberson, Shane Greenstein, Ben Jones** and I are furthering innovation research and curriculum on social media, networks and the wisdom of crowds. **Steve Franconieri** is using new neuroscience research to design the new Visualization for Persuasion course for Spring 2015. **Jean Egmon** applies collaborative learning theory in her innovative Kellogg Action Lab Experience (KALE) and physicist **Emoke-Agnes Horvat** is designing a new course on human and machine “thought partnerships.” Furthermore, Kellogg boasts a leading complexity science and big data research institute, the Northwestern Institute on Complex Systems (NICO), a partnership with the McCormick School of Engineering.

Many Kellogg alumni connect insights from people with advances in machine intelligence to lead collaborative efforts. In this issue, you will get a peek into how Kellogg alumni are pairing human and machine intelligence to increase performance and productivity, which is proving to be highly disruptive in several industries.

These and other stories illustrate how faculty and alumni are building upon Kellogg's legacy strengths in teams while incorporating new advances in human and machine partnerships. Through its thought leadership, KACI is turning risk into opportunity and powering growth.



Brian Uzzi

Richard L. Thomas Professor of Leadership and Organizational Change
Faculty Director, Kellogg Architectures of Collaboration Initiative

FROM CORPORATIONS TO CONSTITUENTS

Alumni on how a business background prepares you for public office

JOHN HOEVEN & RODNEYSE BICHOTTE

Shifting into politics can be daunting, but having a business background can help ease the transition from the private to the public sector.

John Hoeven '81 was elected to the U.S. Senate in 2010, following 10 years of service as North Dakota's governor. **Rodneyse Bichotte '03** was sworn in this year to represent New York State's 42nd Assembly District, becoming the first Haitian-American elected to state office from New York City. Both left careers in private banking to enter politics.



JOHN HOEVEN '81
U.S. SENATOR, NORTH DAKOTA

Before getting into politics, Hoeven was a commercial banker, serving as president of a North Dakota bank for seven years.

HOEVEN ON MOVING FROM
THE CORPORATE WORLD TO
THE PUBLIC SECTOR:

“I wanted to help build a better business climate and focus on growing our economy and job creation.”

What's the biggest difference between working in the public and private sectors?

Hoeven: You have to be open-minded in the public sector, more so than in the business world. In the public sector, you work for everybody — I have to be open and inclusive and very careful to listen to everyone's input so I can represent them to the best of my abilities.

Bichotte: When you're in corporate America, you answer to your boss. In politics, you answer to the people who voted for you. I'd prefer to be at the mercy of people who voted for me. Wall Street is very structured, and you have to be promoted to climb the ladder. When I came into politics, people did tell me to wait my turn, but I've learned that leadership in this field is not given — you have to take it.

How have you applied your work experience to your political career?

H: A lot of the skills are applicable, particularly for someone like me who brought a business focus to my job as governor and senator. I use a lot of those skills in the public sector, whether it's campaigning or being able to budget. You have to understand the importance of finance to build a climate that encourages business investment and job growth.

B: My presentation skills — like being able to create a story through PowerPoint — are probably much more advanced than the elected official without a business or corporate background. I don't know if most elected officials know how to crunch numbers, but that lets me synthesize the issues faster. Corporate America really helped me on the road to being a better, more effective, results-oriented leader and politician.

What advice do you have for businesspeople looking to move into politics?

H: It's like a job interview: You have to put forward your ideas and be very open about what you're going to do for the people you work for. Tell them what you want to do on their behalf and be very lucid in terms of the feedback.

B: Start getting engaged in local organizations like a community or school board. Those are the people on the ground who know the issues. I would also encourage folks to join a local campaign to see the nuts and bolts of running one. When you win, it looks very pretty and people think it was easy, but most people can't do this ... it's tedious and time-consuming.

Interviews condensed and edited for clarity.



RODNEYSE BICHOTTE '03
STATE ASSEMBLYWOMAN, NEW YORK

Before politics, Bichotte worked in corporate and investment banking on Wall Street for companies including J.P. Morgan Securities and Bank of America Securities.

BICHOTTE ON MOVING FROM
THE CORPORATE WORLD TO
THE PUBLIC SECTOR:

“Once I found that helping people and providing service to the community was fulfilling, I didn't want to go back to Wall Street.”



TRANSFORMATION THROUGH DIVERSITY

ANISE WILEY-LITTLE BRINGS HER YEARS OF DIVERSITY-FOCUSED BUSINESS PRACTICES TO KELLOGG

Having spent almost three decades helping Allstate Insurance attract and retain some of the best talent in the business world, Anise Wiley-Little knows what impact a diverse workplace can yield. In October, she joined Kellogg as its new Chief Human Capital and Diversity Officer.

K: What is your plan for Kellogg?

AWL: My goals are to ensure that diversity and inclusion are integrated into all of our people and business practices for faculty, students and administrators. To do this well, we need a people vision that starts with our core values, and diversity and inclusion are deeply embedded in our values.

Our organization's engagement is particularly important now as we push through the final two years of our current seven-year plan for transformation. Leveraging the diversity within our organization will allow us to achieve our goals and prepare for the next phase. As a business school, we want to model inclusive leadership while providing an environment that embraces different points of view through cultural agility, allowing maximum return for Kellogg.

K: What attracted you to this new position?

AWL: This was an opportunity to take what I've learned in a corporate setting to academia and merge the best of both worlds. You don't see many chief diversity officers who move from corporate to academia. However, focusing on a

business school was the perfect pairing. In academia, you can have a social-justice-focused conversation while discussing how diversity success can be profitable. A perfect combination for me.

K: "Diversity and inclusion" get thrown around a lot. What does it mean to you in terms of business practices?

AWL: First, it's important to understand that diversity is the mix of talent in your organization and inclusion is how you maximize that talent. To be successful, you need both. This requires a thorough assessment of your business. If diversity is to enhance innovation and collaboration, it can only be accomplished through understanding and integrating all aspects of the business and people processes. Diversity is not something that is one-size-fits-all; that's why it should be integrated into your business strategy.

K: How will you bring those ideas to Kellogg?

AWL: From our students, our employees and faculty that are executing on the Kellogg strategy, we want to ensure that our business school is the best, and we can't do that unless we leverage diverse thinking. That's when inclusion thrives and transformation begins.



Visit kelloggmagazine.com for an extended version of our interview with Anise Wiley-Little.

BEST-CASE SCENARIO

KELLOGG TEAMS TAKE TOP PRIZES IN SEVERAL COMPETITIONS

From cranberry-focused nutrition startups to problem solving for crowd-sourced inventions, Kellogg teams continue to take top honors in case competitions around the world. Here are a few of their recent wins:

Suzhou New District Technological Innovation and Entrepreneurship Competition

Health and nutrition startup Kosmode Biotechnology is the company that earned **Rochele Hua** and **Cindy Ye**, as well as McCormick graduate student **Kevin Shi**, all '15, the top prize of \$5 million yuan (RMB), or about \$800,000.

Hua, a former food scientist, credits long-term research collaboration with a professor as the inspiration for Kosmode. The Jiangsu Province-based company expects its first product to be a cranberry supplement that will treat urinary tract infections.

"We patented the extraction method for producing this product at a low cost and high quality," says Hua. "The next step is to materialize what was written in the plan — scale up the product and sell."

2015 UCLA Media & Entertainment Case Competition

For the first time since launching their annual entertainment, sports and technology conference, the UCLA's Anderson School of Management held a case study competition.

Matt Weiss '16, Libby Koerbel '16, Chris Phillips '16 and **Anja Zhao '15** won the \$4,000 First Place prize by creating a strategy to help event sponsor Paramount Pictures increase shrinking margins due to mobile media consumption and streaming services.

"We wanted to connect the cinema and at-home-viewing experiences," says Weiss. "The key insight behind our solution was creating a journey centered on the Paramount brand that motivated customers to return to the theater."

The team and Paramount executives are discussing turning their proposal into an implementable business plan.



Deloitte National MBA Case Competition

Three Kellogg students took first place in January's Deloitte National MBA Case Competition. Sponsored by Deloitte and Deloitte Foundation, the MBA Competition tasked 15 finalist teams with solving numerous strategic challenges on behalf of Quirky Inc., a New York City-based invention and consumer product company.

With a 10-hour time limit to produce a professional-grade presentation, **Matt Heintz**, **Andry Lesmana** and **Bora Sekerel**, all '16, came together to create winning recommendations on segment selection, including a \$20,000 scholarship prize and top honors. Being the first team in contest history to have three team members instead of four sweetened the victory.

"I always heard that business school changes you, but this was the moment I knew what that meant," says Heintz. "Kellogg's focus on collaboration ensured we were ready to work efficiently and smoothly to tackle this challenge."

Wharton MBA Buyout Case Competition

For the second straight year, a Kellogg team won the Wharton MBA Buyout Case Competition.

Michael Jiwani '15, Joe Long '15, Justin Marku '15 and **Evan Cooney '16** came in first place in the contest that asked MBA students to make recommendations for a proposed private equity buyout for a major retailer, and earned \$3,000.

"We knew a win would be difficult to repeat; however, our team never doubted our approach or ability to get the job done," says Jiwani. "We were excited to have represented our fellow students at Kellogg and our private equity alumni base in such a positive light."

CAMPAIGN SURPASSES TWO-THIRDS MARK

WITH MORE THAN \$235 MILLION RAISED, KELLOGG NEARS FUNDRAISING GOAL

As of April 2015, Kellogg has raised more than \$235 million of its \$350 million goal in the Transforming Together campaign.

Funding for the school's new global hub on the north campus lakefront has reached the halfway point, while the campaign's other objectives — Thought Leadership, Educational Mission and Global Innovation — have surpassed 80 percent of their targeted goals.

Campaign Director **Julie Allen** praised both campaign leadership and the alumni community for reaching this milestone. "It's an exciting time," Allen said. "As our new global hub emerges on the lakefront, it's a daily reminder of the incredible generosity of the Kellogg community and how we've come together to transform the school."

2015 Youn Impact Scholars announced

Tree farms that bring green space, jobs and new hope to American towns in the grip of postindustrial decay; investments that help small businesses thrive in the face of withering conditions: these are just a few of several forward-thinking projects being implemented by this year's cohort of Youn Impact Scholars.

The program, in its second year, honors students and alumni who have demonstrated a commitment to becoming leaders of social impact in any chosen field, says **Elizabeth Coston**, Kellogg's manager of social innovation.

This year's five student and five alumni honorees will meet with last year's class of nine scholars later this year, at the first biennial Youn Impact Scholars meeting. This year's inductees include **Nicole Chavas**, **Laura Kimes**, **Alexandra Korijn**, **Thiago Pinto** and **Marvin Smith**, all '15. Alumni inductees are **Paul Cheng** '03 of SharedImpact, **Deepa Gupta** '04 of Boeing, **Jim Schorr** '94 of the Social Enterprise Alliance, **Luca Torre** '06 of GAWA Capital and **Ursula Wright** '01 from the U.S. Department of Education.

2014-15 Zell Scholars announced

Kellogg also named 10 students to the 2014-15 class of Zell Scholars, an application-only, two-quarter program funded by Equity Group Investments LLC Chairman Sam Zell. The program provides support for students looking to turn their startups into market- and funding-ready businesses, said **David Schonthal** '09, program director and a clinical assistant professor of innovation and entrepreneurship.

This year's Zell Scholars are **Stephen Lane** '16, **Tyler Wanke** '15, **Luciana Oliveira** '15, **Kieren Patel** '16, **Priya**



Mathew '15, **Michael Jung** '15, **Jeremy Bolian** '15, **Jesse Chang** '16, **Lorena Arathoon** '15 and **Gaurav Shenai** '15.

Kellogg Insight Live hits Chicago and the coasts

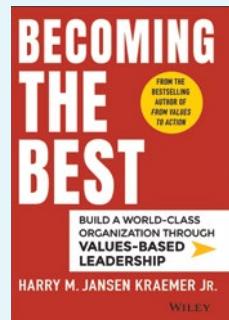
Faculty and prominent alumni took to the road this spring to deliver insightful thought leadership to major alumni markets in the United States.

This past February, Nancy L. Ertle Professor of Marketing **Florian Zettelmeyer** led a panel discussion on why managers today need a working knowledge of data science. And in March, Associate Professor of Strategy **Mike Mazzeo** led alumni panel discussions in both New York and San Francisco on recognizing opportunities, overcoming challenges and unleashing growth.

HARRY KRAEMER '79***Becoming the Best***

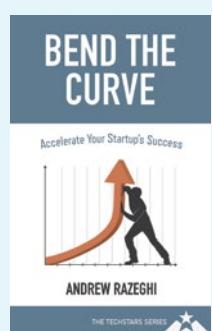
In this sequel to *From Values to Action*, Kraemer applies lessons gleaned from decades of leadership experience, including six years as CEO of Baxter International, to the building of values-based organizations. Drawing from interactions with leaders across multiple industries, Kraemer takes an inside-out approach to teaching readers how to apply the principles (self-reflection, balance, true self-confidence and genuine humility) needed to not only become their best selves but also create best teams, partners, investments and citizens.

Now available (Wiley)

**ANDREW RAZEGHI*****Bend the Curve***

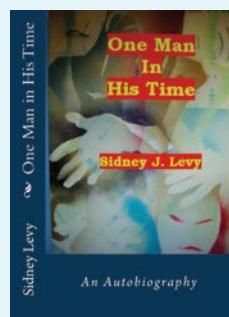
Featuring the mentors of Techstars, Andrew Razeghi's book shares key resources to propel today's big ideas and the people behind them. Razeghi reminds readers that there is no solid road map for innovative startups. Rather, his goal is to inspire and help prepare — by highlighting not only past achievements but also pitfalls — a powerful network of like minds.

Now available (FG Press)

**SIDNEY J. LEVY*****One Man in His Time***

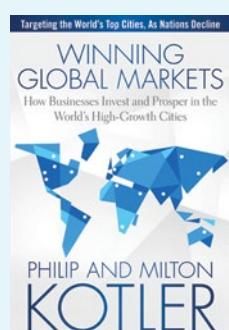
For 36 years, including 16 as head of the doctoral program and 12 as chair of the department, Levy steered the conversation toward marketing's role in the broader culture. But with *One Man in His Time*, the Charles H. Kellstadt Professor Emeritus of Marketing focuses on the whole of his life, starting before his birth in St. Louis. Moving through his life story, including the pivotal moment when he met his wife, Bobette, Levy narrates from the remove that a long, distinguished career allows.

Now available (CreateSpace Publishing)

**PHILIP AND MILTON KOTLER*****Winning Global Markets***

Voted the third best marketing book of 2014 by *Expert Marketer Magazine*, *Winning Global Markets* argues that a nation's future rests primarily in the energy of its top cities and how globalized they become. Top city regions (or "city-states") like New York, Chicago and San Francisco have a high percentage of the capital and intellectual assets of the nation. The Kotlers describe how cities capture the interest of major multinationals, and how the multinationals themselves make their choices among city regions.

Now available (Wiley)



Learn more about the campaign at transformingkellogg.com.

Learn more about this year's Young Impact honorees at kell.ggg/young15.

Learn more about this year's Zell Scholar cohort at kell.ggg/zell15.

FINANCE PROFESSOR WINS SMITH BREEDEN AWARD FOR SECOND STRAIGHT YEAR

For the second year in a row, Associate Professor of Finance **Dimitris Papanikolaou** has won the Smith Breeden Prize for best paper of the year in the *Journal of Finance*, the world's premier financial research journal.

Papanikolaou's 2014 award-winning paper, *Growth Opportunities, Technology Shocks and Asset Prices*, focused on investors' behaviors and approaches as they differ between growth firms and value firms. The findings attest that although they are riskier bets, growth firms actually require lower returns, thereby making

value firms the "cheaper" of the two.

By showing that today's high risk is more closely associated with value firms, Papanikolaou believes the risk tables have turned. "Value firms are riskier in the sense that they have more chance of being displaced by new technologies," says Papanikolaou, discussing his research with *Kellogg Insight*.



PHOTO © EDDIE QUINONES

DESIGN THINKING: “IT'S ABOUT CREATING CHANGE”

IDEO Chief Creative Officer **Paul Bennett** delivered an impassioned speech on design thinking and its practical applications in both the business and real worlds to a captivated audience at Kellogg.

Titled “Love, Beauty, Religion, Death & Space – Design’s Next Frontiers,” Bennett outlined his origins as a designer and his philosophy behind creating “objects that mean something to people.”

“In the world of incredibly high disposable everything, how do we actually start to create things that matter? Things that mean something to people?” asked Bennett, who joined the global design firm in 2001.

BRAVE
LEADER
SERIES

“Everyone is a potential shareholder. Everyone.”

MELLODY HOBSON

President, Ariel Investments, on urgency and accountability, during her Brave Leader Series talk



PHOTO © JUSTIN RUNQUIST



Visit kell.gg/braveseries for exclusive video and content.

A GRATEFUL KELLOGG

ALUMNI CELEBRATED FOR THEIR SERVICE TO SCHOOL AND COMMUNITY

A trio of alumni were honored at this year's "With Gratitude, Kellogg" awards ceremony, which celebrates some of the many supporters who donate their time, expertise and resources toward enriching the student experience and advancing Kellogg's mission in the community at large.



PHOTO © JEFF SCIORTINO



PHOTO © ANDREAS E.G. LARSSON



PHOTO © ROBERT Houser

H. JOHN LIVINGSTON '91

Distinguished Alumni Service Award

Recognizing graduates who have made significant investments in shaping Kellogg's strategy, culture and brand

As the founder and CEO of Connected Sensor Solutions, Livingston is building a family of businesses that play at all levels of industrial technologies – devices, connectivity infrastructures and analytics – to reinvent industry.

Livingston has long partnered with Kellogg students and staff focused on corporate consultancy and will extend this partnership into the realm of data analytics. He serves as a key campaign leader for Kellogg's capital campaign, Transforming Together.

STEVE WILSON '74

Schaffner Award

Honoring Kellogg leaders who have made significant contributions to society and, through their professional achievements, have exemplified Kellogg's culture

Retired CEO and former chairman of the board of CF Industries, North America's largest nitrogen fertilizer producer and distributor, Wilson transformed CF Industries into a global leader.

Wilson has also provided funding and guidance to **Andrew Youn '06**, founder of the One Acre Fund, a market-based and sustainable nonprofit that helps African farm families grow their way out of poverty.

ROBIN YOSHIMURA '94

Wade Fetzer Award

Recognizing outstanding dedication and loyalty in support of the school's alumni body

As a director at Credit Suisse in San Francisco, Yoshimura oversees assets for the company's PB USA division; he has worked for some of the biggest names in the business and investment worlds.

Yoshimura has stayed close to Kellogg since graduating, serving on the advisory board of the Kellogg Asset Management Practicum and the Kellogg Alumni Council and working closely with the Transforming Together campaign.



“I find the work to be fascinating and interesting, and I think that kind of shows.”

The regulator

SHARON BOWEN TAKES ON FRAUD AS A COMMISSIONER OF THE U.S. COMMODITY FUTURES TRADING COMMISSION

For **Sharon Bowen '82**, some of the most “critically important” experiences of her Kellogg years came while collaborating with her study group.

“We maximized our skills — one of us was really great at marketing and one was really great at math, and I was the writer,” Bowen recalled. “Whenever we had team projects, we worked quite well together.”

Bowen has parlayed that collaborative leadership style as part of another group — the federal agency charged with regulating futures and derivatives markets. In June 2014, she was sworn in as a commissioner of the U.S. Commodity Futures Trading Commission, becoming the first African-American to serve there.

She has kept busy since joining the five-commissioner agency. The group was in the headlines last December when Republicans in Congress agreed to increase its budget in exchange for repealing a controversial derivatives rule in the landmark Dodd-Frank financial industry regulation law.

Bowen and her fellow commissioners argued for the funding hike, saying that the agency had been spread thin because of the expansion in oversight responsibilities it acquired under Dodd-Frank, including authority over the customized contracts traded between private parties called “swaps.”

The lack of funds hampered the commission’s ability to crack down on commodity fraud, precious-metals scams

and other activities, Bowen said in an interview from her Washington, D.C., office. “We definitely need the money,” she said. “We have an amazing mandate.”

For Bowen, who also holds a law degree from Northwestern, the CFTC job is the latest addition to a lengthy résumé. The former securities lawyer spent more than three decades on Wall Street, becoming a partner in 1991 in the New York office of Latham & Watkins LLP. In 2010, President Barack Obama appointed her vice chair of the Securities Investor Protection Corporation. She took over as acting chair two years later.

Her work in that post stirred controversy. Sen. David Vitter (R-La.) tried to hold up her nomination, contending that she failed to protect victims of financier Allen Stanford’s massive Ponzi scheme because the SIPC maintained the investors’ legal protections. The Senate confirmed her on a narrow 48-46 vote.

Did the experience grate on her? “Not at all,” she said. “I knew our position [at SIPC] was the correct one.”

Bowen has grown used to being one of the higher profile African-Americans in the financial world, though she said it has never been an issue in her day-to-day activities.

“Most clients just want you to get their work done right,” she said. “I’m pretty good about getting it right. I find the work to be fascinating and interesting and I think that kind of shows.” **k**



— BY CHERYL SOOHOO PHOTO BY JEFFERY SALTER

LEADING THE WAY

SERIAL ENTREPRENEUR LARRY LEVY '67 GREW AN EMPIRE BY SPOTTING OPPORTUNITIES AND TAKING RISKS. FOR MORE THAN 20 YEARS, HE'S HELPED THE PURPLE AND PASSIONATE SOLVE BUSINESS AND SOCIAL PROBLEMS

Adinner at the four-star rated Spiaggia in Chicago provides the ultimate fine dining experience for foodies. An acre of land in Africa, supported by asset-based financing and sustainable resources, helps to ward off hunger and reduce poverty for native farmers.

While worlds apart, these two successful enterprises have one man in common: **Larry Levy '67**, co-founder of Levy Restaurants, which grew from a single Chicago delicatessen opened in 1976 into an international food service organization that today generates more than \$1 billion in revenue. Also involved in high-profile real estate ventures, including Chicago's River Point and One Magnificent Mile buildings, Levy has been a partner in more than 50 office, industrial, hotel and residential developments during the past three decades.

In 2003, Levy and his wife generously established the Larry and Carol Levy Institute for Entrepreneurial Practice at Kellogg, an important component of the Kellogg Innovation and Entrepreneurship Initiative. Shortly thereafter, **Andrew Youn '06** became the first recipient of a Levy Institute grant to support an innovative social impact organization, the One Acre Fund, to improve the lives of impoverished Africans.

"Twenty minutes into Andrew's presentation to the Levy Institute Board, there was a great deal of whispering around the table," recalls Levy. With his spouse, he also endowed and created the Carol and Larry Levy Social Entrepreneurship Lab at Kellogg in 2007, realizing that some of the best entrepreneurs are social entrepreneurs. "One of the board members said to me, 'Why don't we fund the first two years of this venture?' And we did. What

“LARRY LEVY IS THE VISIONARY WHO SAW THAT ENTREPRENEURSHIP WAS ON THE RISE AND THAT KELLOGG WAS UNIQUELY POSITIONED TO BE A LEADER IN CREATING FUTURE ENTREPRENEURS.”

LINDA DARRAGH Clinical Professor and Executive Director, Levy Institute for Entrepreneurial Practice

Andrew's One Acre Fund has been able to accomplish has been the proudest achievement of all our initiatives at Kellogg."

When Andrew Youn founded his company in 2006, it served 80,000 farm families in Kenya. By 2013, that number had grown to more than 130,000 farm families in Kenya, Rwanda, Burundi and Tanzania. Just last year, Kellogg announced its inaugural class of Youn Impact Scholars, a new program honoring the creativity and innovation of an elite group of Kellogg students and alumni passionate about social impact, funded by Northwestern University Trustee **Chris Combe (NU '70)**. Fittingly, Youn was named a 2014 alumni scholar of the program that bears his name.

"Larry Levy is the visionary who saw that entrepreneurship was on the rise and that Kellogg was uniquely positioned to be a leader in creating future entrepreneurs," says **Linda Darragh**, a clinical professor and executive director of the Levy Institute for Entrepreneurial Practice. "He knew that successful entrepreneurs have to have general management skills blended with creativity, resourcefulness and the ability to communicate effectively. Larry's gift to Kellogg goes beyond his generous donation that created the Levy Institute for Entrepreneurial Practice. Larry has been actively engaged with the center, the students and the alumni for years."

An enterprising entrepreneur

Kellogg has had no shortage of noteworthy entrepreneurial students and alumni throughout its history, especially in recent years. But that entrepreneurial spirit wasn't always so pervasive. "Aspiring to be an entrepreneur was looked down upon when I was a student," says Levy. "As a career choice, it had negative connotations. People thought of you as a fast-buck artist."

During Levy's time at Northwestern, he said Kellogg offered just a single one-credit course that gave enterprising students the opportunity to spend an hour each week with invited entrepreneurs. For him, the experience was important and one he personally makes possible for others. At his home, Levy reserves many Saturday mornings to mentor budding entrepreneurs not only from Kellogg but also from around Northwestern. For example, he has been counseling Northwestern startups such

as SwipeSense, a germ-fighting hand-sanitation device and monitor for the health care industry; BucketFeet, artist-designed canvas shoes sold at Nordstrom and other retail outlets; and Syndio, social data management software that identifies bottlenecks to creativity. "All three are doing well," says Levy. "I enjoy supporting entrepreneurship everywhere it's appropriate at Northwestern."

Increasing the odds of success for the entrepreneurial-minded served as the original driving force for the Levy Institute. Today's ever-evolving entrepreneurial curriculum at Kellogg continues to meet with Levy's approval, providing real-life situations and the skill sets needed to endure the life of an entrepreneur. Levy strongly advocates developing unwavering resilience despite failure. "I have had a lot of very expensive learning experiences," says Levy, "but I've never let them stop me from getting up in the morning and trying again."

Solving the big problem

Developing products and services that offer solutions to big problems may be the best way for young entrepreneurs to avoid



disappointment. Levy did it exceptionally well with Levy Restaurants by pioneering the concept of premium dining and warm hospitality at sports and entertainment events, from the Super Bowl and Kentucky Derby to the Grammy Awards.

"The big problem I solved was bringing restaurant-quality food and service to venues that used to only serve hot dogs and beer," says Levy. "We dramatically raised the bar."

Levy sold the remaining shares of his restaurant empire in 2006 but remains chairman emeritus. In addition to his real estate business, Levy is managing partner of Levy Family Partners, a principal investment company. He and two of his sons oversee a number of operating businesses in the restaurant industry, including a strategic alliance with Blaze Pizza, a fast-fired, custom-built pizza concept. Founded by **Elise Wetzel '92** and her husband Rick, Blaze Pizza is the nation's largest and fastest-growing build-your-own pizza chain. In 2013, LFP and Blaze Pizza joined forces to open 25 outlets in the Chicago and Miami areas.

Like Blaze Pizza's "made with 100% pure fire" motto, clearly the entrepreneurial spirit still burns brightly for Larry Levy. ☀



PHOTO © GALDONES PHOTOGRAPHY

"I HAVE HAD A LOT OF VERY EXPENSIVE LEARNING EXPERIENCES, BUT I'VE NEVER LET THEM STOP ME FROM GETTING UP IN THE MORNING AND TRYING AGAIN."

A Levy Institute grant helped **Andrew Youn '06** (pictured) build the One Acre Fund, a successful nonprofit organization.

PHOTO © MAGGIE RIFE

LARRY LEVY '67 Co-Founder, Levy Restaurants;
Chairman and CEO, The Levy Organization

MAKING MATTER

KELLOGG FACULTY AND ALUMNI LAUNCH MED-TECH INCUBATOR AIMED AT CAPTURING A \$50.4B MARKET

A few weeks before the doors opened in February, **David Schonthal '09** walked into MATTER, Chicago's new incubator and innovation center focusing on health care technology. The familiar raw space of concrete, columns and windows was gone. Instead, there were offices, workspaces and rooms nearly ready to simulate everything from an operating suite to a physician's exam room.

"The vision has become totally real," said Schonthal, a clinical assistant professor of entrepreneurship and innovation at Kellogg and co-founder of MATTER, a 25,000-square-foot space inside Chicago's Merchandise Mart. "I'm feeling more excited about MATTER today than I've ever been about it."

But what really excites Schonthal is the interest he's seen in bringing entrepreneurs, investors, providers and medical innovators to the same table.

Already, more than 70 startups have become members of MATTER, including a pharmaceutical company that specializes in alternative remedies and a robotics company that's merging telepresence technology with cardiothoracic procedures. MATTER itself has secured more than \$8 million in funding to help support these companies as they grow.

MATTER is becoming what Schonthal and co-founder **Andrew Cittadine '98** envisioned back in 2011: a call to arms for both the health-tech and startup scenes in Chicago.

Clinical trials and tribulations

Cittadine and Schonthal drafted and iterated the concept that would eventually become MATTER. At \$50.4 billion, the medical technology market in Chicago is burgeoning. With labs, hospitals and universities throughout the region, Chicago has a huge crop of potential – if inexperienced – health-tech innovators.

"It's a young community. It's one where there aren't many entrepreneurs and the culture is somewhat nascent," said Cittadine, president and CEO of Chicago-based Diagnostic Photonics.

In 2012, the MATTER team shopped the idea to multiple stakeholders, including ChicagoNEXT, the public-private collaboration launched by Chicago Mayor Rahm Emanuel to turn the city into an innovation hub. There, it got the attention of Pritzker Group Senior Vice President **Steven Collens '01**, who spent a decade in the health care industry before developing MATTER's next-door neighbor, tech incubator 1871.

BY GLENN JEFFERS PHOTO BY JEFF SCIORTINO



"It certainly caught my eye as something with a lot of potential to make a difference," said Collens, who now serves as MATTER's CEO. He noted that while Chicago has the nation's third-largest health care economy, "We don't have something that really connects all the pieces to support entrepreneurs."

Collens joined the team and together they began speaking with stakeholders about their needs and visited co-working and incubator spaces across the nation for inspiration. The results of these explorations are facilities inside of MATTER that include "The Shop," a dedicated makers' space where entrepreneurs can update devices and software, and "The Stage," a simulated procedure room (OR, ER, ICU) where physicians and other medical staff can test prototypes in context and provide critical feedback to innovators in real time.

Working backward

Those resources, along with newly formed strategic partnerships



▲ Co-founders **Steven Collens '01**, **David Schonthal '09** and **Andrew Cittadine '98** at MATTER in downtown Chicago

with companies such as AbbVie, Allscripts, Astellas Pharma US and the American Medical Association, will be key in getting these products to market, Schonthal said. The next step: reaching out to more companies, entrepreneurs and innovators outside the region.

"We would love to see more non-Chicago-based companies get involved and hang a shingle at MATTER," Schonthal said. "The challenge of improving health care outcomes and patient experience is a global one. We expect that over time our member base will reflect the scope of the problems we are aiming to solve."

All of this, he said, will make it easier to achieve MATTER's overall goal: getting novel and powerful health care technologies to market.

Schonthal adds, "Every decision we make and every partnership that we form is based around the question: 'Is this helping health care entrepreneurs get their products to market more effectively?'" **K**



Visit kell.ggg/1x3GeHe to learn what it takes to navigate the FDA's approval process and bring medical technology to market.

Learn more about the Kellogg Innovation and Entrepreneurship Initiative at kell.ggg/si-kiei

Translating R&D into Growth Strategies

New class delves into commercializing medical technology

For early-stage companies, having an innovative new product is one thing, but having the knowledge to commercialize is another. Enter Kellogg's new 10-week course, Medical Product Early Stage Commercialization.

Taught by lecturers **Katie Arnold '02** and Eric Benson, the lab course asks teams of students matched up with eight early-stage, precommercial medical technology companies from both Northwestern and the Chicago area to develop marketing strategies and investor decks. All the companies are either preclinical or are in the earliest stages of commercial activity or clinical trials. "The course provides real-world examples to crystallize frameworks that students can apply in the start-up environment or in a large company," says Arnold. "It's the idea of identifying and clearly communicating the potential value proposition of a novel health care product."

The goal of the course, which debuted in Spring 2014, is to have all 24 students walk away with a good understanding of the value of each company's technology, what it takes to bring that product to market and how to assess the opportunity the technology enables in the market.

"For students interested in leading medical technology companies," Arnold says, "understanding how to position your technology for success takes practice, and we aim to have the course replicate this process in as real a fashion as possible."

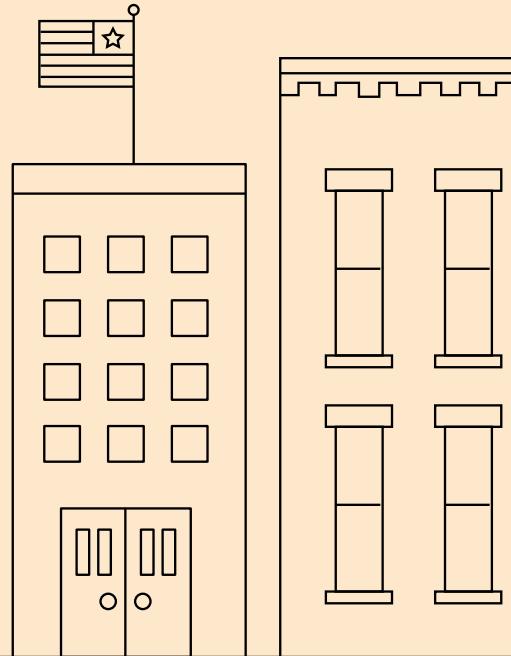
ARE YOU UBER-READY?

KENT GRAYSON EXPLAINS HOW PEER COMPANIES RELY ON YOUR TRUST TO SUCCEED

“Uber is a taxi service, but it’s kind of a new thing. You have to trust the concept as well as the driver and this service.”

KENT GRAYSON

Associate Professor of Marketing,
Bernice and Leonard Lavin Professorship

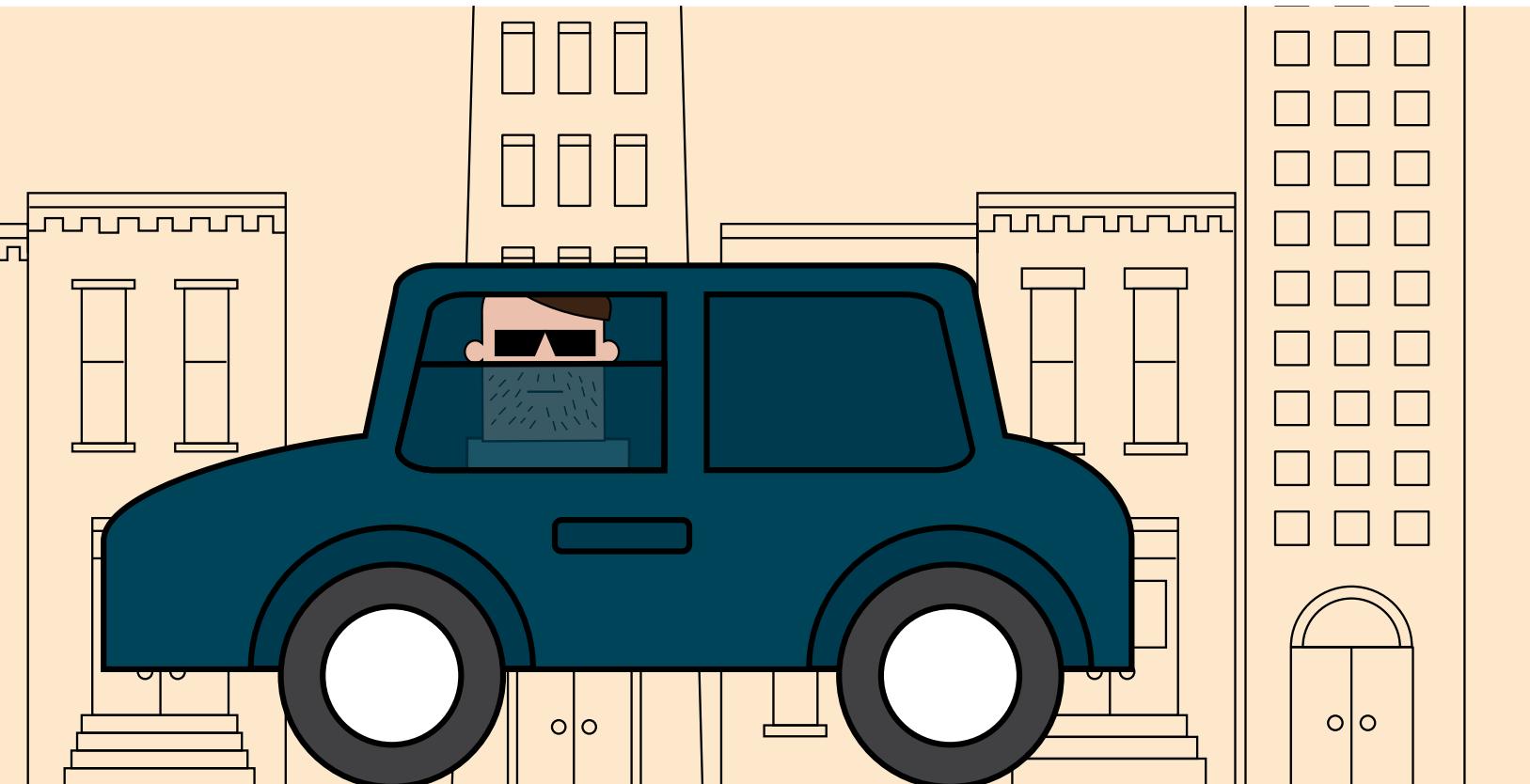


At the heart of the sharing economy, an industry that generates more than \$15 billion globally, according to PwC, is trust.

Participants on both sides of a transaction involving peer-to-peer companies like Uber and Airbnb must trust their peers to act in good faith — with a little benevolence tossed in for good measure, says Kent Grayson, an associate professor of marketing at Kellogg who holds the Bernice and Leonard Lavin Professorship. Grayson’s research has focused on the importance of trust in the marketplace.

In fact, Grayson says, the peer-to-peer model works only when end users trust they will receive the expected level of service. “As a product category, Uber is a taxi service, but it’s kind of a new thing. You have to trust the concept as well as the driver and this service,” he says.

In any transaction, customers must have some level of trust in the product, service, brand or sales representative before they will complete the sale. When consumers look for a mortgage, they desire trust in a mortgage broker, trust in the bank branch they’re working with, trust in the regulators who oversee



the mortgage industry, trust in the politicians who appoint the regulators and trust in the institution of banking, he says.

In peer-to-peer companies, the trust often comes down to the individual who is doubling as an Uber driver, a Meal Sharing chef or an Airbnb innkeeper and how well they deliver on the offer presented. The homeowner who goes above and beyond to ensure a guest enjoys the accommodations builds trust in Airbnb as well as in the concept of peer-to-peer companies and the overall sharing economy.

At the same time, the marketplace companies facilitating the peer-to-peer transactions can foster trust through procedures and protocol designed to avert problems.

Airbnb, which connects travelers with members' homes, has received complaints from travelers who report the accommodations weren't as described. To prevent unwanted surprises, the company encourages travelers to read reviews about hosts and look for verified information, such as references, a spokeswoman said.

But in certain cities, Airbnb also will assign a professional photographer to take photos of hosts' locations at no charge. Then it includes a watermark on the listing to denote the photos have been verified. The company also offers Verified ID, which connects a host's or end user's profile with additional sources of information including a social account, a photo of the person's government-issued ID and their contact information.

To be fair, the value proposition of peer-to-peer companies often lies with their scale. They have come up with a means for connecting the peer-to-peer buyer and seller, and part of their appeal is in their hominess.

The result is a range of competence. "You have a lot of people trying to make it big," Grayson says. While peer-to-peer companies often screen applicants through background checks, others think, "the best way to screen people is to get them out there and see how well they do," he adds. As people try it, many decide taxi driving, meal planning or innkeeping for a crowd just isn't for them. [K](#)



Learn more about the Kellogg Markets and Customers Initiative at kell.ggg/si-kmci



#PRIVATEPOLITICS

ADVOCACY SITES TURN TO SOCIAL MEDIA TO FORCE CHANGE

To understand the power of social media, Kellogg's **Brayden King** suggests an unlikely source: a group of Kenyan women who started a Facebook page to chat about motherhood. The "Kilimani Mums" ended up organizing a protest of violence against women that drew worldwide attention and spurred the government to launch its own awareness campaign.

"Their page became a way to talk about how to improve women's lives in a country where there's been a lot of government-sanctioned abuse of women," said King, an associate professor of Management and Organizations. "It's a great example of how a group that, in the past, had no access to public participation – suddenly has it."

King studies “private politics,” the phenomenon of advocacy groups replacing governments as societal regulators. Increasingly, he says, those activists are using Facebook, Twitter, Pinterest and other social media platforms to build consensus and generate vast amounts of publicity — and that as a result, organizational leaders need to pay more attention to them.

Social media “can create public attention for your cause and bypass the traditional dependence on media,” King said. “Also it’s open and easy to access, so anybody who has access to the Internet can get on and see what’s going on. Mailing an envelope in — that’s a lot more effort than posting something on Facebook.”

As the Kilimani Mums illustrate, mothers are one demographic that organizations should keep uppermost in mind, King said. Studies show they’re among the most active users of Facebook, and they can be adept at agreeing on and working toward a common goal on behalf of their children.

Many companies and governments already have a robust social media presence, but King said they still make mistakes. During last year’s NBA Finals, a basketball fan asked the sports-drink maker Gatorade on Twitter why it couldn’t prevent superstar LeBron James’ leg cramps. The company hastily replied, “The person cramping wasn’t our client. Our athletes can take the heat.” The tweet met with an avalanche of criticism, with

“The fact that you’re so close to your customers on social media means you’re much more at risk of having your reputation tarnished when your image goes wrong.”

BRAYDEN KING

Associate Professor of Management and Organizations

many saying the company was unfairly picking on James.

“The fact that you’re so close to your customers on social media means you’re much more at risk of having your reputation tarnished when your image goes wrong, so companies have to be pretty proactive,” he said. “We advocate that this should not just be something you hand to the 20-something intern, but make a serious part of your strategy.”

However, he added, even the most buttoned-up organizations can use humor to promote their authenticity. King praised the Central Intelligence Agency for saying in its initial Twitter post last year: “We can neither confirm nor deny that this is our first tweet.” ▶



Learn more about the Kellogg Public-Private Initiative at kell.ggg/si-kppi

NFL OFFSEASON GOALS: REPAIRING THE BRAND

PERSONAL MISCONDUCT SCANDALS BLITZED THE LEAGUE,
BUT **TIM CALKINS** SAYS IT CAN RECOVER

The NFL built its empire through deft play on the field and savvy marketing off it. But when an avalanche of domestic abuse incidents involving standout players hit the league last season, its handling of the fallout proved clumsy and daft.

In terms of brand management, the NFL fumbled the ball.

“The NFL has had an unusually difficult time dealing with all of its different reports of domestic violence, and it’s facing a significant brand crisis,” said Tim Calkins, a longtime NFL observer and clinical professor of marketing at Kellogg. “Companies love to be associated with great brands. And if the NFL brand becomes associated with domestic violence, that taints the league.”

In 2014, Forbes estimated the NFL’s 32 franchises to be valued at \$46 billion, and the league reportedly raked in \$1.02 billion in sponsorship revenue during the 2013 season — both record highs.

However, that windfall fell into jeopardy when the league slapped Baltimore Ravens running back Ray Rice with a modest two-game suspension after he knocked his fiancée unconscious inside a hotel elevator. When TMZ released video footage of the incident, the NFL changed Rice’s suspension to an indefinite one before that penalty was eventually overturned in arbitration.

Meanwhile, the Minnesota Vikings suspended running back Adrian Peterson after he was accused of child abuse, then reinstated him, only to immediately reverse course when sponsors complained.

When people evaluate organizations, Calkins said, they look for expertise, transparency, empathy and commitment. But he argued that the NFL’s response to the incidents fell short in all regards. The league didn’t display expertise or transparency when it issued inconsistent penalties based on unclear reasoning. NFL Commissioner Roger Goodell failed to deliver a heartfelt apology to the public and the league’s owners didn’t show a clear commitment to making significant changes in leadership or policy.

To rehabilitate its brand, Calkins advises that the NFL do three things.

“First, it has to take the issues seriously,” he explained. “It’s always tempting to think it’s going to go away on its own, but that’s really not the optimal response. The league needs to show that it’s taken the necessary steps to address the issues.”

“Second, the NFL needs to put in place policies that are clear and consistently enforced. And third, it needs to create



“Things move so fast, and with social media a lot happens that’s outside of one’s control. But brands have to move quickly to get ahead of things.”

positive news to offset the negative. To do that, the league needs to not just talk about positive initiatives but actually put them in progress. It’s like a political candidate. If you’re accused of being corrupt, you have to do something to change that perception.

“Managing a brand today is a huge challenge,” added Calkins. “Things move so fast, and with social media a lot happens that’s outside of one’s control. But brands have to move quickly to get ahead of things.”

Otherwise, they risk taking a reputation hit, like the NFL. **K**

BY DAVE WISCHNOWSKY

THRIVING TECH SCENE: PACIFIC NORTHWEST

There's a new hot spot for high-tech, and it's not Silicon Valley.

For many tech-minded innovators, the Pacific Northwest is now a choice location to call home. With the arrival of companies such as Intel, Amazon and Oracle, the region has grown into a thriving tech hub that's generated \$4.1 billion in the last five years. According to the U.S. Bureau of Labor Statistics, Oregon and Washington are now among the top five fastest-growing states for tech jobs.

Credit Kellogg alumni with some of that growth. In Seattle, **Steve Frazier '89** is overseeing Amazon's global expansion after scaling the business in China, the United Kingdom and the United States. **Kristin Johnsen '93** is working out of Microsoft's Redmond, Washington, office to lead 6,500 consultants across 82 countries. And in Albany, Oregon, **Dan Cappello '89** is head of a top manufacturing company that makes semiconductor equipment for smartphones and advanced computers.

As the region's caliber of talent continues to rise, more companies are feeling the pressure — in a good way — to elevate their game. Says Johnsen, "It keeps you on your toes."

BY RACHEL FARRELL



Workers process orders at an Amazon fulfillment center in Arizona.

MAKING BIGGER BETTER

STEVE FRAZIER '89 IS DRIVING AMAZON'S GLOBAL GROWTH BY PUTTING CUSTOMERS FIRST

When it comes to scale, few companies can rival Amazon. Since launching as an online bookstore in 1994, the e-commerce site has expanded into roughly 40 retail categories and more than a dozen international markets. It's now the largest Internet-based retailer in the United States, with sales totaling nearly \$89 billion in 2014.

For the past 15 years, Steve Frazier '89 has been at the center of much of that growth. Oscillating between Amazon's headquarters in Seattle and offices in London and Beijing, Frazier has helped launch more than a dozen new retail categories in the United States while expanding Amazon's business in the United Kingdom and China. Today, as Amazon's vice president of international, he's looking to take that growth even further.

At a high level, Amazon's global expansion strategy is relatively straightforward: Start with what the customer wants and work backward. There are core pillars to the customer experience, Frazier adds, that Amazon focuses on, regardless of market: great selection, great pricing and great delivery. "We've yet to find a country where people say, 'Show me fewer products,

raise your prices, get it here slower,'" he says.

At the same time, Amazon focuses on leveraging its global capabilities to serve a local need. In the case of China, Frazier offers this example: A family there might look to Amazon for a combination of locally sourced items (Chinese-language literature or rice cookers) as well as imported items (wine, baby formula or an SAT test-prep book).

To deliver on those demands, Frazier has had to manage challenges ranging from securing local vendors to setting up payment infrastructures that align with local preferences. In China, for example, many residents still favor cash on delivery over credit cards as a payment method.

Delivering an exceptional experience for the customer, as opposed to squashing global competitors like Alibaba, is what ultimately drives Amazon, Frazier adds. "We're famous for saying that we think about customers more than competitors," he says. "We're always trying to raise the bar on the customer experience." ▶

COMPANIES THAT HAVE HIRED CLASS OF 2014 (FT PROGRAM)
TO LOCATIONS IN **OREGON** OR **WASHINGTON**:

AMAZON **MICROSOFT CORP.**
DANAHER CORP. **NIKE INC.**
EXPEDIA INC.

CHIPPING IN

DAN CAPPELLO '89 MAKES THE EQUIPMENT THAT MAKES YOUR SMARTPHONE WORK

If you were to break open an iPhone 6, sort through its paper-thin layers, and find one of its silicon chips, you probably could trace that chip back to MEI LLC.

A leading manufacturing company in the high-tech space, MEI creates wet-processing systems and services for the semiconductor, solar and polysilicon industries. In simplest terms, that means that it makes machines that are part of the process of turning silicon wafers into computer chips — or, as CEO Dan Cappello '89 puts it, the company makes “glorified sinks ... that take silicon wafers, immerse them in chemicals, wash them off and put them in a dryer.”

Despite that humble description, MEI plays a critical, behind-the-scenes role in the functionality of many smartphones, advanced computers and automotive devices used today. Guided by the realities of rapid technological change and breadth of tech devices, the company focuses on tailoring its services and equipment to individual customers while balancing quality of design with speed of delivery.

That last part is key, since many of MEI's customers are suppliers that have to respond quickly to requests, “like when Apple or Samsung calls and says I need so-and-so million devices by such-and-such date,” says Cappello.

In terms of its customer focus, MEI has found a sweet spot with “tier B and tier C” manufacturers such as IBM and Texas Instruments. In recent years, Cappello has directed investments in research and development to benefit this particular customer segment and enable MEI to “know our customers from top to bottom,” he says. It’s also helped the company shift its development focus from equipment that reflects customers’ requests to equipment that proactively addresses their problems in technology production, such as how to capture trace amounts of gold normally lost during certain manufacturing processes.

As a result, MEI’s revenue has quadrupled in the past five years, growing from \$5 million to \$20 million, with its sights set on the European and Asian markets next.

“With a few exceptions, we’ve done a good job of penetrating the domestic marketplace,” says Cappello, “so going into Europe is the next logical step if we want to expand our customer base.” K



“With a few exceptions, we’ve done a good job of penetrating the domestic marketplace.”

DAN CAPPELLO '89
CEO, MEI LLC



AHEAD OF THE CURVE

AT MICROSOFT, **KRISTIN JOHNSEN '93** IS ALWAYS THINKING BEYOND WHAT'S POSSIBLE

Seven years ago, when Kristin Johnsen '93 joined Microsoft's consulting services as a general manager, the technology landscape hardly resembled what it is today. Cloud computing didn't exist. Tablets weren't widely used by consumers. And a deflated dot-com bubble had led to "a lull in technology transformation," Johnsen recalls.

As a result, Microsoft's consulting group was primarily focused on helping its enterprise customers update their technology and learn how to use it. The consultants were agile and effective at the task, but Johnsen knew that they needed to do more. "You've got to have some vision for where technology and customers are going," she says.

Today, as vice president of Microsoft Consulting Services, Johnsen is focused on systematically planning for change. That means that she's constantly thinking about technological advancements and their implications for customers, particularly Microsoft's top 5,000 enterprise customers. Her goal: Ensure that enterprises are using the latest and greatest technology in the smartest way possible.

For example, the consulting group recently helped ThyssenKrupp, a German elevator manufacturer, use big data

technology and cloud-based computing to build sensors that monitor the wear and tear of elevators' mechanical parts. As a result, service agents can now fix or replace parts before they break, dramatically improving the elevators' efficiency and performance.

"It's not just that we took their technology from old to new," Johnsen points out. "This actually changes their business. We changed their business model."

Globally, Johnsen manages 6,500 consultants across 82 countries. The nuances of conducting business abroad means that she has to ensure her teams are equipped with the right people — both local experts with regional knowledge and technical experts who can address the complex needs of enterprises. Also, she has to make sure teams are constantly retooling to accommodate breakthrough products and market evolutions.

"In any given quarter, something new comes up," she says. "A competitor makes a move. There's disruptive technology innovation. It's fascinating to try and figure how you keep up with all that — both in terms of what your strategic front is and how you operate in that environment." **K**



6.8%

OF THE FULL-TIME CLASS OF 2014
ACCEPTED JOBS IN

OREGON & WASHINGTON



Students trek to Seattle to visit top tech companies

If you're trying to find your fit in an industry as broad as technology, researching a company only goes so far. Often, you have to see that company firsthand to know if it's where you belong.

That was the motivation behind the Kellogg's Dec. 15 trip to Seattle, where a group of 20 students visited the offices of Amazon, Zillow and Microsoft.

The trip was part of the Career Management Center's treks program, which takes small groups of students (typically 10 to 30 people) to visit companies in specific industries and locations. This academic year, Kellogg students and the CMC teamed up to organize approximately 30 trips with themes that included luxury goods and retail (New York), venture capital (San Francisco) and investment banking (Hong Kong).

"This is an educational program," explains **Silvia Bajo**, an associate director and career coach for the CMC. "It's a way for students to learn about companies in a sector to see if they're a fit."

On the Seattle trip, students toured each company's office and listened to panel discussions about what it was like to work at them. Many of those panel participants included Kellogg alumni, who were particularly open and honest with the students, says **Meghan Weinman '16**, an MMM student who helped organize the trip.

"There's something about the Kellogg culture ... [that we] could immediately relate to each other," she recalls. "The Kellogg alumni understood the skills that we could bring to the table." ▶



“You've got to have some vision for where technology and customers are going.”

KRISTIN JOHNSEN '93,

Vice President, Microsoft Consulting Services





“As software becomes embedded more and more in everything we do, the opportunity for a recurring revenue stream only goes up.”

The early adopter

USING A UNIQUE INVESTMENT VEHICLE, MICHAEL SMERKLO BECAME A SOFTWARE-AS-A-SERVICE PIONEER WITH SERVICESOURCE

As Michael Smerklo '97 practices chords during his weekly online guitar lessons, it's not hard to see the connections to the business revolution he helped launch nearly 18 years ago.

It was 1997, and the Silicon Valley investment banker had raised a small pool of capital in hopes of buying a business. He stumbled upon San Francisco-based ServiceSource, a fledgling operation that was among the first outfits to manage clients' recurring revenues — ongoing fees that at the time mostly were derived from magazine subscriptions and cable TV bills.

But the digital age would serve as a potent game changer. An explosion of digital-based subscription services — many of them tied to software and service companies, including Dell, Adobe Systems and Amware Logistics — gave ServiceSource a vital new role in managing recurring revenues.

"Really, as software becomes embedded more and more in everything we do, the opportunity for a recurring revenue stream only goes up," says Smerklo, who stepped down as CEO from ServiceSource in August, but remains chairman of the board.

ServiceSource went public in 2011 and is the global leader in managing recurring revenue in the business-to-business world — to the tune of \$14.5 billion in revenue for some of the world's most recognizable technology, industrial and media companies. ServiceSource manages recurring revenues "through a

combination of highly trained and talented sales professionals and a leading-edge technology platform," Smerklo says.

The company works beyond simply acquiring new customers, creating 90 percent of revenues from "renewals, cross-sells and upsells."

"If you think about the magazine subscription invoice coming in the mail and making a decision whether to renew, ServiceSource is 180 degrees from that," Smerklo says. "It really makes no sense to send an envelope in the mail for services anymore. Most users of technology — certainly in the next generation — wouldn't even know what to do with it, since they'll be downloading an app."

When he stepped down last year, Smerklo had built up a company from 35 employees to more than 3,000 employees in nine locations.

As a pioneer in the field, Smerklo doesn't need to look past his fretboard to see how he's benefited from the recurring revenue shift.

"When you think of my guitar lessons, I have never seen a physical bill from them, and I don't ever expect to," he says. "I get billed through my credit card with a recurring revenue component. Consuming anything these days is a much different experience, and that's why I think ServiceSource has even bigger market opportunities ahead of it." **k**



—
BY MAGGIE LAUBSCHER
ILLUSTRATION BY VASAVA

DATA DRIVING YOUR LIFE

HOW USING AUTO-ANALYTICS CAN MAKE YOU
A BETTER, FASTER, STRONGER PERSON —
INSIDE AND OUT

Right now, you — or the person you're sitting next to — are likely monitoring at least two factors within the body. Your steps per minute, perhaps. Or your heart rate. Maybe your mood. The self-tracking possibilities are seemingly endless, and they are expanding every day: Exercise, sleep, calories, mood, alertness, productivity, heart health — nearly every facet of your life can be tracked with a device today.

According to a recent Nielsen report, one in six people use wearable tech devices, such as a smartwatch, workout shirt or fitness wristband. These tracking devices, or smart tools, have been gaining ground in the marketplace for the past several years. The Fitbit debuted as a prototype in 2008, and in 2009 it and a similar device, DirectLife, became available to the public. Other options quickly followed, and the idea of quantifying our lives took a modern hold, with the wearable tech industry valued at \$5.1 billion in 2014, according to New York-based ABI Research.

The Evolution of Gamification

The idea of gathering data on ourselves is not new. "This has not come out of nowhere," says **Shane Greenstein**, the Kellogg Chair in Information Technology and a professor of strategy. "It was not hard to imagine wearable products quite some time ago."

For centuries, people have kept lists about their habits and reviewed them over time. A common reference point is Benjamin Franklin, who in 1726 started a personal virtues chart where he kept tally of how well he upheld his 13 virtues. Franklin would jot down a mark each time he failed at one virtue or another, to help him better himself over time.

The idea of replacing intuition and guesswork with facts and statistics, or "a quantified life," is inherently appealing, says **Manash Goswami '05**, a former Motorola category director for wearable products. But keeping up with a written list — whether it's tracking virtues, calories, miles ran or anything else — requires a considerable amount of diligence and active attention, especially over a lengthy period of time. "You want to focus on the job at hand," says Goswami. "Are things being measured while you are doing it?"

Then technology caught up. Smartphones and electronic sensors became commonplace. The process changed from being active (pen and paper) to passive (wearable auto-monitoring). And quickly, the idea of self-tracking became considerably more appealing. "So, if I'm a marathon runner, and I'm serious about that performance," offers Goswami, "I'd like to go back and get almost a preview reel of future performance. A rearview mirror of what happened is very important for serious fitness enthusiasts as they try to improve."

How to Game Your Life

People started buying and wearing these tracking devices. They were seeing their activity numbers each day, and learning about themselves in a tangible, statistical manner. After a period of time, a wearer might notice that they average 12,000 steps per weekday, for example.

"If I'm a marathon runner, and I'm serious about that performance, I'd like to go back and get almost a preview reel of future performance."

Manash Goswami '05, a former Motorola category director for wearable products

This is intriguing — at least at first. But after a while, that insight becomes static information, especially if you're not a marathon runner. You see it, you understand it, you're busy with day-to-day tasks and you go on with your life. "Is the information going only to the wearer, or is it being monitored by an expert?" notes **David Dranove**, the Walter J. McNerney Professor of Health Industry Management. For typical wearable devices, Dranove warns, "It's just not really going to make anybody healthier, except to the extent that it motivates them to work."



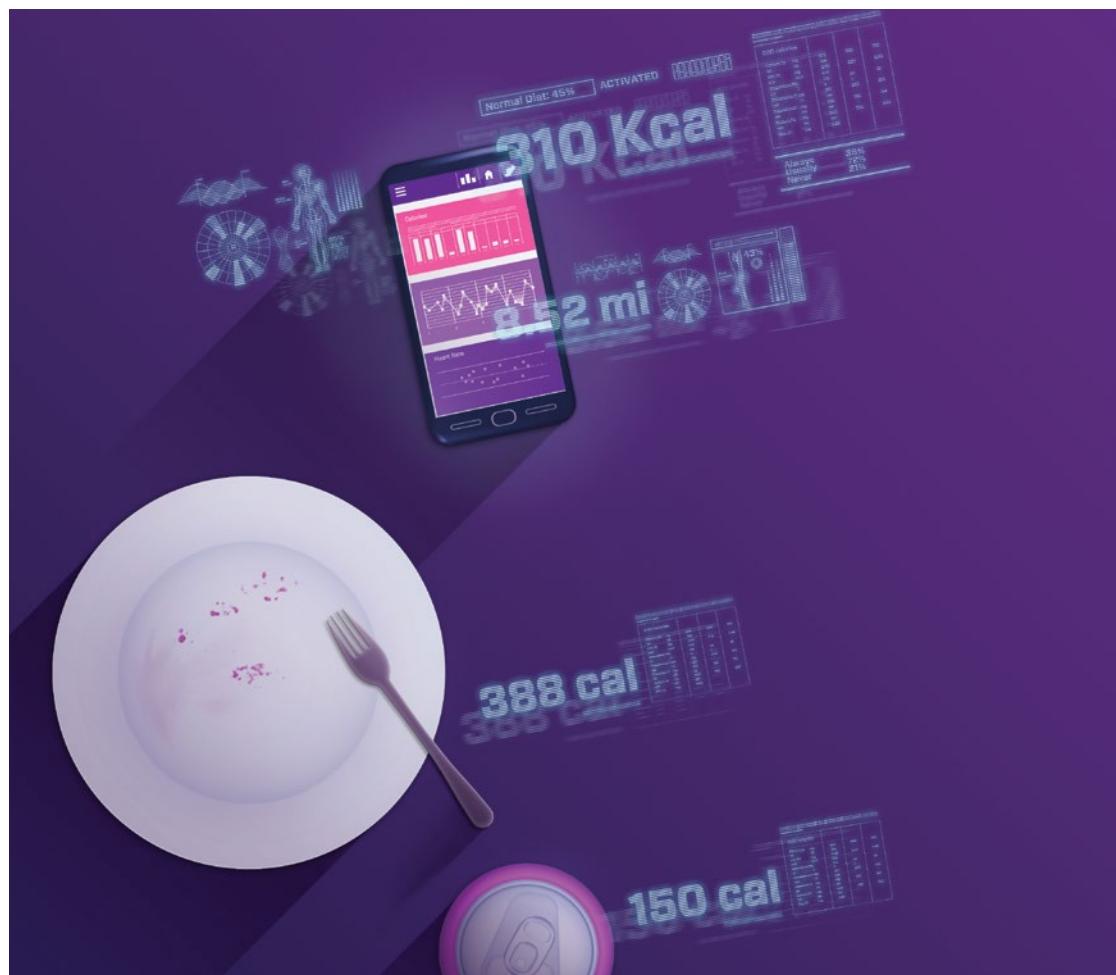
FACULTY EXPERT

SHANE GREENSTEIN

AREAS OF EXPERTISE:

Econometrics, industrial organization economics, technology and telecom

- Current research includes adoption of client-server systems, the growth of commercial Internet access networks, the industrial economics of platforms and changes in communications policy.
- Serves as North American Editor for *Information Economics and Policy* and Associate Editor for *Economics Bulletin*.



Others shared Dranove's sentiment, and it helped shift the industry focus from simply gathering the data — you took 12,000 steps today — to doing something with the data. This has come in the form of apps and other software that offer reminders and goals.

"Fitbit was fascinating because it tapped into this competitive nature in people," says Greenstein. The ability to share your tracking data on social media adds another element, both competitive and motivational. And there are also websites dedicated to holding you accountable to your tracking goals. For example, Beeminder is an app that tracks your progress on anything from your weight to how many push-ups you do a day, and it charges you money when you go off track.

It's like walking around with a personal trainer or a mentor, says Goswami.

How to Game Your Career

In the same mindset that these tools can help in people's personal lives, they can also help in work lives. The idea is to take the sleep data, the activity information, the workout goals — all of it — and use the information to increase work productivity.

Tejash Unadkat '08 is the director of product at BASIS Science, which created the Basis Peak smartwatch, a fitness and sleep tracker. Unadkat is responsible for taking the biometric data the watch generates and providing actionable meaning to it. For example, users can compare their heart rate data with their workouts to gauge intensity or determine how their sleep quality correlates with activity the day before. "We extract different insights from these biometric data points that our users are not aware of," Unadkat says.

In addition, time management apps, such as ATracker, RescueTime, My Minutes and countless others, help employees reduce wasted minutes in their day and more clearly see their workload capacity. This means that with today's time management software options, we can make more educated decisions on whether we can take on that next project or meeting.

Instead of managers monitoring employees' output, auto-analytics puts the monitoring in the employees' hands — and with it, a more precise power to shape their careers.

How to Game Your Health

What started as a consumer trend has now expanded into the health care industry, with potential for exponential impact on not only our daily lives but also in the way health care is managed in the future.

As an example, "It's very important for someone with diabetes to understand the trends in their diabetes," says **Star Cunningham '01**, CEO of 4D Healthware. "When you begin to analyze data across a number of different — what we call biomarkers — then you're able to take that data and use it to manage someone's health," Cunningham says. It's taking the static data discussed above and putting it in front of a physician who can monitor it and take action when needed.

4D Healthware is a software that links a patient's wearable fitness device to an online platform that incorporates the patient's personal health history. This gives a more complete picture for the patient and for the physician. There are also now implantable cardiac defibrillators with a cellular connection to your physician's office. "When a pacemaker is monitored," observes Dranove, "that info is shared with your cardiologist, who is immediately aware and can read your results."

Products like Vitality GlowCaps remind you to take your pills each day, and The Lively Safety Watch tracks your daily steps, as well as sends you pill-taking reminders and lets you call for emergency assistance by pressing a single button on the watch. In addition, websites like PatientsLikeMe.com let people share their data and experiences with various conditions, such as

"When you begin to analyze data across a number of different biomarkers, you're able to take that data and use it to manage someone's health."

Star Cunningham '01, CEO of 4D Healthware

FACULTY EXPERT



DAVID DRANOVE

AREAS OF EXPERTISE:

Health care economics (biotechnology), health care management, managed care systems

- Current research focuses on problems in industrial organization and business strategy with an emphasis on the health care industry.
- Regularly consults with leading health care organizations in the public and private sector and serves on the Executive Committee and Board of Directors of the Health Care Cost Institute.

depression and heart disease. People can use the data to chart their personal health, contribute to health research or compare treatments and symptoms.

As more and more people use wearable devices, we are gathering more data over longer periods of time. So, what is the next step?

The Future: For Better or Worse?

The movement is toward analyzing the data in an automated manner. Right now, users have most of that responsibility. You can log into your tracking app and view your mood or activity chart over the past month, and then analyze it yourself. You might notice your mood dips every day during rush hour, or every Wednesday during a certain weekly meeting. You can then think of ways to counteract the dip. But the shift is for programs to analyze for you and automate the tracking process even further.

"To me, the future is going to be made up of partnerships of man and machines," says **Brian Uzzi**, the Richard L. Thomas Professor of Leadership and Organizational Change and faculty

REINVENTING COLLABORATION

BRIAN UZzi EXPLAINS HOW KELLOGG'S LATEST INITIATIVE EXAMINES NEW WAYS TO COLLABORATE

Success in the 21st century depends on collaborating through networks, crowds and human-machine partnerships, says Brian Uzzi, co-director of the Northwestern Institute on Complex Systems. These new methods of collaboration are transformative. Companies that learn to use them right will go from looking at the future through a keyhole to having the key that opens the door.

That mindset is what led the school to create the Kellogg Architectures of Collaboration Initiative (KACI), a new cross-disciplinary track that equips leaders with tools and insights needed to harness the power of relationships, collective intelligence, and thought partnerships between human and machine.

Kellogg sat down with Uzzi, KACI's faculty director, to explain Kellogg's latest thought leadership program and why collaboration matters now more than ever.

K: Why the renewed focus on collaboration?

BU: Kellogg pioneered negotiations and teamwork in management. While these canons of business relationships remain critical — and indeed dynamic — a field has emerged related to the "new team" that influences our businesses without being contained in the walls of corporate headquarters.

We live in an era of data and relationship explosions. Increasingly, executives cannot rely solely on their own acumen or that of a small team. Rather, leaders must

understand how to transcend their own limitations and tap into the collective intelligence of customers, suppliers, partners and influencers through networks and crowds to fully capture insights critical to business and embedded in big data.

K: What's the potential upside of exploring new methods of collaboration?

BU: There is a great deal of untapped potential in these often unharvested collaborators. By having a broader and deeper perspective, executives can make better predictions about the direction of their business, and with real-time insight, do so with speed and accuracy. Additionally, such insight can lead to innovations, and those businesses that are at the forefront of tapping into these rich knowledge sources will reap the advantages to their competitors' dismay.

K: What is the future of collaboration?

BU: Businesses will become increasingly aware of the value that human and machine thought partnerships can bring. By expanding their knowledge in this manner, tomorrow's leaders will address future challenges and opportunities with greater acumen than seen before: The combination of man and machine is more powerful than man or machine alone.



director of the Kellogg Architectures of Collaboration Initiative.

One app, still in development, is the Personal Analytics Companion, an open-source app that seeks to track everything from exercise to business meeting schedules to your infant's bowel movements. It then takes the data a step further by showing trends and relationships in the data, and lets users chart data across different experiments. It's about going past observation and into analyzing the data to make changes and improvements in your life.

It's also about thinking bigger. The future of the industry will go beyond serving our individual needs, says Uzzi. From a business point of view, he says, it's about being able to "aggregate information to come up with master plans for influencing mass behavior."

Data access and usability, however, are still huge issues in the industry. "The challenge," says Cunningham, "is that for each device, there is a different set of data and a different protocol, and there is nothing that's analyzing that information across the board and making it actionable for consumers."

4D Healthware and other companies have started to tackle this issue. One website, called DataDonors.org, lets people upload their personal self-tracking data to contribute to a larger database that can then be used by researchers to improve health and potentially prevent illnesses.

But with this emphasis on sharing is the inherent concern of privacy. Not only do researchers want this data, but also marketers and insurance companies. Still, as we become increasingly accustomed to living in a public world, the downside becomes less concerning, at least to some. After all, the beauty of auto-analytics is that it removes the middleman. It gives us what we want, when we want it — which is, nearly always, now. **K**



FACULTY EXPERT

BRIAN UZZI

AREAS OF EXPERTISE:

Behavioral finance, creativity and innovation, new media and social networks

- Current research uses social network analysis and complexity theory to understand outstanding human achievement in business, science, and the arts.
- Advises and speaks at major organizations and associations, including the Young Presidents' Organization, Deloitte, PepsiCo, Kraft, Abbott Labs, Credit Suisse, P&G, McKinsey, the World Bank and other corporations, firms and nonprofits worldwide.

Faux pas? NO DEAL.

UNDERSTANDING CULTURAL DISTINCTIONS CAN MEAN
BIG RETURNS IN EMERGING MARKETS



BY BOBBY CAINA CALVAN ILLUSTRATION BY BEN O'BRIEN

Venture capitalist **Lee Pillsbury '82** recently recalled his first business trips to China a decade ago. It was during these trips that he and two of his associates first began forging relationships with the government officials and hoteliers who would eventually become partners in a \$300 million venture with China's largest hospitality company.

Pillsbury's associates, both Chinese, spoke Mandarin and were already versed in the cultural nuances of their homeland. But Pillsbury, the founder of real estate investment firm Thayer Lodging Group, had much to learn.

Since attempting to master the language overnight wasn't a realistic option, Pillsbury instead sought cultural fluency.

"I had to work very hard to learn about the customs and all these subtle cultural differences," Pillsbury said.

He learned the proper etiquette in presenting business cards: It's disrespectful to pull a card from a wallet that's been in one's back pocket. He joked about supergluing his shoes to the floor while in a meeting with Chinese officials, so as to keep from crossing his legs while seated and showing the soles of his shoes — a sign of disrespect. He learned to avoid confrontation.

Westerners might think such things trivial. But deal-makers like Pillsbury know how crucial first impressions are in any budding relationship, especially when trying to make friends abroad.

"You can't underestimate it," he said. Cultural faux pas have the potential of being deal breakers. "If it happens in the first 20 minutes, it's fatal. Luckily, I was very well coached."

Relationships first

Those who understand the cultural norms of these economies have the competitive advantage among cross-border entrepreneurs, according to **Jeanne Brett**, Kellogg's DeWitt W. Buchanan Jr., Distinguished Professor of Dispute Resolution and Organizations.

"Before going in, it's helpful to know something about the culture," she said. "They won't want you as a partner if you can't understand the circumstances under which they're operating."

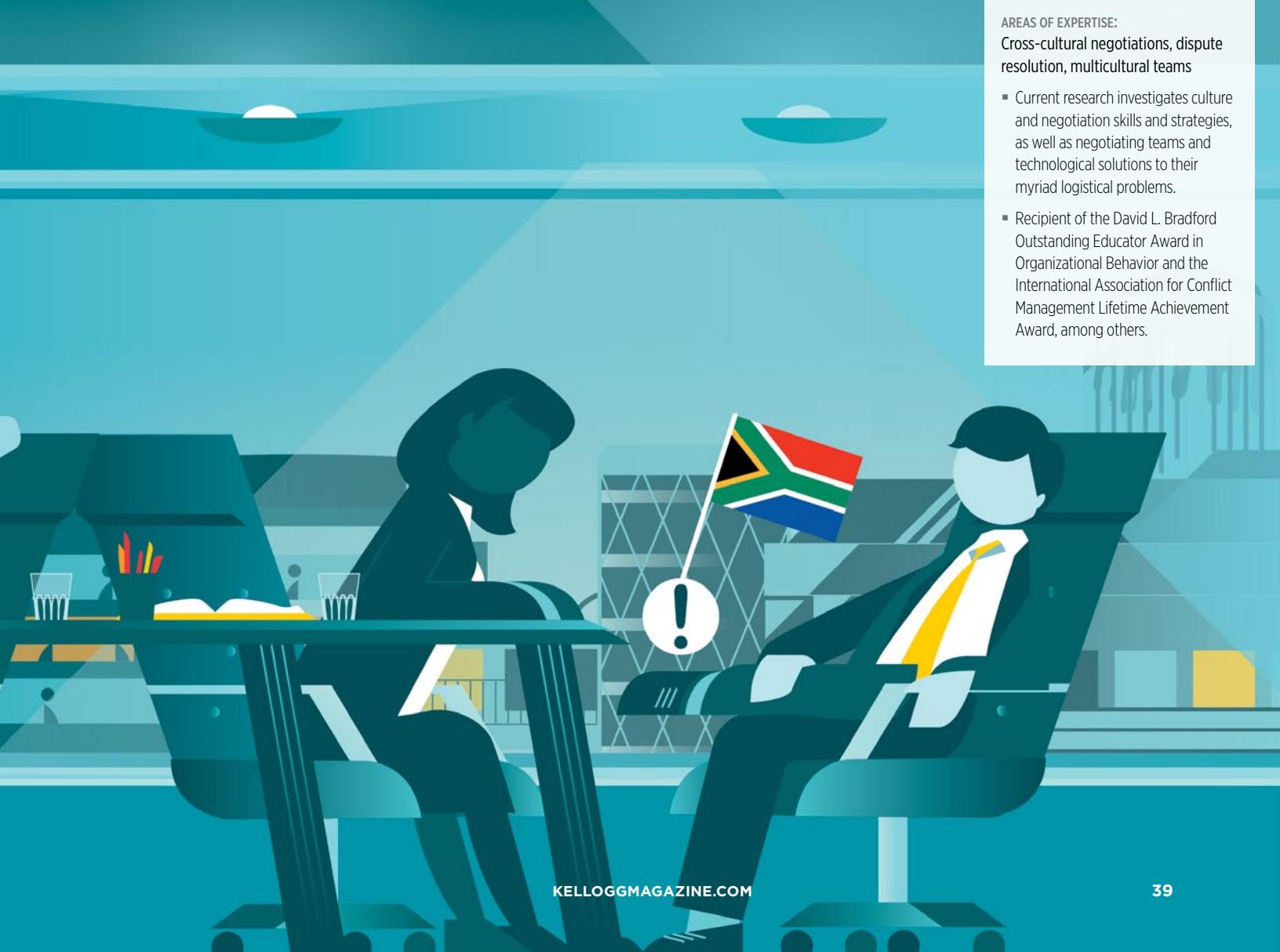


FACULTY EXPERT

JEANNE BRETT

AREAS OF EXPERTISE:
Cross-cultural negotiations, dispute resolution, multicultural teams

- Current research investigates culture and negotiation skills and strategies, as well as negotiating teams and technological solutions to their myriad logistical problems.
- Recipient of the David L. Bradford Outstanding Educator Award in Organizational Behavior and the International Association for Conflict Management Lifetime Achievement Award, among others.



CROSS-CULTURAL NEGOTIATING DOS AND DON'TS

PROFESSOR JEANNE BRETT OFFERS
TIPS TO REMEMBER WHEN
NEGOTIATING ACROSS CULTURES.

Dos

- Do your research. Learn about the company and, as much as possible, about the people with whom you will be negotiating.
- Try to get an introduction from someone who knows you and the counterpart.
- Build a relationship with the counterpart and show respect.
- Assess the likely trust environment. If trust is likely, be prepared to initiate and reciprocate trust. If trust is unlikely, use multi-issue offers.
- Prepare to be flexible on strategy and low-priority issues, but firm on high-priority ones.

Don'ts

- Don't give in to silence and anger just to get things moving. Be patient.
- Don't dismiss the need for trust. Spend more time developing trust and reputation.
- Don't overvalue your expertise. Know your limits and, when necessary, seek help to interpret and appropriately resolve disputes.
- Don't ask "Why me?" Remember that cultural accommodations are not one-sided.

"It's about developing that personal relationship that is really necessary in so many parts of the world — before you can get down to the details of negotiating an optimal agreement."

Brett's treatise on the subject, *Negotiating Globally*, now in its third edition, is required reading for anyone seeking to understand the art of cross-cultural dealmaking.

While the economies of the BRIC nations of Brazil, Russia, India and China have faltered in recent quarters, it is unlikely investors will completely pull out of those markets. Although foreign investments in those countries may be down, the economies had a combined GDP last year of more than \$16 trillion, according to the International Monetary Fund.

Despite its slowing economy, China in particular continues to attract U.S. and European investors — specifically, investors who are seeking to broaden their portfolios into developing and transitional markets in the Far East, India, Russia and Brazil.

Many places in the world don't operate as the United States does in terms of commerce. In particular, China operates under distinctly different social, political and economic rules.

"They operate on personal relationships," Brett said, referring to China, "and sometimes we as Americans have a lot of trouble understanding that because we operate on legal contracts."

Americans, she added, "tend to believe that a person is trustworthy until they prove themselves not to be. But in parts of the rest of the world, people will believe you're trustworthy only after you prove yourself to be trustworthy."

"And so the only way to get around that is to demonstrate upfront that you are seriously interested in building a relationship with them, in having a relationship with them."

It takes time and patience to build those relationships, she said.

'No' big deal

Marcos Lutz '01, the CEO of Cosan Limited, one of Brazil's largest firms, recalled the two years it took to finalize a \$12 billion biofuel venture between his company and Royal Dutch Shell. The deal resulted in what both companies called the world's largest sugar-based ethanol producer.

"It was a really long negotiation. I don't see many deals that take that long to be concluded," Lutz said.

The layers of decision-making at Shell added to the complexities of negotiating the massive deal, Lutz said, explaining that Shell's team strived for consensus among its ranks rather than the top-down approach favored by American companies.

International Growth Lab pioneers new global learning opportunity

Kellogg launched a unique global experiential learning opportunity this spring called International Growth Lab. This program partners Kellogg MBA candidates with students from ESADE Business & Law School in Barcelona and Hong Kong University of Science and Technology to develop market-based growth strategies for international organizations.

This three-month program allows students to apply their management skills and experience to a practical, real-world growth challenge facing an international business; deepen their

understanding of international markets, business practices and cultural norms; and learn about managing diverse teams across countries and time zones.

Teams of four to six students from each school will not only videoconference but also travel to work with each other at their respective home schools, honing their cross-cultural interaction skills. By the end of International Growth Lab, students will have had the opportunity to deliver their final strategy recommendations to clients.

Kellogg offers the widest array of global learning opportunities that

expose students to real world, real-time business management. And the International Growth Lab will be a “very worldly, hands-on experience,” says Harold Sirkin, an adjunct professor of strategy as well as senior partner and managing director at The Boston Consulting Group in Chicago.

“They’ll be real consultants doing a real consulting project making real recommendations to clients,” says Sirkin.

On the other hand, Brazilians aren’t as direct as Americans either. Brazilians are apt to look for diplomatic ways of declining, instead of saying no. As a result, Lutz said, it sometimes requires outsiders to “read between the lines to understand what is really the message.”

“For an American, it’s fine to say no. But for a Brazilian, I don’t want to give bad news to a guy I don’t even really know.”

While cultural nuances might influence the way negotiations are conducted, business-minded people, regardless of where they hail from, will work toward mutually beneficial outcomes.

Align incentives and build trust

Nazar Yasin ’06, the managing partner of San Francisco-based investment firm Rise Capital, has specialized in developing opportunities in emerging markets across the globe.

“For us, we like to keep it simple. What I’ve found in my career is that aligning incentives is the single most powerful negotiating tool in the universe,” Yasin said. “It transcends

borders, languages and cultures and if — when you are doing a transaction — you are able to align incentives, everything else takes care of itself.”

Negotiating global deals seemed natural for Yasin, who was born in Greece, is part Libyan and whose wife is Mexican. “I’m cross-cultural by definition, and I’m fortunate to have a pretty multicultural family life.”

While at Kellogg, he said, he saw opportunities in making money abroad, particularly in technology. “I realized that 80 percent of the world lives in emerging markets, while approximately zero percent of the technology companies were based in those emerging markets. I wanted to get out ahead in those places, and fortunately it paid off.”

After Kellogg, Yasin joined Goldman Sachs in London and specialized in the Internet sector. He later joined Forticom as CEO, which he grew to become the largest social networking company in the Commonwealth of Independent States, Russia and Eastern Europe. He sold that business to a consortium



made up of Mail.ru in Russia, Tencent in China and Naspers in South Africa, and then joined Tiger Global, where he led more than a dozen investments for the firm in China, Africa, Latin America and Russia.

In 2013, he founded Rise Capital, which has invested in a number of Internet-related ventures in emerging markets, including what he said is Southeast Asia's largest online grocery company, the leading online children's retailing firm in India, the largest online insurance broker in Latin America, as well as a Netflix-like content provider in sub-Saharan Africa.

There are always cultural considerations — whether a deal is being negotiated in New York or elsewhere, Yasin said.

"Things are just more pronounced when you're dealing with international issues. What I've noticed is that people around the world have a lot of similarities," he said. "It's how you engage with them and how you get from point A to point B."

And no matter where you're striking a deal, the key ingredient is trust.

"Trust takes time to build. You can't just build it in a year or a week. It takes time to earn that trust, and you can lose that in an instant," he said.

"It really boils down to making sure incentives are aligned."

How can I help you win?

Pillsbury echoed that sentiment.

Pillsbury's initial forays into China weren't about landing deals but more about establishing relationships — even

"It's about developing that personal relationship that is really necessary in so many parts of the world — before you can get down to the details of negotiating an optimal agreement."

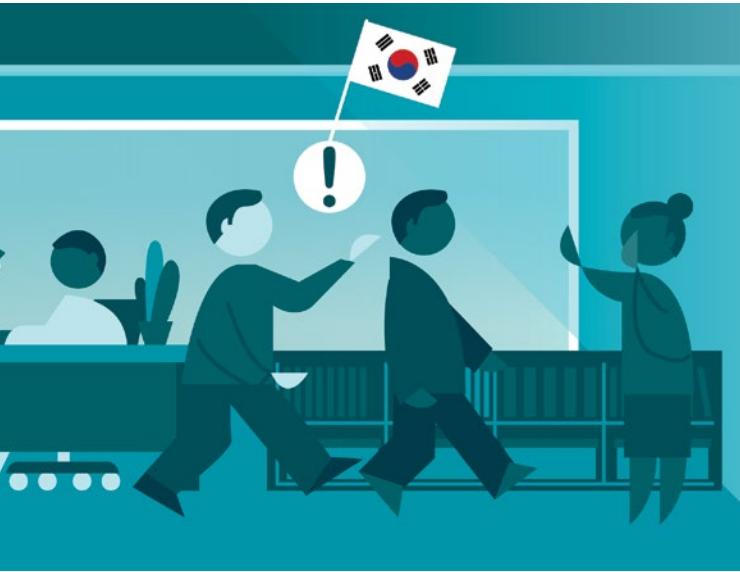
JEANNE BRETT

DEWITT W. BUCHANAN JR., DISTINGUISHED PROFESSOR OF DISPUTE RESOLUTION AND ORGANIZATIONS

friendships, he said — that would later develop into business opportunities.

It meant taking the time to understand what China was attempting to accomplish and to convince Chinese officials that Pillsbury and his firm could be trusted.

"In that friendship, you have to come to understand what your friends need, want and [what their] motives are. Friendship is about putting their interest ahead of your own. And making them believe that," said Pillsbury, whose Thayer Lodging Group was acquired by Brookfield Asset Management, which manages \$180 billion in assets.



"It's very different from the American style of doing business. We talk about a win-win situation. In China, that's not where you start. You start with asking: How can I help you win? If they win, it will be incumbent on them to help you win."

Pillsbury has been doing business in China since 2004, when he spent nearly a month visiting with government officials from Beijing and Shanghai to explore partnerships with Jin Jiang International Hotels, a Shanghai-based state-owned venture that is the country's largest hotel chain.

"I didn't go to China to land a deal. Because of that, I wasn't under pressure. I went there to learn and see what opportunities were there."

China has been trying to modernize its economy, infrastructure and services. It has sought foreign investments and expertise to further develop its industries.

Jin Jiang was seeking to modernize its operations, particularly its inefficient and antiquated reservation system, which Pillsbury said still relied on fax machines and bicycle messengers to book hotel rooms when he first visited a decade ago.

The resulting partnership put in place a cloud-based reservation system in Mandarin, and was five years in the making.

"Doing business in China is sometimes very slow," Pillsbury said. "But from that come opportunities." **K**

Infield experience

TWO NEW EXECUTIVE MBA COURSES TAKE STUDENTS OUT OF THE CLASSROOM AND INTO THE THICK OF EMERGING MARKETS

This spring, the Executive MBA Program launched two courses that dive into the most pressing issues facing emerging economies.

TechVenture India and *Global Marketplace: Consumer Growth in Brazil* began spring 2015 with an introductory class taught on the Kellogg campus. Students then traveled abroad to investigate those markets' issues firsthand by visiting the region's leading companies, studying at local universities and meeting with top business leaders.

Taught by McCormick Foundation Technology Chair **Mohan Sawhney**, *TechVenture India* gives students an opportunity to investigate the intersection between technology and emerging markets. *Global Marketplace: Consumer Growth in Brazil*, taught by **Ken Bardach**, pairs the topic of consumer growth with its application in the Brazilian marketplace. Bardach, who helped launch Kellogg's Executive MBA Program in 1976, has also extensively worked with Fundação Dom Cabral, Brazil's premier business school.

Experiential by nature and project-based by design, the classes offer students a unique opportunity to explore emerging markets in depth and tailor a research project according to their interests.

"Our two new courses give Executive MBA students the unparalleled opportunity to explore specific international economic trends in an emerging market context," said **Jennifer Gerrard**, director of the Executive MBA Global Network. "Students will learn about key growth areas in the world economy through the lens of business leaders and academic experts."



“I have this eagerness about what I think the future should be. I’m not going to wait for someone to do it. I’m going to do it myself.”

The first line of defense

INSPIROTEC CO-FOUNDER AND CEO PRASANTHI GANDHI WANTS TO MAKE THE WORLD A BETTER PLACE, STARTING WITH THE AIR WE BREATHE

For Inspirotec Co-founder and CEO **Prasanthi Gandhi '08**, translating a passion for changing people's lives into business ideas has become her personal and professional mission.

"I have these ideas about what I think the future should be. Then I have this eagerness that I want to make that a reality, and I'm not going to wait for someone to do it," she says. "I'm going to do it myself."

That need to drive change is what brought Gandhi and scientist and inventor Julian Gordon together to found Inspirotec in 2011. Wanting to improve lives through new technologies led them to develop a new device to sample, detect and monitor airborne allergens and pathogens.

Their desire to give allergy and asthma sufferers more control over their health evolved into a first-generation filter that samples air quality. Samples are sent to a lab and analyzed, providing allergy and asthma sufferers and their physicians with information about allergens in their environments.

It's a product that's personal for Gandhi. "I have allergies and asthma, and I've spent most of my life on medications," says Gandhi. "Since I started this, I've had two kids, and my kids also have allergies and asthma, so now I'm even more motivated as a mom."

The technology has received a lot of attention, including from early Facebook investor Peter Thiel, whose Breakout Labs Program provided \$350,000 in seed funding. The company is in

the midst of another round of fundraising. Early sales have been in the research market. A product launch is scheduled for early 2016.

The company's long-term vision is a real-time sampler that can detect allergens and alert rapidly, with applications for indoor air quality, hospital-acquired infections and biodefense.

"This is applicable to the next-generation product as well as what we have today, so while we are talking about allergens, we are also able to collect bacteria, viruses, fungi, anything that's biological, anything that comes from a living organism," Gandhi says.

Gandhi grew up in a family of physicians. While visiting family in India, she saw the poor conditions there. A concern for the health of others prompted her to pursue a public health master's degree, serve as a project officer with UNICEF and start SAATHI USA, a nonprofit organization dedicated to addressing the needs of children affected by HIV/AIDS in India.

Gandhi credits her Kellogg experience with helping her realize her vision of creating lasting change. That experience, along with positions as an innovation leader at Sara Lee, Coca-Cola and Element bars, gave her the foundation to start Inspirotec.

"Kellogg allowed me to make a switch from being a social entrepreneur to a business entrepreneur," she says. "It was absolutely pivotal." **K**

BY SARA LANGEN PHOTO BY JEFF SCIORTINO

Editor's Note: To get a firsthand look at crowdsourcing in action, we launched a contest on crowdSPRING to design this layout. We received 84 submissions. This design took top prize.



THE CROWDED OFFICE

THROUGH CROWDSOURCING, COMPANIES
ARE BYPASSING THE CONVENTIONAL MODEL
OF STAFFING TO FIND TALENT ONLINE

BY DANIEL CATTAU | ADDITIONAL REPORTING BY GLENN JEFFERS
LAYOUT BY AGV

About two years ago, Dallas Mavericks owner Mark Cuban announced that he would crowdsource the team's new uniform design. He offered no money for the design and no rights other than "eternal bragging" ones. At best, he said he might throw in a few tickets.

The design community was divided in its response. Working for free? What was he thinking? Chicago-based crowdSPRING, however, saw an opportunity and persuaded the Mavericks to partner on the uniform redesign.

An online marketplace with 170,000 designers and writers around the world, crowdSPRING started a global uniform redesign project and offered \$1,000 to the winner. The winning design came from crowdSPRING.

"Nine of the 10 designers Mark selected as finalists, including the winner, were from crowdSPRING, which shows the tremendous depth of design expertise, talent and skills in our global creative community," said **Ross Kimbarovsky**, a 1992 Northwestern graduate who, along with **Mike Samson '04**, co-founded crowdSPRING.

In simple terms, crowdSPRING lets businesses describe what they need and set a price. Instead of picking from bids, freelance contractors propose actual designs, whether it's developing brand names and logos, creating mobile apps, building 3-D models or, in other crowdsourcing models, coding for software.

At crowdSPRING, the payouts can range from \$200 to tens of thousands of dollars. One crowdSPRING project — designing a new mobile phone for LG — included awards worth \$80,000.

"Crowdsourcing has been used for everything from rebranding companies to creating new products," said Samson in an interview with *PR Week*. "One of the biggest challenges that brands face is how to create innovative marketing campaigns without breaking the bank."

CROWD WISDOM

Back in the Middle Ages — 2006, to be exact — writer Jeff Howe in *Wired* told of the fledgling National Health Museum's search for stock photos of sick people. The museum's organizers contacted a photographer who offered a discounted rate of \$600 for four photos. They declined when they discovered that iStockphoto, which started as a crowdsourced site, offered photos for \$1 each.

"How can I compete with a dollar?" the photographer asked



Howe, who coined the term that became the title of his book, *Crowdsourcing: Why the Power of the Crowd Is Driving the Future of Business* (Crown, 2008).

That collective aptitude many call the “wisdom of the crowd” can be used in different ways. Nonprofit IDEO.org created a platform for solutions to social-impact challenges. Solutions to one such query — improving early childhood care in impoverished areas — included neonatal care kits in India and school-based clinics in rural Kenya. Meanwhile, the crowdsourced astronomy website Galaxy Zoo solicited stargazers to help classify images from the Hubble Telescope.

The crowd no longer moves in mysterious ways, and researchers are finding new methods of maximizing the crowd’s effectiveness, said **PJ Lamberson**, a senior lecturer in the Management & Organizations Department at Kellogg and associate director of the Northwestern Institute on Complex Systems.

Lamberson teaches Social Dynamics and Network Analytics, or Social-DNA (Note: He crowdsourced the title with his students.) In that course, Lamberson explores ways to aggregate individual interactions within the crowd to produce collective outcomes in business. “The real power of crowds comes in more difficult problems that take advantage of the crowd’s diversity,” Lamberson said.

He cited the example of a chemist from Illinois who is an expert on concrete mixing. The chemist won a \$20,000 prize through the “open innovation” company InnoCentive for helping an Alaska oil company find a way to keep oil in deep storage tanks from freezing.

REINVENTING THE WORKFORCE

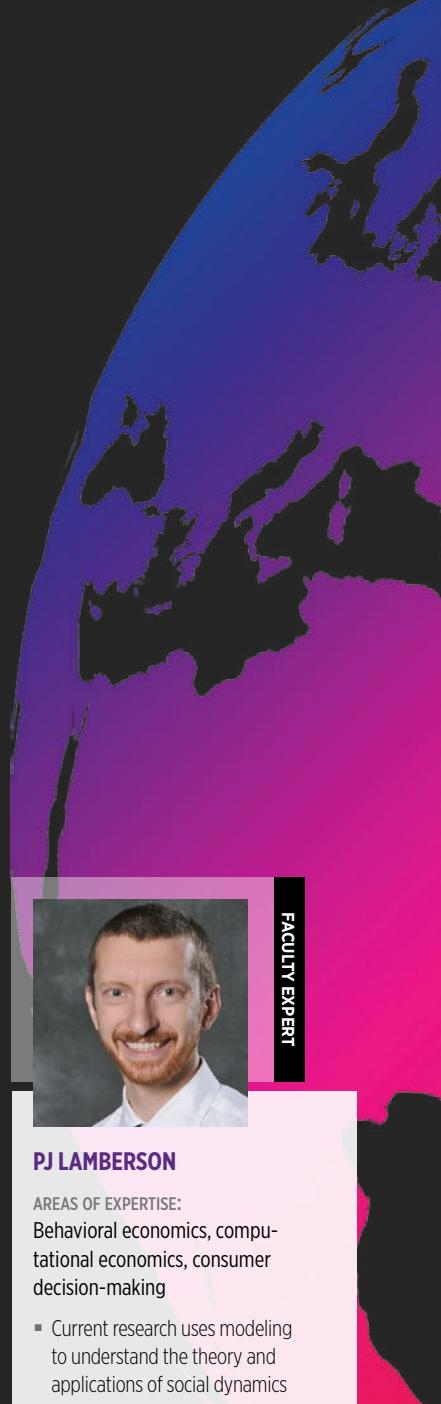
There are downsides to crowdsourcing, of course. Just ask Howe’s photographer or an established graphic designer who competes against cheaper labor from all over the world. Nonetheless, Lamberson sees a significant and long-term paradigm shift.

“MBAs have to start thinking of organizations in new ways. It’s no longer so clear where the firm ends and begins, who is the customer and who is the product creator. It can be a collaborative effort,” he said.

As Cuban discovered, crowdSPRING’s talent runs wide and deep. It has nearly 168,000 creatives representing more than 200 countries, with more than 44,500 projects and 5.4 million entries. Each project averages about 110 entries.

With that, Samson and Kimbarovsky can build teams from a wealth of talent that spans not only the globe but also across occupations and time zones, factors that have limited productivity in the past. It’s a model that flies in the face of conventional agencies, Samson told *PR Week*. Not that he minds.

“Because crowdsourcing doesn’t respect title, salary or geography, these classically trained and highly regarded professionals are leaving the workforce to be shoulder-to-shoulder with the ‘crowd’ — a truck driver by day who is a writer at night to fulfill a passion, the stay-at-home mother who needs



some adult time while the kids nap and the social media expert who was laid off during the recession," Samson said. "Their stories are amazing and make for a truly human backdrop to the crumbling and reinvention of the agency workforce."

THE NEW NORMAL

Those entering the business world have taken this to heart, stepping away from the traditional and utilizing these crowd-based marketplaces to solve their needs.

Years before he was head of digital marketing for the San Francisco-based, ride-sharing startup Sidecar, **Amit Bakshi '08** worked for oDesk, a marketplace that allows small businesses to hire freelancers worldwide.

As only one of 22 full-time employees at the time, Bakshi said he got "tremendous leverage by managing teams of freelancers," including writers and a Web designer from the Ukraine, to build out the company's blog. He continues to work with the Web designer to this day.

"When you find great talent, you need to keep them happy and take them with you wherever you go," he said. Though, he noted, "I actually have never spoken to her."

Another early adopter was **Brad Morehead '05**, CEO of LiveWire Security, a technology company specializing in residential home security systems recently acquired by Monitronics for \$67 million. Since 2007, Morehead has used crowdsourcing firms like oDesk, crowdSPRING and Rent A Coder to handle a number of his firm's projects, from logo work to software development.

But there have been a few bumps, especially in those early days. Sometimes, language and time zone barriers halted productivity on a project. Occasionally, Morehead had to weed out some freelancers who didn't work out. "There's going to be a learning curve," said Morehead. "You're going to have to invest some time to find the right person."

But it's the speed of crowdsourcing that keeps Morehead coming back. Many platforms come with rating systems and testimonials, which have helped Morehead sort through potential candidates faster than if he were interviewing freelancers in his office. He also gave the contractors smaller, more menial projects at first, then increased the complexity according to their performance.

Recently, Morehead bid out a market research project through oDesk and received interest from 20 freelancers. He hired three, based on their ratings, to complete the project. In subsequent months, Morehead has gone back to one of the freelancers to continue working on similar projects.

"And it was still more cost-effective and faster than it would have been to try to find someone to do that for us here in the office," he said. "For us, it's become a part of how we handle certain projects cost-effectively and quickly."



FACULTY EXPERT

PJ LAMBERSON

AREAS OF EXPERTISE:
Behavioral economics, computational economics, consumer decision-making

- Current research uses modeling to understand the theory and applications of social dynamics and networks.
- His work has appeared in *Management Science*, *Economics Letters*, *Connections*, *Transactions of the American Mathematics Society* and *Ecological Modeling*.



“Everything we've done has been in service to SAP's vision to help the world run better and improve people's lives.**”**

The leader of consequence

CEO BILL MCDERMOTT'S STRATEGIC MINDSET AND CUSTOMER FOCUS ARE TAKING BUSINESS SOFTWARE MARKET LEADER SAP INTO THE FUTURE

From an early age, SAP CEO **Bill McDermott '97** believed work was a noble endeavor. Watching his father put in long hours working for Con Edison, the Long Island native grew up in a family where a strong work ethic ran deep to the bone.

"I knew I wanted to achieve a level of independence through earning an income," he remembers. "I always felt that there was something magnificent about being in charge of your own destiny."

That strong work ethic and a desire to be a self-described "leader of consequence" propelled McDermott up the ranks of several companies before joining SAP in 2002. Today, he helms the world's business software market leader as CEO.

With more than 263,000 customers in 188 countries, SAP has grown under McDermott's leadership, recording historic business results. Since February 2010, when McDermott was named co-CEO, SAP has created 35,000 jobs, invested more than \$37 billion in innovation (acquisitions and organic development), and tripled the company's addressable market from \$110 billion to more than \$350 billion. "We've essentially doubled the size of the world's leading business software company," says McDermott, who was promoted in 2014.

He attributes this to the people working at SAP and the vision they share to make the company a success.

"Numbers alone do not inspire. People need more meaningful targets," he says. "Everything we've done has been

in service to SAP's vision to help the world run better and improve people's lives."

Another driver of the company's success has been the software itself, led by the flagship SAP HANA platform.

"It's the fastest-selling business software product in history and is firmly in the center of some of the most innovative and dynamic success stories we've seen in enterprise technology," McDermott says.

Looking forward, how companies adapt their business models to digitization and incorporate mobile technology and cloud computing will either make or break them, McDermott says. This and the business network are at the heart of SAP's vision for the future.

"What people don't have a grasp on yet is the power of the business network, where companies manage labor, materials, travel, expenses, entertainment and key business processes," he says. "I think that's where SAP has the winner's edge."

Predicting the future is tricky, but thanks to the strategic thinking he learned at Kellogg, McDermott is ready for whatever comes.

"At Kellogg, you had the opportunity to predict and simulate the real world before you actually got there," McDermott says. "It was a nice way to get ready for the decisions that I've had to make later on." **k**

BY SARA LANGEN

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Usman Shuja '10, record-setting fast bowler for the USA national men's cricket team

CLUB NEWS

SEE WHAT YOUR LOCAL CLUBS ARE UP TO



◀ **Northwestern-Kellogg Alumni Club of Switzerland** spent three days in Italy's Piedmont vineyard region, a UNESCO World Heritage site

Atlanta

Michael Wagner '96

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For the past several years, the Kellogg Alumni Club of Atlanta has coordinated a business leaders' breakfast series with the local Wharton and London Business School clubs on a monthly basis through the academic year. The series has since become the best-kept secret in Atlanta business and a gem

in the KAC of Atlanta's events calendar.

Michael Wagner '96 kindly persuaded Mo Bunnell of the Bunnell Idea Group to be the designated speaker on the November 21 breakfast, which **John Gehlmann '74** and **Scott Cullen '03** co-led. Mr. Bunnell's Group coaches business leaders on driving growth and optimizing team performance.

Chicago

Elizabeth Pattara EMP-78

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On October 31, KACC had more than 75 alumni and current PT MBA students attend an early morning session for networking and discussion with Professor

Mike Mazzeo, who shared stories from his book, *Roadside MBA* (co-authored with Paul Oyer and Scott Schaefer).

In November 2014, more than 80 alumni and guests turned out at the Allen Center for a panel discussion moderated by Professor Lloyd Shefsky, who is the Co-Director and Founder of Kellogg's Center for Family Enterprises. The panelists included two local alumni: **Tim Smithe '96**, CMO/Owner, Walter E. Smithe Custom Furniture and **Cheryl Mayberry McKissack '89**, COO of Johnson Publishing Company.

Professor Tim Calkins shared results from Kellogg's 11th Annual Super Bowl Ad Review and facilitated a lively discussion with 45 alumni and guests on February 3, 2015 for KACC's Super Bowl Ad Review event. At-

To read full versions
of club news, visit:

kell.gg/kc-community

tendees had the opportunity to vote on commercials, network with alumni and participate in this highly interactive event.

Dallas/Ft. Worth

Derek Gerow '97

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The Kellogg Alumni Club of Dallas/Ft. Worth hosted insightful presentations on the changing dynamics in the retail sector by Bain & Co.'s John Long, and the tremendous changes taking place within the payment processing industry by Oliver Manahan with MasterCard. Great programs were followed by lively discussions. Special thanks to all that participated.



India

Kunjal Modi '08

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This past fall, the pink city of Jaipur turned purple as the Kellogg Alumni Club of India (KACI) held their fourth annual two-day offsite event at Lebua. The event brought together over 60 alumni, ranging in graduate years from 1981 to 2014, from Mumbai, Delhi, Bangalore, Hyderabad, Chennai and Ahmedabad. The event included new member introductions, networking opportunities and social events. This annual offsite event is growing successfully with each passing year and has become a focal point for alumni to reconnect.



Melbourne

Barry Novy '66

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The Kellogg Alumni Club of Melbourne hosted the annual student ambassador event this past summer for prospective applicants from all over Australia. Held at the York Butter Factory, a leading start-up incubator in Australia, the evening included a panel discussion featuring Kellogg alumni **Simon Feiglin '00**, **Michael Ilczynski '03** and **Feng Zhang '13**. Alumnus **Yohan Senaratne '12** hosted the event, and **Barry Novy '66**, president of Kellogg Alumni Club of Melbourne, provided the closing remarks and shared how a Kellogg degree has opened up an incredibly successful as well as rewarding career.

This past December, the club co-hosted the CEO of Telstra, **David Thodey EDP-32**, to speak at the Athenaeum Club. Mr. Thodey spoke to an audience of 200 corporate leaders on the emerging topic of digitization, innovation and customer centricity, fresh from

G-20 summit in Brisbane.

San Francisco & Silicon Valley

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Arvind Jain

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On November 11, 2014, 165 student trekkers and alumni joined the Kellogg Alumni Club of San Francisco & Silicon Valley for a panel discussion on building value, growth and scaling around new products and ventures. Panelists included **Thomas McCleary '96**, vice president of Strategic Product Partner Alliance at Salesforce, **Greg Kapust '99**, founder and managing director at Silverbow, and **Meredith Hoffer '07**, director of marketing at Google[x]. The panel was moderated by Linda Darragh, Clinical Professor of Entrepreneurial Practice, and Executive Director of Kellogg Entrepreneurship Initiative, Levy Institute for Entrepreneurial Practice and Heizer Center for Private Equity & Venture Capital. A special thanks to **Sean Alpert '09** and Salesforce for graciously hosting this event.

Switzerland

Stefan Pap

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A group of 18 members and friends of the Northwestern-Kellogg Alumni Club of Switzerland spent three days immersed in the scenic rural vineyard landscape of Piedmont (listed as a UNESCO World Heritage site), home to some of the most famous Barolo, Barbaresco, and Nebbiolo Italian wines, and Alba's white truffle, chocolate and hazelnut. Private tours of vineyards and cellars

were arranged for the group as well as a truffle hunt with a licensed truffle hunter.

This past fall, the club hosted Northwestern Trustee Melih Keyman, president, CEO and founder of Keytrade AG, a company that trades globally in fertilizers and grain meals and proteins. Keyman has been a generous supporter of Northwestern's developing programs in Turkish studies, a crucial element of former President Henry Bienen's efforts to expand Middle East studies.



New York, France, London

Ahmed Elcott '04 and

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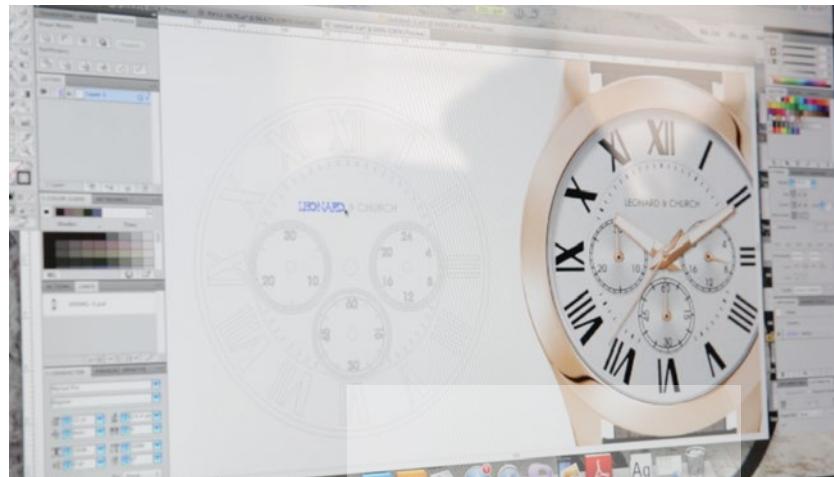
Capital Management; **Anthony Bowe '83**, former co-head Private Fund Group at Credit Suisse Group; **Jon Harris '99**, president and CEO at Alternative Investment Management and **Jerry Kenney '67**, senior adviser to BlackRock. **Stephan Hartman '99**, managing director at Apollo Management, moderated the discussion as the panel shared their perspectives on investments and careers in alternative investments.

David Schonthal EMP-74, Kellogg professor of innovation and entrepreneurship, visited KACNY in November 2014. Nearly 50 alumni attended his "Designing New Ventures" presentation that discussed Kellogg's design thinking-based approach to developing customer focused businesses as part of the school's Innovation and Entrepreneurship Initiative. A special thanks to **Todd Magazine '90**, executive vice president and general manager of Blink Fitness (a subsidiary of Equinox Fitness), for hosting the event at Blink Fitness Headquarters.

More than 100 Kellogg and Stanford GSB alumni in the New York area attended a panel discussion and networking event in early 2015 that focused on the emerging marketplace lending space. The event included Kellogg alumni panelists **Tom Loverro '11**, principal at RRE Ventures; **Brad Kime '86**, chief revenue officer at LendKey and **Josh Wishnick '12**, Capital Markets at On-Deck. **Brian Korn '97**, partner at Capital Markets, moderated the discussion while the panel provided their perspectives on innovation in financial services and the personal and professional opportunities that it presents for consumers, investors, and finance professionals. Special thanks to **Christina Kramlich Bowie '98** and the Stanford GSB New York Alumni Chapter for helping to organize this well-attended event.

WINDING UP FROM SCRATCH

LEONARD & CHURCH'S **CHRIS CHON '14** IS OPENING THE HIGH-QUALITY WRISTWATCH MARKET TO CONSUMERS WITH LOW BUDGETS AND REFINED TASTE



For Chris Chon, the long and winding path to enter the \$1 trillion luxury goods global market started innocently enough: He wanted to buy a new watch.

However, Chon couldn't find a watch with the quality, design and feel he wanted, even though he was willing to pay as much as \$1,000.

That's when Chon and his friend and co-founder Jeff Leung began researching the reasons behind the higher prices. "We found a supply chain riddled with middlemen," Chon said, "and an industry dominated by a small number of traditional players."

Through one of Chon's partners in New York, he and Leung connected with an experienced timepiece maker, who also had created one of U.S. President Barack Obama's watches, to validate their own findings and learn more.

Those meetings laid the groundwork for Leonard & Church, a New York-based startup offering an affordable price point through developing partnerships with manufacturers and a direct-to-consumer approach.

Chon, a graduate of the MMM program, pitched the idea to his professors, and was chosen as one of nine students in the inaugural cohort of the Zell Scholars Program. While he was in the program, Chon and his partners developed the idea over the next two years and secured some early funding.

"I've been excited about how technology can simplify and change not only the user experience but the underlying business model," he said.

Case in point: In August 2014, Kickstarter project backers placed 10,000 pre-orders, pushing the company almost \$400,000 past its initial \$75,000 funding goal. Since January 2015, orders have been steadily increasing month-over-month.

Similar to the initial strategy of upstart eyeglasses brand Warby Parker, Leonard & Church uses many of the same materials as brands that are priced out of most consumers' reach, then fills orders for its \$95 to \$145 watches through its website.

"It's a very different question when you're trying to launch a brand from scratch," Chon said. "We began having some conversations with retailers, but it's a tricky balance between trying to widen the top of the funnel to reach more customers and staying true to why we started this in the first place."

Moving forward, Leonard & Church plans to unveil new designs this spring as well as launch new leather goods and products for the winter, but Chon will not forget where it all started.

"I remember pitching [Professors **Linda Darragh** and **David Schonthal '09**] the idea nearly two years ago," he said. "Now they're both wearing Leonard & Church watches around campus. I think that's awesome." □

“I've been excited about how technology can simplify and change not only the user experience but the underlying business model.”



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