



STANFORD
BUSINESS SCHOOL OF
GRADUATE



2013 Year in Review

A letter from Dean Garth Saloner

Dear Friends,

I am excited to share a snapshot of the progress we have made at Stanford Graduate School of Business over the past year. One of our top priorities has been to consistently challenge ourselves to innovate, with the goals of improving our pedagogy, strengthening our programs, and connecting with change agents who are making an impact across the world. We continue to make strides in advancing our global reach, multidisciplinary collaboration, and the use of technology to educate the next generation of leaders, who will tackle some of the world's biggest problems.

As I approach my fifth year as dean, I feel fortunate to have such a strong team of faculty and staff dedicated to delivering a transformative experience to each student at the school. I am extremely grateful for the unwavering commitment of our alumni. Your generosity, mentorship of students, involvement in the classroom, service on boards, and advice to me and my team make the GSB so much better. It has been an amazing year of progress, and I hope this letter provides all of you with a sense of the milestones we've achieved, the work we're doing, and the direction we're headed.

Best regards,

A handwritten signature in black ink that reads "Garth Saloner". The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

Garth Saloner

Philip H. Knight Professor and Dean

Maneuvering for Global Impact

For some time, we have wanted to extend our impact beyond the GSB with the twin goals of sharing faculty research and insights with influencers across the globe and learning from others so that we can bring those lessons back to our classrooms. This year we established programs in Africa and South Asia that will allow us to connect with business leaders seeking greater access to innovation and entrepreneurship training.

In July, the GSB established the Stanford Institute for Innovation in Developing Economies' first regional innovation center in Accra, Ghana, serving West Africa. Known as SEED, the Institute aims to improve the lives of people in poverty on a massive scale through entrepreneurship and innovation. I am energized by the first group of GSB alumni who are providing training and coaching to business leaders in Ghana for six months as part of the center's efforts to help scale businesses in the region.



By sharing the experiences of students with our alumni, we look forward to strengthening our ties to change agents... across the globe.

In August, the GSB kicked off Stanford Ignite in Bangalore, India, the school's first global, non-degree certificate program aimed at teaching entrepreneurship and innovation to a cohort of more than 40 non-business, technical professionals. The nine-week program, formerly known as the Program in Innovation and Entrepreneurship, has been taught at the GSB for the past eight years. The global program is taught exclusively by GSB faculty using in-class lectures and distance-learning technology to cover a range of subjects. Earlier this month, 30 students began the Stanford Ignite program in Paris, where we have established a partnership with École Polytechnique, France's leading technology university.

Closer to home, we organized three Business of Change events in Portland, Seattle, and Chicago as part of the school's 14-city series of alumni events. Each event featured a reception and presentations by three faculty members, who lectured on topics ranging from "Decisions and the Instinctual Brain" to "The Prospect of Low Carbon Energy." By sharing the experiences of students with our alumni, we look forward to strengthening our ties to change agents making an impact across the globe. This fall we are planning Business of Change events in Mexico City and Monterrey, Mexico. In addition, we are energized by the arrival of Stephanie Frost, our new associate dean for External Relations, who will manage our Development and Alumni Relations offices.

Driving Multidisciplinary Collaboration

We continue to expand opportunities to leverage multidisciplinary collaboration across the university, which encourages iterative thinking by bringing together diverse academic perspectives, strengthens our culture of innovation, and creates a safe environment for tackling some of the world's biggest problems, taking risks, and learning from failures.

The Startup Garage, taught by Stefanos Zenios, is an example of how our cross-functional approach leverages expertise from students with backgrounds in political economy, earth sciences, software engineering, and other disciplines. Students receive weekly coaching from investors on how to pitch VCs, as well as feedback from practitioners on product development. Early-stage companies such as BipSync, a software management tool for hedge fund managers, and Spark, a LinkedIn-type website for blue-collar workers, are just two of the ventures in development.

In addition to courses like *Startup Garage* or *BioDesign Innovation*, a program managed jointly by the GSB and the School of Medicine, we continue to promote cross-disciplinary collaboration through the joint and dual degrees we offer. This fall, the GSB is offering its fifth 3-year joint degree—students can earn both an MBA and an MS in computer science from the School of Engineering.



Dean Garth Saloner is joined by Branca Ballot De Miranda, MBA '13, and Wyatt Toolson, MBA '13, as they prepare to lead the graduation procession into Frost Amphitheater in June.



Kevin Tsujihara, MBA '92, began his career with Warner Bros. 19 years ago and in 2013 became its chief executive officer. Kevin's track record underscores his view that the rapidly changing landscape in the entertainment industry is an opportunity, as well as his ability to move the company forward while safeguarding Warner Bros.' legacy as an extraordinary institution. He currently serves on the GSB's Advisory Council and on the boards of directors for several organizations, including the MPAA, Kabam, and City Year Los Angeles.



Stefanos Zenios restructured *Startup Garage* last fall and introduced the concept of a "flipped" classroom (online instructional content for students to review before or after class) to 71 students who formed more than 15 teams to work through ideas for creating new products. Based on students' positive responses to the use of online content, this year Zenios flipped the entire class.

Education Technology: Three Terms to Know

FLIPPED CLASSROOM: Online instructional content provided by teachers for students to review before or after class, thereby preserving in-class time for hands-on learning and discussion.

SCREENCASTING: A digital video and audio recording of what occurs on a presenter's computer screen, which is used to create sophisticated, information-rich multimedia for students or viewers.

MOOC: A massive open online course aimed at large-scale interactive participation and open access via the web. MOOCs generally provide immediate feedback to questions through automated software and utilize forums for students to collaborate with each other and the instructors.



John Morgridge, MBA '57, and his wife, Tashia, traveled to Antarctica last December with a delegation of 36 GSB students, faculty, and alumni as part of a seven-day Social Innovation Study Trip. Scientists and global climate experts led a series of lectures on global warming as the group visited multiple ports across the continent.

Experimenting with Education Technology

This year we began an ambitious effort to invest in education technology infrastructure with the goal of making online and distance education part of the GSB experience. These investments provide a fresh approach to learning and teaching that enriches the overall student experience. At the same time, the initiatives support our efforts to enhance our pedagogy, extend our global reach, and build our brand worldwide.

The Highly Immersive Classroom, Enhanced Classroom, and Professor Studio enable synchronous distance education, which is being used by faculty to deliver real-time content to students in Bangalore, Paris, and soon Beijing. Students at the GSB are able to interact with faculty who are lecturing from abroad and engage in lively discussions with fellow students in remote locations. This academic year, 12 faculty members will utilize screencasting, flipped classrooms, or other education technology. Next month, we will offer our first massive open online course (MOOC), with free, open access to the public. The course, *The Finance of Retirement and Pensions*, led by finance professor Joshua Rauh, will broadcast two 45-minute modules each week for eight weeks.

Experiential Learning, a Continuing Priority

Having to choose which events to highlight during a year of extraordinary achievement is difficult. Nevertheless, I thought I'd share a few experiences I had with students that made an impact on my life—and, hopefully, on theirs. The two events involved experiential learning, and perhaps that's what made them most rewarding for me.

Following fall quarter, I was fortunate to participate in one of the 20 trips organized by students as part of their global study requirement. This year's global study and social innovation teams brought 600 students to 23 countries and organized more than 300 meetings. Our group of 36 students, faculty, and alumni traveled to Antarctica and brought with us scientists and global climate experts who delivered insights at every port. It was an enlightening, yet sobering experience, and anyone who doubts global warming is a real threat to our people and planet should take that trip. When we think about changing lives, organizations, and the world, I realize the importance of these trips in providing life-changing lessons to students so they can better understand themselves and the world.



At the GSB we have not just encouraged our students to dream but have tried to instill in them the confidence to pursue those dreams.

The second “GSB experience” is an event I usually would not write about because it is a social event, rather than part of the day-to-day heavy lifting faculty and students do. This past spring, I had a small part in the GSB Show, in which the storyline revolved around “Derrick (Bolton) and the Dream Factory”—a parody of *Charlie and the Chocolate Factory*. I was moved by the students' portrayal of the school as a place where people can make their dreams come true. The title was an apt metaphor for the GSB, but perhaps “dream farm” would have been a more appropriate moniker than “dream factory”!

At the GSB we have not just encouraged our students to dream but have tried to instill in them the confidence to pursue those dreams. We have surrounded them with classmates who can help them nurture those dreams, and we have provided them with an education that gives students the knowledge and insight to guide their personal and professional quests.



Frederico Finan, a senior empirical economist, joined the GSB's faculty in July. His work in development economics and political economy has advanced the understanding of how government institutions affect development, highlighting the role of electoral accountability, corruption, government capabilities, education, and the provision of public goods.



Next month, organizational behavior professor **Margaret Neale's** online course, *Negotiation: How to Get (More of) What You Want*, will be available to students enrolled in the Stanford Online Innovation and Entrepreneurship Certificate program we offer with the School of Engineering. The module, which emphasizes how to reach agreements, achieve objectives, and strengthen relationships, borrows many concepts from her upcoming book set for publication in 2014.



Economics professor **David Kreps** published *Microeconomic Foundations I: Choice and Competitive Markets*, a textbook for first-year PhD students in economics and related fields that sets out the theories of individual choice and competitive markets. Kreps, who prioritizes depth and mathematical rigor over covering a breadth of topics, takes students as well as faculty from an introduction to these foundational topics to mastering their understanding of the models and results connected to them.

Faculty, School Buoyed by New Hires

As we approach fall quarter 2013, we do so with 117 faculty members, including an excellent selection of mostly junior professors. As we look to fortify our junior and senior faculty ranks in the future, our ability to do this is facilitated by the generosity of our alumni and friends. We appreciate all of your support to keep our faculty strong.

We are extremely pleased to welcome associate professor Frederico Finan, a senior empirical economist. In his most recent paper, *Strengthening State Capabilities*, he addresses a fundamental question in personnel and labor economics as to whether higher wages attract more qualified job applicants. His research focused on the Mexican government's recent effort to hire public employees for a new regional development program. His team randomized across the 106 recruitment sites the initial wage offer to the job applicants. By exploiting the variation in the wage offer, he discovered higher wages attracted significantly more qualified applicants, as measured by various personal traits, including IQ, conscientiousness, and public service motivation. A higher wage also helped recruit individuals to work in more remote locations, or locations more prone to drug violence.

Faculty Publications and New Courses

Our world-class faculty continues to set the standard for research in a range of management disciplines. There is an enormous volume of research underway across every management discipline, yet in this letter, I can only cover a small slice of the exceptional work our faculty is doing.

GSB economists Edward Lazear and Kathryn Shaw teamed up with former GSB doctoral student Christopher Stanton to publish a working paper titled *The Value of Bosses*, which explores the impact and value of middle managers in technology-based service jobs. Their research found that frontline supervisors are far more important than previously thought due to their essential role in teaching direct reports the skills and work habits required to be productive employees. The study also found that replacing a poorly performing boss with a top-notch middle manager is roughly equivalent to adding one worker to a nine-member team.



...we have a greater obligation to our students and to the corporate world to emphasize social responsibility and ethics in today's boardrooms.

Accounting professor David Larcker, a senior faculty member at the Rock Center for Corporate Governance, joined Brian Tayan, a researcher at the GSB's Center for Leadership Development and Research, to publish *A Real Look at Real World Corporate Governance*. The book analyzes the most effective corporate governance approaches in deterring accounting scandals, entrenched management, excessive compensation, and poor oversight. Through research and case studies, they find many "best practices" do not have any measureable effect on good corporate governance. Rather, what really matters is the quality and engagement of the board, the tone set by management, compensation design, and a dedication to internal talent development and succession planning.

Just a decade ago, teaching ethics to business school students may not have seemed like a natural fit within management education, but after questionable activities by so many financial industry executives leading up to the 2007–08 financial crisis, we have a greater obligation to our students and to the corporate world to emphasize social responsibility and ethics in today's boardrooms.

With this in mind, the GSB has assembled a strong team, including organizational behavior professor Benoît Monin, to lead its ethics education. This past year, Monin was tapped by the university to lead a faculty team to develop a new ethics course for undergraduates and to share best practices for teaching ethics. This is the type of commitment that defines the university's role in educating the next generation of leaders.

Looking toward winter quarter 2014, faculty members Jonathan Levav (Marketing), Hayagreeva (Huggy) Rao (Organizational Behavior), and Joshua Rauh (Finance), will teach a new course titled *Launch to Liquidity*. The elective explores systemic patterns and decisions companies make as they approach their exit point for going public, pursuing a private-equity sale, or following another strategy.

– See academic programs section on back page –

Academic Programs Demonstrate Strength, Cohesion

As dean, I am extremely proud of the GSB students and continue to marvel at the quality of high-potential individuals entering our programs. We realize these leaders make a tremendous commitment when they decide to attend the GSB, and we want to make their lives as productive as possible while they are with us. We encourage students to embark on a journey that will change their lives and, in turn, change the lives of others over the course of their careers.

One of the ways we support our students is to provide financial assistance to them. For academic year 2012–13, the GSB awarded fellowships to 55% of MBAs, with an average award of \$25,000. These financial awards were made possible by more than 343 endowed fellowship funds at the GSB. We are grateful to our alumni who have made this support possible and appreciate your leadership in lessening the financial burden of GSB graduates.

The final class of Fellows graduated from the Sloan program this past June. In July, we welcomed a new class of candidates to the program, recently renamed Stanford MSx (Master of Science in Management for Experienced Leaders). With a four-quarter curriculum and a broader set of electives, we are investing in Stanford MSx to make it the premier master's program for mid-career professionals. We are delighted that for the first time the GSB will provide fellowships to these students and, in doing so, hope to attract a broader selection of promising candidates to our school.



We encourage students to embark on a journey that will change their lives, and, in turn, change the lives of others.

This year's PhD candidates, who receive 100% financial fellowships, set a new standard for attracting many of the best young scholars in the world today. These individuals are shining examples of the rigorous academic researchers and teachers we consider to be the next generation of academic leaders from the GSB.

Executive Education continues to thrive in delivering customized leadership programs for clients such as Caterpillar, Flextronics, and Mexico's Grupo Alfa. In addition, two other programs, Executive Leadership Development (ELD) and The Emerging CFO (eCFO), were filled to capacity. ELD is a three-week program for emerging leaders that focuses on critical analytical thinking, managing innovation, and personal leadership; it is led by faculty members Frank Flynn and Jesper Sørensen. The two-week eCFO program, launched this year by professor Ilya Strebulaev, is dedicated to turning senior financial managers into organizational leaders.

Thank You for Staying Close to the GSB

I hope this letter has given you a sense of the amazing activities that are happening at the Knight Management Center and, more recently, beyond the walls of the school. We are buoyed by, and extremely grateful for, the generous support from all of you, our alumni, which provides us with the ability to continuously dream about how we can innovate to improve our programs at the GSB.

We realize the world is constantly changing, and we must keep up with those changes so that our graduates will have the skills they need to excel as the next generation of business leaders prepared to solve a range of global problems.

Garth Saloner
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Mary Katherine Flanigan, MBA '14, is an Arbuckle Leadership Fellow and co-president of the Healthcare Club. This summer she completed an internship at Augmedix, a spin-out from the Biodesign program that uses Google Glass to support physicians' compliance with electronic health records documentation—allowing them to focus on patient care. Eventually, she hopes to leverage her private sector health care experience to influence national health policy.

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