

# Business with a twist

Ever since its founding in the wake of the free-flowing 1960s, the **School of Management** has been struggling to live up to its humanistic mission and still be taken seriously as a business enterprise. Time and talent seem to have made the twain meet.

In 1998, Jeffrey E. Garten, then into his second year as dean of Yale's School of Management, brought a small group of SOM students to Wall Street for a daylong behind-the-scenes tour of the New York Stock Exchange. After a morning spent shadowing analysts and brokers on the trading floor, the group had a private lunch with Richard Grasso, the NYSE chairman.

Grasso, whose time is usually budgeted to the nanosecond, enjoyed the question-and-answer session with the students so much that he kept a financial minister from a foreign country waiting for a half hour. Afterwards, Grasso offered everyone in the group a job.

It was a watershed moment, a clear indication that Yale's once-beleaguered business school was now recognized as belonging in the big leagues. Nor was it the only sign.

Established in 1976 with the lofty but unorthodox goal of training leaders for both the public and private sectors, the School had fallen on such hard times in the late 1980s that there was considerable doubt about its long-term prospects. But under Garten, who has just been reappointed to a second five-year term, SOM has flourished in a way many would have thought impossible.

As it prepares for a 25th anniversary celebration next month, Yale's youngest professional school enjoys its highest-ever rankings in business journals, as well as increased

**BY BRUCE FELLMAN** / PHOTOGRAPHS BY ROBERT LISAK







Turn-around artist:  
Dean Jeffrey Garten has  
directed the School of  
Management since 1995.



international prominence. Many of the world's top business leaders have added New Haven to an itinerary that used to run straight from Cambridge through New York to Washington. Admission to SOM is tougher than it has ever been, and the School has launched a number of innovative programs. The newest is the Yale SOM-Goldman Sachs Foundation Partnership on Nonprofit Ventures, a \$4.5-million, three-year initiative, funded by Goldman Sachs and the Pew Charitable Trusts, to help nonprofit endeavors develop satellite for-profit operations that can generate new sources of revenue for their parent organizations.

"Social entrepreneurship is very close to our roots," says Sharon Oster, the Frederic D. Wolfe Professor of Economics and Management, who has done wide-ranging research in the nonprofit realm. "The heart of this place lies in the proposition that the barriers among the private, public, and nonprofit sectors are artificial."

What began as the School of Organization and Management (it dropped "Organization" in 1994) has had a hard time persuading the outside world of that conviction. The early graduates, who received an unconventional degree—a master's in public and private management (MPPM)—were often seen as too businesslike for the nonprofit world, but not tough enough for corporate America. Worse yet, an attempt in the 1980s by then-dean Michael E. Levine to make the school more mainstream by restructuring the curriculum sparked a near revolt by faculty and alumni. Indeed, some SOM graduates were so irked by Levine's effort to create what they called a "School of Disorganization and Mismanagement" that they hired a plane to fly over the 1990 commencement ceremonies pulling a banner that read, in reference to some benighted business moguls, "Boesky, Milken, Lorenzo, and Levine—All Raiders Fail."

Levine resigned the following year. The School retooled somewhat, but it remained mired in the middle tier of the b-school rankings. In a 1996 article in this magazine, President Richard Levin issued an assessment that chilled SOM officials, faculty, students, and alumni. "I believe SOM should be first-rate or it shouldn't be prolonged," said Levin.

What a difference six years makes.

The School, which *Fortune* magazine once called "an unwieldy contraption that never got off the runway," is now well aloft.

Relatively small by national enrollment standards (there are about 200 students in each class of the two-year master's program, and two dozen working towards a doctorate, in contrast with Harvard, whose B-school has an enrollment of some 900 per class), SOM provides a distinctly noncompetitive academic environment characterized by teamwork and research.



"There's a real sense of community here," says Mohammad Saif Siddiqui, a mechanical engineer for Hyundai in India who will complete his degree this spring. "The focus is on learning with your classmates rather than competing against them."

Moreover, SOM's core public-private mission, which critics had dismissed as too soft and touchy-feely for the real world of business, is seen as increasingly relevant. "It was a sound, though often misunderstood, concept in the beginning, and it's even more sound now," says William Donaldson '53, cofounder of the investment banking firm Donaldson, Lufkin, and Jenrette, past chairman and CEO of the New York Stock Exchange and Aetna, an undersecretary of state under Henry Kissinger, and SOM's founding dean. "We all have larger concerns these days, and we need more people with cross-sector training."

**Among the legends** in the business community, there are the dealmakers, the successful dot-com entrepreneurs, and the axe-wielding CEOs, but in this pantheon, a special place of honor is reserved for the turn-around artist, the leader who can change an enterprise from floundering to fortunate. At SOM, the architect of the change of fortunes is Garten, the School's eighth dean.

A 1968 graduate of Dartmouth who earned his doctorate in 1980 at the Johns Hopkins School of Advanced International Studies, Garten took command in November 1995 after having served as a Wall Street banker specializing in international investments and as deputy undersecretary of commerce for international trade in the Clinton administration. The 55-year-old dean (whose wife Ina runs The Barefoot Contessa, a well-known gourmet food store in East Hampton, Long





Dean Garten with  
Sandhya Rao '02MBA

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Island) is energetic but deceptively low-key in a world of titanic egos. Quite in character, he refuses to take much of the credit for SOM's dramatic improvement in the ratings. "All the pieces were there," says Garten. "I just had great timing and total good luck."

The dean certainly had support. Despite President Levin's ominous assessment six years ago, both he and Provost Alison Richard were committed to helping the School succeed. The administration offered resources to build up the faculty (Levin, himself an economist, took part personally in the recruiting effort) and create specialized programs that would separate SOM from the pack. These now include a Leaders Forum, begun in 1998 to bring top executives to campus, and the International Center for Finance, inaugurated in 1999 to conduct research in global financial issues and build a database of economic and market information. Last year, SOM launched three additional initiatives: Sachem Ventures, a \$1.5-million, student-run venture capital fund that invests in local businesses; the Chief Executive Leadership Institute, a combination think-tank and education center where the world's top executives can gather to compare notes; and the International Institute for Corporate Governance, a research, teaching, and policy center focused on the principles and practices of effective corporate governance.

In addition to these, Garten has overseen the strengthening of the curriculum, putting increased emphasis on the fundamentals in such disciplines as accounting, marketing, finance, strategy, and operations management. At the same time, he has not stinted on what he sees as SOM's major strength: its ability to train students to understand "the human side of manage-

ment—how to lead, how to deal with people, how to build teams, and how to evaluate results." And though Garten has kept the core mission in place, in 1998 he acknowledged business reality and shelved the MPPM for the familiar MBA.

"We're now unabashedly a hard-edged business school—that was missing earlier—but we're still different," says Garten. "Most schools are little more than glorified employment agencies, but our mandate is to educate leaders for both business and society. Ninety-six percent of our graduates go into business careers, but a sizeable num-

ber will, at some point, work in the public and nonprofit sectors as well. We give them the skills to go in any direction."

Garten's own efforts extend well beyond the School's Italianate buildings on upper Hillhouse Avenue. Well connected from his years in New York City and in Washington, Garten inaugurated a program called "SOM on the Road" that brought small groups of students to such diverse places as the American Museum of Natural History, the Schick Corporation, the accounting firm of Booz Allen, and the NYSE for exposure to their inner workings. The day-long "field trips," often led by the dean himself, were partly educational, and partly a way to showcase his students and school to industry leaders.

Going on the road is not the only way Garten promotes SOM. He also writes a monthly column on international economic affairs for *Business Week*, provides regular commentary on National Public Radio's *Marketplace* program, and has addressed questions of corporate governance and citizenship in his recent book, *The Mind of the CEO* (Perseus Books, 2001) and of future business growth opportunities, in *The Big Ten: The Big Emerging Markets and How They Will Change Our Lives* (Basic Books, 1997).

"Dean Garten has done a superb job increasing the school's visibility, which is reflected in larger numbers of applicants and recruiters," says Levin. "I'm also delighted with the quality of recently appointed members of the faculty. We've made very substantial progress over the past five years. We're on track."

Nancy Peretsman '79MBA, executive vice president of Allen and Co. and a keen SOM-watcher whose acumen in crafting multimillion-dollar deals earned her the title of "Wall Street's Top Woman Banker," has seen the results. "There were times



when I was with Salomon Brothers and you'd walk out of a job interview with an SOM student shaking your head about a lack of focus or skills," says Peretsman. "That no longer happens. Jeff has really shaped the place up."

A variety of numbers bear Peretsman out. Barely a blip on the ratings radar screens in the pre-Garten era, SOM is now prominent in the rankings. In its report last April on the top business schools, the *Wall Street Journal* named SOM number 3, behind Dartmouth (1) but ahead of Harvard (8). Last October, *Forbes* magazine placed Yale sixth in its rankings of the best return on a student's investment in attending business school. But the most influential survey of them all, the *Business Week* rankings for 2001, had SOM in 19th place; it was 22nd when Garten took over the deanship. (Wharton at the University of Pennsylvania topped the list.)

**The School's positive buzz** and increased prominence has resulted in a dramatic increase in applications to the two-year MBA program, which have risen 75 percent during the Garten years, from about 1,400 in 1995 to 2,446 in 2000. It has also become steadily more difficult to get in. In 1995, 32 percent of applicants were admitted; the current figure is about 17 percent. Garten would like to see the School become even more selective, with an acceptance rate of about 10 percent.

Alumni giving—a measure of satisfaction with the product—is up from a mere 11 percent at the start of Garten's tenure to 54 percent at present (among major business schools, only Tuck at Dartmouth ranks higher). During that same period, the number of firms that came to campus to recruit SOM students rose by 63 percent. And in 1998, the School was given permission to increase its senior faculty by 60 percent (itself a measure of Yale's satisfaction with the product); in the stiff competition for business professors, SOM has convinced nine senior scholars to leave such places as Harvard, Cornell, UCLA, and Carnegie Mellon.

One of the defectors is Dick Wittink, now the General George Rogers Clark Professor of Management and Marketing. Wittink had been at Cornell for 17 years, and though he'd heard colleagues disparage SOM's unusual take on education—it was sometimes called an "anti-business school"—he was intrigued by two elements: that it encouraged students and faculty to take advantage of the offerings of the entire University, and its emphasis on research.

"SOM is not just about pure business," says Wittink. "The fact that it looks at both the public and not-for-profit sectors affords everyone a broader perspective. So does our location—

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we're not in a separate, isolated building in which we'd most likely only be talking to each other."

The International Center for Finance, directed by William Goetzmann '78, '86MBA, '90PhD, the Edwin J. Beinecke Professor of Finance and Management Studies, exemplifies the interdisciplinary approach that has come to characterize SOM culture. "Our research is increasingly collaborative," says Goetzmann, explaining that the ICF Fellows are drawn from the Law School, as well as from departments such as economics, history, psychology, and anthropology.

The School, by design, also encourages students to take advantage of the wider University. They are allowed to choose as many as one-quarter of their courses from non-SOM offerings, and the business school has set up joint master's degree programs the schools of medicine and public health, law, nursing, divinity, drama, and forestry and environmental studies. In fact, the three-year master's program in management and environment was lauded last October by the Aspen Institute and the World Resource Institute as one of the best in its evaluation *Beyond Grey Pinstripes 2001: Preparing MBAs for Social and Environmental Stewardship*.

These close ties to other sectors of Yale also extend to faculty research. Wittink, for example, is collaborating with Medical School rheumatologist Leona Fraenkel to find out how patients deal with conflicting claims when they evaluate medications. "There are more opportunities here for interactions than is typically the case at other universities," says Wittink. "I find that very attractive."

Wittink also likes the intellectual diversity he sees in the student body. SOM discourages freshly minted college graduates from applying, urging them instead to pursue careers for at least two years before entering the MBA program. The fact that students are likely to be older and have more "real world" business experience, coupled with the likelihood that at least some will be interested in more than just a traditional career in private enterprise, means, says Wittink, that "they bring a wider variety of perspectives and backgrounds to class."

About a third of the students come from foreign countries, but, as is the case at many business schools, there is a dearth in African American, Hispanic, and Native American enrollment (about 5 percent at SOM and 8 percent nationally). To increase these numbers, the School has enlisted both minority alumni and students in an outreach effort, and in November named SOM administrator Esmeralda Teran to be the first associate director of minority and student affairs.

Garten would also like to increase the percentage of women enrolled at SOM. In last year's class, 27 percent were women; the national business school average is about 33 percent.

In typical fashion, an initiative to raise the number of women has been spearheaded by the School's students. Last year, Elisabeth Farrelly, a member of the MBA Class of 2002 who had worked for a venture capital firm that invested in women-owned businesses and as an instructor for Outward Bound, and her female colleagues began serving as mentors to





With Ralph W. Schrader, chairman of Booz Allen and Hamilton.

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vide a reassuring dose of reality that women need to hear," says Farrelly.

It is also beneficial to hear success stories, such as those that were told at SOM's first annual "Women's Summit," a well-attended event in New York City last November that showcased the achievements of, among others, Nancy Peretsman and Indra Nooyi '80MBA, the president of PepsiCo. "SOM groomed me," said Nooyi, who grew up in rural India. "The School transformed me from a country bumpkin with a brain and not much else to a person who could be accepted into the business world."

women who were considering applying to the School. Through e-mail and over the phone, Farrelly talked to a woman in India, as well as a high school roommate she hadn't heard from in a dozen years. "If you don't know anyone who has ever gone to business school, the process can be a great mystery," she says.

In her contacts, Farrelly has helped counter dominant fears, one of which is math anxiety. "I tell them that I was an English major in college, and though in the beginning I thought I was doomed, I'm doing just fine," she says.

There is also a notion that unless one opts for a high-flying—and high-paying—career in the financial realm, paying off business school loans, which can easily reach \$80,000, will be impossible. Not true, Farrelly tells women. It is possible to work for a nonprofit, live reasonably well, and still pay off one's business school loans within the 10-year federal time limit. SOM also offers a loan forgiveness program for graduates who pursue careers with public and nonprofit companies. "We pro-

If Garten has his way, the transformation will entail more than just the honing of accounting, marketing, and other key skills. Doing well and doing good—this was SOM's original mission, and however quirky, naïve, even ill-conceived it may have seemed in the beginning, it is a mission that resonates especially well in the wake of September 11 and the Enron debacle. "We're seeking congruence between who we are and what we do," says Jack Griffin '88MBA, president of *Parade* magazine. "The beauty of SOM is that it encourages students to think not just about business, but also about their obligations as citizens."

In *The Mind of the CEO*, Garten profiled executives whose corporate goals transcended the bottom line. An increasingly global world, he argues, requires role models who are also good corporate citizens: "You have to know how to achieve results and measure what you're doing, but you have to do it within the context of social responsibility." **Y**