

SMALL-BUSINESS TAXES
What health-care
reform means

MANAGING CREATIVELY
Employee conflict
can be constructive

PRIORITY: SUSTAINABILITY
Businesses have a second
chance at Rio+20

Kogod Now

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FROM THE DEAN

Transformative research is an ambitious and risky undertaking, but the potential payoff is monumental.

While all academic exploration seeks to expand understanding and enhance dialogue, only a limited subset holds the possibility of fundamentally altering our society. The research undertaken by our faculty and their colleagues on targeted marketing efforts to vulnerable populations—and the regulatory vacuum in which they occur—holds that promise.

Combating the global childhood obesity epidemic is not the sole responsibility of health-care professionals and parents. Business experts are vital partners who can contribute to the analysis of the problem and the development of a response to improving the health and well-being of our youth, and of society at large.

Associate Professor Sonya Grier has spent the past four years evaluating African Americans' perceptions of marketing and how public health campaigns could influence their food choices, as part of a grant from the African American Collaborative Obesity Research Network. In tandem, Assistant Professor Wendy Boland has pursued the effect of sales promotions and point-of-sale advertising on children, as the demographic gains more and more spending power and becomes a highly sought-after consumer segment.

Food labels, from front-of-package heart-healthy icons on cereal boxes to the FDA-mandated Nutrition Facts panel, can be confusing to all types of consumers, and especially to vulnerable populations. Professors Manoj Hastak and Anusree Mitra have examined ways to improve these consumer disclosures. Their research results have directly contributed to federal regulatory discussions.

From grocery store aisles to hospital intensive care units, the work of Kogod faculty is influencing our collective health. Professor Edward Wasil's research on reducing the transfer of infectious diseases within hospitals, as well as on optimizing

surgical scheduling, should have a direct impact on the quality of care patients receive both here in Washington and across the country.

And, coordinating care is supply-chain management at its core. Alumnus Malek Sbih, MBA '05, shares how he led the effort to deliver medicines and supplies to the tens of thousands of individuals affected by the devastating earthquake in Haiti. Merck chairman and alumnus Richard Clark, MBA '71, discusses a corporate social responsibility initiative to fight maternal mortality.

Beyond our physical health, Executive-in-Residence Daniel Jacobs and renowned restaurateur Barton Seaver examine Earth's health through sustainable business practices and the opportunities that lie ahead for individuals and organizations to have a greener impact on the planet.

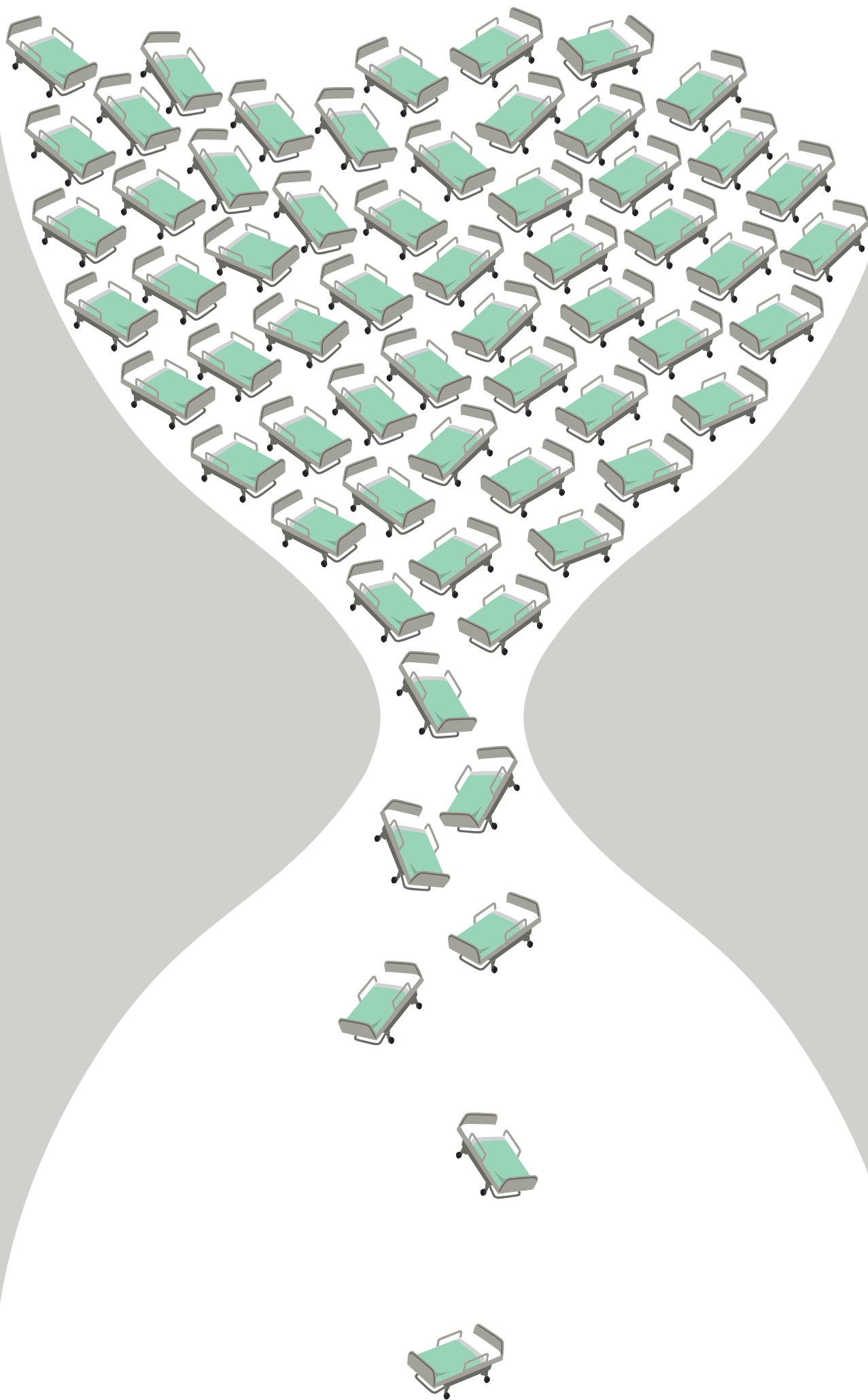
Assistant Professor Robert Edgell explores the hidden value of workplace conflict in encouraging greater creativity and innovation in management, and Associate Professor Gwanhoo Lee provides a roadmap for how government agencies can achieve President Obama's pledge for greater transparency in government.

Across the Kogod School of Business, members of our faculty are taking full advantage of their presence in Washington, DC, with access to influencers, policymakers, and the public and private sectors. Communication and collaboration across departments is at the heart of business innovation.

I am tremendously excited to join Kogod at a moment that is so full of opportunities to make this dynamic school even greater. We are investing in faculty research that indeed has the potential to transform our society.

This latest issue of *Kogod Now* demonstrates that the vibrancy of our faculty, students, and alumni reaches across industries and borders. This is where research meets practice. **KN**

LETTER BY
MICHAEL J. GINZBERG
DEAN, KOGOD SCHOOL
OF BUSINESS



PATIENT CARE OPTIMIZED

The decision to solve a problem starts with the realization that there must be a better way.

But recognition rarely provides a resolution; figuring out exactly how to address a problem is often the most difficult part of finding a solution. Trial and error is generally not an acceptable approach to complex business dilemmas.

How, then, can businesses find solutions to pressing issues that call for change? Professor Edward Wasil uses mathematical models that draw on both quantitative and qualitative data to solve practical business problems. In short, he is a high-tech problem-solver.

Wasil, who serves as chair of the Information Technology department, illustrates the nature of his research using the “traveling salesman” problem.

A traveling salesman starts at an initial location, visits a number of cities, and then returns to the location in the shortest amount of time and distance. Taking all variables into account, what is the most efficient way for the salesman to complete his tour?

“It’s a classic problem that’s been around since the 1700s,” Wasil said. “Everybody has tried his or her hand at it, and it turns out to be a very difficult problem to solve.”

A modern-day equivalent of the traveling salesman is behemoth UPS—whose tagline, “We ♥ Logistics™,” could easily apply to Wasil. The shipping service handles roughly 16 million deliveries each day, many of which need to reach their destination within 24 hours.

A TURNING POINT

Recently, Wasil’s research has turned to the health-care realm: Two of his latest projects tackle intricate hospital administrative hurdles, such as surgical scheduling and lowering the transmission rates of infectious diseases.

Wasil drew a comparison between hospital efficiency and that of Disney theme parks, where rides are constructed with the goal of moving guests through quickly. Hospitals need to employ the same tactics to get patients in and out efficiently.

“At the operational level, hospitals are dealing with these issues on a daily basis,” Wasil said. “They are just beginning to realize that they can rely on sophisticated operations-research techniques to help them find good solutions to their important problems.”

Wasil’s work in operations research focuses on network optimization. His mathematical models help businesses solve the problem of optimizing the delivery of goods and services within a particular set of constraints.

While optimization is the ultimate goal, the models Wasil and his co-researchers formulate often produce very good, near-optimal solutions in a short amount of computing time.

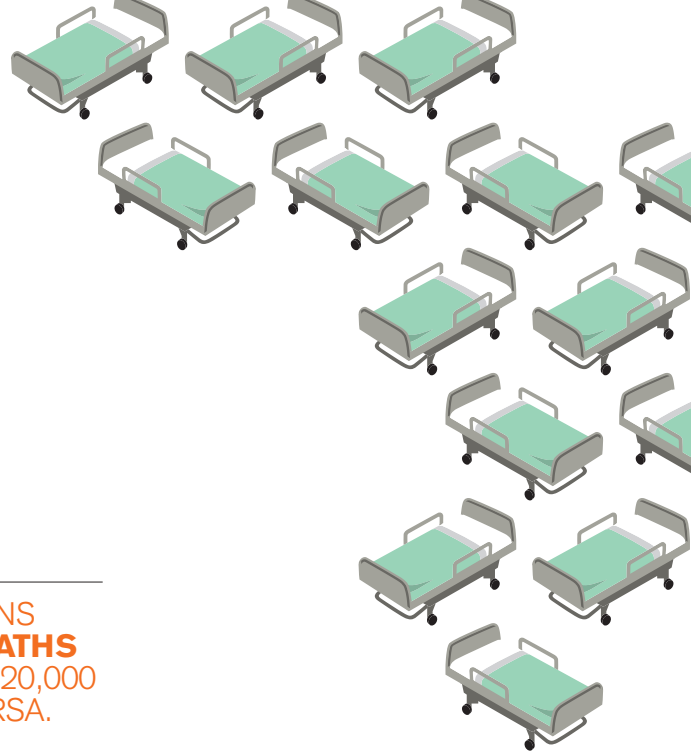
Human behavior is a major factor, and adds to the challenge of creating a model that mimics reality. Working through all possibilities is critical if you hope to arrive at an applicable solution, Wasil said. “You’re aiming for a ‘very good’ solution,” he added. “You want to create something that is provably good and better than what you started with.”

REDUCING A BOTTLENECK

Working with the University of Maryland’s Medical Center in Baltimore (UMMC), Wasil and his co-authors created a model to streamline the flow of cardiac surgery patients.

Immediately after surgery in an operating room, patients are taken to a Post-Anesthesia Care Unit (PACU) to recover. Patients usually stay in the PACU for about an hour to let the anesthesia wear off.

ARTICLE BY
ANNA MIARS



HOSPITAL-ACQUIRED INFECTIONS RESULT IN NEARLY **100,000 DEATHS** **PER YEAR ... APPROXIMATELY 20,000** OF THOSE DEATHS INVOLVE MRSA.

From there, they are moved to an intensive care unit (ICU) and then to a step-down unit after a few days.

When ICU beds are not available, patients remain in the PACU, effectively “boarding” until beds downstream open up. The situation is undesirable to say the least: it requires unplanned overnight shifts for staff, can lengthen patients’ stays, and imposes extra costs. Wasil found that as many as 1,000 patients were boarded in the PACU at UMMC annually in 2007 and 2008.

Using hospital data, Wasil concluded that the arrival of patients for surgery was not matched with an equal number of discharges—a result of surgeries being scheduled in service blocks. Each block gives a particular service line (orthopedics, vascular, oncology, etc.) a specific operating room on a specific day. Individual surgeons are then assigned operating time for their cases within the relevant block.

“Block schedules tend to encourage thinking at the service-line level, instead of at the hospital level, and they do not incentivize desirable schedules in terms of hospital efficiency,” Wasil wrote.

To alleviate the boarding problem, the team initially proposed a three-phase scheduling approach that used integer programming and simulation to improve the flow of patients through the system by attempting to balance arrivals and departures. However, conflicting stakeholder preferences were a barrier to successful implementation, revealing more constraints on the solution. “There are lots of preferences physicians have—having clinicals on a specific day, for example—that are constraints you have to deal with,” Wasil said.

In response, rules of thumb were developed to build in flexibility and create a final, workable schedule. The team’s revised version highlighted the need for a system-wide approach to hospital performance, rather than individual departments (for example, orthopedics) operating in silos. It also revealed that a small number of alterations can have a significant impact in reducing the number of boarders.

UMMC has considered pieces of the model, and is looking into how to use the rules-of-thumb approach to adjust block schedules. “People get used to doing things a certain way and change becomes very difficult,” Wasil said. “Models can only propose solutions; people and businesses then have to adopt them.”

SPREAD OF INFECTIOUS DISEASE

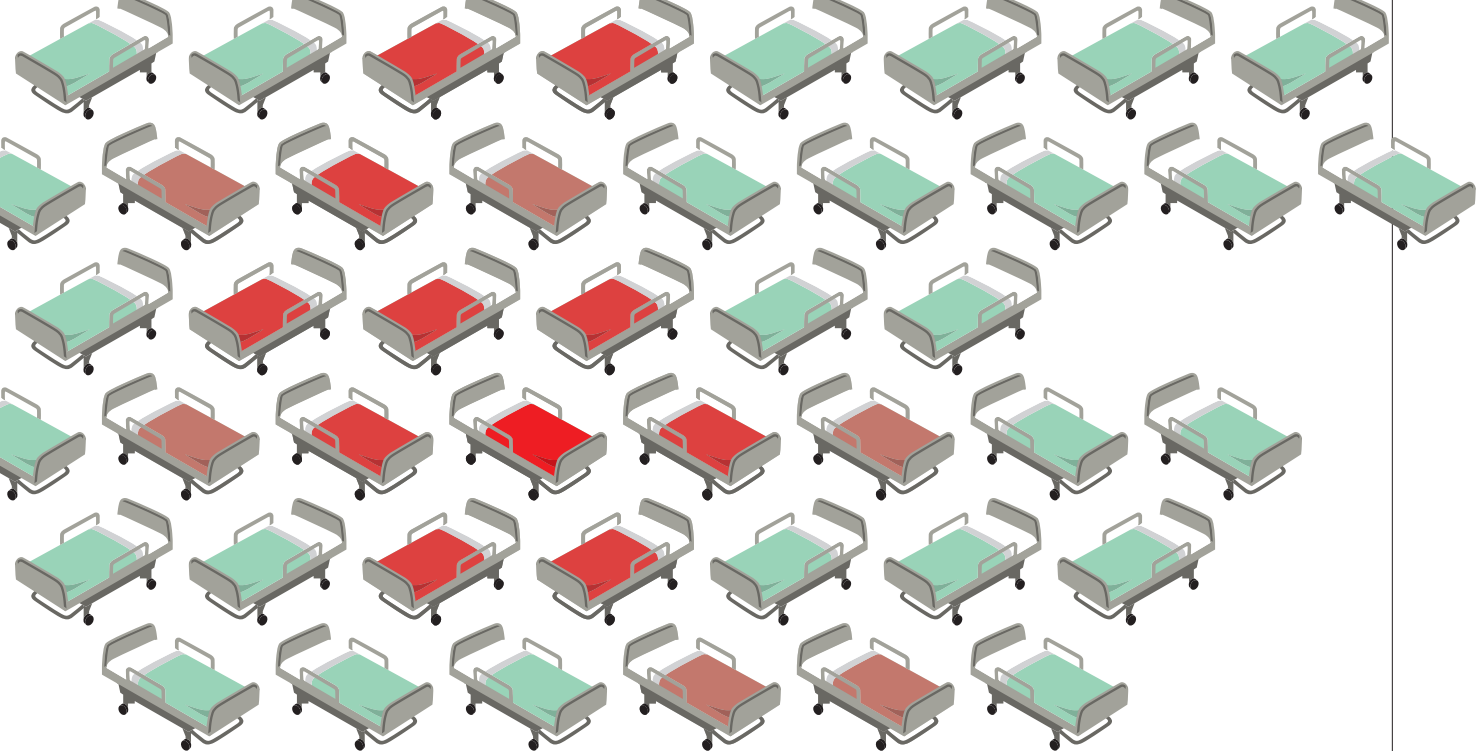
In another project, Wasil and his co-authors built a model intended to examine the spread in hospitals of a bacterial infection known as methicillin-resistant *Staphylococcus aureus* (MRSA).

Hospital-acquired infections result in nearly 100,000 deaths per year, according to the Committee to Reduce Infection Deaths, an educational campaign founded by Betsy McCaughey, a former lieutenant governor of New York. Approximately 20,000 of those deaths involve MRSA. The infection’s spread is exacerbated by changes in hand-washing compliance among health-care workers (HCW); however, one of the team’s findings indicates that even total hand-washing compliance would not solve the MRSA problem on its own—although it is vital.

Unlike the PACU boarding model, the MRSA model used agent-based modeling and simulation to study the dynamics of MRSA transmission within a hospital. With this type of modeling, all players or agents, including the setting, are created in the simulation.

The model investigates the effectiveness of patient isolation, placing an infected patient in a single room; patient decolonization, removing the presence of bacteria on a patient’s skin; and improving the HCW-to-patient ratios, lowering the number of patients with which a HCW engages.

The simulation results show that patient isolation is the best overall means of reducing transmission other than a one-to-one HCW-to-patient ratio—an idyllic state that is fiscally impossible. These findings were consistent with results published in relevant literature.



“Often a whole system can function better if the people behind the system are willing to change,” Wasil said.

After establishing the best-performing measure, Wasil and his team were next able to look at questions of significance to hospitals, including whether nurses or physicians are responsible for more MRSA transmissions and how isolation can best be applied to different hospital settings.

Nurses typically see patients more frequently than physicians, but physicians see a higher total number of patients, albeit less frequently. Contrasting service patterns make it difficult to predict which group is the primary source of transmission.

“The question of who is responsible for more transmissions is important so that hospitals can focus educational programs where they would have the most significant impact,” Wasil wrote. “Both populations [nurses and physicians] have different cultures and varying degrees of interaction with patients, and therefore would require a different approach to reduce transmission.”

The model showed that the type of unit and type of HCW taken together can most accurately predict transmission dynamics.

Based on the results, the team homed in on three key recommendations: minimize the size of patient cohorts; screen for and isolate colonized and infected patients; and decrease the likelihood of transmission between HCWs and patients by decreasing contact and enforcing the use of gloves and gowns around colonized infected patients.

The team also found that both nurses *and* physicians are the roots of the problem, depending on the setting.

In a general ward, nurses account for 80 percent to 90 percent of contact with patients, making them more likely to spread the disease.

But in the ICU, nurses have fewer patients—sometimes a “cohort” of only two—whereas physicians may be responsible for up to 10 patients, who could have five different nurses assigned to them.

As a result, physicians pose a greater threat in the ICU, since they can spread MRSA from one patient cohort to another.

“The results of [our] experiment show that physicians account for almost all transmission in the ICU, except at extremely high values of hand-hygiene compliance,” Wasil and team wrote.

THE NEXT CHALLENGE

Wasil and his co-authors have already begun studying the transmission of MRSA between hospitals and long-term-care facilities. “We know MRSA is being spread by patients going back and forth,” Wasil said. “We’re looking at how to stop that from happening.”

He also plans to research the possible connection between surgeons’ discharge practices and patient readmissions to see if discharging patients too early is responsible for patient “bounce-backs.”

Beyond health care, Wasil is always on the lookout for a new problem. Like this one: assigning routes to snowplows in Colorado with as few uphill stretches as possible, thus making the job of clearing snow easier and more efficient. **KN**

Edward Wasil won the 2011 American University Faculty Award for Outstanding Scholarship for his dedication to and excellence in research.

HAITI'S MEDICINE MAN

After a massive magnitude-7.0 earthquake devastated Haiti in January 2010, more than 350 medical nongovernmental organizations poured into the country.

ARTICLE BY
LINDSEY ANDERSON

The earthquake took more than 200,000 lives and left well over a million Haitians homeless. Much of the country's limited infrastructure was flattened: schools, stores, homes, businesses.

The immediate global response was to help the 300,000 injured, who suffered primarily fractures, infections, and head trauma, according to the Centers for Disease Control and Prevention. Severe injuries often required surgery or amputation.

"When you were in the hospitals after the earthquake, you saw amputated arms, legs—it became personal. I was there, experiencing it. It's not just on TV," said Malek Sbih, MBA '05. Sbih is a medicines and technology adviser for the Pan American Health Organization (PAHO), the World Health Organization's regional office for the Americas and the Caribbean.

As the Washington, DC-based department's point man for Haiti and a liaison between PAHO, the US Agency for International Development (USAID), and the Haitian Ministry of Health, Sbih traveled to Haiti at least eight times in the first 18 months following the earthquake, sometimes for more than a month at a time.

There, he assessed the medical and supply needs of organizations, doctors, and their patients and attempted to meet them, collaborating closely with the Haitian government, NGOs, and health-care providers. Some volunteers had little experience working in a situation like Haiti's, so Sbih and the staff helped them determine the supplies they needed.

DISPENSING AID

After the earthquake, those 350 NGOs, each with different methods, aimed to house Haiti's homeless, feed the hungry, heal the injured, and treat

the sick. But to do so required medicines, supplies, and basic organization.

That meant transporting supplies from Haiti's capital, Port-au-Prince, to the country's 10 departments (Haiti's equivalent of states), driving over dirt roads full of potholes and roads that disappeared in the rain. In a nation the size of Maryland, helicopters were needed to reach departments that seemed so far away because they were cut off by impassable roads.

It also meant having to navigate the bureaucracy of the government and the roughly 10,000 NGOs with a presence in the country—all of which worked on separate, small projects, with varying objectives ranging from health care to shelter to feeding the hungry.

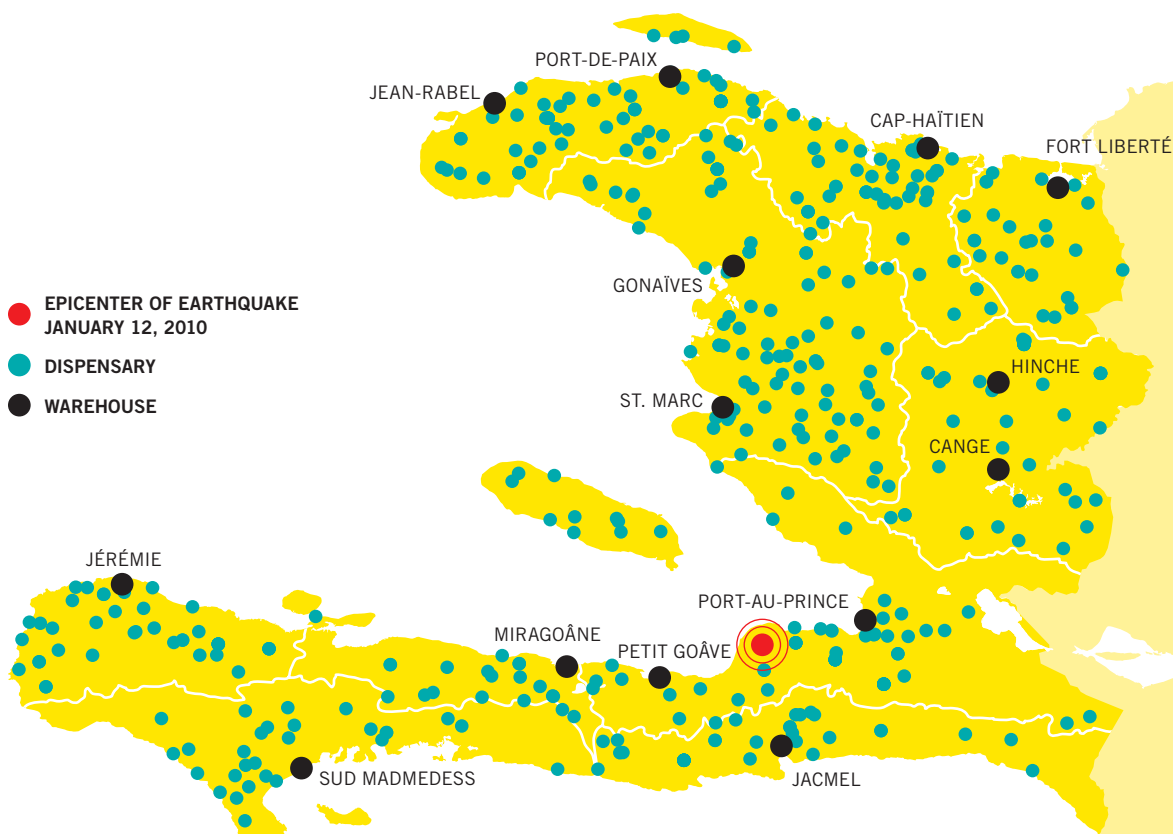
A February 2011 *Washington Post* article summarized the situation: "The effectiveness of the NGOs is now being questioned, by the groups themselves, and especially by Haitian leaders who complain that NGOs have become a parallel government hobbled by poor coordination, high turnover and a lack of transparency."

DOUBLE WHAMMY

In October 2010, the situation in Haiti worsened: cholera arrived.

Efforts to stem the epidemic—which killed almost 4,000 people—hinged on finding doses of medicine that were scattered across the country and managed by separate NGOs. Simply put, the amount of medicine needed was determined by how much medicine was actually in the country.

A virulent infection carried by contaminated water, cholera can kill within hours through severe



Source: Pan American Health Organization

dehydration and diarrhea. It is treated primarily through rehydration. Serious cases require antibiotics, considered an easy treatment in the US.

“Cholera is very easy to treat with the right supplies,” Sbih, who also has a medical degree, explained earnestly. “Very easy to treat. We had medicines everywhere, but we didn’t know how many.”

Without knowing exactly how many cholera medicines were in Haiti, PAHO had difficulty ascertaining how many supplies to purchase—possibly jeopardizing lives with a lack of supplies.

“We were trying to centralize everything and to know how much medicine we had to treat cholera in the country,” Sbih said.

So he and his team in Washington established a website that would offer a snapshot of all medicines and supplies in the country. Members of each NGO log in to the site every week and enter their inventory into the database.

The site not only allows Sbih and his colleagues to know what medicines and supplies are available, it also helps the agency forecast the quantities it will need in the future.

“We’re pretty proud of this because finally we now know how many medicines we have for cholera in the country,” he said.

In late November 2010, Haiti’s principal pharmaceutical agency, the Programme on Essential Medicines and Supplies (PROMESS), distributed more than 87 tons of essential medicines and supplies to help the victims of cholera. Since then, the agency has distributed over 100 tons of new cholera supplies.

Between October 2010 and January 2011, about 200,000 people were treated for cholera,

costing \$2 million in medicines and supplies. Of those 200,000 cases, 70,000 were severe, and potentially deadly if untreated.

WHEN YOU WERE IN THE HOSPITALS AFTER THE EARTHQUAKE, YOU SAW AMPUTATED ARMS, LEGS—IT BECAME PERSONAL. I WAS THERE EXPERIENCING IT.

MALEK SBIH, MBA '05

COORDINATING CHAOS

On the ground, Sbih supported PROMESS, which is managed by PAHO. He also promoted the Strategic Fund, PAHO’s program through which member states can purchase public health supplies. Through the fund, Latin American and Caribbean countries have access to inexpensive, quality medicines and technical support to help them forecast their needs.

In the first three weeks after the earthquake, \$3 million in medicines and medical supplies arrived in Haiti. Medical professionals and NGOs from Port-au-Prince and beyond come to PROMESS’s warehouses, collecting for free the medicines and supplies they needed to distribute throughout Haiti.

Generally, PROMESS itself does not actively distribute medicines and supplies; rather, it fills request orders and makes sure the 13 warehouses operated by the Haitian government have sufficient supplies.

But in Haiti after the quake, there was no coordination between NGOs, efforts were duplicated, and some medicines dispensed for free by PROMESS were sold on the street, Sbih said.



Photos from Sbih's time in Haiti show everyday tasks such as loading medical supplies onto an airplane to be redistributed throughout the country. Actor Sean Penn, shown here, has been active in the relief efforts in Haiti, including working with Sbih and his team.



Photographer: Malek Sbih

THOSE EARLY DAYS IN HAITI WERE BUSY AND **EMOTIONALLY INTENSE**. EVERYONE DID EVERYTHING, DISTRIBUTING MEDICINES, CLEANING WAREHOUSES, STAYING UP ALL HOURS.

MALEK SBIH, MBA '05

So he met with Haiti's minister of health to establish registration procedures for all organizations wishing to use PROMESS. By filling out a simple one-page statement of intent, organizations could then freely access and distribute PROMESS medicines.

COMING TOGETHER

Sbih has witnessed the country's devastation and the roadblocks to its recovery firsthand.

Some of the warehouses were inoperable when he arrived right after the quake, and many can only be reached by helicopter, as the roads from the capital to the departments are often impassable.

"We were sleeping outside in a small tent," he said of his first trip to the country. "It was very difficult to help the people."

Those early days in Haiti were busy and emotionally intense. Everyone did everything, distributing medicines, cleaning warehouses, staying up all hours, Sbih recalled.

To support Haitian authorities in coordinating the international health relief efforts, PAHO/WHO established the Haiti Health Cluster. The Health Cluster brings together more than 400 registered health partners working in the country, forms working groups on different health topics, and publishes a bulletin every two weeks on health issues in Haiti, including cholera updates. Sbih chairs the Health Cluster's subgroup on medicines and medical supplies, where group members discuss the concerns they face in the field.

And in late April, Sbih may have placed his last order for cholera medicines. However, a rising

number of cases due to the rainy season prompted a \$300,000 "just in case" order in August.

AFTERMATH

Since the quake, Sbih has seen improved coordination between PROMESS, the Haitian Ministry of Health, and NGOs. He hopes to further improve that coordination in the future, establishing PROMESS as the sole supplier to the warehouses across the country that receive the program's medicines and supplies.

"We never know how much they need," he said. "We'd like to tie with USAID and set up a network with warehouses and PROMESS."

For now, he is waiting for the recent transfer of power from Haiti's former president René Préval to newly inaugurated president Michel Martelly to smooth over before continuing with the project.

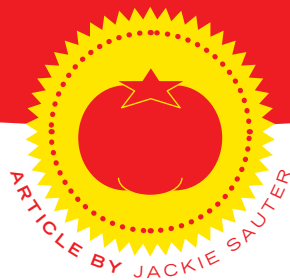
UN special envoy for Haiti and former US president Bill Clinton has also been keeping a close watch on the transfer of power and the country's recovery efforts, playing a key role in Haiti's reconstruction. Sbih worked with representatives from the Interim Haiti Recovery Commission, co-chaired by Clinton, on the ground in the immediate aftermath of the earthquake.

"Before this disaster, Haiti had the best chance in my lifetime to fulfill its potential as a country, to basically escape the chains of the past 200 years," Clinton wrote in a January 2010 *Time* piece. "I still believe that if we rally around them now and support them in the right way, the Haitian people can reclaim their destiny." **KN**



Eat Your Heart Out

TARGETED MARKETING AND CONSUMER DISCLOSURES



The Safeway at Georgia Avenue and Randolph Road in northwest Washington, DC is just one block from the Petworth Metro Station, in an up-and-coming but transitional neighborhood of low- to middle-income families and working professionals. The blighted store is in the capital of the most powerful nation in the world, but its customers have no deli, salad bar, or bakery; fresh produce is limited. "I will starve on the curb before I go to that Safeway," one resident wrote online.

On the next block, a Wendy's and a Pizza Hut beckon; other restaurants have closed doors and shuttered windows. Gatorade bottles and soda cans litter the sidewalk. A Yes! Organic Market recently opened nearby, but higher prices mean its goods are not affordable for all.

The Safeway is slated for a massive renovation that will leave the community underserved for the next three years. Even so, the overhaul comes not a moment too soon for the neighborhood that relies on it.

The simple decisions that take place there have high stakes. American waistlines are expanding; rates of heart disease and cancer are on the rise. At the recent unveiling of the US Department of Agriculture's new MyPlate graphic, created to replace the food pyramid, Agriculture Secretary Tom Vilsack noted that two-thirds of American adults and one-third of children are overweight or obese.

There are many factors that contribute to weight gain, but for most people obesity is simply the result of consuming too much and exercising too little. Thus, the products consumers place in their shopping carts have an impact long after they leave the store—an impact that extends to public health, the economy, and social relationships.

Yet although the decisions we make in the grocery store have far-reaching consequences, we have never been trained to make good ones, nor to fight off the marketing onslaught that awaits us on every aisle. The grocery industry is big business: there were 85,200 grocery stores in the United States as of 2008, not including convenience stores and discount warehouses, according to the Bureau of Labor Statistics.

As these stores compete in an increasingly fragmented food sales market, they place a premium on predicting what consumers will buy and providing it to them. Dangling ceiling promotions and floor advertisements are part of a new medium known as “shopper marketing”—one that's growing faster than Internet advertising, according to *Advertising Age*. Procter & Gamble Co. spends at least \$500 million annually on these efforts.

When it comes to choosing healthy foods, the scales are tipped against the consumer. And while shoppers focus on avoiding the obvious stumbling blocks—flashy end-caps and checkout-line promotions—there are larger influences at work.

GROCERY “BAGGAGE”

When you walk through the doors of the local supermarket, your cart is already more full than you realize.

As a consumer, you are a product of targeted marketing—the process of strategically reaching specific consumer groups in a focused way to influence their purchases. Targeted marketing strategies are based on extensive consumer research that exploits the target group's views and behaviors, and identifies exactly where—and how—to reach them. (For an example of successful targeted marketing, picture a toy modeled after a blockbuster movie and included in a McDonald's Happy Meal for kids.)

Young people often don't object to such marketing because it offers them the convenience of serving up exactly the products they want. And minority youth, particularly African Americans and Hispanics, are at the bull's-eye of targeted marketing tactics.

“Minority groups are exposed more to marketing, but they don't get the same attention that other groups do in terms of academic research,” Associate Professor Sonya Grier explained. Grier is an expert on targeted marketing; her research explores the complex relationship between marketing and consumer health, with a focus on how it impacts minorities. She's especially interested in the role of real-life contextual variables.

Grier knows it is not surprising that rates of obesity are significantly higher for minority youth than for their Caucasian peers, even when controlled for income and other differences. In 2004, \$5.6 billion was spent marketing to African Americans and Hispanics—an attractive market because of their projected demographic growth, increased purchasing power, and role as cultural trendsetters. They also spend four more hours per day interacting with media than their Caucasian counterparts do.

Of the many alleged causes of the obesity crisis, food and beverage marketing is among the most controversial. And it is a life-or-death issue with a huge bottom line, affecting the future workforce, the census, and costs to taxpayers.

Grier is four years into a five-year grant from the African American Obesity Research Collaborative (AACORN); she and colleague Shiriki Kumanyika are co-principal investigators, and are actively filling the gap in research on African Americans and targeted marketing. In a separate grant from the Robert Wood Johnson Foundation, she and Professor Kathryn Montgomery of AU's School of Communication are examining digital marketing metrics.

“When it's a community that I'm a part of, and I see the negative implications, it makes me want to do something that has an impact on the real solutions,” said Grier, herself an African American.

In the first phase of a three-phase deliverable through 2012, the professors dispersed “mini-grants” to four field sites—Chicago, Durham, Baltimore, and Birmingham—to gain qualitative data on African Americans' perceptions of marketing.

“For a long time, the biggest social marketing campaign in the United States was ‘5 A Day’ fruits and vegetables. Well, many communities don't have access to fruits and vegetables. So you're spending all this money to tell people to eat five servings a day, and some people simply *can't*,” Grier explained. “Understanding those realities on the ground is what we were trying to do.”

In the second phase of the study, they examined what happened when the aggregate effects of marketing were revealed to consumers. There frequently exists a personal perception that, as individuals, we are not affected by marketing—but other, anonymous groups are. Grier and colleagues

see this lack of awareness as a barrier that may prevent community members from taking action.

Now in the third phase of the grant, the professors are building a counter-marketing campaign that they hope can be replicated throughout the United States and build consumer demand for healthier food in needy areas. That's why the diverse field sites are so critical—they are getting different perspectives from African Americans in different situations. "If you don't get community buy-in, you don't know if people are going to buy healthy food after you're gone," Grier said.

"Based on this research," she continued, "you get the sense pretty strongly that it's an unhealthy food marketing environment." And some barriers are structural: neighborhoods left behind, without supermarkets, farmers markets, or affordable fresh produce.

ALISHA'S WORLD

Grier and coauthor Guillaume Johnson won the Dark Side X Case-Writing Competition at the 2010 Academy of Management Conference with a narrative told from the perspective of Alisha, a 12-year-old African American girl living in an urban center.

Grier and Johnson ask readers to imagine that they are Alisha. Alisha's product preferences are the result of constant, and complex, interactions with marketing aimed at her and her peers. The examples used in their case are based on actual research findings.

In the morning, Alisha gets ready for school while watching a half-hour television program. The show is interrupted four times with advertisements; more than half of them promote soft drinks or fast food. As Alisha rides the bus 10 blocks to school, she passes 10 billboards, most promoting food-related products, cigarettes, and alcohol. The bus passes eight fast-food restaurants.

Alisha's school cafeteria offers dense, calorie-packed foods; her local library may have exhibits sponsored by marketers; she's likely to come in contact with promotional giveaways in her neighborhood. When she is at home, she surfs the Internet. She might land on digital communities such as PepsiCo's "We Inspire," an interactive online community for multicultural women that recently won an NAACP award. She might check out her mother's *Essence* magazine. Her media (and food) consumption continues the next day.

Alisha has an almost 1-in-2 chance of developing diabetes, and her life expectancy is shorter than her mother's, write Grier and Johnson. She belongs to a generation of young people who are not expected to live longer than their parents, due to the obesity epidemic.

Grier and Johnson's case will be published in the *International Journal of Case Studies in Management* in 2011.

PARENTS AS GATEKEEPERS

If Alisha and her mother are at the grocery store together, then Alisha's access to food is dependent



ARE PARENTS MORE LIKELY TO BUY UNHEALTHY FOOD PRODUCTS FOR THEIR KIDS BECAUSE THEY REPEATEDLY HAVE BEEN LED TO BELIEVE CONSUMPTION OF THESE PRODUCTS IS NORMAL?

upon her mother's consent. Grier is also interested in the role of parents as a key to the equation of targeted marketing and youth obesity.

"Children exist in families. Children exist in relation to adults," Grier said. "And their behavior later in life is somewhat formed by the early experiences that they have."

Grier and co-authors conducted a study examining fast-food marketing as an influence on the fast-food consumption of children aged 2-12. The ethnically diverse sample included more than 300 children and their parents who attended community health centers in underserved areas.

The study found that amplified exposure to fast-food promotions was associated with parents' belief that eating fast food is normal within their community and led to their children's more frequent consumption of it. The findings suggest that a social marketing effort such as Michelle Obama's "Let's Move!" campaign could intervene by aiming to correct misperceived social norms.

But Grier points out that even the first lady faces tough competition in a crowded marketplace: "In any marketing strategy, you have to think about competition," Grier explained. "When you get into the public health arena, it's often not thought of that way ... although within obesity, people are beginning to see that the commercial food marketing environment presents a barrier, because others can't spend as much and don't have as much detailed consumer research."

In the grocery store aisle, the question becomes: Are parents more likely to buy unhealthy food prod-

ucts for their kids because they repeatedly have been led to believe consumption of these products is normal?

APPLIED UNDERSTANDING

We often think that exposure to marketing and advertising affects other people, but not us or our individual actions. We have free will; we can choose to stock up in the produce aisle and intentionally resist the temptation of less virtuous options.

But do we apply our knowledge and experiences in a consumer setting? And, perhaps more importantly, can our children?

At a young age, children begin to understand the components of a shopping trip: the process of events, store layouts, the exchange of money for goods and services.

But how sophisticated is their knowledge? Determining children's limitations is especially vital given that the youth demographic is gaining more and more spending power. And the industry recognizes this trend: US food and beverage companies spent approximately \$1.6 billion in 2006 promoting their products to children, according to the Federal Trade Commission.

"From the time kids are little, they're in the front of the shopping cart, and they're very involved in that process," said Assistant Professor Wendy Boland.

Despite their spending power, children in the United States are not formally protected by food and beverage marketing regulations. Since the 1970s, the FTC more than once has proposed regulations on advertising to children, but industry backlash put a stop to the efforts. The National Advertising Review Council did establish the Children's Advertising Review Unit of the Better Business Bureau in 1974, which has published guidelines—not requirements—for self-regulation.

In 2008, the food and beverage industry took self-regulation more seriously when 10 multinational firms (now 17) made a common pledge to cease advertising to children under 12, other than products that meet specific nutritional guidelines.

Advertising to teenagers is much more contentious. The Interagency Working Group—comprising the FTC, the Food and Drug Administration, the Agriculture Department, and the Centers for Disease Control and Prevention—recently broke with tradition in seeking to extend marketing guidelines to kids aged 12-17, who are avid users of social media and smartphones. The effort continues to draw opposition from the food industry, which instead chooses to focus its voluntary guidelines on children.

One piece of children's shopping experience that had not been studied was their understanding of sales—until Boland and her co-authors took it on. Their studies demonstrated that even second-graders grasp the idea that sales lower the regular price of a product. By the age of 7 or 8, the children showed that they knew what a "sale" was and why retailers might offer one to unload unwanted merchandise.

In the researchers' next experiments—which

took place in a mock-store setting—they demonstrated that the way sales are communicated influences children's understanding. The sample of second- and fifth-graders, from a public elementary school in the northeastern US, found the straight-shooter terms "sale," "save," and "clearance" easier to comprehend than "special."

The students all strongly preferred the classic "Buy One, Get One Free"—or "BOGO"—sale to a 60 percent discount, which was in fact more beneficial. After the participants had made their initial selections and bought them, the experimenter calculated the 60 percent-off sale price for each child, and gave them the option to switch. Even so, not one of the children switched from BOGO to 60 percent off. Simply put, Boland's team's results demonstrated that elementary-aged children did not reframe the sales promotions so that they were comparable.

There was also a significant relationship between age and the ability to apply mathematical skills learned in the classroom to determine which sale is more beneficial for the buyer ("Take \$5 off" or "Take 50% off"). None of the second-graders were able to figure out the sale price of either item; only half the fifth-graders got it right.

So while Alisha may have money to spend, she—at age 12—might not be able to apply concepts from schoolwork to her local store, making children like her an easy target for retailers.

SUGAR-SWEETENED

Suppose that Alisha and her mother are in a grocery store and turn their cart down the soda aisle.

It's a place to tread lightly. Health experts and policymakers are increasingly concerned about Americans' consumption of sugar-sweetened beverages (SSBs)—soda, fruit juices, energy, and sports drinks that are flavored with caloric sweeteners. In fact, a May 2011 report in the journal *Pediatrics* recommended that parents only give children water or low-fat milk to drink, saying that all other nutrients should be consumed through healthy foods.

Grier serves as director of food marketing research initiatives for AACORN. She knows that increased SSB consumption is a particularly troublesome trend for African Americans, who consume more calories from these drinks than Caucasians do. Consumption has increased among blacks of all ages since the 1990s, while consumption by whites has been virtually unchanged. She and her colleagues have produced a research brief for AACORN on the issue as a deliverable of the Robert Wood Johnson Foundation grant.

Not surprisingly, intake is highest among youth, according to an analysis of national survey data by the US Department of Agriculture. But adult black women—like Alisha's mom—far outpace women of other races, consuming 9.2 percent of their total daily calories from SSBs. Caucasian women consumed half that at 4.6 percent.

It's a straightforward cause-and-effect situation: SSB consumption has been linked to weight gain,

and the cessation of drinking SSBs has been associated with weight loss. One 18-month study, called PREMIER, even found that the effect of changes in liquid calorie consumption on weight gain was greater than the effect of changes in calories from solid foods.

What's not as clear is the relationship between exposure to food and beverage marketing and SSB consumption. There simply has not been much research conducted; however, the sheer volume of marketing to the African American population would indicate a likely influence. It also may undercut counter-efforts by limiting the impact of those trying to discourage consumption.

The highest rates of obesity in the US are among black girls and black women. Not only Alisha is at risk; her mom is, too. So when they choose to load their cart with sugar-sweetened Coke or Pepsi, their choice may have been made long before they arrived at the grocery store. And the calories they drink at home will add to their weight struggles.

COMPARISON SHOPPING

Across from Alisha, in the frozen foods aisle, her neighbor David is struggling to compare two products based on their nutrition labels. Which one is healthier?

For 20 years, Professor Manoj Hastak has worked on the concept of consumer disclosures. "Typically, I look at information that is mandated or required," he explained. "I'm interested in how people might misunderstand what the marketer is trying to tell them."

In the grocery store, a ubiquitous consumer disclosure is the Nutrition Facts panel, found on the back of packaging. The panel was introduced following the Nutrition Labeling and Education Act (NLEA) of 1990, which required almost all FDA-regulated foods to implement it by 1994. Hastak was invited to serve as an outside expert on the research the FDA conducted, which eventually led to development of the Nutrition Facts panel.

"I've always been interested in that issue: does the Nutrition Facts panel communicate effectively to consumers?" Hastak said. "Specifically, can consumers compare multiple products in the same category—such as cereal brands—within a single label?"

As the years went on, Hastak was curious about whether the Nutrition Facts panel could be improved. If the FDA were to consider improving the panel, what would it do? Hastak knew it could be refined further to make it easier for consumers to read. With his co-author, he examined how consumers compared products and put forth a paper they hoped the FDA would consider. They proposed new metrics—an "average value" field and range—allowing people to determine how a bag of potato chips compared to other bags of potato chips, without having to examine every bag in the store to make a thorough judgment.

According to Hastak, this would answer the question "What is the average amount of fat in a

ON THE SHELF

In 2008, a group of food and non-alcoholic-beverage companies formed the International Food and Beverage Alliance to help implement the World Health Organization's 2004 Global Strategy on Diet, Physical Activity and Health.

To reduce childhood obesity, the companies have undertaken multiple initiatives, such as attempting to make nutrition information easier to understand; shrinking product sizes; promoting healthy lifestyles through public/private partnerships; and reducing sodium, fats, and sugars—or increasing nutrients and fiber—in their products. Here are a few examples of some of the actions the 10 companies have taken.



COCA-COLA committed to front-of-package calorie counts on most of its packaging by the end of 2011.



FERRERO, maker of Nutella and Tic-Tacs, introduced child-size packaging for two fruit and tea beverages and for one iced-tea beverage.



GENERAL MILLS has reduced (by 2 percent to 33 percent) the sodium content of more than 120 of its products. For example, 60 flavors of Progresso soup saw a 10 percent decrease in sodium.



GRUPO BIMBO, a Mexico-based baking company, made all of its products 100 percent trans-fat-free in 2010.



KELLOGG'S added fiber to many ready-to-eat cereals.



KRAFT FOODS will more than double the whole grain content in its Nabisco cracker brands by the end of 2013.



MARS began to discourage consumers from eating an entire king-size candy bar in one sitting, by splitting candy bars into two servings and packaging them in a resealable wrapper.



NESTLÉ plans to reduce sodium content in its prepared products by 10 percent, including the Stouffer's, Lean Cuisine, Buitoni, Hot Pockets, and Lean Pockets brands.



PEPSICO's Frito-Lay swapped cottonseed oil for sunflower oil in 2006, reducing saturated fat content in Lay's and Ruffles potato chips by 50 percent.



UNILEVER removed partially hydrogenated vegetable oil from soft-spread tub brands such as I Can't Believe It's Not Butter, Country Crock, and Brummel & Brown, eliminating artificial trans fats.

Source: The International Food and Beverage Alliance's 2009-2010 Progress Report

“THERE’S A PROLIFERATION OF SYMBOLS AND ICONS OUT THERE. MORE THAN LIKELY, **THEY ARE CONFUSING THE CONSUMERS.**”

ANUSREE MITRA, ASSOCIATE PROFESSOR



typical bag of potato chips?” and allow consumers to say, “I know potato chips aren’t the healthiest food, but this particular brand is relatively healthy in comparison to other brands.”

“Whether [our work] has an impact on the FDA’s decisions is a hard thing to say,” Hastak admitted. “But having a dialogue with them, and seeing that there is interest in looking at alternative formats and how they could communicate better, is rewarding.”

LOW-LITERATE CONSUMERS

David has a hard enough task determining which frozen dinner to buy—but what about a fellow shopper, Nancy, who has the same goal but is functioning at a lower literacy level? Imagine how much more intimidating her experience is, having attained only a sixth-grade reading level.

Low-literate consumers like Nancy have rarely been studied. Collecting data on them is not easy; historically, they are tough to access and don’t trust researchers. Hastak and his colleague studied a sample of low-literate adults at a literacy center in Illinois to determine how the population uses the Nutrition Facts panel, which presents abstract information. They’re not a small population: at least 22 percent of US consumers lack the language and number skills to perform basic retail tasks, according to the 2003 National Assessment of Adult Literacy.

Low-literate consumers have proved to think more visually than abstractly. For example, it is hard for them to picture an ounce of food and what that looks like while preparing a meal. They also have difficulty relating one piece of data to another. Sometimes, these consumers will rely on the presence or absence of single ingredients—say, sugar—without taking into account portion size or other nutrients. What they don’t know can, and will, hurt them.

Taking these factors into consideration, the researchers designed more pictorial labels, with bar graphs and other visual representations of the nutritional data, and found these mockups to be much more effective with low-literate consumers. They were inspired by the EnergyGuide labels that feature an easy-to-understand bar graph representing energy usage in kilowatts.

For their work, the researchers won the prestigious 2010 Thomas C. Kinneer/Journal of Public Policy & Marketing Award, marking the second time Hastak has received it. Now, he is moving on to front-of-package health claims to determine effectiveness—work that closely aligns with that of his Kogod colleague, Associate Professor Anusree Mitra.

NEGATIVE OUTWEIGHS POSITIVE

While Alisha and her mother shop in the cereal aisle, they choose what to eat for breakfast. A box of oatmeal has a big red heart plastered on the front and claims to lower cholesterol. A cereal box features a running man and pledges that it’s full of essential vitamins.

They probably see similar claims posted all over the front of food packages elsewhere in the store, each brand trying to appeal to them by promising to make them healthier than the competition will.

But which one should they choose? Which one is really “better”?

Mitra is trying to clear things up—from a regulatory perspective.

“There’s a proliferation of symbols and icons out there,” said Mitra, who serves as chair of the Marketing Department. “More than likely, they are confusing the consumers.”

Mitra’s relationship with food packaging labels extends as far back as Hastak’s, to the mid-’90s and the NLEA. “Before the Nutrition Facts panel was instituted, it was chaos,” she explained, saying that the front-of-pack labels—which are not currently regulated—are the same way now. “It was really a wild, wild West.”

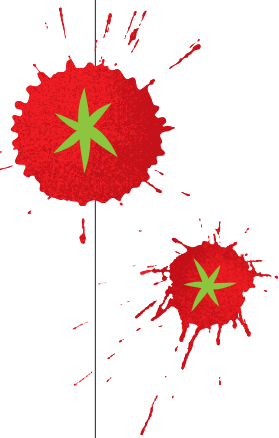
During a sabbatical in 2005, Mitra was a visiting scientist at the FDA, where she saw firsthand the issues with which regulators and policymakers were grappling. “You want to be helpful to the industry, and you don’t want to create an environment where practitioners are scared to participate,” Mitra said. “At the same time, we have a serious obesity problem.”

Among the projects she worked on at the FDA was a longitudinal study of how use of the Nutrition Facts panel on the back of packaging has changed over the years. The data has yet to be published, but a key finding emerged: There has been a decline in the reading of the panel, adding to the FDA’s concern over how best to aid consumers in the marketplace.

In 2009, Mitra was invited to join a prestigious Institute of Medicine committee of marketers, doctors, and nutrition scientists in reviewing front-of-package nutrition rating systems. The committee was funded by Congress and supported by the FDA and the CDC. Members heard from representatives of government agencies, manufacturers, and study sponsors, as well as the public, to determine how current labels were developed. “This is an opportunity to affect public policy very quickly,” Mitra said.

The US government does not currently regulate systems used by manufacturers to apply these health labels to their products, making it hard to compare products “apples to apples.” Kraft, General Mills, the American Heart Association—all have deployed their own individual systems, in a perhaps misguided but well-intentioned effort to help the consumer. So the committee explored the possible benefits of creating a system regulated by the FDA and how to ensure its effectiveness, and also studied the nutritional underpinning to determine what *should* go on the front of the pack.

In its Phase I report, released in October 2010, the committee asserted that food companies should highlight the nutrients responsible for obesity, diabetes, and heart disease in their products rather than highlight only positive nutrients. The latter practice, which incentivizes food



companies to unnecessarily fortify their products in order to score points, has resulted in labels claiming that products like sugary cereals or salty frozen dinners are “healthy”—sending mixed messages to consumers. Labels extolling a product’s high level of protein were a good example: “We don’t have a protein deficiency in this country,” Mitra said. “We really need to focus on the public health issues of today.”

The members instead advocated front-of-package food labels that provide information on the nutritional “Big Four”: calories, saturated fats, trans fats, and sodium—the nutrients most closely related to obesity and chronic disease.

In Phase II of the report, the committee is reviewing research on consumer responses to front-of-pack systems and will issue recommendations regarding the ideal characteristics for a front-of-package label. The committee’s hope is that a new front-of-package standard will change consumer behavior and also encourage the introduction of healthier products. These recommendations, along with implementation guidelines, will be presented to the FDA and Congress in October 2011.

In the meantime, the food and beverage industry has tried to circumvent possible regulation, with companies themselves proposing front-of-package “Nutrition Keys.” The keys draw attention to saturated fat, salt, sugar, and calorie content; the proposed guideline would allow companies the option of including two additional keys, promoting nutrients such as fiber or potassium. Academics and others, however, are concerned that such measures are merely preemptive strikes against the Institute of Medicine’s final recommendations for front-of-package labeling.

Until an ideal labeling system is established, Alisha and her mother will have to navigate the highly cluttered front-of-package labeling themselves.

POINT OF SALE

On the way home from the grocery store, the pair realize they forgot to buy milk. They stop at a convenience store and Alisha runs inside. As she reaches the checkout counter, she’s exposed to colorful advertisements for cigarette brands.

It’s hardly the first time she’s seen these ads. In fact, point of sale is the biggest form of marketing for tobacco, according to the FTC. It works exceptionally well on minors; teens who regularly visit stores that feature cigarette ads are at least twice as likely to try smoking as those who do not, according to the Stanford Prevention Research Center.

It’s a hot-button issue, and the FDA took aim at it with the sweeping U.S. Family Smoking Preven-

tion and Tobacco Control Act, which took effect in June 2010. However, a provision that would have restricted the ads to black-and-white and text-only at point of sale, outdoors at least 1,000 feet away from schools and playgrounds, and in adult-only publications was overturned.

Assistant Professor Wendy Boland knows that marketing cigarette products to children is not just a domestic issue. Children in the United Kingdom are seeing a lot less of the Marlboro Man, thanks in large part to her work. Boland was one of four authors of a paper that British antismoking advocates used to help successfully push for a ban on point-of-sale tobacco advertising. The measure passed both houses of Parliament in late 2009.

Boland and her colleagues published the paper in the journal *Addictive Behaviors*; it argued that cigarette advertisements do indeed prompt some adolescents to start smoking. The tobacco industry has long maintained that its ads aim only to entice smokers to switch brands, not to prompt nonsmokers to pick up the habit.

The study showed print advertisements for cigarettes and other products to a group of 7- to 12-year-olds. Researchers asked the children if they understood the product, understood the brand, or understood both the product and the brand. When they were shown cigarette ads, the majority was aware only of the product, not the brand.

“While cigarette companies have been saying for years that advertising only causes people to switch from one brand to another, our research showed that this wasn’t the case,” Boland said. “They remembered things like Tropicana orange juice, but they didn’t remember Camel cigarettes; they just remembered cigarettes.”

Martin Dockrell, director of policy and research for the UK-based nonprofit Action on Smoking and Health (ASH), read the paper and used it to lobby for the legislation to ban point-of-sale tobacco advertising.

“This is a very illuminating study; it illustrates powerfully how even very young children respond to tobacco marketing,” Dockrell told AU in 2009. “When the Health Act was in its committee stage, ASH sent members a summary of this and a small number of other studies to illustrate the strong and rapidly growing body of evidence on how cigarette marketing works on children.

“When the bill returned to the whole House every [member of Parliament] was sent a briefing highlighting the new evidence in this study. The tobacco industry’s main line of attack on the bill had been that there is no evidence that tobacco promotions lead young people to smoke. This study helped to nail that lie.”

CREATING THE COVER STORY

"THE TOBACCO INDUSTRY'S MAIN LINE OF ATTACK ON THE BILL HAD BEEN THAT THERE IS NO EVIDENCE THAT TOBACCO PROMOTIONS LEAD YOUNG PEOPLE TO SMOKE. **[BOLAND'S] STUDY HELPED TO NAIL THAT LIE.**"

MARTIN DOCKRELL
DIRECTOR OF POLICY AND RESEARCH,
ACTION ON SMOKING AND HEALTH



"It's important for me to do research that has long-term benefits," said Boland, who came to AU in 2008. Kogod's Department of Marketing was the perfect fit, she said, because of the priority it puts on socially responsible research.

"It was exciting to see that our research has made so much impact, and that this legislation could make a big difference in preventing smoking," she said.

For its part, the US legislation has led to some change in the last year: it's prohibited tobacco brands from sponsoring athletic, musical, or cultural events; disallowed the distribution of promotional items (hats, T-shirts) in exchange for cigarette sales; and barred audio ads from using music or sound effects. Yet several provisions—including point-of-sale advertising—are unimplemented and await appeal at press time.

Whether or not Alisha becomes a smoker, she and her mother are exposed to potentially deadly dietary items every day in the form of sodium, calories, saturated fats, and trans fats. They remain vulnerable to heavy targeted marketing from food and beverage companies that entice them to believe eating fast food is normal for their community. Because of what she will eat and drink, Alisha will likely grow into an obese adult and spend much of her life combating disease. But the research being done by these Kogod faculty—and their peers at esteemed institutions—aims to help eliminate that probability. **KN**

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FROM VICTIM TO SURVIVOR

A STUDY OF CANCER PATIENTS REVEALS THEIR MOTIVATIONS AND DESIRES, AND THE WAYS THAT HOSPITALS CAN REACH THEM

As improvements are made in detecting and treating cancer, the number of cancer survivors across the country is rising.

ARTICLE BY
LINDSEY ANDERSON

In 2007, there were 11.7 million cancer survivors—nearly quadruple the 3 million in 1971, according to the National Cancer Institute.

This rise in survivorship is unquestionably good news. But the increasing number of survivors also necessitates the development of communities and resources to support these patients as they transition to life post-cancer treatment. How can a business school, and its organizational researchers, lend a hand?

Associate Professor Mark Clark and Assistant Professor Tracey King conducted a study of a traditionally underserved population of cancer survivors who participate in the Women's Fitness & Support Group at Washington Hospital Center. Clark and King began studying the group of urban-dwelling, minority women between 50 and 70 years of age in the fall of 2009, on behalf of the hospital's Washington Cancer Institute (WCI).

They found that the primary factors influencing participation ranged from the personal—a referral from a trusted medical source, group and instructor camaraderie, and a belief in the connection between exercise, nutrition, and recovery—to the logistical—transportation, time, and location.

Regardless of their reasons for joining the group, the patients' participation had far-reaching positive results. Regular attendees reported better physical fitness, changes in eating habits and nutrition, and improved family and personal relationships.

The professors used qualitative research methods to go straight to the heart of the issue: asking the survivors, in their own words, about the effect the group had on their lives.

"One goal of the study is to identify what specifically has made this group successful, so that its traits can be extended to other groups in other hospitals and in other settings," King said.

"Several factors affect cancer survivorship: how survivors are supported, their level of physical activity, what kinds of nutrition habits they develop, their life and family changes, and the influences of a peer support group—all of which we're studying here," Clark added.

In October 2010, Clark and King presented their research findings to the American Institute of Cancer Research's group on cancer survivorship. "It was pretty well received," Clark stated. "We

even found several other researchers interested in the topic of group support for survivors, although each of us approached it in a different manner."

SHAKY BEGINNINGS

Earlier attempts to put together a women's survivor support group for this population didn't meet with much success. The women didn't want to attend sessions just to talk about the challenges they faced in dealing with ongoing concerns related to cancer survivorship. Based on her previous research on breast cancer survivors, King theorized that this particular demographic is more accustomed to being the caregivers than to receiving support from others. Case in point: one participant had never talked openly with anyone about her cancer experience—not even her husband.

The majority of the women were also clinically obese, a condition that has been linked to an increased risk of certain cancers. Experts say avoiding weight gain and exercising regularly can reduce the risks of cancer recurrence, so it was vital to introduce those habits to this population.

After the failure of the original talk-therapy model, the WCI's Oncology Nutrition Coordinator, Cynthia Clark, switched the focus to a fitness program led by a professional fitness instructor who was a cancer survivor herself. Encouraged by the hospital's medical staff, about 10 women joined, doing simple exercises to strengthen their bodies, which had been ravaged by disease and, in many cases, by unhealthy choices they had made throughout their lives.

While at first the group focused strictly on fitness, gradually the women's post-exercise conversations developed into a therapy session—sharing pointers, personal accomplishments, and nutrition and fitness tips. They asked for some professional guidance, so Miriam Ratner, a WCI psychosocial counselor, began moderating a 45-minute discussion.

"These women were almost averse to the idea that they needed support," King said. "Marketing this as a support group doesn't work with these women. The exercise was the hook that would get them in the door."

LIVING STRONG

Many of the participants joined the group at the recommendation of a trusted health-care worker who advocated weight loss, fitness, and dietary changes.

One patient reported that she joined the group after Dr. Mark Boisvert, her surgeon, noted at a follow-up exam that she was obese.

"And I said, 'Excuse me! I am not obese,' but I just had not taken a good look at myself in the mirror ... my weight was out of control," the patient told the professors.

The fitness class was taught by Dorelle Laffal, a certified fitness trainer and a breast cancer survivor who could relate to the participants' experiences. Many of the women were unsure about joining an exercise group, worried that it would be too strenuous, but they found the strength, balance, and cardiovascular endurance training manageable. Laffal designed special chair exercises for the group and encouraged the women to go at their own pace, modifying exercises when participants were sore or in pain after surgeries and chemotherapy.

Outside of class, the women kept weekly exercise logs and wore pedometers to track activity levels. They also held book discussions, healthy-cooking classes, and a month-long walking contest, "Walktoberfest." Some participants kept a food diary as well.

Regular participants said they made changes in their exercise and nutrition-related behaviors and saw improvements in their family and personal relationships.

Knowledge of participants' lives beyond the group will give program administrators a greater understanding of the relationship between the program and future health outcomes such as quality of life and cancer recurrence.

One participant told the researchers, "I definitely changed the way I eat and where I purchase my food from."

The women even pass the information on, speaking to their friends and family and even giving presentations to church groups and other community organizations.

"These are women who didn't think they could do this themselves," Clark said, "but now they are sharing what they have learned."

BUSINESSLIKE

Clark and King stress that health-care choices are, essentially, high-risk consumer dilemmas.

"Decisions about your health are complex consumer decisions," King said. "Whether or not you choose to participate in the group, your decision has major consequences."

"The factors that affect decisions in business aren't that different than in hospital settings," Clark added. "In this case, the peer group has a strong influence on that decision, actually making it OK to focus on what is good for the individual."

Clark has previously conducted extensive research on team performance, including the effects of leadership, diversity, and culture. King's work focuses on consumer attitudes, risk perceptions, and high-stakes decisions. Both have conducted research in the health-care arena: Clark has examined team coordination in surgical units, and King studied the treatment decisions of breast cancer patients.

For this study, the professors asked the participants why they joined the group, what they hoped to gain from it, how it affected their health, and what other changes they saw in their lives. Their research sought to place the patients' group experiences in a broader context. Few qualitative studies have examined the combined effects of exercise and emotional support on cancer survivorship, especially for such hard-to-reach populations.

"What you get from a qualitative study is that deeper, richer understanding of what goes on in people's lives," Clark said.

That perspective allowed them to suggest ways to enhance the program, which could also be applied to other fitness and support groups across the country. These included both psychosocial aspects, such as how to reach survivors of varying backgrounds and situations, and more prosaic needs, such as additional space for exercise and storage.

Clark and King also stressed the positive health outcomes associated with the program, such as increased compliance with post-treatment care, knowledge of nutrition, and more exercise outside of the group, all of which are essential for long-term survivorship.

These recommendations gained traction with the hospital because they came through the voices of patients and survivors. The group received more fitness equipment and an assistant instructor, more class times were offered, and the hospital is seeking more permanent funding sources.

"The group received a lot of promotion and publicity in the hospital and within the community through our presentation at AICR," Clark said. "It gives more light to this type of program, and makes hospitals more likely to say, 'We should offer a program like that, too.'"

Since October 2008, 43 female cancer survivors have participated in the WCI program. **KN**

WHAT HEALTH-CARE REFORM MEANS FOR SMALL BUSINESS

In the fierce debate over health-care reform, much lip service has been paid to the escalating cost of health insurance. But few are hit harder by rising premiums than small-business owners.

ARTICLE BY
JESSICA GLENN
HALLSTROM

Frequently operating on paper-thin profit margins, many Main Street businesses fight month-to-month simply to make payroll.

“For many of them, offering employees health insurance is simply not a realistic option,” said Dave Kautter, managing director of the Kogod Tax Center. The Center—a research institute focused on the specific needs of small businesses, entrepreneurs, and middle-income taxpayers—has been taking a closer look at the potential impact of the Patient Protection and Affordable Care Act, the massive health-care reform law passed last year.

The Act specifically exempts small businesses with fewer than 50 employees from any employer requirements to provide coverage, simply because the costs would be too burdensome.

Despite ongoing partisan dissent about the legislation, one critical fact remains clear: with small businesses employing half of all US workers and creating two of every three new jobs, millions of Americans will remain uninsured until small businesses can afford the cost of health coverage.

Until costs come down, small-business owners must work within the limits of the current private insurance marketplace, where they are at a major disadvantage. Fewer coverage options and administrative costs make buying health insurance significantly more expensive for small firms. On average, they pay up to 18 percent more in premiums for a similar plan

purchased by a larger employer, according to the White House Council of Economic Advisors.

As a result, those employed by small businesses and their families are far more likely to be uninsured or severely underinsured. The Council of Economic Advisors reports that only 49 percent of small businesses with three to nine employees and 78 percent of small businesses with 10 to 24 employees offered any health insurance plan in 2008.

To help small employers cover the cost of premiums, the Affordable Care Act created a new Small Business Health Care Tax Credit. Starting in 2010, businesses with fewer than 25 full-time workers that pay at least half of their employees’ health insurance premiums are eligible for a credit of up to 35 percent of those costs.

“The credit is designed to help small employers cover the costs of their contributions to employee premiums, which have risen exponentially over the years,” explained Don Williamson, executive director of the Kogod Tax Center. “While it is limited to extremely small employers—those with fewer than 25 employees—it should provide those who qualify with some tax savings as early as this year.”

REAL-WORLD SCENARIOS

To illustrate the full impact of the credit, Williamson and Kautter created three hypothetical business scenarios and determined how each organization would benefit.

“Our examples reveal that this credit can substantially benefit a range of small businesses—from restaurants to professional service firms to charitable nonprofits—that already offer their employees health insurance,” explained Kautter.

“But it’s crucial to note that the bulk of the benefit goes to businesses that are extremely small, with fewer than 10 employees,” Kautter added. “And it does little to help small businesses that cannot yet afford coverage.”

IMPACT

According to estimates from the Congressional Budget Office (CBO), the credit could reduce tax payments for eligible small employers by \$40 billion between 2010 and 2019, and reduce their premiums by 8 percent to 11 percent of payroll.

How much savings the credit will really provide—and whether it actually encourages more small businesses to purchase new coverage or maintain current plans—has not yet been determined. Critics claim the credit is far too limited in scope, and that it does nothing to address the overwhelming burden of rising health-care costs.

Complexity is an issue as well, Williamson said. “It takes a number of painstaking steps to determine what your credit might be,” he explained. “Most small employers, and particularly start-ups, need to devote all their time to keeping their businesses afloat. I’m concerned many won’t take advantage of the credit because of the time and effort needed simply to compute it.”

But if eligible small-business owners can overcome this complexity, Williamson said, “it’s at least a good start to providing very small businesses with some needed tax relief.”

HOW IT WORKS

The Small Business Health Care Tax Credit



UP TO 35%

From 2010 through 2013, qualifying small businesses will receive a tax credit of up to 35 percent of their health insurance costs, as long as they contribute at least 50 percent of the costs of employee premiums.

10 EMPLOYEES LESS THAN \$25,000/YEAR 25 EMPLOYEES RISING TO \$50,000/YEAR

The full credit is available only to employers with 10 or fewer employees, with average annual wages of less than \$25,000; the credit phases out as the business’s payroll grows to 25 workers and wages rise to \$50,000.



UP TO 25%

Tax-exempt small businesses, including nonprofit organizations, meeting the same requirements will receive a credit of up to 25 percent of contributions toward employee premiums.



UP TO 50%

In 2014, the credit rate will increase to 50 percent for eligible small businesses, and 35 percent for nonprofit organizations.



ROCK CREEK CAFÉ
AND BAKERY
WASHINGTON, DC

44

22 FULL-TIME EQUIVALENTS



CHARM CITY INTERACTIVE
GRAPHIC DESIGN
BALTIMORE, MD

44

ALL FULL-TIME



BLUE RIDGE ANIMAL RESCUE
(Nonprofit Organization)
FRONT ROYAL, VA

15

ALL FULL-TIME

EMPLOYEES

\$23,000

PER FULL-TIME EQUIVALENT WORKER

\$25,000

\$18,000

AVERAGE WAGES

\$260,000

\$75,000

\$85,000

HEALTH-CARE COSTS

\$18,200

\$26,250

\$21,250

CREDIT FOR 2010

\$26,000

\$37,500

\$29,750

CREDIT FOR 2014

Note: All organizations represented are fictitious examples.

"IT'S CRUCIAL TO NOTE THAT THE BULK OF THE BENEFIT GOES TO BUSINESSES THAT ARE EXTREMELY SMALL, WITH FEWER THAN 10 EMPLOYEES ... AND IT DOES LITTLE TO HELP SMALL BUSINESSES THAT CANNOT YET AFFORD COVERAGE."

DAVE KAUTTER, MANAGING DIRECTOR, KOGOD TAX CENTER

CHANGES AHEAD

The structure and amount of the credit will remain the same through 2013, but other provisions included in the Affordable Care Act are slated to bring significant changes beginning in 2014.

Health Insurance Exchanges: By 2014, states are required to create health insurance exchanges, new competitive marketplaces designed to provide individuals and families with access to quality coverage options at affordable prices. States must also create Small Business Health Options Program (SHOP) exchanges. These entities are designed to streamline plan choices and increase competitive pressure on insurers to bring prices down.

Small businesses with fewer than 100 employees will be able to purchase health insurance through SHOP exchanges beginning in 2014. For those that do, the amount of the Small Business Health Care Tax Credit will go up to 50 percent of the employer's contribution to health-care premiums, and up to 35 percent for small tax-exempt organizations.

Beginning in 2017, states may begin to allow larger employers with more than 100 employees to purchase insurance through SHOP exchanges. The CBO projects that by 2019 approximately 5 million workers will gain insurance through an exchange.

Shared Responsibility Payments: Also taking effect in 2014 is a provision to impose shared responsibility payments on employers who fail to offer sufficient health coverage to their employees.

Under current law, in 2014 employers with 50 or more employees who do not provide coverage—or whose employees must use public subsidies in order to afford the coverage offered—will face a penalty of \$2,000 per full-time employee (although the penalty does not apply to the first 30 workers in the firm).

Small employers with fewer than 50 employees—which represent nearly 96 percent of all US firms—are not subject to these penalties. "Very small businesses are exempt from these payments," said Kautter. "But we'll need to carefully examine their effect on mid-size businesses. Many of those businesses still struggle to cover the costs of health insurance, and these penalties could restrict their growth and success."

He explained that more changes to the current health reform law could be on the horizon. "As we all witnessed, the debate on health-care reform became an extremely partisan battle. Opponents of the Affordable Care Act are pursuing significant changes—some are even challenging the constitutionality of certain provisions and demanding repeal."

"When it comes to health-care reform, I don't think anyone can predict what the future holds," Kautter continued. "But we're glad that the needs of small employers are receiving some concentrated focus. Small businesses have a tremendous stake in how our health-care system is restructured." **KN**

AGING & HEALTH CARE

AN INTERNATIONAL FINANCE PERSPECTIVE

It's no secret that the world's population is aging.

Within the next decade, it is projected that people over 65 years of age will outnumber children under 5 for the first time in history, according to a United Nations study. Between 2005 and 2030, the number of centenarians across the globe is expected to quadruple. Although increased longevity is a global phenomenon, it is projected to be most pronounced in

developing countries, the result of reductions in infant mortality and infectious diseases. Professor Robin Lumsdaine sat down with *Kogod Now* to highlight the business implications of these trends. Lumsdaine is the Crown Prince of Bahrain Professor of International Finance.

KN: Tell us about the effect that the world's aging population has on financial stability.

Lumsdaine: The demographic outlook is one of the biggest challenges in international finance today. For example, in the aftermath of the recent financial crisis, many countries highlighted pension reform in their discussions of how to ensure financial stability going forward. It's an emotionally charged and difficult issue, as the recent protests in Greece over such proposed reforms show. Even in our country, such changes are politically unpalatable.

From an economic perspective, the changing demographic landscape is especially worrying for countries like the United States, where the increase in health-care costs has far exceeded the overall rate of inflation, as shown in the

graph below. This means that health-care costs are increasing much more rapidly in relative terms than many other prices, including wages. They are becoming a larger piece of the total pie for both individuals and governments, resulting in less being available for other needs.

KN: What does the aging population mean for the US government's outlook?

Lumsdaine: As the proportion of elderly grows, so too do struggles in financing health care, social security, and pension programs. Many of these programs rely on a pay-as-you-go framework, meaning they are funded by contributions from the current working-age population.

The ratio of workers to beneficiaries, however, has fallen from 16 to 1 in the 1950s to just above 3 to 1, and it

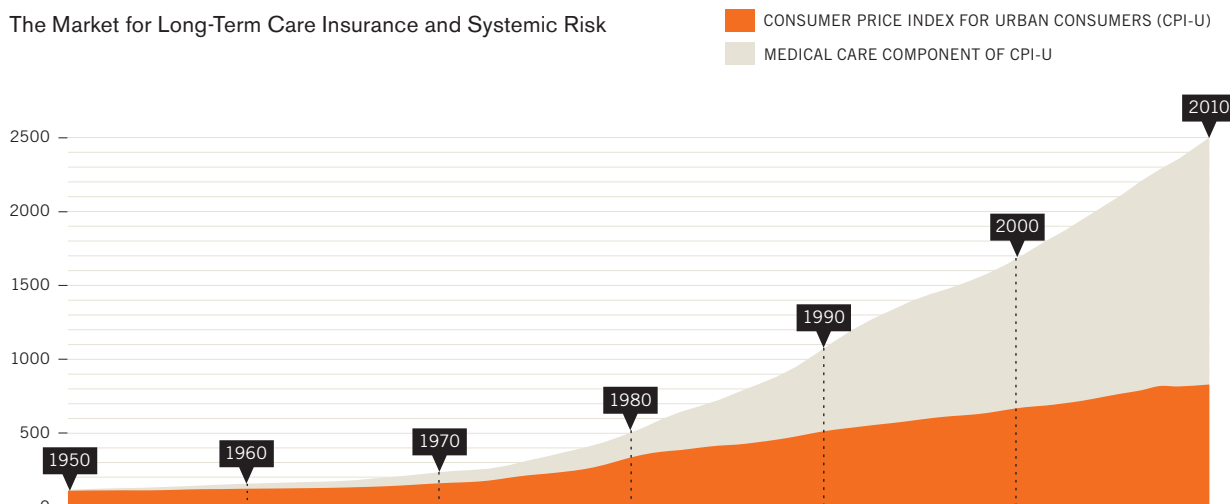
is projected to fall to 2 to 1 in 2031, according to the Social Security Administration (SSA).

As this ratio falls, obligations will continue to grow: the SSA estimated in its *2011 Report to Trustees* that Social Security and Medicare, which currently make up over 8 percent of US GDP, will represent 11.7 percent of GDP in 2035—a nearly 40 percent increase.

KN: How did you become interested in studying the effect of changing demographics on financial stability?

Lumsdaine: As an economics graduate student, I began studying financial aspects that could influence decisions related to aging, such as the role of pensions in retirement decisions—first as a research assistant for two professors, and later in collaboration with them.

The Market for Long-Term Care Insurance and Systemic Risk



Robin L. Lumsdaine. Full report available at www.centerforfinancialstability.org

Eventually, this research led to a series of publications that considered the possible impact of policy changes—such as increasing the social security retirement age—on labor-force participation and retirement.

Subsequently, I was asked by the National Academy of Sciences to write a paper surveying the literature on factors affecting retirement decisions. The initial draft focused solely on financial factors; some of the non-economists in the room suggested non-pecuniary factors also played a role. As a result of that input, my research expanded to include the influence of

nonfinancial factors on economic decisions, such as caregiving responsibilities and perceptions. This in turn led to my applying for—and receiving—two grants from the National Institute on Aging to conduct research in these areas.

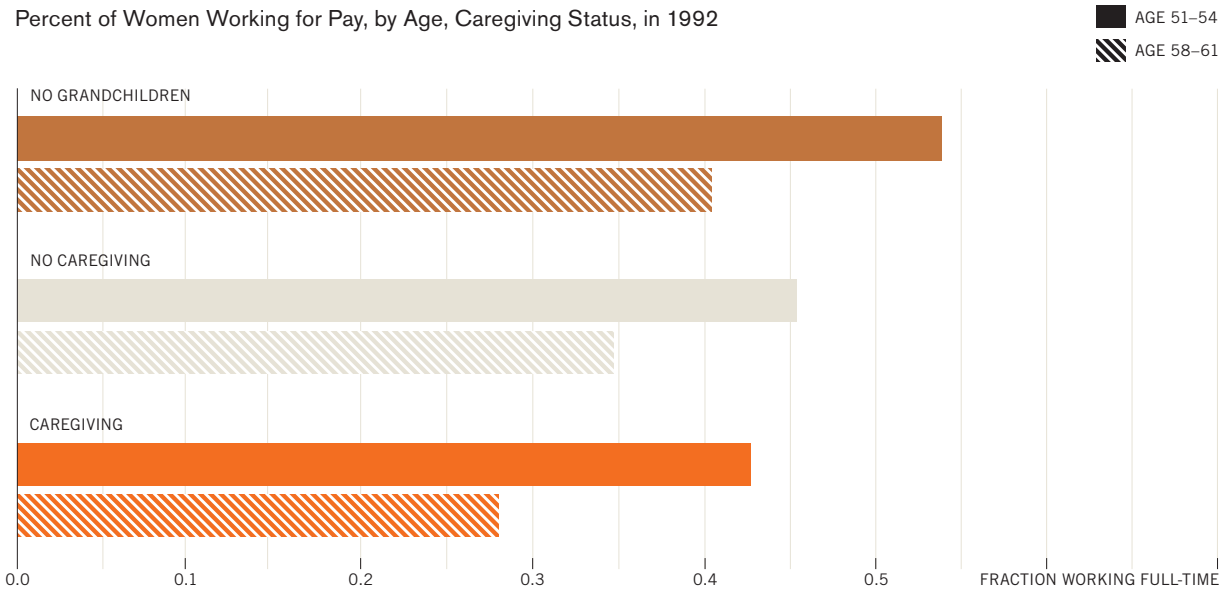
KN: Wasn't your move to Deutsche Bank rather unusual for someone working in aging and health care?

Lumsdaine: The move to Deutsche was related to my research in finance and econometrics—forecasting exchange rates and other financial prices and trading based on my forecasts—and it's

true that when I decided to move one concern I had was that my work on aging/health care would take a back seat. It turned out that as a strategist, I saw firsthand the significance of demographic shifts and how that might influence financial markets.

My role was very client-facing, and I was struck by the impending asset-liability mismatch that pension funds across the globe anticipated as a result of demographic projections. My expertise in aging and health-care issues provided added perspective when discussing financial challenges.

Percent of Women Working for Pay, by Age, Caregiving Status, in 1992



Robin L. Lumsdaine and Stephanie J.C. Vermeer, "The Incentive Effects of Grandchildren" (2011).

There are many ways in which population aging and health-care issues influence the financial markets. Lumsdaine shared a few examples:

- The use of structured derivatives to help banks and insurance companies hedge longevity risk (essentially, the risk that liabilities exceed projections due to people living longer)
- The severe underfunding of many private- and public-sector pension and health-care funds, and the impact of future pension and health-care obligations on firms', as well as state and local governments', balance sheets
- The projected change in asset allocation as the "baby boom" generation retires, and the implications for future equity and bond returns
- People deciding to postpone retirement to make up for losses to their retirement savings
- An increase in retirement of grandparents to instead care for grandchildren and facilitate greater labor-force participation of the middle generation
- A rise in the "discouraged worker" population—for example, those who were laid off and, rather than seek re-employment in a difficult labor-market environment, decide to retire

KN: And then you went to the Federal Reserve?

Lumsdaine: Yes. The firsthand experience I had of the recent financial crisis furthered my interest in the financial implications of the changing demographic landscape, carrying into my current research here at Kogod.

KN: Could you elaborate?

Lumsdaine: For example, there was a spike in retirement of grandparents to [instead of working] care for grandchildren and facilitate greater labor-force participation of the middle generation. My recent research paper, “The Incentive Effects of Grandchildren,” joint with Stephanie Vermeer, examines the interaction of grandparents’ retirement and caregiving decisions.

In our paper, we write: “The recent financial crisis has highlighted the importance of studying the role of grandparents providing care for grandchildren, for example, as a way for households to enable dual earning of the middle generation or to reduce third-party child-care costs.”

A lot of research exists on the impact on work of caregiving responsibilities for children or elderly parents or disabled spouses, but in those cases it is difficult to determine causality. Do caregivers become caregivers because they have flexible jobs? Or do they take flexible jobs because they need to be caregivers? Often the caregiving and work decisions occur simultaneously. In addition, concerns over access to health insurance can sometimes force potential caregivers to stay in the labor force and arrange for third-party care so that the true effect [in the absence of the health insurance constraint] is hard to measure.

But with retirement-age grandparents who are already working, that difficulty shrinks. Grandparents cannot directly control the timing of the arrival of grandchildren. We can therefore evaluate the effect on labor-force attachment

in response to the birth of a grandchild. And because grandparents’ health insurance plans often do not extend to their grandchildren, that external effect is absent. Our research provides a fresh perspective on the tradeoff between work and caregiving.

As another example, I put out a piece earlier this year through the Center for Financial Stability, where I am a senior fellow in international finance. The piece addresses MetLife’s decision to exit the long-term care insurance market despite growing demand for such insurance, arguing that systemic risk considerations in the form of new capital requirements and financial regulation could discourage participation by some of the largest insurance providers, dealing a destabilizing blow to the viability of this important market. Although we’ve seen both health-care and financial regulation reform in recent years, the debates surrounding them have been largely separate and there has been little attention paid to the potential implications of one for the other.

KN: What spurred your recent interest in behavioral finance and the role of literacy in economic decisions?

Lumsdaine: In part it was the recent financial crisis; many investors didn’t understand the financial products they invested in and, hence, made bad decisions based on that lack of understanding. And these literacy concerns are not only relevant in the financial markets—an analogous situation exists with respect to health care, where lack of information or understanding can result in bad health-care decisions.

I have a recent paper that demonstrates how the way people understand and interpret information affects their assessments of their own health. Such assessments can, in turn, affect the decisions they make. That research, joint with Anneke Exterkate, considers the order (“sequencing”) and wording (“framing”) of survey questions regarding

people’s perceptions of their own health. We found that individuals’ assessments of their health may be influenced by the questions that precede their assessment. We also found that we could better predict future major health events (such as the probability of a heart attack or stroke) by considering the respondents’ understanding of such assessment questions.

We used the Survey of Health and Retirement in Europe (SHARE), in which participants were twice asked a question about how they perceived their health on a scale of 1 to 5; the two questions had slightly different wording, and which question individuals received first was determined randomly. By taking into account which question was asked first when analyzing the responses, we found we could better predict future health outcomes of these individuals, even after controlling for a variety of factors such as smoking, obesity, age, and education. Our results emphasize that studies that use survey data may need to adjust for framing and sequencing effects when analyzing such data. **KN**

GOVERNMENT 2.0

IMPLEMENTATION GUIDELINES FOR AN OPEN, COLLABORATIVE GOVERNMENT

Imagine a responsive and transparent government: one that tells citizens what they want to hear—and what they don't.

Public information about our government has come a long way since 1690, when the first American newspaper, *Publick Occurrences*, was shut down for being printed without the government's authority. In the modern era, a picture of the president's birth certificate is made available on the Internet. Tell-all books are written by or about current and former politicians, and public servants' salaries are made, well, public.

This shift in expectations prompted President Obama to issue a call for increased openness in government when he took office in January 2009. He instructed each federal agency to formulate its own path to an open government by addressing three tenets: transparency, participation, and collaboration.

Associate Professor Gwanhoo Lee believes that agencies can accomplish the three principles outlined in Obama's Open Government Directive by sharing data and encouraging public engagement. As the director of Kogod's Center for IT and the Global Economy, Lee's work focuses on the intersection of the public and private sectors. He's studied the pharmaceutical giant Pfizer and its use of collaborative technology, and has also worked with IT executives at the American Red Cross, AMTRAK, CSC, and Marriott.

In response to the president's call, Lee used his field observations to create a common framework that government agencies can apply to meet the open government goal. Along with a research partner, Young Hoon Kwak, he devised a four-stage implementation model that can be applied at federal, state, and local levels of government.

Lee's desire to create the model emerged from his interest in social media and how it can be used to foster interaction among groups. He proposes that government agencies can enhance both internal functionality and external relations by using social media and web tools effectively, as laid out in the plan.

"Why not use technology to engage citizens?" Lee asked. "The idea is to create an ongoing conversation where input and feedback are part of the policy-making and governing process."

To illustrate their conceptual framework, *An Open Government Implementation Model: Moving*

to Increased Public Engagement, Lee and Kwak examined four operating divisions within the Department of Health and Human Services (HHS) in case studies. This research was funded by IBM and published in IBM's Center for The Business of Government's "Using Technology" series.

HOW IT WORKS

Lee's model asserts that technology is changing the way government *can* operate and public expectations about the way it *should* operate.

To meet these emerging expectations, and to overcome a lack of infrastructure and a resistance to cultural change, the model lays out a logical roadmap in four stages. Each implementation stage outlines the focus, deliverables, benefits, challenges, best practices, and metrics that will bring about collaboration—not only between agencies, but also with the public and the private sector.

STAGE ONE revolves around increasing data transparency by publishing and actively sharing relevant data. The two important tasks during this phase will be identifying high-value, high-impact data for the public and improving and assuring data quality in terms of accuracy, consistency, and timeliness. This will help the public to better understand what the government does and how it does it, and to hold it accountable.

STAGE TWO facilitates open participation by making additional forms of online content available to the public. This includes anecdotes, stories, conversations, ideas, and public comments. The goal is to increase ongoing, community-based dialogue, improve the public's sense of community with government agencies, deliver real-time, diverse feedback, and reduce time and cost for innovation—thus leading to more innovation.

STAGE THREE focuses on enhancing open collaboration by fostering engagement among government agencies, the public, and the private sector. "Open collaboration produces synergistic effects of multiple collaborating parties and results in time/cost savings, higher quality, and more innovation for government services and policy/rule making," Lee noted.

ARTICLE BY
ANNA MIARS

STAGE ONE

Increase data transparency by publishing and actively sharing relevant data.

STAGE TWO

Facilitate open participation by making additional forms of online content available to the public.

STAGE FOUR elevates the three principles to the highest level. Two goals define the purpose of this stage. First, public engagement becomes easier and more accessible through mobile devices and applications on those devices. Second, public engagement methods and tools are seamlessly integrated within and across government agencies to allow consistency and easy navigation.

“WHY NOT USE TECHNOLOGY TO ENGAGE CITIZENS? THE IDEA IS TO CREATE AN ONGOING CONVERSATION WHERE INPUT AND FEEDBACK ARE PART OF THE POLICY-MAKING AND GOVERNING PROCESS.”

GWANHOO LEE, ASSOCIATE PROFESSOR

“PATIENT” CASES

To analyze real-world open government initiatives within the context of his model, Lee conducted several case studies and found that the agencies surveyed are leading the way in implementing the directive.

Transparency: The Centers for Medicare and Medicaid Services (CMS) launched a dashboard on its website in April 2010 to eliminate barriers to accessing data, and to allow the public to visualize Medicare spending. Members of the public are now able to retrieve important information about Medicare services from the last five years. According to Lee, CMS is well on its way to achieving the transparency required by Obama’s directive.

Transparency: In June 2009, the Food and Drug Administration launched its Transparency Initiative. A web-based resource, FDA Basics, was made public in January 2010; it includes videos and Q&A, and gives users the option to rate the helpfulness of the content. A recent YouTube video clip featured commissioner Margaret Hamburg telling industry practitioners how they can determine whether the FDA regulates their company products. Through the end of 2011, the FDA is striving to make information related to its decision-making process more understandable and useful to the public.

Open Participation: The Department of Health and Human Services’ Open Government Portal, a stand-alone website launched in February 2010, strives to actively engage the public in discussion, comment, and feedback. Interactive data sets, tools, and online forums offer a customizable, one-stop experience. HHS is at stage two, as described by Lee’s model—meaning that it has not yet introduced open collaboration, but has laid the foundation.

Open Collaboration: The Community Health Data Initiative launched by the Institute of Medicine helps consumers and communities by making available extensive stores of health-related data. The purpose of the initiative is to provide data that can be used to create web applications to raise awareness of community health performance, as well as increase pressure on policy makers.

Although Lee’s model includes a fourth stage, dubbed “ubiquitous engagement,” he has not yet found an example of a government agency that achieved this state.

UP TO SPEED

Historically, government has lagged behind the private sector when it comes to innovation and willingness to take risks. Although some technological breakthroughs, such as the Internet and Global Positioning System (GPS), came out of government projects, the private sector, by and large, has led the way to innovation.

But social media and other web tools have made possible new forms of communication between parties that were not previously conversant. Interactive content that cultivates meaningful engagement is now becoming the standard. “Many organizations in the public and private sectors are leveraging social media to transform the way they work, collaborate, and innovate,” Lee wrote.

By focusing on incremental initiatives, Lee’s model introduces government agencies to social media in a gradual, structured way. This approach will ease challenges related to organizational learning and budgetary limitations. Barriers to adoption will be minimized, permitting maximum

STAGE THREE

Enhance open collaboration by fostering engagement among government agencies, the public, and the private sector.

STAGE FOUR

Elevate the three principles to the highest level.

assimilation without overburdening government employees or overwhelming the public.

“The model will allow federal agencies to be more innovative and productive at the same time,” Lee said.

CHALLENGES TO IMPLEMENTATION

Despite the undeniable benefits, the implementation will be a slow and sometimes arduous process. The list of challenges is long. An International Data Corporation (IDC) study found that the top challenges government agencies face include security, HR constraints, technical expertise, and budgetary constraints.

Lee and Kwak expand on the findings of the IDC study, grouping challenges into three categories—of which organizational challenges is the largest. The federal government’s current 18-month budgeting cycle, for example, makes it difficult to make quick decisions, alter plans, or plan long term. “Without sufficient funding and dedicated personnel,” Lee said, “government agencies will find it challenging to develop and sustain new public engagement tools and programs.”

Changing organizational culture, or the behavior and mindset of employees, is another hurdle. “Millennials are comfortable using social media and other web tools,” Lee observed. “Senior leadership is more hesitant and often less familiar, and views these efforts as risky.”

Other challenges include ensuring that data is accurate, consistent, timely, usable, and useful, and maintaining the right balance between control and autonomy in public engagement. In addition, increasing public interest and engagement will require the ongoing commitment and support of employees at every level.

Finally, accountability and responsibility are important for open collaboration. “The increased complexity that comes with the involvement of collaborators means that agencies need to identify effective coordination mechanisms and processes for collaborative projects,” Lee wrote.

In the other two categories, technology challenges include improving information infrastructure,

“OPEN COLLABORATION PRODUCES SYNERGISTIC EFFECTS OF MULTIPLE COLLABORATING PARTIES AND RESULTS IN TIME/COST SAVINGS, HIGHER QUALITY, AND MORE INNOVATION FOR GOVERNMENT SERVICES AND POLICY/RULE MAKING.”

GWANHOO LEE, ASSOCIATE PROFESSOR

enhancing privacy and information security, and integrating open government tools and applications.

A government-wide challenge will be to update federal policies and rules to facilitate the use of social media. A report issued by the US Government Accountability Office in 2010 details policy-related issues that are incompatible with social media use.

Lee cautions that agencies will need to avoid stretching themselves too thin by implementing hastily.

“Agencies should carefully think through various aspects of leadership, technology, policy, governance, and culture before they launch multiple open government initiatives,” he said.

As federal agencies work toward meeting the tenets of the Open Government Directive, they will have to re-evaluate frequently and make ongoing adjustments to fully harness social media and web tools. Flexibility and resolve will be essential during the process and beyond. Using Lee’s model, however, the government has an opportunity to move ahead in an area where it has historically trailed behind the private sector. **KN**

MAKING OVER MUMBAI

During the 2008 US presidential elections, Dhruv Sarin, BSBA '12, watched young American voters mobilize. A native of Mumbai, Sarin saw that there was a gap in the level of political engagement between youth in India and youth in the United States.

That same year, terrorists bombed Mumbai's Taj Mahal Palace—located directly across from the Gateway of India, where this photo was taken. After the attacks, Indian youth took to the streets to protest the Indian government's corruption and lack of organization.

"However, within a few months they went back to their apathetic ways," Sarin explained. "This showed that Indian youth are interested in the future of their country and are willing to be active, if they are presented with a catalyst."

That's why he founded Know Your Vote, a grassroots and nonpartisan organization dedicated to stimulating political awareness among Indian youth. Its mission includes an awareness campaign ("knowthis") and establishing local chapters at schools and colleges across Mumbai. A grant from Ashoka's Youth Venture, a youth-for-change organization, allowed Sarin to launch Know Your Vote last summer.

KNOWTHIS #18

DURING STATE ELECTIONS IN APRIL AND MAY 2011, AN ESTIMATED **\$750 MILLION** IN BRIBES WAS PAID TO VOTERS IN FIVE INDIAN STATES.

Photographer: Kuni Takahashi





PHARMA STUDIES ABROAD

Steel, glass, and concrete rise from the ground as far as the eye can see. Lush landscaping replete with fountains surrounds modern buildings, sleek and glinting in the sun. First-class gyms, food courts, and state-of-the-art facilities beckon with the promise of crisp air conditioning.

ARTICLE BY
ANNA MIARS

Welcome to Bangalore, the Silicon Valley of India. Here technology companies such as Motorola and General Electric have established extensive, cutting-edge research and development (R&D) centers to capitalize on the innovative possibilities in the low-cost, high-talent country.

It's a trend Professor Tomasz Mroczkowski knows well. Mroczkowski's most recent research focuses on the intersection of scientific innovation and business in the global economy, with a specific focus on emerging markets. His conclusions are presented in his new book, which became available worldwide in July.

Knowledge economics, a major theme in Mroczkowski's work, describes the transition from capitalist revolution to innovation revolution. He asserts that knowledge resources are as critical as other economic resources and predicts a new structure where information assets, not just financial assets, will determine global power players.

Pharmaceutical giants Pfizer and Eli Lilly are among those knowledge-based companies that practice offshoring—moving R&D abroad, where talent and capabilities are available en masse.

"Emerging markets *can* accelerate progress, and they *are*," Mroczkowski said. "Their resources and lower costs within a culture of efficiency make them attractive destinations for drug research and development."

The practice has resulted in dense clusters of multinational, high-tech R&D centers in Asia and South America. In China alone, more than 100 separate tech parks are located across the country. Just outside Shanghai, Zhangjiang Hi-Tech Park, housing biomedicine and information technology firms, covers close to 10 square miles.

These transitional countries are the new players in what Mroczkowski refers to as the global knowledge economy.

"Countries like China, India, and Brazil have skilled manpower, big infrastructure, and huge markets," he said. "Everyone has stopped limiting themselves to playing in only one sandbox: the West."

While the BRIC countries—Brazil, Russia, India, and China—get the most attention in the emerging markets realm, Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa (CIVETS) are also getting closer looks.

"Within three years, for the first time, the economic firepower of emerging markets will overtake the developed world," HSBC CEO Michael Geoghegan recently told Reuters.

The dense populations of some emerging markets also offer ideal locations for clinical drug trials, both in cost and in test subjects: Americans are less willing to participate and often take a host of other medications that could impact results, making ideal drug trial participants hard to find in the US.

THE PHARMA IMPACT

Singapore, Korea, and Taiwan, despite their relatively small populations, have emerged as top destinations for R&D relocation and have been the focus of Mroczkowski's research.

These markets hope to jump-start their own technology sectors by initially playing host to Western companies. Neither party seeks to exploit the other, but instead to mutually benefit from combining top scientists and top equipment to enhance productivity.

"As these countries have emerged and made more money, they have more money to invest in their own R&D," Mroczkowski explained. "Everybody wins."

Globalization is unfolding faster than the Industrial Revolution of the late 18th and early 19th centuries. Simply put, businesses—pharmaceutical or otherwise—stand to gain from disaggregation and global distribution, particularly when third parties are involved.

While competitive success is a key driving force behind innovation, collaboration is also essential.

"It's safer to contract out and diversify risk," Mroczkowski said. "It allows biotech companies to take more chances and better absorb failures when costs are shared."

This is especially true in pharmaceuticals, he added, where there is a high prospect of failure. "Most drug candidates simply don't work."

CLOSING THE INNOVATION GAP

Only since 2005, according to Mroczkowski, have non-Western nations entered the scene as serious players in the R&D arena—starting with India's signing of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), a comprehensive accord between all members of the World

“EMERGING MARKETS’ RESOURCES AND LOWER COSTS ... MAKE THEM ATTRACTIVE DESTINATIONS FOR DRUG RESEARCH AND DEVELOPMENT.”

TOMASZ MROCKOWSKI, PROFESSOR

Trade Organization regarding intellectual property and the enforcement of intellectual property rights.

Previously conducted mainly in the US, Germany, and the United Kingdom in the company labs of pharmaceutical companies, R&D was not only very expensive but also lacked the intensity of competition necessary to compel the type of innovation that becomes possible in a global system, according to Mroczkowski. Indeed, Germany, once known as the “Pharmacy of the World,” has now lost some of its innovative power. But make no mistake: the advantage of Western countries is still great.

Nevertheless, by reading the tea leaves, Mroczkowski can point confidently to a global shift. He strongly believes that leading Asian economies like Korea are moving toward “qualitative parity,” meaning that they are producing R&D of the same quality as established economies in the West.

CASE STUDIES

R&D offshoring can come at a price, however. Wrenching change in the form of job losses has been felt at pharmaceutical companies around the globe.

Pfizer, the world’s largest drug maker, has plans to close its biggest antibiotics R&D facility in the UK within the next two years, Mroczkowski said.

But now, discoveries can be made anywhere that good science and infrastructure is present; creativity isn’t isolated to the Western hemisphere.

“In-house labs tend to be bureaucratic and risk-averse,” Mroczkowski explained. “Innovation potential can be much lower and new skill sets are hard to come by in some established labs.”

The story is the same at Eli Lilly and Co., out of Indianapolis. The world’s 10th largest pharmaceutical company has laid off hundreds of employees to relocate sections of its workforce abroad.

GENESIS OF RESEARCH

Mroczkowski became interested in the inner workings of the biotech industry six years ago. With a colleague, he studied Maryland’s I-270 corridor, one of the top five high-tech clusters in the United States. He was curious about how scientists become entrepreneurs, and about the specific management

issues associated with the industry at large. On a small scale, he says, the I-270 corridor is a version of an emerging market.

“Access to exceptional talent and economic opportunity are the corridor’s signature strengths. These strengths are intertwined and self-reinforcing,” according to the Montgomery County Planning Department Research & Technology Center.

The cycle of investment leading to greater quality of life, which leads to further investment, is the same pattern that is playing out in the BRIC and CIVET countries today.

For his book, Mroczkowski traveled to China, India, Korea, and Singapore, meeting with people in the industry and policy makers to gather lessons and insights. The book, which became available in summer 2011, also features profiles of companies to watch. In June, he was a speaker at the National Conference on Innovation Policy in Warsaw alongside Polish president Bronislaw Komorowski.

During the fall 2011 semester, Mroczkowski will work with the Fraunhofer Innovation Institute, a leading German think tank in Karlsruhe, on a Fulbright award. He will research the European innovation gap, specifically Germany’s role in the global R&D shift.

FUTURE FORECAST

Despite a considerable increase in offshoring in recent years that is projected to continue, Mroczkowski is hesitant to speak to the long-term outcomes of this practice. “We don’t yet know how things will play out,” he said. “There is no guarantee these new strategies of global partnering will always work, but companies are trying them out on a big scale.”

A new system of global R&D is taking shape. How it will affect the United States and other Western countries remains to be seen, Mroczkowski said. “All we know is the West no longer has a monopoly on the pharmaceutical industry.” **KN**

Tomasz Mroczkowski is the author of *The New Players in Life Science Innovation: Best Practices in R&D From Around the World*.

MBA AT CENTER OF DEMAND

They're everywhere: tucked in the back of medicine cabinets, under sinks, at the bottom of purses and backpacks. They squelch headaches, allergies, or indigestion, and ease complications of diabetes, heart disease, HIV/AIDS, or cancer.

ARTICLE BY
LINDSEY ANDERSON

More than 3.6 billion drug prescriptions were filled in the United States in 2009, not to mention over-the-counter pills, syrups, drops, and sprays, according to the Kaiser Foundation.

Each of those drugs takes about \$1.3 billion and 15 years to develop, according to the Tufts Center for the Study of Drug Development (Tufts CSDD). Those 15 years include multiple phases of pre-clinical testing in laboratories focused on in vitro and in vivo studies, followed by human clinical trials and an FDA review and approval process. Plus, there's more post-approval testing.

The rising cost of drug development, along with capacity constraints and increased regulation, is prompting the once vertically integrated pharmaceutical industry to evolve.

"A LOT OF THE CONVERSATION IN BUSINESS SCHOOL IS ABOUT MAKING MONEY TO MAKE MONEY ... I BELIEVE DOING GOOD AND MAKING MONEY ARE NOT MUTUALLY EXCLUSIVE. YOU CAN TARGET SUCH GROWTH AND STILL GIVE BACK TO THE COMMUNITY."

VANESSA LEE, MBA '12

Vanessa Lee, MBA '12, knows these changes firsthand. Lee is a business development specialist at Technical Resources International Inc. (TRI), which provides health and communications services for pharmaceutical and biotechnology companies, as well as for the US federal health sector.

"Organizations are facing resource challenges," she said. "Pharmaceutical organizations are consolidating; technology is changing—all within the context of a highly regulated industry."

At TRI, Lee manages client relationships, assesses industry needs, writes proposals, identifies and captures prospective strategic opportunities,

and occasionally creates strategies for clinical trial recruitment or uses her native Spanish skills.

She even applies her knowledge of the industry to her work in the classroom. Her final paper for her "IT Tools for Managers" course required the students to apply a technological application to a current company, determining how the technology would impact the company's bottom line and its strategic planning.

Lee and her team wrote their paper on the integration of cloud medical imaging technology within the health sector—which allows hospitals and doctors' offices to store their medical imaging data on a computer network as opposed to computer hardware.

"Now, I am receiving invitations to conferences for cloud training and cloud sensibility within a biotechnology framework," Lee said. "I'm happy to have the background understanding from my MBA coursework here at Kogod."

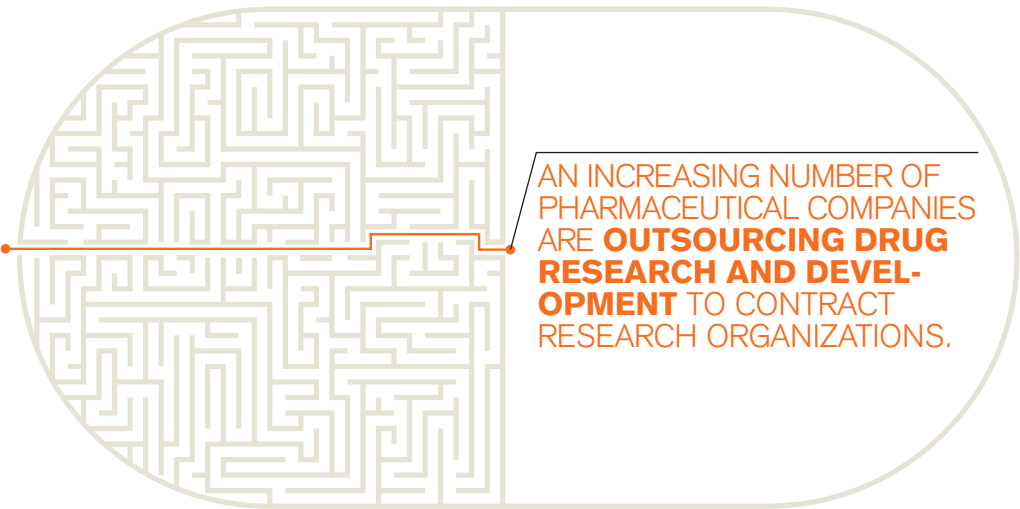
GAME CHANGER

To fight costs, reduce development time, and increase efficiency, an increasing number of pharmaceutical companies are outsourcing drug research and development to contract research organizations (CROs) like TRI.

The demand for CROs has grown more than 15 percent each year since 2001, according to a 2006 Tufts CSDD report. The Association of Clinical Research Organizations estimates that the industry brought in \$20 billion in revenue in 2010.

Companies turn to CROs for such services as site monitoring, site recruitment, medical writing, regulatory services, data management, biostatistical analysis, and safety and pharmacovigilance. In return, the companies generally glean faster trial completion times and a higher probability of staying on schedule.

If a company needs help polishing a federal report on clinical trials for a new drug, monitoring



AN INCREASING NUMBER OF PHARMACEUTICAL COMPANIES ARE **OUTSOURCING DRUG RESEARCH AND DEVELOPMENT** TO CONTRACT RESEARCH ORGANIZATIONS.

safety and health conditions on site, or recruiting trial participants, it is a CRO that steps up to the plate. Bethesda-based TRI provides such services to government agencies, the private sector, and nonprofit organizations.

“Pharmaceutical organizations originally carried out drug development in-house,” Lee said. “But now they are contracting out with CROs and outsourcing services, like patient recruitment for clinical trials.”

Recruiting patients to participate in clinical trials is one of the biggest challenges the pharmaceutical industry faces in terms of cost and efficiency. Without patients to test products, drugs cannot move forward. With complex protocols and a rising number of median procedures per clinical trial, many patients who do volunteer are dissuaded from staying through to completion. The result is a bottleneck.

The number of US clinical trials jumped from 40,000 to 59,000 between 2000 and 2006, according to the American Association for the Advancement of Science. That means that in 2005, 19.8 million participants were needed to fill industry-sponsored trials, up from 2.8 million in 1999.

In order to fill those trial slots, recruitment is key. Which, of course, means that marketing is key.

“If you live in the DC area and listen to [radio station] 99.5 FM, for example, you will hear advertisements recruiting clinical trial participants. You’ll see out-of-home placements in the Metro as well,” Lee said.

BUILDING A NETWORK

Lee also is a certified Spanish/English translator for the National Institute of Allergy and Infectious Diseases’ Division of AIDS, translating informed consent documents when needed for the division’s sites that are conducting clinical trials.

The documents outline participants’ rights, giving them a synopsis of the clinical trial, its purpose, possible risks and benefits, the treatment procedure and schedule, and so forth.

In addition, part of her job requires maintaining relationships with current and prospective clients. As a service provider, it is essential that TRI continuously evaluate, alter, and expand its service offerings.

Lee studies the market, determining what clients *really* do and what they *really* need, services that TRI can offer.

“When I attend industry conferences, I don’t sit at a booth,” she said. “That’s not necessarily the best investment of time and resources. A PowerPoint and dog-and-pony show can sometimes be off-putting. You want to interact with people and talk with them about their current challenges.”

Some of her colleagues will be attending an important conference later this year, so Lee is prepping them on TRI’s capabilities and which companies to approach.

And when TRI is looking to offer a new service or launch an initiative, she will sometimes sit down with company members to unlock the internal talent to support those projects.

CLINICAL TRIAL WONK

Lee worked with TRI in between semesters while studying philosophy and Spanish at New York University.

Upon graduating from NYU, she worked in New York with Mediacom and its sister agency, Winglatino, developing and implementing media strategies to market products such as Eli Lilly’s diabetes medication Byetta, osteoporosis medication Evista, and erectile dysfunction drug Cialis.

Two years later, she took her experience marketing FDA-approved drugs and returned to TRI, a minority-owned company started in 1979 by her late father, Anthony Lee, MBA ’75.

“A lot of the conversation in business school is about making money to make money, about high profit margins and corporate growth,” Lee said. “I believe doing good and making money are not mutually exclusive. You can target such growth and still give back to the community.” **KN**

MANAGING CREAT

ARTICLE BY
AMY BURROUGHS

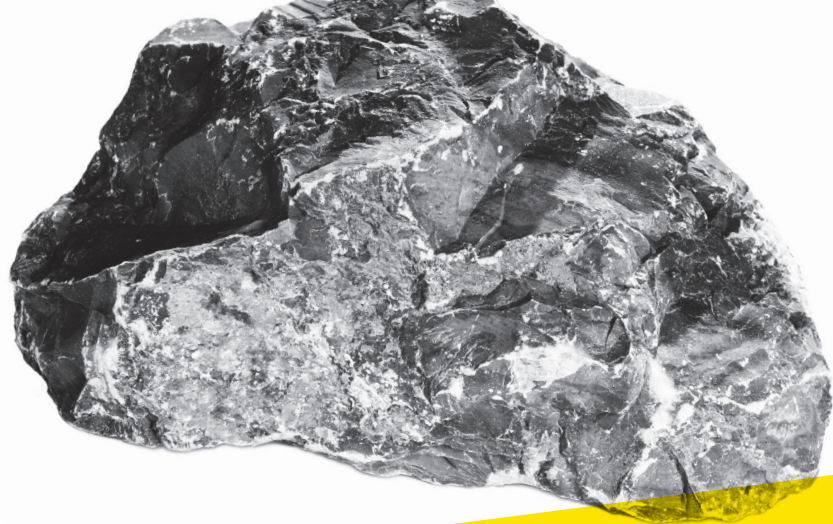
Necessity may be the mother of invention, to paraphrase Plato, but it's not a sure route to innovation.

Many companies get along fine by doing exactly what they have always done—using the same people, the same ideas, the same tried-and-true approaches.

The question is, how long can those companies stay competitive? They may survive without innovating, but can they thrive?

Many business observers don't think so. Employee creativity and organizational innovation are increasingly recognized as key factors separating the companies that soar from those that plummet. There's even a scholarly journal, *Creativity and Innovation Management*, dedicated to the concept. While not every company can be the next Apple—consistently ranked as *Bloomberg Businessweek*'s top innovator—there are steps managers can take to encourage novelty, experimentation, and risk (the good kind).

Kogod faculty are researching exactly how managers help and hinder innovation. What they have learned might surprise you.



TIVELY



CREATING CONFLICT ON PURPOSE

Assistant Professor Robert Edgell is also co-founder of Ameursian, a management consulting firm that helps organizations improve creativity and social responsibility.

Edgell traces his interest in creativity to his early career as an architect, when he observed the conflicts that arose in the process of building design. He noticed that, while some disagreements caused trouble, others led to a positive outcome. Curious about what accounted for the difference, Edgell began considering the nature of conflict, eventually leading to his doctoral dissertation examining the ways individual differences affect organizational outcomes.

“PEOPLE TEND TO REALLY BLOSSOM WHEN YOU TRUST THEM, BUT THEY STILL HAVE ENOUGH DIRECTION TO KNOW THEY WILL SUCCEED.”

ELAINE KENNEDY, MBA '95
FOUNDER AND MANAGING DIRECTOR, DIVENTA CONSULTING

What Edgell found is that “conflict” isn’t a dirty word. That goes against the grain of what most business students learn in school, he said.

“Part of the problem is we’re taught that we should not engage in trying to create conflict; we should try to smooth everything out and not have conflict because ‘I want to optimize my profit,’” Edgell noted. But if you eliminate all conflict, you also get rid of the tension that generates new outcomes.

To boost creative thinking, one of the smartest approaches managers can take is to recognize that conflict comes in different stripes. Edgell even suggests that managers encourage conflict—no matter how counterintuitive that may seem. The key is encouraging the right kind of debate, not the kind that leaves your team retreating to separate corners in a huff.

“Everyone knows conflict is a weird thing, and sometimes you have to go a little bit deeper to understand it,” Edgell said. He explains that two types of conflict are unproductive, while a third type is beneficial.

In Relationship Conflict, Worker A doesn’t like something intrinsic about Worker B. Maybe Worker A bristles at women or Yankees fans or redheads. It’s the knee-jerk “I look at you, and I just don’t like you” kind of reaction.

Process Conflict occurs when Workers A and B disagree about how the group should be structured. Both want to be in charge, so they bicker—or worse—over how they will function together.

Leaders should minimize those conflicts in favor of the third, and potentially fruitful, kind: Task Conflict. Here, conflict arises from differing ideas about the content of what the group is trying to achieve.

“The research is pretty clear: If you are engaging in conflict about task or content, you’ll probably have a much better outcome, especially if you can minimize the other two,” Edgell said.

His research shows that the best way to lower “bad” conflict is to make sure everyone on the team has similar values—beliefs about what they consider important. “You want diversity in expertise and background and personality ... but where you don’t want diversity is in values.”

DIVERSE THINKING

As important as it is to create a team with shared values, it’s equally important that your team members do not approach problem solving homogeneously.

To explain, Edgell uses the example of handing someone a brick and asking how much it weighs. A convergent thinker will narrow down the possibilities to just one answer. Now suppose you give someone a brick and say, “Tell me all the uses for this brick that you can think of”: that’s divergent thinking. The most creative teams, Edgell argued, are those in which divergent and convergent thinkers are equally represented.

For an organizational leader seeking to boost innovation, Edgell said the first move should be to examine the makeup of his or her senior management team.

But fixing any imbalance can be easier said than done. Typically, a team already is in place without the desired mix of traits, since “thinking style” has little to do with the reasons people ascend to the top ranks.

“That’s why if I said to you, ‘I’ve analyzed your senior management team, and they’re all convergent thinkers, and that’s your problem,’ what are you going to do about this?” Edgell said. “It’s a difficult situation because that’s not how we move people into those positions.”

A manager can nudge staff in the right direction by trying to understand individuals’ cognitive styles and, if needed, diversifying the team with new members.

Edgell’s finding about “different, but good” thinking styles rings true to Elaine Kennedy, who earned her MBA from Kogod in 1995. She is now the founder and managing director of Diventa Consulting in Washington, DC, which provides strategic planning, business development, and marketing services.

Kennedy, a self-described convergent thinker, said she once struggled mightily with a divergent colleague. But over time, she learned that their combination of talents yielded a better result. As a manager, she now deliberately pairs employees with disparate skill sets.

“If you put divergent thinkers into very goal-oriented, time-sensitive projects, that can often be a disaster because their minds are thinking of all the different permutations,” she explained. “But when I would couple someone who thinks like that with someone with my skill set, we would usually come up with amazing solutions and it was a great collaboration.”

That also echoes Edgell’s observations about conflict, she noted: instead of avoiding the friction that arises from distinct personalities, use it to the company’s advantage.

ONE SIZE DOES NOT FIT ALL

Assistant Professor Xiaomeng Zhang also studies creativity, particularly how it relates to leadership and employee motivation. She defines creativity as the generation of novel, useful ideas for products, services, methods, and processes.

“Employee creativity often provides a starting point for organizational innovation and is essential for effectiveness and success,” she said.

Zhang points out that playing to individual strengths is a valuable leadership skill.

“To promote creativity from employees, it is important for managers to make sure they assign the right task to the right employee. That is, task-intrinsic motivation is key to the creative outcome,” she said. “If someone is not interested in the task, it’s almost impossible for him or her to generate very creative outcomes.”

Delegating, or empowering employees to make decisions, is one way to increase their engagement and creative output, Zhang added.

Handing over responsibility was initially a challenge for Kennedy. Like many leaders, she found it tough to trust the work would get done to her satisfaction. But learning how to do so has been a great change for her staff, she said.

“Early in my career, I didn’t delegate that much. I would find one or two people that I really trusted and who, in all honesty, probably thought a lot like me. What happens is you get limited results,” she said. Her right-hand people were happy, but the rest of her team felt underutilized.

Kennedy found ways to delegate within her comfort zone: if a task must be done a certain way, she is more prescriptive. But if there’s room for improvisation, she gives employees the goals, timelines, and key considerations and lets them figure out how to execute. Frequent check-ins ensure that the project stays on target.

“People tend to really blossom when you trust them,” she said, “but they still have enough direction to know they will succeed.”

PROFIT OR POTENTIAL?

Managers also create barriers to creativity when they emphasize profit to the exclusion of everything else, according to Edgell. When that’s the only measure for judging performance, employees have no incentive to flex their creative muscles on innovations that don’t hit the bottom line. Managers also err in using monetary rewards to motivate employees, he said.

“Research shows that extrinsic awards, such as bonuses, discourage innovative thinking, so you’re actually shooting yourself in the foot [if you use them],” Edgell added.

According to Zhang, if managers want to foster innovation, they should recognize employees who generate creative ideas. If managers focus only on results and ignore the process, they may actually discourage bold, novel thinking. In other words, when employees believe every idea has to be practical, they shut down the no-holds-barred brainstorming that delivers truly creative gems.

“It is important to get some crazy and very creative ideas first, generate as many alternatives as possible, then narrow down to the ideas that have both creative elements and practical elements,” Zhang said.

But, she added, managers also must overtly communicate that employees’ efforts are safe and supported.

“A safe environment means if someone failed because she or he tried some creative approaches, the employee will not be punished and then discouraged from engaging in the creative process in the future,” she cautioned.

Company culture goes a long way when it comes to comfort with creativity, Kennedy said. In a risk-averse culture, managers may have to work extra hard to convey that creativity is valued. She also points out that, in many companies, innovation may not show up as a flashy new product; it may be a new way of engaging with customers or improving processes.

“If the whole company culture is about not putting people at risk, you have to find a safe way for people to do that,” she said.

GLOBAL VIEW

One of the most effective ways managers can promote creativity, Edgell said, is to make it a more visible part of the process.

“I think it starts with the senior management team being willing to engage in adopting a new language, to talk about and have a discourse around creativity in organizations and what it means to be creative,” he said.

Otherwise, he continued, the tendency is to get so caught up in putting out daily fires that there is no time left to innovate.

“In the process of doing that, we may manage ourselves out of business. We may manage a wonderful situation, but not lead ourselves into new areas.”

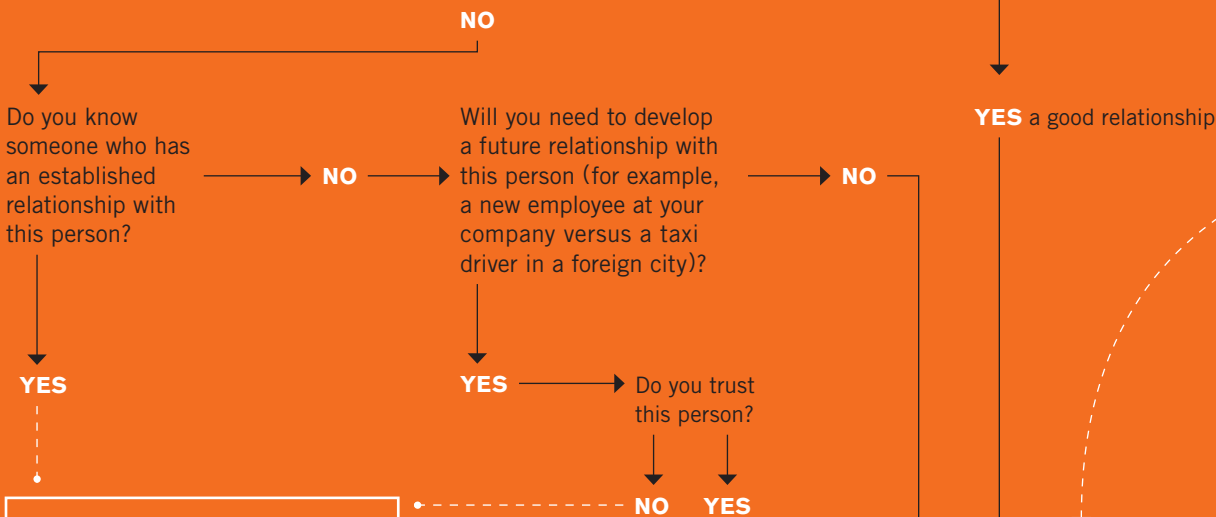
Currently, Edgell is pursuing a new line of research with colleagues from Stanford University, studying innovations that inadvertently caused harm (for example, Ford’s infamous Pinto of the 1970s, whose poorly designed gas tank led to fatalities in car wrecks). The researchers believe certain factors increase the likelihood that innovations will have negative consequences, such as a company’s corporate governance model and the degree to which it prioritizes ethical concerns along with financial ones.

For contemporary examples of potentially harmful innovations, look no further than firms engaged in genetic testing, or the “innovative” financial instruments that contributed to the mortgage meltdown.

“The underlying assumption of innovation is that it always yields benefits. If I say ‘innovation’ to you, that produces a nice, warm, fuzzy assumption that it helps the world,” he said. “So we were curious to see what might cause it to go awry.” **KN**

START

Do you have an established relationship with this person?



DETOUR Here are some best practices for building trust with an unknown party:

- Start with small talk and careful (not extravagant) schmoozing to begin creating trust and good will.
- Demonstrate benevolence and integrity by sharing some information about your interests and priorities and asking him or her to reciprocate.
- Remember: If you're in a good mood, it's more likely to rub off on your "opponent." That may be all it takes to find a win-win solution.

ARE YOU NEED

ONE ISSUE
such as a taxi fare

Do you have alternatives or are you stranded late at night with only one taxi driver in sight?

I HAVE ALTERNATIVES

NO ALTERNATIVES

MAXIMIZE BENEFITS FOR EVERYONE

Use distributive *and* hardball negotiation tactics. For example, make sure you do your homework so you know what a taxi ride *should* cost. The presence of alternatives and the lack of a future relationship with the driver indicate that you can use hardball tactics somewhat successfully, such as initially offering a very low fare.

Distributive tactics, but not hardball ones like feigning anger, are your best bet. Whether you need to retain a future relationship with the other party or you simply don't have other options, the likelihood that hardball tactics will be successful is slim. Using them may harm your relationship or result in a loss.

Using integrative tactics will help you negotiate your deal. Negotiate key interests and needs—not your political platform—then commit to meeting all parties' needs. Don't forget to look for interests that can be traded off. Working collaboratively can offer new opportunities, and thus "grow" the pie.

HOW TO NEGOTIATE EFFECTIVELY

ARTICLE BY
AMY BURROUGHS

The next time you plan your strategy for a tough negotiation—say, convincing your boss you deserve a raise—keep in mind that how you handle the conversation will carry over into your future relationship.

It's common sense, but it's also part of a broader theory of social exchange being examined by Kogod Assistant Professor Alexandra Mislin in her study of negotiation.

She studies not only the negotiation itself, but also the individual dynamics that affect the conversation before and after. For example, do you have a history with the other person? If not, what actions can you take to make it easier for him or her to trust you? Does being in a good mood make you a better negotiator? And when it comes to driving a hard bargain, is that really your best strategy?

"In negotiating, there are two things you think about. One is slicing up the pie, what we call Distributive Negotiation. You can have skills that help you get a bigger slice of pie," Mislin says. "The other piece is what we call Integrative Negotiation. That's where you're basically trying to figure out together, 'How can we maximize benefits for all of us?'"

It turns out that some of the accepted wisdom about negotiating holds up under study, while some clearly does not.

Mislin has found that, especially in negotiations between strangers, engaging in small talk beforehand helps to establish trust—one of the most important factors in the dynamic.

"There are certain things that make us more comfortable trusting people—for example, if you have something in common," Mislin says.

While schmoozing may not affect the actual terms of the deal, her research has found that it does play a role down the road because it has a positive effect on the relationship, creating trust and cooperation.

It's also worth paying attention to your mood. According to Mislin, happy people tend to be more cooperative and more willing to trust others.

Research also shows that the old adage to "drive a hard bargain" may not be the smart move after all. Mislin points out that while you may get your way in the short term, such a strategy can have a negative impact on your future relationship. Suppose you manage to talk a hiring candidate into taking a lower salary than she really wants to; you've won the battle, but what happens in the ongoing implementation, where you still need the employee to come to work cheerfully every day and do her best work?

Playing hardball might be useful in the short run, Mislin says, but most likely it will end up costing you.

One situation in which that's not necessarily true, however, is a one-time interaction where you're never going to deal with the person again. So go ahead and be tough on your next used-car negotiation—as long as you don't want to buy another car from that guy.

It's that future dynamic that has caught Mislin's interest as a researcher.

"Surprisingly little research has focused on it as ongoing interaction, with implications for later on," she says.

On the other hand, her work with colleagues, specifically William Bottom of Washington University in St. Louis, tries "to open the door to looking more systematically at, first of all, what we bring to the table. What's our history? What's going to happen after we leave the table?" **KN**

YES a bad relationship

DETOUR If you are negotiating with someone you don't trust, try to negotiate multiple issues simultaneously to determine the other person's priorities. For example, let's say you are negotiating the purchase of a car. You're willing to take a green car with a sunroof for \$20,000 or a blue car without a sunroof for the same price. Ask the seller which deal he prefers. If he says the green car, you know keeping a blue car in his inventory is more valuable to him than keeping a green car or a car with a sunroof.

NEGOTIATING...

Something with **MULTIPLE ISSUES** (such as an apartment with services, amenities, length of lease, etc.) to consider

→ **MAXIMIZE BENEFITS FOR YOURSELF**

Is there a lot at stake for you?

NO

YES

If this is a high-stakes deal for you, take note: play hardball at your own risk. You may think playing tough will help you succeed, but you have a lot to lose. Plus, you may overlook other opportunities—for example, perhaps a jeweler is looking to get rid of a necklace that your mother would like just as much as that ring. Know the other party's priorities and interests. If you don't, you're not ready to negotiate.

TRANSFORMING OUR APPROACH TO ADDRESS A GLOBAL PROBLEM

HOW MERCK IS JOINING IN THE FIGHT AGAINST MATERNAL MORTALITY

Companies from virtually every industry are developing new strategies to confront the dramatic economic, political, and technological shifts that are occurring around the world.

My own company, Merck, is transforming itself into a new kind of health-care leader—a broader, stronger, and more agile company—to adapt to the forces shaping health care and to deliver more fully on its mission of saving and improving human lives.

Innovation is the key to transformation. Yet even for a company built on discoveries that have changed the course of health and health care over a century—like antibiotics, vaccines, and cardiovascular and HIV/AIDS therapies—finding new approaches that expand and creatively apply the full range of our capabilities to meet new needs will be both formidable and exciting.

One way we are tackling these complex and evolving challenges is to engage in new business strategies, partnerships, and solutions.

In much the same way that we are transforming our business approach, we also are ready to transform our approach to creating shared value for a broad range of stakeholders.

We think we can be innovative in the way we apply our core strengths to manage complex global health issues—and we're starting with a focus on what may be the world's oldest health crisis: maternal mortality.

Every year, more than 350,000 women die as a result of complications of pregnancy and childbirth; 99 percent of them are from developing countries. In the next decade, millions more will die. The tragedy is that most of these deaths are preventable.

These deaths are heartbreaking and unacceptable in their own right, but their implications are even worse. The death of a mother means her newborn is very likely to die; her death also increases economic hardship for her family. Her older children are less likely to attend school and more likely to suffer poorer health.

That is why Merck is joining forces with the many partners who are working on behalf of the United Nations' Millennium Development Goal No. 5

to reduce maternal mortality. It is one of eight international development goals that the UN's 192 member states and dozens of global organizations are working to achieve. The aim is to significantly reduce the maternal mortality ratio and ensure universal access to reproductive health services by 2015.

Despite important efforts, maternal mortality continues to claim lives around the globe. While the burden is highest in Africa and South Asia, deaths from the complications of pregnancy and childbirth are also unacceptably high in cities right here in the United States. In fact, the US maternal mortality ratio doubled between 1990 and 2008, and the nation now ranks No. 39 in the world, down from No. 25 in 1990—a troubling move in the wrong direction that indicates deficiencies in health care for some of the mothers most at risk.

The causes of death are multiple and complex, and the solutions will be as well. There is no vaccine for a safe birth, of course. Most women who die in childbirth do not have access to an effective health-care system. And there are also cultural issues and other needs: for the acceleration of existing services and technologies for communities, for additional skilled birth attendants, for new products, for better-managed supply chains, for better transportation, and for increased information for women, their families, and their communities.

These are just some of the gaps the private sector—across multiple industries—can help address, but clearly not without new approaches.

As we learn more through listening to and engaging with stakeholders and the many global experts who have set their sights on saving the lives of mothers, we realize more acutely than ever that, as a global health-care company, we have the opportunity and the responsibility to share our people, processes, products, and passion to help solve this seemingly intractable issue.

These experts in maternal mortality, including nongovernment organizations, foundations, academia, and governments, have told us that our scientific and operational expertise can make a difference. We'll certainly draw from our core science and business expertise, as well as a wealth of experience from our ongoing global health partnerships.

One such building block is a significant partnership that has helped reduce river blindness, a major problem that once threatened the health and futures of people and entire countries in Africa and Latin America.

In 1987, Merck made the groundbreaking decision to donate a medicine it had no intention of commercializing to combat river blindness, a disease that had plagued people in these regions for centuries.

The program, which is nearly 25 years old, is recognized as a landmark public-private success story based on its results: delivering treatment to more than 80 million people annually. It has prevented an estimated 40,000 cases of river blindness each year since 1987. River blindness has already been eliminated in Colombia and Ecuador, and recent studies show that its elimination is possible in Africa as well.

The river blindness partnership was a step forward for public health. It also advanced the understanding of traditional ways the private health sector contributes to public health, such as through philanthropic product donations, financial support, sharing specific scientific and medical expertise, and helping to identify the right partners.

Through the river blindness program, we gained many insights about the value of true partnership, how to utilize our products for the public good, and the critical nature of perseverance in helping solve difficult public health needs.

But to solve a problem like maternal mortality, which has multiple causes and can't be remedied with just one pill a year, it will take much more. Merck's new 10-year initiative is not a traditional product donation program. It is not straightforward philanthropy. It is not solely a research and development program. And it is not a market development effort. We know that dedicating ourselves to the

vision that no woman should have to die to give life will also stretch us in new, fresh directions.

To be successful, we know we will need expertise across a broad range of capabilities. We will need to partner across many geographies; we will need to consider solutions not limited to a specific disease or product. We will need to explicitly involve many of our employees in volunteer programs. So many of our people come to this company for the opportunity to tackle exactly this kind of challenge. This new initiative will provide a new, important way for our employees to make a difference in the world.

Perhaps most significantly, by combining the skills and resources from all parts of the organization with an intense learning strategy in resource-poor settings around the globe, our efforts to reduce maternal death will teach us how to be relevant to a majority of the world's people. Becoming more relevant to a larger portion of the world is a key step toward our transformation and will help us fulfill our mission.

We are starting by listening, learning, and establishing partnerships with stakeholders skilled in addressing the problem in places where the maternal mortality rate is unacceptably high. While experts agree on many of the solutions, the implementation of these solutions needs to be accelerated. And as we learn about questions and gaps, Merck will work collaboratively to innovate.

Our support of efforts to save the lives of mothers will draw on the broad expertise within Merck, and it will call on the company to commit to a decade or more of meaningful and significant investment. Merck is prepared for a long and exceedingly challenging road as we join others already on this journey, but we are confident that through partnership, aided by innovation and perseverance, one day women will no longer put their lives at risk in order to give life to others.

We know we have much to learn with this new approach in the next 10 years, and we expect to experience some failures along the way. It has not been easy getting this started—but that's the nature of transformation, and we are determined to persevere. **KN**

RICHARD T. CLARK, MBA '70, IS THE CHAIRMAN OF THE BOARD OF MERCK, THE GLOBAL HEALTH-CARE COMPANY HE HAS SERVED FOR NEARLY FOUR DECADES. AS ITS PRESIDENT AND CEO, HE IMPLEMENTED A SUCCESSFUL BUSINESS STRATEGY AND LED A HISTORIC CORPORATE MERGER, AT THE SAME TIME EXTENDING MERCK'S STRONG LEADERSHIP IN CORPORATE SOCIAL RESPONSIBILITY.

HE IS ACTING CHAIRMAN OF PROJECT HOPE AND IS ON THE BOARD OF TRUSTEES AT BOTH PENN MEDICINE AND WASHINGTON & JEFFERSON COLLEGE.

HUMANITY IS SUSTAINABLE

I've had a rather intimate relationship with food for my entire life. My parents were good cooks, and intrepid; there was rarely a better meal to be found. We had dinner together nearly every night, and my brother and I were helping from a young age.

BARTON SEAVER IS A CELEBRATED CHEF, NATIONAL GEOGRAPHIC FELLOW, AND AUTHOR OF *FOR COD AND COUNTRY*. HE IS A NATIVE OF WASHINGTON, DC.

This fluency with food later led me to professional kitchens when I was searching for inspiration during my college years. I became a chef and rose through the ranks, but was always executing the visions of others. In 2005, I finally had an opportunity to try out my own ideas in my first solo position as executive chef at Café Saint-Ex in the bustling 14th Street corridor of Washington, DC.

There, I became deeply involved in the world of sustainable seafood from a relatively unique position. Although I'd always been a proponent of preserving the wildness of nature, especially marine environments, I was in the business of selling dead fish. So while friends in the scientific community were campaigning to save fish in order to protect them, my motives were more consumption-driven: I was trying to save fish so that my customers (and I) could continue to eat them.

In 2005, sustainable seafood was fairly difficult to find. Few consumers cared, so naturally very few restaurants bothered to stock sustainably. And, like many entrepreneurs, I found that doing things the "right" way would eat up more of my bottom line than opting for products that were less responsibly sourced. I had to find opportunities to convey the real value of what I was selling. In doing so, my understanding of sustainability began to expand.

Sustainability, I learned, should encompass much more than the ability to sustain the long-term use of a resource. The narrower definition might be acceptable for some environmental managers and economists, but it didn't go far enough for me.

I wanted engagement. Humanity is at the core of sustainability. What about the ability to nourish and even enhance communities, relationships, traditions, health, and quality of life?

This broader definition not only guided how I procured and used ingredients, but also how I structured menus, hired staff, and related to customers. At my restaurants, sustainability was not an abstract notion with vague references to environmental friendliness. It was specific and

real. I became very intentional about exactly what I sought to sustain.

DEFINING A NEW VALUE

To ensure that I was getting the highest-quality and most sustainable ingredients available, I bought directly from local farmers and befriended fishermen who were harvesting from healthy fisheries and using gear that didn't damage ocean ecosystems. And when I made agreements with those fishermen to deliver product, I told them to give me whatever they caught. If the fishermen were putting a line down hoping to catch a blackfin tuna and caught wahoo, I'd take it. If up came a barracuda, mackerel, or bluefish, great. If up came a trevally fish, super.

By taking advantage of the immense diversity of ocean fauna and not focusing on the ubiquitous menu standards, I was making the most of the resources at hand. I was happily providing a market to species that were often considered "trash" and summarily discarded. Waste was reduced and value was reclaimed.

I enjoyed the challenge of learning to prepare delicious dishes from fish that were entirely new to me. Over the course of a year, we served more than 70 species of seafood.

This level of openness led me to look up from the plate and embrace the community that participated in the meal. I passed this novelty and excitement along to my customers. At any given time, it was unlikely that customers had heard of all the offerings on my menu. But they relished the food and the stories behind each dish. The delight of trying something new became an important part of what we delivered. Eventually, my restaurants became known for that.

LESS IS MORE

The restaurants' focus on efficiency and waste reduction was exemplified by my emphasis on small portions. At first this was a tough sell. I was running a seafood restaurant, so people inevitably

"ENVIRONMENTAL CONSIDERATION WAS ON EVERY PLATE, BUT IT WAS ALSO SERVED WITH CONCERN FOR HUMAN INTERESTS."

BARTON SEAVER

expected bibs and towering piles of buttery fish and huge fillets. However, through presentation and storytelling, I was able to gently guide my guests to enjoy their meals in a new way. The focus was on quality, not quantity, celebrating small amounts of superb protein amid delicious farm-fresh vegetables.

This decision had several positive business effects. First, I sold more appetizers and salads because patrons knew that they would not fill up on the entree alone. That meant I sold more food and made more profit. Second, diversified dishes meant guests took longer to eat, to converse, and to savor meals together.

My approach encouraged them to look through a different lens at the plates in front of them. It wasn't all about the perceived value of the sight of a slab of fish. It was about the realized value of a fulfilling meal, full of variation, flavors, aromas, colors, and textures that made for inspired eating. It was about taking pleasure in the experience.

Perhaps surprisingly, many people actually thanked me for the small portions, which they felt good about eating because they knew the dishes were respectful of scarce resources. Environmental consideration was on every plate, but it was also served with concern for human interests. Contrast this with monstrous restaurant portions that are resource-intensive and lead to overeating, excessive waste, and feelings of guilt—none of which represent true value or true sustainability.

Through this experience, I discovered that chefs play an important role in the dialogue around how we relate to natural and human resources. The success we seek won't simply come from a slight change in practice. Instead, we need to change the sociological patterns that have long governed our untenable relationship with the world around us.

BEYOND SUSTAINABILITY

Often "sustainability" is about safely maintaining the status quo. That meaning was unsatisfactory to me. As much as the restaurant's procurement



Photo Courtesy of For Cod & Country – Sterling Epicure

practices supported fishing communities and maximized available resources, we also wanted to make a commitment to investing in the local community. We partnered with DC Central Kitchen, a food recycling and meal distribution program, and frequently hired their workers, who were taking steps to free themselves from welfare, get proper job training, and become contributing members of society.

The restaurant also held campaigns that gave customers the chance to designate a portion of their bill to this local charity working to reduce the cycle of need. As a chef, it was my responsibility to convey that message, to educate our guests about the value that comes from providing a new perspective on how we interact with food, ecosystems, and communities. We didn't just expertly cook seafood, we offered a portal for customers to engage in something special that went well beyond the plate.

LOOKING FORWARD

In my experience, most environmentalism has been a reaction to human-wrought havoc on the natural world. It is a story of how, in our self-interest and short-sightedness, we went astray. It's the tragedy of the commons.

But what of the communion of the commons? We need to pay closer attention to our connectedness with each other and with the world around us, and to the ramifications of our choices and activities. For me, dinner is a daily reminder that our personal health and the health of our communities and our planet are interdependent.

Dinner is a celebration, an opportunity to create joy, health, jobs, relationships with each other and with our common resources. And whether we are chefs, CEOs, bloggers, advertisers, educators, or parents, we can all engage in this satisfying new environmentalism. **KN**

RIO+20

THE ROLE OF BUSINESS AT THE UN CONFERENCE
ON SUSTAINABLE DEVELOPMENT

ARTICLE BY
DANIEL JACOBS

The UN Conference on Sustainable Development (“Rio+20”), coming up in June 2012 in Rio de Janeiro, presents an auspicious opportunity for the global business community to make a genuine commitment to addressing sustainable development.

Business should take advantage of this opportunity, having passed up the chance at the June 1992 UN Conference on Environment and Development—the “Earth Summit,” also held in Rio.

EPA administrator William Reilly led the official US delegation to the Earth Summit in President George H.W. Bush’s absence. Reilly, a highly respected environmentalist who previously had been the president of the World Wildlife Federation, had high hopes that the United States would play a key role at Rio, but was “cut off at the knees” (in his own words) by the Bush White House.

Despite the absence of supportive American leadership, the governments of the world scored a major victory at Rio, putting climate change on the map by shaping the UN Framework Convention on Climate Change (UNFCCC) that ultimately led to the Kyoto Protocol. They also passed the Rio Declaration, a set of principles designed to guide the world’s approach to sustainable development, and Agenda 21, a plan for implementing these principles at the global, national, and local levels.

The business community’s contribution to the Earth Summit is less clear.

Represented by the Business Council for Sustainable Development, a group of 48 business leaders organized for the event, business’s role at Rio seems to have been primarily reactive. For example, during the Summit’s planning stages, Norway and Sweden pushed for adoption of a business code of conduct, but the US government and the International Chamber of Commerce successfully blocked the effort. The Rio Declaration and Agenda 21 included only opaque references to the role of business and free trade in sustainable development, which the UN defines as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Business will have another chance at Rio+20 to play a proactive role in sustainable development. Although the preparatory meetings being held at UN Headquarters in New York are primarily for the official delegations, business groups and civil society are being permitted to attend sidebar planning sessions. At one such recent session, Chad Holliday, the chairman of Bank of America, highlighted the role of business in addressing sustainability:

“AS GOVERNMENTS CONSIDER HOW TO STRENGTHEN AND ADVANCE COMMITMENTS TO RIO+20, IT IS TIMELY TO TAKE STOCK OF THE STRONG PROGRESS MADE BY BUSINESS AND THE FUTURE POTENTIAL OF BUSINESS SOLUTIONS IN SOLVING SUSTAINABILITY CHALLENGES. BUSINESS CAN AND WILL BE A SIGNIFICANT DRIVER OF SUSTAINABILITY.”

CHAD HOLLIDAY,
CHAIRMAN, BANK OF AMERICA

Business should come to Rio+20 prepared to take responsibility for promoting sustainable development, a green economy, and the eradication of poverty—all themes of the conference—and to heed the call of Professor Klaus Schwab, founder and executive chair of the prestigious World Economic Forum, who in 2008 wrote that companies “not only must be engaged with their stakeholders but are themselves stakeholders alongside governments and civil society.” This type of commitment eluded the business community at the 1992 Earth Summit.

Rio+20 is also a great forum for major global corporations that have come into their prime—or come into existence—since the original Rio Earth Summit to make their marks on the world stage. This includes, for example, the Silicon Valley crowd, in particular the social media companies whose leadership and workforce largely hail from a generation whose members were in grade school at the time of the Earth Summit and are now major players in the world economy. That generation has grown up with a heightened awareness of sustainability and responsibility.

Both business groups and individual companies should make their presence felt at Rio+20. Google did so at the last UNFCCC Conference of the Parties, in Cancun in 2010, when it announced the launch of the Google Earth Engine, which will permit users to monitor worldwide environmental changes such as deforestation. At the press conference announcing the launch, Google referred to such environmental challenges as a “Google-size problem.”

Google exemplifies the perspective business needs to take: that threats to sustainable development should be viewed as business problems that business needs to solve. Business leaders should come to Rio with new, innovative, and high-tech ways for business to help save the planet. The governments of the world are having a hard time accomplishing that goal, and need all the help they can get.

Business has the talent. It has the money. And, like never before, it has the willpower. Let’s hope business can make it happen. **KN**

Daniel Jacobs is an executive-in-residence and director of Kogod’s new MS in Sustainability Management degree program.

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