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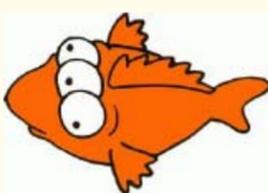
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Professor Howard Haas: GSB Leadership CEO Guru

Shares His Experience and Thoughts on Leadership

by Barbara Passy, 2004 Alum



During a recent interview at Gleacher, Professor Haas explained the origin of the Practice of Leadership course, its content and goals. He also explained what drives him as a voracious reader and a true scholar of leadership at a time in life when many others

might elect to kick off their Guccis and slide off their Rolaxes.

His extracurricular interests range from education to art to philanthropy. An Illinois native, Haas retired as CEO of Sealy, the mattress firm, in January of 1987 and then began his solid second career as a GSB professor. Whilst a CEO, Haas crossed paths with professors who served as board members and advisors to his firm. For example, before he joined the GSB, he was professionally involved with renowned economist Professor George Stigler. Haas notes, "I got to know George quite well because I taught him about the mattress business." He also was close to Professor James Lorie, who established the Center for Research in Securities Prices at the GSB along with Professor Lawrence Fischer, in 1960.

Initially, Haas was invited to speak as a guest lecturer to the GSB on the topic of retailing. Then, he was invited to speak on the topic of strategic management. After this period of lecturing, he was invited to join the faculty.

Teaching CEO precepts and leadership lessons attracted Haas from the start. He felt strongly that this study would yield benefits to students and says, "I felt it was very important. Especially today, I can see where leadership skills will eclipse quantitative concepts that may be out of date within a few years of graduation."

Back in the 1980's, very few schools offered courses of this ilk. In order to gain familiarity with topical literature, Haas says, "I went over to Regenstein Library and I started with books from the year 1900. And the more books I saw on leadership, the more I realized that the shelves contained nothing on actual, day-to-day components of business leadership." In his searches he found, "all these apocryphal sto-

ries that had nothing to do with the practical aspect of leadership in industry." It was not a failed expedition because, he notes, "I finally found a book by James McGregor Burns. It's called Leadership and it was written in 1978. I just ate it up. It was magnificent." He devoted his considerable energy and all of his time to this research in order to gain a solid understanding of this terrain.

In his first class on the topic, he recalls, "I had students from many disciplines in this course." He found them to be deeply interested in the topic and remembers, "A group of these students became acolytes, devoted to leadership studies." This support drove him to further explore the field and extend the development of the course.

He explains, "My goal in this process was to integrate my business experience with my academic discoveries." He contends that his goal was to bring his practical knowledge into the body of scholarly knowledge in order to create a special experience for students and introduce them to the tapestry of leadership in its many colors and nuances.

At the same time, Haas feels that the study of economics has undergone a significant shift. In his opinion, "In many respects, so-called "Hard economics" has become "soft". The rational model has lost its primacy as it no longer completely explains performance in today's world. People don't always act in their own best interests." He continues, "This shift in economic philosophy flowed into mainstream thought in the past 10 years." He credits a large portion of this change to GSB Professor Richard Thaler and notes, "Dick Thaler has been at the cutting edge of this change."

The ripple effect of this seismic shift, according to Haas, has jolted the nature of the examination of leadership. He contends, "Leadership has now been taken out of the realm of voodoo." As another example of this change, Professor Haas is pleased that the GSB recently announced the appointment of Jeffrey Anderson as Associate Dean for Leadership Development. In this newly created position, Jeff will focus on enhancing the leadership potential of Chicago GSB students.

What Do GSBers Do After They Graduate?

GSB Alum Shares His Story

Having to live through the experience of his family losing virtually all of its life savings as the Soviet Union collapsed may have been the best thing that ever happened to Pavel Begun. The experience prompted Pavel to start his entrepreneurial career at a very young age in his native Belarus, to excel at school for a chance to pursue his dream of building an investment business in North America, and after earning an MBA from the Chicago Graduate School of Business, to start a rapidly-growing hedge fund.

As his parents lost their nest egg, Begun, who was then only 11 years old, realized that he had to rely on himself to secure his financial future. "I saw business as the fastest and the most logical way of accomplishing that goal," says Begun. He took the first stab at running a business by selling produce at a local farmers market, but quickly progressed to more advanced businesses. At age 13 Begun started a business selling ad space in newspapers to local businesses in his hometown of Minsk, subsequently venturing into the building materials distribution business, and years later, into the newspaper publishing business. The latter became the last and the most successful venture for Begun in Belarus, as he built his accounting newspaper into one of the leading trade publications in the country by catering to the underserved accounting community. Just as he turned 20, Begun won a scholarship awarded to top students in Belarus to attend a university in the United States. As this gave him a chance to pursue his long-time dream of getting into the investment

business, something that was virtually non-existent in Belarus, Begun decided to sell the newspaper and move on.

He ended up in Western Kentucky University, where he completed the finance program in just one and a half years to graduate at the top of his class with a 4.0 GPA. Armed with a track record of managing personal investments, which he built up in strict adherence to value investing principles laid out by Benjamin Graham, Begun was looking to start an asset management business shortly after graduation. However, transplanting free-wheeling entrepreneurial spirit to North American soil proved to be a tough task at first, and Pavel ended up working as a securities analyst for A.G. Edwards & Sons in St. Louis. "At that point I realized that to succeed I had to complement my entrepreneurial drive with more structural knowledge and broader skill set, and this was where the University of Chicago GSB came in," recalls Begun. In 2000, as he turned 22, Pavel started taking classes at the GSB commuting to Chicago by plane on a weekly basis, as he continued working full time in St. Louis while concurrently pursuing a CFA designation. This made life very hectic for Begun for three years, and had it not been for the flexibility of the school's schedule and curriculum he would never have been able to prepare himself for starting a business in a timely and efficient fashion, says Begun. He also praises the GSB for providing him with tools to create a clear and consistent business development process.

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What Do GSBers Do After They Graduate?

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"It was much more than just academics... the greatest part was being able to learn from your classmates who had extensive experience of starting and running successful businesses in North America and around the world. This definitely helped me reshape my thinking about how to develop a successful business and gave me confidence and skills necessary to succeed," he adds. Developing relationships with classmates would also help him with business development down the road, as some of them became investors in the private investment partnership that he started following his stint at the GSB. "From our frequent discussions on valuing businesses it was apparent to me that Pavel's investment philosophies were sound, and that he had the intellect, the drive, and the depth of knowledge to be extraordinary successful... so when Pavel started his own firm I didn't hesitate even for a second to invest with him," says Begun's fellow alumnus Michael Ketcham, a marketing manager for Roche Diagnostics in Indianapolis.

After receiving his MBA just weeks shy of his 25th birthday, Begun had no shortage of options to continue his career at one of the established money management firms, given his credentials that also included a CFA and several years of professional work experience.

However, instead of joining a tra-

ditional money management firm Begun decided to strike it out on his own. "I felt that most traditional asset managers were too short-term oriented, while from studying the track records of the world's most successful investors I knew that highest returns come with long term orientation," says Begun. So he joined forces with his former colleague Cory Bailey, who shared the same mindset, to start a private investment partnership with a long-term value-oriented focus.

The two embarked on beating the market while assuming below-average risk by applying the knowledge gained from the years of following the legends of value investing, such as Buffett, Lampert, and Simpson. Begun and Bailey dubbed the venture 3G Capital Management, which epitomizes the firm's investment approach

of looking to invest in 'G'ood business, run by 'G'ood management, and available at 'G'ood price. The duo concurs that nobody in the business claims to look for bad business, bad manage-

ment, and bad price, but Begun and Bailey maintain that short term focus causes many traditional money managers to compromise either on business quality or on valuation. According to Begun, "Short term orientation forces most managers to hold too many positions and to remain fully invested at all times, so to find enough securities they invariably end up diluting their best

ideas with poor ones." In contrast, 3G Capital has generally no more than ten positions, which the partnership normally intends to hold for a few years. Begun and Bailey see the concentrated nature of the portfolio as an advantage which enables them to get to know all of their names intimately.

While they look for competitively entrenched market leaders generating high returns on invested capital, if none of those are available at a sen-

sible price, the duo is perfectly fine with sitting on cash and waiting for an opportunity to arise. So far, following the value philosophy has worked well for 3G Capital, as the partnership generated solid returns and attracted some high profile investors, including several professional hockey players. One of them, St. Louis Blues' defenseman Bryce Salvador, elaborates, "3G Capital's philosophy of investing in undervalued businesses makes total sense to me, but the trust factor is big too. As over the years Pavel has proven to be a very trustworthy individual, I have no hesitation in giving him money to invest for me, my family, and my friends." Begun and Bailey credit their clients with helping the two get the venture off the ground by buying into the firm's long-term value-oriented approach. "We are fortunate to have a client base that takes a long term view, so we can focus on buying businesses at a discount, as opposed to guessing what their next quarter EPS is going to be," they say. Despite the positive developments of the recent past Begun and Bailey are not about to get complacent. "We realize that success of 3G Capital as a business will ultimately depend on the long term performance of partnership's portfolio, so we are constantly focused on making sure that our winning streak continues well into the future," concludes Begun.

Developing relationships with classmates would also help him with business development down the road, as some of them became investors in the private investment partnership that he started following his stint at the GSB.

University of Chicago GSB Receives \$2.2MM Grant

For Its Center For Decision Research

The University of Chicago Graduate School of Business has received a \$2.2 million grant from the John Templeton Foundation for the school's Center for Decision Research (CDR). The CDR was founded at the Graduate School of Business 30 years ago and is one of the world's oldest academic centers focused on decision making. The CDR is home to 15 faculty members of the Graduate School of Business and other university departments from various disciplines, two post-doctoral fellows, over a dozen doctoral students, and has strong relationships with top academics throughout the world.

"This generous philanthropic investment by the Templeton Foundation will enable our faculty - who are leaders in the fields of behavioral economics, behavioral finance, cognitive psychology, and decision making - to pursue an ambitious research agenda," said Edward Snyder, dean of the school and the George Pratt Shultz Professor of Economics.

"This innovative interdisciplinary program, Understanding Human Nature to Harness Human Potential, will advance the state of knowledge concerning human nature and identify potential interventions based on this knowledge that can improve society and human well-being," Snyder said.

Richard Thaler, the Ralph and Dorothy Keller Distinguished Service Professor of Behavioral Science and Economics at Chicago GSB will direct the project. Thaler, director of the CDR for the past 11 years, is a founder of the field of behavioral economics and a recognized authority on potential applications for improving social life.

Thaler's work lies at the intersection of economics and psychology. He investigates the implications of relax-

ing the standard economic assumption about human nature-that members of the economy are fully rational and ultimately self-ish-to utilize what is known in psychology about actual human nature.

Thaler is widely recognized for his impact his Save More Tomorrow (SMarT) plans have had in encouraging savings in a wide variety of settings. These plans harness basic human tendencies to help people

achieve their good intentions for saving and increase their potential for financial independence. SMarT offers a model for the kind of innovative research that the Human Nature/Human Potential program will pursue.

Thaler said "Our goal with the Human Nature/Human Potential program is to better understand fundamental human capabilities and tendencies, with an eye toward using these basic tendencies that are often recognized as shortcomings to improve human functioning. Only an empirical-based understanding of human nature can provide insights into such possibilities for improvement, and we will use rigorous scientific research to uncover these possibilities and develop individual and policy-level applications to improve human life."

The three-year Human Nature/Human Potential program will begin on March 15, 2007. Questions the program will explore include:

* What is the effect of goal setting on performance and levels of satisfaction, and how do we optimize both? How can we improve self-control in the present to better enable the attainment of long-term goals?

* How do spiritual values affect people's views of their purposes and social relationships? Is the development of values similar

across cultures, or are there important variants that might explain why different cultures hold different values, or hold them with differing convictions?

* How can we harness the wisdom acquired through life experience by the elderly to enhance their cognitive functioning and thereby improve their quality of life?

* Can we design a science of happiness and well-being that is as sophisticated and thorough as the existing science of economics? Can a mature science of hedonics provide an accurate measure of happiness, a true understanding of the relationship between happiness and wealth, and strategies to optimize happiness without altering existing material possessions and income?

Our goal with the Human Nature/Human Potential program is to better understand fundamental human capabilities and tendencies, with an eye toward using these basic tendencies that are often recognized as shortcomings to improve human functioning
