

Business

FOR ALUMNI, PARENTS AND FRIENDS OF THE GABELLI SCHOOL OF BUSINESS



INSIDE:
MONEY MUST SERVE, NOT RULE:
POPE FRANCIS AND CAPITALISM



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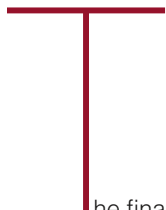
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he financial crisis of 2008 provided a painful but instructive lesson on the perils of short-term thinking. As the U.S. economy sagged under the weight of decisions designed to spike profits *now*, we received an unrequested reminder of the need to act for the future—thinking not of tomorrow or next week, but of the well-being of generations.

Pope Francis, the cover-story subject in this issue of *Fordham Business*, offers a similar message. In his encyclical on climate change, he encourages us to act in ways that will secure the health of our planet thousands of years after we have passed on. He asks us to consider how we can extend economic participation and opportunity to more people, so that the result, decades down the road, is greater autonomy and prosperity for all. His outlook is moored in the long term. His vision is one of lasting gain.

The business world can derive significant advantage by adopting this aspect of Pope Francis's perspective. A long view can increase shareholder value, create the conditions for durable relationships between consumers and brands, and ensure that sound strategic choices are made. Being able to think and act for the future is a key to creating wealth—ideally, wealth that permeates society and advances the condition of humankind.

This is something I hope that business leaders, as well as our undergraduate and graduate students, will reflect upon as Pope Francis makes his September visit to the United States.

I hope you enjoy this issue of the magazine, which also explores our alternative investments curriculum, highlights recent faculty research and introduces you to the faculty director of the MS in Quantitative Finance. I hope to see you at Fordham soon.

Sincerely,

Donna Rapaccioli
Dean, Gabelli School of Business

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**CHEER ON
THE RAMS**

SEPT. 12, 2015
4:00 P.M.

**GABELLI SCHOOL
ALUMNI TAILGATE
RAMS VS. VILLANOVA**

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**TICKETS
\$35**

News



MS rising

The MS in Nonprofit Leadership welcomed more than 60 students this fall—double the number who started the program in 2014.

Wall Street Council welcomes Nemir Kirdar

Nemir A. Kirdar, MBA '72, executive chairman and CEO of the private-equity group Investcorp, told Fordham students to cultivate their “reputational capital” carefully as they embark on business careers when he spoke at Fordham’s Wall Street Council on June 3.

Kirdar, who received his MBA from the Gabelli School of Business in 1972 and was awarded an honorary doctorate last year, reflected on his long career in banking and investment, the state of his native Iraq, and the intricacies of doing business in the Middle East. The event was sponsored by Thomas Galvin, MBA '83.

Kirdar told his audience that he chose Fordham because he’d attended a Jesuit high school in Iraq. The two years he spent earning his MBA at Lincoln Center while working full-time at Allied Bank International were difficult, but worthwhile.

“If you have that kind of conviction and determination, that’ll take you a long way in



Nemir Kirdar, MBA '72, executive chairman and CEO of Investcorp and a 2014 Fordham University honorary degree recipient, shared his views on business with the Wall Street Council this June.

the future,” he said, adding that the challenges he faced at that period in his life inspired his most recent book, *Need, Respect, Trust: The Memoir of a Vision*, published in 2014.

“I define leadership not by the positions you’ve occupied, but by the obstacles you have to overcome,” Kirdar said. “So for those who are doing it the hard way, that’s one of the obstacles, and it shows your determination.”

Before 1982, when Kirdar founded Investcorp, which specializes in global alternative investments such as private equity, hedge funds, real estate and Persian Gulf growth capital, he worked for Chase Manhattan Bank. Asked what he thought about banking regulations today, he said it helps to remember what life was like during the 2008 financial crisis.

“After that experience, a great deal of regulation has been put forward. I would not consider those as obstacles. They’re there to create the groundwork of principles of what is doable or not. Banks have more equity now than before the crisis, and I think that’s healthy,” he said.

Cultivating streams of income

When David Chee, MBA '14, was an Eagle Scout in his native Hawaii, he cleaned streams and reshaped trails so that people could enjoy their beauty. As an Emzingo NextGen Fellow, Chee spent



As an Emzingo Fellow, David Chee, MBA '14, dedicated summer 2015 to improving the environment and creating social change in Vila Laboriaux, a village in Brazil.

summer 2015 with Favela Verde, an organization developing ecotourism and urban agriculture in Vila Laboriaux, a community in the largest favela in Brazil.

“Most people there make minimum wage or live in extreme poverty,” Chee said. “Our hope is to create a sustainable source of income.”

The Favela Verde team worked on growing crops and cleaning and reinvigorating trails and parks within a rugged urban landscape, hoping that people seeking authentic travel experiences will visit and provide local residents with steady tourism income.

The Emzingo Fellowship matches Brazilian, Peruvian and South African NGOs with MBA students and recent graduates who undergo intensive leadership training and consult on international projects designed to produce social change. “Being an emerging leader means really listening to people in the

community and finding ways to build trust,” Chee said. “What I hope is that I come back in a year and the people are really lifted up.”

Chee is carving his own new path. It took him from a Wall Street human-resources career that, despite its promotions and bonuses, still left an empty feeling, to teaching English in South Korea, where he found “an alternative to what success could be—a life in service of others.” Fordham’s emphasis on social justice crystallized his desire to work in environmental sustainability.

He credits Rebecca Stark-Gendrano of Fordham’s Office of Prestigious Fellowships with encouraging him to seek the fellowship. “David’s business background, combined with his zeal to make the world a better place, made him a perfect fit,” Stark-Gendrano said.

A home on the Web

Get online or get left behind—that’s the mantra for many of today’s startups and small or family-owned businesses.

Undergraduates who enrolled in the Web Applications Design and Development course at the Gabelli School endorsed that viewpoint, spending the spring semester helping a range of small firms to launch websites. The pro bono clients included a construction company, a video-game business and Fair Trade, a Rose Hill-based service-learning program that sells products from India, Bolivia and countries in Africa. Using site-building tools such as Wix and Wordpress, and product-management platform Podio, Associate Professor Icheng “Robert” Chiang’s students learned to plan every aspect of a small-business website.

In addition to exploring the marketing, operations, accounting and other challenges that face small businesses, students gained “the ability to design, develop and manage the technological solutions, which I think is a very important



Industry inroads

Faculty are making industry connections to enhance academic programs, including at GE, MediaComm, HewlettPackard, BrainReserve, the U.S. Army, Barclays and Novartis.

News



Market mastery

Jason Ayat, MBA '16, placed fifth nationwide in the 2015 *Institutional Investor* mock-investing competition, earning a 10-percent return on his \$100,000 starting capital in just two months.

mindset in current days for business,” Chiang said.

John Mitchell, BS '16, an accounting information systems major, worked on a project team with classmates to assist a local real estate company. With the company's new website, prospective renters can learn about the agency, check current listings and download key forms. Mitchell found that the hands-on experience with databases, project planning and management, and meeting deadlines were among the greatest takeaways.

“Even if you aren't a coding whiz,” he said, “having a solid understanding of what a database is and all of its uses is a great advantage to have as a business professional.”

The Upright Students Brigade

Can learning improvisation at a comedy theater improve your business skills?

Full-Time Cohort MBA students visited one of the most famous improv theaters in New York City—the Upright Citizens Brigade—to find out, testing their spontaneous



MBA students mixed business with laughter at an improv workshop designed to sharpen business skills at New York City's Upright Citizens Brigade.

mettle in a half-day corporate improv workshop. They discovered that what makes a great improv comedian also can help to make a great business leader: agility, ease of rapport, and confident, magnetic oral presentation.

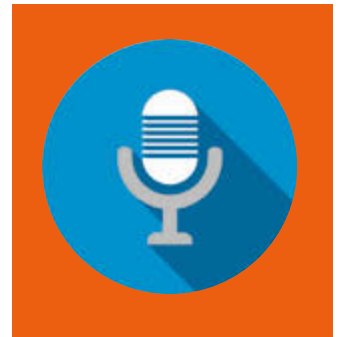
“This workshop takes improv skills that are based on being in the moment and applies them to business students so they can feel more comfortable in teams or interview settings,” said Brandon Gardner, a UCB instructor.

The students practiced adapting quickly on the spot—even in some strange situations—and working fluidly with partners and small groups.

“It feels similar to how you need to think on your feet when you're in an interview,” said Bonnie Newman, MBA '16. “You can't always prepare completely, and you need to know how to not trip yourself up.”

Graduate alumni unite!

Most people think of reunions as being school-based. But Fordham did something new this May, bringing together Gabelli School MBA and MS alumni with graduates of Fordham College at Lincoln Center and the Graduate School of Social Service. The idea? To celebrate the concept of collective pride in having attended the Lincoln Center campus—and, of course, Fordham University as a whole. The event ties in with Dean Donna Rapaccioli's goal of more joint ventures between the business school



A May reunion brought together graduate alumni from business and social service and undergraduate alumni from Fordham College at Lincoln Center.

Tracey Anarella, EMBA '11, walked the red carpet at the Cannes Film Festival.

Be our guest

and other Fordham schools and colleges, an effort that could spawn new dual degrees, certificate programs, and executive-education offerings for alumni.

the distinction gave Anarella a chance to walk the red carpet just a few feet away from celebrities such as Sean Penn, Charlize Theron and others who attended the internationally known gathering of who's who in film.

Enough, scheduled for release this fall. It explores the African-American community's intra-racial struggle and includes interviews with actress Vanessa Williams, Harvard professor Henry Louis Gates Jr., and the executive vice provost and chancellor of the University of California-Berkeley, Claude M. Steele.

International Business Week will welcome great speakers to both Rose Hill and Lincoln Center from November 16 to 19. Alumni are invited. Check the calendar at www.gabelliconnect.com for updates.

MBA alumna walks the red carpet at Cannes

Tracey Anarella, EMBA '11, offered up her work at the Cannes Film Festival in May. Her documentary, *Brooklyn United*, was featured in the Cannes Short Corner, a marketplace for a select group of international short films, separate from the main competition. Nonetheless,

"Brooklyn United is a story of redemption," said Anarella, who centered her film on Ty Brown, executive director of a 150-member marching band that shares the movie's name. Brown states in the film that the band keeps young people "off of the streets, from gangs and worse." The narrative explores Brown's sudden fall from grace, his redemption and his efforts to personally save the lives of young people in the Brooklyn neighborhood of Crown Heights.

Contributing reporters:
Ann Fonseca,
Jackie Fitzpatrick Hennessey,
Brett Johnson,
Patrick Verel

Anarella, a Cleveland native who attended Cornell University as an undergraduate, is at work on her next film, *Not Black*

A SMART HEDGE

Students find career success in Fordham's unique undergraduate alternative investments track



The invitation to the undergraduate Alternative Investment Club's awards event indicated the dress was casual, so you would have been forgiven for expecting a polo shirt or two. Maybe a pair of sneakers.

But Tognino Hall was filled with students strictly in business attire. Suits, ties, dresses.

It lent additional professionalism to the proceedings, which saw awards given, investment recommendations presented and alumni honored. It was also a natural fit, so to speak, for the focused students who have chosen one of Fordham's newest academic concentrations in finance.

What distinguishes a Gabelli School alternative-investments student—who earns his or her academic stripes by completing three courses in niche areas such as hedge funds, private equity, real-estate investing and venture capital—can be summed up in one word, said the Alternative Investment Club's president, Jeremy Fague, BS '16: commitment.

In just four years, that commitment has led the Alternative Investment Club from being a tiny subset of the decades-old and extremely large undergraduate Finance Society to a 150-student-strong juggernaut that thrives on alumni support, networking and sheer determination.

"That's what stands out about Fordham students," Fague said. "Commitment, drive, knowing what you want and trying to do your best to get there."

Relatively new, alternative investments has become a success at the Gabelli School of Business in numbers and results. Both the academic concentration and the extracurricular group focus on the understanding and practice of investing in areas outside of traditional assets such as bonds, stocks and cash. Many alternatives, such as hedge funds and real estate, are complex in nature and appeal to institutions or high-worth individual investors.

The alternative-investments concentration is riding the wind of change in the industry. Not too long ago, alternative investments were something of a mysterious stranger in the finance world. Hedge funds, often small

shops with relatively few employees, have received ample negative press over the past few years, despite their relative success in the market.

But alternatives have become more mainstream, and as the industry has grown, from \$6 trillion to \$10 trillion in four years, the infrastructure around it has grown as well, said Kevin Mirabile, the clinical assistant professor of finance who proposed, developed and launched the alternative investments concentration three years ago.

“Firms are getting larger, trying to achieve scale, and they all want to have institutional-quality programs with more internally generated staff, better support and infrastructure roles,” Mirabile said. “This means an opportunity for our students now and in the future.”

Choosing this academic discipline is paying off. Seven Gabelli School alternative-investments students had internships with Goldman Sachs this summer, working on everything from securities to global investment research. By late summer, 16 of the 19 May 2015 graduates in the concentration’s résumé book had either job offers or graduate-school acceptances, Mirabile said.

In addition, Fordham is one of only 32 universities that have joined with the Chartered Alternative Investment Analyst Association to provide more educational opportunities for students interested in alternatives. Students who obtain CAIA recognition by passing one or more of its certification exams—which are analogs of the CFA tests for the alternatives field—may have an advantage when it comes to employment.

Studying alternative investments at Fordham is unique in that the student club plays a principal role in academic life.

“It was part of a desire to build a program that included a high level of student engagement and external networking,” Mirabile said of the club’s beginnings.

The club also builds a “bench” for Fordham’s alternative-investments contingent: While the three-course academic concentration is open only to juniors and seniors, the club welcomes freshmen and sophomores as well, helping them get started on their interests early.

It has an active student-written newsletter and a philanthropic arm, which has raised thousands of dollars for charities such as Hedge Funds Care and A Leg to Stand On.

Mirabile said hedge-fund leaders are traditionally very philanthropic, so the students’ involvement in charitable ventures meshes with the club’s goals.

“Obviously, being part of a Jesuit school, it is really important to give back and to have that sense of commitment to your community,” said Jillian Stackman, BS ’15, who led the club’s charitable efforts last year.

Mirabile is proud of his students and of the program’s growth. The concentration had eight graduates in 2013, 18 in 2014, and 38 this past May. For 2016, 50 students are on track to complete it.

There is no reason to doubt the bright future of the club and the concentration, but, as one would expect from its aggressive leaders, no one is resting: The club has an ambitious agenda for the coming year, and Mirabile is always recruiting new participants. With an enthusiastic professor, passionate students and a growing industry, it appears more success awaits.

By John Schoonejongen

By Stevenson Swanson

“MONEY
MUST
SERVE,
NOT
RULE”

POPE FRANCIS AND CAPITALISM

When Cardinal Jorge Mario Bergoglio of Buenos Aires was elected pope in 2013, it was widely noted that he paid his own hotel bill before moving into the Vatican. In Argentina, he drove a car that could charitably be described as modest. And now, as Pope Francis, the schedule for his trip to North America in September includes visits to a New York homeless shelter, a prison and a school in East Harlem.



Photo by Giulio Napolitano / Shutterstock.com

MONEY MUST SERVE, NOT RULE: POPE FRANCIS AND CAPITALISM

“THE FUNDAMENTAL PURPOSE OF AN ECONOMIC SYSTEM IS TO PROVIDE FOR THE BASIC NEEDS OF ALL PEOPLE, NOT SIMPLY TO ALLOW THE ENDLESS ACCUMULATION OF WEALTH BY A FEW.”

So it should come as no surprise that a pope who embraces a simple way of life and who identifies with the poor and disenfranchised would have some less-than-positive things to say about contemporary capitalism.

“Today everything comes under the laws of competition and the survival of the fittest, where the powerful feed upon the powerless,” Pope Francis wrote in *The Joy of the Gospel*. “Money must serve, not rule! The pope loves everyone, rich and poor alike, but he is obliged in the name of Christ to remind all that the rich must help, respect and promote the poor.”

More recently, in his encyclical about the environment, *Laudato Si*, issued in June, he said that rich, developed nations have an obligation to help poor, developing countries pay for the costs of reducing emissions of the pollutants that are responsible for climate change. Francis certainly has

made it clear that he supports the free-market system, and he has described business as a “noble vocation.” But his more critical views have provoked some heated responses from pro-business politicians and commentators. In one of the more temperate responses, Fox News analyst Andrew Napolitano wrote that “in matters of economics, [Francis] is wide of the mark,” and others, such as Republican presidential candidate Jeb Bush, have indicated that the pope should stick to moral matters and leave economics to the pros.

And yet, according to a number of Fordham University experts, Francis is actually the latest in a long line of popes who have taken public stances of one kind or another on matters of economics and finance. They agree that his focus on the pernicious effects of inequality and his power as a high-profile agenda-setter may help to promote an emerging set of business practices that some call “conscious capitalism”—more in touch with the human needs of employees and customers, rather than solely seeking to maximize profits.

“I don’t think he’s making any sort of radical statement about the foundations of capitalism—private property and free markets,” said Miguel Alzola, an assistant professor of law and ethics at the Gabelli School who took part in Fordham’s



December 2014 panel discussion about the pope's views of capitalism. "He's just saying that we need businessmen and political leaders who are more concerned about the poor and about people who are suffering from the bad consequences of the system."

FOLLOWING A PAPAL TRADITION OF SPEAKING FOR THE POOR

The pope's views about money, the free-market economy and the plight of the poor follow a tradition of papal statements about economic conditions, beginning with Leo XIII's 1891 encyclical *Rerum Novarum*, which recognized property rights and also argued that workers had the right to form unions.

Christine Firer Hinze, a Fordham professor of theology and director of the University's Curran Center for American Catholic Studies, said that in the nearly 125 years since then, Catholic social teaching has continued to both support market systems and call for greater attention to shaping economies in ways that address the needs of the poor. Both of Francis' predecessors, John Paul II and Benedict

XVI, issued warnings about the excesses of the free-market system, though John Paul II was generally supportive of Western capitalism's capacity to help provide better lives for many.

"Coming out of communist Poland, John Paul II is seen as a pope who gave a lot of credit to the market system," said Hinze, whose center will hold a conference in April 2016 on the "good" economy and Catholic social teaching. "This pope, coming out of Argentina, is going to start from a different place. If you live in the global South and walk out into the slums and meet the poor, that's a face-to-face reality. The issue of inequality is far more stark if you're standing in the global South."

Hinze said there are two basic points to understand about Francis' perspective on the economy—points that also are shared by the wider Catholic social tradition. First, the fundamental purpose of an economic system is to provide for the basic needs of all people, not simply to allow the endless accumulation of wealth by a few. Second, everyone should have the opportunity to participate in that economic system.

MONEY MUST SERVE, NOT RULE: POPE FRANCIS AND CAPITALISM

“Who is suffering, who is excluded, who is not able to participate?” Hinze asked, reciting what she sees as Francis’ prime concerns. “There’s a strong emphasis on justice. He’s not saying, ‘Give people a handout,’ but he’s arguing for a political economy that ensures everyone can contribute and benefit. Things like unemployment insurance and food stamps are just Band-Aids on the problem.”

Alzola, who, like Francis, is a native of Argentina, believes that the pope’s positions and political moves regarding economic matters cannot be fully understood without understanding Peronism, Argentina’s populist political movement that draws heavily on working-class support but that is not hostile to capitalism. As for Latin America’s liberation theology, which called for the church and the poor to organize for social change, Francis did not align himself with it, though he was seen as concerned with the poor from an early stage in his priesthood.

“He acts and thinks as a political leader,” Alzola said. “He’s responding to the church’s main constituency all over the world. He’s putting on the agenda some questions that have been completely closed to debate for the last three decades and bringing the church closer to the people.”

INTO THE SPOTLIGHT

Even if Francis’ positions on wealth and poverty are in line with established Catholic social thought, he is focusing on these subjects in a way that his predecessors did not.

“He’s upped the ante quite considerably,” said Chris Lowney, FCRH ’81, GSAS ’81, author of the 2013 book *Pope Francis: Why He Leads the Way He Leads*. “The old line is that Jesus came to comfort the afflicted and afflict the comfortable, and I think to my mind, the pope is very appropriately afflicting the comfortable.”

Lowney, a former Jesuit seminarian who spent 17 years as an investment banker at J.P. Morgan and is now chair of the board of Catholic Health Initiatives, believes that the investment-banking world still embraces the idea that as long as it maximizes values for shareholders, other economic concerns will take care of themselves.

“We all know that’s not true,” he said. “We’ve always known that’s not true, but we allow ourselves to take this very clean, pure view of markets.”

For many in America and around the world, the reality is quite different. Inequality as measured by the proportion of wealth controlled by the very richest compared with the rest of Americans is at a level last seen during the Gilded Age of the late 19th century.

“Shared prosperity is not what exists,” said Michael Pirson, a Gabelli School associate professor of management systems who runs Fordham’s Center for Humanistic Management, which studies business leadership and management practices that respect human dignity and promote sustainable well-being. “And most people are becoming acutely aware that it is hard to get by, but you still work like crazy.”

CAPITALISM WITH A CONSCIENCE

Last year, Pirson helped to lead Fordham’s effort to be designated as a “Changemaker Campus” by Ashoka, a global association of social entrepreneurs. The designation recognizes the University’s dedication to educating students to use their talents to improve the lives of others.

“That ties back to what the pope is saying because it combines caring about people and working to create a better world that is sustainable, where you don’t have to rely on government subsidies or donations,” Pirson said. “We’re trying to put that perspective into action.”

So are a growing number of U.S. companies that are practicing so-called “conscious capitalism,” which can mean paying their employees living wages, striking a better balance between the demands of work and family, and empowering workers to make more decisions.



DO GOOD AND DO WELL

Many companies are living proof that “doing well”—that is, making a profit—can go hand in hand with “doing good” by making positive contributions to the world.

For example, **TOMS Shoes** has long donated a pair of shoes to partners in the developing world for every pair it sells. It has given 45 million pairs of shoes to children in need and has expanded its “One for One” project to include programs that provide eye care, improve access to safe water, deliver medical supplies for safe births and support bullying-prevention services.

Ben and Jerry’s, the Vermont-based ice-cream maker famous for whimsical names for its products such as Chunky Monkey and Cherry Garcia, gives its entry-level workers a starting wage of \$16 an hour, more than twice the federal minimum wage.

And **Newman’s Own**, the food company founded by actor Paul Newman, declares on its salad-dressing and pasta-sauce labels that all of the company’s profits go to charity. Since 1982, when Newman first declared, “Let’s give it all away,” the Newman’s Own Foundation has donated more than \$430 million to nonprofit organizations helping people in need around the world.

– *Stevenson Swanson*

The Container Store, which employs about 5,000 people at its 70 locations, often is cited as a leading example because of founder and chief executive Kip Tindell’s “Foundation Principles”: Pay employees well and treat them with respect; consider suppliers and customers as family; have fun. Workers earn an average of \$48,000 a year, about twice the usual retail salary, and the annual employee turnover rate is 10 percent, exceedingly low for retail businesses.

Other companies that practice what Pirson prefers to call “humanistic business” are Panera Bread, Chipotle and Costco; employees at the latter earn about \$17 an hour. Even bigger names in American business, including Target and Starbucks, recently have announced that they are increasing minimum wages for their workers.

“Typically the leaders of these more conscious companies are aware of their employees as people, not resources,” Pirson said. As a result, “the employees care more about the organization. They’re willing to go the extra mile to help customers. It’s more like a community than a group of individuals.”

Such examples show that capitalism can cultivate profits and people at the same time and, as Lowney noted, live up to Francis’ vision in *The Joy of the Gospel* of business as a noble vocation.

“It’s not just about looking out for yourself and making as much money as you can,” he said. “As a businessperson, you have the power to be a source of remarkable, positive contributions to the world and not just let yourself be carried along on the river of transactions and paychecks and deals.”

Stevenson Swanson is a New York-based freelance writer.

Ideas

Faculty Research

It has happened to all of us: Minutes after completing an online purchase or dealing with a company's service department, we get an automated call or email asking us to rate the service we received. It's part of a company's outreach to determine customer satisfaction, a factor that looms large in corporate market research.

But does this information yield insights that can increase profits? **Professor Lerzan Aksoy** and her colleagues recently completed research that shows that customer-satisfaction data should be approached with caution. It may not translate into increased shareholder value.

This leaves companies with the vexing question of what does. According to Aksoy's forthcoming paper in the *Journal of Marketing Research*, intentions to repurchase a particular service or product often have a stronger correlation with shareholder value than customer satisfaction. This means, for example, that a motorist's inclination to buy another Honda has more impact on the company's stock price than his or her contentment with driving one today.

This is captured in the paper "Modeling Heterogeneity in the Satisfaction, Loyalty Intention, and Shareholder Value Linkage: A Cross-Industry Analysis at the Customer and Firm Level," which Aksoy co-authored with Bart Lariviere of Ghent University; Timothy Keiningham, her co-author of *The Wallet Allocation Rule*; Atakan Yalcin of Ozyegin University in Istanbul; Forrest Morgeson of the American Customer Satisfaction Index; and Sunil Mithas from the University of Maryland. They looked at 10 years of data from 137 firms, breaking new ground by examining both aggregate firm data, which is public, and data for individual customers, which AC SI usually keeps private but released for the study.

The team's findings may change companies' approach, which historically featured significant spending on customer-satisfaction surveys without a clear understanding of how this translates into business performance.

"The bottom line is that firms want to impact customer experience, but they do this by looking at aggregate-level average customer satisfaction measures," Aksoy said. "This can mislead the firm and result in focusing efforts on things that are potentially not likely to yield impact or return on investment."



Lerzan Aksoy
Professor of Marketing



Miguel Alzola
Assistant Professor of Law and Ethics

The start of the 2016 presidential election cycle is already a reminder of the aftereffects of the U.S. Supreme Court's *Citizens United* ruling, the decision that unleashed a flood of corporate spending on political campaigns. The ruling, according to **Miguel Alzola**, assistant professor of law and ethics, has created a system that is inconsistent with the principles of political equality and consent.

Alzola made his case in the paper "Corporate Dystopia: The Ethics of Corporate Political Spending," published in the journal *Business & Society*.

Alzola not only examined the standard arguments for and against corporate lobbying and campaign contributions, but also delved into six major objections to such arguments. He questioned the rights to free speech that the U.S. Supreme Court has ruled belong to corporations, writing that corporations lack beliefs, feelings, thoughts and desires to qualify as a moral entity.

"Whether or not it attracts the protection of the First Amendment is ultimately irrelevant to set the issue of whether corporations have any moral right to free speech," he said.

Alzola believes that a democracy has a problem when wealthy citizens can translate their holdings into electoral influence while those in poverty have diminished power. He also fears that corporate shareholders may purchase stock in companies that end up supporting political candidates whom the shareholder may not favor.

With campaign finance reform stalled in Washington, Alzola appeals to business leaders directly, encouraging them to refrain from exploiting what he considers an unfair regulatory system, in the same way that they might eschew polluting the environment or relying on underpaid workers in the developing world.

"From the moral point of view, the critical issue is that political speech should not be expressed by the intensity of



Icheng "Robert" Chiang
Associate Professor of
Information Systems

one's willingness to pay for a stock or work for a company," Alzola said. "When a manager takes a political stance in campaign politics, he or she thereby compels corporate members and investors to contribute to a political position they may not share."

Cable companies' overall market is contracting as more Americans "cut the cord" to their traditional TVs and stream content directly from their computers and mobile devices.

The result—as evidenced by the rise of Netflix, Amazon Prime, Hulu, HBO Go and iTunes—has been fierce competition for "eyeball shares."

The numbers are cited in a recent paper by **Icheng "Robert" Chiang**, associate professor of information systems: Since 2008, close to 5 million U.S. households gave up their "linear" TV subscriptions—cable, FiOS and satellite—and started to stream. This shift has changed the power dynamic among ser-



Paul McNelis, SJ
Robert Bendheim Chair and
Professor of Finance

vice providers; it also resulted in exponential growth of Internet traffic that has strained data exchanges and required infrastructure upgrades.

In the *Journal of Management Information Systems* paper "Delivery Consolidation and Service Competition Among Internet Service Providers," Chiang and co-author Jhih-Hua Jhang-Li from Hsing Wu University in Taiwan used game theory to identify solutions for economic and strategic issues such as cost-sharing arrangements for content delivery and conditions for partnership between streaming and TV providers.

"Just because there is no more postage to ship DVDs does not mean content delivery is now free," Chiang said. "There are three or four layers of service providers involved in streaming a movie, so figuring out acceptable contract terms among them could get tricky."

"People don't want to pay for 180 channels they don't watch," he continued. "Pure-play streaming, however, will not replace cable completely

because of sports programs, live events, and a slew of cable exclusives. We expect to see a growing audience for streaming entertainment; we also anticipate cable companies to accept reality and revert to offering smaller channel bundles or even going à la carte."

An outsider wouldn't be blamed for thinking that four decades of growth in China would lead to some economic stimulus for the rest of the world, as Chinese citizens spend their increasing wealth.

But it turns out that these export-fueled dollars are not leaving Chinese borders to the extent that anyone might have hoped, furthering a trade imbalance that has yet to be resolved.

Paul McNelis, SJ, Fordham's Robert Bendheim Chair and professor of finance, examined factors that are contributing to the bottling of funds within China: the tradition of saving by Chinese consumers, Chinese government policies that encourage savings over spending, and the fact that funds earned in China's well-developed eastern provinces don't flow freely to the less-developed western lands.

China has a distinct lack of capital mobility—a fact that has far-reaching ramifications.

For his recent paper "Regional Capital Mobility in China: Economic Reform

with Limited Financial Integration," published in the *Journal of International Money and Finance*, McNelis and co-authors Kit Ming Isabel Yan, PhD, of the City University of Hong Kong, and Jennifer Te Lai, PhD, of Guangdong University of Foreign Studies, analyzed private consumption and net output data from 21 Chinese provinces, which they sorted into nine regions. Using a panel time-varying coefficients model, the team found a slight improvement in capital-market integration across regions, but also documented market segregation between less-developed areas and the two most affluent regions: one that included Beijing, Tianjin and Hebei, and another that encompassed Shanghai, Jiangsu and Zhejiang.

Absent broad national policy reforms by the Beijing government, McNelis questioned the prospect of any global economic stimulus emerging from China. "Chinese are high savers and will continue to be," he said. "There is neither social security nor a public healthcare program, and folks are living longer. So we should not be surprised that the emerging middle classes have to save a lot. Even a major change in the yuan will not change underlying saving behavior in China."

*Reporting by
David McKay Wilson*

People

FOLLOWING THE NUMERICAL TRAIL

Douglas Blackburn loves running, especially half-marathon trail races, along rugged and hilly terrain. “You have to be looking for the rocks and roots, the turns and the switchbacks,” he said. “If your mind shuts off for a moment, you’ll be tumbling off a cliff.” He likes the strategy it requires and the beauty blurring past.

Photo by Spencer Lum



The director of the Gabelli School’s Master of Science in Quantitative Finance (MSQF) program and a member of the finance faculty, Blackburn said teaching finance theory and researching theoretical and empirical asset pricing and individual investor behavior takes that same focus. It’s complicated, and it has a certain allure.

“Finance theory is trying to explain the financial markets using the language of mathematics, and the combination of the two is beautiful and interesting,” he said. “Often, people look at the financial markets and say, ‘How can you put a structure to it? Millions of people are trading in the markets, and behaviorally, they’re so different.’”

“But that’s the job of the theorist. The Federal Reserve wouldn’t work if we couldn’t put a mathematical structure around how the economy works.”

It is a field that Blackburn arrived at rather serendipitously. While pursuing his master’s in mathematics at the University of Wyoming, he needed a few electives. “The finance area was

located at the other end of the hallway,” he said, so he took a course in options pricing. “I saw how you can use math in profound ways to study finance,” said Blackburn, who went on to earn his PhD in finance at Indiana University.

For the last three years, Blackburn has directed Fordham’s highly selective MSQF program, which receives 700 to 800 applications from around the world for 45 slots. He was drawn to Fordham by the faculty he met when interviewing and by the Jesuit approach to the MSQF program—teaching the whole person, or, in this case, the whole “quant.” Students enroll in 45 credits over 18 months, which means more than 20 different two-credit courses. “They are really seeing all the different asset classes, a lot of different programming language, and modeling, so they can apply for a wide variety of jobs,” he said.

Blackburn’s former students work at Deloitte, NASDAQ, Bank of America Merrill Lynch, and many other transnational banks and finance firms. “They’ve met with tremendous success,” he said. “It’s very rewarding.”

Jessica Feng, MSQF ’13, an analyst at Citigroup capital markets, said Blackburn was able to help her untangle the complexities of coding. “He’d start with the theoretical side, get us to understand the thinking process behind the codes, and then we would do some sample coding together, walking through the steps and correcting the common mistakes,” Feng said. She said Blackburn insisted that his students hone their attention to detail, a skill she uses each day.

Blackburn is grateful that he walked down that hall in Wyoming and discovered a field that endlessly fascinates him. This summer, he relished having time to dive into research; to travel with his wife, Tong, a musicologist, and their young daughter, Angelina; and to run—even if, for now, “it’s mostly on the dreaded treadmill and paved roads.”

by Jackie Fitzpatrick Hennessey

Back cover photo by Jurvetson (flickr)

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Should driverless cars be programmed to protect the occupants at the expense of other drivers and pedestrians, or vice versa?

Exploring this question won four undergraduate seniors—Gabriela Cinkova, BS '15, Ross Garlick, BS '15, Kathleen "KC" Schmitz, BS '15, and Lauren Teske, BS '15—first place in their division at the International Business Ethics Case Competition in New Orleans in April.

