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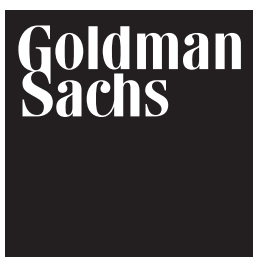


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THE VAULT  
**MBA CAREER  
BIBLE**

VAULT EDITORS

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# Table of Contents

<b>INTRODUCTION</b>	<b>1</b>
<b>THE MBA JOB SEARCH</b>	<b>3</b>
<b>Recruiting and Internships</b>	<b>5</b>
Hiring Overview	5
On-Campus Recruiting and Internships	6
<b>Resumes</b>	<b>9</b>
Ten Seconds	9
It's What You Did, Not What Your Name Tag Said	10
Think Broadly	10
Selected History	11
Sample MBA Resume	12
<b>Cover Letters</b>	<b>13</b>
The Cover Letter Template	13
MBA Summer Internship Cover Letter	17
MBA Full Time Cover Letter	18
<b>MBA Interviews</b>	<b>19</b>
MBA Interviews	19
Case Interviews	19
Sample Case	23
Sample Guesstimate	25
Finance Interviews	26
Sample Finance Interview Questions	30
<b>MBA DIVERSITY</b>	<b>33</b>
The Importance of Mentors	35
Vault Diversity Q&A: Barbara Thomas, CEO, National Black MBA Association	39
Vault Diversity Q&A: Pipasu Soni, Financial Analyst, Honeywell	42
Vault Diversity Q&A: Jeff Gustavson, MBA Development Program Manager, ChevronTexaco	44
Diversity Employer Directory	47
<b>INDUSTRY OVERVIEWS</b>	<b>49</b>
<b>Aerospace and Defense</b>	<b>51</b>
Industry Outlook	51
Employer Directory	55

<b>Biotech and Pharmaceuticals</b>	<b>59</b>
The Global Pharmaceutical Industry .....	59
Departments in a Biotech Company .....	61
Business Jobs in Biotech .....	63
Employer Directory .....	67
<b>Brand Management/Consumer Products</b>	<b>71</b>
Functional Overview .....	71
Careers in Marketing .....	72
A Day in the Life: Assistant Brand Manager .....	76
Employer Directory .....	78
<b>Energy/Oil and Gas</b>	<b>83</b>
Energy Industry History .....	83
Understanding the New Energy Industry .....	86
Types of Energy Companies .....	89
The Oil and Gas Industry .....	90
Getting Hired .....	94
Employer Directory .....	98
<b>Fashion</b>	<b>101</b>
Fashion and the MBA .....	101
Getting Hired .....	101
Pay and Perks .....	102
Vault Profile: Judy Chang, Fashion MBA .....	102
Employer Directory .....	104
<b>Financial Services and Insurance</b>	<b>107</b>
Brokerage Services .....	107
Credit Card Services .....	108
Commercial Banking .....	110
Insurance .....	112
Employer Directory .....	115
<b>Government and Politics</b>	<b>121</b>
Federal Government .....	121
Areas of Interest to MBAs .....	123
Employer Directory .....	125
<b>Health Care</b>	<b>129</b>
Health Care Industry Overview .....	129
MBAs in Healthcare .....	135
Health Care Consulting .....	136
Employer Directory .....	138

<b>Hedge Funds</b>	<b>141</b>
What is a Hedge Fund? . . . . .	141
Distinguishing Characteristics . . . . .	142
Organizational Structure of a Typical Hedge Fund . . . . .	145
Director of Operations . . . . .	146
Risk Management . . . . .	147
Employer Directory . . . . .	150
<b>High Tech</b>	<b>153</b>
Technology is Everywhere . . . . .	153
The MBA in Tech . . . . .	154
Tech Experience and Degrees . . . . .	156
Employer Directory . . . . .	158
<b>Investment Banking</b>	<b>163</b>
The Firms . . . . .	163
Corporate Finance . . . . .	163
The Players . . . . .	164
Day in the Life: Associate, Corporate Finance . . . . .	167
Employer Directory . . . . .	168
<b>Investment Management</b>	<b>173</b>
History . . . . .	173
The Industry Today . . . . .	176
Portfolio Management . . . . .	176
Investment Research . . . . .	177
Employer Directory . . . . .	179
<b>Management Consulting</b>	<b>183</b>
What is Consulting? . . . . .	183
Consulting Skill Sets . . . . .	186
The Traveling Salesman Problem . . . . .	188
Day in the Life: Associate Strategy Consultant . . . . .	189
Employer Directory . . . . .	193
<b>Manufacturing</b>	<b>199</b>
The Engine Driving the Economy . . . . .	199
Employer Directory . . . . .	202
<b>Media and Entertainment</b>	<b>205</b>
Media and Entertainment MBAs . . . . .	205
Media Business Positions . . . . .	207
Our Survey Says: Lifestyle and Pay . . . . .	209
Day in the Life: Strat Planning Executive . . . . .	211
Employer Directory . . . . .	213

<b>Real Estate</b>	<b>215</b>
History of the Real Estate Industry in the United States . . . . .	215
Industry Trends . . . . .	217
The Real Estate MBA . . . . .	219
Job Seeking Advice for Real Estate MBAs . . . . .	220
Employer Directory . . . . .	222
<b>Sales and Trading</b>	<b>225</b>
The War Zone . . . . .	225
Shop Talk . . . . .	225
S&T: A Symbiotic Relationship? . . . . .	226
The MBA in S&T . . . . .	226
Day in the Life of a Sales-Trader . . . . .	227
MBA Career Path . . . . .	226
Employer Directory . . . . .	231
<b>Technology Consulting</b>	<b>235</b>
The State of Technology Consulting . . . . .	235
Day in the Life: IT Consultant . . . . .	238
Employer Directory . . . . .	241
<b>Telecommunications</b>	<b>247</b>
Telecom Calling . . . . .	247
Employer Directory . . . . .	251
<b>Transportation and Airlines</b>	<b>255</b>
Turbulent Skies for Airlines . . . . .	255
Carrying the Load . . . . .	258
Road and Track . . . . .	260
A Life in Transportation . . . . .	261
Employer Directory . . . . .	262
<b>Venture Capital</b>	<b>265</b>
The Financial Industry and Venture Capital . . . . .	265
Day in the Life: Venture Capitalist . . . . .	265
VC Uppers and Downers . . . . .	267
Employer Directory . . . . .	269
<b>APPENDIX</b>	<b>271</b>
Employer Directory Index . . . . .	273
About the Author . . . . .	279

# Introduction

The MBA degree opens up worlds of opportunity for its bearers. Many business positions require an MBA for advancement. For example, investment banking and management consulting firms hire large classes of newly minted MBAs each year at six-figure salaries into the “associate” level – those without MBAs generally don’t advance past the “analyst” level. At major consumer products companies like Procter & Gamble, Kraft and Colgate-Palmolive, MBAs are hired as “assistant brand managers” into the brand management department – those without MBAs are generally not eligible for the department. And it is from this function that these companies’ senior executives are generally drawn.

In other industries such as media and entertainment and the federal government, while the MBA isn’t necessary for advancement, it is increasingly becoming a major asset.

In this new career guide, Vault provides an overview of career topics most relevant to the MBA job search, including a look at some of the most prominent career paths for MBAs. Sectors covered in this guide include:

- Aerospace and Defense
- Biotech and Pharmaceuticals
- Brand Management/Consumer Products
- Energy/Oil and Gas
- Fashion
- Financial Services and Insurance
- Government and Politics
- Health Care
- Hedge Funds
- High Tech
- Investment Banking
- Investment Management
- Management Consulting
- Manufacturing
- Media and Entertainment
- Real Estate
- Sales and Trading
- Technology Consulting
- Telecommunications
- Transportation and Airlines
- Venture Capital

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# **THE MBA JOB SEARCH**



# Recruiting and Internships

## Hiring Overview

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### **A light at the end of the tunnel, finally**

After years of rescinded offers, suspended recruiting, and overall retrenchment, the corporate world is hiring MBAs again. In a survey published in 2004, the MBA Career Services Council (MBA CSC) reported that the job market for MBAs had improved “noticeably” from the previous year: 60 percent of schools reported that on-campus recruiting had increased. (Eight percent of schools indicated that recruiting had increased by more than 25 percent.)

William Brady, president of the MBA CSC and director of Graduate Career Management at Brigham Young University’s Marriott School, said, “Demand for MBA graduates has increased this year, lagging behind the recently reported productivity gains and overall modest economic recovery. Schools are indicating more on-campus activity across several broad industry sectors.”

The hiring increase has extended to summer internships for MBA students: 46 percent of schools that responded to GMAC’s survey indicated that their on-campus internship recruiting had increased.

The gradually improving picture drawn by career services directors is supported by recruiters themselves. According to the Graduate Management Admission Council’s (GMAC, the organization that administers the GMAT business school admissions test) 2003-2004 Corporate Recruiters Survey, the percentage of corporate recruiters who said they believed the economy was weak dropped from 99 percent in 2001-2002 to 96 percent in 2002-2003 and then 82 percent by the 2003-2004 year. More importantly, in 2001-2002, 69 percent of recruiters said that the economy was constraining its recruiting plans; only 50 percent said the same in 2003-2004.

### **Where and why they’re hiring**

According to GMAC’s Corporate Recruiters Survey, finance is the job area for which there is most MBA recruiting activity. Of the more than 1,000 employers surveyed, 62 percent reported that they were recruiting MBAs into the finance function. The breakdown of other functions for MBA hiring was as follows: marketing (49 percent), accounting (30 percent), general management (29 percent), operations and logistics (28 percent), information technology (26 percent), consulting (21 percent), human resources (17 percent) and entrepreneurship (7 percent).

As for the criteria used in hiring MBA graduates, strong communication/interpersonal skills was the area considered most important, according to the survey: 57 percent of recruiters consider this characteristic “extremely important” when hiring MBAs. The other two most important criteria were a proven ability to perform (47 percent indicated this as extremely important) and cultural fit with company (46 percent). All other factors, including quantitative knowledge/technical skills, MBA functional area/concentration of study, and reputation of MBA school, were each considered “extremely important” by less than 25 percent of recruiters.

## On-Campus Recruiting and Internships

For many full-time business school students, on-campus recruiting and summer internships following the first year of business school are the most important methods of finding employers. More than  $\frac{3}{4}$  (78 percent) of recruiters seeking new MBA graduates recruit on campus, according to GMAC's survey of more than 1,000 MBA employers. More than half of the recruiters who recruit on campus indicate that on-campus recruiting is their main source of MBA hiring. (According to the survey, companies recruit at an average of nine schools each year.)

While companies will make presentations and send representatives to business schools throughout the year, actual on-campus interviewing and recruiting tends to be structured on a predictable schedule. Investment banking and consulting firms, which hire large classes of both summer interns full-time hires from business schools, tend to interview second-year students for full-time positions in October and November, and first-year students for summer internships in January and February. On-campus interviewing for Fortune 1000 companies usually happens later, with interviews in March and April for both full-time and internship hiring.

### Choosing Between Summer Internships - Why Not Split 'Em?

Getting summer internships, especially in business school, is incredibly competitive, and the MBA who has two or more tempting internships to choose between is lucky indeed. Most students feel they must choose one over the other, but there is another option. Vault estimates that about one in 10 MBAs split their summer internships – that is, intern at more than one company. In the vast majority of cases, internships are split between companies in different industries, say, consulting and investment banking.

While split summers are still relatively uncommon, the question has arisen often enough for many top firms to establish policies designed to stamp out internship excess, whether these policies be informal or formal. But in many cases, with enough effort, it is still possible to spend your summer doing two separate internships. You won't get any time off during the summer, however – most firms will ask for a minimum of 8 or 9 weeks, and many will require you spend at least 10 or 12 weeks at the company. Since many business schools have summers lasting only 16-18 weeks, splitting your summer may even require you to take a couple of weeks off from school, either during finals week, the first week or two of your second year, or both. In general, smaller firms and firms in less formal industries, like high tech, will be more open to fitting you in at a time convenient for you, while at most investment banks and consulting firms, the time limitations are likely to be more stringent and the internship programs themselves less flexible.

#### The pros and cons of splitting

Let's weigh the pros and cons: On the one hand, splitting your summer will allow you an inside look at two different companies or industries, and you'll have two valuable names on your resume. However, remember that internships are, in part, designed to reflect your deep and abiding interest in a particular firm or industry when you go looking for a full-time offer. Splitting your summer may suggest that you lack commitment – not a good sign to hold up to companies who want to make sure that you'll stay with them. You'll also have to show up late to at least one of your internships which "never looks good, and then you'll have to explain to everyone where you were the first half of the summer," one MBA tells Vault. In

addition “you run the risk of pissing off the companies who’ve offered you the internship,” says one MBA student. “So, if you think you might definitely want to work for one of the companies, you should take that into account.”

A quantitatively-inclined MBA student who split his summer advises: “You shouldn’t split your summer if you are only 5 or 10 percent curious about what it might be like in another industry. Your minimum curiosity level should be around 25 percent.” In general, says one MBA grad, “it makes more sense to split your summer if you’re interested in the two industries involved, but perhaps not the firms in particular. Remember that summer internships are normally much more difficult to get than permanent employment, so you may be able to trade up to better firms during full-time job interviews. In other words, if you split a summer interning at two places you’re not interested for permanent employment, you don’t have to worry about what the firms think.”

### Structuring a split summer

According to insiders who’ve done it, here are some useful strategies for structuring a split summer internship. First of all, never let on that you intend to split your summer during your interviews. Express full enthusiasm for corporate finance, or strategy consulting, or whatever you’re interviewing for – you can bring up a split summer if you get a job offer. Secondly, decide which internship is your priority internship, and put that one at the beginning of your summer. That way, you’ll enter with the rest of the intern class, and your leaving early will attract less notice.

## Questions to Ask During Your Summer Internship Interviews

Not all internships are created equal. Some involve dedicated training, exposure to managers, and significant responsibility. Others involve grunt work and sitting around with nothing to do.

How do you make sure you’re getting a good deal when you sign on for an internship? Take the time during your interview to make sure you understand what’s involved in the internship by asking these questions.

- Can you give me an example of my summer responsibilities? Try to make sure the answer you receive is as specific as possible. Particularly if you’re new to the industry, you want to ensure that you will perform work that is representative of a full-time associate.
- How many people are typically given permanent job offers? And ask for percentages too. This shows you’re interested in opportunities after graduation at the firm, and allows you to plan your strategic options. Some firms, like Goldman Sachs, are known for giving offers to a small proportion of the summer class. You may want to try better odds at another firm.
- Will I be able to rotate between departments? Again, the more you know about the company, the better you will be able to determine which department interests you most, or whether you want to work at the firm at all. If there’s a specific department you want to work in, you should make this known.
- Do you provide any assistance with relocation? Many firms will help locate, and even subsidize, summer housing. If this makes a difference in whether you take the position, ask.

**Looking for a full-time job or first-year internship? Take advantage of all of the resources on Vault.com for MBAs:**

- **Vault MBA Job Board:** Search thousands of top listings
- **Vault Resume and Cover Letter Reviews:** Rated the “Top Choice” by *The Wall Street Journal* for resume makeovers.
- **Vault Employer Research:** Read employee surveys, company news and more.
- **Vault Career Advice:** Read more Days in the Life, sample resumes and cover letters, expert career columns and more.
- **Vault Guides:** *Vault Guide to Resumes, Cover Letters and Interviews, Vault Guide to Schmoozing, Vault Guide to International Careers, Vault Career Guide to Consulting, Vault Career Guide to Investment Banking, Vault Career Guide to Marketing & Brand Management* and many more

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# Resumes

## Ten Seconds

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Studies show that regardless of how long you labor over your resume, most employers will spend 10 seconds looking at it. That's it.

Because of the masses of job searchers, most managers and human resource employees receive an enormous number of resumes. Faced with a pile of paper to wade through every morning, employers look for any deficiency possible to reduce the applicant pool to a manageable number. Thus, your resume must present your information quickly, clearly, and in a way that makes your experience relevant to the position in question. That means condensing your information down to its most powerful form.

So distill, distill, distill. Long, dense paragraphs make information hard to find and require too much effort from the overworked reader. If that reader can't figure out how your experience applies to the available position, your resume is not doing its job.

Solve this problem by creating bulleted, indented, focused statements. Short, powerful lines show the reader, in a glance, exactly why they should keep reading.

Think about how to write up your experience in targeted, clear, bulleted, detail-rich prose. Here are some examples.

### **Before:**

**Primary Duties:** Computer repair and assembly, software troubleshooter, Internet installation and troubleshooting, games.

### **After:**

#### **Primary Duties:**

- Assembled and repaired Dell, Compaq, Gateway, and other PC computers
- Analyzed and fixed software malfunctions for Windows applications
- Installed and debugged Internet systems for businesses such as Rydell's Sports, Apple Foods, and Eric Cinemas

**Before:**

Responsibilities included assisting with artist press releases, compiling tracking sheets based on information from reservationists and box office attendants, handling photo and press release mailings to media, assisting in radio copywriting, and performing various other duties as assigned.

**After:****Experience includes:**

- Wrote artist press releases that contributed to an increase in sales by 23%
- Compiled and maintained mailing list of 10,000 – Cambridge Theater’s largest ever list
- Handled press release mailings to Anchorage Daily News, and Fox Four Television
- Contributed to copywriting of promotion radio commercials for selected events

## It’s What You Did, Not What Your Name Tag Said

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Resumes should scream ability, not claim responsibility. Employers should be visualizing you in the new position, not remembering you as “that account assistant from Chase.” While some former employers can promote your resume by their mere presence, you don’t want to be thought of as a cog from another machine. Instead, your resume should present you as an essential component of a company’s success.

## Think Broadly

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Applicants applying for specific job openings must customize the resume for each position. Many job-hunters, particularly those beginning their careers, apply to many different jobs.

A person interested in a career in publishing, for example, might apply for jobs as a writer, proof-reader, editor, copywriter, grant proposal writer, fact-checker, or research assistant. The applicant may or may not have the experience necessary to apply for any of these jobs. But you may have more skills than you think.

When considering the skills that make you a valuable prospect, think broadly. Anybody’s who’s worked a single day can point to several different skills, because even the most isolated, repetitive jobs offer a range of experience. Highway toll collection, for instance, is a repetitive job with limited variation, but even that career requires multiple job skills. Helping lost highway drivers read a map means “Offering customer service in a prompt, detail-oriented environment.” Making

change for riders translates as “Cashiering in a high-pressure, fast-paced setting.” But unless these toll-booth workers emphasize these skills to prospective employers, it’ll be the highway life for them.

## Selected History

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A lot of things happen in everyone’s day, but when someone asks, “How was your day?” you don’t start with your first cough and your lost slippers. You edit. Resumes require that same type of disciplined, succinct editing. The better you are at controlling the information you create, the stronger the resume will be.

When editing your history to fit the resume format, ask yourself, “How does this particular information contribute towards my overall attractiveness to this employer?” If something doesn’t help, drop it. Make more space to elaborate on the experiences most relevant to the job for which you are applying.

Similarly, if information lurks in your past that would harm your chances of getting the job, omit it. In resume writing, omitting is not lying. If some jobs make you overqualified for a position, eliminate those positions from your resume. If you’re overeducated, don’t mention the degree that makes you so. If you’re significantly undereducated, there’s no need to mention education at all. If the 10 jobs you’ve had in the last five years make you look like a real life Walter Mitty, reduce your resume’s references to the most relevant positions while making sure there are no gaps in the years of your employment.

## Sample MBA Resume

### EUGENE H. HUANG

5050 S. Lake Shore Dr., Apt. 1407  
Chicago, IL 60615  
(773) 555-1234  
[ehuang@uchicago.edu](mailto:ehuang@uchicago.edu)

#### EDUCATION

##### MIDWAY SCHOOL OF BUSINESS

Chicago, IL

##### *Master of Business Administration – Finance and Strategic Management*

June 2004

- Dean's Honor List
- Active member of Management Consulting, Corporate Management and Strategy, and High Tech Clubs.

##### ANDERSEN COLLEGE

Boston, MA

##### *Bachelor of Arts in Physics (Cum Laude)*

June 1999

- Andersen College Scholarship for academic distinction; Dean's List all semesters
- Violinist in Andersen College Symphony
- Physics tutor for Bureau of Study Counsel; active participant in Habitat for Humanity
- Completed dissertation in the field of condensed matter theory

#### EXPERIENCE

##### SMART BROTHERS

New York, NY

##### *Technology Project Manager – Investment Banking*

June 2000 – July 2002

- Managed project teams to develop profit and loss systems for Proprietary Trading group
- Promoted to project leadership role in two years, well ahead of department average of four
- Developed an original mathematical algorithm for trading processing module, improving performance by 1200%
- Led team of six analysts in firmwide project to reengineer loan syndicate trading flows in firm's largest technology project of 1999. Recommendations established new firmwide standard for real-time trade processing
- Appointed lead developer of interest accrual team after just three months in department. Initiated and designed project to create customized, improved interest accrual and P&L applications for fixed income controllers
- Selected to work on high-profile project to reengineer corporate bond trading P&L system. Reduced overnight processing time from six hours to 20 minutes and improved desktop application speed by 350%
- Devoted 20-25 hours a month to instructing junior members of the team in interest accrual and trading

##### FINANCIAL TECHNOLOGY GROUP

New York, NY

##### *Analyst*

June 1999 – May 2000

- Developed cutting-edge analytic software for use by Wall Street traders
- Worked on a daily basis with clients to create and implement customized strategic software solution for equity traders. Helped create and deliver extensive training program for clients
- Initiated, created, and documented new firmwide standard for software module development

#### OTHER

- Winner of Mastermaster.com stock trading competition in November 2000. Won first place out of over 1,600 entrants worldwide with one-month return of 43.3%.
- Other interests include violin, soccer, and the harmonica
- Recent travel to Yemen, Egypt, and Venezuela

# Cover Letters

## The Cover Letter Template

Your Name  
Your Street Address, Apartment #  
Your City, State Zip  
Your Email Address  
Your (h) PHONE NUMBER  
Your (f) FAX NUMBER

**WONDERING WHAT GOES ON A COVER LETTER? HERE'S A STEP-BY-STEP GUIDE**

Contact's Name  
Contact's Title  
Contact's Department  
Contact's Name  
Contact's Street Address, Suite #  
Company City, State Zip  
Company PHONE NUMBER  
Company FAX NUMBER

Date

Dear Ms./Mr. CONTACT,

The first paragraph tells why you're contacting the person, then either mentions your connection with that person or tells where you read about the job. It also quickly states who you are. Next it wows them with your sincere, researched knowledge of their company. The goal: demonstrating that you are a worthy applicant, and enticing them to read further.

The second and optional third paragraph tell more about yourself, particularly why you're an ideal match for the job by summarizing why you're what they're looking for. You may also clarify anything unclear on your resume.

The last paragraph is your goodbye: you thank the reader for his or her time. Include that you look forward to their reply or give them a time when you'll be getting in contact by phone.

Sincerely,

Sign Here

## Date

Placement of the date, whether left justified, centered or aligned to the right, is up to your discretion, but take the time to write out the entry. If you choose to list the day, list it first, followed by the month, date, and year, as follows: Tuesday, July 9, 2004. (Europeans commonly list the day before month, so writing a date only in numbers can be confusing. Does a letter written on 4/7/04 date from April 7, or July 4?)

## Name and address

Your name and address on the cover letter should be the same as the one on your resume. Uniformity in this case applies not only to the address given, but the way the information is written. If you listed your street as Ave. instead of Avenue on your resume, do so on your cover letter too.

Your header can be displayed centrally, just like the resume header – including your name in a larger and/or bolded font. But in most cases, the heading is either left justified or left justified and indented to the far right hand side of the page.

If you choose to list your phone number, make sure that you don't list it somewhere else on the page.

Next comes the address of the person you are writing. In many circumstances, you'll have the complete information on the person you're trying to contact, in which case you should list it in this order:

- Name of contact
- Title of contact
- Company name
- Company address
- Phone number
- Fax number

However, in many cases, you have less than complete information to go on. This is particularly true when responding to an advertisement. If you have an address or phone or fax number but no company name, try a reverse directory, such as Superpages ([www.superpages.com](http://www.superpages.com)), which lets you trace a business by either its address or phone number.

When you're trying to get a name of a contact person, calling the company and asking the receptionist for the name of the recipient (normally, though not always, head of HR) may work. But usually, companies don't list this information because they don't want you calling at all. So if you call, be polite, be persistent, ask for a contact name, say thank you and hang up. Don't identify yourself. If you have questions, wait until the interview.

If you don't get all of the info, don't worry. There are several salutations to use to finesse the fact that you've got no idea who you're addressing. Some solutions are:

**To whom it may concern:** A bit frosty, but effective.

**Dear Sir or Madam:** Formal and fusty, but it works.

**Sirs:** Since the workforce is full of women, avoid this outdated greeting.

**Omitting the salutation altogether:** Effective, but may look too informal.

**Good morning:** A sensible approach that is gaining popularity.

## Format

Unlike the resume, the cover letter offers the writer significant room for flexibility. Successful cover letters have come in various different forms, and sometimes cover letters that break rules achieve success by attracting attention. But most don't. Here are some basic guidelines on what information the body of a cover letter should deliver.

## First paragraph

To be successful, this first paragraph should contain:

- A first line that tells the reader why you're contacting them, and how you came to know about the position. This statement should be quick, simple and catchy. Ultimately, what you're trying to create is a descriptive line by which people can categorize you. This means no transcendental speeches about "the real you" or long-winded treatises on your career and philosophy of life.
- Text indicating your respect for the firm's accomplishments, history, status, products, or leaders.
- A last line that gives a very brief synopsis of who you are and why you want the position. The best way to do this, if you don't already have a more personal connection with the person you're contacting, is to lay it out like this:

**I am a (your identifying characteristic)**

+

**I am a (your profession)**

+

**I have (your years of experience or education)**

+

**I have worked in (your area of expertise)**

+

**I am interested in (what position you're looking for)**

And thus a killer first paragraph is born.

## Middle paragraph(s)

The middle paragraph allows you to move beyond your initial declarative sentences, and into more expansive and revealing statements about who you are and what skills you bring to the job. This is another opportunity to explicitly summarize key facts of your job history. The middle paragraph also offers you the opportunity to mention any connection or prior experience that you may have with the company.

Tell the employer in this paragraph how, based on concrete references to your previous performances, you will perform in your desired position. This does not mean making general, unqualified statements about your greatness such as “I’m going to be the best you’ve ever had” or my “My energetic multi-tasking will be the ultimate asset to your company.”

Comments should be backed up by specific references. Try something along the lines of “My post-graduate degree in marketing, combined with my four years of retail bicycle sales would make me a strong addition to Gwinn Cycles’ marketing team.”

Or: “Meeting the demands of a full-time undergraduate education, a position as student government accountant, and a 20-hour-a-week internship with Davidson Management provided me with the multi-tasking experience needed to excel as a financial analyst at Whittier Finance.”

Many advertisements ask you to name your salary requirements. Some avoid the problem altogether by ignoring this requirement, and this may be the safest route – any number you give might price you out of a job (before you have the chance to negotiate face-to-face at an interview). Alternatively, you might be pegged at a lower salary than you might otherwise have been offered. If you must give a salary requirement, be as general as possible. The safest bet is to offer as general a range as possible (“in the \$30,000s”). Put the salary requirement at the end of the paragraph, not in your first sentence.

Some cover letter writers use another paragraph to describe their accomplishments. This makes sense if, for example, your experience lies in two distinct areas, or you need to explain something that is not evident on your resume, such as “I decided to leave law school to pursue an exciting venture capital opportunity” or “I plan to relocate to Wisconsin shortly.” Do not get overly personal – “I dropped out of business school to care for my sick mother” is touching, but will not necessarily impress employers.

## Final paragraph

The final paragraph is your fond farewell, your summation, a testament to your elegance and social grace. This should be the shortest paragraph of the letter. Here, tell your readers you’re pleased they got so far down the page. Tell them you look forward to hearing from them. Tell them how you can be reached. Here’s some sample sentences for your conclusion.

*Thank you sentences:*

Thank you for your time.

Thank you for reviewing my qualifications.

Thank you for your consideration.

Thank you for your review of my qualifications.

*Way too much:*

It would be more than an honor to meet with you.

*A note of confidence in a callback:*

I look forward to your reply.

I look forward to hearing from you.

I look forward to your response.

I look forward to your call.

*Over the top:*

Call me tomorrow, please.

## MBA Summer Internship Cover Letter

February 1, 2005

Kimberly Sharpe, Recruiting Manager  
Hexagonal Consulting  
666 Avenue of the Americas  
13th Floor  
New York, NY

Dear Ms. Sharpe,

I am a first-year MBA student at State Business School. I was extremely impressed with Hexagonal Consulting's approach to management consulting after attending the presentation given by your firm earlier this quarter. I also learned more about your firm by talking with William Field and several other summer interns. My discussions with them confirmed my interest in Hexagonal Consulting, and I am now writing to request an invitation to interview for a summer associate consulting position.

After graduating from Northern College with a degree in accounting, I worked as an associate in the Finance department of AutoCo, a well-known automotive manufacturer. I gained solid analytical and problem solving skills there. I was responsible for identifying and resolving financial reporting issues, as well as generating innovative methods to improve our processes. I also fine-tuned my communication and consensus building skills, as I often needed to present and market my work to middle and upper management. Finally, during my last year of employment, I took on a team leadership role, managing the daily work of five junior members of our team and taking an active role in our training for new hires.

I am excited by the strong potential fit I see with Hexagonal Consulting. I feel that the analytical, leadership and teamwork abilities gained through my employment and academic experience have provided me with the tools and skills necessary to perform well in a consulting career, and will allow me to make a significant contribution at your firm. I am particularly intrigued by the shareholder value focus of Hexagonal Consulting's methodology, since it fits well with my experience in finance.

I have enclosed my resume for your review. I welcome the opportunity to meet with you when you recruit at SBS for summer internships later this month, and I would greatly appreciate being included on your invitational list.

Thank you for your time and consideration. I look forward to hearing from you.

Sincerely,

Laura Haley  
314 Broadway, Apt. 15  
New York, NY 10007  
lbethhaley@hotmail.com

## MBA Full-Time Cover Letter

Ms. Margaret Jones, Recruiting Manager  
Mainstream Consulting Group  
123 21st Street  
Boston, Massachusetts 02145

November 19, 2004

Dear Ms. Jones:

It was a pleasure to meet you in person last week at the Mainstream Consulting invitational lunch on the Boston Business School campus. Having spoken with your colleagues at the event, I believe that Mainstream would be an exciting and challenging firm in which to build my career.

My background fits well with a position in strategy consulting. As a Midway University physics undergraduate, I developed an analytic, creative mind geared towards solving complex problems. I applied and enhanced my problem solving skills as a technology project leader at Smart Brothers Investment Bank, where I focused on making business processes faster, more effective, and more efficient. Creating these results for traders, financial analysts, and senior management taught me how to effectively partner with clients throughout the various phases of business transformation. In addition, I gained valuable team leadership experience at Smart Brothers, guiding many project teams through the successful design and implementation of cutting-edge technology strategies.

As a telecommunications strategy intern at Global Consulting Associates this summer, I confirmed that strategy consulting is indeed the right career for me. Our project team helped a major telecommunications provider formulate a wireless data services strategy. I led the industry analysis and market opportunity assessment. This experience showed me that I am an effective contributor in a consulting environment, where industry knowledge, creative problem solving skills, fact-based analysis, and client focus are rewarded.

Mainstream appeals to me over other firms because of its focus on pure strategy projects, small firm atmosphere, and accelerated career growth opportunities. Please consider me for your invitational campus interviews this fall. I am particularly interested in positions in the San Francisco and Chicago offices, and I have enclosed my resume for your review.

Thank you for your time, and I look forward to hearing from you soon.

Sincerely,

Michael A. Thomas  
100 Wellany Way  
Boston, MA 02111  
michaelt3@bostonu.edu

# MBA Interviews

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## MBA Interviews

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Interviewing during on-campus MBA recruiting can be a harrowing process for several reasons. First, there is the sheer volume of interviewing: some students interview with a dozen or more companies within a few week period, all while maintaining a busy class schedule.

At each interview, students work to convince interviewers that they represent a good “fit” with the company. Part of being a good fit, of course, means that students have specific interest and knowledge of the companies they are interviewing with. This crucial element of interview performance requires students to research the employers as thoroughly as possible in order to convincingly make their cases to many companies, a feat made more difficult by the large number of companies many students interview with. To help students prepare for their interviews with specific companies, Vault publishes 50-page employer profiles of major MBA employers, as well as “snapshots” of thousands of other major employers online at [www.vault.com](http://www.vault.com).

Interviewers use a variety of techniques to test students. According to the Graduate Management Admission Council’s (GMAC) Corporate Recruiters Survey survey of more than 1,000 MBA employers, behavior-based interviews (during which candidates describe specific examples of skills such as leading a team or managing a difficult employee) are used by 79 percent of recruiters, and are the most common technique used by MBA recruiters. More than half of the recruiters surveyed (53 percent) use “case” or situational interviews in which the interviewers describe a hypothetical or real business situation and ask the job seeker to work through a course of action out loud. And more than one-third (36 percent) use questions that measure position-specific knowledge (such as the ability to price a bond for a fixed income finance position).

Case interviews and technical finance interviews can be particularly stress-inducing, as students cannot as easily predict questions and prepare answers for these types of interviews as they can for behavior-based interviews. (In fact, some interviewers, most notoriously in the investment banking industry, choose to deliberately make interviews stressful in order to assess how business school students respond to stressful situations.) To help students prepare for these types of interviews, we discuss case and finance interviews in detail in the next two sections.

## Case Interviews

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### **What is a case interview?**

Simply put, a case interview is the analysis of a business question. Unlike most other interview questions, it is an interactive process. Your interviewer will present you with a business problem and ask you for your opinion. Your job is to ask the interviewer logical questions that will permit you to make a detailed recommendation. The majority of case interviewers don’t have a specific answer that you, the candidate,

are expected to give. What the interviewer is looking for is a thought process that is both analytical and creative (what consultants love to call “out-of-the-box” thinking). Specific knowledge of the industry covered by the case question is a bonus but not necessary. Business school students and candidates with significant business world experience receive case questions that require a deeper understanding of business models and processes.

The interview with a consulting company normally lasts about half an hour. Of this time, about five to 10 minutes is taken up with preliminary chat and behavioral questions and five minutes of you asking questions about the company. This leaves five to 15 minutes for your case interview question or questions. Make them count!

### **Why the case?**

Your impressive resume may get you an interview with a consulting firm, but it won’t get you the job. Consultants know that a resume, at its very best, is only a two-dimensional representation of a multi-faceted, dynamic person.

And because consulting firms depend on employing those multi-faceted, dynamic people, the firms rely heavily on the case interview to screen candidates. The interview process is especially pertinent in the consulting industry, since consulting professionals spend the lion’s share of their business day interacting with clients and colleagues and must themselves constantly interview client employees and executives.

Consultants must have a select set of personality and leadership traits in order to be successful. The consultant’s work environment is extremely turbulent. There are nonstop co-worker changes, hostile client environments, countless political machinations, and near-perpetual travel. These factors mandate that an individual be cool under pressure, be influential without being condescending, be highly analytical, have the ability to understand the smallest aspects of a problem (while simultaneously seeing the big picture), and have the ability to maintain a balance between the personal and professional.

Consultants are often staffed in small groups in far-flung areas. As a result, the individual must be able to function, and function well, without many of the traditional workplace standards: a permanent working space, the ability to return home each night, easily accessed services such as administrative assistance, faxing, and photocopying, and the camaraderie that develops among co-workers assigned to the same business unit.

All these factors necessitate a unique interview structure focused on assessing a candidate’s ability to manage these particular circumstances with professionalism and excellence. The case interview has evolved as a method for evaluating these characteristics.

### **Types of case interviews**

What case interviews are not designed to do is to explore educational, professional, or experiential qualifications. If you’ve reached the case interview stage, take a deep breath – the consulting firm has already weighed your background, GPA, and experience and found you worthy of a deeper skill assessment. This

means that the case interview is yours to lose. Triumph over your case interviews and chances are that a slot at the firm will open for you.

Case interviews vary widely, but in general they fall into three groups: business cases, guesstimates, and brainteasers.

### ***Case interviews***

Case interviews vary somewhat in their format. The classic and most common type of case interview is the business case, in which you're presented with a business scenario and asked to analyze it and make recommendations. Most cases are presented in oral form, though some involve handouts or slides, and a few (like Monitor Company's) are entirely written. (In a written case, the interviewer will not contribute any other information besides what's on the handout.) Another variation on the case interview is the group case interview, where three to six candidates are grouped together and told to solve a case cooperatively. Consultants from the firm watch as silent observers. Though you should certainly be prepared for these variations on case interviews, you are most likely to come across the traditional, mano-a-mano case interview.

### ***Guesstimates***

Whether free-standing or as part of a case, learning how to make "back-of-the-envelope" calculations (rough, yet basically accurate) is an essential part of the case interview. As part of a guesstimate, you might be asked to estimate how many watermelons are sold in the United States each year, or what the market size for a new computer program that organizes your wardrobe might be. (For example, you might need to figure out the market size for the wardrobe software as a first step in determining how to enter the European market.) You will not be expected to get the exact number, but you should come close – hence the guesstimate. Non-business school students and others who appear to be weak quantitatively may get stand-alone guesstimates – guesstimates given independently of a case.

### ***Brainteasers***

Brainteasers are normally logic puzzles or riddles. They may be timed. Often, brainteasers are meant to test both analytic and "out-of-the-box" thinking, as well as grace under pressure.

## **Skills assessed in the case interview**

Following your case interview, your consulting interviewer will complete a written evaluation form. The evaluation forms often include a list of qualities, traits, and abilities and ask the interviewer to assess the candidate against the list. Following is a list of these special traits that, according to consulting insiders, interviewers will be keeping an eye out for as you work through the case interview:

### ***Leadership skills***

You'll hear this from every consulting firm out there – they want leaders. Why, you might ask, would a consulting firm need a leader? After all, many beginning consultants are consigned to independent number-crunching and research. The fact is, however, that consultants are often called upon to work independently, shape projects with very little direction, and direct others. You should demonstrate your leadership skills by taking charge of the case interview. Ask your questions confidently. Inquire whether the case interview relates to the interviewer's own experience. While your resume and previous leadership experience

rience will probably most strongly convey your leadership ability, your demeanor in the case interview can help.

### ***Analytical skills***

The core competency of consulting is analysis – breaking down data, formulating it into a pattern that makes sense, and deriving a sensible conclusion or recommendation. You should display this skill through your efficient, on-target, and accurate questions while wrestling your case to a solution.

### ***Presentation skills***

Presenting your analysis is an essential part of consulting. Once consultants have analyzed their case engagement and decided on the proper course of action, they must present their findings and recommendations to their case team and to their clients. Interviewers will be watching you closely to see if you stumble over words, use inadvisable fillers like “um” or “like” frequently, or appear jittery under close questioning. Remember: When you’re speaking, slow down and smile. If asked a question that temporarily stumps you, take a deep breath and pause. It’s always better to pause than babble. Ask the interviewer to restate information if necessary.

### ***Energy***

Even the most qualified and analytical consultant won’t be much good if she quits at 5 p.m. during a long and arduous engagement. Interviewers look for zest and energy – firm handshake, sincere and warm smile, bright eyes. Remember that consulting firms expect you to take a long flight and show up at work the next day alert, perky, and ready to go. If you must, drink lots of coffee and use eyedrops – just be energized.

### ***Attention to detail/organization***

Consultants must be as painstaking as scientists in their attention to detail. And consultants who juggle two or more flights a week and engagements all over the world must be extremely organized. You can display this skill through a disciplined, logical approach to your case solution, and by showing up for your interview prepared. You’ll want to take notes, so bring a pad of paper and a pen. Interviewers notice when candidates must ask for these materials. You must arrive on time.

### ***Quantitative skills***

Those spreadsheets you’ll be working with as a management consultant need numbers to fill them. Consulting interviews will inevitably test your grasp of numbers and your ability to manipulate them. Many interviewers will assess your quantitative skills by giving you a “guesstimate,” either within the case question or separately.

### ***Flexibility***

Consultants may have to arrive at the office one day and be packed off to Winnipeg for six months the next. This kind of flexibility of schedule is mirrored in tests for mental flexibility. To test your grasp of a case interview, the interviewer may suddenly introduce a new piece of information (“Okay, let’s say the factories must be opened either in Canada or China”) or flip the terms of the case interview (“What if this labor contract is not guaranteed, as I said earlier?”) and then watch how quickly you’re able to alter your thinking.

***Maturity***

Consultants must often work with executives and company officials decades older than they are. (This is why consultants are taught the right way to answer the question, “How old are you?”) Eliminate giggling, fidgeting, and references to awesome fraternity events you may have attended, even if the interviewer seems receptive.

***Intelligence, a.k.a. “mental horsepower”***

Rather straightforward – consulting interviewers are looking for quickness of analysis and depth of insight. Don’t be afraid to ask questions for fear of looking stupid – smart people learn by asking questions and assimilating new information. At the same time, asking your interviewer to repeat an elementary (or irrelevant) concept 20 times will not do you any favors.

**What kind of case will I get?**

While there’s no way to tell for sure what case question you’ll get, there are some things that can tip you off to the kind of case you’ll receive.

If you’re an undergraduate or other non-MBA student, you can probably be safely assured of getting a creative or “open-ended” question. “We don’t expect our undergraduate candidates to know that much about business,” confides one interviewer. “What we do expect is the ability to break down and articulate complex concepts.” Undergraduates are also much more likely to get guesstimates and brainteasers than MBAs.

Are you a business school student or graduate? Then your case question will probably be less open-ended and drive toward an actual solution. Your interviewer may posit something from her own experience – knowing what course of action the consultancy actually ended up recommending. This doesn’t mean you have to make the same recommendation – but you’d better be able to back up your reasoning! Alternatively, one thing case interviewers love to do is look at your resume and give you a case question that relates to your past experience. “For example,” says one consultant, “if you were on the advertising staff for the school newspaper, you might be given a question about investing in advertising agencies.” For this reason, advise consultants, “it makes sense to follow up on your field in *The Wall Street Journal* because you may be asked about recent developments in it. If you know what’s going on you’ll be that much more impressive.” Some guesstimates, like figuring out the total worldwide revenues of Tarzan, are broad enough so that most people can make a reasonable assumption of numbers.

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**Sample Case**

*You are advising a credit card company that wants to market a prepaid phone card to its customers. Is this a good idea?*

Whoa! Better find out more about this prepaid phone card first before you even begin to think about recommending it.

**You:** What is the role of our company? Do we simply market the card or must we create them ourselves? Are we expected to provide the telephone services?

**Interviewer:** This card will be co-marketed with an outside phone company. We do not need to perform telecommunications functions.

**You:** What are our expenses connected with the card?

**Interviewer:** We must pay 15 cents for every minute we sell. We also have to pay \$1.00 as a start-up cost for the card and card systems.

**You:** What are our marketing expenses?

**Interviewer:** We normally use slips of paper that are attached to the backs of our credit card payment envelopes. We sometimes also send customers a direct mailing – in a separate envelope. Or we can have telemarketers call selected customers.

**You:** What's the cost of each of these marketing techniques, and what is their response rate?

**Interviewer:** Telemarketers have a 2 percent response rate and cost \$1.00 per call. Direct mailings cost us 40 cents per mailing and have a 0.50 percent rate of response. Our payment attachments have a 0.25 percent rate of response, but only cost us 5 cents each.

**You:** I'm going to assume we will sell one-hour phone cards. That will cost us \$9.00 for the minutes and a dollar per card – so each card costs us \$10.

**Interviewer:** Okay, that sounds reasonable.

**You:** And what is our expected revenue on a one-hour phone card? What is the current market rate for a 60-minute phone card?

**Interviewer:** Assume it's 50 cents a minute.

**You:** So if we sell the cards for \$30, we have a \$20 profit, minus our expenditures on marketing.

**Interviewer:** What's our cost structure look like?

**You:** Okay, let's figure this out. To sell 1,000 cards through telemarketing, we would need to contact 50,000 people. That would cost us \$50,000. To use direct mail, we would have to contact 200,000 thousand people, which, at 40 cents per mailing, costs us \$80,000. Since the envelope inserts aren't very reliable, we will need to contact 800,000 people using that method. But at 5 cents each, it costs only \$20,000 to sell 1,000 cards.

We make \$20 profit on each card. But even using the cheapest promotional vehicle, at \$20 profit, we would only break even, because our profits on 1,000 cards would be \$20,000. We shouldn't market this card, unless we can further cut our marketing costs or increase the price of the card. If we could slice the cost of the envelope attachments a penny or so, or sell the card for \$35, or convince our co-marketer to reduce our costs, it might be worth selling.

**Interviewer:** What are some other issues you might want to consider? (Notice how the interviewer is nudging you to add to your analysis.)

**You:** We should also consider the competitive landscape for this business. Is the per-minute rate for calling card minutes expected to fall? If so, and our costs are held constant, we may lose money. Of course, we can learn more from marketing these cards. It could be that the people likely to buy these cards might be frequent travelers and could be targeted for other promotions

## Sample Guesstimate

### How many square feet of pizza are eaten in the United States each month?

Take your figure of 300 million people in America. How many people eat pizza? Let's say 200 million. Now let's say the average pizza-eating person eats pizza twice a month, and eats two slices at a time. That's four slices a month. If the average slice of pizza is perhaps six inches at the base and 10 inches long, then the slice is 30 square inches of pizza. So four pizza slices would be 120 square inches. Therefore, there are a billion square feet of pizza eaten every month. To summarize:

- There are 300 million people in America.
- Perhaps 200 million eat pizza.
- The average slice of pizza is six inches at the base and 10 inches long = 30 square inches (height x half the base).
- The average American eats four slices of pizza a month.
- Four pieces x 30 square inches = 120 square inches (one square foot is 144 inches), so let's assume one square foot per person.
- Your total: 200 million square feet a month.

### Prepare for your case interviews and consulting job search with Vault's services for MBA consulting job seekers

- **Vault Guides:** *Vault Guide to the Case Interview, Vault Practice Guide to the Case Interview, Vault Guide to the Top 50 Management and Strategy Consulting Firms, Vault Career Guide to Consulting*
- **Vault Career Services:** 1-on-1 Case Interview Prep (mock interviews and feedback) with Vault experts
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## Finance Interviews

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### **An overview of finance interviews**

Investment banking positions and other finance positions are some of the more stressful and demanding positions on the planet, and this is reflected in the interview. In fact, insiders say that occasionally, an interviewer will yell at an applicant to see how he or she will react. Interviews normally go three or four rounds (sometimes as many as six or more rounds), and these rounds can have up to six interviews each, especially in the later rounds. Investment banking and finance interviews are also known for being deliberately stressful (as opposed to the attendant nervousness that goes with any interview). Some firms may ask you specific and detailed questions about your grades in college or business school, even if your school policy prohibits such questions. At other firms, interview rounds may be interspersed with seemingly casual and friendly dinners. Don't let down your guard! While these dinners are a good opportunity to meet your prospective co-workers, your seemingly genial hosts are scrutinizing you as well. (Hint: Don't drink too much.)

There are generally two parts to the finance hiring process: the fit part and the technical part. In asking technical questions, the interviewer wants to judge your analytical and technical skills. If you don't know the basic concepts of finance and accounting, your interviewers will believe (rightly) that you are 1) either not interested in the position 2) not competent enough to handle the job. While most of this book will be devoted to helping you ace the technical aspect of finance interviews, arguably a more important part of the interviews is what is called the fit interview. As you go through recruiting in finance interviews, understand that you compete with yourself. Most firms are flexible enough to hire people that are a good fit.

#### ***The fit interview***

They call it the O'Hare airport test, the Atlanta airport test, or the whatever-city-you-happen-to-be-applying-in airport test. They also call it the fit interview or the behavioral interview. It means: "Could you stand to be stranded in an airport for eight hours with this person?" Although bankers may have reputations for being aggressive individuals, don't act that way in your interview.

And while your performance in the fit interview partly depends – as the airport test suggests – on how well you gel with your interviewer, it also depends on your ability to portray yourself as a good fit as an investment banker, asset manager, etc. In other words, interviewers will try to figure out what your attitude towards work is like, how interested you are in a career in the industry, and how interested you are in the job for which you are applying.

#### ***I'm a hard worker***

As a general rule, you should emphasize how hard you have worked in the past, giving evidence of your ability to take on a lot of work and pain. You don't have to make things up or pretend that there's nothing you'd want more than to work 100-hour weeks. In fact, interviewers are sure to see through such blatant lying. Says one I-banking interviewer, "If somebody acted too enthusiastic about the hours, that'd be weird." If you ask investment bankers and others in finance what they dislike most about their jobs, they will most likely talk about the long hours. Be honest about this unpleasant part of the job, and convince

your interviewer that you can handle it well. For example, if you were in crew and had to wake up at five every morning in the freezing cold, by all means, talk about it. And if you put yourself through school by working two jobs, mention that, too.

### ***Got safe hands?***

As with all job interviews, those for finance positions will largely be about figuring out whether you can handle the responsibility required of the position. (In many cases with finance positions, that responsibility will mean making decisions with millions or billions of dollars at stake.)

An interviewer will try and figure out if you've got safe hands and won't be dropping the ball. "This is a critical I-banking concept," says one banker about safe hands. "The idea is: 'Can I give this person this analysis to do and feel comfortable that they will execute it promptly and correctly?' The people with safe hands are the ones who advance in the company. They are not necessarily the hardest workers but they are the most competent." Make sure you bring up examples of taking responsibility.

### ***A mind to pick things apart***

The world of finance is largely about number crunching and analytical ability. While this doesn't mean you have to be a world-class mathematician, it does mean that you have to have an analytic mind if you are to succeed. Explains one insider at a numbers-heavy Wall Street firm, "you can't be any old English major. You've got to have a really logical, mathematical head." Make sure you have examples of your problem-solving and analytic strengths.

### ***T-E-A-M! Go team!***

Teamwork is the buzzword of these days not just for the investment banking industry, but for every employer. Every finance position (except, perhaps, for research) requires that an employee work closely with others – whether this be in the form of investment banking deal teams, or finance officials working with marketers at a corporation. Interviewers will ask questions to make sure that you have experience, and have excelled, in team situations. Yeah, you can break out those glory days stories about the winning touchdown pass, but lots of other situations can also help describe your teamwork ability – previous work experience, volunteer activities, etc.

### ***Preparing for finance interviews***

When you review career options, don't discount the amount of time it takes to prepare for finance interviews. First of all, you should evaluate whether you actually want to be in investment banking, commercial banking, venture capital, etc. In short, you should know what you're getting into. Not only should you know this for your own sake (this is your future, after all), but your interviewers want to know that you understand the position and industry.

You should use the opportunity of non-evaluative settings (i.e., not an interview) to get answers to these questions. These are questions to which we strongly suggest you have answers to before interviewing. Make a point to attend recruiting presentations by firms. Your informational interviews with alumni and (for those in business school) second-years are also good ways to get answers to some of your questions.

As for written materials, you can start with general business publications like *The Wall Street Journal*, *The Economist*, *BusinessWeek*, and the *Financial Times*. From there, you can move on to trade publications

that will give more industry-specific news and analysis. *American Banker*, *Institutional Investor*, *Investment Dealers' Digest* and *The Daily Deal* are some examples.

Your interaction with alumni can have direct results. The results can be good if you prepare properly before contacting them. You can also assure yourself a ding if you don't handle a meeting or phone conversation correctly.

Here are some questions about finance positions you should ask before you have your first interview:

- What is a typical day like?
- What are the hours in the industry really like? Are they 100 hours every week or every other week? Is it the same for every firm?
- How do people cope with the lifestyle issues in the industry?
- What kind of money do people make in the industry?
- What are the things I-bankers (or commercial bankers, venture capitalists, etc.) like about their jobs? What would they like to change?
- What is the future of the industry for the next few years? How will the industry change? How will the margins change? The return on equity?
- What is the career track in the industry? What skills are required at what stage?
- What is so exciting about this job?
- What is the culture of an I-banking firm as compared to a Fortune 500 company? Compared to a startup?
- What are the exit opportunities after 10 years in the industry? After two years?

### ***Research individual firms***

Once you've answered questions about the industry, you should begin to narrow your research to specific firms – both to know which firms to target, and to be knowledgeable for your interviews. Good sources for research are easily accessible publications like *The Wall Street Journal*, *BusinessWeek* and *Fortune*. If you have the resources (perhaps at a school library), you can also read through recent issues of trade publications like *Investment Dealers' Digest*.

Insiders at business school who have gone through the recruiting process suggest that you form research and interview practice teams. There is a lot of material to cover, and it is not possible to do it all by yourself. Form teams for researching industries and firms. Later, you can use the same teams to practice interviews. If you are in business school, your school will undoubtedly have such a club, or you may want to team up with other students who are looking into finance careers. Teams of four to six work quite well for this research process.

### ***Practice your interviews***

You should prepare answers to common questions given at finance interviews – whether they be fit questions, technical questions, or brainteasers. While this may be easiest for technical questions and brainteasers (after all, we can help you to nail those questions with the right answers), it is also important to prepare for fit questions even if there are no right or wrong answers. We can steer you onto the right path with these questions, but you'll need to fill in the blanks. What's the hardest thing you've ever had to do? Can you give me an example of a time when you came up with a creative solution? You don't want to be

cursing yourself after an interview, thinking about what you should have said, or examples you could have brought up.

One of the best ways to prepare answers to these questions is to use mock/practice interviews. You can practice by role-playing with your friends and classmates, or by taking advantage of interview training offered by your school. Many MBA career centers offer students the opportunity to perform mock interviews, which are normally videotaped. These practice sessions are conducted either by professional career counselors or by second-year students. The mock interviewees are given the videotape of their critique to watch at home (again and again). Students may choose what kind of interview they'd like to receive: finance, consulting, etc.

What mistakes are commonly unearthed by the videotaped interview? One business school career counselor says that he finds that "most MBAs don't have their story down. They can't elaborate why they came to business school, and why they want to work in the industry." The best candidates are able to describe their background and career history, and make a pitch about why they are interested in a firm, all in a minute or less, career counselors say. Another problem is that many students apparently "can't elaborate their strengths. They have them, but can't sell them. They are too modest." While there's no use demurring when explicating your good points, career center professionals warn that "there is also a danger of tooting your horn too much" – so make sure you're not making any claims for competency you can't back up with relevant experience.

To take full advantage of their mock interviews, career counselors say, students should take them as seriously as possible. Dress professionally "to get into the interviewing mindset." Afterwards, the interviewer will go over the session, assessing the candidate's strengths and weaknesses. It's a good idea to take notes on this feedback.

Mock interviewers also coach students on appropriate answers. "For example," explains one mock interviewer, "many candidates are asked to name their top three weaknesses. Answering with your actual weaknesses is not a good idea. So when I identify a student's weaker point – maybe they are weak on real teamwork experience – we strategize on an appropriate answer. It's better to say something like 'I wouldn't call them weaknesses, but there are three areas in which I still have room to grow,' and then choose three areas that are not deal-breakers."

Do interviewers thus end up hearing the same canned answers over and over again? "I do hear from some interviewers at certain schools – not mine! – that they do hear identical answers to certain questions," says one insider. "My advice to students is to always put answers into their own words."

### ***Prepare questions***

Finally, don't forget that finance interviewers often ask candidates whether they have any questions. Don't get caught looking like a job applicant who hasn't done research and is not curious about the opportunities. Read about the firms, read about the industries, and prepare some intelligent questions.

## Sample Finance Interview Questions

**What happens to each of the three primary financial statements when you change a) gross margin b) capital expenditures c) etc.**

This problem tests your understanding of the interconnection between all three statements.

a) If gross margin were to say, decrease, then your income statement would first be affected. You would pay lower taxes, but if nothing else changed, you would have lower net income. This would translate to the cash flow statement on the top line. If everything else remained the same, you would have less cash. Going to the balance sheet, you would not only have less cash, but to balance that effect, you would have lower shareholder's equity.

b) If capital expenditure were to say, decrease, then first, the level of capital expenditures would decrease on the Statement of Cash Flows. This would increase the level of cash on the balance sheet, but decrease the level of property, plant and equipment, so total assets stay the same. On the income statement, the depreciation expense would be lower in subsequent years, so net income would be higher, which would increase cash and shareholder's equity in the future.

c) Just be sure you understand the interplay between the three sheets. Remember that changing one sheet has ramifications on all the other statements both today and in the future.

**How do you calculate the terminal value of a company?**

The value of the terminal year cash flows (usually calculated for 10 years in the future) is calculated by calculating the present value of cash flows from the terminal year (in our case, Year 10) continuing forever with the following formula:

$$\text{TY FCF} = \frac{\text{FCF}_{10} (1 + g)}{(r_d - g)}$$

Here "g" is an assumed growth rate and  $r_d$  is the discount rate. (Remember that you could also calculate the terminal value of a company by taking a multiple of terminal year cash flows, and discounting that back to the present to arrive at an answer. This alternative method might be used in some instances because it is less dependent on the assumed growth rate (g).

**If you add a risky stock into a portfolio that is already risky, how is the overall portfolio risk affected?**

- a. It becomes riskier
- b. It becomes less risky
- c. Overall risk is unaffected
- d. It depends on the stock

Answer: D. It depends on the stock. In modern portfolio theory, if you add a risky stock into a portfolio that is already risky, the resulting portfolio may be more or less risky than before.

A portfolio's overall risk is determined not just by the riskiness of its individual positions, but also by how those positions are correlated with each other. For example, a portfolio with two high-tech stocks might at first glance be considered risky, but if those two stocks tends to move in opposite directions, then the riskiness of the portfolio overall could be significantly lower. So the risk effect of adding a new stock to an existing portfolio depends on how that stock correlates with the other stocks in the portfolio.

**When should a company issue stock rather than debt to fund its operations?**

There are several reasons for a company to issue stock rather than debt. If the company believes its stock price is inflated it can raise money (on very good terms) by issuing stock. The second is when the projects for which the money is being raised may not generate predictable cash flows in the immediate future. A simple example of this is a startup company. The owners of startups generally will issue stock rather than take on debt because their ventures will probably not generate predictable cash flows, which is needed to make regular debt payments, and also so that the risk of the venture is diffused among the company's shareholders. A third reason for a company to raise money by selling equity is if it wants to change its debt-to-equity ratio. This ratio in part determines a company's bond rating. If a company's bond rating is poor because it is struggling with large debts, they may decide to issue equity to pay down the debt.

**If inflation rates in the U.S. falls relative to the inflation rate in Russia, what will happen to the exchange rate between the dollar and the rouble?**

The dollar will strengthen relative to the rouble.

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# **MBA DIVERSITY**

## The Importance of Mentors

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What makes the difference between a career that thrives and one that stalls? For many women and minorities, the narrow gap between failure and success is bridged by mentorships. Mentors are people who share their general business knowledge, as well as their knowledge of a specific company, with lucky mentees (someone who is mentored). Here is some advice on how to make these valuable relationships work for you.

### **Mentors can keep you with an employer**

After several years at the prestigious consulting firm Booz Allen Hamilton, Cathy Mhatre had her first child. Mhatre credits her mentors at Booz Allen with keeping her at the firm. “I’ve now been at Booz Allen for six years, which is unusual for any consultant. One of the main reasons I am still here is because there were people who wanted to keep me here.” Mhatre estimates that she has “four to six” mentors at the firm, and advises, “Because women mentors are scarce in general, find enlightened men.”

### **Have many mentors for many reasons**

Do you need help on balancing your family life and career without sacrificing your career viability? You could probably use some help from a mentor who’s done just that at your company. Your work-life balance mentor, however, may not be the same person who can help you polish your presentation skills and confidence. If you seek someone who will be your advocate at performance and promotion reviews, look for someone at least two levels above you (or with four or more years of experience at the company).

### **Find out if your employer assigns you a mentor – then keep looking**

Increasingly, employers assign mentors to incoming associates – a practice that has been common at law firms for some time and is spreading rapidly to other industries as well. Some consulting firms have entire mentor family trees – with a “founder” mentor, his or her mentees, their mentees, and so on. Make sure to take advantage of these mentors, who have specifically volunteered to serve as resources.

At the same time, the most valuable mentors are normally the ones that evolve from everyday working relationships. If someone appears willing to share their experience and skills with you and takes an interest in your career, it is likely that they would like to mentor you in some way.

### **Don’t expect your mentor to share your background.**

While it’s terrific to have mentors that share your ethnicity or gender, it’s no sure thing. Some of the MBAs we spoke to indicate that the old “succeed and close the door behind you” ethos is still in existence. “When I was working,” says Lanchi Venator, a NYU Stern MBA graduate, “it seemed that most successful women were not open to helping other women out. It was almost as if they were saying, ‘I made it when it was tough on me. Why should I soften for you?’”

**Be careful of having only one mentor.**

One-on-one mentorship has its pitfalls. Corporate historians may recall the case of Mary Cunningham and William Agee at Bendix Corp. After rising rapidly through the ranks of Bendix, Cunningham, a 1979 graduate of Harvard Business School, was accused of sleeping with her mentor. Cunningham eventually left the firm. Even when the shadow of romance doesn't enter a close mentorship, mentees with only one advisor run the risk of being seen as an appendage or sidekick, not a full professional. Whenever possible, seek mentorship from a wide variety of people.

## Tips for mentees

It's not enough to find a good mentor – it's just as important to use them correctly. Here are a few tips to make the most of your mentor relationship.

- **Find mentors at all levels of the company.** The classic mentor is someone a few levels above you in an organization – close enough to your experience to guide you upwards in the ranks, experienced enough to have some pull. But you can also gain experience from mentors at your level and at other companies as well. Your business school professors are another invaluable set of potential mentors.
- **Don't approach someone and formally ask them to be your mentor.** This kind of artificiality is akin to handing your business card to someone and asking them to be your contact – it's too artificial to take root. If someone wants to be your mentor, they will indicate that fact through the interest they take in you.
- **Keep in touch with your mentors.** Mentorship is a relationship, and relationships are built from frequent, informal contact. This is important even when your mentor is assigned to you by your company. If you move on from a company, stay in touch with your mentor there.
- **Establish trust.** Everything you discuss with your mentor is between the two of you.
- **Have realistic expectations.** Your mentor is an advisor and advocate – not someone to do your career networking for you, or someone to cover your errors.
- **Find your own mentees.** Mentorship is a two-way street. As soon as possible, start finding people who are willing to learn from you. You never know when the mentee will become the mentor!
- **Don't pass up the opportunity to have a mentor.** Having a mentor can make a major difference in your career path and your self-confidence.

## Vault Diversity Q&A: Barbara Thomas, CEO, National Black MBA Association

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*In May 2004, Barbara L. Thomas took over the reins as President and CEO of the National Black MBA Association. With 6,000 members representing nearly 100,000 black MBAs, the NBMBA is the largest black professional organization in the U.S. Thomas, a 1973 graduate of Columbia Business School and former CBS finance executive, took time out from her schedule to speak with Vault about the organization and issues facing minority MBAs.*

**Vault:** I've read that while historically, the organization has focused on helping African Americans get into business school and their immediate recruitment, but that you are now focusing more heavily on issues of promotion and networking. What role can your organization play in helping members find appropriate mentors to help them advance in their organizations?

**Thomas:** Well, let me first say that our focus has not really shifted; it's equally balanced between what we call the 3 E's – Education, Employment and Entrepreneurship. We view mentoring as the thread that links all 3 areas. For example, a student may first receive mentoring through the NBMBA's Leaders of Tomorrow program while in high school, and then continue to seek mentors later on as an undergraduate or graduate student, corporate executive, or business owner.

**Vault:** What is that program?

**Thomas:** The Leaders of Tomorrow program is a mentoring program for high school students with a C-average that have been identified by the local school principal as having potential. We recruit those students into the LOT program. We have 39 chapters across the country who implement this program, where each one is matched with a mentor, who is usually a member of the organization and an MBA professional. In addition to mentoring, leadership camps are provided, as is attendance to the National conference.

For our professionals we provide venues where we're connecting mentors and mentees constantly. Networking is a critical element for professional success. We supply those networking opportunities through local chapter events and our annual conference. The local chapters service their members year-round with career development events, social events and others.

We know that black MBA professionals, especially recent MBA graduates and entrepreneurs, come to our conference mainly for the networking, career development and employment opportunities. One of the new services we provide is the Career Service Center, where members attend career development workshops on subjects like interviewing skills and resumes development. Our attendees can use the center's workstations to update their resumes and cover letters based on the tips they've learned. They can also arrange to receive coaching on a one-on-one basis. And of course, we also have the Employment Network, which is our year-round job employment site where you can search for jobs and post your resume.

**Vault:** Is there a formal way you set people up at the conference, by industry for example?

**Thomas:** There's no structure that's specifically designed to match people up, but attendance at the many workshops offered, which are divided into tracks that focus on particular industries or interests, that's

where the networking happens. Members attend sessions based on their interests – and it's during these workshops, sessions and keynote events that they have the opportunity to meet potential mentors. That's where you're in the room with the players.

**Vault:** What was your personal experience in finding mentors at CBS?

**Thomas:** I had a very unique experience. When I was beginning my career with CBS, mentoring was not a buzzword the way it is today. I had no understanding of how to identify a mentor, or really even what it would mean to have a mentor.

At CBS, I was very fortunate in that an executive happened to notice me and watched my work ethic. Later I found out that he actually watched me for two years before approaching me.

**Vault:** Can I ask his name and is he black?

**Thomas:** Sure, his name is Michael O'Neal, and actually no, he's white. I believe he was Senior Vice President of Finance for CBS Radio at the time. But he took me by the hand and basically led me through process of working my way up in the CBS organization and in Corporate America. I think it's so important to people that they have someone to help them in this way.

It's because of that experience that I actually began to be involved in [the NBMBA] organization. It's what spurred me to realize that I needed to reach out and mentor people and I began mentoring high school students [through the Leaders of Tomorrow program].

**Vault:** What advice would you give to recently graduated MBAs who have never really had a mentor/advocate and are unsure about how to find one?

**Thomas:** First, it's important to determine what direction you want to go in and what goals you want to accomplish, then develop a strategy for cultivating relationships with people in similar positions who you admire.

**Vault:** How do you then cultivate these relationships?

**Thomas:** You can cultivate these relationships by becoming active in seeking opportunities and doing things like attending the National Black MBA Association's annual conference and exposition. What's most important is that you don't wait for someone to approach you. You need to take control there are many venues available to cultivate relationships, and it's critical to identify them.

**Vault:** Like what other types of venues?

**Thomas:** Well, there are other organizations. For example, if you're thinking about minority organizations, you might consider the Urban League, the Coalition of 100 Black Men or Coalition of 100 Black Women – all of which have successful professionals as members. And often if you look around, even in your own church, there are potential mentors there. There are many venues, you just have to look for them.

**Vault:** And how would you advise approaching these potential mentors?

**Thomas:** Well, let me give you an example. I'm a new CEO. One of the first things I knew I needed to do was to find a mentor to help me [as a new CEO]. I identified someone, and I sent that person a letter explaining who I was and that I'd become the new CEO of the organization. I wrote about why I was contacting him and what I admired about his work. I asked if he could offer a list of people who might be able to offer advice and help me. I wasn't sure whether he was going to accept, but he did.

**Vault:** And have you met additional people through this person?

**Thomas:** Yes I have, and my network has grown extensively from that one mentor.

**Vault:** So you're still looking for mentors.

**Thomas:** Oh, yes. For me, it's a lifetime goal. I don't think that once you've reached a certain level, you no longer need a mentor. In fact, I think that the higher you go, the more you need a mentor.

**Vault:** You graduated from Columbia with your MBA in 1973. How would you say the emphasis on diversity hiring and retention has changed for today's business school graduate?

**Thomas:** What's interesting is that during my early career years, strong affirmative action policies made it easier for minority MBAs to be hired, but harder for them to move up the corporate ladder. There were no structured programs to help minority employees move up.

One of the things we started in CBS was a black networking group, and what was crucial to our success is the fact that we had the support of the President of the company at the time, to put this group together to help each other. Many organizations now have these groups.

What I have noticed is that today it's harder to get hired, because affirmative action is really not as strong a tool and you've got a larger pool of qualified minority candidates now there were a lot fewer minority MBAs when I first began working, so the competition is very high.

**Vault:** What advice would you give to graduating black MBAs in assessing the commitment a prospective employer has to corporate diversity?

**Thomas:** First they need to do their homework. I would encourage them to use all the tools at their disposal. For example, our new Career Success Network was developed specifically to aid the job searchers, not only in finding a job, but in job assessment as well. We have information from employers that reports their retention rate, their rate of minority hiring and employment and other critical data. We pull this information from various corporations and we house this one database within the Career Success Network.

**Vault:** How does the National Black MBA Association view its efforts within the context of corporate diversity in general for all minority groups and women?

**Thomas:** We recognize the effects our efforts have on minority groups across the board in that we are expanding awareness of diversity efforts. So, we're all helping each other. To that end, there's the Diversity Pipeline Alliance, which is an umbrella organization whose members include ourselves, GMAC [Graduate Management Admissions Council], the National Society of Hispanic MBAs, the Hispanic Alliance for Career Enhancement, SEO, and some other organizations.

The alliance meets four times a year, and we come together to look at major issues that minorities face from admission to business schools through advancing in corporate America.

We also partner locally with organizations like NSHMBA and the National Black Accountants. For example, there's the Texas LEAD program, which is a conference in Houston that NBMBA and NSHMBA are co-hosting together. There are many partnerships of that nature on the local level.

## Vault Diversity Q&A: Pipasu Soni, Financial Analyst, Honeywell

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*Pipasu Soni is a 2003 graduate of the Johnson School of Management at Cornell University. A former engineer of Indian descent, he previously worked at Ingersoll-Rand before getting an MBA. He currently works in Minneapolis as a financial analyst with Honeywell's Automation and Control Solutions (ACS) division, an \$8 billion division encompassing seven different strategic business units including environmental controls, fire solutions, security systems and more. He took time out to talk to Vault a bit about being a minority MBA and working at Honeywell.*

**Vault:** How did you end up in your current position? Did you go to business school knowing you wanted to do finance?

**Soni:** Actually, I was initially interested in going into marketing, but after the very first semester, my focus shifted to finance. Previously I worked in new product development for Ingersoll-Rand. There's always some tension between the engineering and marketing side during new product introduction, and I was interested in exploring the marketing/product management aspect, to get more of a general management perspective.

But as an engineer, I enjoyed the technical side of finance and the role it played within an organization. When it came to recruiting, I really liked the Finance Pathways Program and the fact that the finance group at Honeywell is one of the keys to implementing the strategic vision of the organization.

**Vault:** Did you intern at Honeywell?

**Soni:** No actually, I interned with a consulting firm. I wanted to find out more about the consulting field, and decided it wasn't for me. I enjoyed being part of the day-to-day operations of an organization where I could influence the performance and visibly see the product. I knew Honeywell would be a great place to leverage my past experience with Ingersoll-Rand.

**Vault:** What sort of program were you hired into?

**Soni:** I was hired into Honeywell's Finance Pathways Program. It's one of their career development programs for MBA graduates. The program consists of two 18-month assignments across different Honeywell businesses. I'm in my first rotation, which ends this December. My current assignment consists of working in the corporate finance group supporting the annual operating plan, strategic plan, corporate initiatives, and other functional areas – Six Sigma and Technology. At the end of the assignment I'll move into an operational finance role at a business unit level.

**Vault:** Is there a formal mentorship program with the Pathways program?

**Soni:** No, not “formal.” Mentoring takes several forms at Honeywell. All employees are encouraged to seek out mentors as well as offer to mentor others. My particular businesses assisted me in identifying a formal mentor at the beginning of my assignment. The main focus of my mentor is to provide a contact that can give me insight and advice as I move throughout my career.

In addition, you receive mentoring through working with managers on assignments. Also, your supervisor gives you regular feedback on performance and instructs you on training you should pursue.

**Vault:** Are there diversity organizations for you at Honeywell?

**Soni:** Yes, there’s an Indian and Asian Association that meets on a regular basis. These groups usually meet once a month for a networking hour or a guest speaker presentation. Honeywell also has several other minority employee groups throughout the company, like the Hispanic Network and the Black Employees Network.

**Vault:** Did you get the feeling during recruiting that Honeywell targets minorities and women for diversity hiring purposes?

**Soni:** No, I don’t think Honeywell specifically targets minorities, but focuses on recruiting individuals that are the right fit with the company. Honeywell defines diversity more as individual uniqueness. I don’t think it’s just gender, race, and ethnic background but also things such as educational and cultural background and work experience.

With that said, Honeywell’s incoming Pathways class is a diverse group similar to what you would find in a typical MBA class.

**Vault:** What attracted you to Honeywell?

The things that attracted me the most were the people and the job assignments. For me, having a first assignment in financial planning and analysis at the corporate level allowed me to understand the strategic vision of the organization before moving into a business unit role.

Other things unique to Honeywell included the ability to work across several functions, mandatory green-belt training and certification for all incoming MBAs, and ability to switch roles – from finance to marketing if desired. I spoke with several Cornell alumni and other Pathway program members before joining and it seems that our perspective of Honeywell is very similar.

**Vault:** What aspects of your MBA education do you think have proved most helpful in your experience so far at Honeywell?

**Soni:** In my current assignment, finance, accounting, and leadership classes have been the most helpful. The classes in accounting and finance have been invaluable in reviewing business unit results. The classes in leading, communicating and team building have been also valuable in day-to-day communication getting people to meet deadlines and goals.

You learn about metrics in business school and using metrics to drive performance, but you don't realize the significance until you actually use it. It's been a great experience, and I feel like I'm going to the next level in my ability to lead teams and drive results.

## Vault Diversity Q&A: Jeff Gustavson, MBA Development Program Manager, ChevronTexaco

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*Jeff Gustavson manages the MBA Development Program at ChevronTexaco, a two-year rotational leadership development program. He manages the entire program: interviewing and recruiting, managing the rotation assignments and eventual full-time placements in the company, and networking events within the program.*

*The MBA Development Program is the largest of four rotational MBA programs at ChevronTexaco; the others focus on marketing, human resources and procurement/operations. We asked Jeff about MBA hiring at ChevronTexaco and the role of diversity for future executives there.*

**Vault:** What sort of programs does ChevronTexaco hire MBAs into?

**Gustavson:** We have a few rotational programs. I manage the finance one; it's the biggest one and it's been around since 1946. It's a leadership development program with four rotations over two years – some are in finance, but some are in business development or strategy, which helps get the MBAs exposure to different parts of the businesses.

We hire around eight MBAs a year into the finance program along with six interns a year. Marketing hires about five MBAs a year, has about four or five interns. HR has three to four, with three to four interns. Procurement has one to two MBAs a year. That's a small one; it's tied to operations and supply chain management. We have huge value chains here from wellhead down to gas stations and procurement is very much involved in the entire chain.

So all in all, we probably hire about 15 to 20 MBAs a year – some years a little more than that --- and the same number of interns. Probably a bit more than 50 percent of the interns are hired full-time.

**Vault:** Many large companies have a mentoring program in place for new MBA hires. Does ChevronTexaco have one?

**Gustavson:** Everyone [each MBA program] does it a bit differently. Sometimes it's formal, where we say "Here's your assigned mentor." Then you have a relationship with that person for maybe five years.

For our program, we do it informally. We've been around since 1946 – so we've got alumni that have been around since the Class of 1962, and you have access to the entire alumni list of the program. That goes up to some very high positions. So you can find mentors that suit you.

**Vault:** Do you find that MBA graduates often are looking for specific types of mentors. For example, if they're a woman or minority, do they often seek out a mentor that matches them in that way?

**Gustavson:** That can be a key consideration. Sometimes I'll get calls from program members who are interested in contacting an alum, or it could be a person working with a certain part of the business or they may have an ethnic or gender-related preference.

But [the program alumni network] is not that large of a list. Sometimes we use it to match people up to informal mentors, but we can't always. We have other employee networks – for instance the Hispanic network, the black employee network, networks based on sexual orientation, etc. People can make contacts with people here as well, and there are also some higher-level people in all of those groups.

The networks have meetings and functions. In May for Cinco de Mayo, the Hispanic network sponsored a big party at our offices to which all employees were invited. During National Black History month, the black employee network will also sponsor several events. We even have a network based on age – it's called the XYZ network for the X, Y, and Z generations. It's a network for employees under 30, because our workforce, like at a lot of big companies, is a little more mature than at other companies like start-ups.

**Vault:** When you're recruiting MBAs, do you find that women, minorities and openly gay and lesbian candidates are aggressive about finding out how diverse an employer ChevronTexaco is?

**Gustavson:** I don't know if I'd say aggressive. Most of the folks we're hiring are the top MBAs, and they're very focused on the job and the responsibilities and what are they getting into. But cultural aspects at any company are a big consideration, and that leads to questions about diversity.

We're a very diverse workforce because we're in 180 countries and we have people from all over, but the question comes up from time to time, especially where it concerns diversity at the higher levels and where it concerns male/female representation.

Because we're an oil company, the industry has a perception of the good ol' boy, cowboy hat wearing atmosphere. So with a lot of the women that I interview, that is something that comes up.

It's a sensitive issue and so some people are more comfortable than others in bringing it up. They want the job, they don't want to appear to be high maintenance, and so sometimes they won't bring it up.

When they do ask, I can talk about the representation that we have. For example, we have the highest ranking female executive in the industry – Pat Woertz, who is Executive Vice President in charge of Global Downstream (refining, marketing, and supply and trading).

When you bring recruits back to our corporate offices for a site visit, they can see who's walking around the campus and what do they look like – they get a feel for how diverse we are. It is also good to assist them in making contacts with employees who will be able to share their own experiences around diversity and their own personal experiences at the company. For instance, someone who is female may want to get a female perspective during an on-site visit, so I'll help make that possible. Same with ethnic groups. But you can only go so far in making diversity the main selling point. In the end, there are still the job and qualifications to think about.

**Vault:** Are most of the MBAs you hire specifically interested in the energy industry?

**Gustavson:** Probably half the people are dead set on energy, the other half didn't know much about it until they started recruiting – they may be looking at investment banking and consulting also.

**Vault:** What makes them choose energy over those more typical MBA industries?

**Gustavson:** Well, a lot of it's the work culture. The amount that you work versus investment banking or consulting is very different.

And now energy's kind of become a more stable employer. Now that we've seen the sort of meltdown in tech, energy – though it's a cyclical business – is seen as a more stable employer.

The development program is a big selling point, and the international opportunities are better than anywhere else. We're literally all over the world. We're in Nigeria, Kazakhstan, Korea, Brazil, Europe... I've got people all over the place. That's a very big part of our business. Almost everyone that's on my program does an international assignment anywhere from 6 to 12 months, that's becoming the standard. This makes it a very interesting business to be involved with.

**Vault:** Are there networking opportunities within the leadership development program?

**Gustavson:** We have networking events all year round, probably once a quarter. Maybe it'll be a regional thing, something in Houston and then something in the Bay Area. We're having a picnic tomorrow just for the [MBA] program

**Vault:** Who will be there? Do people come in from wherever they are?

**Gustavson:** We usually don't fly people in for this event from overseas, just people that are located in the area. I'd say 75 percent or 2/3 of the alumni [from the program] are currently working in the Bay Area.

There's a lot of all-MBA events. We have a Christmas Party of course, we have cocktail receptions, we'll have a formal reception in the executive dining room. The Vice Chairman is an alum – he's the number two person in the company – so he'll show up. The CFO and the Treasurer will show up. Typically the finance heads are all alums, so they show up. The CFO is coming by the picnic tomorrow; it's a very friendly people-oriented atmosphere.

**Vault:** So back to your point about people being hesitant to discuss diversity issues during the interview. How would you advise that MBAs concerned with these issues bring them up?

**Gustavson:** Diversity is a very important issue and most companies continue to pay a lot of attention to diversity issues in the workplace. I would recommend to all MBAs that they take time to explore how diverse the companies they are considering are. Don't worry about asking too much – if a recruit came in and asked me a lot of questions about how diverse we were, it wouldn't hurt their chances at all. I expect it because of its importance. Those are questions they should be asking.

# Diversity Employer Directory

## The Boeing Company



The Boeing Company  
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100 North Riverside  
Chicago, Illinois 60606  
[www.boeing.com/employment/college](http://www.boeing.com/employment/college)

With a heritage that mirrors the first 100 years of flight, The Boeing Company provides products and services to customers in 145 countries. Boeing is a premier manufacturer of commercial jetliners and a global market leader in military aircraft, satellites, missile defense, human space flight, and launch systems and services. Total company revenues for 2003 were \$50.5 billion.

Boeing employs more than 156,000 people in 70 countries and 48 states within the United States, with major operations in the Puget Sound area of Washington state, Southern California, Wichita and St. Louis.

*EOE statement:* Boeing is an equal opportunity employer supporting diversity in the workplace.

## Credit Suisse First Boston



11 Madison Avenue  
New York, New York 10010  
E-mail: [Diversity.recruiting@csfb.com](mailto:Diversity.recruiting@csfb.com)  
[www.csfb.com/standout](http://www.csfb.com/standout)

To attract outstanding young talent from among the nation's high schools, colleges and graduate programs, CSFB has developed a broad range of initiatives – some in partnership with external organizations – to increase the pipeline of students who are interested in careers in finance. For example, CSFB works with a number of external organizations, including the Robert A. Toigo Foundation, the Sponsorship for Educational Opportunity and the United Negro College Fund, which provide financial assistance to students of color and their families.

### Business schools CSFB recruits from

Columbia Business School; Cornell Johnson; University of Chicago GSB; Fuqua; Harvard Business School; NYU/Stern; Stanford; Wharton

## Fitch Ratings



One State Street Plaza  
New York, NY 10004  
Phone: 212-908-0500

Fitch Ratings is a leading global rating agency committed to providing the world's credit markets with accurate, timely and prospective credit opinions. Fitch Ratings is dual-headquartered in New York and London, operating offices and joint ventures in more than 40 locations and covering entities in more than 75 countries. Fitch Ratings complies with federal, state, and local laws governing employment, and provides equal opportunity to all applicants and employees. All applications will be considered without regard to race, color, religion, gender, national origin, age, disability, marital or veteran status, sexual orientation, and other status protected by applicable laws.

### Business schools Fitch Ratings recruits from

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### Business Schools Honeywell recruits from

University of Arizona; Arizona State University; Brigham Young University; Carnegie Mellon University; Columbia; Cornell; Emory; Georgia Tech; University of Illinois; University of Maryland; University of Michigan; Michigan State; University of Minnesota; Massachusetts Institute of Technology; Northwestern; Notre Dame; Ohio State; Penn State; Purdue University; University of Tennessee; Thunderbird; UCLA; USC; Vanderbilt; University of Virginia

**M & T Bank Corporation**

One M&T Plaza, 11th Floor  
 Buffalo, N.Y. 14203  
 Phone: (716) 842 - 5157  
 E-mail: college@mandtbank.com  
 www.mandtbank.com

At M&T, employees are our most important asset. In fact, our success is attributable to the talent and dedication of our employees. Therefore, M&T demonstrates its return commitment by supporting both diversity and the unique talents of our employees throughout the organization. To foster an inclusive environment, M&T continually drives initiatives such as diversity awareness training, diversity recruitment, supplier diversity and community involvement. In addition the bank has a dedicated diversity council focused on important employee issues. Through these efforts, M&T strives to deliver on our commitment to become one of the best companies to work for in the nation.

**Business schools M&T Bank recruits from:**

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9115 Hague Road  
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 Recruiting Website: <http://careers.ind.roche.com>  
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Roche Diagnostics is the world's leading provider of diagnostic systems and decision-oriented health information. Roche Diagnostics is a diverse, inclusive company that seeks, celebrates and leverages diversity to maximize the competitive advantage of people. We are always looking for people who want to become part of our winning team, whose daily work involves finding solutions that help people live better lives. We offer a variety of opportunities at our U.S. diagnostics marketing and sales headquarters in Indiana and at our global molecular business area headquarters in California.

**Business schools Roche Diagnostics recruits from**

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**Sodexo**

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 Newark, DE 19713  
 Phone: 302 738-9500 ext 5209  
 E-mail: [John.lee@sodexhousa.com](mailto:John.lee@sodexhousa.com)  
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# **INDUSTRY OVERVIEWS**



# Aerospace and Defense

## Industry Outlook

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The aerospace and defense industry immediately felt the impact of the attacks of September 11 and the war on terrorism that followed. The severe economic blow to the commercial airlines led to a sharp decline in orders for new planes after 2001. And in 2002, the top 10 commercial airlines – which place the orders for these aircraft when business is good – lost more than \$12 billion, with key players like United Airlines' parent company UAL and US Airways filing for bankruptcy. All of this has resulted in an anticipated 18 percent decrease in overall employment for aerospace products and parts manufacturing between 2002 and 2012 (compared to a projected 16 percent growth for all industries combined), according to the Bureau of Labor Statistics (BLS). Though there are signs that business is at least stabilizing, in 2004, total sales for civilian and military planes were expected to grow by less than one percent, to \$148 billion – down \$7 billion from 2002, according to the Aerospace Industries Association.

### Drumming up defense

At the same time, since 2001, military action in Afghanistan and Iraq, as well as an increased need for U.S. defense, has led to stepped-up demand for military aircraft, missiles and defense contractors. In fiscal year 2004, for example, the Pentagon boosted its budget for procurement and research and development by 8 percent. While this trend is predicted to slow in coming years, defense budgets overall should continue to grow between 4 percent and 6 percent through the end of the decade, according to an analysis from *BusinessWeek Online*. As military equipment continues to age, manufacturers are calling for increased attention to R&D and procurement.

### Bidding for planes

Traditionally, the federal government has been the aerospace industry's largest customer. There were about 2,800 establishments in the aerospace industry as of 2002, according to BLS. Of these firms, a handful fly above the crowd, reaping contracts from the Department of Defense after submitting to a competitive bidding process. The amount of time elapsing from the DOD's initial call for military aircraft or missile systems – through the bidding system and on into production of a prototype, approval, production of the equipment and delivery – can be several years. This time span has been trimmed in recent years, however, owing to new computer-aided design (CAD) technologies which bring the design of equipment into the virtual realm.

The bulk of the industry is taken up by firms producing civil (non-military) aircraft, including planes for commercial airlines and cargo transportation, as well as those for general aviation, like leisure planes and corporate jets. The sector also includes the production of military aircraft and helicopters, along with guided missiles and missile propulsion units. But not all of this equipment is used to serve defense purposes – it also covers space vehicles and the rockets that launch them. This industry also spans the seas, with shipbuilding added to the mix – in fact, analysts anticipate strong growth in this area as ships with average life spans of 30 years are phased out and replaced.

## The commercial sector

In the private sector, commercial airlines and private businesses specify their requirements and then invite manufacturers to submit bids. Usually, a new aircraft won't go into production until a large contract is secured. For example, in April 2004, Boeing finally got the OK to start cranking out its new 7E7 Dreamliner commercial planes after sealing a deal worth approximately \$6 billion with Japanese carrier All Nippon Airways, which placed an order for 50 of the fuel-efficient flyers – the largest launch order ever for a new Boeing jet. Reportedly, the Dreamliner fleet could enter service by 2008. The efficiency of the Dreamliner – said to offer 20 percent more fuel efficiency over Boeing's 767 jet – could draw new airlines like JetBlue to the table to increase their competitiveness in the cutthroat low-cost carrier arena, observers say.

## High flyers

Traditionally, Boeing has run neck-and-neck with rival Airbus for dominance of the aircraft manufacturing sector. Both giants have stumbled since 2001, with Boeing's aircraft orders plummeting by 45 percent and Airbus' by 28 percent during that year alone. The shaky situation led Boeing to slash 30,000 jobs, or about 30 percent of its commercial aircraft workforce, in 2002.

But both are bouncing back, albeit slowly – Airbus, based in Europe, is in the development process for the world's biggest jetliner, the 555-seat A380, expected to soar in 2006. So far, the company has around 130 orders for the jet. A historic market shift for the two industry giants began in 2003, when Airbus for the first time delivered more airplanes than Boeing for the year – 300, compared to 280 from Boeing, according to *BusinessWeek*.

Still, Boeing, with its wealth of (sometimes controversial) defense contracts in addition to its commercial airplane business, dominates the aerospace and defense industry as a whole, followed, in order of sales, by European Aeronautic Defence and Space Company, Lockheed Martin Corporation, Airbus, and Northrop Grumman Corporation. Other major players in the sector include Raytheon Corporation and the National Aeronautics and Space Corporation (more familiarly known as NASA).

In the industry's regional aircraft market (defined as planes with less than 100 seats), Bombardier, Gulfstream, and Textron's Cessna unit dominate. GE Aircraft Engines, Pratt & Whitney, and Rolls Royce are tops among manufacturers of jet engines.

## Dominating defense

In the area of defense contractors specifically, Lockheed Martin and Northrop Grumman lead the pack, followed by Boeing, Raytheon, and BAE Systems. Lockheed maintains a healthy dominance in the sector thanks in part to its score of one of the richest defense deals in history, when in 2001 it beat out Boeing for a fighter jet contract worth \$200 billion. More recently, though, Boeing was the winner over Lockheed for a contract to build a new submarine-hunting airplane for the Navy in a June 2004 contract estimated at up to \$15 billion over 10 years. Boeing will subcontract with fellow defense heavies Northrop Grumman and Raytheon on the project. Controversy dogged Boeing in 2003 following an Air Force tanker deal that drew intense Congressional scrutiny.

The defense portion of the industry has been affected not only by the call to arms following the U.S. terror attacks, but also mega mergers and a shift in the way warfare is practiced. In 2002, the aerospace and defense industry spent

about \$30 billion on M&A. Northrop Grumman has been the most aggressive player, according to Hoover's, acquiring both Litton Industries and Newport News Shipbuilding in 2001 and TRW in 2002.

Since the Cold War, priorities among Pentagon types have shifted, from a philosophy of overwhelming force to a focus on equipment that's smarter, leaner, and more mobile. For instance, the firm General Atomics saw success in Afghanistan with the use of its unmanned Predator drones. Unmanned jets and other computer-guided equipment are seen as preferable to the traditional manned craft, being less costly to operate and posing less risk to military personnel in combat. Other buzz on the war front of the industry concerns "network-centric warfare," an area the top defense contractors have shifted resources toward in recent years. In this approach, computers, satellites, and sensors are all integrated so that soldiers and their planes, tanks and other equipment get a constant stream of precise, real-time information about what's happening on the front lines. One example is General Dynamics Corp., traditionally known as a manufacturer of ships and tanks, which told *BusinessWeek* its IT systems and technology operations alone would make up a third of total revenues in 2004.

### **A new world for defense**

Another major shift in the defense industry since 2001 is the growth of companies focusing on homeland security. This sector includes everything from audio and video surveillance equipment, to disease and bioterror identification, to secure communications equipment. In addition, the Pentagon is increasingly – and controversially – relying on manpower from private military contractors (PMCs) to bolster its missions in Iraq, Afghanistan, and elsewhere. These projects might include rebuilding power and sanitation systems and other logistical support, or (more notoriously) conducting interrogations and security operations. While the military outsourced just one percent of its work, mainly for airfield maintenance, during the first Gulf War in the 1990s, contractors are handling as much as 30 percent of the military's services, including reconstruction, during the ongoing activities in Iraq today, according to Brookings Institution fellow P.W. Singer. These contractors include well-known giants like Kellogg Brown & Root (Halliburton), with a \$3.97 billion contract for oil field reconstruction and maintenance in Iraq, and smaller PMCs. These latter companies are catching the eye of traditional aerospace and defense giants like Northrop Grumman, which recently acquired smaller PMC Vinnell. But all PMCs are catching the eye of Congress, the media and the public, who question the oversight of these companies and wonder if the military should be outsourcing so much of its operations to people who, in some cases, are seen as "mercenaries."

### **The final frontier**

In the space sector, made up of manufacturers of satellites and rocket manufacturing and launch services, familiar names lead the pack, including Boeing, Lockheed Martin, and Northrop Grumman. In fact, according to Hoover's, major aerospace and defense companies continue to build space activities into their long-term investment plans – even though shooting for the stars isn't very profitable in the near-term. Other, more specialized leaders include Alcatel Space, Astrium, Orbital Sciences, and Arianespace.

These star players are keeping an eye on a pack of upstarts in the space race, private companies that rely on individual investors rather than federal dollars. If successful, these private liftoff firms promise to radically alter the space exploration game by stripping it of the costs, bureaucracy, and other padding that often accrue to federally funded projects. June 2004 saw the historic liftoff of SpaceShipOne, the first privately funded rocket. Later in 2004, an

unmanned rocket built by a small California company was set to carry an experimental satellite into orbit for the Defense Department in a project involving no federal dollars. The Bush Administration has come out in favor of increased involvement by such private companies in missions to send people to the moon and, one day, to Mars. In addition to these types of missions, many space visionaries – some of whom formerly headed the dot-com pack back in the Internet boom days – see all sorts of opportunities up beyond the clouds, ranging from tourism to mining for precious metals.

### **The employment outlook**

Professionals who work in the aerospace product and parts manufacturing sector, the BLS reports, enjoy earnings that are substantially higher, on average, than those of their counterparts in other manufacturing sectors. Most jobs in the sector are in the areas of skilled production and management. The BLS reports that in 2002, 64 percent of jobs in aerospace manufacturing were in large establishments employing 1,000 or more workers.

## Employer Directory

### The Boeing Company



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With a heritage that mirrors the first 100 years of flight, The Boeing Company provides products and services to customers in 145 countries. Boeing is a premier manufacturer of commercial jetliners and a global market leader in military aircraft, satellites, missile defense, human space flight, and launch systems and services. Total company revenues for 2003 were \$50.5 billion.

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*EOE statement:* Boeing is an equal opportunity employer supporting diversity in the workplace.

### Honeywell International



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University of Arizona; Arizona State University; Brigham Young University; Carnegie Mellon University; Columbia; Cornell; Emory; Georgia Tech; University of Illinois; University of Maryland; University of Michigan; Michigan State; University of Minnesota; Massachusetts Institute of Technology; Northwestern; Notre Dame; Ohio State; Penn State; Purdue University; University of Tennessee; Thunderbird; UCLA; USC; Vanderbilt; University of Virginia;

**BAE Systems**

Warwick House, PO Box 87, Farnborough Aerospace  
Center  
Farnborough  
Hampshire GU14 6YU, United Kingdom  
Phone: +44-1252 373232  
Fax: +44-1252 383000  
www.baesystems.com

**General Dynamics Corporation**

3190 Fairview Park Dr.  
Falls Church, VA 22042-4523  
Phone: (703) 876-3000  
Fax: (703) 876-3125  
www.gendyn.com

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**L-3 Communications Holdings**

600 3rd Ave.  
New York, NY 10016  
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**Lockheed Martin**

6801 Rockledge Dr.  
Bethesda, MD 20817-1877  
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Fax: (301) 897-6704  
www.lockheedmartin.com

**Northrop Grumman Corporation**

1840 Century Park East  
Los Angeles, CA 90067-2199  
Phone: (310) 553-6262  
Fax: (310) 553-2076  
www.northgrum.com

**Parker Hannifin Corporation**

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**Textron Inc.**

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Fax: (401) 421-2878  
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# Biotech and Pharmaceuticals

## The Global Pharmaceutical Industry

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The pharmaceutical industry is a global powerhouse, worth an estimated \$593 billion in 2003 with year-over-year growth averaging 8 percent, according to research by the Business Communications Company. A host of factors have led to the industry's healthy profits in recent years, including an aging population, increased awareness and use of drugs, and innovative new cures and preventive treatments for ailments ranging from asthma to toenail fungus.

The industry derives nearly half of its profits from the U.S. market, which lacks price controls on prescription drugs. This, of course, has been a hot topic on Capitol Hill – a Medicare reform package in 2003 attempted to address the issue, but advocates for the elderly and other groups are increasingly vocal about what they see as an unfair system.

### Coming together

Mergers and acquisitions, along with other deals like co-development and co-marketing, have driven a rash of consolidation during the past decade. According to Business Communications Company research, the market share of the industry's top 10 companies rose to 46 percent in 2002, from 28 percent in 1990. In April 2003, Pfizer – already the world's largest drug company – acquired Pharmacia, the eighth-largest drug company. The \$60 billion deal was the largest ever in the pharmaceutical industry. Other corporate marriages in recent years include the merger of Britain's Zeneca Group and Sweden's Astra in 1999 (now called AstraZeneca), Pfizer's purchase of Warner Lambert in 2000, and GlaxoWellcome's acquisition of SmithKline Beecham in 2000 (now called GlaxoSmithKline).

### Patently challenging

Pharmaceutical companies are constantly challenged to stay one step ahead of expiring patents. Drugs receive 20-year patents – but the clock starts ticking the day the compound is discovered, so this time period includes the development process, clinical trials and an FDA review process, all of which together can take between eight and 12 years. When the patent expires, the company's market share for that drug plunges as other companies swoop in to offer cheaper generics. In recent years, blockbuster drugs like AstraZeneca's Prilosec and GlaxoSmithKline's Paxil lost their "exclusivity" and fell off the top 10 charts after 2002, to be replaced by similar-acting products Nexium and Zoloft, according to research by IMS Health.

Sometimes, these drugs are replaced by generic equivalents, offered at a much cheaper rate than their brand-name counterparts. Business Communications Company research indicates an average annual growth rate of more than 11 percent for the generic market alone through 2008, with sales in this sector reaching \$64 billion by that year.

Meanwhile, drug companies continue their quest for the next Viagra – another blockbuster drug that will boost their bottom line. When Pfizer launched its "little blue pill" in 1998, it caused a veritable uproar

around the world and doubled the company's stock price. In its first month on the market, the anti-impotence pill generated over \$100 million in sales to become the fastest-selling new drug in history. Even in the face of new competition from similar drugs, Viagra will likely remain a cash cow for Pfizer for some time since its patent doesn't expire until 2011. In 2003, the top therapy categories for prescription drugs were cholesterol and triglyceride reducers, anti-ulcerants, antidepressants, and antirheumatic nonsteroidals (NSAIDs).

### **Busy in the labs**

Constant innovation is the key to survival and profit in the industry. In 2003, pharmaceutical companies poured an estimated \$33.2 billion into discovering and developing new treatments (Pfizer leads the R&D pack with a budget of \$7.9 billion for 2004). But the research can be a slow and costly process: only one out of every 5,000 to 10,000 compounds that are tested ever reaches the pharmacy shelf. In addition, the technology used in the development process is very expensive and constantly changing.

The world's most popular drugs are often up to four times as pricey in the U.S. as in other industrialized nations. That's because the U.S. is the only industrialized country that does not institute price controls on pharmaceuticals. The industry says the high prices help offset the costs of research and development, and provide an incentive for further development. According to AARP, prices charged by manufacturers to wholesalers for widely used brand name drugs increased by an average of three times the rate of inflation in 2003. Over the four-year period beginning in 1999, AARP tracked an average cumulative price increase of more than 25 percent for major prescription drugs.

Even with the benefits contained in the reform package of 2003 – which allows Medicare beneficiaries to buy a card for about \$30 that may save them 10 to 15 percent off drug prices – many Americans are asking for relief from the rising prices. Several members of Congress have introduced proposals that aim to lower prescription drug prices, increase access to generic drugs and expand prescription coverage to Medicare recipients.

Other legislation seeks to allow the re-importation of U.S.-made drugs from other countries where the drugs cost less. But some Americans aren't waiting around for the legislation to be passed. They're getting their prescriptions filled in neighboring Canada and Mexico, where the prices are almost always cheaper. In fact, even some municipalities have gotten into the so-called "re-importation" game. In July 2003, the mayor of Springfield, Mass. announced that the city would begin buying drugs from Canada through a voluntary program for city workers and retirees. The initiative was expected to save the cash-strapped city up to \$4 million.

Even the nation's most conservative lawmakers are putting pressure on the industry, with Sen. Trent Lott (R-MS) declaring in early 2004 that he would no longer vote against measures allowing Americans to purchase their prescriptions overseas.

The rumblings have the industry worried – in January 2004, Pfizer sent a warning to Canada, with a letter to all licensed Canadian pharmacies indicating that those caught breaching the company's ban on exporting its products from up north would result in Pfizer cutting off further supplies of its products. GlaxoSmithKline, AstraZeneca and Eli Lilly also have attempted to curtail re-importation of their drugs.

One lawmaker, Sen. Chuck Grassley (D-IA), came up with a compromise in April 2004, suggesting legislation that would reward drug makers that don't actively prevent the cross-border sales of their drugs, and penalize those that do.

Of primary concern to detractors of re-importation is safety – the Food and Drug Administration doesn't have jurisdiction over products coming from overseas. Consumer advocacy groups have conducted tests, however, finding no difference in the active ingredients of drugs purchased in the U.S. and those sold with Canadian labels. Still, the FDA, worried about counterfeiting and contamination of prescription medications, maintains a loose definition of “unapproved” drugs. In 2003, the agency intercepted two packages of prescription drugs from overseas, deeming nearly 90 percent “unapproved,” though it never tested the drugs for their chemical contents.

Pharmaceutical companies still wield plenty of power in Washington – according to research by consumer advocacy group Public Citizen, the industry employed 675 lobbyists in 2002, spending a record \$91.4 million on lobbying activities that year. Industry trade group the Pharmaceutical Research & Manufacturers of America (PhRMA), representing more than 100 brand-name drug companies, is reported to have shelled out \$14.3 million in 2002. And they have friends in high places – Public Citizen says 26 lobbyists representing the industry's interests are themselves former members of Congress.

## Departments in a Biotech Company

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Biotech companies focused on healthcare applications contain all the major departments of conventional pharmaceutical companies – R&D, operations, quality control, clinical research, business development and finance and administration. In fact, the top 10 biotech companies are essentially mid-cap pharmaceutical companies. Each department houses several functional groups, or specific, logically related areas of activity.

As you think about a career in the biotech industry, it is useful to identify the general area(s) where your primary interests and aptitudes lie. Let's take a closer look at how functional groups are organized in different departments.

### Research and development

The research and development (R&D) department is responsible for discovering promising drug candidates. The three major functions include discovery research, bioinformatics, and animal sciences. The discovery research function is responsible for performing experiments that identify either targets on the cell or potential drug candidates. The animal sciences function provides cell cultures, grows microorganisms, and manages the care of animals used in discovery research. The extensive data generated from experiments is analyzed with the assistance of the bioinformatics function, which assists discovery research in identifying the most biologically active compounds.

## Operations

The operations department is responsible for making commercial quantities of a candidate drug available. Once a promising drug candidate has been identified, the process/product development function determines how to “scale up” quantities of a product to make enough available for clinical trials, since laboratory-size quantities are usually very small. When a product emerges from clinical trials successfully, the manufacturing and production function creates the final product – complete with packaging and labeling – that we see on pharmacist and drugstore shelves. Also housed under the operations umbrella is the environmental health and safety function, which assesses the environmental impact of a potential product.

## Clinical research

Once a drug candidate emerges from R&D, the clinical research department takes over and becomes responsible for shepherding the drug through the FDA approval process. The clinical research function sets up and manages the clinical trials needed to determine a drug’s safety and effectiveness or “efficacy.” The regulatory affairs function ensures that all FDA reporting requirements are completed and submitted in a timely manner. Finally, the medical affairs/drug information function is responsible for overseeing all the information related to a drug candidate.

## Quality

The quality department has groups focusing on quality control, quality assurance, and validation. These groups ensure that products are manufactured along rigorous, consistent standards of quality. This usually entails that well-defined and documented procedures are followed when producing a product either for clinical trials or as an end product.

## Finance and administration

The finance and administration department contains these two functional areas as well as information systems and legal. All activities relating to the financial management of the company, its legal relationships to investors, creditors, and employees are housed in this department. The company-wide computer systems – separate from computing specifically directed at analyzing research data – are also managed here.

## Business development

The business development group is typically responsible for identifying prospective new alliance partners and managing existing alliances. The marketing function studies markets, identifies target customer bases, and sets pricing and promotion strategy. The sales function actually meets with potential customers in the field – usually specialist physicians in targeted areas of specialization (e.g., cardiologists, endocrinologists, urologists, etc.)

## Project management

Finally, many biotech companies also have a separate project management department, which is responsible for ensuring that work requiring the collaboration of several internal departments is discharged smoothly and efficiently. This department oversees special projects that don't naturally fit into any of the traditional formal functions but that require cross-functional collaboration.

# Business Jobs in Biotech

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## Sales

Smaller companies focused on discovery research often do not have marketing/sales groups. As companies grow and a product/service is refined enough to commercialize, marketing/sales becomes differentiated from the search and management of alliances. Biotech-focused sales positions have the customary base and incentive structure usually found in sales jobs. Salaries can start at around \$45K and go up into the six figures. Bonuses are based on meeting quarterly sales goals and can run in thousands of dollars per quarter. Some companies have no caps on their bonuses. Other companies offer stock options for their top performers. Nearly all companies provide their best salespeople with special treats and perks, such as prizes and vacations.

## Marketing

The marketing function operates more traditionally. Marketing research analysts can expect to bring home between \$60,000 and \$80,000. Larger companies will have a senior analyst tier with the same responsibilities operating more autonomously and at the higher end of the salary range. Product marketing managers have overall responsibility for a product. The product manager has a multitude of duties, including creating the marketing strategy, defining the product's features and benefits, deciding on the product's positioning, establishing pricing, planning the launch and post-launch activities, managing the product's life cycle and providing high-level sales support. Product managers also determine sales training and work with either internal groups or external vendors to produce sales training programs. You'll need several years of experience in market strategy, product development and business case analysis to land one of these jobs, as well as your MBA. The product manager job is like a mini-CEO, as you are responsible for all aspects of bringing a product to market. These jobs tend to be organized around specific therapeutic areas and often have several tiers in the larger companies. Product managers can expect to earn from \$80,000 to \$110,000.

It is possible to move from the analyst track to the product manager track, but you don't necessarily have to do that to move up. Some people choose to remain market researchers and become highly skilled resources who provide marketing intelligence to product managers. You can also enter a product manager role without being an analyst, but you would need to demonstrate clear business credentials.

At the top is the vice president of marketing, who oversees development and implementation of strategic marketing programs, is responsible for overall brand performance and is accountable for optimizing return

on investment (ROI) on marketing programs. Brand management responsibilities include defining the brand, implementing the brand campaign, monitoring its revenue and expense forecasts, and managing vendors and advertising agencies. To be a VP, you need several years of experience each in strategic marketing and marketing management with a focus in successful product launches, as well as your MBA. A VP of marketing can expect to bring home a salary between \$110,000 to \$150,000, along with other executive incentive compensation.

## Business development

On the business development side, research analysts provide the extensive research and analysis needed to determine how and with whom a biotech company should partner with. Analysts generate the assessments that help business development management determine how to meet its goals. Analysts answer such questions as, “Should we expand organically or acquire other companies to grow?” and “Who should we partner with to become more competitive?” Research analysts work with attorneys to assess intellectual property and licensing issues, help develop and enforce agreements, and secure licenses for ongoing operations. Many companies have senior analyst positions with the same responsibilities, but operating more autonomously. Analysts can bring home salaries ranging from \$90,000 to \$110,000.

It’s a significant step up to manager of corporate planning, a job that generally appears at the larger companies. They prepare long-range and strategic plans (usually several years out) and short-range/tactical plans (up to a year out). Other activities include designing and executing financial planning processes, setting targets, and planning guidelines. The manager of corporate planning works closely with the CFO to develop the company’s financial plans for senior management, industry analysts, and investors. They complete competitive analysis and continually assess the prospects for the company. This senior position usually has salaries ranging from \$110,000 to \$120,000.

At the head of the group is the vice president of business development, a very important position in most biotech companies. The VP of biz dev oversees all efforts to identify, evaluate, and pursue potential strategic partners, joint ventures, and alliances. This person also directs the assessment of the licensing potential of targets, leads and drug candidates as well as the managing of all collaborations. They maintain partnership agreements and address the inevitable issues that arise in any relationship. Most companies ask for impressive credentials to reach this level: an MBA, a science degree and nearly a decade of experience that includes knowledge of due diligence, asset valuation, alliance integration, and portfolio management. As an executive, the VP can expect to earn a salary ranging from \$160,000 to \$190,000 and also receive additional incentive compensation.

## A Day in the Life: Business Development Manager

*A business development manager at a mid-sized company (about 300 employees) gives Vault the inside scoop on job responsibilities as a biotech MBA. He holds a BS in Microbiology and an MBA.*

There is no routine to my days. My days are divided between proactive and reactive work. Although you have much more control on the proactive side, I'm often on the reactive side of things. This makes my days much less predictable. You have to be able to plan both sides to be productive.

**Proactive work:** My typical proactive tasks include:

- Getting back to any potential customers
- Scheduling meetings with prospects
- Sending draft proposals to potential clients to go through the details in preparation for negotiating contract terms
- Conducting project review board meetings to screen potential projects at a high level (e.g., senior executives, subject matter experts or SMEs) to make a go/no go decision. This involves collecting information, drafting, or editing proposals
- Conducting commercial review meetings with existing clients to review current projects and determine whether we are meeting our agreed-upon terms (usually either monthly or biweekly meetings)
- Coordinating and scheduling conferences and trade shows
- Regularly and routinely contacting key industry players who we may not have business with (i.e., maintaining relationships)

**Reactive Work:** My reactive work typically involves:

- Responding to potential client inquiries (phone, e-mail, referral) to set up meetings, collect information, draft proposals, review them with clients, respond to their questions, and set up the terms of the contract
- Setting up negotiations with internal clients (e.g., senior executives) as well as external clients

It's important to react in a structured way, but the points of reaction are not that predictable. The challenge is always scheduling, since multiple people with multiple schedules can make coordination unpredictable.

## Business Development Manager Uppers and Downers

### Uppers

- Travel can be either a pro or a con, depending on whether you are single or have a family.
- I am often in conversations with leading researchers, who are on the cutting-edge of science, discussing how products are going to be commercialized – that's exciting.
- Bringing products to market that are helping to save people's lives is also very satisfying.
- I like having the flexibility and freedom that comes from having a job with limited structure and a measure of unpredictability.

### Downers

- I am quite often the giver of bad news and the receiver of client reactions to that news. For example, when their schedule changes, and they don't make promised deliveries, that impacts everything we do, and often delays our ability to manufacture the product.
- You also have to have a thick enough skin to not react to their disappointment and anger.

The information in this section was excerpted from the *Vault Career Guide to Biotech* and the *Vault Guide to Top Pharmaceuticals and Biotech Employers*. Get the inside scoop on biotech/pharma careers with Vault:

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Fax: (847) 937-1511  
[www.abbott.com](http://www.abbott.com)

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Strasbourg, 67300  
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Fax: +33-3-88-99-11-01  
[www.aventis.com](http://www.aventis.com)

### Bayer Corporation

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Pittsburgh, PA 15205-9741  
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Fax: (412) 777-2034  
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# Brand Management/ Consumer Products

## Functional Overview

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### **What is a marketer? The allure of brand management**

Marketing encompasses a wide variety of meanings and activities. Some marketing positions are very close to sales, while others set overarching marketing strategy. What marketing positions have in common is the sense of ownership over the product or service, as well as the need to understand customer needs and desires and translate those needs into some kind of marketing communication, advertising campaign or sales effort. The manager of product or service marketing is called the brand manager – he or she is the ruler of that marketing universe.

Careers within the marketing/branding arena are high-profile. The business world is now realizing that strong brands and solid marketing programs drive shareholder value, and that companies can no longer make fundamental strategy decisions without truly understanding how to market a product. Today's business challenges – the quest for company growth, industry consolidation and deregulation, economic woes, and the emergency of new channels and technologies – make marketers even more valuable.

The titles of brand manager, product manager, and to a lesser extent, marketing manager are often used to describe the same function – some companies use one title, others use another. Marketing manager tends to be used in industries other than consumer packaged goods; product manager is often used in tech industries. “Brand management” implies more complete supervision of a product. The typical brand management framework gives a brand “group” or “team” – generally comprised of several assistant brand or assistant marketing managers and one supervising brand manager – responsibility for all matters relevant to their product or products. Whether this responsibility is in fact complete depends somewhat on the size of the company relative to the number of brands it has, the location of the brand group, and most importantly, on the company's attitude toward marketing.

### **How important is the individual brand manager?**

Consider the company to determine the level of brand manager responsibility. The first factor: the size of the company relative to its number of brands. For a company with hundreds of different brands – Nabisco, for example – brand managers, or even assistant brand managers, may have a great deal of power over a specific brand. At companies with a few core products, brand managers will focus on narrower aspects of a brand. As one recently hired assistant brand manager at Coca-Cola comments: “They're not going to take an MBA and say, ‘Okay, you're in charge of Sprite.’” Brand managers at such companies will instead be focused on marketing to a particular demographic or geographic group, or perhaps handling one aspect of the product's consumption (plastic bottles, cases of aluminum cans, and so forth).

International brand managers have historically held more sway than managers in the company's home market, but keep in mind that the daily tasks of international brand managers often lean more toward ques-

tions of operations, rather than questions of strategy or marketing. (‘How much should we produce?’ or ‘How is our distribution network affecting sales?’ rather than ‘What do we want our brand identity to be?’) International brand management is sometimes split into two positions. Global brand managers are more strategic, concentrating on issues such as protecting brand equity and developing product offerings that can be rolled out into subsidiaries. Local brand managers are more tactical. Local managers focus on executing global plans that are delivered to them, and tweak them for local consumers. Also know that with the increasing trend toward globalization and the truly global presence of certain brands, companies have sought to impose more centralization and tighter controls on the marketing of those brands from country to country. In the past, individual country managers have had more discretion and leeway to make decisions about a brand’s packaging, advertising, etc. Now, companies have established tighter guidelines on what can be done with regard to a brand around the world, with the goal of protecting and enhancing the value of the brand and ensuring a consistent product and message worldwide.

Finally, consumer products companies place varying levels of importance on their brand or marketing departments. Some companies, such as the Ford Motor Company, are driven as much by financial analyses of production costs or operations considerations as by marketing. The level of emphasis on finance or operations matters at a firm will influence not only the independence and authority of marketing managers, but also potential marketing career paths. At some companies, marketing is the training ground for general management. At General Mills, marketing is considered so important that employees in other functions who show promise are plucked from their positions and put into the department.

## Careers in Marketing

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Taking charge of a brand involves tackling many diverse job functions – and different subspecialties. Decide where you’d like your main concentration to lie.

### Brand management

In a typical brand management organizational structure, positions are developed around responsibility for a particular product rather than a specific functional expertise (i.e. you’re an assistant brand manager for Cheerios). This structure enables you to be the “master of all trades,” acquiring an expertise in areas such as manufacturing, sales, research and development, and communications. In brand management, the marketing function is responsible for key general management decisions such as long-term business strategy, pricing, product development direction and, in some cases, profit and loss responsibility. Brand management offers a terrific way to learn intensively about a particular product category (you could be a recognized expert on tampons!) and to manage the responsibility of running a business and influencing its performance.

The core of brand work is brand strategy. Brand managers must decide how to increase market share, which markets and demographic groups to target, and what types of advertising and special promotions to use. And at the very heart of brand strategy is identifying a product’s “brand identity.” Brand groups then figure out how to exploit brand strategy, or, in some cases, how to change it. PepsiCo’s Mountain Dew has built the drink’s popularity among youth as a high-caffeine beverage into a “brand identity” of cutting-

edge bravado that has boosted market share, while the Banana Republic chain underwent a transformation from an outdoor adventure store that sold actual army-navy surplus to an upscale, chic clothing store. In both cases, the brands have benefited from a shift in brand identity, and consequently, a shift in their market. Brand identity is normally created and confirmed through traditional print, radio, and TV advertising. Advertising is usually produced by outside agencies, although brand insiders determine the emphasis and target of the advertising.

Some liken a brand manager to a hub at the center of a hub and spoke system, with the spokes going out to departments like finance, sales, manufacturing, R&D, etc. It is the job of the brand manager to influence the performance of those groups – over whom he or she has no direct authority – in order to optimize the performance of his or her brand or product line.

### **Direct marketing**

Ever wonder who is responsible for making those coupons you receive in the mail? Or the Saab videotape you've received every two years since you bought your car in 1993? You can thank direct marketers. Direct marketers are masters in one-to-one marketing. Direct marketers assemble databases of individual consumers who fit within their target market, go after them with a personal approach, and manage the production process from strategy inception to out-the-door distribution.

Direct marketers have two main objectives: to stay in touch with their current consumer base and to try and generate more business by finding individuals who fit a target set of criteria but are not currently using their particular product. For instance, if you've ever checked out of the supermarket and got a coupon for Advil after buying a bottle of Tylenol, chances are a direct marketer is trying to convince you to switch brands by offering you a monetary incentive.

It's important to note that direct marketing isn't just through snail mail. It operates in multiple media such as the Web, telemarketing, and in-store promotions. Direct marketers have a powerful new tool in their arsenal – the Internet. Marketers are able to track the online habits and behavior of customers. They can then serve up customized banner advertisements that are much more likely to be relevant to them. Many consumers have agreed to receive promotional offers on certain subjects – marketers can then send them targeted e-mail messages that allow for much easier access to purchase or action (a click on a link, for example) than a conventional mail direct marketing programs.

### **Affiliate/property marketing**

If you're working with a major brand company like Nike, Disney, Pepsi, or L'Oreal, chances are you'll do a lot of cross-promotion, or "affiliate marketing." For instance, Nike has marketing relationships with the NBA, NFL, and a variety of individual athletes and athletic teams. Disney has a strong relationship with McDonalds; cute toys from the entertainment company's latest flick are often packaged with McDonalds Happy Meals upon the release of each new movie. L'Oreal works with celebrities like Heather Locklear and sponsors events such as the annual Academy Awards.

Marketers must manage the relationship between any two entities. If Disney wants to promote the cartoon du jour with McDonalds, or Pepsi wants to make sure that all Six Flags theme parks have a Pepsi Ride, then marketers ensure both parties are getting what they need out of the deal and staying true to their own brand image.

### **Price marketing/sales forecasting**

Pricing is largely driven by market pressure. Most people, for example, won't pay more than \$2.00 for a hamburger in a fast food restaurant. On the other hand, brand managers always have some pricing leeway that can greatly affect market share and profitability. An increase of a nickel in the price of a product sold by the millions can make huge differences in revenue – assuming the price rise doesn't cause equivalent millions less of the products to be sold. Brand managers need to figure out the optimal pricing strategy for their product, though it's not always a case of making the most money. Sometimes it makes more sense to win market share while taking lower profits. How do brand managers justify their prices? Through extensive research. Paper towels, for example, may be much more price-sensitive than a luxury item like engagement rings or smoked salmon.

Brand and marketing managers don't always have free reign over pricing. At some companies, such as those that sell largely through mail order, or those with complex pricing systems, pricing and promotional offers may be limited to what the operational sales system can handle. Explains one marketing manager at a long-distance phone company (an industry with notoriously tangled pricing plans): "It's very easy to offer something to the customer. It's very difficult to implement that in the computer system."

Another large part of the general management duties of brand managers is forecasting product sales. This means not only keeping track of sales trends of one's product, but anticipating responses to marketing campaigns and product launches or changes. The forecasts are used to determine production levels. Once a year, brand groups draw up budgets for their production, advertising and promotion costs, try to convince the finance folks that they absolutely need that amount, get less than they ask for, and then rework their budgets to fit the given budget. As one international brand manager at one of the world's biggest consumer goods companies puts it: "You don't determine the production and then get that budget; you get the budget, and then determine the production."

### **High-tech marketing**

Not everyone markets applesauce for a living. Many people choose to enter the world of high-tech marketing because they want to work with products and technologies that reshape and improve the world around us. These marketers feel that they would rather change the way a person interacts with the world in a sophisticated way, rather than spend time understanding what hair color teenagers find most appealing. High tech marketers spend much of their time understanding research and development issues and working on new product launches.

Technology companies like Intel, Dell, and Microsoft have recognized the power of branding and are utilizing traditional marketing tactics more and more. Amazon's extensive marketing campaign in 1998 helped brand that company in the mind of consumers still new to e-commerce as the company to purchase

books (and other products) online. Intel became perhaps the first semiconductor company readily identifiable to the public through its heavily branded “bunny people.” Marketing in the high tech world will continue to grow in importance over the next decade, as technology companies become more consumer-oriented (see Microsoft’s X-Box). Marketing a service or software product versus a more tangible product is a bit different. It may be a bit more challenging to understand how consumers relate to the product. Inventory and distribution issues may be tracked differently.

### **Market research**

If you are an analytical person who enjoys numbers and analysis, and enjoys tracking consumer behavior, then market research may be the field for you. A product is much more effective when a company understands the consumer it is targeting. That’s where market researchers come in. Market researchers employ a variety of different qualitative and quantitative research techniques to understand consumers. Surveys, tracking systems, focus groups, satisfaction monitors, psychographic and demographic models, and trial/repurchase estimations are all methods researchers use to understand how consumers relate to their products. Researchers who find that consumers associate lemon scents with cleanliness, for example, may suggest that cleansers could drive up sales by adding a lemon aroma.

### **Marketing consulting**

Although most well-known consulting firms are known for their expertise in general strategy, many consulting firms now hire industry or functional experts that focus on marketing issues. These firms need people with expertise in the areas of branding, market research, continuous relationship marketing, pricing strategy, and business-to-business marketing – they tend to hire people with previous marketing experience and value consultants who have been successful marketing managers and have lived through the full range of business issues from the inside. McKinsey and Monitor are two general strategy firms that have begun to hire marketing specialists. Other boutique marketing consulting firms, such as Kurt Salmon, focus on certain product categories like beverages, healthcare, and retail. All major ad agencies are also attempting to reinvent themselves as marketing partners focused on marketing strategy beyond simple advertising.

## A Day in the Life: Assistant Brand Manager

You can often spot the assistant brand manager because they are the ones running around like a chicken with its head cut off. You must learn how to balance your time and prioritize. Here's a look at how your time might be spent:

Responsibilities	% of time per day
Meetings	30%
Analysis/data tracking	30%
Writing memos	30%
Answering management queries	30%
Interfacing with other departments	30%
Actually marketing	Optional

Although this is a humorous take on the day of an ABM (talk about giving 150%), there is some truth to it. Days and weeks will go by where you feel like you've just been pushing paper and trying to stay afloat. It is very easy to get comfortable maintaining the businesses rather than creating new opportunities. Although the role of an ABM is mostly one of maintenance, if you want to be a "star," you must shape your brand, not just maintain it.

### A more realistic look at a day in the life of a brand manager

**8:30 a.m.** Get into work. Listen to voice mails. Check e-mails. Print out calendar of today's events. Skim the Markets section of *The Wall Street Journal* to find out what's happening "on the street." Go to the cafeteria and grab breakfast. (Of course, you're only eating products that your company produces or has some relationship with!)

**9:00 a.m.** Meet with market research department to discuss specifics of your latest round of quantitative research. You are trying to understand why people are not repurchasing your product, but you don't feel that the data presented actually answers your questions. You decide that you'll need to design another round of research – but where's the money going to come from?

**10:00 a.m.** Budget meeting to determine how you will be spending 2nd quarter funds. Given the decision to spend more money on research, you might need to cancel an instant redeemable coupon or a local promotion in a poorly performing market.

**10:30 a.m.** You head to the long-awaited product development meeting. Your team has recently discussed reformulating your product to take advantage of new technology. This new technology may raise your product's performance levels, but it will cost more to manufacture and will take some advertising effort (and more money) to explain the changes to the consumer. The group must decide whether these changes are strategically and financially justified. As always, very few people agree. You decide to summarize all the costs and benefits to the project and present the issues to your brand manager at the status meeting you have scheduled for the end of the day.

**12:00 pm.** A fancy lunch with a *People* magazine salesperson. For months the magazine has tried to convince you that your product should be advertised in *People*. During lunch the representative explains to you how the publication can effectively reach x percent of your target audience and how it can provide you with the extended reach you need to communicate with potential new users. You leave lunch with a fancy *People* backpack and a headache. Where can I find the money to add *People* to my media plan? Let's ask the media department (Note: While lunch with ad reps happens occasionally, the days of most brand managers are packed, without the time to spend schmoozing with ad reps. More often, brand managers, who are very focused on their jobs, grab lunch at a corporate cafeteria and take it back to their desks.)

**1:30 p.m.** Media planning meeting. Because sales of your product have come in slightly under budget, you have been forced to give up 10 percent of your media budget. You now must meet with the media department to determine how to cut media funds without sacrificing your goals (to reach 20 percent of your target group, and to have a continuous presence on TV). Maybe you can cut out two weeks of TV advertising in July when not many people are home anyway. But isn't that your product's peak purchase cycle? Decisions, decisions.

**2:30 p.m.** Time to review changes to the latest advertising campaign. Your ad agency presented a new concept about three weeks ago that needed work. You and your brand manager made comments to the storyboard (a drawing that explains a commercial) and now you are anxious to see what the agency has produced. You review the changes with the agency via conference call and promise to present the new work to your brand manager at your status meeting later in the day.

**3:15 p.m.** Keep the ad agency on the phone and bring in the in-house promotions department. This ad campaign will be introduced into a promotional campaign in the top 20 performing markets in the country. You want to make sure that before you get the promotions people working on a concept, they agree with the agency on the strategy going forward. The following 45 minutes is a creative brainstorming session that offers wonderful possibilities. You promise to type all ideas up and distribute them to the group later in the week.

**4:00 p.m.** Strategy development with sales manager. Your category manager is insisting that all brands work to gain a better presence in supermarkets. You meet with the regional sales manager to understand what types of strategies might work to get better shelf space and more consistent in-store promotions. Once you hear his ideas, you start to price options and see if this is possible within your (reduced) current budget.

**5:00 p.m.** Status meeting with brand manager. You present your proposal for increased research expending as well as the implications of the new product development issue. You also review the latest advertising changes and the changes to the media plan. You aggressively present your data and your opinion and discuss these with your boss. The two of you decide on next steps.

**6:00 p.m.** End of the day. You spend an hour checking the 23 e-mail/voice mail messages you received during the day but failed to return. You go through your "in box" to read any documents relevant to your product. You start to attack all of the work you have to do and promise that tomorrow you'll block out some time to make some progress.

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# Energy/Oil and Gas

Today's energy industry is almost unrecognizable from the relatively staid business of only 10 years ago. The changes have brought both unexpected opportunities and devastating uncertainties, and this is by no means the first time the industry has faced such upheavals. Throughout its history, energy has been an industry that welcomes innovation and fresh perspectives. With the array of careers available in energy – and the certainty that people need to buy what they sell – makes it worth a close look by job seekers.

## Energy Industry History

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### The beginnings

The modern electricity industry in America was born with the work of Thomas Edison in 1878. People had known about electricity for generations before him – think Benjamin Franklin and his kite – and the practical applications of harnessed electric power were clear to everyone. By the time Edison turned his considerable imagination to the problem he already had a reputation as an innovative thinker and clever businessman. It is a bit of an exaggeration to say he ‘invented’ the lightbulb; rather he fine-tuned the filaments inside the bulb to create the first commercially viable, safe, and efficient means of indoor lighting.

In September 1878 Edison announced his breakthrough design to the world, and in a matter of days potential investors flooded his workshop in Menlo Park, New Jersey, with bids to market the new technology. A month after his discovery, he incorporated the Edison Electric Light Company, and a month after that he devised the first electric meter. A few years later his first power plant opened in lower Manhattan, and an industry was born.

Throughout the 1880s companies sprang up across the country and the globe to provide service. A number of these companies were franchises Edison set up himself, and many of their descendant operations still bear his name. Early power companies were limited to only a few city blocks because of primitive generation and transmission technology. But slowly, new technology emerged, and more and more companies jumped into the growing market in a pell-mell fashion. By the early 20th century, most major cities had a number of utilities, serving the approximately 8 percent of American homes that had electricity. These early days were the wild adolescence of the industry, and business could be cutthroat. There are stories about companies hiring gangs of thugs to chop down competitor's power lines. Overtime, the industry began to understand the value of economies of scale in providing service by using bigger turbine generators. Waves of consolidation began to create industry giants.

Yet the early power system remained inefficient, redundant, and expensive. It was still considered a luxury item, and the emergence of “natural monopolies” where one utility would dominate the market began to worry some reformers. Some states began to experiment with tighter regulation, but the industry changed dramatically in the 1930s, when two major initiatives from President Franklin D. Roosevelt's New Deal recast electricity as an essential service.

## Transforming the industry

The first initiative culminated in the enactment of the Public Utility Holding Company Act of 1935, better known as PUHCA. This sweeping law had the practical consequence of identifying electricity as a vital service fundamentally different from regular goods and services, and subjected the industry to a host of conditions and requirements it needed to meet. Each utility was allowed to operate as a full, vertical monopoly over a specific geographic space, or service area. Companies would be allowed to generate power in their plants, transmit it over their wires, and sell it to consumers who would have no choice about who to buy their power from. In exchange, every aspect of their business – from where they could build what, to what they could charge customers – would be subject to approval by state regulators.

The second initiative was to ensure every American had access to electricity through rural electrification programs. In the old system, there was absolutely no incentive for a company to string out a power line to one single farmhouse miles and miles away from the rest of the power grid. As a result, in 1930 only 10 percent of American farms had service, making life much harder for them than need be. Part of the New Deal was a package of laws that set up federal agencies to ensure power got to them, and to work out means to pay for it. One continuing legacy of this initiative are the large public power authorities that still provide service in many parts of the country.

The regulated system remained in place for decades, and with everything micromanaged, energy became the sleepest major industry in America. Consumers began to take cheap and reliable electricity for granted. Investors eagerly entrusted long-term investments with these companies whose dividends came back like clockwork. Researchers continued to slowly develop new technologies, and the business side stagnated. Executives were thought to have the easiest jobs in corporate America, while lawyers and policy specialists remained mired in the trench warfare of rate hike petitions and siting permission cases with regulators which could take years to settle.

Trends moved at glacial speeds, with a few exceptions. One trend was the emergence of nuclear power, which many enthusiastically predicted would usher in the era of electricity that was “too cheap to meter.” Through the 1960s and 1970s many utilities sank piles of money building nuclear plants, taking on huge amounts of closely managed debt along the way. But the optimism disappeared overnight with the Three Mile Island incident in 1979. Nuclear plants, once the wave of the future, became white elephants for their owners, who were saddled with huge insurance, maintenance, and security costs.

Another major development was the move toward opening the power grid to new technologies and renewable power sources in the 1970s. Most of the time, there was very little incentive for utilities to invest in unproven, emerging technologies. They were too expensive to build, and produced too little power, compared with a big, dirty coal-fired power plant. But public demand began to turn with the early environmental movement, leading to passage of the Clean Air Act, which had serious implications for the power industry. Meanwhile, the general energy crisis of the decade made people rethink electricity as well, and President Jimmy Carter included it in his push for a new energy policy.

The trends culminated in the Public Utility Regulatory Policies Act of 1978, better known as PURPA. The law included a number of provisions revising, and in some cases loosening, the strict regulatory protocol. Among them, it allowed private companies to build power plants – known under the law as “qualifying

facilities,” or QFs – and required utilities to purchase the power they produced. The provision was designed to encourage investment in renewable technologies like wind and solar power, and it worked to an extent. But it also provided a critical opening for early natural gas power plants. Today the vast majority of planned power to be built in coming decades is fueled by natural gas, which is relatively cheap and clean and better adaptable to hourly demand conditions. Today, PURPA is seen as one of the first moves of the deregulation of the energy industry.

## Deregulation

The tidy and highly regulated energy world underwent massive transformation starting in the 1980s, when proponents of deregulation turned their attention to electricity. They were encouraged by the success of other industries that were deregulated in the 1970s, like airlines, trucking, and telecommunications. A major proof of their argument was the successful deregulation of the natural gas industry, which shared many key aspects with electricity. Both were essential commodities that required contiguous systems and a high-degree of coordination. After many years of debate and tinkering, free market principles applied to natural gas markets brought down prices, and encouraged new investment.

According to proponents, such principles must work for electricity as well. Without government controls, more companies would join the market to compete, bringing prices down. Companies would be encouraged to invest in new technologies, which would create more efficient and environmentally friendly systems. Providers would be beholden to their customers, who would be able to pick and choose among them for the best deal.

Deregulation had its opponents. Many cited the same reasons that had propelled the debate in the 1930s. They warned that electricity was an essential service, and that consumers must be protected from raw market forces. After all, companies would be serving their shareholders foremost, not their customers, and the urge to cut costs could lead to disaster. They also pointed out that electricity is a different type of commodity than airline routes and gas pipelines: electrons move instantaneously, and rely on incredibly complex systems. Without the right balance, the system would crash and everyone would be in the dark.

In many states, the proponents won by appealing to many different sides of the debate. Utility companies were excited because they would no longer have to maintain big, expensive power plants – and many salivated at the prospect of unloading their costly nuclear plants. They eagerly looked forward to a new market in which they could become light, nimble, modern companies with the glamour and profit-margins of dot.com start-ups. A host of other companies – mostly trading and gas companies – eagerly eyed the chance to get a piece of a multibillion dollar market that had been largely closed to them for so long. Customers were fascinated by the promise of lower monthly utility bills, and politicians were eager to be the ones to proclaim in the next election that they helped lower voters’ power bills.

State by state, legislatures began to craft laws to deregulate and bring competition to their states. Regulators rewrote market rules, and a whole new crop of retailers, traders, and investors joined the market. Energy companies suddenly began to recruit top-notch MBA candidates and the most promising young scientists and engineers, none of whom would have thought twice about the boring energy sector of just ten years earlier.

Not everyone jumped on the bandwagon though. States that already had low electricity rates – like some Rocky Mountain states and some in the deep South – saw no reason to fuss with their system and took a pass. Efforts to deregulate at the federal level never picked up enough steam, and only some slight changes were passed.

### **Deregulation gone haywire**

The hesitant ones appeared visionary after 2000, when things suddenly began to go wrong. The California energy crisis that began that year was a glaring cautionary example for the entire industry, and it almost single-handedly brought the deregulation movement to a screeching halt. States suddenly began to reconsider their deregulation plans, or sought to scale back the ones they had already passed.

This blow was quickly followed in late 2001 by the spectacular collapse of Enron, which horrified the industry. In a matter of months, the eighth largest company in America was exposed as a gigantic fraud as it dissolved into bankruptcy and infamy. Along the way, it tarred the reputation of the whole corps of new energy services company that had emerged to compete in the new markets. They were branded “energy pirates,” and saw their high-flying hopes vanish along with their market cap. All this drama played out against a recession and capital crunch that hurt the energy industry as badly as any other.

Despite all this, the genie of competition shows no sign of going back in the bottle. The current political climate in Washington and most state capitals remains committed to the idea of competition and restructured energy markets, though they are pursuing their goals in a less hard-charging and more deliberate attitude. The industry has responded to the current challenges by maturing and rethinking the irrational exuberance of its youth.

And hopes that the industry will bounce back are underpinned by one salient fact everyone agrees upon: as long as people are attached to their computers, televisions, and lightbulbs, there will always be demand for the industry’s goods and services.

## **Understanding the New Energy Industry**

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Today’s industry is a mosaic of businesses and sectors, some old some new, operating in many different environments and frameworks. This is a basic look at how things stand today around the nation. Individual corporations can have operations in many different sectors, depending on their regulatory restrictions and corporate strategies, so they are by no means exclusive.

### **Generation**

These are the operations that create the power. The basic production facilities – known as “base-load plants” – burn fossil fuels, and create hundreds of megawatts per hour. The workhorse of American power generation remains coal, which is cheap and abundant in the United States, and fuels roughly half of the nation’s electricity load. The problem is that it is also the dirtiest fuel source available, and many plants

today operate under “grandfather” exemptions to the Clean Air Act or with a host of expensive filtering equipment to keep it compliant with Environmental Protection Agency rules.

The other major base load fuel – accounting for about 20 percent of the nation’s load – is nuclear power. These plants produce very large amounts of electricity from very little fuel, with no air pollution. But ever since Three Mile Island and Chernobyl, the drawbacks have been obvious. Though unlikely, an accident would be unthinkable catastrophic. The plants produce considerable amounts of thermal pollution – usually in the form of hot water that cannot be simply dumped into a river or reservoir. And in recent years, the problem of what to do with spent fuel rods has become critical. In 2001, over vociferous opposition, Congress allowed the U.S. Department of Energy to begin work on a permanent nuclear fuel dump at Yucca Mountain in Nevada. Until then, spent nuclear fuel will continue to be stored where it always has been: in closely monitored pools near the reactor where they were used.

The remaining 30 percent of the nation’s electric load is accounted for by natural gas and renewable power sources. Gas in particular has been a favorite fuel source, and is forecast to be the major fuel for the 21st century. These plants are called “peaker plants” because they are easy to turn on and off to adapt to specific conditions in the service area. The turbines themselves are essentially jet engines rigged to produce power, and are very efficient, cheap to run, and produce much less pollution than other sources. The drawbacks are that they rely on natural gas markets for their supplies, and in general do not produce the huge amounts of megawatts needed to keep the grid up and running.

Despite the hopes and promises of supporters, renewable fuel technologies for generation remain relatively marginal in most parts of the country. The preeminent renewable fuel remains hydropower, particularly in the West. Hydropower has the advantage of producing no pollution and is easy to manipulate when reservoirs are at ideal conditions. Its primary drawback is that it is subject to the weather, and drought conditions can cause serious troubles. Hydropower dams also usually face opposition from environmentalists, who worry about the effects they have on fish and other wildlife.

Among other renewables, wind power has only recently begun to come into its own. Early wind turbines were inefficient, produced little power, and were even known for chopping up birds who strayed too close. All that has changed as more research has produced efficient turbines that can harness even mild winds, and that spin slow enough that birds don’t get in their way. Already, a number of major wind power projects have been announced in the Pacific Northwest, the Dakotas, and Pennsylvania. The drawback is that most places do not have enough wind to make turbines worthwhile, and even the windiest spots need dozens of turbines spread out over many acres to produce a sufficient amount of power. Even then, wind is too inconsistent to be relied on to provide a major portion of the grid’s power at any given time. Yet wind power is still far ahead of other renewable sources, like solar, geothermal, and biomass, which are still years away from being deployed in an commercially significant way.

## Retail

These are the companies that actually sell the power to consumers. Power markets have a wholesale, or “bulk,” side and a retail side. In the first, power is measured in megawatts per hour, while the later is usually in kilowatts per hour. As you would expect, companies in a competitive market will try to buy bulk

power as cheaply as possible, and sell it to individual homes and businesses for as much as they can get. More and more, retailers buy power from suppliers through “forward” contracts, which essentially guarantee they will receive x amount of power for y hours at z dollars per megawatt/hour. Contracts can be for as long as several months, or as little as a few hours. Another option are so-called “spot” markets, in which power was bought and sold for the coming hours. These markets proved to be far too dangerous though, as seen in California and other parts of the country, and are now usually used solely to shore up supplies not covered by forward contracts.

On the sales end, retailers in competitive markets have to woo customers to subscribe with them. Many simply offer the lowest price possible, or offer innovative or flexible payments schemes. Some position themselves as “green” providers, promising that a set portion of their power load will come from renewable sources.

## Transmission

Generators and retailers, wholesale and retail markets, are connected by a vast transmission grid that is both essential for a functional market, yet one of the salient problems preventing full-blown competition from steaming ahead. Much of the grid is made up of the high-tension power lines you see running into the distance beside highways (the wires that lead to your home are technically part of the retail world; in deregulated markets, they are usually still owned by the local utility, which is required to provide “open-access” to other providers). The problem with the system is simply a matter of physics: electrons travel instantaneously, and the system requires carefully managed, redundant systems to ensure it doesn’t short-circuit itself. This requires central control, and weather trouble, over-scheduling, or any number of variable can cause major problems.

For years, industry participants and government officials have argued about how to adapt this system to a competitive market. They have made some steps, most importantly through a federal regulatory order issued in the late 1990s that mandated the grid should be managed by several “regional transmission organizations” (RTOs), who could serve as the disinterested air traffic controllers of the grid. The most controversial part of the order required utilities to cede ownership, or at least operational control, of their transmission assets to these RTOs. But exactly what form RTOs should take remains an open question. The old utilities want a separate, for-profit entity to run the grid, with the contributors of the grid staying on as co-owners. Other parties envision RTOs as non-profit agencies, or what they call “independent system operators.” So far, both models, as well as a few hybrids, are in place across the nation or are still in the planning stages.

## Regulation and policy

Deregulation does not mean no regulation, and there are still enough market watchers to make it a substantial part of the industry. The federal government and each state still employ a small army of analysts, lawyers, economists, accountants, and technicians to keep watch over the system. Meanwhile, companies that do business in a given state employ a number of lawyers and lobbyists to represent their interests in

the ongoing battles that take place at regulatory agencies. These cases include rate cases, environmental approvals for new plants and facilities, and fielding complaints from consumers and competitors.

## Types of Energy Companies

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Energy companies work in many ways within this framework. The foundation of the energy industry remains the “investor-owned utilities,” or IOUs. These are the big names to whom most people write a check every month – companies like ConEdison in New York, PECO in Pennsylvania, Commonwealth Edison in Chicago. They were the original players protected by PUHCA for so many decades, and remain the biggest players in the industry, with valuable structural assets, capital reserves, and skilled manpower.

In competitive environments, many of these companies have set up subsidiaries to operate in other markets. Some have created “merchant” generation companies, which own power plants and sell the power in wholesale markets. Some have set up their own energy trading operations to trade in open markets. There are still enough rules and regulation in place that keep these operations separate and distinct, but they demonstrate how these companies remain the biggest and best able to adapt to the new energy industry.

Other major players from the regulated era include public power authorities. These are quasi-governmental agencies that own power plants and power lines, and sell it to consumers. They were created to serve areas under-served by the IOUs, and are charged with serving their consumers first and foremost. They are usually funded through charges collected and government-backed bond issues. Some were formed by the federal government to market power from the massive New Deal era power projects, notably the giant hydropower dams that power the Tennessee Valley Authority and the Bonneville Power Authority in the Pacific Northwest. Others were formed by states or municipal entities, including Santee Cooper in South Carolina and the Los Angeles Department of Water and Power in Los Angeles. A similar sector are rural electric cooperatives, which are member-owned and operated systems in rural areas and usually serve agricultural communities.

Public power plays a key role in the new energy industry. In the policy debates surrounding deregulation they were notable for representing their “customer first” guiding ethic, and were very aggressive in shaping the debate and speaking for consumers. In addition, they remain major employers, as they run plants and have operations similar to regular utilities. Many exist within deregulated markets and have had to adapt to competitive wholesale and retail markets.

The industry is rounded out by companies that fill niches within the new framework. These include merchant generators who own plants, some with a specialty in certain types of plants. For example, Exelon owns many nuclear plants around the country. Others specialize in bringing to market renewable sources. Other companies specialize in trading, and retailers that sell directly to customers.

## The Oil and Gas Industry

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The price of oil sends a ripple effect throughout the world's economy, affecting not only how much drivers have to shell out at the pump, but other forms of transportation, the cost of all goods and services, and the availability of basics like food and shelter. Nearly half of petroleum production in the U.S. goes toward gas, according to the NPRA (gasoline is a mixture of hydrocarbons for use in a spark-fueled internal combustion engine, like a car). Other products include asphalt, solvents, and even the wax used in things like chewing gum and crayons. Leading companies, ranked according to sales, are Royal Dutch/Shell, Exxon Mobil, BP, TOTAL S.A., ChevronTexaco, Petroleos de Venezuela, Petroleos Mexicanos, Eni S.p.A., Repsol YPF, S.A., and PetroChina Company Limited, according to Hoover's.

### Rockefeller's riches

The modern oil industry in the U.S. was born in the late 19th century, when, after investing in a Cleveland oil refinery during the Civil War, John D. Rockefeller founded Standard Oil in 1870. As of 1880, Standard refined 95 percent of all oil in the U.S. Branded an illegal monopoly in 1911, Standard was divided into 34 companies, including many still around today, like Mobil, Chevron, Shell, and Esso (later renamed Exxon).

As Americans took to the road, demand for oil gushed ever higher. In the 1930s, the oil giants turned to Texas to seek their fortunes. Soon thereafter, Chevron, Texaco, Exxon and Mobil went overseas to expand their reserves, buying up rights to oil fields in Saudi Arabia (a bargain at \$50,000).

### Oil gets organized

In 1960, top oil-producing countries Iran, Iraq, Kuwait, Saudi Arabia and Venezuela met in Baghdad to form the intergovernmental organization OPEC, which stands for Organization of the Petroleum Exporting Countries. Today's list of 11 members, which collectively supply about 40 percent of the world's oil output and control more than three-fourths of total crude oil reserves in the world, are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. The members meet twice a year to decide on their total output level of oil, considering actions to adjust it if necessary in response to oil market developments. Basically, it's all about supply and demand --if oil production rises faster than demand, prices fall, which OPEC claims hurts both producers and, eventually, consumers (in the form of inflation).

Membership in OPEC is open to any oil-exporting nation that shares the organization's ideals. OPEC countries seek to ensure that oil producers get a good rate of return on their investments and (according to OPEC) that consumers continue to be able to access steady supplies of oil.

### Oil stateside

Oil is certainly a slippery subject in the U.S., where high prices at the gas pump and the environmental issues associated with extraction and production always garner plenty of attention. The issue of drilling

in the Arctic National Wildlife Refuge, for instance, was a huge topic in the election of 2000, and promises to resurface in 2004. Many of these decisions rest on politics and power: While the Clinton administration had proposed selling some 6 million acres in the Gulf of Mexico, off the coast of Florida, this amount was gutted at the behest of Florida Gov. Jeb Bush in 2001. But at other times, true environmental concerns hold sway. For example, the last oil refinery built in the U.S. was completed in 1976; though a handful more could contribute to lower gas prices, the risks and controversy surrounding their construction (refineries need to be built near water, and disasters like the Exxon Valdez oil spill have contributed to what the industry sees as a NIMBY—“not in my back yard”—attitude among the public) have all but scuttled the possibility of any new refineries any time soon.

In the U.S., according to the National Petrochemicals and Refiners Association (NPRA), there are 149 refineries, owned by 57 companies, with aggregate crude oil processing capacity of 17 million barrels per day (a barrel is 42 gallons). Back in 1981, there were 325 refineries, capable of producing 18.6 million barrels per day. Total U.S. demand for oil in 2002 was 17.5 million barrels per day. OPEC puts the world demand for oil at 76 million barrels per day, predicted to rise to more than 90 million barrels per day by 2020. Meanwhile, at the end of 2001, the latest year for which OPEC figures are available, world proven crude oil reserves stood at 1.075 million barrels. Saudi Arabia dominates these holdings, with crude oil reserves of 262,697 million barrels. Iraq comes in a distant second at 112,500 million barrels; these countries are followed by Iran, the UAE and Kuwait.

For a variety of reasons, including price and the obvious fact that U.S. demand outstrips supply, the U.S. imports a portion of its oil from other nations. In fact, according to the NPRA, while 96 percent of refined petroleum product demand is produced domestically, the U.S. imports 60 percent of the crude oil it refines from other countries.

### **Troubled times**

The 1970s saw two crises in oil pricing—an Arab oil embargo in 1973 and the outbreak of the Iranian revolution in 1979. In both cases, oil prices rose sharply. After a peak in prices in the early part of the 80s, the market saw a sharp decline followed by a collapse in 1986. By the 1990s, prices had recovered, though they never regained the high levels of the previous decade. Another collapse occurred in 1998 following economic instability in Asia—prices sank to \$10 a barrel. By 2000, they had climbed back up to over \$30 a barrel.

### **Oil alliances**

At the end of the 1990s, following the Asian crisis, the industry witnessed several mega-mergers among major international oil companies, including the well-known Exxon-Mobil and Chevron-Texaco marriages (British Petroleum also merged with Amoco and Arco to form BP, and Conoco joined with Phillips Petroleum to become ConocoPhillips). Many small independent companies weren't so lucky, and went into bankruptcy.

Though the industry has recovered recently as oil prices rose sky high during the Iraq war (hitting \$40 a barrel in the first quarter of 2004), the industry began to see pressure as environmental concerns became

more pronounced, leading producers to worry about an impending drop-off in demand. Supply may also become an issue as continued unrest in Iraq has prevented the exporting of crude oil from that country.

### **Russia rising**

With oil resources naturally limited, the industry constantly has to search for new supplies. Since the collapse of the Soviet Union, Russia has been taking steps to modernize its oil infrastructure. With proven oil reserves of 60 billion barrels (mostly situated in Western Siberia), Russia also holds the world's largest natural gas reserves. International oil services companies like Halliburton and Baker Hughes have begun working with the major Russian oil companies in recent years, and the country's economy is becoming increasingly reliant on oil exports – in 2002, energy accounted for nearly 20 percent of Russia's GDP. In February 2003, BP invested \$6.75 billion in Russia, creating a new joint venture company with Russia's fourth-largest oil company, TNK. In August of that year, Russia approved a \$13 billion merger between two of its oil superpowers, Yukos and Sibneft, creating one of the largest publicly traded oil companies in the world, but the deal was suspended a few months later due to "technical difficulties."

Analysts say the country has great potential, and could eventually produce 10 million barrels of oil per day by 2010 – President Putin has made the energy sector the centerpiece of Russia's growth strategy in the coming decades. But this promise is dampened by an inefficient infrastructure, including government corruption and the legacy of the Soviet collapse. Russia poses a geographical challenge, as well – exports are limited by the capacity of the pipeline system intersecting the vast region. New pipeline systems, such as the Baltic Pipeline System, have been developed in recent years, and negotiations are underway for others (as well as for "reversal projects" that re-route the direction of oil pipelines to maximize transport of oil out of Russia). Similar measures are underway involving natural gas. Two mega-projects, Sakhalin I and Sakhalin II, are taking place on Sakhalin Island, located off of the east coast, site of a former penal colony. The area is rich in oil and natural gas reserves, and oil giants including Exxon and Shell are backing the projects, with oil exports anticipated for 2005 and natural gas exports expected in 2007 and 2008.

Africa is another source of oil reserves. In February 2004, Exxon Mobil began a \$3 billion development project off the coast of Angola, and in July 2003, crude oil production began for the first time in the nation of Chad, the result of the World Bank's single largest investment in sub-Saharan Africa. But companies doing business in the continent are vulnerable to dramatic political unrest and violence in many countries. In March 2003, Chevron/Texaco, Royal Dutch/Shell, and TotalFinaElf shut down their operations in the Niger Delta region of Nigeria due to clashes between soldiers and militant groups in the area. Production began to resume a month later, but the region remains unstable.

### **Green concerns**

So-called "greenhouse gases," produced through the burning of fossil fuels, are increasingly acknowledged to be a major factor behind a trend in global warming, a trend that threatens major environmental repercussions in coming decades. The Kyoto Protocol, developed by a group of nations over the last decade to limit greenhouse gas emissions, was a hot topic as the Bush administration came into power in 2000. The administration decided not to sign on to the protocol, which would have required the U.S. to

reduce its 1990 levels of greenhouse gas emissions by 7 percent by the years 2008-2012. The administration's own solutions to the global warming problem have raised the ire of many environmentalists, who see U.S. energy policy as too friendly to the interests of corporations.

Meanwhile, corporations have taken their own baby steps to ease the environmental impact of their products. In January 2003, 14 U.S. oil corporations and subsidiaries launched the Chicago Climate Exchange, a trading program allowing participating members to earn redeemable credits for exceeding emissions reduction goals.

Today, the U.S. oil industry spends a lot of time lobbying Congress for a "comprehensive energy policy." According to the NPRA, such a policy would include tax incentives for new and existing refinery capacity, reasonable environmental regulations that balance the need for cleaner fuel with market demand, and a clearer policy toward individual states adopting requirements for fuel formulations (California, Connecticut, and New York, for instance, have tougher restrictions on what can go into fuel in order to reduce potentially harmful emissions – restrictions the industry says cost refineries millions).

But the bottom line is that oil is a non-renewable resource, and experts warn that there is an urgent need to develop a large-scale alternative energy infrastructure. In addition to alternatives already in use, such as solar, wind, and geothermal energy systems, new technologies are in development – but it's a race against time. According to the Alternative Energy Institute, the world's supply of oil will reach its maximum of production, and the midpoint of its depletion, around 2010. Already, about 65 percent of known oil in the U.S. has been burned. Soon, the AEI warns, more than half of the world's petroleum reserves will be owned and controlled by countries in the Middle East, a fact that highlights the problems wrought by political instability in the area.

### **The other gas**

As a power source, natural gas has become a contender in recent years. Today, a third of energy used in the U.S. is fueled by natural gas. As demand for electricity boomed in the 1990s, the market revved up, and with it came the entry of "energy merchants" like the infamous Enron, which set out to purchase natural gas cheaply, convert it into electricity, and reap profits from the "spark spread" – the markup on the sale of power. These merchants eventually manufactured a "shortage" in electricity that sent prices soaring, which in turn affected the price per cubic foot of natural gas.

But the U.S. has limited domestic resources for natural gas production. As the supply is depleted, U.S. production falls by roughly 2 percent a year. Importing gas from other countries, including Russia, Qatar and Trinidad, and building pipelines in places like Alaska and Canada are touted as options, but they're expensive and unwieldy ones.

What does this mean for the oil industry? According to author Paul Roberts, a tight market for natural gas means less resources are available to devote toward new applications like synthetic gasoline, hydrogen for fuel cell-fired cars, or other energy alternatives. As a result, the oil economy doesn't have much to fear from the green-fueled car of the future for a while.

## Employment prospects

The Bureau of Labor Statistics (BLS) classifies jobs in the industry as “oil and gas extraction,” including both oil and natural gas. This category offers something for everyone: There are management and administrative jobs for white-collar types (20 percent of the industry in 2002); hardier souls might choose to work as derrick and rotary drill operators or roustabouts (11 percent). There are also plenty of opportunities for the scientifically-minded, with jobs in geology and engineering (23 percent). According to the BLS, most establishments in the industry employ fewer than 10 workers, with about 77 percent of the U.S. workforce concentrated in California, Louisiana, Oklahoma, and Texas.

Though earnings are relatively high in the industry, BLS predicts a drop-off in overall employment in coming years, with an anticipated wage and salary decline of 28 percent by 2012 (as compared to an overall drop in all industries of 16 percent). The industry is known for its fluctuations – as prices skyrocket, companies invest in new technologies and expand their explorations, while lower prices have the opposite effect. Still, new technologies for exploration, including 3-D and 4-D seismic exploration methods, new drilling techniques, and technologies for exploring deep under the sea, will continue to produce a demand for skilled workers.

## Getting Hired

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Energy companies are in many ways similar to other major American corporations. Most have financial structures that are recognizable to anyone with business experience, and they respond to similar cycles of supply and demand. Yet energy also features many unique quirks: it operates in a stringent regulatory environment, and it is responsible for the production and distribution of a vital service. It's ups and downs have ripple effects across the economic spectrum, as energy costs make up a substantial portion of the bottom line of almost every business in the nation, from interstate shipping to web hosting.

As you proceed in your job search, here are a few general principles that you should keep in mind – whether you are interested in power, oil, or gas.

### Patience

Every industry has its ups and downs, and the energy industry is no exception. Every corner of the economy has been hurt by the recent recession. But unlike the economy at large, the power sector has had to deal with the twin blows of the Enron scandal and the California crisis. Enron managed to cast many energy companies in a negative light, causing investors to steer clear, and almost wiping out their access to capital markets. Meanwhile, California put the brakes on the deregulation movement and has dampened the prospects of what had been seen as one of the great growth opportunities in business.

Most power companies report that they are in the middle of serious “restructurings” after the flush years of the 1990s, preferring to wait and see how the economy recovers before investing in new ventures and hiring new staff. As a result, jobs will be hard to come by for awhile. Persistence and patience are essential. You should also keep in mind that while the sector may be in rough shape, it is likely to bounce back very quickly once things begin to turn around. The infrastructure for a vibrant industry is in place, and

every expert agrees that demand for the industry's goods and services will expand considerably in the coming years. It is, after all, a more than \$218 billion a year industry.

It is important not to lose sight of the fact that traditionally, the power sector has been one of the most stable and recession-proof industries in business. Its products and services only grow in demand, and it has a firm infrastructure in place. Many industry watchers agree that the current slump is simply a correction of roughly 10 years of uncritical exuberance and recklessness, and that long-term prospects are very good.

A case in point can be found in the related oil and natural gas industries, which have survived the recession quite well. Ironically, the oil and gas sectors have even been relatively immune to recent political turmoil. For a long time, trouble in the Middle East usually resulted in supply disruptions and general uncertainty. This time around, supplies have remained stable, and rising prices have actually improved the bottom line of many oil companies. Part of this is the result of the industry's aggressive efforts to exploit new sources.

## Opportunity

Throughout the 1990s the energy industry was one of remarkable evolution, and that is likely to continue despite the bad economy. Some parts of the power sector have certainly shriveled on the vine in recent years, but many predict that many of the changes have been simply put on hold, as policymakers and investors remain committed to the basic principles of greater competition.

At an energy conference in February 2003, FERC Chairman Pat Wood reiterated the value of the current approach. "There should be little disagreement today on whether we should continue to rely on markets for wholesale power supply," he said. "Markets have earned our support. Markets have performed well in wholesale power for all the same reasons they have served customers of other industries and made our economy and our nation so strong. Markets put investment risk where it belongs, with investors, not solely on the backs of captive customers. We should not lose sight of how market forces have already brought electric and natural gas customers billions in lower energy costs."

Throughout the 1990s, most power companies aggressively expanded in an effort to take better advantage of the emerging deregulated markets. Part of their push was to recruit talented business minds from completely different industries to improve their competitiveness. After all, these were issues the industry had never really had to deal with in the days of full regulation. That hiring trend has essentially dried up now, as the economy shrinks and the future of the markets remain uncertain. But many companies remain committed to diversity in principle, and the barrier to entry may be lower than you think if you present yourself the right way.

Energy remains in many ways a world of its own, with its own esoteric set of quirks and manners. For many positions, there is simply no shortcut around experience in energy. This is why many companies put an emphasis on their college recruitment programs. In a tight economy, companies frequently look for specific skills to fill niches. Your best bet is to honestly assess what you have to offer, and try to plug yourself into a specific niche. Once you are on the right track, careers can be diverse and flexible; the biographies of many energy employees usually feature a few surprising sidetracks and experiences. But

the bottom line, across the industry, is that nothing on your resume will impress recruiters more than energy experience in some form or another.

## Geography

You will help your cause if you are geographically flexible. On the power side, the industry is decentralized. Consolidation has created more larger, regional entities than ever existed before, but not as many as in other industries. It is a unique aspect of the power industry that no matter where you are – whether in a big city or in rural farm country – there are a limited number operations within driving distance.

Because there is no central hub for the power sector, utility operations cover the entire nation. Though some players are much larger than others, the sector is characterized by a number of smaller public power agencies and co-operatives, who often pay competitive salaries, have a smaller pool of applicants, and can help you get the experience you need to advance in the industry. It will help you if you are ready to relocate to the right job.

Some aspects of the industry are relatively concentrated, however. The old energy trading companies – Enron, Dynegy, Reliant, and El Paso – were all famously headquartered along a single street in Houston that came to be known as “Power Alley.” They are still there, if there once world-conquering ambitions have been drastically tempered. Still, many natural gas producers and pipeline operators can be found around there, with major operations often located across Texas and Louisiana.

The oil industry remains largely headquartered in Texas. But many of these companies maintain large operations in New York, near capital markets, and have extensive operations across the globe..

## Keeping current

It is an understatement to say the goalposts in the energy industry are changing – in fact, the sidelines, referees, teams, and the very rules of the game are changing with stunning speed. As you search for a job, you cannot afford to overlook the details, and there is no way around spending an appropriate amount of time researching and reviewing the company, market, and regulatory system you are targeting. You will need to arrive at your interview with a formidable array of information at your fingertips, as every employer needs people that have a firm understanding of just what is happening in a constantly changing market.

In the power sector, you’ll have to understand the market conditions in the state. When researching companies, you need to understand what lines of business the company runs. It is not always crystal clear: some utilities have separate trading and generating operations, and you will hurt your pitch if you are applying for a division that focuses solely on one line and mistakenly assume it works in others. More importantly, regulatory rules and market conditions change month by month and even day by day. There is no way around it – you’ll need to know who the key regulatory bodies are in your region, what are the market rules, and who are the main competitors.

In oil and gas, market conditions change hour by hour. While the regulatory and legal frameworks are comparatively static, you need to understand just what is happening. You need to know the current average costs of a barrel of crude. You need to understand refining capacity and should have some understand-

ing of drilling and exploration operations. If you are applying for a major multinational company you will have to understand the geopolitical conditions in regions where the company has operations. This web of variables add up to the very underpinnings of a company's entire operations.

Doing your homework is particularly important if you have little or no experience in energy. Nothing will turn off recruiters as much as approaching energy like it is any other business. You should know your way around the specific political, economic and market issues your target companies face both to show that you have a basic grounding in their business and that you have an aptitude to learn more on the job.

**The information in this section was excerpted from the *Vault Guide Top Energy/Oil & Gas Employers*. Get the inside scoop on energy careers with Vault:**

- **Vault Guides:** *Vault Guide Top Energy/Oil & Gas Employers*
- **Employer Research:** Online Energy/Oil & Gas Employer Profiles, Employee Surveys and more
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## Employer Directory

### ChevronTexaco

# ChevronTexaco

6001 Bollinger Canyon

San Ramon, CA 94583

Phone: 925-842-1000

*Finance:* mbadp@chevrontexaco.com

*Marketing:* orgcapability@chevrontexaco.com

*Procurement:* kzee@chevrontexaco.com

*HR:* pmay@chevrontexaco.com

[www.chevrontexaco.com/about/careers/mba\\_index.asp](http://www.chevrontexaco.com/about/careers/mba_index.asp)

ChevronTexaco ranks among the world's largest and most competitive global energy companies. Headquartered in San Ramon and active in more than 180 countries, we are engaged in every aspect of the oil and gas industry, including exploration and production; refining, marketing and transportation; chemicals and power.

There are four distinct MBA Development Programs at ChevronTexaco including: *Finance*, *Marketing*, *Procurement* and *HR*. All are rotational programs designed to expose graduates to a wide variety of businesses and functions in an accelerated fashion. Program members complete 3 to 4 assignments in a variety of locations and business units over a two-year period.

#### **Business schools ChevronTexaco recruits from**

*Finance:* Berkeley; Chicago; Cornell; Michigan; Northwestern; Texas; UCLA; Pennsylvania

*Marketing:* Berkeley; Cornell; Texas

*Procurement:* Arizona State; Carnegie Mellon; NC State

*HR:* Michigan State; Minnesota; Illinois; Texas A&M

### Alliant Energy Corporation

4902 N. Biltmore Ln.

Madison, WI 53718

Phone: (608) 458-3311

Fax: (608) 458-4824

Toll free: 800-255-4268

[www.alliant-energy.com](http://www.alliant-energy.com)

### Amerada Hess Corporation

1185 Avenue of the Americas

New York, NY 10036

Phone: (212) 997-8500

Fax: (212) 536-8593

[www.hess.com](http://www.hess.com)

### American Electric Power Company, Inc.

1 Riverside Plaza

Columbus, OH 43215-2372

Phone: (614) 716-1000

Fax: (614) 716-1823

[www.aep.com](http://www.aep.com)

### Anadarko Petroleum Corporation

1201 Lake Robbins Dr.

The Woodlands, TX 77380-1046

Phone: (832) 636-1000

Fax: (832) 636-8220

[www.anadarko.com](http://www.anadarko.com)

### Baker Hughes Incorporated

3900 Essex Ln., Ste. 1200

Houston, TX 77027-5177

Phone: (713) 439-8600

Fax: (713) 439-8699

Toll free: (888)-408-4244

[www.bakerhughes.com](http://www.bakerhughes.com)

**BP plc**

Britannic House  
1 Finsbury Circus  
London EC2M 7BA,  
Phone: +44-171-496-4000  
Fax: +44-171-496-4630  
www.bp.com

**ConocoPhillips**

600 N. Dairy Ashford  
Houston, TX 77079  
281-293-1000  
Fax: 281-293-1440  
www.conocophillips.com

**Consolidated Edison, Inc.**

4 Irving Place  
New York, NY 10003  
Phone: (212) 460-4600  
Fax: (212) 982-7816  
www.conedison.com

**Duke Energy Corporation**

526 S. Church St  
Charlotte, NC 28202  
Phone: (704) 594-6200  
Fax: (704) 382-3814  
www.duke-energy.com

**Exelon Corporation**

10 S. Dearborn St., 37th Fl.  
Chicago, IL 60680-5379  
Phone: (312) 394-7398  
Fax: (312) 394-7945  
www.exeloncorp.com

**ExxonMobil Corporation**

5959 Las Colinas Blvd.  
Irving, TX 75039-2298  
Phone: (972) 444-1000  
Fax: (972) 444-1350  
www.exxon.mobil.com

**FirstEnergy Corporation**

76 S. Main St.  
Akron, OH 44308  
Phone: (800) 646-0400  
Fax: (330) 384-3866  
www.firstenergycorp.com

**GE Energy**

4200 Wildwood Pkwy.  
Atlanta, GA 30339  
Phone: (678) 844-6000  
Fax: (678) 844-6690  
www.gepower.com

**Halliburton Company**

5 Houston Center, 1401 McKinney, Ste. 2400  
Houston, TX 77020  
Phone: (713) 759-2600  
Fax: (713) 759-2635  
www.halliburton.com

**Marathon Oil Corporation**

5555 San Felipe Rd.  
Houston, TX 77056-2723  
Phone: (713) 629-6600  
Fax: (713) 296-2952  
www.marathon.com

**Occidental Petroleum Corporation**

10889 Wilshire Blvd.  
Los Angeles, CA 90024-4201  
Phone: (310) 208-8800  
Fax: (310) 443-6690  
www.oxy.com

**Pacific Gas and Electric Company**

1 Market St., Spear Tower, Ste. 2400  
San Francisco, CA 94105  
Phone: (415) 267-7000  
Fax: (415) 267-7268  
[www.pgecorp.com](http://www.pgecorp.com)

**Schlumberger Limited**

153 E. 53rd St., 57th Fl.  
New York, NY 10022-4624  
Phone: (212) 350-9400  
Fax: (212) 350-9457  
[www.slb.com](http://www.slb.com)

**Shell Oil Company**

One Shell Plaza  
Houston, TX 77002  
Phone: (713) 241-6161  
Fax: (713) 241-4044  
[www.shelloil.com](http://www.shelloil.com)

**Sunoco, Inc.**

10 Penn Center, 1801 Market St.  
Philadelphia, PA 19103-1699  
Phone: (215) 977-3000  
Fax: (215) 977-3409  
Toll Free: 800-786-6261  
[www.sunocoinc.com](http://www.sunocoinc.com)

**TXU Corp.**

Energy Plaza, 1601 Bryan St., 33rd Fl.  
Dallas, TX 75201-3411  
Phone: (214) 812-4600  
Fax: (214) 812-7077  
[www.txucorp.com](http://www.txucorp.com)

**Unocal Corporation**

2141 Rosecrans Ave., Ste. 4000  
El Segundo, CA 90245  
Phone: (310) 726-7600  
Fax: (310) 726-7817  
[www.unocal.com](http://www.unocal.com)

**Valero Energy Corporation**

1 Valero Place  
San Antonio, TX 78212-3186  
Phone: (210) 370-2000  
Fax: (210) 370-2646  
[www.valero.com](http://www.valero.com)

**The Williams Companies, Inc.**

1 Williams Center  
Tulsa, OK 74172  
Phone: (918) 573-2000  
Fax: (918) 573-6714  
Toll Free: (800)-945-5426  
[www.williams.com](http://www.williams.com)

# Fashion

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## Fashion and the MBA

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Like the entertainment industry, the fashion industry considers education to be less important than experience. So, if you want to go into the industry but don't have the previous experience, get a part-time job in sales or merchandising for an introduction to the industry. Unfortunately, most companies won't care much about your MBA unless it's a large corporation, such as Gap, Levi Strauss, Eddie Bauer, Limited or Nike. These companies tend to hire for finance, supply chain issues or CRM. Typically, you need a consulting, finance or marketing background to get a post-MBA job in the industry. Very few apparel companies have established programs to specifically hire MBAs. A few companies that do hire MBAs for the more creative positions include Cartier, LVMH, Federated and the Gap.

Hillary Shor recruits for the Strategy & Business Development and Consulting and Assurance Services groups of Gap, Inc. These groups are relatively small (about 20 to 30 people per group). Almost all candidates have an MBA, although many are not hired directly as MBA graduates. Hillary says, "We actually look at what a candidate did prior to business school. The Strategy and Consulting groups look for candidates with consulting or industry experience (such as consumer products, goods or retail). Some of our candidates come from consulting firms such as A.T. Kearney and McKinsey."

The Strategy & Business Development group at Gap identifies, develops and drives longer-term strategies and initiatives that will result in profitable growth (usually with a focus on new opportunities). "Strategy involves brand management, research, as well as planning," says Hillary. Consulting and Assurance Services involves financial/operational analysis, process analysis and design and project management. Basically, this group acts as an internal consulting group for Gap. They may work with outside consultants and vendors.

## Getting Hired

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Build your resume correctly and you can get the interviews you need. In apparel, most of the job functions are very specific, such as design, merchandising, marketing, production and so on. Because many of the companies are small, there aren't very many traditional MBA "management" positions. Many of the people who work at these companies may have gone to trade schools or been in the industry for a long time. For example, the president of Gucci used to work as vice president at Richard Tyler. He was young when he left Richard Tyler for Gucci, but he had started working there when he was 18.

The Gap, Limited, and Eddie Bauer all have internal consulting groups that traditionally hire MBAs. If you are interviewing for an internal consulting position, more than likely it will resemble a traditional consulting interview. You may be given a case study as part of the interview. (See the *Vault Guide to the Case Interview* for more information on this type of business interview.) Other jobs at fashion companies for MBA graduates may include planning, finance, or strategy.

## Pay and Perks

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MBA jobs in the fashion industry will not pay well in comparison with other MBA graduate options. Salaries may hover around the \$50,000 mark. There are several options here – you work to get the experience or to learn enough to start your own business. If you are thinking of the latter, gain experience that will help you manage your own business. For example, if you want to open your own jewelry store, get a job merchandising or selling jewelry. The best way to learn all sides of the business is to experience it yourself. The pay in the fashion industry is more negotiable than other industries. Most companies will not release this information and, because these jobs are not necessarily geared toward MBAs, the salaries are not standard.

## Vault Profile: Judy Chang, Fashion MBA

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Judy Chang graduated from the Anderson School at UCLA with a MBA in 2002. Her previous education included a BS and Master's in industrial and operations engineering from the University of Michigan. After college, she worked as a Program Manager for DaimlerChrysler to coordinate the launch of a particular program in the automotive plants. Judy says, "I would work on program launches for each car model year and style (for specific windshield specifications). I came to Anderson knowing that I wanted to do something totally different." Judy also says, "If you really want to change careers, getting an MBA is essential. Without my MBA, I don't think I would have been able to switch careers successfully. Fashion companies would have looked at my resume and questioned my interest."

At the Anderson School, her emphasis was marketing, and it was the first time she began to seriously consider a fashion career. She had worked at Armani Exchange during college and enjoyed it – but didn't think that fashion would be a practical career choice. At Anderson, she joined the Fashion and Retail Association and began to do her research so that she could merge her interests and career goals. On campus, Macy's and Neutrogena came for interviews. Through the database, she found alumni and contacted them to speak about their experiences. Judy landed a summer internship in Planning at Macy's West. She worked there for three months in the summer and is now there full-time.

At Macy's West, Judy did two projects over the summer. (The department store Macy's is split into two regions and run completely separately. Macy's East is headquartered in NYC, while Macy's West is based in San Francisco.) To her surprise, Judy's operations experience was extremely relevant during the internship. Her first project was about handbag assortments. Her goal was to figure the optimum assortment level. Judy analyzed the number of styles bought for each cluster of stores, available table space for the handbags and discounted handbag sales versus regular stock. She used Macy's sales data as well as active visits to the Macy's floor to make her recommendations. Her second project was to standardize colors across a group of buyers. Each buyer used an individual color coding system. Macy's had no way of tracking sales by color or across categories. For example, although each buyer bought "red," each red item could be a completely different shade. Judy created a color tracking system that allowed the planners to analyze the sales by color and buyer. Macy's could now see which color sold during any a one-week period.

During her internship, Judy was excited to go to work everyday (especially compared to her previous position). She found everyone to be supportive and very friendly. Macy's was a very different experience for her. Judy says, "At Macy's, it seemed like the workforce was 90 percent women and only 10 percent men. At DaimlerChrysler, I used to work with 90 percent men and 10 percent women. If there is something you really think will make you happy, you should do it – even in this difficult economy."

**The information in this section was excerpted from the *Vault Career Guide to the Fashion Industry*. Get the inside scoop on fashion careers with Vault:**

- **Vault Guides:** *Vault Career Guide to the Fashion Industry*
- **Employer Research:** Online Fashion Employer Profiles, Employee Surveys and more
- **Message Boards:** Vault Fashion Career Advice Message Board
- **Career Services:** Vault Resume and Cover Letter Reviews, rated the "Top Choice" by *The Wall Street Journal* for resume makeovers

**Go to [www.vault.com](http://www.vault.com)**  
or ask your bookstore or librarian for other Vault titles.

## Employer Directory

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**Abercrombie & Fitch Co.**

6301 Fitch Path  
New Albany, OH 43054  
Phone: (614) 283-6500  
Fax: (614) 283-6710  
[www.abercrombie.com](http://www.abercrombie.com)

**Ann Taylor Stores Corporation**

100 Ann Taylor Drive  
P.O. Box 571650  
Taylorsville, UT 84157-1650  
Phone: (212) 541-3300  
Fax: (212) 541-3379  
[www.anntaylor.com](http://www.anntaylor.com)

**The Body Shop International PLC**

Watersmead  
Littlehampton  
West Sussex BN17 6LS, United Kingdom  
Phone: +44-1-903-731-500  
[www.the-body-shop.com](http://www.the-body-shop.com)

**Chanel S.A.**

135, Avenue Charles de Gaulle  
92521 Neuilly-sur-Seine Cedex, France  
Phone: +33-1-46-43-40-00  
[www.chanel.com](http://www.chanel.com)

**Dolce & Gabbana SPA**

Via Santa Cecilia, 7  
20122 Milan, Italy  
Phone: +39-02-77-42-71  
[www.dolcegabbana.it](http://www.dolcegabbana.it)

**Donna Karan International Inc.**

550 Seventh Avenue  
New York, NY 10018  
Phone: (212) 789-1500  
Fax: (212) 921-3526  
[www.donnakaran.com](http://www.donnakaran.com)

**Eddie Bauer, Inc.**

15010 NE 36th St.  
Redmond, WA 98052  
Phone: (425) 755-6100  
Fax: (425) 755-7696  
[www.eddiebauer.com](http://www.eddiebauer.com)

**Estee Lauder Companies Inc.**

767 Fifth Ave.  
New York, NY 10153-0023  
Phone: (212) 572-4200  
Fax: (212) 572-6633  
[www.elcompanies.com](http://www.elcompanies.com)

**Federated Department Stores**

7 West Seventh Street  
Cincinnati, OH 45202  
Phone: (513) 579-7000  
Fax: (513) 579-7555  
[www.federated-fds.com](http://www.federated-fds.com)

**Gap Inc.**

One Harrison Street  
San Francisco, CA 94105  
Phone: (415) 427-2000  
Fax: (650) 874-7828  
[www.gapinc.com](http://www.gapinc.com)

**Guess?, Inc.**

1444 S. Alameda St.  
Los Angeles, CA 90021  
Phone: (213) 765-3100  
Phone: (213) 744-7838  
[www.guess.com](http://www.guess.com)

**J. Crew Group Inc.**

770 Broadway  
New York, NY 10003  
Phone: (212) 209-2500  
Fax: (212) 209-2666  
[www.jcrew.com](http://www.jcrew.com)