

Sharon M. Oster Commencement Remarks 2009
Monday, May 25, 2009, Caulkins Courtyard, Yale School of Management

Please be seated.

Good afternoon. I am Sharon Oster, dean of the Yale school of Management and it is my great pleasure to welcome all of you, our MBA and executive MBA graduates along with their families, friends, alumni, faculty, staff, and distinguished guests to the school's 2009 commencement exercises.

For 17 years I have sat in one of the rows behind me, silently judging the quality of the dean's remarks... Most were too long by the way.

Now that I am in front of the group, I have discovered the task of giving a commencement speech is harder than it looks. I find myself especially hampered by my inability to cold call on any of you!

In one of the first emails I wrote to you on taking the job as dean I observed that after many years of writing about management, I was now being forced to practice it. As you are about to leave here, I wanted to share with you a few observations about what I have learned in these last 6 months.

Yale SOM produces its output—all of you and a stack of research papers—with two key assets: human capital and reputation capital. Someday soon we hope to add physical capital in the form of a great new building to the mix.

Most of you will go into similarly rich human capital and reputation capital environments, whether you work in finance, consulting, health care, education. There are some interesting challenges in managing in such environments.

Consider the human capital side. I stand now between the two of the three key pieces of human capital that feed into SOM's production: the teaching and research faculty who sit behind me; and you students before me, who both supply a key input—hard work—and end up as one of our cherished outputs, well educated and inspiring leaders.

The third piece of critical human capital—our staff—is as always quietly at work making us all look good.

The centrality of the faculty and student inputs into SOM's production process has been clear every day in these last six months. In economics, we believe firmly in the principle of revealed preference: what you do tells us much about what you value. All of the alumni events I have hosted in the last 6 months have been sold out. Why? Alumni come back—as all of you will—not for the dean—as we all well know deans come and go—but to see each other and to see the faculty. Yale SOM is its students and faculty.

What have I learned about managing key labor inputs? I have learned something very simple: organizations become and remain great because there are people inside of them who routinely do more than they have to.

You can call this gift exchange and create an economic model that makes sense of such behavior. However we choose to label it, the going well beyond required contractual obligations characterizes great institutions.

In a world in which we focus on the use of complex compensation schemes to induce superior performance, it is useful to remember that sometimes superior performance comes from people because they are inspired and excited by their work.

Here at SOM, we see students who take the work of each class seriously despite the lax grading process for the excitement of learning; we see students who help each other as TAs or just group members well beyond the call because they believe in the community.

For my own part, as Dean I have had students—and you know who you are—who have come in and given me a heads up when I am about to screw up and a kind word when they thought I deserved one—or at least when I needed one.

Why go to the trouble? Because they want to make this a better place.

My first day on the job Will Goetzmann stopped by to tell me he would take over ILP, even when he was supposed to be on leave. Faculty like Fiona, Nicky B, Keith, Doug Rae, Nathan, Ravi, Daylian Cain traveled around the country with me talking to alumni for no apparent reward.

Staff inside each of the key offices at SOM have been working hard and with enthusiasm despite wage freezes and lay offs. Great institutions elicit behavior like this from their work force and behavior like this in turn creates great institutions.

I hope that each of you as you go out to join new organizations will find yourselves so inspired and excited by your work that you become one of those people who deliver beyond the required and that as you move inside these organizations into a leadership position you find ways to generate this kind of behavior from the people around you.

Reputation capital has also been on my mind in the last months. In sectors in which human capital is key, an organization's reputation depends on the actions of people. While regulatory oversight and good governance unquestionably play a role in constraining organizational behavior, the intelligence and integrity of people inside the organization will always matter.

Thousands of people inside organizations like Bear Stearns, General Motors and Lehman Brothers, who spent many years working hard and creating value for society, found themselves diminished by the failures of their organizations, failures that they may have had little to do with.

In such institutions we are bound together as a community, rising and falling as a function of each other's behavior. You—each one of you—carries a piece of the YALE SOM reputation in your own hands. As each of you goes out and works hard and creatively for an organization you believe in, you enhance our reputation. As you work in your communities and fulfill your commitments to society, you make us look good.

Those of us who remain will do our best to build the reputation of SOM. For your part...we are counting on each and every one of you to make us proud.

Thank you.