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Dean's Executive Leadership Series - 2006-2007

Transcript of Interview with Dennis Tito, Chairman and CEO of Wilshire Associates

About DELS: The Dean's Executive Leadership Series at the [Graziadio School of Business and Management](#) features in-depth audio or video interviews with today's top business practitioners and thought leaders. [Listen](#) or [subscribe](#) to the podcast to hear their views and insight on the current challenges and opportunities facing the business community.

Start

Announcer: The Graziadio School of Business and Management at Pepperdine University proudly presents the Dean's Executive Leadership Series. This podcast invites top business practitioners and thought leaders to share their view on the real world of business.

Rick Gibson: Hello, and welcome. My name is Rick Gibson, I'm the Associate Vice President for Public Affairs here at Pepperdine University. I'd like to welcome you to our third podcast in the Dean's Executive Leadership Series. I'm joined today by Dr. Linda Livingstone, who is the Dean of the Graziadio School of Business and Management.

Dean Linda Livingstone: Thank you. It's good to be here today, Rick.

Rick Gibson: Well, we're here again for our Dean's Executive Leadership Series. Tell us a little bit about the series and who some of the guests have been so far.

Dean Linda Livingstone: Wonderful. We have been doing this series for several years, bringing in top business leaders, executives, authors to really inform our community, alumni students, faculty and friends about what's going on in business. And it's been a fascinating experience. We just had Brian Frons, President of Disney ABC Television earlier this year, as well as Pattie Sellers, Editor at Large of *Fortune*

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Magazine. We've also had individuals like Ted Waitt, the CEO and Founder of Gateway Computers. So it's been a very diverse and interesting group of individuals.

Rick Gibson: Yeah, very impressive lineup. And what's been exciting is that we've been able to actually bring some of these guests together to sit down and have an interview with you. And today, we're going to talk to Dennis Tito. Tell us about Dennis.

Dean Linda Livingstone: Dennis is a fascinating individual. He is the CEO of Wilshire Associates, Incorporated. And as CEO of Wilshire Associates, he really helped developed the field of quantitative analytics, which is using mathematical tools to do market analysis. And so in the conversation he shares with us some of that experience and how that developed. But beyond that, he's also very fascinating, because he was the first individual to pay to travel in space with the Russian Cosmonauts. And so in addition to what we learn about Wilshire Associates and investments, we also learn something about his experience in space, which is quite fascinating.

Rick Gibson: Yeah, very interesting person. Well, let's listen in now to this interview with Dennis Tito, CEO of Wilshire Associates, Incorporated.

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Dean Linda Livingstone: Well, it's my pleasure today to have with us Dennis Tito, who is the CEO of Wilshire Associates. And also probably something most of you have heard about Mr. Tito, is that he was the first paying traveler in space when he went up with the Soyuz Spacecraft and the Russian crew to the International Space Station. So Dennis, it is a pleasure to have you with us today for this podcast.

Dennis Tito: It's a pleasure to be here.

Dean Linda Livingstone: Well, I just want to take a few minutes to touch base on a couple of different things. You have such an interesting and diverse life experience, and I want to talk a bit about what you're doing at Wilshire Associates and some of the trends you see there. But also, of course, I know our audience would love to hear a bit more about your space travel. So we might start with the Wilshire Associates side, and then we'll conclude with a discussion on the space travel. You might just, with a very general question, start by telling us what you see really happening in the economy right now that you're paying very close attention to in your investment strategies at Wilshire.

- 2 -

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Dennis Tito: Be happy to. We just ended up getting through with our budgeting for 2007, as most people have. And our plan is actually quite optimistic. I've spent more time this year working on the plan because I wanted it to be accurate, and looked at every aspect of it. And let it fall the way it was going to fall, and it came out actually quite positive. So I am very optimistic about the year. I don't let little blips in the stock market change my mind.

Dean Linda Livingstone: Well, I think that's good for all of us to hear. Are there any things in particular that are going on that make you optimistic for the coming year?

Dennis Tito: Well, in our business, I think that the most interesting aspect of it is the focus on individual retirement accounts, and how that is growing, and how our society really needs to provide better for the aging population, the Baby Boomers, who are retiring. So this represents a very positive market for our firm, and we'll be using our technology to provide expertise directly to plan participant.

Dean Linda Livingstone: Let's talk a little bit about technology, because you and Wilshire Associates have really been, from the beginning, very innovative in how you use technology, how you use mathematical analysis to help you be better at making investment choices. Talk some about that, and how that evolved at Wilshire Associates.

Dennis Tito: Well, my whole background started with technology in the aerospace industry, which was actually quite sophisticated, even 45 years ago in terms of use of computers, even some online computers. People don't realize that it actually went back that far. The investment business was not nearly as sophisticated, so our role over the years has been to introduce aerospace engineering to investment people, which we call financial engineering. And we've come a long way in providing them with tools that better allow them to establish the level of risk in a portfolio, and how to better diversify portfolios to minimize risk. So that is always our focus. Get the most return for the least risk.

Dean Linda Livingstone: Let's talk a little bit more about some risks that might be out there in the marketplace. You are optimistic, as you said, about the future. But there's two or three specific areas I wanted to ask you about particularly. Right now, there's a tremendous amount of foreign investment in US foreign debt, and foreign investors coming in and buying US foreign debt. Do you see that as being a risk for the US economy over the long-run, or an opportunity, or do you see that changing in any way in the near-term?

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Dennis Tito: From my perspective, this has been an issue that people have talked about for decades. And I've heard, you know, all about the trade deficit going back 30 years ago. And I've been around long enough where I find that markets reach equilibrium. And it's a global market, and we in the United States have certain strengths which we take advantage of, and other countries have cheaper labor, will perform different kinds of functions as part of the global economy. So I think we're probably as a global economy more on equilibrium than most people give us credit for.

Dean Linda Livingstone: Interesting perspective. Speaking of kind of the global economy. Emerging markets have been growing rapidly and really propelling investment and commodities and finished goods. Do you see that continuing or not in the years ahead, or do you think this goes back to the comments you just made about feeling good about the long-term growth in the world economy?

Dennis Tito: Well, I think we're going to have more of the emerging markets grow and then become part of the first world, and become integrated. We're seeing that in Eastern Europe. You know, eventually we'll see China and India and Russia progress, as well as Latin American countries.

Dean Linda Livingstone: A little bit closer to home, we're spending a lot of time in business school, and certainly in business, thinking about Sarbanes-Oxley and the impact that's having. From your perspective, and just in terms of the impact on the market, do you feel that that is having any kind of a dampening effect on the marketplace, or do you think companies have adapted to that in a way that is working for them in the marketplace?

Dennis Tito: Well, I think Sarbanes-Oxley, you know, is very burdensome. And to go from not having it, to having it, was a great adjustment. Just like going through Y2K was a great adjustment. But my feeling is that with the technology that we have in terms of databases, and software, that it's just a matter of time that we would want to have these tools that are required by Sarbanes-Oxley as part of our everyday management. So I think overall, Sarbanes-Oxley might be considered a headache like Y2K, but I think it's going to benefit us all. And I think people are going to have much more confidence in investing in Corporate America because they'll know that the numbers are right. And many times the numbers are not right, not because of fraud, but because we don't have the correct systems. So I think Sarbanes-Oxley is a good thing. It'll force us to do that.

Dean Linda Livingstone: And certainly the public having confidence in the system is a good thing for the marketplace.

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Dennis Tito: That's very important.

Dean Linda Livingstone: Sure, sure. Well, let's transition and talk a little bit about that amazing experience you had flying in space. Before we talk specifically about that, talk a bit about just your passion for space, and what motivated you to do that. I mean, that's certainly not anything anybody had done before you. And it's an amazing opportunity that you had.

Dennis Tito: Well, it started when I was 17-years-old. And at that time, the Russians were the first to launch an artificial satellite called Sputnik, and the whole world was amazed. I describe it as a technological 9/11. All of a sudden, we found that our biggest adversary had jumped ahead of us in space technology. And being one year before going to university, we heard the call for more engineers. We were going to have to compete with the Soviet Union. And I jumped on that band wagon, and began college as a student in aerospace engineering, dedicating my life to space, and you know, a passion for space that, I guess, began then, and has not gone away.

Dean Linda Livingstone: So what was it like being up in space? And you know, we see the pictures on television when the shuttle's up, or even earlier in the times that we were flying to the moon and other things. What was that experience like actually being on the space station and flying with the Cosmonauts?

Dennis Tito: Well, I'd been following human space flight for 40 years prior to that. And I dreamt about it all the time. This was my goal. And when I ended up actually going into orbit, that moment in time, is an experience that I'll never forget, because all of a sudden when you-- the rocket burns out, and the vehicle goes into orbit around the earth, you're suddenly weightless. And you look out the window and you see this curved earth out the window, and the black sky, and there is nothing like that experience. I will never have an experience like that in life.

Dean Linda Livingstone: What was it like being with the Russian Cosmonauts? Was that interesting learning experience for you for the time that you spent with them? Well, I found the Russian Cosmonauts delightful. I thought they might be more difficult, or militaristic, because a lot of them came from the military. But it turns out that as humans they are just fun-loving, and I had more laughs, and they had more laughs. They are just were really great people to be with.

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Dean Linda Livingstone: So what advice would you have for children today that have these grand dreams, whether it's about space or something else, based on the experience you have? What advice would you give to young adults or children and the dreams that they have for these grand ideas and experiences?

Dennis Tito: The main advice that I would give is that the best goals are the longer-term goals, and they take decades to achieve those goals. And to understand what you really want to do. Most people don't know exactly what they want to do, so they jump from goal-to-goal, and they never focus on any one. The idea is to stay focused. Now you may temporarily work on another goal, but you should be pulling generally in the same direction. And always keep the important goals in mind. There may be in your whole life only six major goals that you want to achieve, and it's something you should think about every day, and never forget where your goals are.

Dean Linda Livingstone: Wonderful advice for all of us, not just for the younger people in the world. One last question as it relates to that, and as it relates back to the work you're doing at Wilshire. Your early career as an aerospace engineer certainly influenced what you do at Wilshire, and you brought many of those methodologies and techniques to Wilshire. Is there anything you learned from this space flight experience that you have brought back with you and used in your investment business that has been valuable to you?

Dennis Tito: Well, I think the most important thing that this space flight was the ultimate of all of my goals. And I waited a long time for it, I was 60-years-old when I flew. And you come back, and you start asking yourself, "What is my next goal? I've just achieved the goal-of-goals!" And I had to do a lot of thinking about that. And it took me actually a couple of years to finally decide that I wanted to go back to my roots, and my roots were with Wilshire. And rather than retiring, because I was reaching retirement age, that I really want to go for another ten years, and I want to take the company that I founded 35-years-ago for another ten years, and to even make it more successful. So it was really surpassing one goal with another goal.

Dean Linda Livingstone: Well, it's really very inspirational to hear your story, just about how you stayed so focused on some very important goals in your life. And then to see how you are so invigorated about where you're going with your business now. And we look forward to watching your success with that over the years ahead. Appreciate so much you taking the time to visit with us today, Mr. Tito. And I know that our audience will enjoy very much listening to what you had to say.

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Dennis Tito: Thank you very much.

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Rick Gibson: That concludes our interview with Dennis Tito. Linda, what a fascinating individual.

Dean Linda Livingstone: That was a fascinating interview. It was really a joy to do that with Dennis, and I hope everyone enjoyed it as much as I did.

Rick Gibson: Well, Linda, tell us who is next in the lineup for the Dean's Executive Leadership Series.

Dean Linda Livingstone: On April 10th, we're featuring Bill George, who is the former CEO of Medtronic. And he has written a book called, "Authentic Leadership." So very much in keeping with our mission of developing value-centered leaders. And then on May 22nd, we have Kawana Brown, who really works with Magic Johnson Enterprises in Los Angeles. And so two very fascinating and different types of speakers coming up.

Rick Gibson: Well, we look forward to visiting with them, and visiting with you again. Thank you very much for joining us today.

Dean Linda Livingstone: It's my pleasure.

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