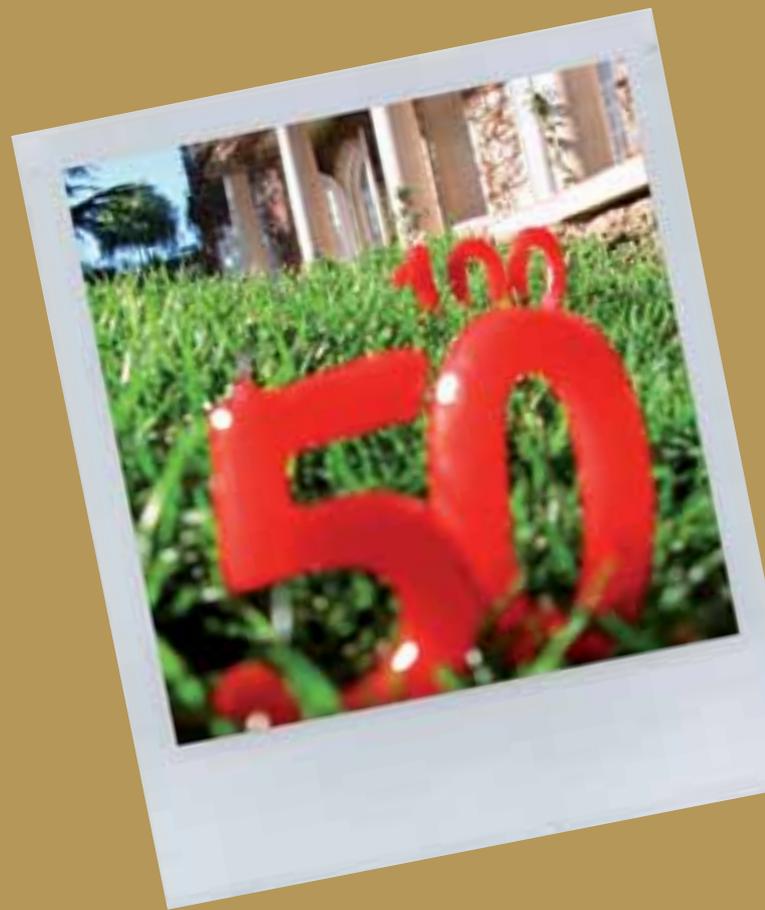


# IESE

Alumni Magazine ✨ No. 112 / January - March 2009





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Pilar Manchón, who participated in the Microsoft Impulsa programme, received free training and support. This allowed her to develop her potential and Pilar is now more self-confident. She has also increased her customer base and her number of partners. To date, Microsoft has helped more than 150,000 people who, like Pilar, have interesting stories to share. If you would like to know more, visit [enmicamino.es](http://enmicamino.es)

**GREAT IDEA**



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# With Our Unending Gratitude

This edition of the IESE Alumni Magazine will be the crowning touch to IESE's 50th anniversary (although I'm told there are yet some fireworks to come). We at IESE Alumni Magazine want to congratulate and thank you for your generosity, enthusiasm, commitment and participation. We have always said that our alumni are one of the school's central pillars.

We reflect that commitment in this issue's cover story, which reports on the Global Alumni Reunion, the official conclusion to IESE's 50th anniversary.

We review the main insights from a host of expert speakers from the worlds of industry, academia and finance. Over 3,000 alumni participated in the reunion in Madrid at the end of October, with a further 1,000 joining online from all over the world.

We take this opportunity to acknowledge your support and encouragement, and to thank those who have sent us congratulatory messages, or participated in our celebratory events, whether in person or via the web. It is impossible to repay such a deep debt of gratitude, but we want to thank you and to say that we continue to count on your support. The party may be coming to an end, but with your support, every day will be a source of joy and satisfaction.

The truth is that the party is coming to an end in terms of economic growth and we are facing a challenging future, judging by the comments from experts on the crisis in this issue. But at the same time, Prof. José L. Nuño gives some pointers on how with smart marketing, well-prepared

companies can come out of the recession on top. And Prof. Josep Tàpies points out how the values underpinning family businesses can stand them in good stead to weather the downturn.

Meanwhile Prof. Nuria Chinchilla reminds us that businesses and organizations are made up of men and women with obligations to their family and themselves, as well as to their employers. If the company is a community of people, should we not take steps to ensure that this community does not disintegrate?

There is further evidence of IESE's 50th anniversary in this issue of the magazine with a report on the advanced management program that got the ball rolling 50 years ago. Many of the program's alumni, who now span three generations, gathered at IESE's campus in Madrid and in Barcelona on consecutive days in November to celebrate and reminisce.

At this and at all other events, your words of encouragement spur us on with the task of developing leaders with a spirit of service. Thank you again for your support.



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# features\*

## 10 What Should I Do Today? In Six Months? In Two Years?

A company's response to the crisis will be defined by whether or not it made preparations long before it hits. If a company meets some or all of the conditions set out by Prof. José L. Nueno, it could adopt a proactive role and exploit what little positive ground there is during the recession. If not, adopting a more defensive approach is the best recommendation.

## 16 Society Faces a Time Bomb

"Building Sustainable Societies" brought together renowned experts from around the world to discuss the promotion of family-responsible organizations and women in business as fundamental building blocks for sustainable societies. The conference took place at IESE's Madrid campus on June 12, 2008 and formed part of the school's 50th anniversary celebrations. We offer the opening address of Prof. Nuria Chinchilla, director of IESE's International Center for Work and Family, here.

## 22 Values: the Cornerstone of Family Businesses

In times of volatile financial markets and corporate scandals, when many executives and even the general public bemoan the lack of values in business, family businesses are emerging as a model to follow. They strike a balance between financial, organizational and social objectives; their long-term vision contrasts with others' short-term outlook; and they have an ironclad (though not always articulated) value system that guides them.

## 26 Manners Maketh the Manager

Organizations hold endless seminars that include modules on behavior, but progress is slow, as recent reports indicate. As Alison Maitland wrote in the Financial Times: "Rudeness at the office hits morale and productivity, but it is often perpetrated by those at the top."



# What Should I Do Today? In Six Months? In Two Years?

In one of the few recent academic studies on marketing's usefulness when a downturn hits, Srinivasan, Rangaswamy and Lilien (2005)<sup>1</sup> revealed that a review of the existing literature yielded only three articles, all published prior to 1979. This may not be surprising, given that companies often slash marketing budgets when a recession hits. In short, the existing literature does not provide much guidance as to whether one should increase or decrease the marketing spend during such downturns.

The official definition of "recession," according to the U.S. National Bureau of Economic Research, is not very helpful for our purposes: "A significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production and wholesale-retail sales."<sup>2</sup> These conditions are clearly present in 2008. But the recession's impact will vary depending on the sector the company operates in, its geographic presence and the depth and duration of the downturn.

At the end of the day, though, a company's response to the crisis will be defined by whether or not it made preparations long before it hits. If a company meets some or all of the following conditions, it could adopt a proactive role and exploit what little positive ground there is during the recession. If not, adopting a more defensive approach is the best recommendation.

There are at least five crucial conditions to be met.

- The first is being able to precisely identify the beginning of a recession. Few can perceive "the edge of the abyss"; it is simply an innate ability. The literature is unanimous in that academic experts are not much help in this respect. Academics' forecast models fail and scholars cannot measure the impact of the recession once it is under way, nor interpret the nature of crises. However, companies that succeed in capitalizing on crises cannot afford to make these mistakes.

Take the recession's catastrophic impact on the Spanish real estate industry, for example. Property developers failed to detect the downturn that was just around the corner. The same is true of the banks that financed property developers. While some banks purchased properties a few months too early for prices way above current market levels, others saw the writing on the wall and offloaded real estate assets before the bubble burst.

- The second condition is to have a cash-rich balance sheet going into the economic downturn as a result of good management during the preceding up-cycle. The capable and committed managers of such companies typically share the mission of capitalizing on the crisis even though its gravity suggests otherwise. As Jack and Suzy Welch stated in their Oct. 2, 2008 column in *BusinessWeek*:

"Plan as if the downturn will be longer and harsher than you think. Look, it's natural to want to inflict as little pain on your organization as possible, cutting back incre-

## Summary

A company's response to the crisis will be defined by whether it has made preparations long before it hits. The first thing firms need to do is assess how prepared they are for the recession. If the company has diligently laid the groundwork and meets the criteria set out by IESE Prof. José L. Nueno, the first six months could be a good time to launch new products before demand falls sharply. And at the one-year mark, firms looking to buy retail space could pick up some bargains as sites previously priced beyond their price range may now fall within it. These are a few of the opportunities available to well-prepared companies to gain the few advantages a recession can bring.



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If a company meets the specified conditions, it could adopt a proactive role and exploit what little positive ground there is during a recession. If not, adopting a more defensive approach is the best recommendation.

mentally to protect jobs and projects for as long as possible. But in a rocky environment, timidity can be very risky. By contrast, if you take a more aggressive approach to costs, there's almost no down side. If the economy really tanks, you'll be one of the few prepared companies. If it's better than predicted, you'll be in a better position to leverage the up side."

The pragmatism of this recommendation touches on two realities. The first is that recessions tend to require more management, not less, as they present more complexities than a growth period. And if your company wants to exploit your competitors' timidity to capture more of the market, you will need to count on your best managers.

You will also need to complement your internal capabilities in terms of human resources. The most capable staff is far more accessible during recession cycles, particularly if you are an employer that demonstrates commitment, decisiveness and the willingness to take action in a downturn.

- The third condition depends on having diligently selected the market sector where you compete prior to the downturn, especially if you have developed a strong position in one or more segments. In consumer markets, the fiercest competition during downturns comes from own-brand labels. When operating in categories where the share of the company's own brand is normally low, an absence of sufficient industrial capacity or lack of leadership in innovation suddenly contributes to greater margins that provide the necessary resources and focus attention on overcoming a recession.

Although it is almost unfair to cite this example, something similar occurs in cash-poor markets with little product differentiation and high competition because circumstances do not improve when a recession hits.

- The fourth condition involves ensuring geographical diversification because, when a crisis hits, some markets stagnate while others thrive. Until now, local players operating in mature markets such as Europe prospered as they capitalized on know-how and focused on serving their growing domestic markets where they held historically significant market shares. The current recession has put an end to this. Emerg-

ing markets have an emerging middle class; there are opportunities for companies making products and services for these new consumers and their suppliers.

- The fifth condition is to have a record of excellent execution. If a company has not successfully launched products under favorable market conditions, built notoriety and customer preference and acted as a price leader rather than a price slave, how can it expect to emerge unscathed when consumption slumps and competition intensifies? The company must have previously developed channels that allow fluid access to the market and have efficient, disciplined and direct methods to maximize that fluidity.

### **What can be done today, in the next six months and in the next two years to strengthen your company's position during this recession?**

#### **What you should do today**

It is important that your entire organization be crystal clear on the true state of the current market and the company's position in light of changing priorities. In order to tackle this, all available data that provide a response to three questions should be shared:

Who among the competition is best prepared to emerge as the market leader after this recession?

What is at stake if your company were not to emerge as the market leader?

What does your company need to do to keep a rival from emerging from the crisis as the market leader and ensure that your company emerges as the clear winner?

To effectively respond to these questions, management needs to evaluate how prepared the company is in key areas. It is essential to establish clear expectations about the duration and depth of the crisis and translate that into the effects on business. Additionally, the management team must be clear on how to act if the crisis is shorter or longer than expected.

This analysis should include a review of historic marketing data (for example, innovation, success rates in product launches,

The first six months of a recession tend to be the most difficult, given that producers and consumers are struggling to learn new behaviors.

the company's position in market segments, its rating in brand notoriety and brand preference). The company needs to carry out this exercise and then repeat it for its biggest competitors. It is also crucial to evaluate your needs in terms of human resources and identify your weaknesses.

This phase should be confidential and executed by a select group of managers. Resulting data should be shared with members only. In conclusion, you should make a first diagnosis as to whether the company is prepared to actively pursue new opportunities in the market or assume a more prudent and defensive position.

### **What should be done in the next six months?**

The first six months of a recession tend to be the most difficult, given that producers and consumers are struggling to learn new behaviors. Demand decreases the most during this period, unleashing emotional and calculated responses from competitors. Examples of this include predatory promotions and sales, price wars, clients making impossible demands, late payments, and clients who disappear or defect to other suppliers. However, once the first quarter following the decision to be proactive has ended, some opportunities begin to arise.

Lower demand favors new product launches, especially if you have a good track record in innovation. Competitors tend to be more conservative during downturns, so there will be fewer competing product launches. In addition, manufacturers' advertising efforts are harder to justify during recessions unless they accompany a product launch. Retailers know this and are more willing to listen to companies with a history of successful product launches as a way of boosting flagging traffic levels at their stores.

Mass-marketing campaigns continue to be the most effective way of whetting wary consumers' appetites and generating sales. It is easier to achieve rapid referencing and get hold of the right media and logistics channels to support the product launch when competitors are less active.

As margins are squeezed, companies may be tempted to cut their advertising budgets - an essential variable cost. Proactive companies need to capitalize on this and invest aggressively. First of all, advertising is essential to a product launch. Sec-

only, media costs fall due to the drop in demand from other companies that do not have the will or the means to advertise. This decreased demand translates into lower costs for those who continue to advertise, as well as highly attentive service from hungry marketing communications agencies.

In the absence of rival investments, companies that continue to advertise can monopolize consumers' attention. This is patently impossible during favorable cycles, when there is usually a high level of advertising saturation. Recent studies show that during lean periods, marketing communications agencies are more effective if they prioritize their efforts toward proactive companies with attractive products and services. This seems only logical, given that these companies will probably emerge as market leaders after the recession.

It is also important during these first six months to review creativity and formatting. Consumers' situations and the market will have changed, and communication will almost certainly need to be adapted to respond to this. Reviewing sales policies, incentives and conditions with retail outlets is also very important. In fact, innovating sales systems and point-of-sale follow-up procedures during recessions have proven more effective than the "stand-alone" launches mentioned above.

### **What should be done in the first year?**

When the recession approaches the one-year mark, tough conditions can create further challenges and opportunities. The first challenge involves diminishing margins, as competitors get trapped in low-cost models and begin to wage price wars or simply suffer from the slump in demand. Companies that operate in more favorable currencies and enjoy lower labor costs and other perks also represent a threat. It costs these companies less to capture market share during recessions than when the market returns to normal.

Toward the end of a recession's first year, increased competition begins working on two key resources that are usually not so liquid during upturns: staff and real estate. In preparing for the second year of a recession, you can recruit high-caliber professionals who are usually more reluctant to move during other cycles. These are people whose salaries tend to have a variable component based on results. When a recession freezes or lowers their income and their ambitions diverge from

A serious downturn is the moment of truth, where we find out whether we have done everything we needed to do, and how well.

those of their employer, they can become restless and decide to move.

If a proactive company uses retail outlets in its distribution channel or has ever considered adding or migrating toward them, this is the moment to do so. Commercial spaces that were either not on the market or priced out of the company's price range will begin to pop up after the first year of a recession.

As a result of voluntary and involuntary vacancies, some of these spaces could represent a great chance to occupy unique locations. Since more commercial spaces become available in secondary zones than in prime locations, it is important to emphasize that during recessions one should buy in areas densely populated by robust commercial neighbors in order to eliminate consumer resistance and create traffic.

### Conclusion

The conditions that allow companies to capitalize on recessions must be cultivated and created before a recession hits. A serious downturn is the moment of truth, where we find out whether we have done everything we needed to do, and how well. The prize does not always go to the hardest worker. Nor does meeting the five conditions mentioned above ensure success in a profound recession or crisis, where the rules of competition are in flux. More consumers opt to abandon categories and service models during recessions than at any other time and they do so regardless of the management's excellence or commitment to the customer. In essence, they are apt to confuse the best-prepared companies with those that entered the market before the actual crisis hit. ■

1. Srinivasan R., Rangaswamy A., Lilien G.L., "Turning Adversity into Advantage: Does Proactive Marketing During a Recession Pay Off?" International Journal of Research in Marketing, 2005.

2. Definition according to the U.S. National Bureau of Economic Research.



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# Society Faces a Time Bomb

“Building Sustainable Societies” brought together renowned experts from around the world to discuss the promotion of family-responsible organizations and women in business as fundamental building blocks for sustainable societies. The conference took place at IESE’s Madrid campus on June 12, 2008 and formed part of the school’s 50th anniversary celebrations. We offer the opening address of Prof. Nuria Chinchilla, director of IESE’s International Center for Work and Family, here.

## Executive Summary

In the same way that we were once unaware of the external impact of industry on the environment, many companies ignore the fact that they are destroying human ecology and polluting their own organizations and society with practices that harm and dehumanize when they do not allow their employees to fulfill their roles as husbands, fathers, wives and mothers. And just as mismanagement of natural resources will have a catastrophic impact on our society, a failure by companies to respond to their employees’ needs will have a disastrous longterm impact on the societies we live in.

It gives me great satisfaction that this conference forms part of IESE’s 50th anniversary, as the issue of trends and best practices in the work-family balance has been integral to this institution’s mission since it was founded. It is also one of the great challenges of our time: the humanization of business through work-family balance.

The company is a key institution for the advancement of society, and business leaders enjoy a privileged position as the driving forces behind the changes which society needs to make in order to achieve financial, human and social sustainability.

Our mission as a business school is to help business leaders expand their rational potential to discover that business is much more than just a financial concern and help them build companies to the measure of the men and women who work there, making them more efficient, humane and sustainable.

Our research indicates that business, family and society are the three sides of a triangle in continual evolution. They are three interdependent areas with the person at the center, who acquires more or less maturity with each decision he or she makes and every experience he or she encounters in those three different fields.

Stable families and family-responsible companies are essential if society is to be humanized. They are also the crucial components in the building of sustainable wealth, as well as financial, human and social capital.

## The family as a stakeholder

In 1999, we coined the term “family-responsible enterprise” to improve on “family-friendly company” and to emphasize that it is not merely a matter of being friendly toward the employee’s family, but reacting to his or her changing needs at different stages of life. Our goal was to prevent the employee’s family – a new company stakeholder – from being engulfed in the concept of corporate social responsibility, which, at that time, related mostly to matters of external social responsibility such as the fight against child labor in the Third World and environmental pollution, while ignoring internal social responsibility; in other words, employees and their families.

Just as we were once unaware of the external impact of industry on the environment, many companies ignore the fact that they are destroying human ecology and polluting their own organizations and society with practices that harm and dehumanize when those companies do not allow their employees to fulfill their roles as husbands, fathers, wives and mothers. This weakens the family, that natural habitat of every human being and the only “human factory” that generates human and social capital.

## Barren lands

Our Western society is experiencing a harsh winter, demographically speaking. For decades now, the birth rate has been far below 2.1 children per woman of childbearing age, which



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Women have contributed their female vision outside the home, but men have not yet applied their skills, personalities and experience to become engaged as spouses and fathers, nor to share the responsibilities of the home.

is the minimum replacement rate. The lack of children will result in fewer producers and consumers and, in a worst-case scenario, the crumbling of society.

This demographic winter is linked to women joining the workforce in large numbers, only to find themselves confronted with rigid companies built by and for men in the 20th century. Back then, women focused on the home full time while men spent all their working hours outside of it. Our current business environment does not help us be good fathers, mothers or spouses. That is the first key element.

The second key element can be seen positively, since this "female revolution" (in the positive sense of the phrase) benefits men as well, as it enhances their return to the home. It is good for a woman to contribute her knowledge and values to society without having to renounce being a wife and mother, which calls for differing levels of time allocation at various times. We are now at an impasse.

Women are contributing their female vision outside the home, but men have not yet applied their skills, personalities and experience to become engaged as spouses or fathers, nor to share the responsibilities of the home.

### **Toward a single-cell society**

One of the main causes of this new environment is the prevailing individualistic culture, which results directly in a fragmented society whose members fear commitment, which leads straight to loneliness.

Certain counter-values have been created, which have voided "culture" (self-cultivation, according to its etymological definition) of its meaning. In addition, when family members lack the time to live together and develop their skills within the family unit, the result is a shortage of well-rounded people for business, i.e., people able to commit to medium and long-term projects.

Gary S. Becker, winner of the Nobel Memorial Prize in Economics in 1992, said that the family is the best ministry of social affairs. It is the safety net that catches people when they are unemployed or face any kind of problem. I would take the liberty of adding that it is also the best ministry of equality, because all members are respected for who they are and all needs are met to

develop their full potential. The family is where people's identities are forged, and where trust — that vital element of markets and institutions — is created.

The family is the best environment for free, caring and generous exchange. It is there that a person is loved and accepted for who he or she is, for simply existing. Family relationships are essentially characterized by affection, and the tendency is to forgive, protect and care for family members even in situations in which their jobs, friends and health might fail them. No other social organization even comes close.

### **Learning to give and take**

Why, then, is the family important to business? Because it is the first school where people learn and develop skills that are also necessary in a professional context. I am referring above all to the ability to commit and create healthy and lasting bonds. But there are other skills, such as teamwork, empathy, delegation, communication, planning, organization and "customer" focus. Time spent by employees with their family therefore becomes essential.

This is why we must collectively rethink the way we organize our society and business, because the way we live now is simply unsustainable. With no time for family living, birth rates fall, father and mother figures disappear and good habits are not developed. It is common today for families to have only one child and for children to have all the latest technologies in their own rooms, which they use, unrestricted, in an empty home.

That's where the new consumer culture paradigm creeps in, which states that "whatever I feel like having or doing" is equal to "what I need" and "what's good for me." Focusing excessively on children's physical needs and knowledge, and giving them everything they want before they need it has disastrous consequences. They become pampered tyrants who have not learned to share. On entering society and business, they are selfish and demanding rather than giving. Their résumés are technically impeccable, but as human beings they leave much to be desired.

Our society continues to entertain an individualistic outlook that leads to a partial analysis of problems. The symptoms are dealt with, but the root cause of the illness is kept out of sight. Not taking the family into account weakens society and jeopardizes its future.

We must get over this money-tinged perspective that only values what can be quantified. This outlook has had a huge impact on the gradual devaluation of household and caretaking tasks, which are for the most part priceless in monetary terms.

### Ringfencing family time

**Family and work** are two mutually enriching spheres of human and professional development. But we must remember that it is work which is instrumental to the family, not the other way around. Both men and women must work together to organize their home as their first enterprise, not only in their heads and hearts, but also in their daily agendas.

Since work is more demanding in terms of objectives, incentives and short-term penalties, and the family is more flexible and understanding, it is ultimately the family that loses out and collapses. Work is like a gas that infiltrates every crack in our lives. It ends up taking over unless we build barriers. We must set aside time and energy to live life and build our homes.

Another factor that contributes to the current environment of confusion is the **very concept of work**. Work in and of itself is a source of personal fulfillment and social interaction for everyone. However, the salary element is elevated to being the only indicator of success: "you're only worth what you get paid."

### More than just a number

We must get over this money-tinged perspective that only values what can be quantified and remunerated. This outlook has had a huge impact on the gradual devaluation of household and caretaking tasks, which are for the most part priceless in monetary terms. This invisible yet real labor pool of domestic and caretaking work has a market value which, in terms of public accounts, would boost Spain's GDP by over 40 percent.

**Men and women** are different, and motherhood is indeed the factor that highlights that difference. The latest neuroscience research also indicates that the genetic differences between men and women are not only psychological but also biological. We should therefore take the differences and complementarities between men and women as our starting point to achieve synergies in their joint efforts. Studies of the performance of executive teams indicate that companies with more than three women on their board report ROI that is on average 30 percent higher than the ROI of companies that see reality from an exclusively male perspective.

The male role has historically been tied to the function of the family breadwinner, which has sometimes limited a man's development as a husband and father in the home. Various studies suggest that women are not driven so much by a quest for self-fulfillment as a desire to stay afloat.

This entails a shift for men, who generally play to win and work more aggressively. In days past, a man's job was war craft, and he worked with his horse and sword. Male business leaders are modern plane-riding, Palm-toting warriors, but the game is still the same. The first battle to be waged in the defense of society is the battle for its backbone, the family, and man must play his role within it.

Paternity leave is very positive, because it encourages men to experience and enjoy the realm of the home, and to decide with their wives what their respective tasks will be and how to go about them. This is a great opportunity for fathers themselves (more than for the babies) to get involved and be more engaged in family life.

### Making parenthood a priority

On the other hand, it would be convenient, for women and for companies, that maternity leave be extended. It is hard for companies to find a replacement for a maximum of four months [in Spain], which means that co-workers end up picking up the slack. In the event of a second pregnancy, rather than congratulating her, those same co-workers will make her feel selfish for dumping more work on them once again.

If Spanish women were to be granted 12 months of maternity leave, as in other European countries, the company would have to find a replacement. That first year is vital in the life of a child. It is when babies need their mothers most, and their fathers, though neurologists state that the mother's presence is most beneficial. Anyway, each family has its own needs and its own ways of coping.

There have been cases in history where women have been discriminated against for being women. Job titles were changed depending on the sex of the employee, for example. The same post was for a "cleaning lady" if done by a woman and a "maintenance technician" if done by a man. Both jobs involved the same tasks, but men would get paid more than women.

The current high regard for social responsibility gives family-responsible companies a positive image. A company wishing to hire and retain the best talent must offer flexibility, because the new generation is not like our parents' or our own.

These injustices needed to be abolished, but the real discrimination in companies, as all the research conducted at IESE proves time and time again, is related to motherhood, i.e., having children or being able to have them. To make this task easier, we must rethink legislation from the point of view of families and their preferences. According to research conducted in the United Kingdom by Dr. Catherine Hakim of the **London School of Economics** on women's preferences in the work-family dilemma, one-third of women prefer not to work outside the home, one-third prefer to work part time and the final third prefer to work full time.

The family should be represented across all sections of society by government. There should be a Ministry for the Family so that all issues – transportation, housing, markets – can be discussed in terms of its advantages or disadvantages for the family.

It is appropriate for legislation to support women who wish to be mothers for their own good, as well as for the good of the father, the child, the company itself and society at large. Government and business policies should therefore adapt to motherhood and fatherhood. Otherwise, they risk being unjust to the rest of society.

### Clocking in and checking out

It is a matter of overcoming the hurdles that mothers encounter so that they can contribute to the next generation. In this context, what also becomes clear is the urgent need for a **new business culture** governed by objectives and projects rather than hours “on the clock.” This new culture hits the nail on the head in terms of Spain's greatest work problem: the never-ending work shifts that do nothing to drive productivity, but rather create new problems such as workaholism and the burnout syndrome.

The result is physical and emotional absenteeism and a lack of commitment. This brings us to speak of a new type of pollution, social pollution, which is more serious than the environmental sort for two reasons: firstly, because we are unable to recognize it as such; and secondly, because it affects the human being, which is the key element for balance and progress in the ecosystem.

We should all – companies, politicians and the media – work to achieve more reasonable schedules, despite the fears that come with a change of paradigm. Companies will then start to become more balanced and family-responsible. There are several reasons that might make them change.

### Demanding future business leaders

On the one hand, the foremost problem of Spanish companies is talent. The current high regard for social responsibility gives family-responsible companies a positive image in the market. A company wishing to hire and retain the best talent must offer flexibility, because the new generation is not like our parents' or our own.

Generation Y does not want to be addicted to or enslaved by work; it demands a better way of working. As this demand for flexibility and work by objectives becomes the standard, companies will be forced to change.

On the other hand, this is an ethical issue. It is a matter of including employees as part of the internal mission of the company, a matter of training and treating them as real people who have a life after work, as well as families in which they play various roles such as spouses, parents and siblings.

It is also a strategic issue because it motivates employees to give their all. When workers feel they are treated as people and not as a resource (albeit a “human” resource) they give their all, are more willing to adhere to the company's mission and become more creative.

In fact, according to our latest research, when flexible, family-responsible measures are implemented, absenteeism, the second-greatest problem in Spanish business, plummets by 30 percent. And I am referring to physical absenteeism, but emotional absenteeism, which is harder to quantify (workers are physically present but mentally absent), is also a huge invisible drain on companies.

The best strategy for changing our culture is no doubt to give incentives to companies that promote work-family balance rather than penalize those that do not, because the facts show that a loophole can be found in any law and a backlash effect is forming.

Real change has to be internal, born out of a conviction that conciliation makes sense. If it is imposed externally, the resulting legislation generates rejection and becomes unwieldy, because it confines people and companies, paradoxically codifying flexibility into hard-and-fast rules. Many companies would find it impossible to apply these one-size-fits-all regulations on a daily basis across the board. ■



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# Values: the Cornerstone of Family Businesses

In times of volatile financial markets and corporate scandals, when many executives and even the general public bemoan the lack of values in business, family businesses are emerging as a model to follow. They strike a balance between financial, organizational and social objectives; their long-term vision contrasts with others' short-term outlook; and they have an ironclad (though not always articulated) value system that guides them.

## Executive Summary

Family businesses are about much more than just wealth creation. Their goals extend beyond the purely financial to include transmitting certain values and providing for their communities. If anything makes these companies stand out, it is their ability to analyze the past and look toward the future, always with an eye on the horizon. These features make family businesses look particularly robust in the current economic climate, which is tainted by a general crisis of values. This article brings together the main conclusions of the 4th International Family Business Conference held on IESE's Barcelona campus in June.



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Family businesses' long-term vision transcends the current generation (in contrast to the short-term thinking that prevails in other businesses). Their strategy is based on prudence and planning, and their objectives are social as well as financial.



Early in the 20<sup>th</sup> century, academics and others began to study management disciplines. But the family business has not attracted scholars' interest until relatively recently. Not long ago, family businesses were considered second-rate. Fortunately, this view has changed and these companies now enjoy the same respect as any other successful firm.

Most companies are born, grow, mature and die within a relatively short period of time. It remains to be proven whether this time period is longer for family businesses. What we do know is that many centuries-old companies, when studied, turn out to be real family dynasties.

In view of the above, a study of family businesses could reveal knowledge that is valuable for all companies. In light of IESE's 50th anniversary, the "4th International Family Business Conference," hosted by IESE's Family Business Chair, took on an international dimension with the participation of scholars, business leaders and participants from around the world.

The event's focus was how to foster family business values and make them sustainable. The day prior to the conference, over 50 academics from the world's most prestigious universities discussed the topic in a workshop. Their contributions highlighted certain trends and keys for the future of family businesses. I will summarize them briefly.

#### **A model in times of crisis**

Why are family-owned businesses an example to follow in times of crisis? What sets them apart from other companies? Broadly speaking, there are four factors that characterize family businesses: the ultimate purpose of the organization, how they plan strategy, how they adapt to their external environment, and their corporate culture.

Without a doubt, their long-term vision transcends the current generation (in contrast to the short-term-ism that prevails in other businesses). Their strategy is based on prudence and planning, and their objectives are social as well as financial. Their owners are families who embrace the obligation to transform society through the wealth-creation tool known as the company. And this is the legacy they seek to pass on from generation to generation.

It is important, of course, for family businesses to have the necessary knowledge and experience to successfully manage their

Those at the helm of family businesses adapt to the environment to ensure the firm's survival, putting continuity ahead of immediate profits.

financial capital, but it is equally relevant for them to develop their intellectual and human capital and uphold a solid and permanent value structure that can be passed on from one generation to the next. In this regard, it can be argued that the family business is the sum of its bottom line, its values and a deliberate desire to serve the community through the company and the family itself.

Having a shared vision and values is essential to any company. And in this regard family businesses have an advantage because the family embodies their vision and values.

### Values as a guarantee of continuity

Behind every family business there is a specific value system that shapes the essence of the company and plays a major role in its continuity across generations. Values play a crucial role in creating a unique corporate culture that directly impacts the business concept and its application to managing the business. Each family has its own value system. Just as there are no two identical families, no two family-owned companies are exactly alike.

These values stem from the principles that make the family what it is. They remain essentially unaltered except for some minor adjustments as they are transmitted from generation to generation. These principles are part of the family's DNA, the core of the family's identity. They are transmitted naturally as company owners raise their children. Upholding these principles is crucial because they are the stepping-stones toward developing the company's values.

Instilling virtues should be a priority for every parent. According to a study carried out by the IESE Family Business Chair some years ago, there are five basic virtues common to all successful family businesses: excellence, a strong work ethic, initiative, simplicity and frugality. In other words, company owners must drive continuous improvement; cultivate a culture of diligence and risk-taking, and avoid unnecessary spending.

### Analysis capability

If anything characterizes family-owned companies, it is their ability to analyze the past and look to the future, always with a vision far beyond the present. Family businesses are about much more than just wealth creation. They are a mix of assets and values, a balance of tradition and leadership.

Those at the helm of family businesses adapt to the environment to ensure the firm's survival, putting continuity ahead of immediate profits. This nuance is important: the company's focus is not only on the present, but also on learning from past mistakes with an eye to ensuring the company's sustained, stable growth.

### The social dimension

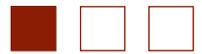
Internal and external social responsibility is part and parcel of family-owned companies. Internal social responsibility focuses on the need to build a stable company, while external social responsibility translates into ongoing concern for the good of the community. One of the consequences of external social responsibility is that, in the long term, owners with objectives other than the strictly financial are less likely to face pressure to sell than those exclusively concerned with maximizing returns for shareholders. A sense of belonging plays a key role in this area.

Philanthropic efforts also benefit family businesses in two aspects. They foster family cohesion and promote the transmission of values, two aspects that are particularly relevant with the second generation. Another feature of philanthropy in family businesses is that the decision of who to support rests squarely on the family, which does not have to justify its decision to third parties.

Shareholders should, of course, receive their share of the wealth created. Maximizing wealth creation is the best way of guaranteeing value creation for shareholders, and this is something that most family businesses see very clearly. "There is a big difference between making money for yourself and creating wealth for others," says Jamsetji Nusserwanji Tata, founder of the **TATA Group**, the Indian conglomerate founded in 1860, which reported revenues of over \$28 billion in 2007.

### Responsible owners

One cannot discuss family businesses without mentioning the issue of fairness. One of the pervasive themes in any in-depth study of family companies is the clear differentiation between business and family. This distinction, in the area of business succession, drives the future owner to ensure that beyond the *potestas* he is entitled to by family ties, he earns the necessary *auctoritas* to wield his power responsibly. To paraphrase Goethe, the successor could be told: "Cultivate what you inherited from your parents and make it yours."



Succession is one of family companies' greatest challenges. It should be seen as a process and not an event in time, a process which outgoing and incoming generations should plan together.

Potestas is a Latin word meaning power or faculty. Potestas is inherited, whereas auctoritas has to be earned every day and can be lost in a second, by commission as well as by omission.

If, for example, there is a serious issue within the company and the son or daughter of the founder fails to take corrective measures, he or she begins to undermine the authority that the company had previously given him or her. He or she will continue to be the child of the owner and enjoy the undisputed power (potestas) that comes with it, but he or she will lack authority (auctoritas).

Auctoritas is closely related to an individual's actions. It is also closely linked to the concept of leadership, which consists of getting others to do things. A leader motivates his or her colleagues by sparking their interest and by his or her own commitment. A leader's level of engagement inspires others to follow him or her. One might think that it is also possible to get people involved by force, but that would be negative. Team members would obey out of fear rather than conviction. That is why leadership is not possible without authority. Being in a position of power cannot be considered leadership.

These concepts are particularly relevant in the context of a family business because one of the conditions for its survival is precisely emotional leadership. A successor needs to earn that authority, and there is only one way to do this: through a spirit of service.

Only if the leader considers him or herself to be at the service of others will he or she gain this authority, unlike those who rule from above and expect others to serve them. It goes without saying that there are some basic, minimum attributes that a person must have to become a good leader, but many of these capabilities can be developed with practice and the right attitude.

To do this, it is best if the successor spends time working outside the family company, so that he or she learns to get by on his or her own merits. Besides great personal satisfaction, this experience will earn the successor kudos from colleagues within the family company as a self-made person whose position has been hard-earned.

A meritocracy is the only system for gaining the authority needed to head the family business. This is especially true of the second and subsequent generations, when the indisputable leadership

of the founder no longer exists. This is also the time to establish more formal governance structures that will be particularly useful beginning with the third generation, when the number of shareholders rises as cousins come on board. The great challenge will be to have committed shareholders rather than mere investors.

### Planning succession

Succession is one of family companies' greatest challenges. It should be seen as a process and not an event in time, a process which outgoing and incoming generations should plan together. It is a generational transition that holds great opportunities for the future.

This process will run more smoothly if the new generations share the family values that underpin the family business. This is why it is so important to educate and prepare future generations from an early age. If they can be instilled with the family spirit, the pride of belonging and the responsibility of being owners, the future of the company will be reinforced.

### Interaction is basic

Researching, creating and fostering networks were the goals of this conference and have also been the mission of the Family Business Chair since it was established in 1987. We believe that direct contact between scholars and family business leaders is the best way of advancing and learning from each other. Family businesses themselves network in two different ways: through the members of the board of directors who serve on other companies' boards – networking in its basic form; and through the owners' social networks and activities beyond business circles.

### Future challenges

Family-owned companies face three major hurdles in the future. One is common to all companies: keeping the business profitable and sustainable. The other two are specific to this type of company: continuing as a family business and staying united as a family. ■

# Manners Maketh the Manager

Organizations hold endless seminars that include modules on behavior, but progress is slow, as recent reports indicate. As Alison Maitland wrote in the *Financial Times*: "Rudeness at the office hits morale and productivity, but it is often perpetrated by those at the top."

Rudeness at the office is nothing new and is perpetrated as often by top managers as the organization's rank and file. Offensive or disrespectful behavior by managers will dishearten staff, undermine their confidence and their ability to contribute to the firm.

But as Aristotle said, "Virtue has to start somewhere. As far as we know, there is no inherited gene for politeness." So we must learn it by doing it. In the same vein, Immanuel Kant, the German philosopher, said that we can become virtuous by imitating virtue. According to Kant, "For when men play these roles, virtues are gradually established."

Politeness is that role that men and women play, the pretence of virtue from which virtue arises. So we must first acquire the appearance and manner of "good behavior" and then imitate it. It is from this that we gradually develop the habits of virtuous behavior.

In his excellent book, "Great Virtues," Andre Comte-Sponville said that, "Without politeness we would have to be virtuous to become virtuous." Comte-Sponville continues by telling us, "Morality starts at the bottom – with politeness. But it has to start somewhere."

But why does politeness come first? Comte-Sponville wrote, "The priority I have in mind is not cardinal but temporal; politeness comes before the other virtues in the sense that it serves as the foundation for the moral development of the individual."

People have always been aware of this and have invented codes of civility for us to follow. For example, the French Jesuits composed a code of civility at the Jesuit College of La Fleche in 1595. This code, *Bienséance de la conversation entre les hommes* ("Decorum in Conversations"), formed part of their educational system. The first English translation of this little book appeared in about 1640 and became popular in the English-speaking world.

Richard Brookhiser, the American author of "Founding Fathers," maintains that in writing about these codes of civility "all modern manners in the Western world were originally aristocratic. Courtesy

meant behavior appropriate to a court; chivalry comes from chevalier – a knight." The Jesuits took these rules and wrote out a system of courtesy that saw people as equals or near-equals. They were based on the simple premise that if we show our respect for others, we in turn will grow in virtue. The key message is that if we practice these rules we will grow in virtue.

Oddly enough, it was George Washington who made the English-language translation of the Jesuit rules popular. Washington as a boy had copied the translation as part of a handwriting class. Later Washington's admirers published a copy under the title of "Washington's 110 Rules of Civility & Decent Behavior in Company and Conversation." These were rules of politeness which Washington himself practiced; the Jesuit rules of civility became part of a value system that was translated into many languages.

*Bienséance de la conversation entre les hommes* was written nearly 400 years ago and served many people well, including George Washington and others. We may need something similar today.

## Etiquette for Dummies

Some attempts have been made, including a short book called "Common Courtesy" by Judith Martin. This writer claims that the solution lies in teaching etiquette or simply the practice of good manners. She then goes on to outline what good manners are.

Others have said that such prescribing can lead to snobbishness. They further point out that politeness without virtue can be equally as destructive for the individual as bullying and the use of insulting and belittling language. However, we should be careful not to be unfair to people who make a sincere effort to be polite.

There is, of course, the danger of embracing only the superficiality of empty politeness. People can take politeness to a point of near perfection where politeness is the be-all and end-all. They remain their prisoners and hide behind their sophisticated smokescreen. They cannot empathize with others or even expose themselves in the slightest. They are either dupes of custom and propriety or use it as a strategy to dominate others.

For example, Comte-Sponville said, "If a Nazi is polite, does that change anything about Nazism or the horrors of Nazism? No. It changes nothing, and this nothing is the very hallmark of polite-



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## Peter Drucker, the management guru, emphasized that: "Good manners are the lubricating oil of organizations."



ness... A show of virtue, its appearance and nothing more."<sup>6</sup> We can safely deduce that if a gangster is polite, it certainly doesn't change anything about his criminal nature, although it may make the whole affair a little more agreeable.

This sort of politeness is nothing more than a show or appearance of virtue. Refined scoundrels may put a high value on politeness, but it changes nothing about their lack of virtue. After all, if a thief is about to steal your wallet, his civility won't make it any more moral.

### Saving grace, saving face

In the book "Politeness: Some Universals in Language Usage," Brown and Levinson argue that there are two forms of politeness: positive politeness and negative politeness.<sup>7</sup> Positive politeness treats the listener as a friend or as someone to be included in discourse. Negative politeness is designed to save face.

For example, if someone is wearing clothes that are out of place or the colors clash, you might say something kind in order to help the wearer save face, such as, "Your suit looks great on you," even though you feel it is out of place. In negative politeness, a little hypocrisy is inevitable. The justification for a little hypocrisy is that it may do more good than harm at certain times. Your intention is good, even though your behavior may be a little forced. Your aim is to help the other person save face.

If, for example, you have an impossible sister-in-law, you may decide to make great efforts to be tolerant toward her and purposely search for the good in her, for the good of the whole family. You may lack a sincere liking for her, but you have a sincere will to be tolerant and make the relationship work. Indeed, to do this, you may very well have to be hypocritical at times. Although this is negative politeness, it is done with good intentions.

The *Financial Times*'s Alison Maitland quoted a **London Business School** professor in the same article as saying, "The erosion of hierarchy and authority, and the growing pluralism of society, has left people less clear about how to behave at work."<sup>8</sup> Bullying and verbal abuse are reported to be on the increase. So how should managers behave?

Peter Drucker, the management guru, emphasized that; "Good manners are the lubricating oil of organizations." Some of the advice given to us by Drucker and others for developing polite

behavior is easy to understand such as listen to others, don't interrupt them when they are speaking and concentrate on the other person.

So what about our refined scoundrel? What about the honorable lout? They have the basis of politeness on which virtue can be built and certainly their wrongdoings are no reasons for us to reject politeness as a priority in our organizations. ■

- 1 Don't interrupt others when they are speaking.
- 2 Treat each person you meet as if he or she is truly important.
- 3 Listen! Listen! Listen! Develop good listening skills.
- 4 Learn to remember the other person's name.
- 5 Don't mentally cut out if you are not immediately interested in what the other person is saying.
- 6 Respond in a visible way to the other person by smiling or using his or her name.
- 7 Concentrate on the other person rather than on yourself.
- 8 Use sincere flattery, as people often respond positively to a genuine compliment. But if you don't feel it, don't say it.
- 9 Give a firm handshake; look the other person in the eye for about 60 percent to 70 percent of the time. Search for something attractive in the person.
- 10 Don't go overboard with assertiveness, as this could be construed as arrogance.
- 11 Be proactive with people. Take the initiative with them.

### References

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8. *Financial Times*, May 12, 2006, "Bosses with No Time to be Nice" by Alison Maitland, p.7

# STRONG PARTNERS

Since 50 years IESE business school is committed to the education and development of business leaders worldwide. **R&M** wish IESE happy birthday and say thank you for a long-lasting and strong partnership. We are proud to support IESE with leading edge communication networks.



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# A Year to Remember



A host of unforgettable IESE events led by over **100** top-level speakers.

**1,000,000** ideas that will inform our response to the challenges and opportunities throughout the next **50** years.

More than **100** alumni reunions to celebrate the anniversary in over **25** countries

brought together over **10,000** alumni to share in the festivities.

This is a **year** to remember.

A **year** in which Dean Canals went round the world to celebrate the anniversary with **alumni**, and thought leaders from around the world came to IESE.

To celebrate this remarkable year, we've decided to

**put a twist on this issue.**

50<sup>th</sup>  
ANNIVERSARY

A Year to

# Remember

Half a century can be an age or an instant. “When people reach this milestone, it is hard to escape the feeling that they have reached a certain dignified maturity”,

wrote Prof. Antonio Argandoña, editor of IESE

**Alumni Magazine**, in the special **50th anniversary** edition (issue 108). “By contrast,

**50** is a comparatively youthful age for an institution, one that promises excitement and generates hopes for the future,” he said.



Jay O. Light



Niall Ferguson



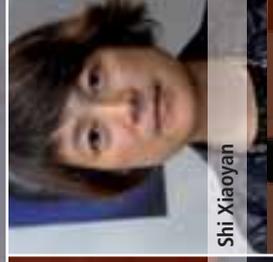
Ermenegildo Zegna



Edmund S. Phelps



Joaquín Almunia



Shi Xiaoyan

## SPECIAL CONFERENCES FOR THE SCHOOL'S 50<sup>TH</sup> ANNIVERSARY

- Colloquium on the Globalization of Business Education, Barcelona, October 2007
- 3rd EVA Annual European Conference, Madrid, October 2007
- Fifty Years of the Treaty: Assessment and Perspectives of Competition Policy in Europe, Barcelona, November 2007
- A Century of Harvard and Fifty Years of IESE, Madrid, January 2008
- 1st International Conference on Leadership in a Multicultural World, Barcelona, January 2008
- Chinese Business Women in Leadership, Barcelona, February 2008
- Doing Good and Doing Well: Leading Student Conference on Responsible Business in Europe, Barcelona, February, 2008
- The Future of Leadership and the Role of Business Schools, Barcelona, April 2008
- MIT-CISR International Practitioners Workshop, Barcelona, April 2008
- The New Media Landscape (MSI Conference), Barcelona, May 2008
- 15th International Symposium on Ethics, Business and Society, Barcelona, May 2008
- International Entrepreneurship Conference: The Road to Success, Barcelona, May 2008
- 4th International Family-Owned Business Conference: Fostering Enduring Values, Barcelona June 2008
- BIT 4th International Conference: Mastering IT in Business, Barcelona, June 2008
- Trends and Best Practices in Work-Family Balance: Building Sustainable Societies, Madrid, June 2008
- 1st Conference on Humanizing the Firm and the Management Profession, Barcelona, June 2008
- Scancor Workshop on Institutional Theory, Barcelona, September 2008

## SUPPORTING INDUSTRY

- 22nd Meeting of the Automotive Sector: Managing Global Uncertainty, Barcelona, November 2007
- 14th Meeting of the Health Technology Sector Executives, Madrid, December 2007
- 2nd Interactive Advertising Meeting, Madrid, February 2008
- 1st Audiovisual Sector Workshop, Barcelona, November 2007

Perhaps 50 years is not a long time in the life of an academic institution, but it is long enough for IESE to appreciate that its future depends on its ability to generate ideas, attract the best, and to work with commitment.

And as **Dean Jordi Canals** stated, "As we continue to grow over the next 50 years, we seek to preserve IESE's unique character in all our activities." This singular character is embodied in the school's transcending mission to instill a spirit of service in managers.

During the yearlong celebration of its half-centenary, IESE commemorated the past and embraced the future. The celebratory events brought us a host of unforgettable moments, shared with business leaders from both the present and the future. We have caught a glimpse of some of the big ideas whose time is yet to come, and met with many of those who will make them possible.

Dean of Harvard Business School (HBS), **Jay O. Light**, set the stage for celebrations at a conference on the future of management education on IESE's Madrid campus in May 2007. The dean's address focused on the relevance of the MBA program. Reflecting on HBS's centenary, Dean Light approached the topic from a historical perspective.

Dean Light also highlighted HBS and IESE's deep-rooted association that goes back almost to the school's beginnings. Light expressed his joy to visit IESE on the eve of its 50<sup>th</sup> anniversary and described the shared history between IESE and Harvard Business School as a "deeply valued collaboration."

HBS and IESE's friendship dates from the appointment of the first Harvard-IESE Committee in 1963. Initially created to help IESE launch its first two-year MBA program in Europe, the committee remains active today. The first IESE MBA class graduated in 1966.

## HARVARD, A SOLID FRIENDSHIP

After 45 years of close collaboration, it was no surprise that the two institutions would want to celebrate IESE's 50th anniversary and HBS's centenary together. As a result, in January 2008, professors, students and alumni from both schools met at IESE's Madrid campus to discuss one of business and society's greatest challenges: globalization.

"In this era of globalization, IESE has become a model and an inspiration to all of us in management education who are striving to increase our global reach," HBS's Deputy Dean for Academic Affairs, **W. Carl Kester**, said. "We from Harvard are always astonished when we look at a map of the world and see all the places you could put a little flag marking where and IESE program is offered," he added.



Francisco Belli



Kenneth S. Rogoff



Rita Gunther McGrath



Roberto F. de Ocampo



Jaime Caruana



José Carreras



Gerhard Heiberg



Janne Haaland-Matly

- 15th Annual CIF Symposium, Madrid, February 2008
- EWMA 2008 Annual Conference: The Changing Media Business Environment. Barcelona, February 2008
- 10th Annual Luxury Brands Forum, Shanghai, April 2008
- Marketing Science Institute Conference: The New Media Landscape, Barcelona, May 2008
- CSBM's 4th Annual Sports Management Forum, Madrid, May 2008
- 14th Meeting of the Telecommunications: New Business Models, Madrid, May 2008
- 12th Meeting of Food and Beverage Industry, Barcelona, May 2008
- 14th Telecommunications Sector Meeting: New Business Models, Madrid, May 2008
- Business and Information Technology (BIT) 4th International Conference: Mastering IT in Business, Barcelona, June 2008

#### SPEAKERS IN IESE'S 50TH ANNIVERSARY EVENTS

- Reuben Abraham, Indian School of Business, and Board Member of George Soros' Economic Development Fund (SEDF)
- Raj Aggarwal, College of Business Administration - University of Akron
- Peter Alexiadis, Partner, Gibson, Dunn & Crutcher
- Joaquín Almunia, Commissioner for Economic and Monetary Affairs for the European Union
- Ifigo Alii, Managing Director, Eurecan
- Carlos Añáños, President, AIEGROUP
- Raffi Amiti, Wharton School
- Isak Andic, Founder and President, Mango
- Juan Arena de la Mora, Former General Manager, Bankinter
- William Baker, CEO of Educational Broadcasting Corporation, licensee of Thirteen/WNET and WLIW New York
- Maite Ballester, Managing Director, 3i
- Carmen Becerril, Former General Manager, Acciona Energía
- Francisco Belli, Vice President and CEO, Siemens, Spain
- Carlos Bendito, Director of Business Development, Triodos Bank
- Jan Willem Bode, CEO, One Carbon
- Hans-Jacob Bonnier, Vice President, Bonnier Group
- H.R.H. the Infanta Pilar de Borbón
- Mario Boselli, President, Cámara Nacional de la Moda Italiana

In turn, IESE Dean Jordi Canals thanked the U.S. institution for "having been, over the years, a reference point for us, a great source of inspiration and learning and a wonderful and privileged source of friendship."

#### MORE JOINT CELEBRATIONS

As well as IESE's foundation, 1957 saw the genesis of the European Union with the signing of the Treaty of Rome. To commemorate this, IESE's Public-Private Sector Research Center organized a conference in November 2007 titled, "Fifty Years of the Treaty: Assessment and Perspectives of Competition Policy In Europe."

The EU Commissioner for Competition, **Neelie Kroes**, was the keynote speaker. The Dutch commissioner put Europe's consumers at the center of the competition watchdog's objectives. "Competition policy has had to adapt to achieve a clear objective: to benefit consumers and the economy of the European Union," she said.

IESE's foundation also coincided with the launch of the leading Spanish financial publication, *Actualidad Económica*. IESE Prof. Pedro Nuño and the publication jointly organized the "Chinese Business Women in Leadership" conference, where three of China's most successful female entrepreneurs offered insights into this vast market.

The conference heard from **Yang Lan**, one of China's most famous broadcasters and co-founder and president of Sun Media Investment Holdings; **Shi Xiaoyan**, founder of Beijing Illinois, a trend-setting furniture and interior design retailer; and **Zhou Xiaoguang**, founder and president of Neoglory China Holding Company, a costume jewelry manufacturer with 6,000 employees.

Media mogul Yang discussed the Chinese economy's breakneck expansion. "This long-repressed emotion [commercial enterprise] has been unleashed. There is a feeling that everyone is going someplace and there is an insecurity that comes with the responsibility of being successful," she said.

#### A UNIQUE OCCASION, SPECIAL EVENTS

IESE habitually organizes events to facilitate dialogue between the business and academic communities. But as IESE celebrated its 50th anniversary, the school expanded its usual roster of events. As well as celebrating 50 years of history, IESE had its eye on the trends ahead such as leadership, globalization and the future of management education.



Isabel Aguilera



José Viñals



Alejandro Beltrán



Alfredo Sáenz



W. Carl Kester



Ellen Miller



J. Frank Brown



Rolf E. Breuer

- Arnoud Boot, University of Amsterdam, and Director of the Amsterdam Center for Law & Economics (ACLE)
- Franz Borgers, President, Johann Borgers and Co.
- Antonio Borges, Vice President, Goldman Sachs International
- Rachel Brandenburger, Partner, Freshfields Bruckhaus Deringer
- Nicolas Brezet, Director of Relationship Marketing, L'Oréal Strategic Development
- Michel Camdessus, Honorary President, Banque de France
- David Camps, Fundraising Manager, Oxfam International
- Luis Cantarell, Executive Vice President, Nestlé
- Elena Carletti, University of Mannheim
- Jaime Caruana, Director of Monetary and Capital Markets Department, International Monetary Fund
- Fernando Casado, Managing Director, Family Enterprise Institute
- Pierre-André Chiappori, Columbia University
- Andrea Christenson (MBA '83), President and CEO, Kathe Kruse Puppen
- Guido Corbetta, Bocconi University
- Stephen Covey, Co-Founder and Vice President, FranklinCovey
- Srikant M. Datar, Harvard Business School
- John A. Davis, Harvard Business School
- David Dean, Senior Partner and Managing Director, The Boston Consulting Group
- Jim Dearth, Former CEO, Children's Hospital of Alabama
- Eusebio Diaz-Moreira (MBA '69), President, EDM Holding
- Charles Donovan, Head of Structuring, BP
- Alternative Energy
- Alberto Durán, Vice President, ONCE Foundation
- Soumitra Dutta, INSEAD
- Mgr. Javier Echevarría, Chancellor of the University of Navarra
- Nick Earle, Vice President, Cisco Systems
- Lorraine Eden, Texas A&M University
- Carlos Esteva-Mosso, Head of Merger Policy and Scrutiny Unit, DG Competition, European Commission
- Emilio Estrada Velo, Vice President, BP Spain
- Baldomero Falcones (MBA '72), CEO of FCC
- Niall Ferguson, Laurence A. Tisch Professor, Harvard University
- Guido Ferrarini, University of Genoa
- Nils-Henrik M. von der Fehr, University of Oslo
- John Fingleton, Chief Executive, Office of Fair Trading, UK
- Ian Forrester, Partner, White & Case
- Mark Fulton, Managing Director and Head of Climate Change Strategy, Deutsche Asset Management, Deutsche Bank

To this end, IESE hosted the conference, "The Future of Leadership and the Role of Business Schools," at the Barcelona campus in April 2008. CEOs, recruiters, senior executives and business school deans agreed that the nature of leadership is changing: employees no longer accept the "command and control" model of leadership.

"More and more, we hear people saying, 'My life matters to me,'" said **Julie Fuller**, director of global leadership development at PepsiCo. As a result, business schools must adapt their programs to respond to these changes. As **J. Frank Brown**, dean of INSEAD said, "Retention of top talent is the shared responsibility of business schools and all organizations."

The conference touched on some topics discussed in the "Colloquium on the Globalization of Business Education (GLOBE)" organized by Prof. Pankaj Ghemawat, the Anselmo Rubiralta Chair of Strategy and Globalization in October 2007. Around 40 deans from some of the world's most prestigious business schools attended the event.

## GLOBALIZATION

IESE alumni working in a globalized world often need to find ways to lead in multicultural environments. IESE's International Research Center on Organizations (IRCO) discussed the topic of leadership and multiculturalism at a seminar organized in conjunction with the Cross-Cultural Management Network (CCMN) in January 2008.

IESE Prof. Pablo Cardona explained that to be an effective leader one must have discipline, humility, personal balance and courage. In a multicultural environment, moreover, one must be aware of the influence that one is having on others, as Prof. Scott Taylor of Boston University noted.

Faculty, business leaders and industry experts returned to this topic at the Global Alumni Reunion in Madrid, which focused on "The New Dynamics of Global Business" (see article on page 44).

## TOWARD A MORE HUMAN MODEL

Globalization has brought economic benefits but the need to reconcile work and family life remains a challenge for many employees. Building more sustainable companies and businesses is no longer an option, it's a necessity, as demonstrated at the "Building Sustainable Societies" congress organized by the International Center of Work and Family in Madrid in June (see article on page 16). Spain's HRH **Princess Letizia of Asturias** inaugurated the event.

The reconciliation of work and family life is just one of the examples of how business practices need to be humanized. Thought leaders and academics discussed this and other humanistic



Marc Puig



Neelie Kroes



Luis Cantarell



Andrea Christenson



Toyoo Gyohten



Angel Cano



Rafael del Pino

- Isabelle Le Galo, Medtronic
- Antonio Gallardo, Vice President of the Board of Directors, Laboratorios Almirall
- Daniel García Guelbenzu, Vice President, General Electric Western Europe
- Ignacio García Nieto, CEO and Founder, Riva y García
- Robert P. George, University of Princeton
- Vivek Ghosal, Georgia Institute of Technology
- Richard Gilbert, University of Berkeley
- Chris Giles, Economics Editor, Financial Times
- Maryann Von Glinow, Florida International University
- José Ignacio Goirigolzarri, CEO, BBVA
- Mark Goldsmith, Head of Environmental, Social and Governance Team, Actis Private Equity
- Angel J. Gómez-Montoro, Rector, University of Navarra
- César González-Bueno, General Manager, ING Direct, Spain
- Enrique González Díaz, Partner, Cleary, Gottlieb
- Alicia Granados, External Affairs and Corporate Responsibility Manager, Merck & Co.
- Richard Green, University of Birmingham
- Jaime Grego, President, Laboratorios Leti
- Jordi Gual, IESE Professor and Head of Research, "la Caixa"
- Rita Gunther, Columbia Business School
- Toyoo Gyönten, President, Institute for International Monetary Affairs
- Janne Haaland Matlary, University of Oslo
- Franz M. Haniel, Chairman, Haniel Holding
- Pamela Hartigan, Director, Schwab Foundation for Social Entrepreneurship
- Bill Havlena, Vice President, Research Analytics, Dynamic Logic Inc.
- Malcolm Hayday, Founder and Chairman, The Charity Bank
- Martin Hellwig, University of Bonn, and Director of the Max Planck Institute
- Charles F. Hermann, Texas A&M University
- Michael Hoffman, Bentley College
- Klaus Hommels, Private Investor, European Business Angel of the year 2007
- Klaus Hopt, Director, Max-Planck Institut für Ausländisches und Internationales Privatrecht
- Jeff Immelt, Chief Executive, General Electric
- Pablo Isla, CEO, Inditex
- Dipak C. Jain, Kellogg School of Management - Northwestern University
- Franklin P. Johnson, Founding Partner, Asset Management Company
- Mike Kaiser, CEO, Agelos Social Ventures
- Carl Kester, Deputy Dean for Academic Affairs, Harvard University
- Rene Kim, Partner, Triple Value Strategy Consulting
- William Kolasky, Partner, Wilmerhale
- William Kovacic, Commissioner of the US Federal Trade Commission
- Neelie Kroes, EU Commissioner for Competition

business administration models at the 15<sup>th</sup> International Symposium on Ethics, Business and Society, held at the Barcelona campus in May 2008.

**Mgr. Javier Echevarría**, chancellor of IESE's parent institution, the University of Navarra, delivered the inaugural speech at the symposium. The monsignor concluded that Christian humanism and profitability are not at odds. "Quite the contrary. Many experts claim that nurturing people and their integral development is the key to proper company operations."

### LOOKING OUTWARD, LOOKING FORWARD

Alongside the special anniversary program of events, IESE gave a more international perspective to its regular annual conferences that have become such a reference point for academics and business leaders alike.

For example, entrepreneurs and senior executives outlined the path that leads to success for newly created businesses at the International Entrepreneurship Conference held at the Barcelona campus in May 2008.

Delegates agreed that the basic ingredients were passion and an ability to make sacrifices. "No one who has built a large company was in it for the money," said **Klaus Hommels**, private investor and European Business Angel of the year 2007.

Another example was the decision to move IESE's 10th Annual Luxury Brands Forum to Shanghai to debate the concept of "luxury". In just one generation, China has emerged as the third largest market for luxury goods.

**Andrew Wu**, LVMH group director for China, used a striking example to describe the profound changes taking place in the nation. The Great Wall of China was built to protect China from the world, but the iconic landmark has hosted a catwalk show for the LVMH group's FENDI fashion brand.

The conference was organized jointly with CEIBS in China and the Italy-China Foundation. President of the National Chamber for Italian Fashion, **Mario Boselli**, concluded that luxury was "beautiful articles, well-made."

### ALUMNI, PLAYING A LEADING ROLE

Of course, IESE would be nothing without its alumni. It was no accident that the 46<sup>th</sup> IESE Global Alumni Reunion, held in Barcelona in September 2007, marked the beginning of the official celebrations while the following Global Alumni Reunion provided the perfect conclusion.



Nicholas Schreiber



David Moon



Srikant M. Datar



Carlos Costa



Yang Lan



Michael Hoffmann



Narayana Murthy

- Kai-Uwe Kuhn, University of Michigan
- James George Jattras, Foreign Policy Specialist and Principal, Squire Sanders
- David Kidd, Partner, Egon Zehnder International
- Sabine Klein, European Business School
- Peter Kowowski, Free University of Amsterdam
- A.G. Laffey, Chairman and CEO, Procter & Gamble Co.
- Yang Lan, Co-Founder and Chairperson, Sun Media Investment Holdings (SMIH)
- Floris Lambrechtsen, Director, Double Dividend
- Pablo Lazo, Urban Designer, Atup Engineering
- Carrie R. Leana, University of Pittsburgh
- Don Lessard, MIT Sloan School of Management
- Jay O. Light, Dean, Harvard Business School
- Philip Lowe, Director-General for Competition, European Commission
- Bruce Lyons, University of East Anglia, Norwich
- Mark Machina, University of California
- Ignacio Madrilejos, CEO and General Manager, Cemex Spain
- Hans Ulrich Maerki, Former President of IBM Europe, Middle East and Africa (EMEA)
- Rosario Martín de Cabiedes, Chairwoman of the Board, Europa Press
- Francisco Martín Frías, President, MRW
- Aristide Massardo, University of Geneva, and Director del Rolls Royce Fuel Cell Research Center at UNIGE
- Steve McGowan, Vice President, Nielsen Media Research
- P. Microssi, CEO, Holding Sanità e Servizi
- Jean Bernard Michel, Engineering College of Geneva
- Colin Mayer, Said Business School - University of Oxford
- Massimo Merola, Bonelli Erede Pappalardo
- Arnoud De Meyer, Judge Business School - Cambridge University
- Karel van Miert, Chairman of Institute of Competition, Nyenrode Business Universiteit
- Russell Mills, Director of External Technology and Innovation, The Dow Chemical Company
- Mario Monti, President, Università Bocconi
- Javier Monzón, President, INDRA
- Michael Morley, University of Limerick
- Massimo Motta, European University Institute
- Narayana Murthy, Chairman and Chief Mentor, Infosys
- Prasad A. Naik, University of California, Davis
- Nik Nesbitt, Founder and CEO, KenCall - Outsourcing
- Nigel Nicholson, London Business School
- Carlos Nuño, Co-Founder, Advance Medical
- Roberto F. De Ocampo, Chairman of the Board of Advisors, RFO
- Santiago Olivares, CEO, Ferrovial Servicios
- H.R.H Princess Letizia of Asturias
- A. Jorge Padilla, Managing Director, LECC
- Roger Pedder, Former President, Clark Shoes, UK

As well as kicking off the school's 50<sup>th</sup> anniversary celebrations, the 46<sup>th</sup> Global Alumni reunion offered some 2,000 alumni a first-hand glimpse of IESE Barcelona's new north campus. Participants heard a range of top speakers discuss the theme "Economic, Corporate and Sustainable Growth."

Nobel Laureate **Edmund S. Phelps** of Columbia University gave the closing address at the event. Phelps said that any reforms to improve the European economy are not the job of politicians or bureaucrats but of "managers and entrepreneurs on whose shoulders it falls to develop innovative ideas."

**Joaquín Almunia**, the European Union's commissioner for economic and monetary affairs was on hand to give the politician's insight on the topic, though. Almunia outlined the advantages and disadvantages of globalization in his talk, "Growth and Sustainability: Opportunities for Europe."

**Prof. Niall Ferguson** of Harvard University noted that globalization is nothing new. "Trade, capital and labor markets have been globalized before," he said. "In fact, the period between 1880 and 1914 has more in common with the present age than any other period in between."

"And just as the last age of globalization fell victim to factors such as an overextended superpower ... so the current conditions are ripe for a total collapse of globalization. It pays to learn from history," Ferguson said.

While a total collapse of globalization had not come to pass, the global financial system was tottering on the edge of an unmitigated breakdown as alumni met a year later at IESE's 47<sup>th</sup> Global Alumni Reunion in Madrid in October.

Prof. **Lawrence Summers** of Harvard University highlighted the role of business schools such as IESE in society's response to the financial crisis. This role is more vital than ever as business and political leaders look to the lessons of history, finance and economics to "craft a response" to the uncertainty in the global economy, the former U.S. Secretary of the Treasury said.

"Globalization has to be about everyone's interest... The legitimacy that this system needs for it to be preserved is that it should benefit everyone," he said.



Pablo Isla



Javier Monzón



HRH Princess Letizia of Asturias



Joel M. Podolny



David R. Dean

Juan Miguel Villar-Mir



Agatha Ruiz de la Prada



Isak Andic

Summers said that public policy must be mobilized to contain the current crisis in the global economy. The economist will have the opportunity to act on his words: President-elect Barack Obama named Lawrence Summers as the next director of the National Economic Council a month later.

## ON THE ROAD

As well as events at IESE's Barcelona and Madrid campus, Dean Jordi Canals toured the globe throughout the year to celebrate the school's 50<sup>th</sup> anniversary with alumni overseas.

Almost 100 alumni attended a two-day event held in New York with Dean Canals and Associate Dean Eric Weber in November 2007 where the tour kicked off. William Baker, CEO of the Educational Broadcasting Corporation was the guest speaker.

In April, the tour set off for Asia where more than 460 alumni and friends shared in the celebrations at special events in Hong Kong, Shanghai and Tokyo. Profs. Pankaj Ghemawat, Pedro Nueno and Kimio Kase accompanied the dean.

The final leg of the tour took place in Munich and London, where over 350 alumni joined Dean Canals and Prof. Ghemawat in celebrating the school's first half century.

In each of the tour's destinations the dean gave a talk titled, "IESE Turns 50 and the Next 50 Years," which emphasized the school's core principles: a global mindset, ethical values and a spirit of service.

On top of the dean's tour, IESE organized a special program of Continuous Education events with prestigious speakers to celebrate the school's 50th anniversary with alumni wherever they are based. **James George Jatras**, an expert in foreign policy and director of Squire Sanders, spoke at an event in New York and on the other coast of the United States, Prof. **Jeffrey Pfeffer** of Stanford University led a session in San Francisco.

Meanwhile in Europe, **Franz M. Haniel**, chairman of the family-owned company Haniel Holding, spoke at an event in February in Munich. More than 150 alumni and guests gathered to hear his presentation, "My Life as an Entrepreneur: Key Decisions and Experiences," which was moderated by IESE Prof. Pedro Nueno.

The competitive strategy guru and Harvard Business School Prof. **Michael Porter** spoke in Madrid on the implications of the shifting global marketplace and competitiveness in Spain in May 2007. Over 200 business leaders heard his discuss the topic in two consecutive lectures. Porter congratulated IESE faculty for "building one of the world's great management schools."

- Jeffrey Pfeffer, Stanford University
- Edmund S. Phelps, 2006 Nobel laureate, Columbia University
- T. Boone Pickens, Founder, BP Capital and TBC
- Rafael del Pino, Chairman, Ferrovial
- Michael Porter, Harvard Business School
- Drazen Prelec, Massachusetts Institute of Technology (MIT)
- Mariano Puig, President, Puig Foundation
- Marc Puig, Puig Beauty & Fashion Group Executive President
- Enrique Quemada (MBA '94), Chairman, One to One Capital Partners
- Patrick Rey, Toulouse School of Economics
- Jean Claude Rodriguez, Ashoka
- Kenneth S. Rogoff, Thomas D. Cabot Professor, Harvard University
- Lars-Hendrik Röller, Humboldt University, President, European School of Management and Technology (ESMT)
- Roberto Romano, Oscar M. Ruebhausen, Yale Law School
- Josep Ros, partner, Roland Berger Consultants
- Nouriel Roubini, New York University
- Agatha Ruiz de la Prada, Designer
- Aldo Rustichini, University of Minnesota
- Bernard Salanié, Columbia University
- Alfredo Sáenz, CEO, Santander Group
- Eric Salama, Chairman and CEO, The Kantar Group
- Hernán Sánchez, CEO, Havas Media Intelligence
- Varun Sahni, Director, Acumen Fund India
- Ralph Schonenbach, CEO, Trestle Group and Board Member of the Trestle Group Foundation
- Paul Seabright, Université de Toulouse
- Pramodita Sharma, Wilfrid Laurier University
- Lisa D. Sherk, Blue Orchard Debt Team
- Takumi Shibata, Deputy President and COO, Nomura Holdings
- Domenico Siniscalco, Vice President, Morgan Stanley and Former Minister of Economy and Finance in Italy
- Bernd Skiera, Johann Wolfgang Goethe-Universität Frankfurt am Main
- Jordan I. Siegel, Harvard Business School
- Hiti Singh, Microfinance Institutions Group, Morgan Stanley
- Andrea Sobrio, Executive Insight Consulting
- David Spector, CNRS
- Howard H. Stevenson, Senior Associate Dean, Harvard Business School
- Thomas Stewart, Harvard Business School Publishing
- Lawrence Summers, Former U.S. Secretary of State
- Rafael Suñol Trepat, Executive Vice President, Catalana d'Iniciatives C.R.
- John Swift QC, Monkton Chambers, London
- Tibor G. Szekeres, Founder, Ella Bank
- Scott Taylor, Boston University



Domenico Siniscalco



Michael E. Porter



Miguel Torres



Stephen Covey



Alberto Durán



Jeffrey Pfeffer

Franklin P. Johnson

## AN HISTORIC GRADUATION CEREMONY

Every graduation ceremony is unique, but graduates of the full-time MBA, Executive MBA and Global Executive MBA classes of 2008 shared their celebrations with IESE's 50th anniversary.

**Juan M. Villar-Mir**, president of the eponymous construction, fertilizer and energy group, offered the 16th Executive MBA class valuable advice for the road ahead. "Honesty involves both truthfulness and loyalty, as both are essential if you are to gain the trust of those around you and create the required atmosphere of teamwork and cooperation."

**Narayana Murthy**, co-founder and president of the Indian IT giant, Infosys, offered graduates of the 43rd MBA program advice on how to lead in a globalized world.

"The greatest challenge that you will face is to create a team that can overcome prejudices of nationality, race, religion and class," he observed.

And **Hans Ulrich Maerki**, former chairman of IBM Europe, Middle East and Africa gave the commencement speech at the 2008 Global Executive MBA Program (see article on page 56).

## AN HISTORIC WEB SITE FOR AN INSTITUTION OF THE FUTURE

Even if you missed out in attending the many celebratory events, you can still participate in the 50th anniversary via the 50<sup>th</sup> anniversary micro site on the school's homepage. Here you can watch video interviews with some of the most prestigious speakers who have taken part in the celebrations.

There is also a timeline marking key moments in IESE's last 50 years, illustrated with some pictures from the archives. The web site also explains "The Africa Initiative", and a special corner is reserved for anniversary greetings from IESE Alumni.

## SUPPORT FROM SPONSORING COMPANIES

IESE owes a huge debt of gratitude to the almost 200 Sponsoring Companies that make it possible for the school to remain true to its vocation to develop leaders who can have a positive, deep and lasting impact on people, firms and society through professionalism, integrity and spirit of service.

These companies' financial support provides funding for research, training young professors, financing interns and the enlargement of the school's facilities. Companies and alumni provided over half the funds needed for the €36 million expansion of IESE's Barcelona campus.

- Gerard J. Tellis, University of Southern California
- Howard Thomas, Warwick Business School
- Miguel Torres, President, Torres
- Rosa Tous, Co-President, Tous
- Salvador Tous, Co-President, Tous
- Belen Tubio, Concentrated Solar Power Analyst, Santander Structured Finance
- Ludo Van der Heyden, Insead
- Gonzalo Verdura, Todovino.com founder
- John Vickers, University of Oxford
- Belén Viallonga, Harvard Business School
- Carlos Vliadrich, Director, Adecco Human Capital Solutions
- Juan Miguel Villar-Mir, President, Villar Mir Group
- José Vinals, Deputy Governor, Bank of Spain
- Sebastian Walburg, Managing Partner, Sustainable Investments Capital
- John Ward, Kellogg School of Management
- Bruce Wasserstein, Chairman and CEO, Lazard Ltd.
- Mike Waterson, University of Warwick
- Martin Weber, Mannheim University
- Heidi von Weltzien Høivik, BI Norwegian School of Management
- Jubilant Wera, Founder and CEO, Park East Africa
- Professor William Ziegler, Harvard Business School
- Wouter Wils, Legal Service, European Commission, and King's College London
- Russell S. Winer, Marketing Science Institute and New York University
- Zhou Xiaoguang, Founder and President, Neogly China Holding Company
- Shi Xiaoyan, Founder Beijing Illinois
- Bernard Yeung, Stern School, New York University
- Ermenegildo Zegna, CEO, Ermenegildo Zegna Group
- Luigi Zingales, Robert C. McCormack Professor, University of Chicago Graduate School of Business



Franz Haniel



Óscar Fajul



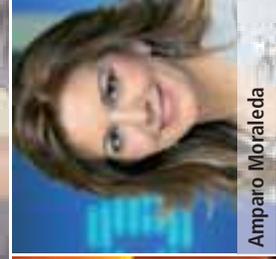
Jeffrey Immelt



Martin Sorrell



Hans Ulrich Maerki



Amparo Moraleda



Michael Camdessus

# HBS TURNS 100 *years young*

**Someone once told me that one could appear to repay the debt of gratitude for a gift by expressing effusive and lengthy thanks. This would be impossible in the case of IESE's relationship with Harvard. So I will simply offer the university my most heartfelt congratulations, acknowledging their support with a single but emphatic "thank you."**

We are aware of the huge debt we owe Harvard University, one that we will always struggle to repay. Harvard Business School (HBS) professors lent us their support, enthusiasm and knowledge during the launch of the MBA and have been by our side all the way since then.

The century-old HBS is the management school of Harvard University. The university itself is the oldest in the United States: it was founded just 16 years after the Mayflower Pilgrims set foot on Plymouth Rock. Harvard University celebrated its 350<sup>th</sup> anniversary in 1986.

Harvard University started out in 1636 with only nine students and one professor. It currently has over 18,000 students, has produced more than 40 Nobel Prize winners and eight U.S. presidents. The eighth is President-elect Barack Obama, an alumnus of Harvard Law School.

For IESE it has been an honor to share with friends from HBS some of the events celebrating our respective "birthdays."

Dean of HBS, Jay O. Light, set the stage for celebrations at a conference on the future of business education on IESE's Madrid campus in May 2007.

**Then in 2008**, the annual meeting of the presidents from all Harvard Clubs in Europe took place in September in Madrid, where we were privileged to have Prof. Jorge Domínguez, Harvard's vice-provost for international affairs, as a guest speaker.

The following month, we were honored by Prof. Lawrence Summers' participation at IESE's 47<sup>th</sup> Global Alumni Reunion in Madrid in October. His talk focused on how the world can respond to insecurity in global financial systems. Summer's insights were valuable to all of us struggling to find our feet in this turbulence.

At IESE we are proud that so many faculty members have earned their doctorates from Harvard through the years, from the most veteran professors, such as Prof. Emeritus Josep Faus, to more recent Ph.D. recipients such as Prof. Julia Prats, with the author of this article somewhere in between. Personally, I have done my best to repay the debt that IESE owes HBS, an impossible task. In the 1980s I was President of the Harvard Business School Club in Barcelona until I moved to Madrid in 1986. In 2000, I was elected President of the Harvard Club of Spain, a position I continue to hold.

I maintain close links with the university and in October, I had the honor of attending the inauguration of President Drew Gilpin Faust, the first female president of Harvard University. I know two of her predecessors personally, Derek Bok and Larry Summers.

IESE's history could not have been written without Harvard's support. And, once again, this support has been evident in the school's 50<sup>th</sup> anniversary.

*Eduardo Ballarín*



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# 50 Years of IESE's Advanced Management Program

## THE CELEBRATION CONTINUES

### IESE's First Executive Education Program Commemorated in Madrid and Barcelona

In November 1958, IESE initiated the school's activities with the launch of its Advanced Management Program. To mark this milestone, many of the program's alumni, who now span three generations, gathered at IESE's campus in Madrid on Nov. 24 and in Barcelona on Nov. 25.

"You are the essence and, in many ways, the spirit of IESE; the only thing that is truly ours," IESE Dean Jordi Canals told participants at the Barcelona session. During the event's two sessions, participants were able to share some of their fondest memories of their time at IESE, while reflecting on what makes IESE such a unique experience.

At the Madrid session alumni participated in a round table discussion moderated by Prof. Juan J. Toribio. Enrique Sendagorta, founder of **Sener Ingeniería y Sistemas**, Nuria Vilanova, president of **Inforpress**, Nemesio Fernández-Cuesta and Carmen Alonso, director of fiscal assessment at **Banco Santander** were among those who reflected on their experience of the program.

The event was a unique opportunity to discuss leadership values and the spirit of service that IESE has emphasized over the last 50 years. All the speakers highlighted the ethical dimension of decision-making in senior management and expressed their appreciation to IESE for its contribution to the management field.

Prof. Pedro Nueno chaired the first panel discussion at the Barcelona celebration. Joined by José M. Pujol, president of **Ficosa International**, and José M. Serra, president of **Grupo Catalana Occidente**, Prof. Nueno questioned how IESE's hallmark program would differ in 2020.

"One of the great things about IESE is that it has managed to maintain the same philosophy throughout the years," said Serra.

Pujol concurred, predicting that "in 2020 IESE will be even greater and stronger than it is today because society needs it to create a brighter future."

Chaired by Prof. Carlos Cavallé, the second panel discussion featured the participation of José F. Bertrán de Caralt, president of the **Bertrán Foundation**; Regina Llopis, president and CEO of **Aplicaciones en Informática Avanzada**; José Martínez-Rovira, vice-president of **Havas Media**, and Mariano Puig, president of the **Puig Foundation**.

Llopis characterized IESE as "unique and marvelous; a vital experience that is highly recommendable for executives from all walks of business life."





# IESE

## Global Alumni

**"GLOBALIZATION HAS TO BE ABOUT EVERYONE'S INTEREST... THE LEGITIMACY THAT THIS SYSTEM NEEDS FOR IT TO BE PRESERVED IS THAT IT SHOULD BENEFIT EVERYONE."**

PROF. LAWRENCE H. SUMMERS OF HARVARD UNIVERSITY MADE THIS REMARK DURING THE OPENING SESSION OF THE ACADEMIC PROGRAM OF IESE'S GLOBAL ALUMNI REUNION HELD IN MADRID AT THE END OF OCTOBER. THE HARVARD PROFESSOR AND ECONOMIC ADVISOR TO PRESIDENT-ELECT BARACK OBAMA DISCUSSED HOW THE WORLD SHOULD RESPOND TO VOLATILITY IN GLOBAL FINANCIAL MARKETS.

IN HIS WELCOMING REMARKS, PROF. JUAN J. TORIBIO, SAID THAT HE AND HIS CO-ACADEMIC DIRECTOR OF THE EVENT, PROF. JOSÉ M. CAMPA, COULD NOT HAVE KNOWN HOW PRESCIENT THE REUNION'S THEME, "THE NEW DYNAMICS OF GLOBAL BUSINESS," WOULD BE WHEN IT WAS DECIDED MORE THAN A YEAR BEFORE THE EVENT.



The New Dynamics  
of Global Business  
IESE Global Alumni Reunion

# Reunion 2008





Summers agreed with Prof. Toribio and highlighted the role of business schools such as IESE in society and its response to the crisis. "I believe that the work of business education is profoundly important for our society. The careers that you pursue and the companies you manage touch the lives of many and determine their opportunities," the former U.S. secretary of the treasury and former president of **Harvard University** said.

This role is more vital than ever as business and political leaders look to the lessons of history, finance and economics to "craft a response" to the uncertainty in the global economy. While praising political leaders' decision to recapitalize financial institutions, Summers said that public policy must be mobilized to contain the current crisis in the global economy.

### Tough times ahead

In a session on the global macroeconomic outlook, Prof. Nouriel Roubini predicted that the financial crisis would balloon into a "deep and painful" global recession lasting two years. The comments of the professor of economics at the **University of New York's Stern School of Business** may appear alarmist, but the economist correctly predicted the current financial crisis two years ago.

Prof. Summers of **Harvard University** also highlighted the risks to the economy arising from the financial crisis. "We do not adequately appreciate the need to fortify the real economy," Summers said. "There is a need to do considerably more to contain a potentially dangerous situation," he stated.

He said it was not just more that needed to be done, but that legislators and regulatory bodies needed to do it together. "We cannot act in isolation or financial flows will just move to a more favorable environment," he said. And in acting together, leaders need to look long and hard at the current globalization model.

"Globalization has to be about everyone's interest... The legitimacy that this system needs for it to be preserved is that it should benefit everyone," he said.

Meanwhile, Prof. Roubini believes that the call for greater oversight of the banking industry following the crisis is long overdue. "Self regulation is no regulation," he said.

In a separate session on ethics, Michel Camdessus, the honorary governor of **Banque de France**, and Prof. Janne Haaland Matlary of the **University of Oslo** agreed that the crisis presents opportunities, as it creates a sense of urgency and forces us to scrutinize the status quo and make changes swiftly. "Now we can dream of a better world and now is the time to act," Camdessus said.

And as the crisis evolves and new models of globalization emerge, business leaders discussed how this would influence their firms in a session titled "Today's Global Economic Climate: The Multinational Experience." Rafael del Pino, the president of **Ferrovial** said, "We are optimistic but we need to be prepared for what lies ahead." Del Pino suggested reducing costs and re-educating the whole team, since some of the younger members have not yet lived through a recession.

One of those evolving models of globalizations is the network effect. Nick Earle, senior vice president, European markets, **Cisco Systems** and Steve McGowan, senior vice president of Nielsen Media Research discussed the topic in a session titled "Networking the World: Technologies for Integration."

Earle and McGowan focused on moving from traditional networks to online integration. The two speakers concurred that even now, amid a dire economic crisis, new technologies continue to present unprecedented business opportunities.

### Symptoms and causes

When asked about how the economy ended up in the current situation and why no one called for a stop to specific financial practices, Prof. Roubini of **NYU Stern** said that sub-prime mortgages were just a symptom rather than a cause of the turmoil in financial markets. Roubini quoted the former CEO of **Citigroup**, Charles Prince, to explain the phenomena of "irrational exuberance" in financial markets: "When the music plays, you've got to dance."

Prof. Lawrence Summers of **Harvard** suggested that human nature played a big role. "Often we don't take the painful steps until it is necessary," he said, adding that "Alan Greenspan warned of irrational exuberance in 1996."



In 1961, a small group of IESE alumni traveled to Pamplona in northeastern Spain to celebrate the three year-old business school's first reunion or "assembly." Fifty years after IESE's foundation in 1958, more than 3,000 alumni gathered in Madrid on October 24-25 to discuss "The New Dynamics of Global Business" at the school's 47th Global Alumni Reunion. On top of that, over 1,000 alumni from some 30 countries connected to the event online.

Esperanza Aguirre, the president of the Autonomous Community of Madrid, hosted a reception inaugurating the reunion on Oct. 24 at the government body's headquarters in central Madrid. Dean Jordi Canals and Prof. Juan J. Toribio, co-director of the event, also provided welcoming remarks.

Alumni, faculty and experts then congregated at Madrid's Palacio Municipal de Congresos on Friday to discuss "The New Dynamics of Global Business." The speaker program included global thought-leaders and CEOs such as Prof. Lawrence Summers of Harvard University, José M. González-Páramo, an executive board member of the European Central Bank, and Rafael del Pino, the president of Ferrovial.

The Global Alumni Reunion 2008 aimed to deepen participants' understanding of the environment in which they do business and to improve their day-to-day work "as business leaders and people."

The academic sessions were clustered into four topics: the macroeconomic outlook; human rights and values; facing global challenges; and networking the world: technologies for integration.

Cristina Garmendia (EMBA '92), Spain's minister for science, innovation and technology, provided closing remarks.



...over 1,000 Alumni  
from some 30 countries connected  
to the event online

Clockwise from top left: Prof. Nouriel Roubini, Prof. Lawrence Summers, Esperanza Aguirre, Dean Jordi Canals and Antonio González-Adalid



1. Prof. Toribio  
2. José I. Goirigolzarri, Javier Monzón, Prof. Nuevo and Rafael del Pino  
3. Prof. Chinchilla, Prof. Matlary and Michel Camdessus





1. Mireia Rius  
2. Prof. Roubini, José M. González Páramo and Prof. Campa  
3. Nick Earle, Steve McGowan and Prof. Sieber

# With Thanks

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# "Now is the Time"



"Now is the time for you to make good use of your newly-acquired knowledge and skills and apply them well," urged Hans Ulrich Maerki, former chairman of **IBM** for Europe, Middle East and Africa (EMEA) as he congratulated IESE's Global Executive MBA class of 2008 at their graduation ceremony in Barcelona.

"Remember, your own personal human capital is built by your experience when acting as a true leader," he told the graduates. Based on his learning over 35 years with **IBM**, Maerki suggested three important factors that the Global Executive MBAs should focus on as leaders.

- Never lose sight of your customers.
- Focus on your most valuable asset, your people.
- Understand and optimize your own capability and capacity.

Maerki argued that proper management of human capital would probably be one of the most important tasks that the executives would face in their future. On top of that, he said the people the Global Executive MBAs hire would mostly determine their success.

Following Maerki's commencement speech, Dean Jordi Canals offered words of wisdom for the class of 2008.

"Do not think only about personal success: think also about other people's success. Do not think only about short-term success, but also about your legacy, the many great things that you want to leave behind for others, and how you would like to look back at them 20, 30 or 40 years down the road," he said.

Prof. Eduardo Martínez Abascal, academic director of the Global Executive MBA, also left the graduates with some advice, reflecting IESE's mission of instilling a spirit of service. "Management is about action, leadership is about service... never give up that spirit

The Global Executive MBA class of 2008 received valuable advice from Hans Ulrich Maerki, former chairman of IBM for Europe, Middle East and Africa (EMEA) at their graduation ceremony in October. The long-standing member of IESE's International Advisory Board said that the management of human capital would be one of the future business leaders' top priorities.



of service that many of you have perfected over the course of the program. Give yourselves in service to others, expecting nothing in return."

Class Representative, David Heard from Australia, shared his thoughts about the Global Executive MBA program with his peers.

"Not only have we grown as individuals, but the individuals have come together into a whole, in our teams, and across the whole class. We have a common vocabulary now, even if we still disagree on definitions, rights and wrongs," he commented.

The Global Executive MBA is a top-ranked general management MBA program for executives with more than seven years' professional experience who wish to enhance their career without abandoning their responsibilities.

This year's graduating class has a strong international character. Of the 39 students, 15 percent are women and 83 percent hail from outside of Spain. The average age of the class is 37 and the students represent 23 countries.

The program combines residential study periods in Barcelona, Madrid, Silicon Valley and Shanghai with periods of

distance learning where participants remain in contact with faculty and peers via the Global Campus portal.

IESE's Global Executive MBA launched a new monthly format in September. This new format consists of six three-month modules with week-long residential periods in Barcelona, Madrid, New York and Mumbai.

*Amy Collins*





# At Your Service

The transformation from selling products to offering services and solutions took IBM more than a decade to realize. Former IBM Chairman for Europe, the Middle East and Africa Hans Ulrich Maerki explains the necessary shift of mindset which, in his opinion, makes a company more fit to face future challenges.

Hans Ulrich Maerki worked for **IBM** for over 35 years, starting as a part-time student intern back in 1973, and after a highly successful career in the company, eventually became Chairman of **IBM** Europe, Middle East and Africa, a position he held until his retirement in April 2008. In addition, Maerki serves as a member of the board of several well-known Swiss companies such as **ABB** and **Swiss Re**, and he is on the advisory board of several leading business schools, including IESE.

During a recent visit to IESE Barcelona, Maerki met with Prof. Philip Moscoso to talk about **IBM**'s transformation from selling products to offering services and solutions. The expansion to services is one of Prof. Moscoso's area's of interest. Together with Alejandro Lago, his fellow professor in IESE's Department of Production, Technology and Operations Management, he has taught and carried out extensive research in this field. Given their shared interest in this topic, Moscoso sought Maerki's insights into how to excel in high value-added service businesses, an area which will no doubt grow in importance in the years to come.

The transformation from selling products to services has been one of the big business trends of recent decades, and companies have often struggled to meet this challenge. As one of those that have done this successfully, we would be very interested to learn from the **IBM** experience. Tell us what the situation was like at **IBM** in the early '90s, and how did the new strategy of becoming a service and solution provider emerge and develop within your organization?

Hans Ulrich Maerki: Services at **IBM** came about by accident. When Lou Gerstner became CEO of **IBM** in 1993, he wasn't really looking for a new strategy. "The last thing this company needs is a strategy," he said. "It has too many strategies. We need to survive."

Here's how it evolved: In the beginning, **IBM** used to be able to charge almost anything it wanted for hardware, and we had hardware specialists whom we called systems engineers. But as the hardware margins came down, the less we were able to afford those engineers, so we told clients that they would have to start paying for those people. Some said no and went elsewhere. But others started using our engineers, and the revenue we generated from this we started to call services. Then, at a certain point, we realized this new area didn't really fit with our existing business model, so we decided to take these people out and put them into a separate company,

which led to the formation of our Integrated System Service Corporation.

Lou Gerstner immediately recognized this was a different business model. It was not producing products, having a product development plan, bringing something to the market and selling it with a sales force. It was not transaction-oriented as selling hardware and software. This was relationship-oriented, and it required a different way of managing it. So he left this division separate, and started to nourish it and provided capital to grow. This is how we started this business in the early '90s.

One of the major difficulties companies face in this kind of transformation is not, as you say, developing the strategy but putting it to work. You have certain people who are used to a certain way of operating. How did **IBM** manage the transformation in terms of reorganization of the company, or reallocation of assets? How did you translate capabilities from product knowledge to solution knowledge? How did you ensure that the right capabilities were targeted, given that the clients' needs were also evolving? In short, how did you, within **IBM**, top-down and bottom-up, ensure that this transformation was successfully brought to life?

The first thing that we needed to do was to focus on the client again. We were producing products and then selling them to the market and hoping that the clients would buy them. It was not an outside-in look; it was more an inside-out look.

Gerstner understood that if we wanted to be competitive – to fight against other software and hardware vendors – then we couldn't be generalists, we needed to be really deep specialists. The same applied for Global Services. He said, "If you guys want to compete with **Electronic Data Systems** (our major competitor at the time) then you really need to understand services." In three or four years, we transitioned **IBM** into a very efficient, vertical organization.

Then the market changed. This was in the late '90s and early 2000, shortly before the Internet bubble burst, when we realized that clients were starting to act differently in the way they bought. They did not buy single software products and evaluate them against the competition. They said, "Listen, I have a problem. Solve my problem." Gerstner himself admitted that, as a former customer of **IBM** when he used to be a senior executive at **American Express**, "I never understood why you guys were selling me gigabytes of this and terabytes of that, and not telling



"Our biggest gap was the front-end consulting capability, to go into the board room, not to the CIO, but to the board room of the client and become a trusted partner. It took five to six years to build this concept of starting to think horizontally."

me how I could run my business in a much better fashion." The answer was clear: We were not prepared to do that at the time.

So that brought up the question, if you really want to help the client solve his problems, you have to understand the client. You have to go deep into the client. Do we have people who know how a bank or an insurance company or a distribution company works? And the answer was, "Well, we have a few, but wasn't really the core strategy of **IBM**." We knew our biggest gap was the front-end consulting capability, to go not to the CIO, but to the board room of the client and become a trusted partner. And this took, I would say, probably five to six years, to build this concept of starting to think and work horizontally.

The idea is to have one partner for a large client who takes care of that client around the world in all its global operations and becomes a trusted technology and services partner for that client. But to do that, you have to retrain your people. They still need to have deep, specialist knowledge (be vertically-oriented or I-shaped) but they also need to have a broader contextual sense of that knowledge (be horizontally as well as vertically oriented, or T-shaped).

Many companies are struggling with the same syndrome: All their people are very much "this way" – not talking to each other, not collaborating with each other, just looking after their own business, and as long as something is good for their own business, they do it, without thinking, "Is this good for the company as a whole? Is it good for the various stakeholders? Is it good for the client?"

This transformation is an ongoing process, and it takes a lot of detailed work and a lot of good communication. **IBM's** turnaround took 10 years, so this is not a quick fix.

As a result of these transformational efforts that you have just described, would you say that **IBM** might be in a better position now to face the current (or future) economic challenges?

Yes, for three reasons. First, **IBM** has become more global than it has ever been in the past, which means it isn't as reliant on one single market. So, if the U.S. has a crisis, obviously it's not good for **IBM**, but it doesn't harm **IBM** as much because we can compensate elsewhere. (This is assuming we will not have a global recession, but recessions in certain countries.)



Hans Ulrich Maerki

“Transformation is never over. The services model will have to be adapted. For the moment, it looks strategically well-built, but it would be a mistake to think this is it. It will change.”

Second, unless the customer-buying behavior fundamentally changes, and I don't think it will soon, then having this horizontal view is an advantage over competitors. We are an integrated company with the widest portfolio.

Third, having gone through these tough times to arrive at this point, **IBM** has developed the ability to react very quickly. This is what Gerstner meant when he wrote about **IBM**'s historic turnaround in his book, *Who Says Elephants Can't Dance?* Gerstner has created a team that can dance, even if you are an elephant.

It has to do with dynamism in management. If you need to stop expenses, you can stop them quickly. If you need to turn your attention elsewhere, you can do that. If you need to move resources from one place to the other, you can do that. We can manage our resources globally. We have 70,000 people in India, but they do not work for India only, they work for the whole world. And maybe when you see there is less demand in the United States, you can allocate your resources somewhere else. They can physically stay where they are, but the allocation of resources can be done quicker. The same thing with skills. I think this is a unique selling proposition that **IBM** has, which will make it easier for **IBM** to go through economic crises, though admittedly it will be hard.

Would you say that the transformation is completed? Has **IBM** arrived at the point where this vision was meant to go, or do you anticipate further transformation with some different models?

Transformation is never over. Now, depending on the horizon that you set yourself, you could say, “I have disposed of everything that looks like a commodity, and have moved my entire business model into more value-added services,” but who knows when our services will become commodities? Maybe some already have. Which means even the current service model will have to be adapted. So, it's never over. For the moment, it looks strategically well-built, but it would be a mistake to think this is it. It will change.

**IBM** is investing heavily in service science research. It operates service research centers, it leads a worldwide research initiative called Service Science, Management and Engineering (SSME), it sponsors academic conferences, and it collaborates with a wide number of business schools and universities such as IESE. Moreover, you recently wrote an article on the importance of services as the subject of scientific research and teaching, where you compared

this effort with the one **IBM** did years ago pushing for computer science. What exactly is this service research about?

Back in the '60s, people at universities asked **IBM** the same thing: “Why do you want computer science? This is a machine! What's the science about?” Today, we need to understand and agree that if you look at the world economy, 70 or more percent of most economies is created through services. Yet if you look at the curricula of most universities, which **IBM** has done over the past five or six years, you see that we have engineers, we have scientists, but no one really graduates as a person who has all the different skills, from psychology to engineering, to understand how to build a true services process. Are we really studying the 70 percent of the GDP that we are producing? The SSME initiative was born partly from that frustration. **IBM** has learned a lot from its own 10 to 15 years' experience of understanding that services is not the same world as products: It takes different skills. But **IBM** doesn't have all the answers, which is why it needs to work together with research and academic institutions around the world in this endeavor.

What are some of the success factors that need to be taken into account in order to yield beneficial partnerships when a company like **IBM** partners with a public body like a university or even with a government or E.U. institution, as you frequently did in your role as Chairman of **IBM** Europe, Middle East and Africa?

Two things. One is trust. The partner, whoever that is, whether it is an NGO or the EU, has to fundamentally trust that when someone from a company is coming in, he is not trying to blame the government for something, but is genuinely trying to help. Building that trust takes time.

The second virtue is patience. If you are on the business side, like me, you are used to different decision cycles. I am used to very different time cycles on projects, on how quickly we can do this, and you just have to learn – as I had to learn, the hard way, because many times I was frustrated – that the public sector doesn't act as quickly as we in the private sector would like them to. But if you pull out too early, you may have misspent your company's money, and your partner may also have misspent his money.

So, it does take a lot of patience. And it also takes trust. But by being patient enough, and creating trust, we have been able to accomplish many things over the past five or six years that we would not otherwise have been able to do ourselves. I think it helps that many politicians today understand much better that using this kind of collaboration with industry is beneficial for their job.



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# Preparing to Work Harder

When The Economist Intelligence Unit (EIU) awarded IESE's full-time MBA the number two spot in its 2008 global ranking, the EIU highlighted the strong performance of the MBA Career Services Team, which succeeds in helping 99 percent of students find work within three months of graduation.

This year, IESE's MBA Career Services Team is facing a bigger challenge; to meet this target during an economic downturn. But Alejandro Herrera, director of IESE's Career Services, said the department's long-term strategy of building enduring relationships with top recruiters from a diverse range of industries, such as the consultancy firm **McKinsey & Company** or the sportswear manufacturer **Nike**, means it is well-placed to weather out the downturn.

Career Services has worked hard from the outset to build relationships with top international recruiters, to convince them to come to Barcelona to participate in events such as the MBA Career Services team's flagship event, the MBA Career Forum.

This year, the 2008 Career Forum took place on the school's Barcelona campus on Oct. 20-22. The event can be decisive for the students' job search: almost half of the second-year MBA students secure a position via the event. And for the first-year students, the forum is an opportunity to identify both future employers and summer internships.

Another advantage of Career Service's strategy is its emphasis on a wide range of recruiters. "Thanks to the groundwork we've been laying over the years, we have contacts with a diverse range of companies such as the pharmaceutical firm, **Abbott**, or makers of the Blackberry™, **Research in Motion**, two of the Career Forum's silver sponsor's this year," Herrera said.

In contrast, a business school that has, say, as pool of banking recruiters on its doorstep may struggle more in a down-

turn if this pool of recruiters were to evaporate.

## Looking up in the downturn

And as Herrera pointed out, there are companies who are looking to expand regardless of the sector or the adverse economic climate. They have expansion plans to meet and need young, capable business leaders with an international outlook. One example is the one of the event's gold sponsor's the **Santander** banking group. Herrera reminded IESE alumni of this pocket of talent when considering their own expansion plans.

It is unsurprising, though, that Career Services reports an increase in interest in industry, especially energy, and consultancy positions this year. One IESE MBA with both energy and consultancy in his sights is Heiko Seitz. The German secured an offer for **BP's** two-year rotational program, the Helios Fellowship, following a successful summer internship in Aberdeen, in the U.K.

On top of that, Seitz interviewed with **Bain**, **The Boston Consulting Group** and **Roland Berger Strategy Consultants**. Seitz, a former entrepreneur, praised IESE's Career Services for its help in firming up his career objectives. "They helped me get a clear idea of the direction I wanted to go in. They were very engaged and positive."

Seitz, president of the MBA's Energy Club, said he had not seen the impact of the crisis on energy as in other sectors. On the other hand, the President of the MBA's Finance Club, Charles Collins, has felt effect of the financial markets' meltdown. Despite a success-



There are companies that are looking to expand regardless of the sector or the adverse economic climate. They have expansion plans to meet and need young, capable business leaders with an international outlook.



ful internship at an investment bank, the bank was unable to offer him an associate position in London due to the crisis. "There is extreme competition for the [few] positions that have emerged."

Collins is still committed to his long term career goal, though: to launch a fund focused on investments in environmentally sustainable communities. To do this, the former architect reckons he needs 10-15 years experience in the finance sector to build up knowledge and networks.

MBA students like Collins often see the program as a way of switching careers. Recruiters may warn against student's attempting the "triple-jump" though, changing function, industry and country all at once. Wouter de Vreeze, another MBA 2008 candidate, has managed to make the leap from law to consultancy.

The Dutch student has secured an offer from **Booz & Co.** following a successful summer internship. The former mergers and acquisitions specialist wanted to know why one company wants to buy another, rather than be limited to the legal aspects.

De Vreeze feels fortunate that he has nailed down a job offer before the global takes a turn for the worse, though. "It would not surprise me if some of my classmates had a harder time finding a job after the MBA."

Collins remains in touch with the banks as well as exploring backup plans with the help of Career Services. "Overall, Career Services is characterized by a high level of personal attention that sets them apart

from their counterparts at larger MBA programs," Collins said. Herrera also highlights the size of the MBA class, around 200 students compared to up to 800 at some schools, as an advantage.

Another of the IESE Career Services strengths is the quality of its "product."

Luz Helena Rojas, senior vice-president of international recruitment at **Schneider Electric**, found a great match between the energy company's values and IESE's MBAs.

"The IESE students are results-oriented, internationally-minded with clear ambitions and committed to social responsibility and sustainability. They want to be successful but they also want to leave a positive legacy behind," said Rojas.

MBA CAREER FORUM	
ABBOTT	HSBC
ACCENTURE	IMS
ACCIONA	JOHNSON & JOHNSON
ARTHUR D. LITTLE	JPMORGAN
AT KEARNEY	GUARDIAN
BAIN & COMPANY	MCKINSEY
BANCSABADELL	& COMPANY
BARCLAYS CAPITAL	MEDTRONIC
BBVA	MERRILL LYNCH
BERGÉ	MORGAN STANLEY
BOOZ & CO.	NESTLÉ
THE BOSTON	NIKE
CONSULTING GROUP	NOVARTIS
CELSA GROUP	OLIVER WYMAN
CITI	PHILIPS
COSENTINO	RIM
DELOITTE	ROCHE
DELTA PARTNERS	ROLAND BERGER
DEUTSCHE BANK	CONSULTANTS
DEUTSCHE POST	SANTANDER
DUPONT	SC JOHNSON
EUROPEAN	SCHINDLER
INVESTMENT FUND	SCHNEIDER ELECTRIC
EUROPRAXIS	SHELL
CONSULTING	SIEMENS
EXXON MOBIL	UNIBAIL-RODAMCO
EVERIS	VALUE PARTNERS
ERNST & YOUNG	VESTAS
FIDELITY	
INTERNATIONAL	



Maria C. Balet, Enrique Esteve, Prof. Fernando Peñalva and Javier Muñoz

# More Support for Management Education

## TWO NEW FOUNDATIONS OFFER SCHOLARSHIPS AT IESE

IESE has signed a partnership agreement with the Enrique Esteve Balet Foundation (**Enesba**) and the **Eduarda Justo Foundation** that will help provide additional funding for participants of management education programs.

The two foundations, guided by their interest in the future of management education, have decided to offer scholarships that will cover the full cost – including tuition fees and living costs – of a full-time MBA at IESE.

The **Enesba Foundation** will grant scholarships to highly qualified students from either Africa or India committed to returning to work in their countries of origin.

The foundation directs the majority of its support to emerging countries, believing that by investing in the education of the most promising executives and managers in emerging countries, they, in turn, will reinvest all that they have learned at IESE in the economies and societies of their home countries.

Meanwhile, the **Eduarda Justo Foundation** will be providing funding for MBA participants that are from and/or based in the Southwestern province of Spain, Almeria.

The foundation is committed to investing in youth education to prepare young people for leading roles in institutions and companies, particularly in the region's textile industry. The foundation has already awarded its first scholarship to a student in the MBA Class of 2010.

# MBA Global Leadership Series

## DEUTSCHE BANK VP EXPLAINS HOW IT UNLOCKS CHANGE IN BANKING

Two important factors that help ensure a bank's success, aside from capital, are its people and its technology, according to Hermann-Josef Lamberti, executive vice president of **Deutsche Bank**. Lamberti spoke to IESE MBAs on the influence of the information technology revolution on the banking industry in a session titled "Information Technology as a Driver of Global Change."

The masterclass, which formed part of the Global Leadership Series, was held on Nov. 17 at IESE's Barcelona campus. Lamberti highlighted the consequences that technology has wielded on banking practices, specifically the establishment of transaction banking and the creation of a global financial market, asset securitization and sales of receivables. The banker listed three key success points for the industry:

Algorithmic trading – automated trading using real time market data with virtually zero latency;

Electronic trading platforms – enable institutional investors to trade equities, convertibles, currencies, fixed income, futures and options, and others;

Online banking and brokerage – private clients process transactions directly online. Deutsche Bank processes over 7 million transactions per day via its online system.

"The future banking model is online," Lamberti stressed. Clients will no longer go to their branch office, and when bankers are present it will be via telephone or video conference. "There is no volatility in markets that work in milliseconds," he added. While technological advances are driving

the success of the banking industry, they are not without their problems. Volume (network traffic, storage), cost and control, complexity (security, massive point to point connectivity issues) and innovation (coping with the speed of change) present some of the main challenges with this technological revolution.

Lamberti offered some solutions to implement this new technology-driven model in banking. One of the key components is a Service Oriented Architecture (SOA). This highly flexible, service oriented architecture offers a platform to which processes can easily be added. This platform, or "Enterprise Service Bus," masks the underlying technology and complexity and allows processes to be adapted anywhere.



# Financial Crisis Needs Global Response

## 5TH ANNUAL MEETING OF THE BANKING SECTOR

"It won't be fast or easy, but I am confident that the crisis can be overcome," concluded José Viñals, deputy governor of the **Bank of Spain**, at IESE's 5th Annual Meeting of the Banking Sector held at the school's Madrid campus in October.

The event brought together industry figures to debate the challenges thrown up by the global financial crisis. IESE Profs. Juan J. Toribio, Pedro Nueno and José L. Campa coordinated the meeting, along with Carlos Mas, president of **PricewaterhouseCoopers**, and director of the e-business Center PwC&IESE.



Carlos Mas

Viñals of the **Bank of Spain** listed the main causes of the crisis. "Certain banks' lack of caution, abuse of compensation systems and the questionable regulatory system, which ignored the instruments and structures that did not appear on the bank's balance sheets."

Although the central banker expressed his concern for the pervading atmosphere of uncertainty, which is triggering serious liquidity problems, he was optimistic that "the crisis can be overcome."



Prof. Pedro Nueno



Prof. Juan J. Toribio

As for remedies, Viñals stressed the need to stabilize the system in the short term by implementing measures adopted by governments and monetary authorities. He highlighted the importance of "setting into motion coordinated global initiatives." He stressed the importance of the G20 summit held in November in Washington D.C., which redefined the international financial system and its role.

### Spanish central bankers' prudence pays out

Despite the gloom in other parts of the world, Juan Rodríguez Inciarte, general manager of **Banco Santander**, and Manuel Castro, head of innovation and devel-



Juan Rodríguez Inciarte

opment at **BBVA**, were positive about the outlook for the Spanish banking industry.

"We have the best banking model in the world," **Santander's** Rodríguez Inciarte stated, highlighting the importance of Spain's commercial and retail banking sectors. "The Spanish system is very well regulated thanks to the **Bank of Spain**," the banker said.

Rodríguez Inciarte stressed the importance of exporting the banking model to other countries, thus achieving solid internationalization. "You have to buy at the right time, and have capital and the management capability to execute the acquisition," he stated. Since the credit crisis began, **Santander** has snapped up **Alliance & Leicester** and some of **Bradford & Bingley's** assets in the U.K., **Sovereign Bancorp** in the U.S. and **Banco Real** in Brazil.

The banking executive also referred to a shift in the principles of traditional banking.



Manuel Castro

He highlighted "sound management and control of the risks and costs" as the cornerstone of the banking business.

For his part, **BBVA's** Manuel Castro pointed to the importance of technology in creating a business model in which immediacy, interaction and customer-orientation



José Viñals

are the keys. "Technological innovations enable us to improve on products that already exist and are very difficult to differentiate. On top of that, it allows us to reach more people and redefine our business strategy," Castro said.



# IESE Unites African Business Leaders

## PAN-AFRICAN ADVANCED MANAGEMENT PROGRAM MODULE

IESE brought together participants at business schools in West and East Africa for a joint module in their Advanced Management Programs. Participants from the **Strathmore Business School (SBS)** in Nairobi, Kenya, and **Lagos Business School (LBS)** in Nigeria met at IESE's Barcelona campus in November for the module.

It marked the first time that executives based in Eastern and Western Africa joined together for a pan-African general management program. The IESE initiative aimed to bring together the participants as a first step to investigating future possibilities for collaboration.

"We see a fit, but it is not that straightforward; Africa is an extensive and diverse

continent. This was an opportunity for participants based in Kenya and Nigeria to discover each other in a third country," David MacManus, program director for the pan-African AMP module said.

"The initiative is part of IESE's commitment to improve the quality of management education in Africa," MacManus added. IESE aspires to help in African countries' economic development by improving the quality of its senior management, providing them with the tools they need to respond to the challenges they face, in turn creating jobs and a fairer distribution of wealth.

"The three schools welcomed this initiative as an opportunity to enhance the learning process and the participants' networking

opportunities," said Prof. Javier Santomá, academic director of the program. "There were challenges on the academic and organizational side since the module needs to build on and integrate two different programs and their participants, as well as coordinate faculty from IESE, **LBS** and **SBS**," he said.

All of the participants were chief executives leading companies in sectors as varied as telecoms, advertising, construction and financial services.

# Private Label Brands Gaining Ground

## VIII SYMPOSIUM OF IESE'S INTERNATIONAL CENTER FOR LOGISTICS RESEARCH

Discount retailers such as **ALDI** have doubled in Europe over the last 10 years. And with the economic crisis tightening consumers' purse strings, private label or own brand products have snatched market share from traditional branded equivalents.

These were some of the findings of an in depth study on the private label challenge presented by Prof. Marc Sachon at the VIII Symposium of IESE's International Center for Logistics Research, held at the school's Madrid campus on October 30. The research indicated that while consumers may initially choose

private label products purely for price reasons, they stick with them because the quality is often similar and sometimes better than the traditional branded equivalent.

Traditionally, branded consumer good manufacturers ignored generic or private label products and did not consider them as competition, which may have allowed them to steal a march on their upmarket counterparts.

"One of our biggest frustrations is the inability of many executives, especially from the U.S., to accept the reality of

private labels. Many of these executives dismiss them as inferior and instead focus exclusively on competing manufacturer brands," Prof. Sachon stated.

The private label sector swallows up to 45 percent of the consumer goods market in Europe, compared to just 25 percent in the United States.

### Innovative solutions

So what can branded consumer products do to defend their market share? The key, according to Prof. Sachon, is innovation.



# Prevention Rather Than Cure

## 15TH ANNUAL MEETING OF HEALTH TECHNOLOGY INDUSTRY EXECUTIVES

When it comes to the health technology industry, greater investment doesn't necessarily guarantee better efficiency, according to Daniel Carreño, president of **General Electric Healthcare** for Spain and Portugal. Instead, it's where the money is invested that counts.

One of the main challenges of the health technology industry is to focus investment on disease prevention rather than the cure. This would be a more efficient use of funds than pouring money into treatments necessary to fight diseases that could have been prevented.

Carreño and other industry leaders analyzed the challenges of investment and

innovation in the health technology sector at the 15th Health Technology Industry Meeting on Oct. 16 at IESE's Barcelona campus. Prof. Pedro Nueno coordinated the meeting, which was sponsored by the **Spanish Federation of Health Technology (Fenin)**.

Another challenge of innovation in the health sector is that new technologies are advancing faster than they can be assessed. "The goal of evaluating advances in healthy technology is to guarantee patient access to innovative technologies that are effective both from a clinical standpoint and an economic one," said Hugo F. Villegas, head of **Johnson & Johnson Medical Iberia**.

He further stressed that the goal of innovation is to be more productive and that uncontrolled innovation would not only be counterproductive, but a wasted investment as well.

Villegas also suggested that investing in the health sector is not merely empty spending with nothing in return, but rather is necessary for the good of society. "A healthy society leads to greater productivity, greater effectiveness, more savings and a better job market than an unhealthy society."

The discussion closed with one goal in mind: offering citizens a better quality of life.

# EU Targets Pharma Bottlenecks

## 2<sup>ND</sup> PHARMACEUTICAL INDUSTRY MEETING

Twenty-seven EU countries and 27 private international companies have joined forces to alleviate the principle causes of delay, or "bottlenecks," in the process of discovering and developing new medicines. Combined, the EU government and the private sector have committed €2 billion to the project, called "The Innovative Medicines Initiative."

Irene Norstedt, Head of Innovative Medicines, Health Research, **European Commission**, explained the EU's new groundbreaking project at the 2nd Pharmaceutical Industry Meeting, held at IESE's Barcelona campus on Oct. 23. The meeting brought together industry and governmental experts to discuss the latest develop-

ments in the pharmaceutical sector. IESE Prof. Pedro Nueno coordinates the event. So far, there has been a "very high interest from industry" to participate in the Innovative Medicines Initiative, Norstedt told the audience. The initiative's website is [www.imi-europe.org](http://www.imi-europe.org).

Speaking during the same session was Prof. Antonio Monge, managing director of the Applied Pharmaceutical Research Center (CIFA) at the **University of Navarra**. Prof. Monge stressed the importance of finding ways to maximize the effectiveness of medicines that already exist, since "it is always possible to improve what is already known."

In a separate session, Antonio Esteve, president of **Laboratorios Esteve**, outlined various trends in the sector, such as moderate growth in Western markets, as compared with an upswing in growth in emerging markets. He also noted the expansion of generic medicines on a global level, the increasing number of informed consumers and the transformation process that is currently under way in the chemical-pharmaceutical industry. The result of these developments is that businesses cannot survive if they do not innovate, he said.

"Organizations without vision do not create a future, they merely react to current pressures," Esteve stressed.



1. Philippa Rodríguez  
2. Francisco Quintanilla

3. Irene Norstedt  
4. Prof. Pedro Nueno

5. Antonio Monge  
6. Prof. Magda Rosenmüller

7. Antoni Esteve  
8. Humberto Arnés

# Speak to the Camera

IESE Business School teamed up with Cranfield School of Management to design an executive education program for Oracle in 2007. One of the many mechanisms that made the program innovative was that the software giant's high-potential managers were interviewed on camera individually and filmed collectively throughout the program. The filming process helped participants crystallize what they planned to do to drive change within Oracle. The second edition of the Oracle *4Sight* program kicked off at IESE's Barcelona campus at the end of October.

One of the meanings of the word "oracle" is "a person of wise counsel." For the participants of the Oracle *4Sight* program offered by IESE's international executive education team in partnership with **Cranfield School of Management**, each member is his or her own oracle. The *4Sight* program challenges participants to recast their thinking and behaviors to unlock their ability to lead high-performance teams within the integrated enterprise software company.

"The aim is really to take some of our most talented people and give them the opportunity and the space to reflect on some things that they may not normally have the opportunity to think about and then turn that into their own personal agendas," according to David Callaghan, vice president for channels and solutions at **Oracle** United Kingdom and Ireland.

One of the innovative mechanisms that helps participants make these discoveries is the use of filmed interviews throughout the program, led by **BBC**-trained technicians. The aim of the filmed interview is to support participants in articulating the main components of their "learning contract" which specifies the goals the participant agrees to achieve throughout and beyond the program.

Preparation of the "learning contract" begins prior to the first module with the participant's manager and selected colleagues assessing his or her strengths and weaknesses via a bespoke online platform.

The assessment helps identify the gaps in the participant's knowledge or expertise relative to the program's focus areas. At the beginning of the first of three modules, the participant responds to a series

of probing, customized questions related to his or her expectations of the program in a filmed interview. These expectations and commitments form part of the "learning contract" which participants share with their mentor, nominated by **Oracle**.

For Chris Baker, SVP of Core Technology Business at **Oracle** EMEA, who led a session in the first module of the *4Sight* 2008 program in Barcelona in October, the filmed interview process is key in pinpointing what the participants need to change to unleash their entrepreneurial and leadership abilities. "I love the fact that these guys are being pushed hard [by the interviewer] about their beliefs ... there are boundaries that are illusionary," Baker said.

Participants can share the recording of their interview with whomever they choose - fellow program participants, their team within **Oracle** or their managers - on the specially-designed online platform.

The process of sharing the film with fellow participants helps build a team spirit, as well as heighten each participant's commitment and determination to improve their own performance. "The first two modules of *4Sight* created an atmosphere that generated good synergy among ourselves but also the will to help each other," said Monica Marinucci, a graduate of Oracle *4Sight* 2007 and R&D director in the company.

This in turn builds trust, another ingredient that is essential to fostering the kind of sharing that will drive the leadership agenda within **Oracle**, and all within a safe environment. "I see [the program] as a training ground ... It is not easy to be very, very open and to let other people really see you," said Oracle's Stephan Gamm of Oracle *4Sight* 2007.



"I love the fact that these guys are being pushed hard about their beliefs... there are boundaries that are illusionary."



The first of the three residential modules is held on IESE's Barcelona campus, the second at Bled in Slovenia and the final portion is delivered at **Cranfield** in the U.K.. Faculty and **Oracle** business leaders work together to align content and objectives to jointly deliver the program. The contribution of **Oracle** "faculty members" aims to put themes into context, i.e., to explain how they impact on **Oracle's** business.

In the first module, participants broaden their knowledge and understanding of the IT industry from a macroeconomic context. In the second module, participants strengthen their understanding of **Oracle's** strategy. In the final chunk of the program, held at **Cranfield's** campus, participants get down to the nuts and bolts of how they are going to lead teams and drive change on an individual level.

IESE Prof. Josep Valor is the program's academic director. He and Prof. Pedro Videla lead sessions in the first module. Profs. Fabrizio Ferraro and Pablo Cardona lead sessions in the second module.

A filmed "exit" interview at the end of the program allows participants to reflect on how they see themselves now, what has changed, the main take-aways, and what they will do differently going forward. To support them in this, participants follow a personal development program via the web platform.

"And my hope," said Andrew Sutherland, vice-president of technology for **Oracle** EMEA, "is that we will create a generation of managers that will be able to cope with the level of ambiguity and complex problem solving that is going to be central for us to increase our lead in this industry."

# Car Industry Needs to Look Further Down the Road

The car industry had a lot on its mind as IESE's 23<sup>rd</sup> Annual Meeting of the Automotive Industry kicked off at the Barcelona campus on Nov. 12. The ailing U.S. car industry was lobbying the government for some of the \$700 billion bailout fund originally earmarked for banks, and Goldman Sachs forecast a 15 percent slump in car sales in Europe in 2009.



Yoshimi Inaba



Toby Procter and Hugo Spowers



Juan A. Fernández de Sevilla and José M. Machado

It is difficult to focus on long-term strategy when sales are dropping like a stone, financing is increasingly scarce and all the while, the car industry is under constant pressure to reduce energy consumption and carbon emissions. But some of the expert speakers at IESE's 23<sup>rd</sup> Annual Meeting of the Automotive Industry urged participants to concentrate on the bigger challenge ahead, while fighting the fires sparked by the current downturn.

As pointed out by Toby Procter, the director of **Trend Tracker**, an industry research body, oil reserves are forecast to run out in 40 years. "That means we've got less than 40 years to get this right," he said, referring to the challenge of establishing a new business model for the automotive industry.

Most industry experts believe that the electric car will replace the gasoline-powered vehicles we use today. But Procter stressed that the switch will bring "more damaging changes than when we gave up the horse and buggy."

While Procter recognized that the technology behind electric car batteries still has to mature, he questioned the viability of the electric vehicles available today. "It is hard to imagine that much of the U.S. population will be happy to drive a vehicle with a maximum range of 65 km.," he said. "The electric car does not offer a lot of autonomy," he added.

He also questioned the assumption that drivers will be able to charge their car overnight in their garage, given that many use

on-street parking. Then there is the challenge of recharging the vehicle's battery. In the United Kingdom, a single gas station currently services as many as 3,000 cars. In Japan, the authorities plan to install 150 charging points for 3,000 electric vehicles.

London's local authority is currently installing 60 charging points at a cost of €9,000 each. But to get enough juice in its engine, an electric car needs to sit there for three or four hours. Procter believes that, to be feasible, charging has to become three times as efficient and costs have to come down by a third.

## Hydrogen fuel cell outruns electric

Hugo Spowers, an engineer, MBA graduate and a former racing car driver, agreed that

"You can't convince a fuel-cell engine to behave like a combustion engine... You need to take a whole system approach."



Prof. Pedro Nuevo and José M. Alapont

the gasoline-powered vehicle will soon be a relic of the past, but he believes that the hydrogen fuel cell is a stronger alternative energy source. "The electric car will run into the buffers sooner than the hydrogen fuel-cell car," he said.

Spowers heads up **RiverSimple**, a consortium that built the Morgan LIFECar to prove that hydrogen fuel-cell vehicles can be built using existing technology. Two of the challenges facing hydrogen fuel-cell vehicles, according to Spowers, are the cost and power density. "You need to reduce those things by a factor of four and we've done that in the LIFECar," he said.

The result is a sleek roadster with a range of 400 km and at top speed of 135 km/h. Now that it has proven its point, the con-

sortium is working on a two-seater vehicle for urban use with a top speed of 80 km/h and a range of about 480 km. The consortium is made up of **Morgan Motor Company, Oxford and Cranfield Universities, Linde and QinetiQ.**

Just as car drivers need to get used to the magnitude of the behavioral changes that need to be made, Spowers believes the car industry needs to undergo a paradigm shift. "The barriers to bringing a lightweight fuel-cell car to market are not technological; they're commercial," he said.

"You can't convince a fuel-cell engine to behave like a combustion engine," he said, referring to what he believes is the industry's inadequate attempt to adapt the technology. "You need to take a whole system

approach. This is a synthesis of existing technology," he said.

And if that's not enough to turn the car industry's existing business model on its ear, the head of **RiverSimple** plans to lease, not sell, the urban two-seater. Because, as the world's resources diminish, Spowers believes that "there is no chance of a sustainable industrial society based on the sale of products."

Prof. Pedro Nuevo coordinated the event, which included a range of top-level speakers including Yoshimi Inaba, board member of **Toyota Motor Corporation**; the President of **Renault** Spain, Juan A. Fernández; the President of **Ford** Spain, José M. Machado and José M. Alapont, president and CEO of **Federal Mogul.**

# An Alternative Route to Entrepreneurship

What do you do if you have a burning desire to be an entrepreneur but you haven't had that "light bulb" moment, that business idea that drives you to start your own company. One option is the search fund model, a specialized form of private equity that provides entrepreneurs with a subsistence salary while they search for an existing company to buy.



The search fund model has proven successful for MBAs and other entrepreneurs in the United States, and to a lesser extent, in the United Kingdom. One of the earliest U.K. entrepreneurs to use the model, Simon Webster, explained how it works at a Search Fund Panel held at IESE Business School's Barcelona campus on Nov. 18. The event formed part of the Global Entrepreneurship Week program and was organized by the school's Center for Family-Owned Business and Entrepreneurship.

Rob Johnson, visiting professor in IESE's Department of Entrepreneurship and a successful entrepreneur and venture capital investor, joined Webster on the panel. It was Johnson who introduced Webster to the search fund model while the professor and MBA candidate, respectively, were at **London Business School** in the early 1990s. Mark P. Egan, managing partner of **Marion Equity Partners** in Boston, was the third panel member.

Under the model, the entrepreneur convinces a group of around 10 investors to provide some funding, typically \$20,000 to \$30,000 per investor, to live off while he or she looks for a company to buy. The model has gained momentum in the U.S. and is well-known among the investor community. But as a pioneer in the field in the U.K., Webster had to overcome a lack of familiarity with the concept. He is now keen to make MBA graduates aware of this career option.

## Finding funding

The LBS graduate tapped into the school's network and sought personal introductions to alumni and faculty. After seven months living off his own money, he had assembled a group of "seasoned busi-

According to Stanford's Graduate School of Business, search funds have provided an average rate of return of 37 percent.



ness people who wanted to see a young entrepreneur succeed," Webster said.

This group provided the young entrepreneur with more than just cash over the years, though. "All of them to a man took off their jackets and rolled up their sleeves and said 'How can I help?' when needed."

But it's not just the rosy glow of helping a young entrepreneur to fulfil his dream that motivates investors. According to a study by Stanford's Graduate School of Business, search funds have provided an average internal rate of return of 37 percent. And as Egan of **Marion Equity Partners** pointed out, investors can spend \$30,000 each on a number of extremely motivated entrepreneurs rather than hire one associate, as in traditional private equity.

### Buying into the person

At this early stage, however, faith in the entrepreneur is paramount in the search fund model because at this point, there is

no business. "Search fund is a process in which an entrepreneur has an opportunity to run and own his or her own company and the investor has a first right, but not an obligation, to buy into that company," IESE Prof. Johnson explained.

Egan, whose father - like Johnson - invested in Webster back in the 1990s, said that while around a third of entrepreneurs using the model are MBAs, their profile is all over the board. "What we are looking for is a person's story that all ties together," he said. With MBA graduates from top business schools, Egan said there is an advantage that they've gone through a tough screening process already.

MBAs are also familiar with the "opportunity cost" of foregoing an income for one or two years to study. MBA entrepreneurs following the model have to accept the "opportunity cost" of missing out on a steady income to fulfil their dream. And it can be a long hard slog; Webster spent three and a half years "kicking the tires" of a lot of companies and "kissing a lot of frogs" before finding the right target.

At this point, the entrepreneur asks the initial investors for cash to help fund the acquisition, but they are not obliged to do so. Search fund entrepreneurs typically look for companies in fragmented industries, perhaps with succession issues.

### Close the deal

After a few near misses, Webster reached a takeover deal with RSL, a prosthetics and orthotics company in 1995. The firm had an 8 percent market share and a turnover of £3.5 million. He sold the company to a private equity buyer 10 years later, having grown sales to £30 million and EBITDA from £0.4 million to £2.4 million.

As Webster's story illustrates, the model is a career commitment rather than a get-rich-quick scheme. Many times, the entrepreneur felt he was "only one or two steps away from disaster." But in the end it was all worth it, "I achieved my dream of being an equity-owning manager of a company," he said.



Prof. Rob Johnson, Mark P. Egan and Simon Webster

# Entrepreneurs Making a Perfect Pitch

## IESE GROWTH & INVESTMENT FORUM SPOTLIGHTS NEW IDEAS

After hitting a few initial speed bumps, Timo Bütetfisch (MBA '04) is picking up velocity in his entrepreneurial career, as co-founder and CEO of the scooter company, **Cooltra**. Since opening **Cooltra**, turnover has risen from €110,000 in 2006 to a projected €1.3 million in 2008. And the German aims to drive the company much further.

For this reason, Bütetfisch was among the entrepreneurs seeking funding at the first annual IESE Growth & Investment Forum, organized by the Center for Family-Owned Business and Entrepreneurship (CEFIE) together with FINAVES and IESE Private Investors Network. The forum, held at the school's Barcelona campus on November 18, formed part of IESE's Global Entrepreneurship Week program of events.

After graduating in 2004, Bütetfisch launched **Lilium** – a floral distribution company. Two years later, a chance encounter led his career down a completely different road. The young entrepreneur met someone with 50 scooters sitting in a garage in Barcelona who did not know what to do with them.

Bütetfisch and his business partners sought funding from angel investors, securing €675,000 in the first round. Before long, the IESE MBA had the **Cooltra** scooters up and running all over the city, with the company clocking up revenue as well as kilometers. The company operates on a low-cost model, offering well-designed products at competitive rates.

From 50 scooters sitting in a garage, **Cooltra** now has a fleet of over 500 scooters with premises in Madrid, Zaragoza, Valencia and Seville, as well as on the islands of Mallorca and Ibiza. On top of short- and long-term scooter rental, the company offers tours and B2B leasing with specially branded vehicles.

Looking ahead, the company aims to expand even more aggressively, principally through franchising and direct sales of branded scooters such as **Cooltra** Vintage and **Cooltra** Kukuxumus. As a result, **Cooltra** was looking for funding of €1 million from the investors attending IESE's Growth and Investment Forum.

Bütetfisch was one of seven entrepreneurs pitching to the investors at the event and **Cooltra** was one of four entrepreneurs seeking growth steam funding, along with **nuubo**, **Easy@prof** and **Sí, se puede**. **Nuubo** is focused on applications for intelligent fibers, **Sí, se puede** is a free weekly newspaper for the immigrant community in Spain and **Easy@prof** provides multimedia content management software.

### IESE MBAs in the Early Stream

Among the three entrepreneurs seeking funds in the early stage stream were two IESE alumni, Blanca López García (MBA '03) and Greg Golebiebiewski (Global Executive MBA '07), a U.S. citizen who grew up in Poland.

López aims to leverage her experience in corporate finance for the hotel indus-

try, as well as her family's background in the sector, to launch **Urban Host** – a chain of hostals and guest houses. **Urban Host** will offer simple, modern, low-cost rooms in central locations, targeting travelers using two- to three- star hotels. Demand in this sector has risen by 30 percent in the last year.

Golebiebiewski plans to launch his online micropayment model, **Znak It!**, in Poland where the local market is more concentrated. **Znak It!** allows publishers of premium web content to monetize their work via micropayments. The user can buy "znaks" or tokens worth 5, 10 or 25 cents with a credit card or alternative payment method and then choose to buy the sealed premium content where he or she chooses.



Timo Bütetfisch



# CEO of GE Calls for More Innovation

## JEFFREY IMMELT SPEAKS AT IESE'S MADRID CAMPUS

To stave off the effects of the global economic downturn, Jeffrey Immelt urged companies to focus on innovation. Innovation will be particularly critical in sectors such as industry, health services, clean energy and transportation, said the chief executive of **General Electric (GE)** at IESE's Madrid campus on Oct. 28.

Immelt's presentation was part of a joint event celebrating both the business school's 50th anniversary and the leading Spanish financial publication, *Actualidad Económica's* first half century. Dean Jordi Canals noted in his opening remarks that, "In today's context, it is essential to understand how companies such as **General Electric** become legends."

The boss of **GE** said he remained "optimistic" about the current economic

scenario, and said that actions taken by national governments will lead to an improved financial environment. Nevertheless, he noted that companies will have to seek to do more with less, over the next two years, if they want to excel. "Probably in 2010, no one will be in the same position as they were in at the end of 2006 or 2007, but we will manage to resolve the financial context."

In particular, it will be necessary to develop sound economies that are based on industry and innovation, not just finance. "I've got nothing against [financial services] them, but I believe that we have to evolve toward industry and innovation-based economies."

In addition, he cited the importance of having positive daily cash flow, which allows firms to convert current obsta-

cles into opportunities for growth and greater productivity. He also encouraged continued investment in R&D, as well as innovation, as the way to bring about change. Companies who do so will come out ahead when the economic cycle shifts in the future.

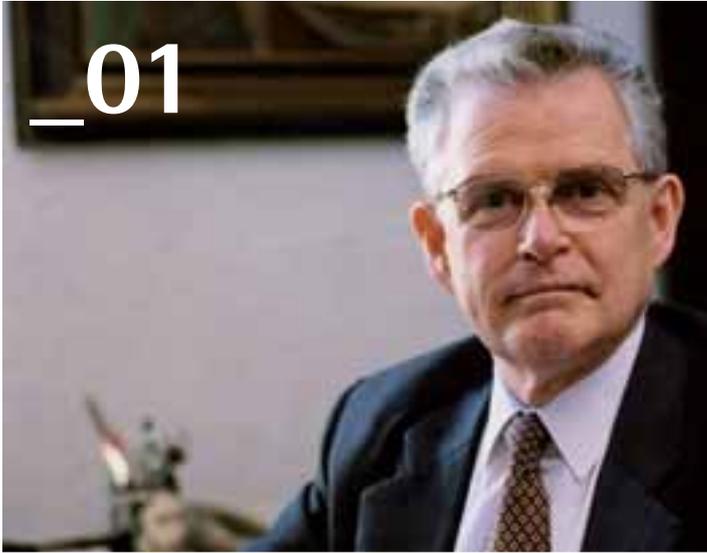
Immelt succeeded Jack Welch as head of **GE** in 2001. He was named one of *Time* Magazine's "Top 100 Most Influential People in the World" in 2008, and currently serves on the Board of the New York Federal Reserve Bank. Other speakers at the event included alumna Isabel Aguilera (PDG-II-98), president of **General Electric** Spain and Portugal.



Jeffrey R. Immelt

# IESE Faculty Earn Global Recognition

PROFS. ARGANDOÑA, RICART AND REICHE HONORED



## **\_01 Antonio Argandoña**

Professor in the Department of Economics

IESE Prof. Antonio Argandoña, the holder of the '**la Caixa**' Chair of Corporate Social Responsibility and Corporate Governance, received the 2008 Lifetime Achievement Award at the annual European Faculty Pioneer Awards for his prolific scholarship.

"During his 45-year teaching career, he has been an institutional leader, bringing corporate responsibility and business ethics into the core of the IESE curriculum." These words voiced the **European Academy of Business and Society (EABIS)** and the Aspen Institute Center of Business Education's opinion of Prof. Argandoña. The IESE professor has contributed nearly 100 book chapters and publications on economics and social responsibility, as well as many research papers.



## **\_02 Prof. Joan E. Ricart**

Holder of the Carl Schrøder Chair of Strategic Management

In October, Prof. Ricart officially initiated his tenure as the president of the **Strategic Management Society (SMS)**, one of the most prestigious international associations in the area of strategic management. Founded in 1981, the society consists of more than 2,000 members from more than 50 countries who represent a wide range of academic backgrounds and perspectives.

Academics, business practitioners, and consultants comprise the membership of the **SMS**, which focuses on the development and dissemination of insights on the strategic management process, as well as on fostering contacts and interchange around the world.



## **\_03 B. Sebastian Reiche**

Assistant Professor in the Department of Managing People in Organizations

Earlier this year, a junior member of IESE's faculty, Prof. B. Sebastian Reiche, was honored. The assistant professor was one of four finalists for the Barry M. Richman Best Dissertation Award. The International Management Division of the **Academy of Management** grants the award.

Prof. Reiche's doctoral thesis, "Knowledge Sharing through Inpatriate Assignments in Multinational Corporations: A Social Capital Perspective," entailed a survey of inpatriates – foreign managers that are temporarily assigned to a multinational's headquarters. Prof. Reiche studied 286 inpatriates at 10 German multinationals.



# Competitive Advantages

## CHINA BUSINESS LEADERS VISIT IESE

A delegation of executives from and operating in China visited IESE's campus in Barcelona in November to participate in the conference "Competitive Advantage in A Changing World." The **China Federation of Industrial Economics (CFIE)** organized the event in conjunction with **CEIBS** and IESE.

The presidents and CEOs of leading Chinese companies, such as **China Unicom**, **China Electricity Council**, **Shanghai FOSUM High Technology** and **Chint Group**, were among those who attended the conference. Xu Kuangi, vice-chairman of the 10th CPPCC National Committee of China's ruling party and former mayor of Shanghai, led the delegation.

The business and political leaders attended the conference as part of the Global Forum on China organized by **Horasis** and **Casa China**. The delegates had a specific interest in the Spanish market. Frank-Jurgen Richter, president of **Horasis** and Dr. Claude René Beglé, president of **Die Post** of Switzerland were among the delegates.

IESE Profs. Pedro Nuño, Pedro Videla and Josep Valor led the program. During his welcome address, Prof. Nuño reminisced about the early beginnings of the Shanghai-based **China Europe International Business School (CEIBS)**, a school with close ties to IESE and of which Prof. Nuño is currently executive president.



# Mind the Perception Gap

## WORLD BUSINESS FORUM 2008

A recent survey led by IESE researchers suggests that CEOs are finding it difficult to foster creative cultures within their organizations. At the same time, however, they recognize that innovation is a key ingredient for success. This dichotomy was revealed in a poll conducted at the 2008 World Business Forum in New York in October.

While 58 percent of the 202 respondents in the survey said that innovation is critical to sustaining competitive advantage, only 36 percent said that their CEO clearly communicated the need for innovation. And just 23 percent asserted that their companies had a culture of innovation.

"These results confirm what we have suspected for some time - that there is a gap between the need for innovation as perceived by senior management and the prevailing creative focus of the organization's culture," said Azra Brankovic, research associate at IESE's Global Business Research Center in New York.

Results of the survey and further commentary can be found on The Creative Cultures blog, [www.miller-wedell.com](http://www.miller-wedell.com). The blog is written by Prof. Paddy Miller, leader of the IESE program "Creative Cultures: Making Innovation Work" along with independent consultant Thomas Wedell-Wedellsborg and Azra Brankovic.

## People



**Miguel A. Ariño** has been appointed director of the Department of Managerial Decision Sciences, where he will take over from Prof.

Manel Baucells. Prof. Ariño holds a doctorate in mathematical sciences and specializes in the areas of macroeconomic time series decision making and organizational governance.



**Laureano Berasategui** has been appointed researcher in the Department of Information Systems. Berasategui

holds a degree in economics from the **Universidad Católica de Argentina**, an MBA from IESE and a Ph.D. from the **Universitat Oberta de Catalunya (UOC)**. In 2002 he began working at the e-Business Center **PricewaterhouseCoopers** & IESE as assistant researcher.



**Pablo Cardona** has been named director of the Department of Managing People in Organizations, where he will take the reins from

Prof. José R. Pin. Prof. Cardona has developed a number of management skills systems and consulted for a wide range of companies during his career in education and executive coaching.



**Maruja Moragas** has joined the Department of Managing People in Organizations as a researcher. She holds a degree in philosophy from

the **Universidad Autónoma de Barcelona**, as well as a degree from **ESADE** in management. She currently runs the UDEN center at IESE, which provides business Spanish programs to MBA students. Her areas of specialization include, career management and the work / family balance.



**Karen Sanders** has joined IESE as a senior lecturer in the Department of Managing People in Organizations. Prof. Sanders earned

her doctorate from the University of Navarra and has since written widely on issues such as ethics in communication, journalism and political communication. She co-founded the Institute of Communication Ethics in 2003 and the **Association of Political Communication** (Asociación de Comunicación Política) in 2008. She was previously senior lecturer in the Department of Journalism Studies at the **University of Sheffield** (UK).

## People



### Pedro Videla

has been appointed director of the Department of Economics, taking over from Prof. Antonio Argandoña. Prof. Videla

was awarded a doctorate from the **University of Chicago** and specializes in macroeconomics, international economics and emerging economies. He has consulted for the **World Bank**, the **IMF**, the **EU**, the **Inter-American Development Bank** and **USAID**.



### Michael Brandenburg

has been appointed director of International Business Development, Central Europe. Brandenburg

(MBA '89) will be developing relationships with companies operating in Germany and other central European countries. He will deal directly with IESE's office in Munich. In addition, he will continue to manage a number of IESE's custom program clients.



### Isabel Estalella

has joined IESE as associate director of MBA Admissions. Having earned a degree in management from the **University of**

**Navarra** ('94), Estalella worked in the purchasing departments of a number of services companies. She graduated from IESE's Executive MBA Program in '04 and has worked as a research assistant at IESE. Estalella is co-founder of the NGO **Solidaridad Universitaria**.



### Carlos Estévez

has been appointed assistant director of Special Programs for Executive Education in Madrid. Estévez holds a degree in

economics and business from **Universidad Complutense de Madrid**. He has worked in the consulting divisions of **DaimlerChrysler**, **Siemens**, **Deloitte** and **Ernst & Young**. Estévez helped to coordinate IESE's Management Leadership Program in 2007-08.



### Miguel Folque

has been named new associate director of the Global Executive MBA. Folque holds a degree in business and information systems ('96) from the

**Universidade Autónoma de Lisboa**, as well as an MBA from IESE ('08). Prior to joining IESE, Folque worked as IT manager for **Bacardi-Martini** Portugal; brand manager for **Dan Cake** Portugal, and senior brand building manager for **PrimeDrinks**, Portugal's leading beverage distributors.

# IESE Insight Gets a New Look

## THE KNOWLEDGE PORTAL NOW OFFERS MORE CONTENT

IESE's knowledge portal has a brand new look, with more content and improved features. In addition to a more graphic design and use of multimedia, the new Insight portal provides access to all of IESE's publications, from teaching and research materials, to opinion pieces, business indicators and audiovisual files.

The new portal can be navigated by knowledge areas (now with 14, more specific categories) and by type of document (including the new podcasts category). In each section, users can access articles summarizing the latest research, as well as related studies published in IESE for that particular category.

The improved portal now offers more content – with a catalogue containing over 5,000 references. To facilitate access to this extensive list of materials, there is a new powerful search engine that lists results by key words, author, knowledge area, date, language, type of document, bibliographic reference and even by specific IESE centers and chairs.

### User friendly

Logging in is also much easier with the new site. While it is no longer necessary to login to access the majority of the site's content, the portal now recognizes different user profiles, providing special member benefits and access to exclusive documents for users such as alumni and IESE publishing clients.



[HTTP://INSIGHT.IESE.EDU](http://insight.iese.edu)

# Managing Across Cultures

## 6<sup>TH</sup> WORKSHOP ON CROSS CULTURAL MANAGEMENT

Forty scholars from 18 countries gathered at IESE's Barcelona campus to participate in the 6<sup>th</sup> Workshop on International Strategy and Cross Cultural Management, on September 22-23. The European Institute for Advanced Studies in Management sponsored the workshop.

A total of 34 papers were presented across four tracks, chaired by Chris Carr and Markus Pudelko from the **University of Edinburgh**, and IESE Profs. Africa Ariño and Sebastian Reiche.

The Best Paper Award was won by Paula Neto (**ISCA**), António Brandão and

António Cerqueira (**University of Porto**) for their paper titled "The Macroeconomic Determinants of Cross Border Mergers and Acquisitions and Greenfield Investments". A selection of papers will be published in a special issue of the *International Journal of Cross Cultural Management*.

The workshop also provided opportunities for attendants to exchange ideas. "Bringing together scholars of international strategy and cross cultural management under one roof helps enhance the dialogue between these two related, yet still somehow distinct domains," said Chris Carr.



# Weaning the U.S. Off Oil

THE WALL STREET JOURNAL'S VIEWPOINTS SERIES

T. Boone Pickens, legendary oilman and founder of the hedge fund **BP Capital**, revealed his blueprint for reducing the United States' dependence on foreign oil to over 100 prominent New York-based business leaders at *The Wall Street Journal* Viewpoints Executive Breakfast Series in New York in September. The event is the third of the series, which is supported by IESE Business School and **The Boston Consulting Group**.



T. Boone Pickens

The U.S. spends more than \$700 billion every year on imported oil, with the percentage of U.S. oil imports growing from 24 percent in the early 1970s to 70 percent today. If this trend continues, according to Pickens, this number will approach 80 percent within the next decade.

## Get trucking on gas

The Texas oilman laid out the "Pickens Plan" which recommends the use of natural gas and the development of domestic wind and solar power. Citing natural gas as the only resource in the U.S. that can replace foreign oil, Pickens presented his goal of getting the

U.S. trucking industry, as opposed to cars, to use natural gas.

According to the entrepreneur, U.S. natural gas reserves will last another 150 years, which would be enough to serve as a bridge to the next generation of power that will be developed - a bridge that he suggests will be a much cleaner source of energy than oil and diesel fuel.

Pickens also described his efforts to build wind farms throughout the U.S. from Texas to Canada, stating that he even planned to install windmills on his own Texas ranch.

# Finance Needs a Reboot

IESE PROFESSOR IS MEMBER OF FORUM'S NETWORK

In the wake of the global financial crisis, the world needs to scrutinize the basic operating systems driving its economies and societies and aim for a "fundamental reboot." That was the over-arching message delivered by the 700 leaders from business, government, academia and civil society that attended the World Economic Forum's (WEF) inaugural Summit on the Global Agenda held in Dubai on Nov. 7-9.

The findings of the Summit on the Global Agenda provide input for the upcoming G20 discussions and the new U.S. administration. The summit's conclusions will also form the foundation for WEF's annual meeting, which will take place in Davos-Klosters at the end of January 2009. IESE Prof. Johanna Mair participated as a member of the World Economic Forum's Global Agenda Council

on Social Entrepreneurship, one of 68 clusters focused on global challenges ranging from climate change to the international legal system, as well as social entrepreneurship

Described as combining the entrepreneurial acumen of Richard Branson with the social heart of Mother Teresa, social entrepreneurs are innovative in their approach to problems, creating a direct and measurable impact, and sustainable structures.

The council on social entrepreneurship said it is likely that social entrepreneurs will face funding challenges due to the financial crisis. But on the upside, a fall in banking and business salary levels could be just the nudge needed for talented professionals already with an interest in social businesses to make the leap.

## People



### Carlos P. Hornstein

is the new associate director of International Executive Education. Hornstein holds a degree in industrial engineering from the **Universitat Politècnica de Catalunya** as well as an MBA from **Emory University**, Atlanta. He previously worked for **Siemens**.



### Katherine Korytkowski

has been appointed associate director of the MBA Career Services. Following a degree in chemistry ('01) from **Kalamazoo College**, U.S., Korytkowski worked as a systems analyst for Hewitt Associates, in the U.S. and as a process analyst for **Google**, in the U.K. Following the completion of her MBA from IESE ('07), Korytkowski was a product manager for **Johnson & Johnson in Poland**.



### Anna Lee

has been appointed associate director of MBA Admissions. Lee holds a degree in information systems ('00) from the **University of Maryland**; a masters' degree in telecommunications ('04) from George Mason University in the U.S., and an MBA from IESE ('08). Until now, she has developed her career predominantly in the U.S., as an IT applications specialist for **General Dynamics** and as a management consultant for **Booz & Company**.



### Richard P. Sabreen

has joined IESE's U.S. team as managing director of the **IME (Institute for Media and Entertainment)**. Sabreen holds a degree

in history ('68) from the **University of Pennsylvania** and a master's degree in international relations and economics ('71) from the **Johns Hopkins Nitze School of Advanced International Studies**. Sabreen has worked in senior management roles for a number of prominent media companies, including general manager of **Bloomberg Television and Radio**, and executive vice-president and global director of communication at **Reuters**.



### Victor Villalonga

has joined IESE as associate director of operations. Villalonga holds a degree in industrial engineering from the **Universitat Politècnica de Catalunya** and a master's degree in logistics from the **Universidad Abad Oliva**. He has developed his career working in logistics and operations at **Fundación Cares**, a non-profit focused on helping abused and vulnerable children.



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# alumni\*

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## Examining the Roots of the Financial Crisis

IESE professors provided insights into the causes and effects of the financial crisis at a series of special events at the end of last year.

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## Chapter News

Information on recent Regional Chapter meetings, which are held all over the world.

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## You're in the News

Read the latest updates on alumni and their companies, as well as class gatherings with faculty.

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# Examining the Causes of the Crisis

"We are in the midst of a global financial crisis which has, in turn, triggered a crisis in consumer confidence." These were the stark words of Prof. Antonio Argandoña at a special Continuous Education Program titled "The Economic Crisis: In the Eye of the Hurricane," held on IESE's Barcelona campus on October 7.

IESE Profs. Eduardo Martínez Abascal, Núria Mas and Sanjay Peters also provided input, along with Prof. Argandoña. Prof. Pedro Videla, director of the Department of Economics, chaired the event.

The event was repeated two days later on IESE's Madrid campus, where Profs. Juan J. Toribio, José L. Suárez and Javier Díaz Giménez made up the panel. Prof. José R. Pin moderated the discussion on the roots of the crisis and the best route out of it.

Concerning the roots of the crisis, Prof. José L. Suárez related an anecdote of the late Prof. Rafael Termes concerning the flourishing black market in the Spanish economy after the country's Civil War.

"People bought and sold canned sardines and earned a little money in the process. Now and again, somebody dared to open the can. If they complained that the sardines were rotten, people said: 'How ignorant you are! They are for buying and selling, not for opening and eating,'" the late professor used to say.

In the same way, subprime mortgages were sold above their true value. But at the Barcelona event, Prof. Martínez Abascal said that financial instruments linked to U.S. subprime mortgages were only part of the cause of the current crisis. "The more serious problem has been the underlying performance of the U.S. real-estate and mortgage market in general," he said.

## Confidence knocked

A second crucial factor was the sharp fall in inter-bank confidence. "Banks' increasing reluctance to lend to each other created a significant contraction in liquidity, which, in turn, has prompted defaults," said Martínez Abascal. Prof. Suárez added that this situation significantly damaged investors' confidence, creating "an enor-

mous mistrust of the markets that has led to the current situation."

The economists discussed measures taken by national governments to staunch the crisis, such as the U.S. government's bailout plan, the U.K. government's recapitalization plan and the de facto nationalization of a number of banks in the United States, the United Kingdom, the Netherlands, Belgium, France and Germany through government bailouts.

In Barcelona, Prof. Peters viewed the U.S. bailout plan as absolutely essential. "We could not afford not to approve the plan," he said. Prof. Toribio concurred in the Madrid session. "We are facing a solvency problem: if there is no liquidity in the market, no one can lend to anyone," he said.

The economists and financial experts discussed the logic behind the bank bailouts. "The theory says that you have to save solvent institutions that are going through short-term liquidity difficulties. And what we are seeing now are institutions with a solvency that disappears overnight ... as a consequence of another institution's problems," Prof. Argandoña noted. "But it is not clear if the governments are going to pull out later," Prof. Toribio said.

The fact is that, for the man and woman on the street, neither rate cuts nor liquidity injections have been effective because banks are not interested in increasing their loan capacity to borrowers. They need the liquidity provided by the former "lenders of last resort," the central bank-



## agenda

IESE has responded to the financial crisis by organizing a series of special Continuous Education Sessions to discuss the topic across the globe. Look out for upcoming events.

### London

**April 11, 2008**

Current Global Economic Turbulence  
Prof. José M. Campa

### Toronto

**Oct. 16, 2008**

Will the Emerging Markets Save the Day After Black Monday?  
Prof. Bernardo Villegas

### Brussels

**Nov. 3, 2008**

The Implications of the Global Financial Crisis: Regime Shifts?  
Prof. Sanjay Peters

### Moscow

**Dec. 1, 2008**

From a Liquidity Tsunami to a Global Recession: Any Good News Lately?

### Munich

**Dec. 3, 2008**

The Current Financial Crisis: Analysis, Reasons, Solutions, Lessons Learned.  
Prof. E. Martínez Abascal

### London

**Dec. 11, 2008**

Managing our Careers, from the Headhunter's Point of View.  
Prof. Mike Rosenberg

### New Delhi

**Dec. 12, 2008**

Financial Crisis and Corporate Governance  
Dean Jordi Canals

### Recent articles in IESE Insight



- Behind the Crisis: "The Days of Big Bonuses Are Over"  
Prof. Pascual Berrone
- Is Monetary Policy Becoming Less Effective?  
Prof. Javier Gómez Biscarri

ers, to cover their own needs, as inter-bank loans and investors have vanished.

### Emerging problems

Despite interest rate cuts, bank rescues and the bailout plan's swift passage through Congress, Prof. Argandoña predicted that the United States would not sidestep negative growth and that the crisis would contaminate many regions, including emerging countries. "Countries like China, India and Brazil will have to respond rigorously to continue growing as many Western countries enter deep recession."

However, even if the BRICs do outperform their Western peers during the downturn, the professor does not foresee any movement of the financial market's tectonic

plates. "The financial center of the world will still remain anchored in the West for the foreseeable future," he said.

At the Madrid event, Prof. Díaz Giménez pointed out that the slump in global commodity markets will be particularly hard felt in emerging countries. "For a while now, some of these countries have benefited from high raw material-prices... Emerging economies are going to be weakened by the crisis." Yet Prof. Suárez felt confident that China and some other Asian economies would suffer less.

### Pain in Spain

In terms of contagion from the U.S. crisis, Prof. Martínez Abascal highlighted the atmosphere of uncertainty in Spain that has little basis in reality. "Spanish banks are solid," he said. "They do not lend money to anyone who does not inspire trust." Liquidity is there, albeit hidden. He concludes, therefore, that it is highly unlikely that Spanish banks will collapse.

Although the Spanish banking system is essentially sound, the crisis has pierced the housing bubble. This will have harsh consequences for Spain, which, according to *The Economist*, was building more homes than France, Germany and Italy combined when the crisis first surfaced in August 2008.

Prof. Suárez said that real-estate developers quoted on the stock market reported a 67 percent fall in sales in the first half of 2008, compared to 2007, with prices dropping 13 percent including inflation. "And there is still scope for prices to fall further in real terms," he said.

In conclusion, Toribio, along with his peers Profs. Díaz Giménez and Suárez, highlighted the need for investors, bankers and families to abandon the short-term outlook that has characterized markets and society in the last few years. And the economists were confident that, through innovation, the market would be able to re-establish the financial system.

Over 1,000 alumni attended the session, which was broadcast live for the first time to all alumni members via **Cisco Systems'** WEBEX meeting manager.





Prof. Rama Velamuri

## Leveraging Governance

"The design of institutions that induce or force management to internalize the welfare of stakeholders." This definition of corporate governance by Jean Tirole, was the classification selected by alumni discussing "Corporate Governance as a Source of Competitive Advantage: A Stakeholder Approach." Using the example of **Infosys Technologies**, Prof. Rama Velamuri showed how

corporate governance could help organizations build sustainable competitive advantage.



Prof. Mike Rosenberg

## Career Management

Representatives of headhunter firms, along with former headhunter and IESE faculty member Mike Rosenberg, were on hand to respond to alumni's questions on how these companies can help them manage their careers in London at the end of the year. Rosenberg moderated the session titled, "Managing Our Careers, from the Headhunter's Point of View" which explored the myths and realities of headhunting.

■ Shanghai, Nov. 8

■ London, Dec. 11

Author of "The 7 Habits of Highly Effective People" Speaks at IESE

# Embracing the "Whole Person Paradigm"

"Unleashing the potential of this age will require a fundamental break from the control paradigm. It will require leaders to embrace a whole person paradigm, accepting people as four-dimensional - with a body, mind, heart and spirit," said Stephen Covey at IESE on Oct. 23.

Covey, author of the enduring bestseller "The 7 Habits of Highly Effective People," was guest speaker at a Continuous Education session on the school's Barcelona campus. IESE Prof. Santiago Álvarez de Mon and Carlos Viladrich, director of human resources at **Adecco**, introduced the author.

"The industrial age mindset is one of controlling people," said Covey. "The knowledge worker is one of release, managing autonomy. Leadership is not about control, it is about unleashing a whole person toward compelling, inspiring and worthwhile goals," he said.

Covey highlighted seismic societal shifts such as the globalization of markets and technologies, the democratization of information access (driving social expectations and hence political will), universal connectivity (eroding industry and business demarcations) and the exponential increase in competition. He also emphasized the movement of wealth creation - away from a focus on money to people.

The resulting change, from the industrial age to the "knowledge worker" era, requires completely different mind, tool and skill sets, he said. It means viewing employees as people, who have multiple dimensions.

His almost two-hour address, titled "How to Exceed Expectations through Charac-



Stephen Covey

ter and Commitment," spanned topics such as:

- Why employees should be accounted for as assets, not liabilities
- How to discover your own "voice" (where your passion meets a human need) and help others find theirs
- Why measuring the execution quotient of your organization - its ability to execute its most important goals - is crucial

Covey, who turned 76 the day after his presentation at IESE, still tours extensively and has a range of new books in the pipeline. Coming titles include "Live Life in Crescendo" and "Blessed Are the Peacemakers."

Yet he still finds plenty of time for his only hobby and highest priority: his wife, nine children and 50 grandchildren. Covey said one of his secrets is being strict with his schedule. He avoids the "urgency addiction" and spends the bulk of his workday on tasks that are important yet not urgent - "quadrant two" in his well-known time management tool.

"Watch how fun it is to turn smilingly, cheerfully to the person next to you and simply say 'no'," he said.

■ Barcelona, Oct. 23



Prof. Martinez Abascal

## Unraveling the Crisis

Prof. Abascal and alumni looked at the consequences for the real economy and the lessons that need to be learned in the wake of the financial meltdown in a session titled "The Current Financial Crisis: Analysis, Reasons, Solutions, Lesson Learned." The Alumni Association thanks Alexander Mettenheimer (AMP Munich '05) and **MerckFinck & Co** for hosting the event.



Prof. Jan Simon

## Shower of Rogues

Jérôme Kerviel of **Société Generale** had the dubious honor of joining a notorious roll call including Joseph Jett (**Kidder, Peabody**), Nick Leeson (**Barings Bank**), John Rusnak (**Allied Irish**) and Brien Hunter (**Amaranth Advisors**) in January 2008. IESE Prof. Jan Simon led a discussion on how the rogue trader managed to lose €5 billion over two years, the equivalent to a bank's capitalization.

■ Munich, Dec. 3

■ Barcelona, Oct. 9

German Professor Examines Roots of Recession

# Expert Criticizes "Casino Capitalism"

"What we are seeing in the U.S. is not the result of a business cycle phenomenon. It is, in reality, the beginning of a deep and severe crisis that will last a decade," says Prof. Hans-Werner Sinn, an expert on economic and public policy from the **University of Munich**.

Prof. Sinn offered a bleak prognosis of the current U.S. financial crisis during the Continuous Education session, "Perspectives on the European Economy and Policy Responses." IESE Prof. Xavier Vives moderated the event, which took place at IESE's Barcelona campus on November 12.

Regarding the causes of the current financial meltdown, Prof. Sinn pointed to the declining household saving ratios in the U.S. over the last 20 years. To compensate for the growing savings gap, U.S. net capital exports had to rise disproportionately, prompting, in turn, significant falls in the value of both U.S. capital assets - namely shares and real estate - and the U.S. dollar.

Meanwhile, the misuse of limited liability by U.S. investment banks created "a climate of ever-increasing risk-taking and casino capitalism." In effect, bankers were funding their lending with as little as 4 percent of their own capital. Many U.S. householders, who refinanced their mortgages to fund

ever-greater consumption - banking on relentlessly rising property prices - matched such irresponsible behavior.

### Hot potatoes

In the midst of this, banks were batching their more dubious loans into mortgage-backed securities (MBS), asset-backed securities (ABS), and finally collateralized debt obligations (CDO). These were then passed on from bank to bank "like hot potatoes." Prof. Sinn indicated that the total value of CDOs sold to European banks, which reached a staggering \$160 billion per quarter in 2008, almost perfectly matched the U.S. current account deficit.

According to the German professor, the U.S. sub-prime crisis and credit crunch has brought in its wake the "longest list of banking insolvencies seen since the Wall Street Crash of 1929." Meanwhile, the current crisis should be viewed as an opportunity to "instill greater prudence within our financial systems," he said. Prof. Sinn reminded participants, "a market economy is not anarchy. It needs strict rules and regulations."

■ Barcelona, Nov. 12



Prof. Hans-Werner Sinn



14

Meetings

9

Countries

SAN FRANCISCO

TORONTO  
NEW YORK CITY  
BOSTON

SANTIAGO DE CHILE

SÃO PAULO

# Chapter News

Regional Alumni Chapters



**Toronto**  
October 16



IESE Prof. Bernardo Villegas led a session titled "Will the Emerging Markets Save the Day after Black Monday?" at an alumni meeting in Toronto on October 16. ■■



**São Paulo**  
September 17  
October 16



Prof. José Ramón Pin led a session titled "Talent Management" at an alumni



event in São Paulo on September 17. The session focused on a case study of Cirque du Soleil's approach to people management.

The following month, São Paulo-based alumni met up again, this time for a session titled "Transitions in One's Personal and Professional Life and How to Launch a Second Career" led by IESE Prof. Luis Manuel Calleja along side Mariá Giuliese, executive director of Lens & Miranely. ■■

the World Flat?" on Sept. 24. Shifts in the world economy have created a host of opportunities to diversify geographically. Prof. Nueno provided an outline of how best to navigate this new global landscape.

A month later, U.S. alumni listened to Prof. Julia Prats discuss the age-old quandary for venture capital firms: what really determines success or failure in business? She discussed the overall impact on success of a number of factors, such as the CEO, the product and the investor. She warned participants that all it takes is one weak link in the chain, such as poor communication or bad timing, to undermine the business.

Prof. Prats also provided an update of the many research projects currently underway at IESE. These include studies into recent changes in private capital and family wealth management. ■■



**Munich**  
October 6



Alumni based in Germany met in Munich on Oct. 6 to attend an academic session with Prof. Javier Estrada titled "Black Swans and Market Timing: How Not to Generate Alpha." ■■



**New York**  
September 24  
October 28



Alumni in New York enjoyed a session led by Prof. Pedro Nueno titled "Global Entrepreneurship: Is



**Santiago de Chile**  
September 10



IESE alumni in Chile gathered for their annual reunion at the University of the



Zurich  
October 7



Andes' graduate business school, ESE, in Santiago on September 10. Prof. Francisco Iniesta participated in this year's event, which commemorated IESE's 50th anniversary. During the meeting, alumni presented their "Distinguished Professor 2007" award to Prof. Josep Faus, who led a session titled "Reviving Deprived Areas by Developing Local Real Estate Markets." 🍷

cisco at the end of September. Prof. Mair discussed the benefits for companies from getting involved in social initiatives. Most entrepreneurs judge business success in purely financial terms. However, social entrepreneurs value additional criteria to evaluate business success, such as the number of people who benefit from their companies' products and services or the number of job created. 🍷

anniversary in Zurich on October 7. Prof. Miller gave a session titled "Turning a Business into a Creative Culture," while Prof. Canals' talk was titled, "IESE Turns 50 & the Next 50 Years." 🍷



San Francisco  
September 25



Prof. Johanna Mair presented an academic session titled, "Social Entrepreneurs as Partners in Global Markets," to IESE alumni and friends in San Fran-



Zurich  
October 7



IESE Dean Jordi Canals and Prof. Paddy Miller met with alumni and friends at a special event to mark IESE's 50th



Boston  
October 14



IESE alumni based in Boston gathered to celebrate IESE's 50th anniversary on October 14. Prof. Jordi Canals discussed the school's vision and its plans for growth in the United States in his talk, "IESE Turns 50 & the Next 50 years." The dean emphasized the need for a strong sense of mission and



**Santiago  
de Chile**  
September 10

**Boston**  
October 14



a focus on employees' welfare in times of economic crisis. He also stressed the need to create leaders that embody professionalism, integrity and a spirit of service. ■



**Brussels**  
November 3



Prof. Sanjay Peters met with IESE alumni in Brussels on Nov. 3. In a session titled "The Implications of the Global Financial Crisis: Regime Shifts?" the IESE professor outlined the origins of the current crisis and presented the main remedies proposed by IESE's Department of Economics. ■

IESE's 50th anniversary with them. Dean Jordi Canals, who provided a broad vision of the school's evolution over the last half century. ■

**Shanghai**  
November 8



IESE alumni gathered in Shanghai on Nov. 8 to attend a session titled "Corporate Governance as a Source of Competitive Advantage: A Stakeholder Approach" led by Prof. Rama Velamuri of the China Europe International Business School (CEIBS). Taking Infosys Technologies as an example, the session explored how the systematic internalization of stakeholders' wellbeing can help organizations build sustainable competitive advantage. ■



**Paris**  
November 13



IESE Dean Jordi Canals met with Paris-based alumni on Nov. 13 to celebrate



**London**  
September 25



On September 25, U.K.-based IESE Alumni attended a session titled, "A New Paradigm for Business Management," led by IESE Prof. Carlos Cavallé and Fordham University Prof. Kevin T. Jackson. The professors also presented the book, "Rethinking Business Management," published by the Social Trends Institute, where Prof. Cavallé is director. The book brought together some of the leading thinkers on business ethics, including Profs. Jackson and Cavallé. ■

# You're In the News

We are very interested in hearing from you. Send us your news at [revista@iese.edu](mailto:revista@iese.edu)

## EMBA '98

Members of the class of EMBA '98 met up for a weekend in Jerez de la Frontera in southwest Spain to celebrate the 10th anniversary of their graduation. Class President, **Juan Miguel Poyatos** organized the event along with **Carmen Carpintero**. The classmates visited local monuments and a number of the sherry vineyards that the region is famous for.

## EMBA '06

**Luis Baón** and **Roberto Martínez** got their graduating class together for a Christmas dinner on Nov. 28.

## Global Executive MBA '02

**Katrien Siewertsz** and **Patrick Ryan** have launched a

new company in Amsterdam, the Netherlands. KYCNet allows its clients to meet their compliance and regulatory obligations while improving their customer acquisition and retention processes.

## MBA '93



**Ramon Bosch** has been named director of marketing for telecommunications for Panasonic Europe.

## MBA '96



**Pablo Maella** has published a book on leadership and management titled, *Gestionar con sencillez: Mitos y realidades del liderazgo.*

## MBA '00

**Christoph Reichert** and **Sabrina Giorgio** got married twice on both sides of the Atlantic this year. Following a civil ceremony in Bavaria, Germany, on Aug. 16, the couple tied the knot again at a religious ceremony in New York on Sept. 27.

## Global Executive MBA '04



**Rajiv Sheth** and his wife **Neha** are proud to announce the arrival of their twin girls, **Suhani** and **Saumya** on Sept. 27, 2008. **Suhani** and **Saumya**

are the couple's first children and weighed about 2kg. each at birth. After living in France for 15 years, the family is moving back to India early in 2009. **Rajiv** and **Neha** are looking forward to having their family around to help with the twins.

## MBA '05

Two IESE MBA '05 alumni, **Dana Tidikis** and **Roeland Roelefs**, got married on Oct. 11 in Heeswijk-Dinther in the Netherlands. **Dana** has been working in microfinance since graduation, first for a non-profit in Pakistan and now for Triodos, a socially responsible Dutch bank. **Roeland** has been working in marketing for the pharmaceutical firm Novartis, first in Switzerland, then Russia and now on home soil in the Netherlands.



MBA '05



AMP '08



IESE MBA guests included; Isabelle De Champlain; Bianca (Schwoeppe) Santillana; Luis Santillana ('06); Rita (Webb) Herremans; Sims Herremans ('04); Tina (Ohmayer) Proust; Emanuel Proust; Pedro Moura; Charles Vignoles; Benjamin Harmstorf; Carlos Reboll Romero; Laurent Hendrichs; Musa Sönmez; Maiko (Tanaka) Vavrovsky; Carlo Verme; Elisenda Grino; George Erfidias and Victor Croes.

Two other IESE MBA '05 alumni married in autumn: **Juan Rio and Mafalda Guimaraes** tied the knot on Sept. 13 in Lisbon. After completing her MBA, Mafalda returned to Lisbon to work for the Portuguese financial group, Banco BPI in project finance. Two years later, Mafalda moved to

Dubai where she has been working in private equity for FORSA, an investment company providing investment opportunities to high net worth women in the UAE and GCC region. Juan joined McKinsey & Company in Madrid on graduation, before moving to Delta Partners Group in Dubai, a combined advisory, private equity and corporate finance firm.

IESE MBA guests included; Joao Terlica; Anna Binder; Katie Duset; Carlota de Lemus; Jacinto Pico; Miguel Sousa Ramos; Nuno Ponte; Jose Breda; Pedro Moura; Musa Sönmez; Irfan Mian; Stephan Ciniselli; Ezequiel Schvartz; Gonzalo Torrent; Nick Gradel; Nico de Wall; Diego de Miguel and Lorenzo Wittum.

**MBA '06**

**Luca de Agostini and Alfonso Urien** convened a weekend reunion of their graduating class in Barcelona at the end of November. The two-day event included an academic session led by Mike Rosenberg and a visit to IESE's new north campus in Barcelona.

**AMP '07**

The Spanish Confederation of Young Businesspeople has named **José Antonio Fernández Ramos** Young Businessperson of the Year 2008. The confederation recognized José Antonio for his leadership and commitment to excellence in the field of consultancy and training. The IESE alumnus is the founder of Sanromán Consulting and Training.

**AMP '08**

**Xavier Perez, Fernando Pons and Jorge Muñoz** completed the ING New York City Marathon on Nov. 2, 2008. The trio is now in training for the Barcelona Marathon which will take place on March 1 and invite fellow alumni and faculty to join them.

**AMP '05**

**Javier de la Muelas and Pere Guardiola** got their graduating class together to participate in a Continuous Education session on Oct. 7 followed by a meal.



MBA '05

# A Hotel with a Heart

MARCEL ZUIDHOF (MBA '96)



When IESE alumnus **Marcel Zuidhof** (MBA '96) decided it was time to take a career change two years ago, he took a pretty radical one. Following eight years in telecommunications, most recently as marketing director of **Verizon Business** in the Netherlands, Zuidhof decided to start up a small hotel in Granada, Nicaragua, aimed at "backpackers with a credit card," together with his former colleague, Onno Oostveen.

A year and half later, **Hotel con Corazón** welcomed its first guests in October 2008. And the small business more than lives up to its name: all profits from the hotel will be used to fund kids' education in Granada, Nicaragua. Zuidhof and Oostveen hope to increase the number of children that complete their primary and secondary school by 300 in 2009.

"Children who get an education develop themselves early on and still have their whole life ahead of them. This is key for their own development and that of the community and economy," Zuidhof explained.

Although social entrepreneurship was not a well-known term when the Dutch alumnus studied at IESE, Zuidhof's own education had an influence on Hotel Con Corazón's business plan. "As an IESE graduate, I knew we had to make a profit, so the hotel is commercially run," he told the IESE Alumni Magazine.

His MBA and industry background also stood him in good stead when seeking funding for the €487,000 project. He and Oostveen received funding from Dutch

NGOs *Wilde Ganzen* (Wild Geese) and the Dutch National Commission for Sustainable Development (NCDO) to the tune of €180,000.

"We were very careful in choosing which NGOs to approach, but those that we did pitch to loved our approach and the fact that we were young and from a business background," Zuidhof said.

While the NGOs were impressed by their proposal to establish a sustainable commercial business to support social development, the €180,000 came with the proviso that the duo raised €120,000 themselves. Zuidhof and Oostveen raised a massive €85,000 from family and friends.

Among other initiatives, the social entrepreneurs sold "shares" in **Hotel con Corazón** to family and friends. "In reality, you can't sell shares in a non-profit but we sell shares of €500 with a fixed dividend of one free hotel night per year," the IESE MBA graduate said. "And as one of our Spanish shareholders pointed out, at least this is one investment where the return is fixed," he added.

On top of that, the social entrepreneurs secured a further €50,000 in funding from corporate sponsors such as **Carlson Wagonlit** Travel. The IESE MBA graduate and Oostveen are still €45,000 short, though. Alumni can contact Zuidhof at [www.hotel-concorazon.com](http://www.hotel-concorazon.com).

Family and friends donated more than just cash to the project, though. No fewer than 27 friends pitched in to help with the extensive renovations. The colonial build-

ing, which now boasts 16 rooms, a restaurant, a bar, patios and a swimming pool, was derelict when the social entrepreneurs bought it. But nothing went to waste: some rotten roof beams were reincarnated as tables and chairs.

Zuidhof and Oostveen also hired local workers to help with the renovations, in turn supporting the local economy. **Hotel con Corazón** is supplied by local small-scale suppliers. Its bar and restaurant feature local produce and the hotel's guests can learn Spanish with a local language school or go on excursions with a local travel agency that it supports.

The renovations process also brought some sharp culture shocks to Hotel con Corazón's Dutch founders. The lack of reliable building workers was one challenge. Zuidhof explained that poor Nicaraguans are often used to living a hand-to-mouth existence, taking on small jobs as they come. As a result, Oostveen and Zuidhof were never sure their workers would turn up on Monday mornings.

Now that the hotel is up and running, Zuidhof is beginning to think ahead. He and Oostveen plan to hand over the operation of **Hotel con Corazón** to an able group of volunteers in 2009. "It was always meant to be temporary project," he said. "I don't know what I will do next but I don't think I return to corporate life," Zuidhof said.

It looks like the MBA graduate has been bitten by the entrepreneurial bug, though. "I might consider starting a business, something pioneering and small-scale," he said.

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\_INFRASTRUCTURE LOG

\_DAY 89: Our power and cooling costs are out of control. We spend the bulk of our IT budget just keeping the servers cool. I told Gil we need to go green in a big way.

\_DAY 91: Gil took us green...Kiwi green to be exact.

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