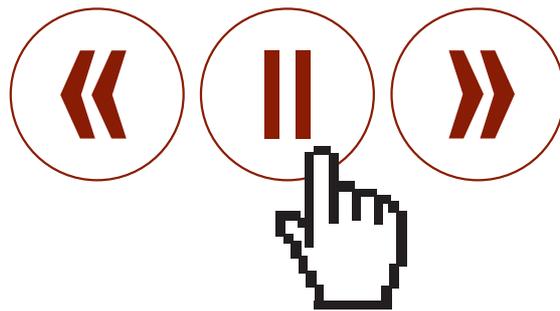


Alumni Magazine  
No.113 / April-June 2009

# IESE



**Fast Forward**  
Signposts toward 2020

**Pankaj Ghemawat**  
Redefining  
Global Strategy

**Pedro Nuevo**  
Igniting  
Entrepreneurship

**Josep M. Rosanas**  
Beyond  
Economic Criteria

**Interview with**  
Antonio González-  
Adalid (MBA '75)



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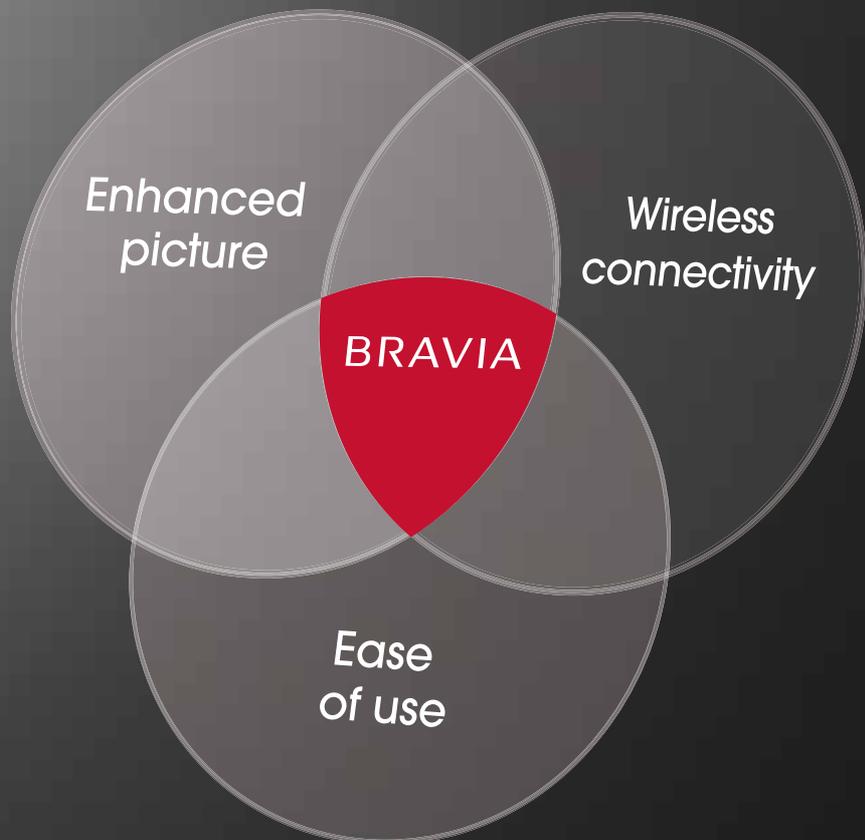


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Editor

Antonio Argandoña

Executive Editor

Mercedes Castelló

Managing Editor

Aida Rueda

Alberto Chinchilla

Senior Editor, International Edition

Marcella Moohan

Art Director

Alberto Anda

beto@timedco.com

Cover Page

Luis S. Ruiz

Design and Layout

Ernest Castellort

Lydia Cazorla

Mariona Consuegra

Belén Sanz

Illustrations

Neus Cañas

Luciano Lozano (www.ilustra.com)

Contributors

Cristina Aced

Emma Buckle

Clara Castillejo

Amy Collins

Nick Corbishley

Suzanne Hogseth

Angela Martín

Javier Pampiega

Phil Seager

Larisa Tatge

Miquel Utset

Editing Secretary

Alejandra Arrocha

Photography

Jordi Estruch

Miquel Llonch

Montse Jassé

Roger Rovira

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Antonio Moré y Sabina Nogués de Trujillo

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University of Navarra

Avda. Pearson, 21  
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Tel.: 93 253 42 00  
Fax: 93 253 43 43

C. del Cerro del Águila, 3  
Ctra. de Castilla, km 5,180  
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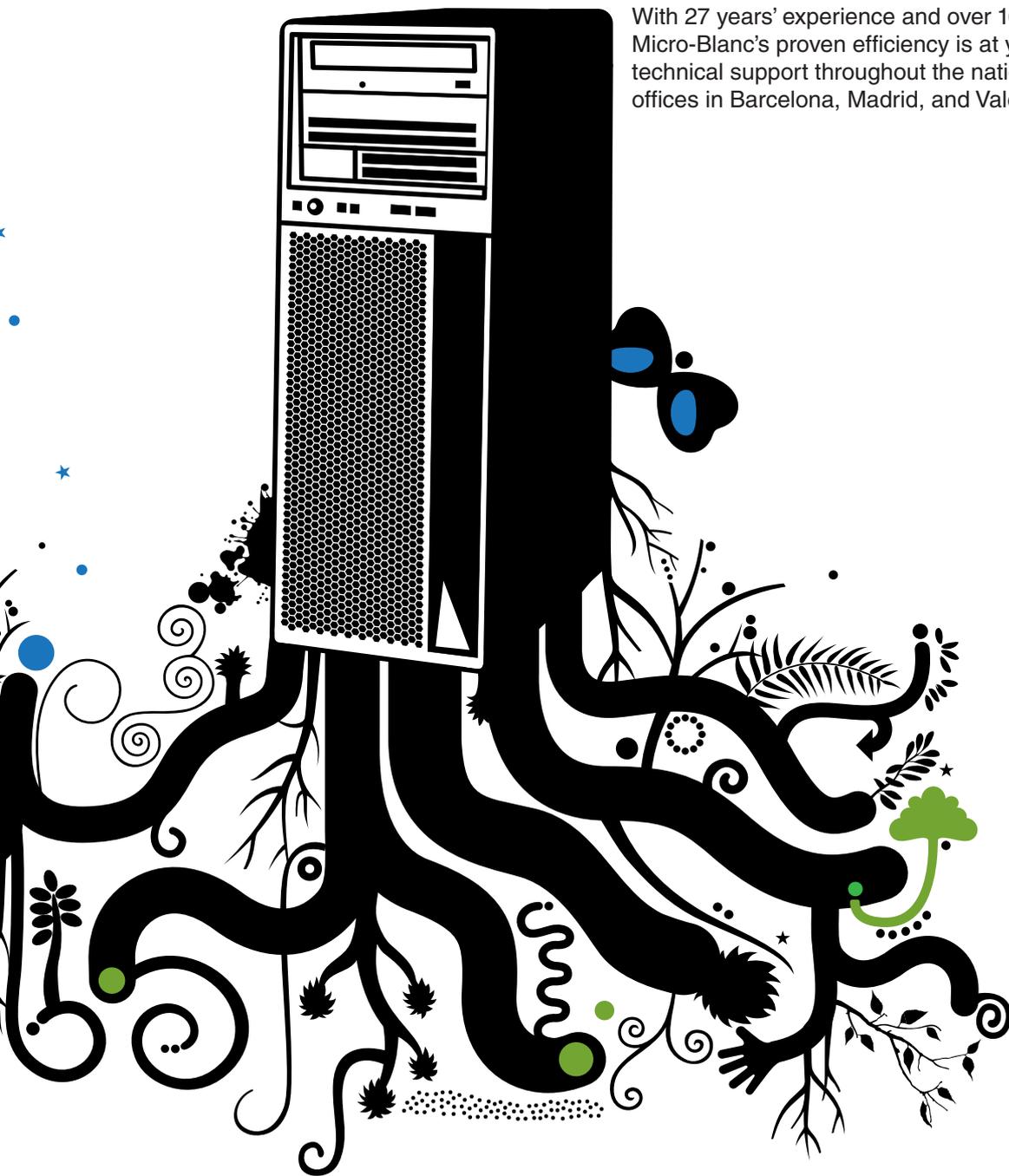
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# Moving Forward

Business leaders' attitudes toward the financial crisis and subsequent recession have changed as events unfolded. Perhaps the first response was surprise at the severity of the crisis and its extreme impact on liquidity and the financial sector's solvency. At that point, what we needed most was an explanation for this new phenomenon affecting so many economies.

Then the crisis spread to the real economy, and our questions switched from "How did we get here?" to "How long is this recession going to last, how will it affect us, and how are we going to get out of it?"

We have now entered into a third phase: the downturn is here for the interim. Now we are preoccupied by internal and external doubts. On an internal level, we are asking ourselves what we need to do now to ensure our company's survival and how we can drive growth going forward.

On an external level, we have many questions on how new regulations, policies and players will impact on our organization once we emerge from the downturn. We have zeroed in on finding responses to this third phase of uncertainty in the cover story of this issue of *IESE Alumni Magazine*.

In "Fast Forward" our faculty have provided signposts, insights and advice on how alumni can ensure their organizations' immediate survival and long-term sustainable growth.

While wide in scope, the article is not definitive since this recession is likely to continue for some time to come. But we

shall accompany alumni with fresh advice along the way, fruit of our ongoing research into the big management questions.

Besides that, this issue features the work of three professors recently honored by the IESE Alumni Association: Pankaj Ghemawat, for his book *Redefining Global Strategy*; Pedro Nueno, for his highly popular entrepreneurship course and Josep M. Rosanas, for his academic paper, "Beyond Economic Criteria: A Humanistic Approach to Organizational Survival."

And of course, *IESE Alumni Magazine* brings you up to date with news of recent events at our campuses as well as upcoming events such as the Global Alumni Reunion, which will be held in New York for the first time on Oct. 10-11.

We also bring you news of your fellow alumni, with interviews with Jorge Becerra (MBA '88) and Antonio González-Adalid (MBA '75), along with the news you send to us. Because the *IESE Alumni Magazine* is, above all, yours.



**Antonio Argandoña**  
Editor, IESE Alumni Magazine  
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# features\*

## 10 Redefining Global Strategy

Over the past few years, scholars and pundits have proclaimed the “flattening of the world” as globalization erased differences across countries. IESE’s Anselmo Rubiralta Professor of Global Strategy, Pankaj Ghemawat, debunked this myth in his book, *Redefining Global Strategy*. Prof. Ghemawat was recently awarded the IESE Alumni Committee’s Research Excellence Prize.

## 16 Igniting Entrepreneurship

The inspiration for the IESE entrepreneurship course came to Prof. Pedro Nueno during his time studying for a doctoral degree at Harvard University. Besides working as a research assistant, and juggling his doctoral thesis obligations, Nueno took the “Starting New Ventures” course. As soon as he returned to Spain, he launched a similar course at IESE.

## 20 Beyond Economic Criteria

The importance of economic factors in management has been greatly exaggerated in recent decades. It has been claimed that a company’s ultimate objective should be to maximize its value for shareholders. Organizations must go further than this, however; they must add learning to the equation – the learning that changes their members’ knowledge, skills and attitudes – and include ethics in their decision-making model.

## 24 Transcend the Panic

In times of crisis, a company’s viability and sometimes its very survival depend on the leadership skills of its top management. We are sailing in choppy waters that demand exceptional performance. At no other time is it more vital to ensure that employees are committed team players with initiative. This is the foremost task of the leader. But is this type of leadership possible in times of crisis?

## 28 The Deep Roots of the Crisis

In a recent article discussing the current crisis, a *New York Times* columnist said that “words like ‘off-balance-sheet vehicles’ [which banks use to refer to hidden risks in the banking system] and ‘mortgage-backed securities’ don’t have much meaning for most of us. What we understand is greed.”



# Redefining Global Strategy

Over the past few years, scholars and pundits have proclaimed the “flattening of the world” as globalization erased differences across countries. IESE’s Anselmo Rubiralta Professor of Global Strategy, Pankaj Ghemawat, debunked this myth in his book, *Redefining Global Strategy*, which was recently awarded the IESE Alumni Committee’s Research Excellence Award.

My book, *Redefining Global Strategy*, which the IESE Alumni Committee has been kind enough to honor with its Research Excellence Award, was based on a decade of researching, casewriting, teaching and consulting about global strategy. Given market conditions, it was positioned as the antidote to books that breathlessly proclaim the end of history, the death of distance, the flattening of the world, and the disappearance of differences across countries. Such proclamations of apocalypse now or in the near term, while helpful in generating headlines, are plain wrong. Consider the cross-border component of various economic flows that can occur within as well as across borders.

- **Products.** Trade accounts for about 27 percent of global GDP, but that percentage recedes toward 20 percent if we strip out double-counting. And it approaches 10 percent if we focus in on cross-regional trade, because most trade occurs within regions (e.g., the EU).
- **Capital.** Foreign direct investment (FDI) was about 12 percent of global fixed capital formation in 2006 (a record-breaking year). More than one-half of FDI occurs within regions as well. And total capital flows are smaller percentages of GDP than 100 years ago, in the heyday of the gold standard.
- **People.** First-generation immigrants, university students studying abroad and international tourists represent less than 10 percent of the relevant (domestic plus cross-border) totals.
- **Information.** Offshoring accounts for only 10-14 percent of currently off-shoreable IT services, themselves only a small fraction of total IT services spending. And probably less than 20 percent of the bits transmitted on the Internet cross national borders—a percentage that is generally agreed to be declining.

These data illustrate the continued importance of borders instead of their impending demise. So the gurus of galloping globalization have gotten it wrong. But they aren’t the only ones. Most business people also greatly overestimate cross-border integration—a syndrome I refer to as globaloney. Thus, most of the groups I have surveyed guess most of the cross-border percentages above (with the exception of trade) to be more than three times as high as they actually are. And work experience does not seem to help correct such biases: it may even hurt!

That’s all very nice, I can see my less patient readers saying, “But how, beyond cocktail party chatter, does all this matter for business?” My answer, very simply, is that globaloney is more than just a harmless way of getting people to pay more attention to the world out there: that if a business really does act as if borders didn’t matter, it will run an elevated risk of falling prey to the oldest trap in international business: assuming that a business model that works well at home should also work overseas.

## Executive Summary

In this article, Ghemawat explains how overestimating cross-border integration, a syndrome he refers to as globaloney, can seriously undermine business leaders’ overseas strategy. “If a business really does act as if borders didn’t matter, it will run an elevated risk of falling prey to the oldest trap in international business: assuming that a business model that works well at home should also work overseas,” he states. Instead of swallowing the globaloney, the global strategy professor suggests three broad strategies for dealing with international differences: adaptation to adjust to them, aggregation to overcome them, and arbitrage to exploit them.



**Pankaj Ghemawat**  
Professor of Strategic  
Management  
IESE Business School  
PGhemawat@iese.edu



This leads, at best, to strategies that are blander than necessary and, at worst, to market exit after often long (and costly) "online learning."

Even businesses that are generally considered to be very well managed risk falling into this trap. Perhaps the most vivid example of this point, and certainly the largest, is provided by **Wal-Mart**, a company that I have studied for more than 20 years now. **Wal-Mart** now sells more than \$100 billion in goods *per quarter*, with three-quarters of that accounted for by sales in its home base of the United States, where it is a lean-mean sales machine that accounts for close to 10 percent of total retail sales. But international stores proved more problematic, especially early on. The company's attitude a few years ago, to paraphrase something that outgoing CEO Lee Scott said in 2004, seemed to be, "If we could move from Arkansas to Alabama, how different can Argentina be?" This is how **Wal-Mart** ended up stocking U.S.-style footballs in Latin America. The diagnosis of excessive standardization around a U.S.-centric model

derives from my calculation that, of 50 domestic policies and practices at **Wal-Mart**, only 3 weren't carried over, in some form, to international operations. Also suggestive in this regard is the virtually perfect negative correlation, in 2004, between the profitability of foreign markets for **Wal-Mart** and their distance from its headquarters in the U.S!

But having noted those problems, I must add that **Wal-Mart** is a smart company and has since figured out that just because a particular approach worked at home did not mean that it was going to be the way to grow overseas.

- **Wal-Mart International** is more cognizant of the need to *adapt* to local contexts to achieve local responsiveness. This includes but goes well beyond more localization of merchandising. Thus, since India doesn't allow multibrand foreign retailers, Wal-Mart has formed a joint venture there in which local partner **Bharti** owns the stores and Wal-Mart handles the back-end. And its efforts to make its top management more adaptive are exemplified by Mike Duke's turn as head of International before recently being named CEO.
- **Wal-Mart** also *aggregates* across countries to achieve cross-border scale and scope economies that local competitors cannot. Thus, it leverages globally its IT platform, relationships with key global suppliers, and lessons from different store formats. And it has begun setting up regional headquarters, such as the one in Hong Kong that is meant to oversee operations and business development for all of Asia. As John Menzer, who ran **Wal-Mart International** before Mike Duke, explained to me, "We're playing 3D chess: global, regional, local."
- And finally, **Wal-Mart** *arbitrages* across countries to achieve absolute cost savings through offshoring, particularly by moving production to China. I estimate that **Wal-Mart** saved more than \$10 billion last year through offshore procurement, or more than twice as much as the operating income generated by its 3,000 international stores, and on a much smaller investment base. In other words, arbitrage, instead of being peripheral to **Wal-Mart's** global strategy, is its single most important component.

The Wal-Mart example illustrates the three broad strategies for dealing with international differences: adaptation to adjust to them, aggregation to overcome them, and arbitrage to exploit them.

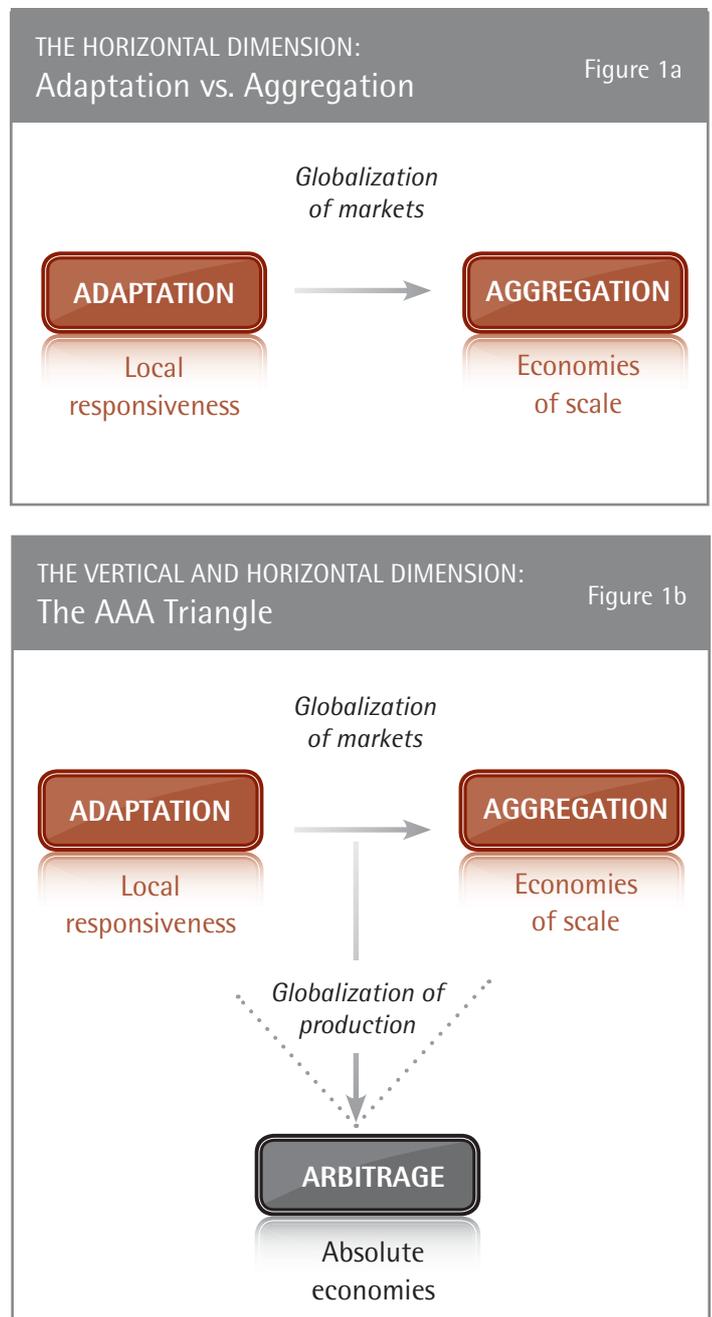
The **Wal-Mart** example illustrates the three broad strategies for dealing with international differences: adaptation to adjust to them, aggregation to overcome them, and arbitrage to exploit them. While the horizontal tension between adaptation and aggregation has long been a staple of research on international business strategy (see Figure 1a), the vertical dimension of arbitrage is a fundamental addition to the strategy set (see Figure 1b), for three reasons.

First, it stretches how we think of differences, as potential sources of value rather than just as constraints on value creation. Second, it fits well with what Tom Stewart, the former editor of the *Harvard Business Review*, neatly encapsulated for me as the shift in interest, over the last decade or two, from the globalization of markets to the globalization of production. The globalization of markets is basically easy to assimilate into horizontal models, but the globalization of production — or what some refer to as trade in tasks — is mostly a vertical phenomenon.

And third, the vertical addition picks up on a fundamental difference flagged by research in economics on the multinational enterprise: vertical MNEs that exploit the differences across countries often have very different operating and organizational characteristics from horizontal MNCs that perform (some of) the same activities in different countries (and that mush together the categories of adaptation and aggregation).

Figure 1b highlights the strategic differences across the Three As. Most fundamentally, the Three As involve the pursuit of different sources of advantage from operating across borders and, relatedly, are associated with different organizational types. If a company is emphasizing adaptation, a country-centered organization is often indicated. If aggregation is the primary objective, cross-border groupings of various sorts—global business units or product divisions, regional structures, global accounts, and so on—make sense. And an emphasis on arbitrage is often best pursued by a vertical, or functional, organization that tracks the flow of products or work orders through the organization.

Clearly, not all three modes of organizing can take precedence in one organization at the same time. And although some approaches to corporate organization (such as the matrix) can



An emphasis on arbitrage is often best pursued by a vertical, or functional, organization that tracks the flow of products or work orders through the organization.

combine elements of more than one pure mode, they carry costs in terms of managerial complexity.

In practice, this conception of strategy as involving fundamental choices collides with the aspirations of energetic managers to do everything well. To reconcile this tension, I typically make three points in discussions with practitioners. First, especially given the headroom that most companies seem to have in making progress along all of the Triple A dimensions, it is

useful to set up and use a globalization scorecard—a checklist, if you will—that covers all three dimensions, rather than relying, as often seems to be the case, on just some crude measure of the internationalization of revenues to track progress. Second, the possibility and in fact necessity of progress along all three dimensions does not, because of competitive and organizational constraints, imply attaching equal priority to all three As. Companies that are sensible about their intended positioning either figure out which of the three As

Differences across the Three As

Table 1

Characteristics	Adaptation	Aggregation	Arbitrage
<b>Competitive Advantage:</b> Why globalize at all?	To achieve local relevance through national focus (while exploiting some scale)	To achieve scale and scope economies through international standardization	To achieve absolute economies through international specialization
<b>Coordination:</b> How to organize across borders?	By country; emphasis on adjustments to achieve a local face within borders	By business or region or customer; emphasis on horizontal relationships for cross-border economies of scale	By function; emphasis on vertical relationships, including across organizational boundaries
<b>Configuration:</b> Where to locate overseas?	To limit the effects of cultural-administrative-geographic-economic distance by concentrating on foreign countries that are similar to the home base		To exploit some elements of distance by operating in a more diverse set of countries
<b>Controls:</b> What to watch out for?	Excessive variety or complexity	Excessive standardization/emphasis on scale	Narrowing spreads
<b>Changeblockers:</b> Whom to watch out for internally?	Entrenched country chiefs	All-powerful headquarters/business/ regional/account heads	Key functions/vertical interfaces
<b>Corporate Diplomacy:</b> Which external issues might arise?	Relatively discreet, and robust given emphasis on cultivation of a local face	Appearance of, and backlash against, homogenization or hegemonism (especially for U.S. companies)	The exploitation or displacement of suppliers, channels, or intermediaries; potentially most prone to political disruption

Ask more than one senior manager—separately—to prioritize across the AAA strategies. Divergence is, to say the obvious, not a good sign.

will be their principal source of competitive advantage or, if they have the appetite for the additional complexity, which of the three AA tensions they will try to manage particularly well. And third, it is usually a bad idea to try to beat all comers on all three As.

Another example will help animate these ideas, which are developed, along with numerous substrategies for each of the three As, over the course of several chapters of *Redefining Global Strategy*.

**Procter & Gamble (P&G)** is, according to CEO A.G. Lafley, actually organized in a way that mirrors the AAA strategies: its Market Development Organizations adapt in going to market, its Global Business Units aggregate sourcing, purchasing, manufacturing, branding, and R&D worldwide as well as profit-and-loss responsibility, and Global Business Shared Services arbitrages services like payroll, IT, and infrastructure management through outsourcing.

But at **P&G**—unlike **Wal-Mart**, its largest customer—arbitrage takes a back seat to balancing adaptation and aggregation: as Lafley puts it, “If it touches the customer, we don’t outsource it.” And while both adaptation and aggregation matter, **P&G** knows that aggregation to achieve greater size economies is a better bet for beating more country-centered competitors such as **Unilever** than adapting to be more locally responsive.

In other words, there is a clear AAA strategic hierarchy at **P&G**: first aggregation, second adaptation, and third arbitrage. In my experience, such clarity is unusual. Check it out for your company, or a company you are interested in: ask more than one senior manager—separately—to prioritize across the AAA strategies. Divergence is, to say the obvious, not a good sign.

*Redefining Global Strategy* concludes with some advice that, after more than a year of extreme turbulence, seems to make more rather than less sense:

1. Anticipate bumps and detours, even if you do believe that the world will eventually become much more integrated.
2. Prepare for other predictable surprises such as global warming, different kinds of meltdowns in the Middle

East, China and India, and the United States, a global liquidity crisis, or a general sociopolitical backlash against globalization.

3. Focus on the risks and questions that are most likely to affect your industry.
4. Recognize the importance of business in shaping broad outcomes—including those related to the future of globalization.

My own attempts to focus on these kinds of issues have led me to write another book, due to be published by Harvard Business School Press in late 2009, that focuses on the real risks around globalization, and what we must do about them. The prestige of the Research Excellence award will help me with its promotion as well. ■

# Igniting Entrepreneurship

The inspiration for the IESE entrepreneurship course in the school's MBA programs came to me during my time studying for a doctoral degree at Harvard University. Besides working as a research assistant, and juggling all my doctoral thesis obligations, I took the "Starting New Ventures" course. As soon as I got back to IESE, I decided to launch a similar course.

## Executive Summary

IESE Prof. Pedro Nuño introduced entrepreneurship as a course on the MBA program 35 years ago in 1974. Its launch came six years before the school introduced the bi-lingual MBA program in 1980, and so it was known initially as NAVES, a contraction of "Nuevas Aventuras Empresariales" ("New Business Adventures").

Since then, many IESE MBA, Executive MBA and Global Executive MBA students and participants have been inspired by the course to set up their own "new business adventure" across the globe. Prof. Nuño, along with his colleagues in the Department of Entrepreneurship, continue to make every effort to support alumni in this field of business creation that is so vital to society.

Profs. Richard Dooley and Patrick Liles launched a second-year MBA course on entrepreneurship titled "Starting New Ventures" at **Harvard Business School** (HBS) in the late 1960s. It soon became one of the business school's most sought-after electives. As a Ph.D. candidate at HBS in the early 1970s, I was aware of how much I could learn from the school's MBA program. So, besides working as a research assistant (to pay the bills) and juggling all my doctoral thesis obligations, I took advantage of being able to participate in the MBA program, slating a full work load every semester. I remember taking courses on energy, real estate, strategy and international business. But what interested me the most was undoubtedly the "Starting New Ventures" course.

As soon as I got back to IESE I decided to launch a similar course. I asked Prof. Dooley for permission to more or less copy it. In 1974, no one struggled with the great intellectual debate of whether to study for an MBA in Spanish at IESE in Barcelona or in English at **HBS** in Boston. Dooley was honored by my request and gave me the go-ahead. I named the course "Nuevas Aventuras Empresariales" ("New Business Adventures") and the MBA students, practical as always, immediately contracted its name to NAVES (**Nuevas Aventuras Empresariales**) or "ships" in Spanish. Back in the early days, I translated **HBS** cases into Spanish. But I wanted to add another dimension to the course. So I asked students to prepare a business plan for an innovative business opportunity. It would be a useful assignment for all the students, even for those who were not interested in starting their own company.

Years later, Prof. Dooley came to IESE's Barcelona campus for a semester to teach the course with me. By then, the IESE MBA was taught in English, the student body had grown considerably and NAVES was one of the most popular classes. NAVES featured original case studies based on the experiences of IESE alumni entrepreneurs. And this is the structure we have maintained to this day. Over the last 30 years or so, more than 100 cases have been written, and students on the full-time MBA program have drafted over 1,000 business plans. On top of that, IESE now offers the NAVES course in the Executive MBA and the Global Executive MBA, so the total number of business plans prepared by IESE alumni is approaching 2,000.

IESE's Department of Entrepreneurship took a leap forward when Dean Jordi Canals allowed the NAVES course to be the centerpiece of an academic department. This made it possible to attract excellent faculty such as Prof. Julia Prats, who holds a doctorate from **HBS** where she worked with Prof. Howard Stevenson, one of the world's leading experts in entrepreneurship. Antonio Dávila, another Ph.D. graduate from **HBS** joined the faculty along with Juan Roure. While studying for his Ph.D. at **Stanford University** in California, Roure witnessed the Silicon Valley entrepreneurial boom first hand. And Chris Zott left **INSEAD** in Paris to join IESE.

NAVES continued to chart new waters for a number of years. Early on it launched a yearly forum to showcase MBA students' business plans to potential sponsors. Many of these business plans became actual businesses thanks to that presentation to business leaders, most of them alumni, who came to "invest" in IESE's MBAs.

**Logifashion**, a logistic operator specialized in the textile sector is one example that comes to mind. Three MBA '96 graduates, Juan Manzanedo, Carlos Villa and Juan Martínez,



**Pedro Nuño**  
Professor of Entrepreneurship  
IESE Business School  
pnueno@iese.edu



<http://insight.iese.edu/researchexcellence08>

launched the company that same year. **Logisfashion** now has over 80,000 m<sup>2</sup> storage capacity in Spain, Chile and Mexico.

Another of the course's innovations was to create a venture capital fund, called FINAVES, to provide seed capital for start-ups. Over 15 companies obtained their first capital thanks to FINAVES. For faculty, FINAVES is a fascinating lab in which to study the day-to-day process of starting a new company.

Professors in IESE's Department of Entrepreneurship also launched an active business angels network, headed by Prof. Roure. On top of that, faculty has established several new competitions, conferences and award programs. They have published over 20 books and countless case studies and articles. All this could not have been achieved without the help of people like Neus Martínez, Amparo San José, Mathieu Carezo, Emily Kunze, Silvia Gomáriz, Isabel Cuesta, Rosa Fité and Juan L. Segurado.

Many IESE alumni have started new companies or undertaken entrepreneurial activities such as rescuing a distressed company or diversifying efficiently. If we start on the West Coast of the United States, we find Benjamin Krempel (MBA '99) in San Francisco, with **Aqueduct Medical**, which provides post-op machines for cosmetic and trauma surgery patients. Over on the U.S. East Coast, we find Fritz Folts (MBA '91) in Boston, a consummate entrepreneur in financial services.

And across the Atlantic in Europe we find Andrea Christenson (MBA '83) with her **Käthe Kruse** toy and children's wear company in Germany. Or we could talk with Andrés Cárdenas (AMP '97), who spearheaded the leveraged buy-out of **Sintax Logística**, a company specialized in international logistics services.

If we continue moving east all the way to China we can find entrepreneurs who have gone through IESE programs organized jointly with **CEIBS** and **HBS**, such as Xu Han, who created a medical diagnosis company 15 years ago that is now listed on the NYSE. Or Yang Lan, who created **Sun Media**, a top Chinese TV and media company.

There are entrepreneurial IESE alumni operating in virtually all business sectors. In technology we find Lucas Carné (MBA '99) from **Privalia** and Antonio González-Barros from **Grupo Intercom** (AMP '01); in retail - Javier Relats from **Aita**, in financial

services the brothers Borja García-Nieto (MBA '97) and Ignacio García-Nieto (Executive MBA '87) at **Riva y García**.

### Catching the right wave

Of course, there are aspects of entrepreneurship that are beyond the controlled environment of the classroom. An entrepreneur needs an opportunity and vision. But opportunity is elusive. Sometimes our stars are aligned and the opportunity coincides perfectly with the business concept's launch.

Other times, the opportunity is right under our nose and we fail to see it. This is where vision comes in. In the 1970s, some students were struggling to come up with ideas for their business plan. I gave them a **HBS** case study on a small U.S. company called **Identicon** that had come up with the bar code but could not think of an application for it. In response to my students' questions and since I was making one of my frequent trips to Boston anyway, I dropped by **Identicon's** offices there. They offered me the exclusive rights to the barcode system in Spain and Portugal for \$3,000, the price of the two scanner systems needed to do demos.

The MBAs thought that the barcodes would never amount to anything and they left me out to dry. I asked two or three Spanish companies if they were interested in acquiring the rights, but no one thought barcodes had any future. What lack of vision we all had! I was able to save face and back out of the agreement without any cost. There are many stories like this I could tell.

And even once you've got your business idea, opportunity and vision, the first years can be a bumpy ride. The founders of **Logisfashion**, **Advance Medical** and many other companies had to fine-tune their business plan to capture the elusive opportunity they had in sight. Their tenacity and financial prudence allowed them to finally grab it. From that moment on they stepped on the gas and their companies are today small, successful multinationals.

These issues are the focus of the NAVES, or entrepreneurship, course: how to spot an opportunity (inside or outside a company); how to formulate business plan; and then how to make it a reality. IESE's close ties with alumni have led to their involvement in the Business Angels Network, FINAVES, the various forums and more directly by phone and e-mail contact with faculty who are passionate about this field of business creation that is so vital to society's advancement. ■

A woman with dark hair, wearing a black jacket and grey trousers, is walking on a paved path lined with trees that have yellow and orange autumn leaves. A white graphic line with circular nodes connects the text elements across the image.

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**GREAT IDEA**

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)

# Beyond Economic Criteria

The importance of economic factors in management has been greatly exaggerated in recent decades. It has been claimed that a company's ultimate objective should be to maximize its value for shareholders. Organizations must go further than this, however; they must add learning to the equation – the learning that changes their members' knowledge, skills and attitudes – and include ethics in their decision-making model.

## Executive Summary

The IESE Alumni Association has awarded Prof. Josep M. Rosanas the 2008 Research Excellence Award for the article "Beyond Economic Criteria: A Humanistic Approach to Organizational Survival" published in the *Journal of Business Ethics*, 2007, no. 78. In this article, he puts forward a humanistic view of organizations that goes beyond the short-term outlook so prevalent nowadays, while at the same time providing a scheme of thought that takes all parties' interests into account.

Incongruities arise in the development of any academic discipline. Even mature disciplines such as Physics have experienced (and in many cases continue to experience) periods of substantial disagreement. At times, mutually inconsistent theories that explain certain real-world phenomena in completely different and incompatible ways have coexisted. In astronomy, for example, Ptolemy's geocentric theory, accepted for many centuries, was incompatible with Copernicus's heliocentric view, subsequently developed by Galileo and Newton. And yet the two coexisted for almost fifty years. That similar incongruities should be found in the field of management is hardly surprising. The late Sumantra Ghoshal, professor at the **London Business School**, made this abundantly clear in a famous article published in 2005, not long after he died. This is no cause for alarm, however. An old cartoon shows a group of people standing blindfold around an elephant. By touch they have to guess what it is they have in front of them. Those who touch a leg say it is a column; those who touch the trunk say a hose; those who touch the ears, a fan; those who touch the tail, a rope; and so on. None can see the whole. All simply hazard a guess at what it is they can feel.

In many ways we are the same. As I said, though, this is no cause for alarm. Fifty years are nothing in the history of a science, so it would be surprising if we were any different. We are the same, however, in the sense that, although there are different ways of seeing the world of business, many approaches see only part of the picture.

More specifically, there has been a tendency in recent years to place the emphasis almost exclusively on economic variables. As long ago as the thirties, however, one of the classics of management theory, Chester I. Barnard, said that he did not really start to understand the phenomena that occur in organizations until he relegated economic theory and economic interests to a secondary, albeit, of course, indispensable, place.

In the last two or three decades the importance of economic factors has been greatly exaggerated. However indispensable (to use Barnard's term) economic factors may be, that is no reason why everything else should be subordinated to them; rather the opposite. Economic goods are not the purpose of human beings; they are means, among others, by which human beings may achieve well-being. And yet, from the mouths of theorists and practitioners alike, we have heard grand pronouncements to the effect that companies' supreme objective must be to maximize their value for shareholders. This is a strictly economic objective. It is also an objective more honored in the breach than the observance, as we saw last year, when shareholder value was destroyed on an unprecedented scale, especially perhaps in the companies that have been most vociferous about maximizing shareholder value. We have also seen how, both in strategy and in organization, companies have adopted economic models based for the most part on the hypothesis that human beings seek only their own self-interest.

This tendency is attributable partly to the development of financial theory, partly to the use of economic tools in strategy formulation (industrial economics), partly to the economic models of organization ("agency theory", for example), and partly to cultural influences. In the United States the eighties were baptized the "Decade of Greed"; some even described the nineties as the "Decade of Evil". That is because, as we said, a key assumption underlying the



**Josep M. Rosanas**  
Professor of Accounting  
and Control  
IESE Business School  
jrosanas@iese.edu

economic models is that people act exclusively out of self-interest. Sometimes, the reference is to “enlightened” self-interest, understood to mean acting without causing unnecessary harm to others and helping others in the expectation that they will help us. At bottom, however, self-interest prevails.

Even purely as a description of the way things are this is patently false. The world is full of parents who make sacrifices for their children, friends who do favors asking nothing in return, people who perform acts of heroism for NGOs in countries at war. Examples abound where self-interest does not prevail. The great flaw in this view is that it overlooks three basic facts, which are interrelated: bounded rationality, ethics, and the way people learn. I should hasten to add that there are economic models which include some notion of learning, though invariably in a very limited sense, as we shall see later. What none include are notions of ethics.

The opposite extreme in management theory, at a far remove from the economic models, is organizational behavior. In organizational behavior we find a concern for human beings as such, i.e. beyond their immediate economic interests, taking their other needs into account, as companies must if their people are to be profitable to them. The problem here is, first, that human beings are often seen as means to an end. In other words, even though the goal is not explicitly to maximize shareholder value, human beings are valued only insofar as they are profitable. The second problem is that these approaches often make no reference to ethics. The most common of them, institutional theory, claims that human beings seek to legitimize themselves by doing what others do;



and that companies do the same. At best, there may be a certain esthetic, but not ethical, preference as to what it may or may not be legitimate to do to another person.

### A different way of seeing things

Every business decision (except, perhaps, for trivial problems) has to do with human beings. This is both a drawback and an advantage. A drawback because interacting with human beings is more difficult than interacting with inert matter: inert matter makes no decisions and always reacts in the same way to human actions, whereas other human beings do not. And an advantage from every other angle, as people can have initiative, tackle problems as they arise, look for new ways of solving them, and so on. A humanistic approach must start from this premise.

Nowadays, we know exactly what it is like to interact with inert matter. We experience it every time we use a computer. If we perform a certain action, the computer always reacts in the same way. A computer can perform very complex tasks, but always in a purely mechanical way. Human beings, in contrast, learn. In other words, they modify their behavior in light of their experience. This means one can never be sure how a person is going to react to a given stimulus.

In the field of economics, agency theory has studied the interactions between human beings on a one-to-one basis, which obviously is the minimum for any relationship. It has done so in a very limited way, however, without acknowledging the learning that takes place. Here, drawing on the work of IESE professor Juan A. Pérez López, we shall briefly set forth what could be considered a general theory of agency.

Let's say a certain person, whom we shall call the "active agent" (and whom, to simplify, we may think of as "the boss"), wants to elicit a certain reaction from another person, whom we shall call the "reactive agent" (and whom we may think of as "the subordinate"). To elicit the desired response, the "boss" does something which makes the "subordinate" react. The subordinate's reaction may produce the result the boss was hoping for, or it may not. If it does, we can say that the boss's action was effective; if not, that it was ineffective. Either way, apart from the concrete results of the action-reaction sequence, the action inevitably has two other results that affect the two people involved: they both learn something. Figure 1 represents this situation.

By learning we mean, first, that the agents learn more about the initial problem. In the case of a sales action, for instance, both learn about the product, the customers and other related variables. At the same time, however, each learns to assess whether his own and the other person's actions and the results of those actions are what he really wanted or not; and also whether the results meet his expectations and therefore were worthwhile. More importantly, each learns whether he wants to continue to work with the other.

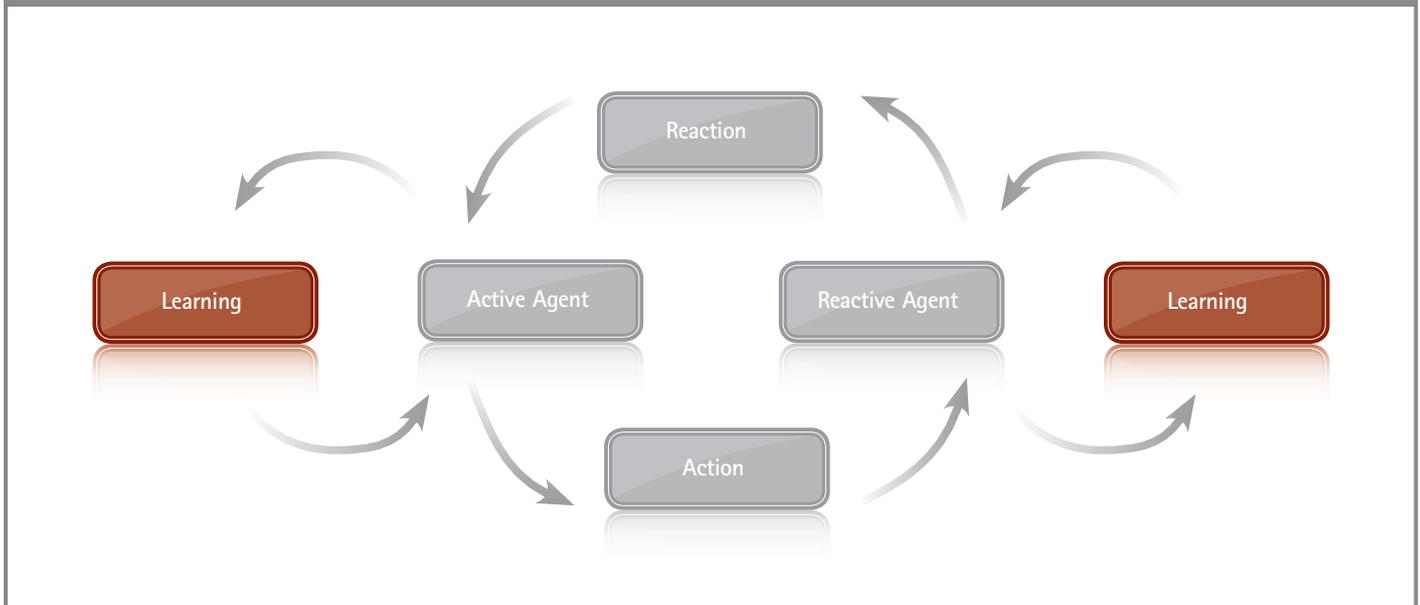
Why is this so important? Because it determines the future of the relationship between the two. Vicious and virtuous circles can arise. If one person feels "deceived" by the other, or feels he has been "obliged" by the other to do something against his principles, or that he has been "exploited" or "manipulated," the odds will be stacked against any further interaction between the two. Their capacity to work with one another will be undermined. Mutual trust will be weakened or destroyed. If both are satisfied, however; if both feel that what they have done was worthwhile and that working with the other person has been a good experience, then the potential for further collaboration and trust in the future will be increased.

To make a business decision in a non-trivial context, a decision affecting other people, three types of outcome must be taken into account: the explicit, intended result and what each of the two people involved learn from their interaction.

### Three decision-making criteria: Types of motives

To make a business decision in a non-trivial context (i.e. a decision affecting other people) three types of outcome must be taken into account: the explicit, intended result and what each of the two people involved learn from their interaction. Normally, any management procedure, technique or decision is judged mainly (if not exclusively) on its explicit result, which for the company as a whole means profit, or stock value, or some other economic or financial variable. This might be justified, up to a point (though not entirely, as we shall see), if the interaction between two people (or more, in the general case) took place once and never again. If the interaction is repeated, however, as it usually is in organizations that aim to survive in the long term, such a criterion is unjustifiable. Today's effectiveness is measured by explicit results, but what the agents learn from their interaction today will determine the outcome of their subsequent interactions in the future. Cooperation, interpersonal relations, and

Figure 1. General Agency Theory



attitudes and skills in an organization depend on what the people in the organization learn.

Most importantly, the three criteria give rise to three types of motives for any decision maker.

First, the explicit results are pursued for extrinsic motives associated with the mainly material rewards that come from achieving those results.

Second, an active agent who wants to learn has intrinsic motives, i.e. is motivated by the job itself and has a certain attitude toward the results of his actions and toward other people.

Lastly, when an active agent cares about what the reactive agent learns, i.e. whether and to what extent the reactive agent's real needs are satisfied, then we can say that the active agent has transitive motives, i.e. motives directed toward the well-being of others (the reactive agent).

In order to improve (or merely not to deteriorate) as a person, a person must take into account the impact his actions have on others.

### Motives and ethics

A person who does not have transitive motives and who is indifferent to what happens to the reactive agents he interacts with has no ethics. A person who ignores the effects his actions have on others neglects his most basic duties; he also deteriorates as a person. A person who steals becomes a thief; a person who kills, a murderer; a person who cheats, a swindler. And a person who deceives his bosses, subordinates or colleagues in more minor ways becomes an undesirable. This is what classic ethics would say. In order to improve (or merely not to deteriorate) as a person, a person must take into account the impact his actions have on others.

Moreover, what we have said so far is that in organizations, where the same people interact again and again, for a person to ignore what others learn from his actions and not care how they react is simply short-sighted. It means not realizing that future results depend on other people's reactions. In organizations, therefore, it is in a person's own long-term self-interest to take other people into account. Not to do so would be to disregard one's own interests, one's own learning. When a person acts in a way that is

harmful to himself in the long term or prevents him from learning, he is being short-sighted and impoverishing himself.

### The organizational context

The diagram in Figure 1 on the interaction between two people can also be used for the interaction between two groups of people. The active agent could be "the company", for example, and the reactive agent, "consumers". This would give the following scheme:

1. **Extrinsic results for the company:** the key economic and financial variables, i.e. profit, stock value, return, etc.
2. **What the company learns:** how to enhance its distinctive competence, i.e. what the company does better than anybody else, what gives it the competitive advantage that guarantees future profitability.
3. **What consumers learn:** whether and to what extent the company's product satisfies their real needs and whether they can trust the company to meet those needs. This will only happen if the company's employees try to make it happen, i.e. if they identify with consumers' needs in the course of their interaction.

Summing up, in this article we have discussed how the mechanical models of organizations and human beings can be superseded by a model that takes account of learning, which changes people's knowledge, skills and attitudes. Taking account of what others learn from our actions brings ethics into play and so integrates ethics into the organizational decision-making model. The end result is a new approach to decision making, one that supersedes the short-term outlook so prevalent nowadays, while at the same time providing a scheme of thought designed to take all parties' interests into account and thus develop a humanistic view of organizations. ■



Luciano Lozano

# Transcend the Panic

In times of crisis, a company's viability and sometimes its very survival depends on the leadership skills of its top management. We are sailing in choppy waters that demand exceptional performance. At no other time is it more vital to ensure that employees are committed team players with initiative. This is the foremost task of the leader. But is this type of leadership possible in times of crisis?

In recent decades, many organizations have adopted what is known as "transformational leadership." This type of leadership offers people an attractive plan for the future in the form of a vision statement, a strategic plan, and corporate objectives. The key is to motivate the team. The project should be realistic but at the same time highly ambitious, with objectives such as to double turnover in five years or become the best company in its class.

This leadership style, however, seems to be far removed from current realities. In recent months, several companies have had to shelve ambitious plans and adopt urgent fire-fighting measures to ensure their survival instead. For many, what used to be an exciting project is now muddled with confusion and uncertainty. This, coupled with the lack of short- and medium-term vision, has prompted many executives to consider a return to the old style of leadership, known as transactional leadership.

The primary goal of transactional leadership is to ensure the company's financial well being and is characterized by an authoritarian style of management. To some extent, it distills down to a style of leadership motivated purely by financial objectives, which engenders power and fear.

This type of leadership is attractive as a fast way of implementing fire-fighting measures, but it raises two problems. First, it does not inspire people and therefore impedes commitment and teamwork. Second, by generating fear and centralizing power, it undermines employees' motivation to use their initiative.

## Transcendent leadership

There is an alternative that overcomes these limitations: transcendent leadership<sup>1</sup>. This type of leadership, highly effective for both good and bad times, can harness people's commitment and enthusiasm to pursue a common goal. In transcendent leadership, the company's vision and strategy are grounded in a shared mission. In hard times, transcendent leaders can rely on support for this shared mission to convince employees to make necessary sacrifices and changes.

Achieving transcendent leadership is not merely a matter of making an announcement or changing communication styles, though. It has to be rooted in a deep strategic approach focusing on all areas of the company's mission and especially on its three main stakeholders: clients, shareholders and employees.

A transcendent leader's fire-fighting measures should therefore address all aspects of the mission forcefully and consistently. It is not enough to propose purely economic measures to protect shareholders' interests. There should also be measures to shield customers and a responsible attitude toward employees.

Logically, this style of leadership does not imply ignoring the reality or failing to take drastic measures where necessary. Quite the contrary, transcendent leadership comes with a greater sense of urgency (the mission is at stake) but also a greater sense of responsibility.

## Executive Summary

"Transformational leadership" has been the prevailing model in recent decades. This leadership style offers an attractive plan for the future in the form of a vision statement and strategic plan. But fallout from the global downturn may lead some to abandon this paradigm and seek cover in "transactional leadership," an authoritarian style of management focused on financial objectives. There is a third way, though: "transcendent leadership." A transcendent leader implements fire-fighting measures that address all aspects of the mission without jeopardizing employees' commitment to the firm or centralizing power. This makes it the most effective leadership style in times of crisis.



**Pablo Cardona**  
Professor of Managing People  
in Organizations  
IESE Business School  
pcardona@iese.edu



**Carlos Rey**  
Managing Partner,  
DpM Consulting  
c.rey@dpmc.es

Transcendent leadership is the most effective leadership style in times of crisis. The problem is that there is no easy way to segue from the prevailing transformational leadership model to transcendent leadership.

When measures to combat the crisis ensure the collective interests of shareholders, clients and employees, they will stand a greater chance of being understood and accepted by employees, even when they involve layoffs.

William George, who increased **Medtronic Inc.**'s stock market valuation from \$1 billion to \$70 billion over 10 years during his time as CEO of the firm, said that employees could adapt to major strategic changes if the company's mission and values remain intact. On top of that, he said that employees are able to make extraordinary sacrifices if fully confident in their leaders.<sup>2</sup>

### The ego and the id

Transcendent leadership is the most effective leadership style in times of crisis. The problem is that there is no easy way to segue from the prevailing transformational leadership model to transcendent leadership. Transforming leaders, generally charismatic and visionary, are used to being the font of inspiration and motivation. As a result, they may not feel comfortable with the idea that a corporate mission is more important than their own personal vision.

Transformational leaders to some extent share common ground with transcendent leaders. Both are highly dedicated and capable of gaining their colleagues' buy-in to projects. Both are characterized by their tenacity to launch and implement changes.

The problem with transformational leaders, however, is that the commitment, cooperation and change they inspire are centered in their personal charisma backed by an exciting plan, not necessarily by the corporate mission. And as we said before, this type of leadership is less compelling in times of crisis.

Adopting transcendent leadership does not mean having to abandon transformational leadership. In fact, in certain positions it is good for leaders to fuse a sense of mission with personal vision and charisma. Such is the case of company chairmen or CEOs. All they have to do is put their leadership skills and personal charisma at the service of the mission. This requires a bit of wrestling with the ego. And strong egos tend to be fairly common among top business leaders.<sup>3</sup>

A leader's ego can be a serious stumbling block in times of crisis. For example, self-obsessed leaders tend to interpret proposals for coping with the crisis as personal threats to their authority. This

reaction provokes frustration and a lack of support. Especially in an adverse business environment, leaders' egos can feed their excessive self-reliance (and lack of trust in their team), which leads to a greater centralization of authority and sidelines teamwork.

The battle to control one's ego may surface in different stages of a business leader's career, but it is a vital part of becoming a truly transcendent leader. In times of crisis, self-confidence must give way to a focus on the mission, all personal opinions and ambitions set aside. Subordinates' leadership skills should also be fostered without fear of losing authority. In fact, cultivating subordinates' leadership has exactly the opposite effect. It underscores one's personal leadership credentials and strengthens the group as a whole.

Transcendent leadership is undoubtedly the leadership style that best maintains workers' commitment and enthusiasm in times of crisis. Moreover, once the crisis is over, leaders who reinforced their commitment to the mission in hard times will not only survive the downturn but will be better prepared for new challenges in the future. ■

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1 Cardona, P. and Rey, C. "Transcendent Leadership", *IESE Alumni Magazine* No. 110, July-September 2008

2 George, W. *Academy of Management Executive*, 2001, Vol. 15, no.4, p. 42

3 Maccoby, M. "Narcissistic Leaders: The Incredible Pros, the Inevitable Cons" *Harvard Business Review*, January 2000



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# The Deep Roots of the Crisis

In a recent article discussing the current crisis, a *New York Times* columnist said that “words like ‘off-balance-sheet vehicles’ [which banks use to refer to hidden risks in the banking system] and ‘mortgage-backed securities’ don’t have much meaning for most of us. What we understand is greed.”<sup>1</sup>

The columnist’s comments are not bad as a summary, but the reality is a little more complex. I do not intend to resolve this complexity in this brief article, but I would like to point out a few things that might help get to the roots of the underlying causes. I will use four interrelated concepts that are useful in analyzing all social issues:

- **Regulation and incentives**, which include government- and company-set rules, processes and incentives.
- **Operative conditions**, from how financial tools work, their geographical scope and other market conditions, to controlling and monitoring the system.
- **Dominant culture**, the underlying ideas, theories and cultural values.
- **Agents**, which includes a person's decisions and corresponding responsibilities, influenced not only by the culture of their environment, but also by their mentality, personal values and moral character.

The first two concepts could form the “structural axis” - or legal and social structure - in which the phenomenon develops. The latter two represent the “axis of meaning” which inspires and makes the structure operative. As we shall see, the deep roots of the current crisis can be found in the latter axis.

## Regulation, incentives and operative conditions

It seems clear that regulation in the U.S. was poor, inefficient or just bad in terms of how investment banks and the subprime mortgage market operated. Monitoring and control processes and credit-rating agencies’ procedures were not up to scratch either.

Strong financial incentives associated to short-term results, such as bonuses and stock options, might also have had great influence. They motivated managers and traders to sell mortgages to barely solvent individuals, and to then sell mortgage-backed securities.



**Domènec Melé**  
Chair of Business Ethics  
IESE Business School  
mele@iese.edu

Strong competition and the globalization of financial markets are relevant operative conditions in the current crisis. However, they are both ambivalent. Competition can promote undesirable behaviors, but also a strong personal desire to compete in a noble way. We could say the same thing about globalization, which is really to blame for the fact that the 2008 crisis has been global, in contrast to the other great crisis of 1929 that was – at least in the short-term - limited to the United States.

From an ethical standpoint, globalization in itself cannot be criticized. Well used, it can be of great benefit to the world, but in this case it has been partly responsible for creating an international crisis of huge proportions.

Monetary policies and the subsequent asset inflation that led to the growth and bursting of the “real estate bubble” are also well known. All these “technical” aspects are important, but if we consider them in specific terms – not just as abstract concepts – they are not merely “technical” or “economic” concepts. They contribute to - or even erode - the common good.

Regulation is not “neutral” either, as it helps make certain philosophies, ideas and values operative. Strong financial incentives aim to align the interests of traders and finance executives with those of shareholders. This in turn is aligned with the idea that the ultimate goal of a company is to maximize shareholder value.

On the other hand, it is easy to blame the “system” for what has happened, claiming that strong financial incentives and competitive pressure limit personal behavior to such an extent that it is practically impossible to demand personal responsibility. But this is not the case. Systems are designed on the basis of ideas and values, and they are operated by freethinking individuals who are responsible for their actions.

## The influence of the dominant culture

The idea that self-interest is the engine of economic dynamism has been around since Adam Smith. However, in the last few decades – and especially since the Reagan era in the 1980s - it has been greed, rather than self-interest, that has prevailed in many business environments.

The pseudo-value of “greed” found useful allies in various dominant **ideologies** within the cultural context of many financial and



The pressure to earn and spend without restraint is not prevalent in upright individuals who have the practical wisdom and the courage to do what is right in every situation.

economic circles. One of these ideologies is **positivism**, which reduces ethics to subjective values, and separates it from business activities. This has led to the fallacy of the separation between economic decisions (with no ethical content) and ethical decisions (with no economic content), instead of business decisions that include various types of judgment (ethical, economic or social).

**Positivism** does not accept that all human actions have an ethical dimension. But that is a flawed argument. In this particular case, the selling of mortgage-backed securities, which included hidden risks, it was not just a case of selling financial products. They were fraudulent products.

On one hand, this conception of liberal ideology in its most radical expression defends the noble values of freedom, legality and order. But on the other hand, it passes all social responsibility onto the state, without considering the consequence on society of economic activity. This stance could be summarized in the following affirmation: "Earning money is my job; the regulators are responsible for theirs". But what happens if they do not do their job or are incapable of detecting deceit? Is corporate responsibility limited to just adhering to the law?

These ideologies have been influential, as has the ideology of **moral relativism** – which defends the non-existence of objective and universal ethical values - and **philosophical pragmatism**, where the truth is replaced by results.

### Personal behavior

The temptation of earning lots of cash, and the idea that "everybody else is doing it," can lead to dishonest behaviors. Furthermore, the combination of strong financial incentives, an unrestrained desire for spending and ever-increasing consumption can lead to a certain moral blindness. But inappropriate actions are not taken by chance. The pressure to earn and spend with no restraint is not prevalent in upright individuals, who have the **practical wisdom** and the **courage** to do what is needed in every situation.

The risk of subprime mortgages not being paid was always there, but they offered excellent profitability and the economic cycle was in a growth phase. Managers and traders were reckless for not realizing the predictable consequences of asset inflation when the cycle turned or if the bubble burst. There might even have been negligence in the detailed analysis of such consequences and, in some

cases, irresponsibility or bad faith if short-term results were seen as more important than predictable consequences in the long-term.

By selling the aforementioned securities, banks not only obtained liquidity, but also distributed the risk, selling "toxic assets" with no clear warning. There is no doubt that they are responsible for this fraud. Banks and investors worldwide bought the assets in exchange for the promise of excellent profitability, and the credit-rating agencies failed to point out clearly the "toxic" products these assets contained.

There was probably some negligence in the top tiers of the credit-rating agencies and in the professionals who managed other people's funds (investment funds and pensions) when they bought those products or recommended their purchase without verifying the quality of the product with due diligence.

At the origin of the crisis lie actions which contradict basic ethical decency and denote the corruption of people's moral character, a lack of integrity. Greed certainly, but also recklessness, deceit, fraud, negligence, cowardice, irresponsibility for predictable consequences, lack of solidarity for the unrestrained maximization of self-interest without considering the side effects it might have and the subsequent erosion of the common good.

Many seek to avoid crises like the current one in the future, emphasizing regulation and a system which works better. It is not a bad solution, but if the root causes are in the reigning culture and in individuals' moral character, we will barely scratch the surface. Honest individuals behave correctly even within a bad system, whereas dishonest individuals find legal loopholes and opportunities for wrong-doing within the best systems.

There is an obvious conclusion. We need to improve regulation and the way it works, but we also need to think about how to improve our culture and our education. This latter approach is more expensive but longer lasting.

1 J. Nocea, "It's Not the Bonus Money. It's the Principle." *The New York Times* Jan.31 2009, p. B1.



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"Companies can no longer attract the brightest and the best in the world unless they genuinely identify and connect with the dominant social movements of our time." This was the timely warning delivered by Matthew Bishop, U.S. business editor and N.Y. bureau chief of *The Economist*, to participants of IESE's "Doing Good and Doing Well" conference.

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Ten mainly Eastern European countries joined the European Union in 2004, with two more following suit in 2007. This enlarged single market offers companies new business opportunities, but its new members are far from homogeneous. When a leading pharmaceutical company wanted to learn more about their needs, attitudes and behaviors, IESE's Custom Program team came up with an innovative solution.

# Fast Forward

## Signposts toward 2020

It is true that these are times of uncertainty, time to tighten our belts, work hard and formulate innovative solutions to tough circumstances. But it would be remiss not to remember that some of the world's greatest companies were founded in similarly challenging environments.

These may be times of uncertainty but we are also living in times when great ideas come of age and long-delayed reforms are finally carried out. The downturn creates a sense of urgency for business leaders to consider the big questions facing their organizations, prompting them to identify opportunities and prepare for sustainable long-term success.

IESE alumni have an ally in this task. Formulating answers to the big management questions is one of IESE faculty's principal functions.

In this issue of *IESE Alumni Magazine* we present pragmatic advice from our professors on how to respond to the recession in each of the major functions.

Faculty provides signposts on what business leaders should do to survive today and then drive their company forward to sustainable long-term success - toward 2020 and beyond.

## MARKETING

### The Way to Market

Consumers' wallets snap shut in a recession as the climate of insecurity leads them to postpone purchases, multiplying the risk of commercial failure. But as José L. Nueno, IESE professor of Marketing notes, many firms have seized the advantages offered by economic downturns to take risks and gain market share.

One example is Leopoldo Fernández Pujals, founder of the pizza home-delivery company, **Telepizza**, that is market leader in Spain with restaurants in Portugal, Poland and Latin America. Fernández opened the first **Telepizza** in Madrid in 1987. When the recession hit in 1992, he astounded competitors by opening his first factory and expanding overseas to Mexico, Poland, Portugal and Chile.

The Cuba-born business leader took advantage of the economic downturn to snap up new restaurant sites at lower rents. Fernández also exploited others' indecision and cut-priced advertising rates to launch an unprecedented advertising campaign that obliterated consumers' recall of competitors, Nueno said.

The entrepreneur's hyperactivity left his competitors floundering to respond to his full-scale attack on the fast-food home delivery sector. A price war and a blizzard of new product launches also helped create a huge customer base. **Telepizza** emerged from the recession in the early 1990s as market leader, after a meteoric race to the top that would not have been possible in times of prosperity.

Another of the lessons learnt from earlier recessions is the importance of having a war chest of cash going into a downturn, a

situation that is aggravated this time round by the credit crisis. "Cash is king in recessions," Prof. Nueno said. "If your company is not cash rich, the sensible thing to do is wait and see," he added.

According to a study of the recession's impact on consumer goods in 2009 by Nueno and the market research firm, **IRI**, firms that have invested aggressively in periods of prosperity are those most likely to flourish in the downturn. Major advertisers, companies that frequently launch new products successfully, and those with solid and efficient distribution networks are also among those that could emerge stronger from the recession.

Major advertisers with deep pockets can take advantage of hungry communications agencies that are likely to offer highly attentive services at lower rates. On top of that, advertisers can monopolize consumers' attention, as media channels become decongested. "All of this helps increase the brand's notoriety and

# Signposts >>>

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consumers' preference for the product," Nueno said.

And a cash-rich company with a strong track record in new product launches could introduce innovations to the market while cash-strapped competitors are unable to respond with rival offers. These firms will be able to communicate with their target audience more easily for the reasons mentioned above. In addition, distributors and retail outlets may be more inclined to offer shelf space for new products to stimulate consumption.

The well-prepared company can exploit two further resources that have become increasingly expensive over the last 15 years: real estate and high-caliber talent. Prime sites may become vacant as oth-

ers go bust or reduce operations, and talented staff is forced to rejoin the job market. "Recessions create opportunities to reinforce management teams," Nueno said. Besides seeking organic growth, companies with a war chest can build up market share during recessions through cut-price takeovers of weaker competitors.

The IESE professor had a word of warning to those who cut costs by reducing headcount or slash R&D investment, customer services or advertising budgets, though. "These measures could improve efficiency in the short term, but they can have an irreversible negative effect on the company's ability to compete once it emerges from the downturn," he said.

## Postcards From the Edge Crisis Survivors' Coping Strategies

The global financial crisis in the second half of 2008 flicked the global economy into a tailspin that has generated a catalog of calamitous news reports. "We now expect the global economy to come to a virtual halt [in 2009]," said International Monetary Fund Chief Economist Olivier Blanchard at the end of January.

The expert's comments make worrisome reading for many of today's business leaders who are grappling with the first major recession of their careers. But as the findings of a research stream led by IESE Prof. Júlia Prats and Research Fellow Marc Sosna of the school's Entrepreneurship Department indicate, it does not necessarily take a macroeconomic meltdown to push a company to the precipice of failure.

In fact, their research into near-death experiences in high-growth technology firms indicates that these can be triggered by almost any of the firm's internal or external core elements. Even if all of the company's building blocks seem promising individually, the firm can quickly unravel if any "misfits" exist. For instance, the management team and investors disagree on the company's future strategy.

Furthermore, the technology sector is highly interdependent. This can undermine the company's success if it is out of synch with the market. Its product may be viable but adoption rates of the enabling technology lag behind, for example.

Considering the myriad of things that can trigger a viral attack on a company's solvency coupled with the backdrop of the current global recession, it is salient to think about coping strategies for dealing with near-death

experiences. Prats and Sosna's research into how tech firms survive in adverse conditions has identified some common features.

Prof. Prats drew on these findings in "Global Management in Times of Crisis," another part of the special series of Short Focused Programs that IESE is offering on managing in the downturn. The program was held on the school's Madrid campus on March 5 and led by Prof. Prats and Prof. Alberto Fernández.

### Resilience

Resilience is the capacity to absorb the impact and recover from unexpected events. The chances are high that your company has been buffeted by the global recession. How much more disturbance can your firm absorb? Have you identified, understood and prioritized problems? Do you have a plan of response?

### On the same page

It is hugely important that the top management team has a unified understanding of the problems uncovered by a comprehensive "health check." The management team can only generate solutions to survive a near-death experience if they – and important stakeholders – are aligned about the next steps and their execution.

### Mental agility and measured responses

A firm needs to formulate "parachute tactics" to slow the impact of existing challenges and weave "safety nets" for potential future problems its management team has identified. Leaders should define estimated "trend corridors" based on adequate assumptions. Furthermore, they should define "what-if" scenarios linked to concrete

## OPERATIONS

### Leaning Toward Lean Production

Since there is little sign of recovery on the macroeconomic stage, business leaders need to examine what can be done in-house to combat the crisis. Marc Sachon and Jaume Ribera, IESE professors of Production, Technology and Operations, will explain how in one of the special series of Short Focused Programs that IESE is offering in response to the downturn.

The program, "Excellence in Production: the Best Response to the Crisis," will be held at the school's Barcelona campus on April 27. Production processes gain

prominence during a downturn because as Sachon comments, "In a crisis, you can't increase sales. The only thing you can do is decrease costs."

Sachon and Ribera will draw learnings from companies that flourished following downturns, such as **Hewlett Packard** – a start up launched by two Stanford University graduates, Bill Hewlett

**Nueno said a company's ability to respond to the crisis would be defined by whether it has made preparations long before it hit.**

actions that will be executed if the trend corridor's walls are breached. But it is crucial the team does not rush headlong into major decisions, despite the sense of urgency.

On top of that, near-death survivors in the study have shown a tremendous range of mental and strategic flexibility during the problem-solving period. The likelihood of coming up with creative alternative solutions is much higher when executives actively try to break out of currently prevailing mental models, which tend to be even more entrenched during crises.

#### Act fast

Once a decision has been taken, the research found that the survivors put a strong emphasis on high-speed execution. Typically at this stage, the core problem, regardless of what triggered it, comes eventually down to cash and financing. In fact, Prats and Sosna advise that if you anticipate a severe crisis and still have money left in the bank, start acting as though you were broke today.

Across the board, the near-death survivors acted to protect their core capabilities and knowledge, but often leveraged them in different ways afterwards to surmount the obstacles ahead. For example, pure product companies became service companies virtually overnight to generate cash and hold on to core talent with crucial knowledge, until they could switch back to a product focus.

#### Leave the door open

Even if the firm acts fast to implement a well thought-out strategy, it rarely avoids workforce reductions completely. The research found that CEOs who helped

good team members to find other jobs reaped the benefits during the upswing as employees rejoined the company.

Furthermore, the CEO survivors recommended making "one big cut" of employees at the beginning rather than a series of small rounds of dismissals. The latter fuels an atmosphere of constant fear of "who next?" among staff, undermining motivation and destroying the business leader's credibility.

#### Lead from the front

Strong leadership and a clear direction, despite the uncertainty, opposition, and pessimism executives may face in these times, seemed key to the success of many of the study's survivors. The research showed that uncertainty among employees is often worse than discussing the blunt facts, even if the news is bad. Communicating the right amount of bad news at least gives everyone a chance to react.

#### Plan for the afterlife

Despite the mind-bending and exhausting task of managing a firm during a near-death experience, business leaders should already try to envision potential "springboards" for the future once the storm has passed. And despite the current tsunami of bleak news reports, we should not forget that some business models thrive under these conditions.

# Wiedeking took the audacious step of hiring a Japanese ex-Toyota lean production consultant to sort out Porsche.

## A Tight Ship

The CEO must lead the initial improvement process him/herself

Understand your value creation process

Most value streams can be radically improved if analyzed correctly

Identify muda (waste) and eliminate it

If you are spending significant amounts of capital to improve specific activities, you are usually pursuing perfection the wrong way

Keep spare capacity for flexibility (buyer's market)

Get ready for the upswing

Source: Womack, Jones and Roos; Marc Sachon

and Dave Packard, in the harsh years following the Great Depression. "All crises generate opportunities, but you have to be ready and know how to recognize them," Prof. Ribera said.

**Porsche's** turnaround following the 1992 recession is also under the microscope. Just like today, demand for cars was low but more specifically, three quarters of the cars in the German manufacturers' U.S. dealerships - **Porsche's** biggest market - were a year old. **Porsche's** complaints that a U.S. luxury tax was dissuading consumers rang hollow since Japanese high-end carmakers such as **Lexus** were enjoying healthy sales.

It was clear that unfavorable external factors were affecting **Porsche's** operations – for example the recession or unfavorable DM/\$ exchange rates. But there was also a wide range of internal factors at play: engineers were fixing defects as the vehicles came off the line; there were few common parts and no new products in the pipeline.

In short, as Sachon noted, "**Porsche** in 1992 was a car crash." Its savior came in the form of Dr. Wendelin Wiedeking, a hard-nosed engineer with a deep belief in lean production techniques. Wiedeking took the audacious step of hiring a Japanese ex-**Toyota** lean production consultant to sort out **Porsche**, a company that many insiders believed to be the doyen of German engineering excellence.

Drawing further parallels, Sachon indicated that **Toyota's** genesis held lessons for today's ailing car manufacturers. The Japanese firm originally formulated its lean production techniques out of necessity as it was operating in an adverse environment. Back then, demand was low and resources scarce so **Toyota** only produced what the customer demanded without wasting anything.

Referring to the current situation, Sachon pointed out that demand often outstripped capacity in the first eight years of the decade: capacity was the bottleneck. But from 2009 to 2010, demand will trail capacity. "That requires a change of mindset... but keep spare capacity for flexibility," he said.

Back at **Porsche's** headquarters in 1992, the luxury car manufacturers' proud German engineers were subjected to an equally brutal shift in mindset. The Japanese lean production consultants, Mr. Iwata and Mr. Nakao, were not impressed by the plant and immediately got to work.

**Porsche's** new CEO Wiedeking demonstrated his support for this switch in philosophy by personally implementing Nakao's instruction to cut all the storage shelves in the factory to a maximum height of 1.3 meters with a chainsaw. For Sachon, this is the single most effective action in converting an organization to lean practices: for the CEO to lead the improvement processes him or herself. "Sometimes, you have to go down to the shop floor and get your hands dirty."

One of the challenges facing **Porsche** in 1992 was that there was not a lot of

money in the till. But having its financial back against the wall worked in its favor. The lean production methods freed up cash trapped in inventory.

A further important aspect is to understand the value-chain process. "You need to get the processes right and cut out all the fat – everything must add value and all waste, or muda, must be eliminated," Sachon said.

"It's like when a person wants to lose weight: you need to understand the company's physical makeup before you decide where to cut," Ribera added.

And all of this has to be done in tight collaboration with the marketing and finance departments. "Unless you 'get' this message, there is no point making abrupt changes," Ribera stated.

In **Porsche's** case, the company took a lot of dead money out of production and put it into the development of the Boxter, the new roadster model launched in 1996. The Boxter hit the highway as demand began picking up speed, presenting a further comparison for business leaders today.

"Keep spare capacity for flexibility and get ready for the upswing," Sachon said. **Porsche** did so, and a few later years bought **Volkswagen** – the company that was ready to buy **Porsche** in 1992.

## FINANCIAL MANAGEMENT

### Money Management in a Downturn

As Prof. Ribera pointed out, a company's production department does not operate in a vacuum. If a firm opts for lean production, all its functions need to collaborate to carry this or any other strategy out. And in a downturn triggered by a severe credit crisis, the finance department comes to the fore since cash, more than ever, is king.

IESE Profs. José L. Suárez and Javier Santomá will zero in on this topic in "Financial Management in Times of Crisis," one of the special series of Short Focused Programs that IESE is offering in response to the downturn.

It was also one of the topics discussed at "Leading Out of the Crisis," a 1-day workshop organized by IESE's Executive Education team. The seminar outlining how

top-level managers can respond to the global economic downturn was held at the school's Barcelona campus on Jan. 30.

Ahmad Rahnema, IESE professor of Financial Management, gave the example of **PRG-Schultz International**, a leading recovery audit firm operating across the manufacturing, healthcare, services and government sectors.

First of all, Rahnema highlighted the importance of identifying whether the causes of a company's malaise are internal or external. The professor explained that it's an internal crisis if your assets are not generating sufficient operating cash flows; it's an external crisis if the company is well-run but market demand has disappeared.

## Rahnema highlighted the importance of identifying whether the causes of a company's malaise are internal or external.

In the **PRG-Schultz** case study, internal factors such as a lack of cost control and a flawed incentive system were amplified by external economic factors, such as falling sales due to clients taking on more in-house auditing or technology leading to fewer errors. "But this is across the board," the professor pointed out. "It is affecting everyone in the auditing industry. "

## Penny Prudence

- Cash is king: monitor your cash position daily, ensure adequate sources of liquidity and manage working capital efficiently.
- Manage costs aggressively: not all costs can be cut but tougher tests should be introduced immediately to prevent waste.
- Stress test the business: identify key risks and plan for the worst; assess potential risks in the supply chain.
- Rethink bonuses: change your incentive scheme if necessary but do not alienate employees.
- Be visible: CFOs need to raise their profile in the company – this is no time to hide in the bunker.
- Keep the show on the road: Take a pay cut, freeze all new hires, grant unpaid holidays – just don't give up.

Source: Ahmad Rahnema

## Talent Management in Times of Uncertainty

Marta Elvira and Javier Quintanilla, professors in IESE's Managing People in Organizations department, offer advice.

Marta Elvira:

Companies can adjust human resources strategies in response to the global recession in order to:

- Support a strategy of competition while conserving the corporation's values.
- Preserve loyalty while adjusting the company's size.
- Minimize the impact of corporate adjustments on staff.
- Launch new areas for promoting innovation and continuous improvement.
- Establish strategic alliances with educational, governmental and international organizations to train specialized personnel.

Javier Quintanilla:

More than ever, human resource professionals need to find mechanisms to manage the following dichotomies:

- Managers need to grant employees autonomy and responsibility so they can work as efficiently as possible, while maintaining control.
- Managers have to nurture talent even while reducing headcount. Management must communicate its priorities clearly to those that remain.
- Managers need to be frugal and generous at the same time. Austerity measures should be presented as a way to save scarce resources. Generosity can be expressed in non-monetary terms such as by recognizing achievements.

Rahnema highlighted the role of James McCurry, who took over as CEO as the company tottered on the edge in 2005. Besides its "internal" problems, PRG added another layer when it merged with Schultz in 2001.

The company acquired non-core assets that were losing money. When the company failed to sell them, it issued convertible bonds. "The company borrowed to cover this expense [of the non-performing non-core assets] by issuing bonds that matured in 2006. They were convertible at \$7.74/share but the value of the shares is \$3.00/share, so investors will want the cash," the professor said.

On top of that, the company had run up losses of \$230 million in the two years preceding 2005. McCurry took immediate steps to stop the hemorrhaging by cutting perks such as corporate jets, country club memberships and a luxury office building. The new CEO then communicated this to all staff and asked field managers to identify where cost savings could be made, getting everyone involved.

"You have to be an example," Rahnema said of managing in a downturn. "This is no time to hide in the bunker: be visible, upbeat and energetic." The professor said that CFOs should put their heads over the parapet too. "CFOs need to raise their profile in the company: developing and maintaining a robust financial forecast is key, as is aggressively managing costs," he suggested.

He also recommended extensively stress testing the business. "Take your worst-case scenario and stress test it at even more pessimistic levels," he said. "Identify key forecast risks and plan for the worst, even while you are hoping for the best," he added.

In conclusion, Rahnema identified persistence as key in managing in the downturn. "Take a pay cut, freeze all new hires, grant unpaid holiday, just keep the show

on the road." For PRG-Schultz's McCurry, for example, Chapter 11 was a very real prospect. But he managed to reach an agreement with the firm's debtors. "There are many ways to keep bankers from the door," Rahnema said.

### TALENT MANAGEMENT

#### "Who Gets the Axe?" Is the Wrong Question

Even with lean production processes, prudent financial management and responsive marketing, many employers cannot retain pre-recession staffing levels. In fact, companies were knocking each other off the front page with news of drastic job cut programs early this year.

Javier Quintanilla, IESE professor of Managing People in Organizations, emphasized that, behind the headlines, there are thousands of affected people and families. "There are no magic formulas, but what is crucial is that people are treated with respect and that firms make their priorities clear to all stakeholders."

Quintanilla led a Short Focused Program, "Managing People in Times of Uncertainty," with Prof. José R. Pin, at the school's Madrid campus on March 12.

The rash of job cut announcements earlier this year suggests that many firms see lay offs as a principal tactic to counteract the downturn. Paddy Miller, fellow IESE professor of Managing People in Organizations, offered an alternative view, though.

Instead, the professor believes business leaders would do well to tap into key talent and build morale, rather than blindly reducing headcount. But first, managers need to review their attitudes toward staff.

He highlighted the divide between business leaders and employees by discussing their responses to one of the most suc-

In this time of uncertainty, Prof. Miller challenged leaders to become architects in this new revolution and tap into the wisdom of many to keep the ship afloat.

## Crises can happen anywhere and at any time. They can inflict real damage to the firm and its reputation and tend to unfold rapidly, leaving little time for planning, so advance preparation is essential.

Successful management books of all time. *Who Moved My Cheese?* is a parable by Dr. Spencer Johnson describing how two mice and two "little people" respond to changes in life and their workplace. In reviewing readers' comments on [Amazon.com](http://Amazon.com), Prof. Miller found they were in two distinct camps – people who loved the book and people who thought it was mindless drivel.

The "pro-Cheese" people tended to be executives who commented that their employees could learn a lot from it, not themselves. On the other hand, the "anti-Cheese" people tended to be employees who felt like the mouse trapped in a maze while managers moved the cheese about.

Miller believes that this dumbing down of the relationship between managers and their staff creates a gulf between them and very different perceptions of the same business.

Another example is Scott Adam's *Dilbert* comic strip. The professor joked that everyone identifies with the eponymous hero, Dilbert – the guy at the bottom of the management hierarchy who is constantly put upon by his pointy-headed boss.

The message, said Miller, is that business leaders have to start thinking differently about the people in their organizations. Instead of automatically tossing staff overboard like ballast, "the solution might be in the people we have dumbed down."

Prof. Miller stressed that the people at the "bottom" of a company's hierarchy are often the most innovative. On top of that, they often hold valuable knowledge about how customers use the firm's products and services since often they are operating at the firm's frontline. New internet-based technologies can help unlock this group's potential, which many bosses are blind to, Miller said.

Internet-based polling tapping the wisdom of many is one example of this.

Instead of decisions made by managers or committees, these alternative voting systems have proven successful at plucking out the "experts" regardless of where they are in the firm's ecosystem.

One advantage of Internet polling over traditional meetings is that people may be more inclined to be honest. All the Dilberts in a firm may be reluctant to tell their pointy-headed boss that a new product is lousy in a public forum. But their insider knowledge on customers' perception of the product may influence their web-based vote.

In this time of uncertainty, Prof. Miller challenged leaders to become architects in this new revolution and tap into the wisdom of many to keep the ship afloat. "Are you going to be the pointy-headed boss? Or can you engage and involve Dilbert?"

### COMMUNICATION

#### Don't Shoot The Messenger

How many of us, in sunnier times, gave internal memos a cursory glance before moving onto the next item in our inboxes? Not any more: in today's turbulent times corporate communications are quickly scanned for terms such as "restructuring" or "redundancy" then scrutinized for indications of the company's direction and solvency.

This means that, in today's climate, a business leader's excellent execution of the communication plan is vital, since signs of uncertainty and indecision can undermine the company's reputation. At the same time, providing limited or incomplete information can put wind in the sails of the rumor mill, which can also corrode the firm's credibility. The company must provide all its stakeholders immediate access to accurate, relevant information.

Profs. Karen Sanders and Brian O'Connor Leggett showed how to achieve this in "Managing Crises Communications."

The Short Focused Program, one of the special series of that IESE is offering in response to the downturn, was held at the school's Barcelona campus on March 10.

"Crises can happen anywhere and at any time," Prof. Sanders pointed out. They can inflict real damage to the firm and its reputation and tend to unfold rapidly, leaving little time for planning, so advance preparation is essential.

"Senior managers should develop a communication management plan dealing with six key factors," Sanders said. These factors are:

- 1. Crisis anticipation.** Think worst-case scenarios and carry out a crisis risk assessment.
- 2. Crisis preparation.** Nominate a communication crisis team that meets before crises occur; prepare fully updated contact details for key officials, identify command center; assemble a communication toolkit (maps, media list, fact-sheets, biographies, crisis scripts).
- 3. Crisis identification.** Is it a sudden unexpected crisis? A long-running issue that needs to be monitored?
- 4. Crisis handling.** Have action and communication plans in place including processes for accurate fact gathering, message development, identification of key audiences, tracking and responding to media and attending to stakeholders.
- 5. Getting it right.** Set appropriate policy and confront tough issues. Be aware that the media develop simple story lines of villains, victims and heroes.
- 6. Crisis evaluation.** Test plans, evaluate media coverage and be proactive in learning lessons.

Prof. Leggett pointed out that who delivers the message to stakeholders such

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years.**

as employees, the media or shareholders, is also important. "We expect crisis communications to project a strong vision and future direction with seriousness of intent ... the most appreciated managers in a crisis are those who communicate this with a perception of 'personal gravitas.'

"Think of Morgan Freeman whose languid southern baritone helps his characters in movies such as *Shawshank Redemption* or *Million Dollar Baby* give the perception that he knows and understands the situation people find themselves in. He and others possess a gravitas that spells authenticity," he said.

But business leaders do not have to be an accomplished thespian to cultivate this quality, according to the professor. "Gravitas is built on reflection of our experience in everyday life, professional as much as social, supported by good listening habits and a thoughtful manner of speaking," he stated.

## ETHICS AND MANAGEMENT

### Which Way Now?

The global financial crisis in the second half of 2008 was the catalyst that tipped the world into a severe recession. And at the heart of the financial crisis was feverish trading in financial instruments of dubious commercial provenance, the predominance of risk-transfer and an incentive system that rewarded bankers for the volume of business over a good use of credit.

Policymakers, regulators and the financial sector are locked in protracted *mea culpas* and debates over what must change to avoid a recurrence. One could argue that the financial crisis is an example of history repeating itself already though, a case of the corporate scandals symbolized by **Enron** writ large.

The toxic mortgage-backed securities of the current crisis were underwritten by nothing more than an anticipation of future real estate price rises. At **Enron**, the company tabulated anticipated future earnings as though they were money in the bank. And just as banks took its dodgy assets off their balance sheets, **Enron** stashed millions of dollars of losses "offshore."

The scandals of 2001 led to a period of introspection among companies and a rush to embrace the concept of corporate responsibility. But as IESE professor of Business Ethics Joan Fontrodona pointed out, "Seven years on, we were in an even bigger mess than before."

Just as the rash of corporate scandals early this decade led to the Sarbanes-Oxley Act, regulators are discussing changes in the wake of the financial crisis. For example, José M. Campa, IESE professor of Financial Management, argues that risks and financial instruments should be regulated, not just banks overall.

For Pascual Berrone, IESE professor of Strategic Management, the financial sector's fondness for bonuses also needs to be scrutinized. "It would appear that the corporate incentive schemes designed to boost the performance of managers for the benefit of the company have, in fact, become at best a hindrance and at worst a serious liability to the company."

While these are necessary steps, Fontrodona urges us to look beyond penal codes and regulations. "We had just come out of a period of economic growth and cheap credit that led us to believe that everything is easy. We were building a society lacking in values such as hard work and effort."

Ratings agencies, bankers and regulators now find themselves in the dock but as Prof. Videla notes, (see page 41), we all enjoyed the benefits of economic growth. "We all need to reflect and ask ourselves if we allowed ourselves to be carried away by the euphoria of fast credit and consumerism," Fontrodona said.

The professor of business ethics suggested we might find ourselves lacking in moderation or perseverance: the realization that we have to work hard to achieve what is important. For Fontrodona, another layer of legislation is not enough to paper over the cracks of this crisis in values that has been brewing for some years.

"At the end of the day, it is the wisdom and integrity of a business leader's decisions on a daily basis that counts, not penal codes."

## Economic Perspectives

### The Perfect Storm

Earlier in the year, Prof. Pedro Videla took a bird's-eye view of the global recession, focusing on how we arrived at the current state of affairs. The economics professor pointed to what preceded the downturn: a "tsunami of liquidity" when many economies enjoyed a record sustained period of prosperity that took thousands of people out of poverty. "We have to remember that this is a cycle," he said.

U.S. and European central bankers opened the floodgates when they lowered interest rates in a bid to "soften the landing" following the dotcom bust of 2001. As a result, consumers in the United States and other Western economies gorged on cheap credit, many to invest in property, banking on eternally rising prices.

With interest rates at record low levels, bankers were not making much money lending or borrowing it. On top of that, U.S. legislation mandates that banks must provide funds to low-income families to buy housing. So banks began bundling the sub-prime mortgages into securities, underwritten by the value of the houses.

#### Taps turned off

The tsunami of liquidity quickly turned into a Sahara-like credit crunch when central bankers hiked interest rates in a bid to stem inflation. Then house prices began to fall, properties were repossessed and banks found there were few takers for their mortgage-backed securities.

Prof. Videla noted that regulators and ratings agencies have become the world's scapegoats now that the house of cards has come tumbling down. "But everyone was having a nice life," he said.

"Here is the core of the problem: no one knows who has what [in terms of toxic mortgage-backed securities or their derivatives] and how much," Videla said. The economics professor believes that government policy such as recapitalizing banks will not help substantially until solvency is attacked.

#### Solving solvency

Addressing solvency is difficult to do, though, especially in the short term. The former Secretary of the U.S. Treasury Henry Paulson's Troubled Asset

Relief Program (TARP) was designed to allow the government to buy up the toxic assets and clean out the financial system. But politicians balked at the idea of bailing out bankers while other industries caught in the stranglehold of the credit crunch were left to languish.

#### Emerging threats

Ultimately, governments cannot order banks to turn out their pockets; the only way they can discover exactly what is on their books is by buying them. The U.K., U.S., Dutch, French, German and Belgian governments all ended up nationalizing a number of banks in the second half of 2008 as the global financial system went into freefall.

Videla also scotched the idea that China and other emerging nations would keep the engine of the global economy running. Back when "sub-prime mortgages" was not yet popular parlance, economists' biggest concern was that China would stop lending all the dollars it was hoarding to stop the renminbi from appreciating.

Dollars were pouring into China through foreign direct investment, as well as payments for its exports. But Prof. Videla pointed out that China sells almost half of all its exports to the United States. So as Americans stop going to the mall, China is in for a hard landing.

# The New Business Paradigm

"Companies can no longer attract the brightest and best in the world unless they genuinely identify and connect with the dominant social movements of our time." This was the timely warning delivered by Matthew Bishop, U.S. business editor and NY bureau chief of *The Economist*, to participants of IESE's "Doing Good and Doing Well" conference on Feb. 28-29.

Bishop was one of numerous high-profile speakers presenting at IESE's annual student-organized conference on responsible business. "Doing Good and Doing Well 2009" drew 650 participants from 200 organizations, a 30 percent increase according to organizers, perhaps reflecting a heightened interest in new business paradigms.

Keynote speaker Anil Soni, CEO of the **Clinton Foundation HIV/AIDS Initiative (CHAI)**, began by noting several stark statistics: 25 million men, women and children have died of AIDS; 25,000 children die of extreme poverty every day; and 2.5 billion people in the world currently live on less than \$2 per day.

He said that the private sector can play a decisive role in helping diminish human suffering across the globe through a range of activities in areas such as financial contributions, products and assets, soft assets, new technologies, financial services for the poor and large-scale financing.

Soni gave an overview of **CHAI's** activities and how the organization works with governments to reduce the price of AIDS treatment and improve access in countries where the need is most acute. Since its creation in 2002, **CHAI** has sought to work as a partner with governments to help "make complex systems work more efficiently," he said.

## New focus on corporate citizenship

In his presentation, Bishop said corporate citizenship is now being taken deadly seriously by CEOs, many of whom have come to realize that the

current system has been brought into serious disrepute by those who have neglected their company and society's long-term needs.

In addition, society is witnessing a massive growth in "philanthro-capitalism," that Bishop described as "the coming together of the head and the heart; of the business world with the non-profit sector."

Bishop cited as an example the historic moment in 2006 when Warren Buffet, then the second richest man in the world, pledged 85 percent of his wealth to the **Bill and Melinda Gates Foundation**. For the first time in the history of modern capitalism, the two richest people on the planet had decided to give away the vast bulk of their enormous wealth. By doing so, Gates and Buffet have become role models for all successful business leaders interested in giving back to society.

## Social entrepreneurship gains in stature

During the same period, social entrepreneurs have been gaining in importance. Social entrepreneurs look for innovative solutions to social problems, creating a direct and measurable impact, and sustainable structures. While entrepreneurs are focused on financial returns, social entrepreneurs are motivated by additional criteria such as the number of people served or jobs created by the enterprise.

According to Bishop, "they will be one of the great forces involved in shaping the new business paradigm." What is more, they can expect to enjoy genu-

ine and far-reaching support from the Obama administration, especially given the new president's background as a community organizer, he said.

## Scaling up

The greatest challenge now facing philanthropists and social entrepreneurs is that of building viable models to provide both development and long-term profits. They will have to bring the full range of their entrepreneurial skills to the fore in order to solve the world's most intractable problems.

Large-scale thinking and planning – as exhibited, for example, by the founders of **Google** – as well as the adoption of higher standards of accountancy and transparency, more effective marketing and the hiring of the best and brightest minds are all helping transform the not-for-profit sector.

## Building a meaningful career

Like Bishop, Mark Albion, a venture philanthropist and founder of the **More Than Money Institute**, sees grounds for optimism in the not-for-profit sector, particularly because the new generation of MBA graduates are not focused solely upon making money but also seek to build meaningful careers.

To illustrate his point, he pointed to the findings of a recent survey on MBA graduate's career priorities. The top two criteria for happiness among MBAs were the community they belonged to and their working environment. In a session brimming with career advice,



Albion stated that, “we do not change until the pain of not changing is greater than our fear of change.” Albion is the author of the *New York Times* best-seller *Making a Life, Making a Living* and the new book *More than Money*, which aims to help MBAs find sustainable and satisfying careers.

“Success is personal and must be measured by more than just money,” according to the author and venture philanthropist. For Albion, the two crucial

questions we should ask ourselves before embarking on our career paths are “Who am I?” and “What do I want?”

Rather than focusing purely on adapting our skills and know-how to the market we should strive to “find ourselves by losing ourselves in something bigger than ourselves.” To achieve this, we must first find what we truly love doing. Albion warned participants, “Don’t get too good at what you don’t want to do.”

In his welcoming remarks, IESE Dean Jordi Canals stressed that the MBA students should make every effort to make a positive impact on organizations by being “agents of change.”

Larisa Tatge  
Nick Corbishley

# Entrepreneurs and MBAs Join Forces

## CEFIE ORGANIZES IESE ENTREPRENEURIAL TECH FAIR

María Sotomayor was one of four IESE MBA '09 candidates who met their entrepreneurial match at the Entrepreneurial Tech Fair at IESE's Barcelona campus on Jan. 21. IESE's Center for Family-Owned Business and Entrepreneurship (CEFIE) organized the event, where seven start-ups presented their projects to potential investors and second-year MBA students.

While the second-year students may not yet have the financial capital to invest cash in the start-ups, the MBA candidates can provide other resources such as brainpower. The MBA students also benefit from the symbiotic relationship: the projects satisfy the business plan requirement for their entrepreneurship class.

"Matching management skills with technology capacities is one of our goals as

CEFIE's mission is to fuel the creation of sustainable high growth potential companies," Mathieu Carenzo, the center's managing director, said.

As a result, Sotomayor and her MBA '09 peers - Justin Morin, Ricardo Salama and João Carelli - have pooled their collective skills and know-how to develop a business plan for the international expansion of the online platform, **iContainers**. It has been up and running in Spain since mid-2007. The MBA team members have backgrounds in business, engineering and finance.

**iContainers** is a sea freight forwarder enabling small firms to book services online. Founders Iván Tintoré and Carlos Hernandez's passion for the project was one of the aspects that attracted the MBA

team to the start-up. The MBA students also liked the idea of developing a business plan for an existing enterprise, as well as the innovativeness and scalability of the concept.

The seven start-ups presenting at the Entrepreneurial Tech fair spanned a variety of industries from gluten-free food to snow scooters. Reflecting greater concern for the environment, a number of the projects had green credentials - such as **Green Living Projects** - which aims to help reduce buildings' energy consumption and pollution.

The Entrepreneurial Tech Fair is one of a series of events organized by CEFIE. On March 25, the center hosted IESE's second annual Growth & Investment Forum, focused exclusively on business plans spearheaded by alumni and IESE MBAs.



# Put Your Money Where the Analysis Is

## IESE ANNUAL VENTURE CAPITAL INVESTMENT COMPETITION

Entrepreneurs representing five start-ups faced a grilling from teams of IESE MBA students on their firms' financial viability on Jan. 22 as the 4th Annual IESE Venture Capital Investment Competition entered its final day. The event kicked off on Jan. 19 when the six teams were handed the start-up companies' business plans for analysis.

The winning team consisted of five students from the MBA program, Pablo Bilbao Nales, Alan Burchell, Gonzalo Carriazo Hernández, José M. Dot Escartín, and Margalida Vaquer Vicens. The competition simulated the process that profes-

sional venture capital (VC) professionals undertake when evaluating start-ups for investment.

### Venturing judgement

To this end, nine VC partners representing **Amadeus Capital, Iris Capital, Delta, Balderton** and **TVM** judged the IESE MBA students' performance. The VC partners evaluated how the MBA student teams interacted with the entrepreneurs during the due diligence sessions, as well as other factors such as their presentation skills and the rigor of their decision.

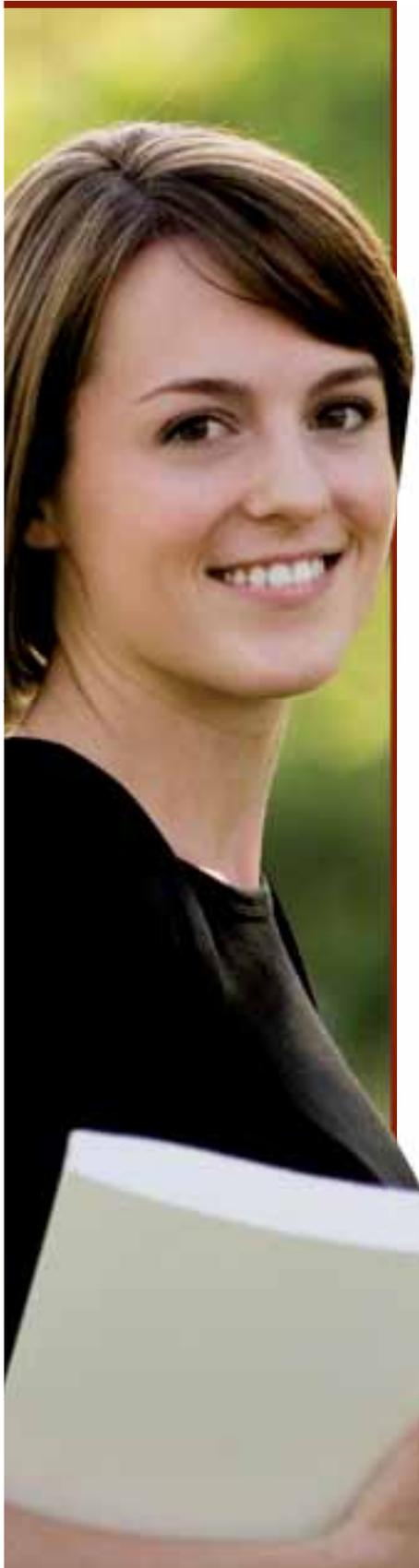
The five start-ups that were vying for cash from the students' hypothetical venture capital fund were **Kinamik, Tooio, Negonation Tractis, Iris Experience** and **BeRuby**. Most of the fledgling companies are technology-based. For example, **Kinamik** is a software development company that notarizes data; **Tooio** is a mobile social network and **Negonation** provides identification and legal services online.

**Barcelona Activa** is sponsor of the IESE Venture Capital Investment Competition, which is organized under the patronage of Prof. Heinrich Liechtenstein.



# IESE to Help Develop Future Leaders

## IESE INTRODUCES NEW "YOUNG TALENT PROGRAM"



IESE Business School has launched a new initiative that gives talented young university students a head start on their careers. The Young Talent Program (YTP) allows students to enjoy pre-admission to IESE's highly-ranked MBA program, along with a promising future with a leading firm.

IESE Dean Jordi Canals, presented the new initiative to the participating companies, potential partner companies, and members of the press at IESE's campus in Madrid earlier this year. Other attendees included senior members of the business community and representatives from leading universities.

Here is how the program works: After completing their basic university degrees, students apply to YTP and, if they are chosen for pre-admission to IESE, they are then presented to top companies for recruitment opportunities. If the candidate is offered a contract with a participating firm, they are officially admitted into the YTP.

Participants attend the valuable Next Steps Workshop at IESE, before spending the next two years working and building up their professional experience at their company. Following two years of successful performance at their firm, participants head to Barcelona for the IESE MBA. Upon graduation, they return to their firms to put their knowledge to work.

Some of the firms participating in the program include **BBVA, Boston Consulting Group, BP, Cisco Systems, EADS CASA, ENDESA, Johnson and Johnson, Mango, McKinsey & Co., Merck Sharp & Dohme, Microsoft, Nestlé** and **Santander**.

The YTP is aimed at junior and senior-year university students who demonstrate academic and personal excellence and who are studying at the world's leading universities.

### SPONSORING COMPANIES



# Bain Leader Shares Insights from Crises

SCHMIEDEBERG DISCUSSES ECONOMY AND THE FUTURE OF CONSULTING

Dr. Armin Schmiedeberg, a principal of **Bain & Company** in Germany, sounded an optimistic note at his talk with IESE MBA students on Feb. 23. "There is life after the crisis," he told the students during his MBA Global Leadership Series address.

Although economic woes dominate the press these days, the long-term economic laws of gravity will prevail and the pendulum will swing once again toward growth, he said.

The consultant described his experiences in previous downturns such as the U.S. energy crisis in the 1970s; in Germany in the early 1990s, following unification; and in Argentina in 2001.

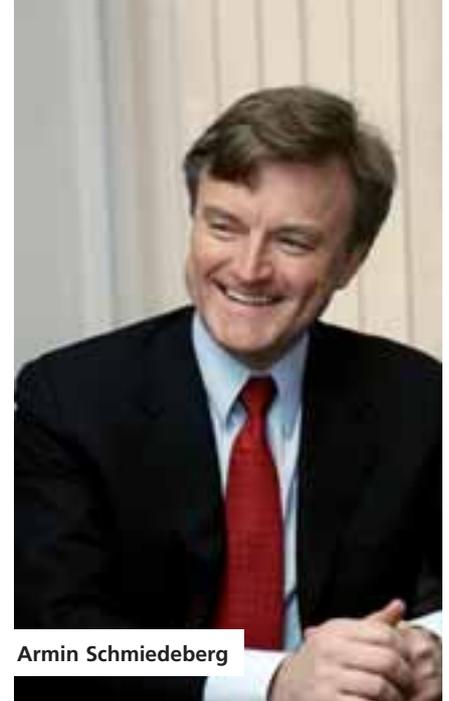
In all, he said, he has been exposed to "four or five bust cycles." Schmiedeberg is a partner at **Bain & Company's** Düsseldorf office and leads the firm's

industrial practice in Germany, Austria and Switzerland.

While all the crises had different characteristics, each one provided important learning points, he said. Among these are the dangers of an economy financed by debt and large trade imbalances, which he called "deadly." An overvalued currency should also be viewed as a key warning sign, he said.

## The outlook for consulting

When asked by students about careers in consulting, Schmiedeberg stressed that the nature of consultancy projects will change significantly in coming years. A greater emphasis will be placed on a deep knowledge of cost structures and balance sheets, areas that have been put on the back burner by some companies in recent years.



Armin Schmiedeberg

# FCC Chief Advises MBAs to be Flexible

FALCONES DRAWS ON EXPERIENCE IN BANKING AND INFRASTRUCTURE



Baldomero Falcones

Being flexible and open to new opportunities are important characteristics for companies confronting the crisis, according to Baldomero Falcones (MBA '72), chairman and CEO of **FCC**, one of Spain's largest infrastructure management companies. Falcones spoke with MBA students about opportunities, structural changes and the outlook as part of the MBA program's Global Leadership Series on March 3.

The CEO urged students to take advantage of the crisis by looking forward, anticipating change and acting quickly. "The world is changing quickly, you have to be even quicker," he said. "You must always change, adapt to the environment and be flexible," he added.

Instead of focusing on problems in the current environment, Falcones stressed finding solutions. "Make sure your ideas are clear and follow them through," he said. Drawing on his extensive experience in the banking industry as a former managing director of the **Santander Group** and

chairman of the board of **Mastercard**, Falcones told students that financial strength, cost reduction and strict cash control are key to surviving challenging times. He also emphasized the importance of focusing on your core business, protecting your market and taking advantage of know-how.

In addition, Falcones advised implementing structural changes in response to the crisis. "Create a plan, get rid of barriers, define short-term wins, consolidate advances and institutionalize new approaches," he said, adding that barriers are easier to overcome in times of crisis.

The **FCC** chief executive also discussed leadership. Falcones advised the MBA students to be proactive, creative, and innovative, as well as able to learn from failure. "If your company does not innovate, you will disappear," he warned.

In closing, Falcones told students to enjoy what they do and to have fun, never give up and to maintain honesty and integrity.

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# Opportunities for Enlargement

Ten mainly Eastern European countries joined the European Union (EU) in 2004, with two more following suit in 2007. This enlarged single market offers companies new business opportunities, but its new members are far from homogeneous. When a leading pharmaceutical company wanted to learn more about their needs, attitudes and behaviors, IESE's Custom Program team came up with an innovative solution.



Poland, Hungary, the Czech Republic, Slovenia, Slovakia, Malta, Cyprus, Estonia, Latvia and Lithuania were the 10 countries that joined the EU in May 2004 in a "big-bang" round of expansion. Bulgaria and Romania entered the economic and political union in January 2007, completing the "fifth enlargement" in the EU's history.

For one global pharmaceutical company operating in Eastern Europe, enhancing the knowledge and skills of its clients in the region - such as officials at health ministries and hospital administrators - was identified as key for continued growth.

Specifically, the company needed to find a way to help clients reduce their costs through new budget and organizational management approaches, before simply pushing for price cuts.

The classroom was identified as an ideal environment for achieving this. As a result, the custom program "Perspectives of the Future of Health Care," was offered at the school's Barcelona campus on Nov. 10-12, 2008.

Organized by IESE's International Executive Education team and led by the school's faculty, the program brought together some 30 senior decision-makers in Eastern European health care markets. They included general managers of hospitals and senior officials from health ministries. Participants represented a range of countries including Bosnia, Bulgaria, Croatia, Estonia, Lithuania, Latvia, Romania, Serbia and Ukraine.

IESE Profs. Alfredo Pastor, Mike Rosenberg, Núria Mas, Jaume Ribera and

**"I found the interactive methods used by the professors extremely useful to keep us 100 percent involved in the case solving and to learn the lessons we needed."**

Paddy Miller led sessions on industry-specific topics such as pharma supply chains and healthcare economics. The program also encompassed sessions on global topics such as the outlook for the world economy and leadership.

Both the "macro" and the "micro" themes had a tight focus on educating the pharmaceutical company's stakeholders on how best to manage their hospitals, health ministries or departments. For example, the leadership sessions developed participants' awareness of different management styles and provided change management tools.

Prof. Mas, the program's academic director, said, "The program was an excellent opportunity for participants to step back and think about the challenges facing their organizations, and perhaps re-evaluate their ways of thinking and behaving in the face of uncertainties and future trends."

As well as interaction with faculty, teamwork and networking opportunities were important aspects of the program. The three-day seminar included a case study focused on the health care sector, requiring work in small teams. Social activities were included to build relationships among members of the group.

Following the program, representatives of the sponsoring firm made follow-up calls to participants for feedback on the learning experience, with their communication now informed with fresh insights on their clients' attitudes, behaviors and expectations, gleaned in the seminar.

Based on the success of the program, the company has decided to sponsor

another edition in 2009, in collaboration with other companies and NGOs. The next program offering is expected to include a larger participant group, with the focus expanded to Western Europe, the Middle East and Africa.

The custom program delivered for the participants, too. "I liked the structure of the program, as it has some academic parts, but also practical parts – so it was equally structured. I think the program is of perfect length and intensity," one participant said. Another commented, "I found the interactive methods used by the professors extremely useful to keep us 100 percent involved in the case solving and to learn the lessons we needed."

IESE professors' highly interactive teaching methods were an important aspect of the program's popularity: participants invested in the learning process, rather than listening to a speaker talk ex cathedra in a traditional conference. On top of that, participants appreciated the opportunity to attend a program in a world-class business school rather than in a conference facility.

Carlos Hornstein, associate director of IESE's International Executive Education team explained the program's success: "In increasingly diverse markets where a company's stakeholders are constantly being bombarded with communications, this custom program 'cut through the static' and delivered the message to those that counted, while providing them with the tools to improve their management skills."

## Results-oriented programs

The programs are results-oriented. They provide hands-on, applicable knowledge challenging you to consider strategy and operations and the markets in which you compete in radically different ways.

## Leading partner institutions

For these special programs, we are able to draw on the expertise of leading partner institutions. These include Harvard Business School, Stanford and the University of Michigan Business School. We have run company specific programs together with Harvard, Wharton and the University of Michigan. Our unique, joint-venture approach to custom programs affords you the best of U.S. and European thinking on relevant business issues.

## Teaching methodology

IESE's company specific programs are highly dynamic and interactive. The methods used include case studies, simulations, class discussions, presentations, small-group learning activities and break-out sessions. Case studies normally form the centerpiece of the programs. They engage faculty and clients in an interactive process of analysis of business issues and in-depth discussion to facilitate problem-solving and enhance decision-making skills.

## Business cases about your company

If your company requests it, a member of the program faculty will write a case of specific relevance to the organization, in consultation with you and your colleagues.

## Program management

Our experienced team of Executive Education managers will assure that all matters pertaining to program management and logistics are carried out to your satisfaction.

## Venue

Most programs take place at IESE's campus in Barcelona. We have, however, held programs at our campus in Madrid, and others in China, Africa, the United States and Latin America.

## Contact

To learn more about IESE's international company specific programs, please contact:

Mike Rosenberg  
Director, International Executive Education  
Telephone: (34) 93 253 6545  
Fax: (34) 93 253 4343

## Prof. Vives Receives EU Grant

The European Research Council has awarded IESE Prof. Xavier Vives a five-year grant for his research project, titled "Information and Competition." The project centers on two areas of research: one theoretical, which examines market dynamics and their relationship with information exchange among companies; and the other applied, focusing on competition policy.

Created in 2007, the council is the EU's main body for financing leading-edge research. Its objective is to stimulate scientific excellence by supporting the best scientists, scholars and engineers to take risks in their research. Led by 22 renowned scientists, the council bundles all research-related EU initiatives together to play a crucial role in reaching the EU's stated goals of growth, competitiveness and employment.

Vives is a professor of economics at IESE. He specializes in industrial organization, microeconomics, game theory, economic information, banking and financial markets. He holds a doctorate from the **University of California, Berkeley**, and has consulted for the **World Bank** and the **European Commission**.

### E&Y ENTREPRENEURSHIP PRIZE

## IESE Faculty Support Entrepreneurship

Javier Pérez Dolset, president and CEO of the mobile content company, **Zed**, was awarded "Entrepreneur of the Year, 2008" at the Casino de Madrid on Feb. 19. IESE Prof. Joan Roure was among the judging panel for the Spanish chapter of **Ernst & Young's** 18th Entrepreneur of the Year competition. IESE supports the event in collaboration with **Vocento** and **Fortis**.

Pérez Dolset will now go forward as one of 50 competitors in the worldwide "Entrepreneur of the Year" event in Monaco in May. "It's an honor to receive an award that recognizes the work of entrepreneurs," said Javier Pérez. "It is an honor as well to represent Spain in the global competition for this award," he added.

# New Chairs Endowed

## PROFS. PIN AND PASTOR TO LEAD NEW RESEARCH

IESE has established the José Felipe Bertrán Chair of Governance and Leadership in Public Administration, chaired by Prof. José R. Pin. The school has also announced the creation of the **Banco Sabadell** Chair of Emerging Markets. Prof. Alfredo Pastor will lead research, generate new ideas and disseminate knowledge on emerging markets as holder of the chair.

The objective of the José Felipe Bertrán Chair of Governance and Leadership in Public Administration is to lead applied research on best practices in governance and management in the public sector. In addition, the project seeks to deepen understanding among management practitioners of the public sector's role in economic development.

Economic activity in a specific area depends upon the convergence of three sectors: private, public and non-profit. These three sectors, when acting in a coordinated manner, have the ability to fuel a region's economy. "Knowledge of good practices in public management and administration" is one of the most effective paths toward a country's institutional development, Prof. Pin said.

### Emerging importance

The Chair of Emerging Markets is a timely response to the rapid growth of the economies of Latin America, Eastern Europe, Asia and Africa. The swift industrialization and growing purchasing power of emerging countries has caught the attention of many of the world's largest companies.



Prof. Pin



Prof. Pastor

Despite the undoubted opportunities in emerging markets, European companies' overall understanding of the way these countries' markets, companies and governments function is surprisingly limited. As a result, business activity in emerging countries still presents a high level of uncertainty and risk.

**Banco Sabadell** and IESE believe it is essential to develop a broader knowledge of the institutional structures and economic policy of these countries. The chair will also lead the development of case studies of companies that have broad experience of operating in emerging markets so that we can share their examples with others seeking to gain a foothold there.

# Ghemawat's Book Praised

## WORK ON GLOBAL STRATEGY IS "USEFUL AND PRACTICAL"

IESE Prof. Pankaj Ghemawat's book, *Redefining Global Strategies: Crossing Borders in a World Where Differences Still Matter*, has been named one of the best strategy books of 2008 by the publication *strategy+business*.

In his article examining the book, **IMD** Prof. Phil Rosenzweig noted that Prof. Ghemawat's work "is the best treatment on the subject of global strategy to appear

for quite some time, and is a much-needed antidote to the simplistic treatments of flat-world management that are currently in vogue." He also described the book as "useful and practical."

Published by Booz & Co., *strategy+business* highlighted outstanding business books in diverse areas such as strategy, innovation, globalization and human capital, among other topics, in its Winter 2008 edition.



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# Switch to Digital TV Stirs Up Debate

Any remaining analog television sets in Europe will be switched off permanently by the European Commission on April 3, 2010. The move brings the perennial debate over funding of public television into sharp focus. This was the main topic discussed at IESE's 2nd Annual Audiovisual Workshop at the school's Barcelona campus on Nov. 27, 2008.



From left to right: Lieven Vermaele, Xavier Vives, Patricia Galvin, Helen Woods and Matteo Maggiore.

The countdown to the analog television blackout is ticking: the European Commission has set the deadline of April 3, 2010 for member states to complete the switchover to digital terrestrial television (DTT). The new technology provides a greater number of channels and better picture and sound quality. On top of that, viewers can enjoy interactive services where provided.

One of the main disadvantages for viewers is the need to install new equipment (set top box). But for the European Union's state and public TV operators, the switchover brings far greater headaches than the hassle of buying new apparatus. For TV operators and regulators, the analog TV blackout brings the perennial

debate over funding of public television into sharp focus.

This was the over-arching theme at IESE's 2nd Annual Audiovisual Workshop, held at the school's Barcelona campus on Nov. 27, 2008. IESE Prof. Xavier Vives, academic director of the school's Public Private Sector Research Center (SP-SP), coordinated the event along with Joaquim Triadù, vice-president of SP-SP and partner in the law firm **Garrigues**.

The crux is that DTT is likely to result in a further fragmentation of audiences as new, specialist channels are launched. Some question whether the advertising cake will expand at the same rate or instead be sliced more thinly.

According to a Study of Opinions of Trends in the Audiovisual Sector by Time Consultants for IESE's SP-SP research center in 2008, over two-thirds of the respondents believe that advertising will remain the main source of revenue for these new private digital channels in Spain. But in many European countries, public TV channels receive a mix of government funding and advertising revenue.

So if the cake is to be sliced more thinly, some 60 percent of private TV operators participating in IESE's survey believe that Spain's state television should be funded exclusively by public funds. The government appears to recognize the dichotomy: at the end of 2008, it announced that **Televisión Española (TVE)**, the country's

"We believe that public service broadcasting can be an asset for viewers... If profit is the only concern, quality will go down."



public service broadcaster should reduce advertising time by a quarter in just over a year's time.

### License to broadcast

In one sense, the U.K. model has side-stepped this argument in that the **BBC's** terrestrial television channels carry no commercial advertising. Instead, TV viewers pay a £151.83 license fee for access to the **BBC's** domestic broadcasting services. Despite that, Matteo Maggiore, the **BBC's** controller of international policy, told workshop participants the debate on the **BBC's** funding is rife and "everything is up in the air." The main reason is that, while the TV license nominally grants access to **BBC** services, in reality it is a fee levied for owning

a TV set. Commercial TV operators in the U.K. argue that they do not receive a proportion of the funding corresponding to their audience figures. On top of that, they point out that the **BBC** uses breaks in programming to advertise other services such as its radio stations or its specialist channel for young children, CBeebies.

The support of specialist channels such as CBeebies adds another dimension to the debate. The **BBC's** *raison d'être* is to inform, educate and entertain, not to respond to free market principles. Advertising to young children faces strict regulations, which hampers advertising revenue as the principle source of funding for children's programming. As a result, public service broadcasters argue that only they

can assume the cost of producing high-quality children's TV.

### One man's meat

Another aspect of this same debate is the question over what defines public service broadcasting. Spain's Union of Commercial Television Operators published a report in October 2008 stating that 40 percent of **Corporación de Radio y Televisión Española's** (**RTVE**) output was not public service broadcasting (PSB).

In the U.K., the independent competition authority, **Ofcom**, regulates all players in the communications arena, from TV operators to telecommunications companies. Patricia Galvin, a principal in **Ofcom's** international division, told the event's participants that the authority rigorously represents the interest of consumers.

"One of the things we have to examine is whether PSB is a good thing or a legacy thing," she said. "We believe that PSB can be an asset for viewers, in that it provides quality indigenous productions. If profit is the only concern, quality will go down," Galvin said.

The **BBC's** Maggiore had stronger words for suggestions that the U.K. government wean the **BBC** off public funding and force it to live and die by the sword of free market principles. The recent upheaval in global financial markets has punched holes in the conviction that markets will always provide. "Markets fail, that is clear," he said. "There is a belief that markets will deliver – no they don't," he stated.

Marcella Moohan

IESE Strengthens Relationship With SDL-TRIDION

# Among Market Leaders in Web Content Management

SDL-TRIDION became a technological partner of IESE in 2008, cementing a relationship that goes back to 2003, when IESE decided to revamp its website. Six years on, SDL-TRIDION has established itself as a global leader in the field of web content management. IESE trusted TRIDION as its web content management partner, long before the company had penetrated the U.S. market and achieved global presence.

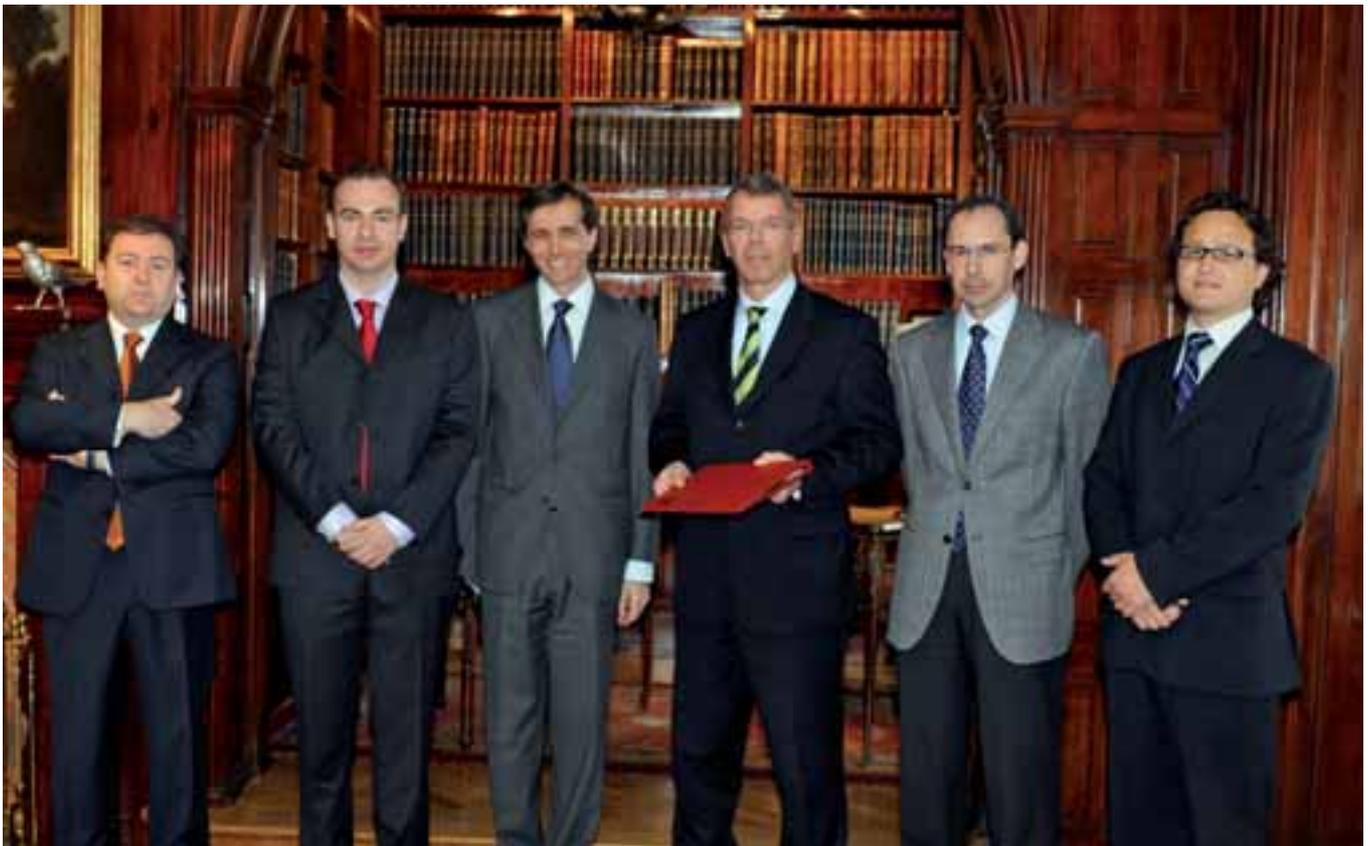
In recent years, many major organizations have invested heavily in web management solutions to coordi-

nate their content creation, approval and publishing processes. For these organizations, the maintenance and organization of multiple websites can soon turn into a logistical nightmare, especially considering the sheer range of languages, brands and channels they must support.

This is especially true given that the vast bulk of content management technologies are still based on the "copy and paste" formula, which often produces mistakes and inconsistencies across different sites, languages or channels.

Originally founded in 1999 as TRIDION, SDL-TRIDION is a Dutch multinational based in Amsterdam. The company has offices in Brussels, Stockholm, London, Madrid, New York, Munich, Paris, San Francisco and Tokyo. TRIDION was acquired by SDL, a world leader in the field of global information management in May 2007. The merger enabled SDL-TRIDION to reaffirm its position as one of the global leaders in web content management.

SDL-TRIDION's solutions allow many leading companies to use their



## Not for nothing have the most prestigious IT analysts hailed SDL-TRIDION as leaders in the field of web content management

websites as a key element of their communication, support and marketing strategy. The company's client base includes **ABN Amro, AIG, Akzo Nobel, Alcatel, AXA, Grupo BBVA, Bose, Carrefour.es, Canon, Deutsche Telekom, DNV, Dutch Tax Authorities, Emirates Airline, Goodyear, Honda Europe, ING Real Estate, KLM, Mandarin Oriental, Lexus, Orient Express, Rabobank, Repsol YPF, Ricoh, Scania, SNCF, Sodexho, Suzuki, TNT, Toyota, Unilever, VisitBritain** and **Yamaha**.

### A bright future

SDL-TRIDION's uniqueness lies largely in its ability to help companies manage and coordinate multiple websites through its trademark Blue Print technology, which is designed for constant re-use across multiple websites. It does this by ensuring that any changes or updates within any of a group's websites flow directly from the original "mother website," and are reflected throughout all of the group's sites.

One of the most important differentiating features of the SDL-TRIDION

platform is the ease and efficiency with which it can maintain uniformity of brand, image and message over the full spectrum of a group's websites, regardless of the multiplicity of brands, languages and channels on offer.

Not for nothing have the most prestigious IT analysts (such as Forrester, Butler and Gartner Group) hailed SDL-TRIDION as leaders in the field of web content management.

### Tridion at IESE

Given the business school's scale and international scope, IESE is indicative of the type of institution that requires a powerful tool for the effective management and integration of all its websites. SDL-TRIDION has enabled the school to maximize the diversity of its content while maintaining centralized control over its brand, image and global message.

According to Jordi Vallet, director of innovation and technological development at IESE, the school's new partnership agreement with SDL-TRIDION is testament to the mutual trust and satisfaction of both parties

resulting from five years of successful collaboration.

There can be no doubt that IESE's decision to partner with TRIDION has paid off handsomely, especially in strategic and technological areas. Today, IESE benefits from one of the world's most complete and advanced web management platforms designed for highly global and complex organizations.

For SDL-TRIDION, it is an honor and a source of immense satisfaction to be involved in supporting IESE's commitment to business management excellence. According to Sergi Asensi, director of SDL-TRIDION Spain, his company shares the same overarching goal as IESE: to be relevant in a globalized world by offering the highest quality product. As for IESE's students and alumni, this agreement should present an opportunity to highlight the advantages and improvements that SDL-TRIDION can bring to a company's online communication management.

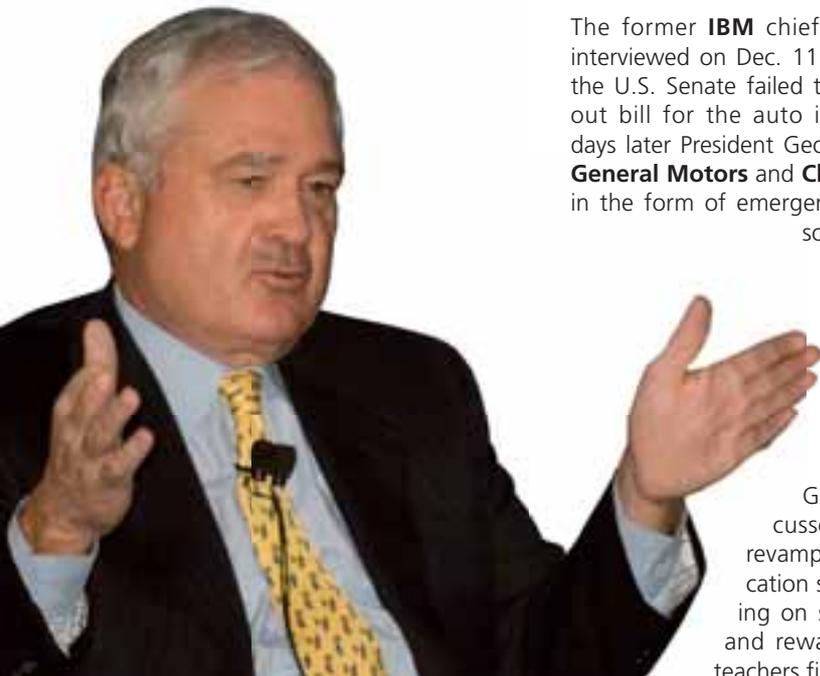


# Business Leaders Weigh in on Global Economic Crisis

Former IBM CEO, Louis V. Gerstner, Jr and the CEO of General Electric, Jeff Immelt, discussed the U.S. automotive industry, the financial sector, the U.S education system and the risk of protectionism at recent editions of the *Wall Street Journal's* Viewpoints Executive Breakfast Series, which is supported by IESE and The Boston Consulting Group.

The government should only bail out the auto industry if it entails a restructuring of the entire sector, said former **IBM** CEO Louis V. Gerstner, Jr. at the *Wall Street Journal* Viewpoints Executive Breakfast Series in New York City at the end of 2008. IESE Business School and **The Boston Consulting Group** supported the event, which drew some 100 business leaders.

"The industry and the companies need to be restructured. We know that, we see the facts," said Gerstner, during an interview with Alan Murray, deputy managing editor of the *Wall Street Journal* (WSJ). "The problem from my perspective is that when you're doing a turnaround of a company that's in trouble you've got to move with great speed. You can't do it over 10 years."



The CEOs and boards of automakers have been cognizant of problems related with product quality, distribution systems and high costs, but "they've been chipping away" at them over time and haven't moved fast enough, he said. A bailout could only be considered successful if the economics of the car industry were restructured in a year.

Gerstner drove the turnaround at **IBM** in the early 1990s, transforming the company from a product supplier to a service and solution provider. Based on this experience, he said mindsets needed to change at the motor manufacturer. "The hardest part of a turnaround is getting an organization to behave differently," he said. "If you don't deal with the culture, you can't turn it around."

The former **IBM** chief executive was interviewed on Dec. 11. Later that day, the U.S. Senate failed to pass the bailout bill for the auto industry. A few days later President George Bush threw **General Motors** and **Chrysler** a lifeline in the form of emergency loans worth some \$17.4 billion.

Bush deemed the carmakers too big to be allowed to fail.

Also during the interview, Gerstner discussed the need to revamp the U.S.'s education system by focusing on skills acquisition and rewarding excellent teachers financially.

## GE Chief Discusses Global Crisis

Because governments are united in "firing as many bullets" as possible into the current global recession, an end will eventually come - although it's not clear when, said Jeff Immelt, CEO of **General Electric**, at the fifth WSJ Viewpoints Breakfast Series in New York City on Feb. 6.

While companies have to be mindful of creating new jobs in the United States, he warned against a "buy American" clause within any stimulus plan. "If everybody around the world does the same thing we're talking about, doing it hurts trade." This, in turn, would hurt **GE**, which is a leading exporter, he said.

"The best jobs we have in this country are export jobs," he said. "If we close the door on that, we close the door on the ability to grow this country in the long term." Immelt called the current crisis a "fundamental reset."

"Financial services are not going to be the same in our lifetime," he said. "It's going to be regulated differently, there are going to be different competitors, risk is going to be priced differently... The financial industry is going to be dramatically restructured."

Immelt said he has spoken with leaders around the world and they are invariably committed to deficit financing, infrastructure spending, stimulus spending and the protection of the banking sector.

"So I think that the governments are all in," he said. "And my own view



"Financial services are not going to be the same in our lifetime... The financial industry is going to be dramatically restructured."

is that the government always wins." The question is how long an economic turnaround will take.

"It's pretty tough out there," said Immelt, adding that outside of the United States, he senses less gloom. He recently travelled to India, Turkey, the Middle East and South America, places where economic activity is continuing.

"I think the trick is, there is some business going on - you have to go find it." As the crisis unfolds, companies have to be cognizant that people are "angry" about what has happened, he said. As CEO, his job is to be accountable, he said. "I think what my employees want to hear from me is: here is what we've learned as a company, here is how we're going to get better, here is what we're accountable for."



## Resource on Business Ethics Honored

Profs. Antonio Argandoña, Nuria Chinchilla and Domènec Melé wrote portions of the *Encyclopedia of Business Ethics and Society*, which the American Library Association recently named the "Outstanding Business Reference Source" of 2009. The awarding committee highly recommended the five-volume encyclopedia for public schools and libraries.

Prof. Argandoña addressed the areas of capitalism, comparative advantage and monetary policy. Chinchilla, who directs IESE's International Center for Work and Family, contributed entries on the family-responsible firm. Melé addressed the topics of anthropocentrism, Christian ethics and religious discrimination.

The encyclopedia's publisher, Sage, notes that "the encyclopedia spans the relationships among business, ethics, and society by including more than 800 entries that feature broad coverage of corporate social responsibility, the obligation of companies to various stakeholder groups and the contribution of business to society and culture."

Also in the area of business ethics, a series of IESE research documents are among the most frequently downloaded on the **Social Science Research Network (SSRN)** website. The papers were first presented at the conference, "Humanizing the Firm and the Management Profession," held at IESE's Barcelona campus in July 2008. To date, almost 3,500 downloads related to this event have been tracked.



## IESE Faculty Present in India

### CONFERENCE IN HYDERABAD ATTRACTED OVER 400

A number of Indian multinationals have emerged over the past decades to form "India Inc." Their globalization strategies were among the topics discussed at a panel discussion moderated by IESE Prof. Pankaj Ghemawat at the Strategic Management Society's (SMS) special conference, hosted by the **Indian School of Business** in Hyderabad at the end of last year.

The SMS conference "Emerging India: Strategic Innovation in a Flat World" brought together global thought-leaders on strategy and attracted over 400 attendees. As well as academics from the world's leading business schools, the speakers' program included business leaders from India Inc.'s star companies, such as the conglomerate **Tata Sons** or **ICICI Bank**.

The program included a "Dean's Conclave" where the deans of leading U.S., European and Asian business schools examined changes in the role of management education. IESE's Dean Jordi Canals participated in the conclave, which was moderated by Prof. Tarun Kahna of **Harvard Business School**.

IESE Prof. Joan E. Ricart also participated in the conference as moderator of a session on "Advancing Strategy Research in India

- What Can SMS Do?" The professor of strategic management and economics was bestowed with the honor of the presidency of SMS in November 2008.



Prof. Joan E. Ricart

## Prof. Ariño Pens SMS Criteria

### SOCIETY PUBLISHES NEW GUIDELINES FOR CONDUCT

IESE Prof. Africa Ariño formed part of a task force that drew up the Strategic Management Society's *Guidelines for Professional Conduct* that the society recently adopted for its members. The strategic management professor worked on the guidelines alongside scholars from institutions such as **INSEAD**, **London Business School** and **Arizona State University**.

SMS intends to send the guidelines to all current and future members as well as disseminate it to other groups such as business schools deans. The society believes that the guidelines will have a major and long-term effect on SMS and its members, as well as indicating the organization's professional nature and its importance to the field.

On top of her contribution to the *Guidelines for Professional Conduct*, Prof. Ariño is the track chair for the 2009 edition of the society's annual conference. Separately, the Academy of Management has named the IESE professor as a member of one of its executive committees.

The Strategic Management Society has recently honored another member of IESE faculty. Pankaj Ghemawat, Anselmo Rubiralta Professor of Global Strategy, is one of eight new fellows welcomed by the organization. Ghemawat counts among his cohorts faculty from **Stanford University**, **Dartmouth College** and **Columbia University**.



# Betting the House on Property

In recent years the housing markets in European countries have grown increasingly interrelated, and the commercial real estate market is no exception. But the global nature of property markets means that when real estate takes a hit, as it did in 2008, all the markets will feel it and react accordingly.

In his book, *European Real Estate Markets*, IESE Prof. José L. Suárez examines the dramatic events directly related to or deriving from the current real estate market slowdown and their ripple effects on international financial markets.

Suárez tackles the topic of the European real estate markets from four angles: He describes the main markets; the risk and return profile of real estate investment; indirect vehicles of investment; and the financial side of real estate activity.

Looking at European housing markets, he notes large differences in terms of the types of dwellings, tenancy systems and government policy. Some countries, such

as Denmark, view owning a home as a basic human right, while others, such as Austria, promote renting. Nordic countries, such as Sweden and Denmark, provide social housing to 22 and 23 percent of the population, respectively, while Spain covers just 12 percent of its population.

The book discusses commercial real estate, which offers considerable prospects for institutional investors. For example, the author documents an interesting investment trend in commercial real estate in Eastern Europe. While most cities have experienced decreases in yields, investors have turned towards second-level zones or cities of lesser importance such as Krakow or Katowice in Poland, in search of higher yields.



**European Real Estate Markets**

José L. Suárez  
Palgrave Macmillan

# Human Resources Best Practices in "Translatina" Firms

Latin America today faces a challenging business landscape. Although foreign investment in the region has risen, Asia's growing role in the global economy is a test to Latin America's competitiveness. At the same time, Translatina firms - Latin American trans-national companies - continue to grow in capital and influence.

*Best Human Resource Practices in Latin America*, a new book co-edited by Marta Elvira, visiting professor in IESE's Department of Managing People in Organizations, provides insights into the role and management of the human resource function in this region.

The collection explores the tensions between the strategic human resource management (HRM) policies demanded by global competition and local approaches rooted in Latin American cultural values. The book uses a selection of real-life case studies, plus quantitative data, to understand the unique challenges of human resource management in Latin America, exploring;

- the relationship between political, economic and social forces and HR practices
- lessons from successful HRM practices in the region
- the role of HRM practices for business strategy in Latin America
- national development and HRM practices
- diverse specific social and cultural contexts

Written by academics with intimate knowledge of the Latin American cultural and business landscapes, this is important reading for students of human resource management, and business in general.



**Best Human Resource Practices in Latin America**

Marta Elvira and Anabella Davila, co-editors  
Routledge



IESE gave its knowledge portal, IESE Insight, a brand new look, with more content and improved features, earlier this year. We highlight the most popular features here.

## The Orphanage

In 2007, for the first time in many years, the top-grossing movie of the year in Spain was a homegrown production. *The Orphanage*, a tightly budgeted horror movie, raked in nearly €25 million and attracted more than four million moviegoers. The film's producers, Joaquín Padró and Mar Targarona, were as surprised as anyone. Virtually overnight, the movie's success made its production company, **Rodar y Rodar**, the focus of the entire film industry.

IESE professors Sandra Sieber and Jaume Ribera, along with research assistant Lluís Ruscalleda, identify the key factors that led to Spain's biggest cinematic success in recent history in the case study, "The Orphanage: Can Cinematic Success Be Systematized?"

## Private-Equity

Over the past five years, private-equity firms have sustained above-average returns and shown exponential growth due to a favorable economic climate and four major drivers: cheap debt, rising profitability, escalating asset prices and the allocation of significant assets from institutional investors to private-equity funds.

Not anymore. The recent financial and economic meltdown has brought all that to a screeching halt.

In a new paper, "Get Ready for the Private-Equity Shakeout," published jointly by IESE and **The Boston Consulting Group (BCG)**, IESE Prof. Heinrich Liechtenstein and Munich-based senior partner and private-equity expert Heino Meerkatt analyze the cause of the recent crisis and predict how the shakeout will affect the players in the industry.

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# alumni\*

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## Interview with Antonio González-Adalid (MBA '75)

*IESE Alumni Magazine* meets with the President of the Alumni Association following his recent re-election at the association's annual meeting at the school's Barcelona campus in February.

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## Walk the Talk

*IESE Alumni Magazine* discusses the challenges for business brought by the global recession with Jorge Becerra (MBA '88), senior partner and managing director at BCG's Miami and Southern Cone offices.

72

## Chapter News

Information on recent Regional Chapter meetings, which are held all over the world. In this issue, we highlight the France Chapter's *Dîner du Premier Lundi* initiative, first launched in 1996.

78

## You're in the News

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

# IESE Leads by Example

Antonio González-Adalid (MBA'75) was re-elected president of the IESE Alumni Association at the last meeting of the association's Governing Board. Antonio González-Adalid is currently vice-president and chief executive of Cartera Industrial Rea, and has held a variety of senior management positions including vice-president of Repsol YPF and executive president of ENAGAS.



The Alumni Association is due to celebrate its 50th anniversary this year. What does being re-elected president personally mean for you?

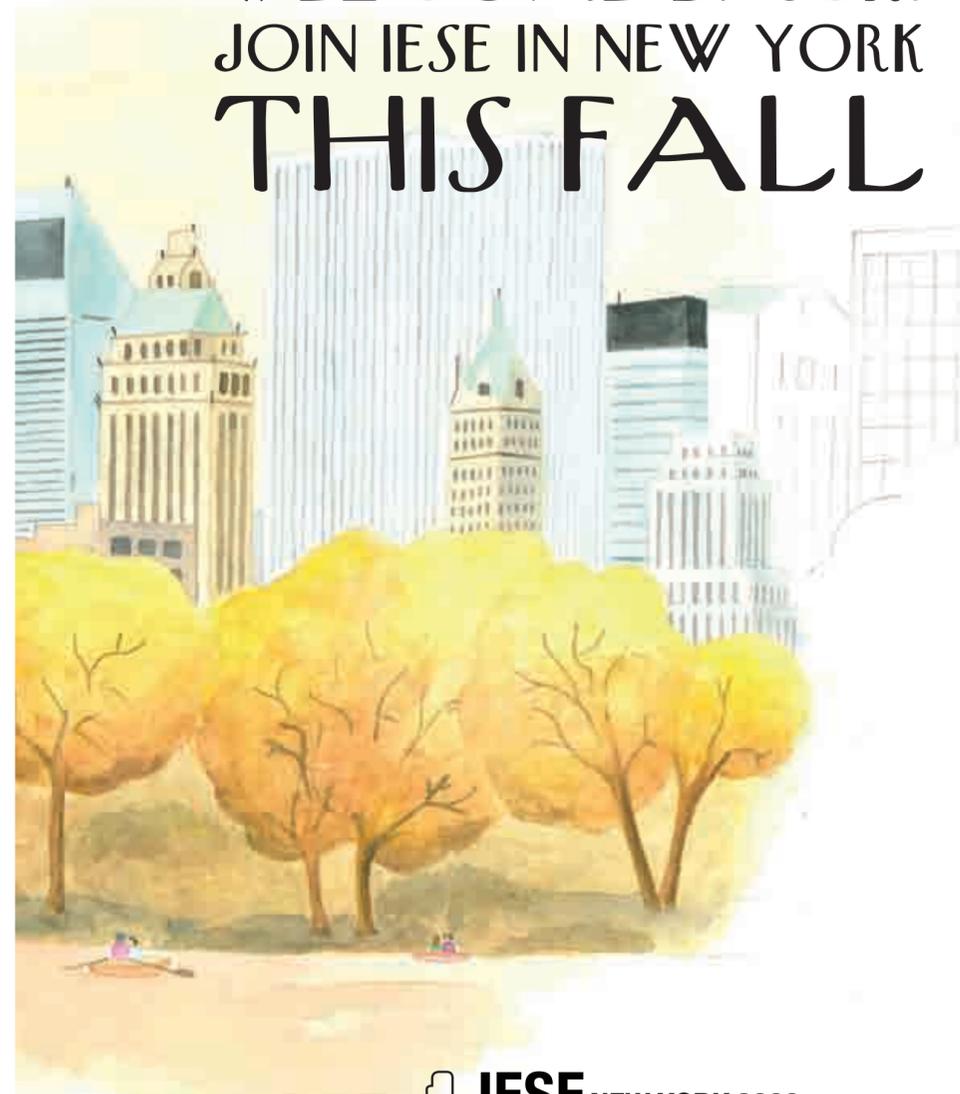
Well, first of all, it is a source of pride and great satisfaction to be intimately involved here at IESE as it gives me the opportunity to enjoy the school's warm atmosphere, its concern for its students and alumni and the closeness of ties between all members of the IESE community. At the same time, supporting IESE is a highly worthy cause as the school is deeply committed to improving the quality of education, business practices and society as a whole.

What, in your opinion, is the secret to the association's ability to maintain the same relevance and focus for so many years?

In my opinion there are two main factors that help to explain the association's enduring success. Firstly, the Alumni Association benefits enormously from the strong relationship alumni have with IESE. In the end, this is a more emotional factor than any of the academic relationships we have managed to build over the years. It still amazes me that, after countless years of asking alumni for help or support, I am still yet to encounter one who has refused. Everyone wants to be involved.

The second crucial factor in the association's continued success is the esteem with which IESE holds alumni. IESE has created an entire department for the sole purpose of serving alumni interests, staffed by a highly professional group of people with a deep commitment to supporting new projects and meeting the needs of all IESE Alumni.

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[www.iese.edu](http://www.iese.edu)

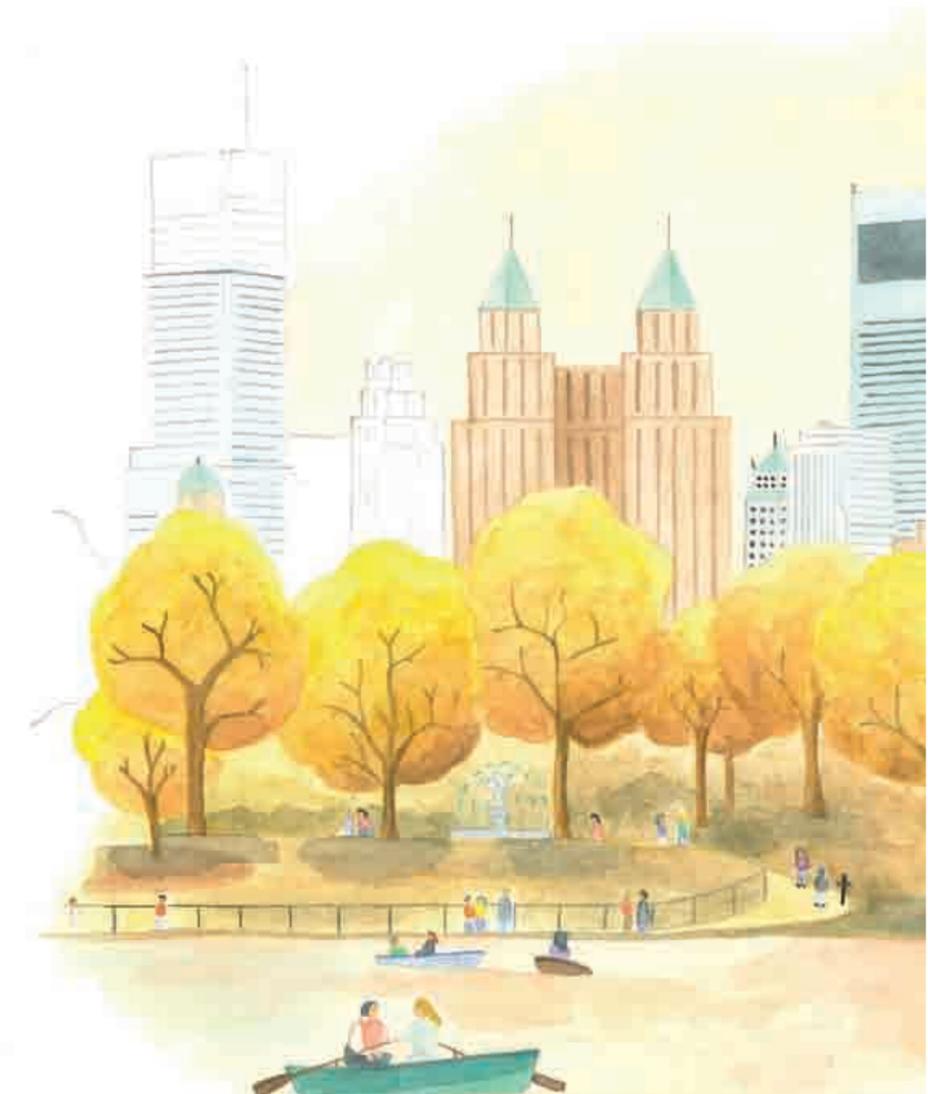
## Short Focused Programs 2008-09

Business Topic	Short Focused Program	Dates & Venues
Unlocking innovation and driving a creative culture	Creative Cultures: Making Innovation Work	May 4 – 8, 2009, New York Sept. 29 – Oct. 2, 2009, Barcelona
Effectively implementing strategy to get things done	Getting Things Done	May 19 – 22, 2009, Barcelona Sept. 15 – 18, 2009, New York
Seize opportunities in the new digital media landscape	Business Strategy in the Digital Age	June 8 – 10, 2009, New York
Tapping the best kept business secret, the booming Russian economy	Inside Russia	June 8 – 12, 2009 Moscow and St. Petersburg
Evaluating and exploiting global business opportunities in a semi-globalized world	Getting Global Strategy Right	June 9 – 12, 2009, Barcelona
Understanding the market opportunities offered by new technologies	New Technology Playgrounds	June 30 – July 3, 2009, Barcelona Fall 2009, New York
Competency and talent development for competitive advantage	Developing Leadership Competencies	Sept. 15 – 18, 2009, Barcelona
Analysis of the most critical global factors for corporate strategic outlook	Inside New York	Oct. 5 – 8, 2009, New York
Aligning outsourcing portfolios with overall business strategies	Global Sourcing of Services	Oct. 20 – 23, 2009, Barcelona
Improving the bottom line of global business operations	Global Value Chains	Nov. 3 – 6, 2009, Barcelona
Growth opportunities in Africa, China, India and Russia	Growth in Emerging Markets	Dec. 14 – 15, 2009, Barcelona

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Few schools run such an intensive and extensive Continuous Education Program as IESE, and it is only logical that this should result in higher levels of affiliation.

Can you explain how the association has been able to maintain one of the highest membership rates of all the world's business schools despite the diversity of IESE Alumni, the great distances separating them and the intense competition from other schools?

As I said earlier, the main reason why alumni feel such a strong affiliation toward IESE is the profound relationship they build with the school while studying their respective programs. This is absolutely fundamental. It is also worth remembering that membership of the IESE Alumni Association provides access to a wide range of exclusive services that are increasingly valued by alumni (see page 68). For example, few schools run such an intensive and extensive Continuous Education Program as IESE, and it is only logical that this should result in higher levels of affiliation.

IESE's 50<sup>th</sup> anniversary celebrations have provided the school an ideal opportunity to express its gratitude to alumni for all their support and commitment while, for their part, many alumni have thanked IESE for all its hard work and dedication. What is it that alumni most admire about IESE?

The school's 50th anniversary has helped boost IESE's visibility and has further strengthened IESE's ties with its alumni. We already knew that the main reason for IESE's success was its deep commitment to delivering the highest possible standards of education, as well as the personal and professional development of all its students. However, it is true that this impressive milestone has provided us with a timely opportunity to look back at the courage and ambition that was needed to set up a

school such as IESE way back in 1958. In addition, the 50th anniversary celebrations have strengthened the pride we have in our school. After all, to achieve 50 years of operations represents a significant step in an institution's consolidation and development.

Which of the association's projects for the future do you feel most excited about at a personal level?

We are currently restructuring the Alumni Association's Governing Board and certain areas are currently under review, pending the incorporation of new members. However, on the basis of recent conversations I have had with the board, I confidently expect that we will be focusing on developing strategies for the internationalization of education and communication with and among alumni (by improving the recently-launched web portal). And we are also exploring ways of addressing the needs of those alumni who are currently experiencing hard times.

What have you learned at IESE that could help lead us out of the current economic situation?

IESE provides knowledge but, above all, teaches through example. For 50 years IESE's example has shown us how to overcome serious difficulties and obstacles. It has urged us to set ourselves ambitious objectives and has time and again demonstrated that by finding passion in our work we can overcome very challenging circumstances. This is what we must do. By combining patience and effort, I am sure that the situation is surmountable.

### Committed to Continuous Education

The Governing Board of the IESE Alumni Association held its annual meeting on Feb. 9, attended by members of the governing board, the chapter boards and representatives from each program class. González-Adalid presented the association's annual report and balance sheet for the academic year 2007-2008.

The alumni association's president highlighted the increase in the quantity, quality, and the level of participation in activities that took place during the year. The period has been particularly special: IESE marked its 50th anniversary and alumni played an important part in the celebrations.

González-Adalid also stressed the dedication of IESE's faculty, who led a record number of sessions in the Continuous Education program. During the 2007-2008 year, 209 sessions were held in 24 countries. A total of 22,336 alumni participated in these sessions, 22 percent more than in the previous academic year.

### Supporting IESE in New York

Looking to the future, the president noted that the 48th annual Global Alumni Reunion will be held on Oct. 10 in New York. IESE alumni from all over the world will have the opportunity to show support for their alma mater, which has established a new center in Manhattan, by participating in the event.

The IESE Alumni Association includes more than 32,000 business leaders and executives who have completed one of IESE's core programs. Its mission is to provide ongoing education, foster collaboration among members and support IESE's development.

# Walk the Talk

Jorge Becerra (MBA '88) credits IESE for bringing him into contact with Boston Consulting Group (BCG), where he is senior partner and managing director for its Miami, and Southern Cone offices. In this interview with *IESE Alumni Magazine*, he discusses the challenges for business brought by the global recession.

The MBA was truly a transformative experience for Jorge Becerra. He joined the 2-year program as an industrial engineer (University of Buenos Aires) with stints at **Unilever** and **S.C. Johnson** under his belt. Some 20 years later, he is one of the leaders of the **Boston Consulting Group's (BCG)** business in Latin America.

It was **BCG's** commitment to innovation, its quest for "non obvious" solutions to business problems, and the human dimension of the consultancy firm that appealed to Becerra. Moreover, the firm has given him the opportunity to unleash his entrepreneurial spirit. Following spells at the London and Madrid offices, Becerra relocated to Buenos Aires in 1995 to establish **BCG's** Argentinean practice.

From there, he moved to Brazil where he helped launch **BCG's** São Paulo office with help from another partner. Afterward, he went south again to set up the consultancy firm's offices in the Chilean capital of Santiago. In 2003, he moved again to **BCG's** Miami practice, where he has been working ever since. Besides leading **BCG's** business in the Southern Cone region, he is practice head for financial services throughout Latin America.

On top of Becerra's entrepreneurial activities within **BCG**, the IESE alumnus sits on the global advisory board of **Endeavor**, an organization that supports high-impact entrepreneurs in emerging countries. He strongly believes organizations and governments should support entrepreneurs because their positive impact on a country's economic development is well demonstrated.

Although the crisis "makes us all feel more insecure," Becerra stated that entre-

preneurial activity spikes during periods of uncertainty. As people lose their jobs and see dim possibilities of finding re-employment soon, some see the downturn as the nudge they needed to strike out on their own. "The lack of financing is going to have a greater impact on large and medium companies already up and running than on the entrepreneurial sector," he added.

**You define BCG as "an organization where people walk the talk." Do you believe that this trait gains greater traction in the current economic climate?**

Absolutely. It is a combination of transparency, sincerity, strength and consistency between the values you profess to hold and what you actually do on a daily basis. Many people recognize that the roots of this recession are not just mechanical failures but also a crisis of values. Individualistic societies, the pursuance of success at any cost and a lack of proper regulation go some way to explaining the mess we're in. Employees now have even greater expectations of their organizations in terms of transparent communications and consistent behavior.

**How does it compare with previous downturns, in your opinion?**

This crisis is unquestionably different in its depth, scope and uncertainty on its length. We are witnessing the impact of globalization, and one of its main effects is the level of interdependence it has created between countries, industries and sectors. The impact of earlier recessions was, to a greater degree, limited to certain industries or regions, but in this case the impact will be widespread due to the deeper and stronger links between players, sectors and markets.

The issue is not so much how globalization has affected the supply and demand of specific goods, but people's overwhelming perplexity on how regulators could lend credibility to activities that were taking place, especially in the financial sector.

Another difference is that this recession will result in an overhaul of government policy and regulatory bodies' roles, with countries and industries opting for varying degrees of intervention.

**This recession is so severe and interconnected, that many of the tools used to overcome earlier downturns are not relevant. Given that, what do you believe are the greatest challenges facing business leaders today?**

There are no magic formulas, but there are lessons to be gleaned from past downturns. I would highlight three areas: leadership, responsiveness and strategy. Firstly, leaders should be highly transparent in their communications with employees, recognize and respond to the gravity of the situation while centering efforts on strengthening the business in the medium to long term. Regardless of its depth and duration, there is no doubt that this crisis will come to an end, and companies should be prepared for that moment.

The second sphere is how to respond to the crisis. Some companies underestimated the severity of the downturn, waited too long to take action and then were forced to overreact. The recession has had a deeper impact on these laggards than on firms who took it very seriously from the beginning and prepared bold cost cuts and aligned production and sales models. A decisive and early reaction, however painful it might be, is possibly the best way to prepare for the crisis.

Many people recognize that the roots of this recession are not just mechanical failures but also a crisis of values.



Companies should be alert and prepared for the opportunities that will emerge, such as the selective takeover of competitors who have failed to prepare for the downturn.



The third area is more strategic. Companies should be alert and prepared for the opportunities that will emerge, such as the selective takeover of competitors who have failed to prepare for the downturn and are floundering. Mergers and acquisitions in periods of recession contribute 15 percent more value than in times of economic prosperity. Firms can also enter new markets that have been abandoned by competitors, whether individually or by joining forces with them.

*As you mentioned, few management teams have experienced this sort of crisis. Is experience all-important?*

It is true that few management teams have faced this type of crisis before, but that does not necessarily mean they are not prepared. Think of the “Miracle on the Hudson,” when Capt. Chesley B. Sullenberger successfully landed a commercial airplane on the New York river earlier this year. He had never been in that situation before, but he had prepared for it.

What’s more, companies should realize that they are not alone. There are three sources of external support. Firstly, consultants can provide the knowledge and experience that they may lack internally. Boards of directors, frequently underused, can be a great help if they consist of executives with a broad range of experiences and track records. And academics such as the scholars at IESE offer very useful analysis of economic and financial crises.

*In this context, executive education emerges as a key issue. Which of the lessons you learned at IESE have turned out to be of greatest use in these circumstances?*

While the technical tools may change, what is truly distinctive is the approach to the unexpected. I believe that what most

shapes you for life is the case study method, the quality of faculty at IESE and its inquisitive culture. Twenty years later, I am still benefiting from those two years at IESE, that quest to discover the underlying causes through systematic analysis, as well as the school’s human dimension.

In those days IESE stood out, as it still does, by arguing that it was not enough to apply purely technical dimensions to business problems. The school’s humanistic approach, coupled with its analytic rigor, is a hallmark of IESE that left its mark on me and served me well throughout my career.

*Last October, IESE launched its Senior Executive Program in Miami (SEP Miami). What are the challenges and opportunities of working in Miami?*

I see a great deal of opportunities. Miami serves as a platform for connection and integration between North and Latin America. Many global companies set up their Latin American divisions here. Much of the North-South business in this hemisphere is funneled through Miami.

Many business schools offer programs here and Miami is becoming a platform for academic analysis and executive education. There is still a lot of work to do, but Miami is progressing toward becoming an increasingly strong integration platform between North and Latin America.

*Cristina Aced*

When the economy slows down

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# Better Connections

In January 2009, IESE Alumni Association launched the alumni portal featuring new content, improved navigation and easier access for its members. So far, the transformation has been well received by alumni: visits to the portal between Jan. 1 and March 1, 2009 were 233 percent higher than in the year-earlier period, reaching almost two million page views.

IESE's Alumni Association has tailored the new website to be the first port of call for alumni regarding continuous education sessions, events and IESE programs. The portal's structure is based on feedback from a series of focus groups with alumni from varying programs, ages and profiles, to identify which services are most interesting and relevant to them.

Based on the results, the homepage now prominently features five principle sections - Lifelong Learning, International Community, Professional Development, Resources and Services and My Profile – easing navigation for members.

"The purpose of the portal is two-fold: to integrate all internal aspects of the alumni community and to showcase external alumni activity. By combining offline and online activity, we can maximize the services we offer," says Mireia Rius, director of IESE's Alumni Association.

Rius explains that the portal's principle sections reflect the services that alumni value most: information, education and networking. "Through the portal, our alumni can access the resources they need to widen their personal and professional circles."

"We want to emphasize that the portal is a work tool and networking community for our alumni. It is this element of interaction and proximity that defines it as a portal rather than a website," says Rius. Members of IESE's Alumni Association have full access to all services, whereas other alumni have access to non-member services.

Visitors to the portal without a username and password have limited access to the portal, reinforcing alumni and Alumni Association members' status as IESE graduates. In a recent interview with Noticias.com, Lucas Carné (MBA '99), founder of the internet-based outlet company, **Privalia**, spoke of the advantages of creating exclusivity and member-only access to websites.

## Lifelong learning

In terms of education, the Lifelong Learning virtual platform comprises various tools to support members. "E-conferences, cases and presentations are now more readily available and easier to access. While they are not intended to replace academic sessions, they act as reinforcement to further private study," Ruis said. On top of that, Alumni Association members can register for Continuous Education sessions online and invite guests.

## Career development

Another advantage of joining the Alumni Association is the portal's improved Professional Development service, a popular feature exclusive to members. The association provides a mentoring service, career development and self-awareness programs to help members further their careers and achieve long-term goals.

Through a tailored personal profile, members can also receive job offer alerts, manage offers more efficiently and establish preferences. On top of that, the Alumni Association will launch a new digital platform within Professional Development in April to

provide a more in-depth and personalized career service.

## Expanding circles

Other user benefits open to both association members and all alumni include an improved Alumni Directory. Increased search fields facilitate networking by allowing alumni to search for fellow graduates based on their interests, professional or personal information. Alumni can also update their user data and send update alerts to their peers through the portal platform.

Virtual communities are a popular way of staying in touch and networking with other alumni. Alumni and members can create their own virtual community based on year of graduation (Class of), regional chapter or interests. Students can post discussions, documents, events and photos in the group as well as message other community members.

Pedro Galván (PDD '08), director of marketing and sponsorship at **Euroleague Basketball** and creator of the Management and Marketing in Sports virtual community, says, "I had wanted to meet other IESE alumni from the sports marketing sector for some time and when I discovered the possibility of doing this on the portal I signed up straight away. I've been surprised how quickly people have decided to join."

Elena de la Torre (PDG '08) initiated a virtual community for her graduating class, of which she is president. "We share group work and documents from meetings. It is a much easier way of sharing case studies and group photos with fellow classmates," she says.

Almost 20,000 visits to e-conferences were recorded in 2008 and over 1,100 people from some 30 countries connected to the 2008 Global Alumni Reunion in Madrid online.

 <http://iese.edu/alumni>



Other virtual communities to actively promote networking among alumni and strengthen ties to IESSE include Women Directors, a community for women professionals and IESSE-SECOT, a community for retired executives.

### Constantly improving

Even with the overwhelmingly positive response from alumni and members

to the portal, the Alumni Association continues to look for ways to enhance the service. "We are constantly improving the portal according to the needs of our alumni. We strive to constantly innovate and use new technologies," says Rius.

Almost 20,000 visits to e-conferences were recorded in 2008 and over 1,100 people from some 30 countries

connected to the 2008 Global Alumni Reunion in Madrid online.

### New look newsletter

Coinciding with the launch of the new portal, the Alumni newsletter was given a fresh face in January of this year. The monthly bulletin provides alumni with a summary of the association's activities, highlighting key upcoming Continuous Education sessions, recently published research papers and alumni news.

Readership of the English-language version of the newsletter has increased seven-fold since its re-launch.

The Alumni Association currently has 32,000 alumni, of which 13,000 are members. Membership is highly valued as it contributes to IESSE's research activities, helps maintain teaching excellence and supports the school's goal of developing managers in emerging countries.

*Emma Buckle*



Prof. Jaume Ribera

## An OM View of the Crisis

Prof. Jaume Ribera met with alumni and gave the presentation, "An Operations Management View of the Global Crisis," in Shanghai on March 16. In his talk, he said that although the business context is changing dramatically, from New York to Guangdong, job cuts are not always the best strategy. Prof. Ribera reviewed operations management concepts and how they can be applied

today to survive in difficult economic times.

■ Shanghai, March 16



Prof. Ahmad Rahnema

## Microfinance and Poverty

Alumni in Switzerland joined Prof. Ahmad Rahnema for a session that examined microfinance and its potential for reducing poverty through entrepreneurial activity.

The group also had the pleasure of hearing from distinguished guest speaker Dr. Arthur Vayloyan, Global Head Private Banking, Investment Services and Products at Credit Suisse.

Dr. Vayloyan provided his perspective on the microfinance sector, based on Credit Suisse's involvement with this area since 2001.

■ Zurich, March 16

Prof. Poelmans Addresses Stress

# Finding Balance in Times of Turmoil

Prof. Steven Poelmans took center stage at an IESE Continuous Education event held in Munich on March 10 to talk about self-leadership in times of crisis.

About 80 alumni and guests attended the event titled, "Keeping Balance in Times of Turmoil: The Importance of

Self-Leadership and Resilience." Germany Alumni Chapter President **Alexander Mettenheimer** (AMP '05) welcomed the group to the event, which was held at the "Haus der Bayerischen Wirtschaft."

Prof. Poelmans addressed the subject of stress, how to recognize its warning signals and how to turn it to one's advantage. In his presentation, he cited a quote by Lee Iacocca: "We are continuously faced with great opportunities brilliantly disguised as unsolvable problems."

In addition to relaxation and (dis)connection techniques, Prof. Poelmans emphasized the importance of opening communication channels with family members about professional challenges. This can be an important buffer to stress, he said, countering the conventional thought of building walls between work and family.

Also at the event, Rudolph Repgen, director of Executive Education Central Europe, provided an overview of IESE's activities, the AMP Munich program and highlights such as the Global Alumni Reunion in New York on Oct. 10.

Prof. Poelmans has recently co-edited and co-authored the book, "Harmonizing Work, Family and Personal Life," with Prof. Paula Caligiuri of Rutgers University. The book closes a trilogy of volumes on work-family issues by Prof. Poelmans.

Prof. Poelmans is academic director of IESE's International Center of Work and Family, and assistant professor in the department of Managing People in Organizations. He teaches organizational behavior, managerial communication, and self-leadership in the MBA and international executive programs. His areas of research include work-family conflict, family-friendly human resource policies, and managerial stress, mostly from an international perspective.

He is founding member of the European Academy of Management (EURAM), international affiliate of the Society of Industrial and Organizational Psychology, and member of the Academy of Management. He is also one of the coordinators of the second phase of the Collaborative International Study on Managerial Stress (CISMSII).

■ Munich, March 10



Prof. Steven Poelmans



**Prof. Adrian Done**

## Insights on Motivation

IESE alumni based in London took part in the Continuous Education session, "Knights or Knaves? Professional Motivations and Public Policy," led by Prof. Julian Le Grand of the London School of Economics, on March 4.

Prof. Le Grand served as senior policy adviser to Prime Minister Tony Blair from 2003 to 2005. Prof. Adrian Done of IESE's Production, Technology

and Operations Management Department, moderated the event, while MBA alumna **Maria Lluch** (MBA '00) of LSE helped spearhead the session.

■ London, March 4



**Dean Jordi Canals**

## Rethinking Leadership

IESE's Dean Jordi Canals traveled to Singapore on Feb. 18 to meet with alumni and discuss the topic of leadership in times of uncertainty.

Good leadership, Dean Canals said, is founded on three main pillars - professionalism, integrity and a spirit of service. In sound business, effective leadership is focused on the process more than the goal. Dean Canals also

emphasized the importance of maintaining an entrepreneurial spirit and remaining optimistic.

■ Singapore, Feb. 18

## Rafael Nadal's Manager Speaks at IESE Madrid

# Managing the World's No. 1 Tennis Player

Many regard Rafael Nadal's grueling five-set victory over Roger Federer in the men's final of Wimbledon 2008 as the greatest tennis match ever. The final games were played in semi-darkness as the then-world number one, Roger Federer, repeatedly came up against the young Spaniard's relentless never-say-die attitude.

That is the difference between Rafa Nadal and Roger Federer, according to his manager, Carlos Costa. The Swiss player is technically better than Nadal, according to Costa, but in terms of mental ability, the Mallorca-born gladiator can beat Federer in straight sets, Costa said.

Nadal's manager was speaking at a special Continuous Education event held at IESE's Madrid campus on March 3 to present Prof. Santiago Alvarez de Mon's case study on the world's number one tennis player, "Rafael Nadal: the Champion and the Person."

Nadal's manager, a former professional tennis player, offered another example of the tennis player's steely determination, a crucial factor in his success. At the age of scarcely 18, an injured Nadal hobbled round the Roland Garros stadium, home of the French Open, on crutches.

"Next year you'll make your debut here and hopefully you'll make a good impression," Costa said to him. "Next year I'll win the tournament," Nadal shot back to him. The following year, he made good on his promise, winning the first of his four consecutive French Open finals in 2005.

Costa is just one of a team dedicated to supporting Nadal professionally and personally. He described himself as Nadal's friend and confidante, as well as manager. The player's uncle, Toni Nadal, also a former professional tennis player, has been training him since infancy. On top of that, he has a second trainer, advisors and a public relations representative.

Nadal's manager said his uncle and trainer, Toni, is a key figure in Rafa Nadal's success. He related that Nadal was physically and mentally exhausted by his five-hour semi-final victory against fellow Spaniard Fernando Verdasco in the 2009 Australian Open on Friday, Jan. 30. "But on Sunday afternoon [Feb.1, day of the final] Toni did a fantastic job of motivating him, over two hours he talked to him incessantly," Costa said. Nadal went on to beat Federer.

Prof. Alvarez de Mon and Costa also discussed the importance of Nadal's happy

childhood in the small town of Manacor, Mallorca, and the role of his parents. "If a tennis dad asks me for advice," Rafa Nadal told the IESE professor in an interview, "I always say 'let your son enjoy himself and have fun - don't ruin his life.'"

■ Madrid, March 3



**Prof. Santiago Álvarez de Mon**



24  
Meetings

20  
Cities

# Chapter News

Regional Alumni Chapters



Frankfurt

December 2  
February 10



Thirty-seven Germany-based alumni gathered in Frankfurt on Dec. 2 for a session on self-management at S.U.P. Consultants. Thanks go to **Michael Preisler** (AMP Munich '07), who is partner at the firm.

Prof. Alberto Ribera's presentation, "Me Ltd: The Business of Managing Oneself," discussed how factors such as emotional intelligence, stress and interpersonal skills impact on our careers, especially at senior management level. Participants discussed a range of issues including the role of personality in the decision-making process.

IESE Prof. Ahmad Rahnema led a session on "Managing the Financial Crisis" for IESE alumni and friends in the same city on Feb. 10. This session drew 80 participants and was held at Ray & Berndtson, thanks to **Ludwig Birkendorf** (AMP Munich



'05), partner at the company. The session analyzed how a successful company could suddenly find itself facing a host of difficulties that threaten its existence. Participants formulated restructuring plans that included cost cutting and debt refinancing measures. ■■



**Singapore**  
February 18



Some 20 IESE alumni and friends in Singapore took part in a Continuous Education Event led by IESE's Dean Jordi Canals, titled "Rethinking Leadership During Times of Uncertainty" on Feb. 18.

The current global financial crisis is a crisis of confidence, Dean Canals said. It has prompted a significant paradigm shift from one based on skepticism of government to one of excessive trust in it. This has been coupled with a greater mistrust in business

leaders. This change brings inherent risks and consequences, and there is a pressing need for business leaders to reestablish their credibility, he said.

Dean Canals emphasized the importance of maintaining an entrepreneurial spirit and remaining optimistic. CEOs should communicate mistakes, apologize when necessary and exhaust all means to repair damage when done.

Good leadership, he said, is founded on three main pillars - professionalism, integrity and a spirit of service. In sound business, it focuses on the process more than the goal. ■■



**San Francisco**  
February 18



U.S.-based alumni participated in a session on "Global Teams, Knowledge

Sharing and Intercultural Collaboration," led by Prof. Pamela Hinds, of Stanford University in San Francisco in February. Prof. Hinds' presentation focused on intercultural collaboration in global teams. Hinds discussed ways to think about national culture, how these perspectives affect our views of intercultural collaboration, and the role that "cultural intelligence" plays in global teams. ■■



**São Paulo**  
December 11



Prof. Julia Prats delivered a session titled "High Growth Firms: the Jockey or the Horse?" to Brazilian alumni on Dec. 11. The event also served as a platform for the presentation of the "Global CEO Program for Latin America," an executive education program created by IESE, The Wharton School and the China Europe International



**London**  
December 11



**Manila**  
February 6



Business School (CEIBS). The program's primary goal is to help participants position their firms as world-class companies with sustainable advantages. ■■

Prof. Martínez Abascal identified the main causes of the current global financial crisis and summarized the biggest challenges facing firms. There was a great turnout of 60 participants who thoroughly enjoyed Abascal's session. The event was hosted by MerckFinck & Co. with thanks to **Alexander Mettenheimer**, Managing Director of Merck Finck (AMP Munich '05). ■■

11 to participate in a session led by IESE Prof. Jan Simon on "The Financial Crisis and the Long-Term Structural Issues." Prof. Simon warned of the danger of focusing exclusively on short-term solutions to the crisis, and discussed challenges that must be addressed if we are to avoid long-term structural instability.

UK-based alumni met up again on Feb. 27 to attend the Economic Policy Conference, co-organized by IESE and the European Economic Advisory Group (EEAG) at CESifo, the European research group. Nine renowned economists including Goldman Sachs' Chief Economist Jim O'Neill discussed the impact of the financial crisis and the outlook for the next 12 months. The event marked the launch of EEAG's Report on the European Economy 2009. ■■

**Santiago de Chile**  
December 2



Chile-based IESE alumni and friends converged on the Universidad de los Andes business school, in Santiago de Chile, to attend a session led by IESE Prof. Joaquim Vilà on "Innovation and Management: Continual and Systematic Growth." ■■



**London**  
December 11  
February 11  
February 27



As the economic crisis brings job insecurity, UK-based alumni gathered in London on Dec. 11 to participate in a timely session on "Managing Our Careers, From the Headhunters' Point of View." The event featured presentations by Martin Bohling, global managing partner of Courland Automotive Practice (U.S.A.); Nick Eaves, executive director of the recruitment consultancy, Badenoch & Clark; and **Mark Paviour** (MBA '91), a partner at the executive search firm, Egon Zehnder International. IESE Prof. Mike Rosenberg chaired the session.

Over 100 alumni and friends converged on Goldman Sachs' London office on Feb.



**Stuttgart**  
February 26



IESE Prof. Sandra Sieber led a session titled "From Advertising to Software Services: Google and the Future of eBusiness" that analyzed how Google has become one of the main digital players in the

**Munich**  
December 3



Alumni met up on Dec. 3 to participate in a session on "The Current Financial Crisis: Analysis, Reasons, Solutions, Lessons Learned," led by IESE Prof. Eduardo Martínez Abascal. During the session,



**Bogota**  
January 16

**New York**  
December 9



space of a few years. The company has succeeded in apparently disparate markets such as websites, interactive advertising or software. In response, competitors are redefining their strategies, steering away from traditional business models. ■■



**Panama City**  
January 15



Prof. Julia Prats also discussed the results of her research into 60 fast-growing firms in the session titled, "High Growth Firms: the Jockey or the Horse?" with alumni in Panama City. ■■



**Bogota**  
January 16



IESE alumni and friends in Colombia gathered at INALDE business school in Bogota, on Jan. 16 to participate in an academic session led by Prof. Julia Prats. ■■



**Mexico City**  
January 14



Mexico-based IESE alumni converged on IPADE business school on January 14 to participate in an academic session, 'High Growth firms: the Jockey or the Horse?' led by Prof. Julia Prats. ■■



**Lima**  
December 10



Alumni base in Peru gathered in the country's capital on Dec. 10 to attend the session "High Growth firms: the Jockey or the Horse?" led by IESE Prof. Julia Prats. The professor presented the main conclusions of a recent survey of 60 high-growth companies. The event also featured a presentation on the new program offered by IESE, The Wharton School and the China Europe International Business School (CEIBS), the "Global CEO Program for Latin America." ■■



**New York**  
December 9



IESE Prof. José L. Suárez presented his new book, *European Real Estate Markets* in New York at the end of last year. Prof. Suárez provided an overview of recent developments in the European real estate sector and their impact on the international financial system. IESE's International Center for Financial Research (CIIF) and the Spain-US Chamber of Commerce co-organized the event. ■■



**Oslo**  
December 11



Prof. Frederic Sabrià led an academic session titled "Comdipunt: ZARA's Foreign Legion" in the Norwegian capital on Dec. 11. Comdipunt is one of ZARA's principle suppliers. Its founder, Julián Imaz, describes his company as the "Foreign Legion." When Prof. Sabrià researched the company, he found a number of similarities between



**Oslo**  
December 11

the supplier and the renowned French Foreign Legion. These similarities will help ZARA's parent company, Inditex, continue to prosper in the coming years. 🍷

of the Future of Brussels," Willocx gave an overview of the recently-completed action plan for the Belgian capital for 2018. 🍷

Headhunter's Point of View" for Germany-based alumni. Knowing how to manage one's career is both an art and a necessity in today's environment. Rosenberg outlined exactly what alumni can expect of headhunters, how best to approach them and dispelled some of the common myths about executive search professionals. The Jan. 12 event was facilitated by **Michael Bommers** (AMP Munich '07), managing director of La Mer Holding. The Feb. 17 session was hosted by Markus Feldmann (MBA '89), Managing Director and Partner of Deloitte & Touche Corporate Finance. 🍷



**Manila**  
February 6



IESE Prof. Juan Roure offered a session titled, "Preserving Entrepreneurial Spirit in Companies and Family Businesses During Times of Uncertainty" to alumni in Manila earlier this year. Prof. Roure deconstructed some of the myths about business processes, stressing the need to support family businesses. Roure argued that factors such as relevant experience, ambition and passion count for more than youth, creative ideas or even capital. 🍷



**Tokyo**  
January 23



IESE alumni and friends gathered for an academic session led by Prof. Johanna Mair titled "Social Entrepreneurs as Partners in Global Markets." The professor re-examined the traditional concept of business success. While most business leaders measure success purely in financial terms, social entrepreneurs assess a company's achievements by additional criteria such as the number of jobs it creates. Prof. Mair analyzed whether social entrepreneurs can compete or collaborate with traditional entrepreneurs. 🍷



**Miami**  
February 10



IESE alumni based in the United States converged on Miami on Feb. 10 to participate in a session titled "Comdipunt: ZARA's Foreign Legion" led by Prof. Frederic Sabrià. During these uncertain times, Comdipunt - one of Grupo Inditex's largest suppliers - is thriving. Comdipunt's founder, Julián Imaz, likes to refer to his company as "The Legion" and Prof. Sabrià's research identified a number of comparisons between the French elite military unit - with its strong *esprit de corps* and focus on traditional military training - and the Inditex supplier. These similarities provide pointers on how the Spanish retail giant plans to compete going forward. 🍷



**Brussels**  
February 2



Belgium-based alumni gathered in Brussels on Feb. 2 to participate in a session led by Olivier Willocx, managing director of BECI (Brussels Enterprises Commerce and Industry). In his presentation, titled, "A Vision



**Dusseldorf**  
January 12  
February 17



Following the resounding success of a similar event in London in December, IESE Prof. Mike Rosenberg led a session on "Managing our Careers, from the



## Paris

March 2



Prof. Sandra Sieber met with IESE alumni at the Centre Culturel Suédois in Paris on March 2 for a monthly event that has come to embody the spirit of IESE alumni, the *Dîner du Premier Lundi*. Sieber led a session titled "From Advertising to Software Services: Google and the Future of eBusiness," discussing a company that was just a three-month-old research project when the first *Dîner du Premier Lundi* took place in April 1996.

With her presentation in March 2009, Prof. Sieber took up a baton that has been passed down through IESE faculty since Prof. Lluís Renart led the first session 13 years ago. The alumna who launched the initiative and been its driving force since then, **Gloria Perrier-Châtelain** (EMBA '93), explained that the group also invites external speakers, such as Henri Floret, a headhunter, or Jean Christophe Bouchard, a tax advisor.

The group meets religiously every first Monday of the month, though, regardless of whether there is a speaker booked or not. "IESE is a safe harbor in this world where business leaders live increasingly nomadic lives. I've lived in five countries and I know what it is to land somewhere strange: being able to find 'a family' with shared values almost anywhere in the world is extraordinarily reassuring," she said.

As well as friendship and common ties, alumni attending the Monday dinners have found new jobs and formed alliances with their fellow IESE graduates, over the years. Such is the draw of the *Dîner du Premier Lundi* that a record 35 alumni overcame the challenge of a general strike to meet round the table at a dinner in 2002.

*Dîner du Premier Lundi's* initiatives are not limited to dinner, though. The group also organizes excursions. For example, **Xavier Ybarguengoitia Millet** (AMP '95), director of estates and wines at the LVMH group, explained the Champagne process to alumni at the Moët & Chandon vineyard in Eperneay.

Reflecting the nomadic lifestyle of many IESE alumni and Paris' status as a hub for business, more than 10 percent of the alumni association's France chapter neither live nor work in the country on a permanent basis. "Many alumni ask to remain on the mailing list for the *Dîner du Premier Lundi* once they've left France just in case they are passing through Paris," said **Châtelain**, a global senior director for SAP.

Another positive aspect of the *Dîner du Premier Lundi* is that it encompasses alumni from all of IESE's programs. The host at Prof. Sieber's session in March, **Mikael Jönsson** (PDD '03), is a graduate of one of the school's general management courses for executives. Other members of the group include **Morgan Mainou** (MBA '08) of ArcelorMittal or **Ashish Sharma** (Global Executive MBA '08) of the Aga Khan Foundation.

Châtelain and the *Dîner du Premier Lundi* participants work hard to find interesting speakers and venues for this event that has become a cornerstone for IESE's alumni based in or with links to France. And their efforts are greatly appreciated by alumni looking for "safe harbors" in a hectic world. ■■

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# You're In the News

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## MBA



With the aim of keeping alumni networking alive and well in Barcelona, IESE graduates recently launched a new initiative, "Alumni BOW 2.0 - Barcelona." The first edition of this event took place on Jan. 16 at The Elephant. The organizing committee invites all IESE MBA graduates in Barcelona and their friends, family and co-workers to future editions of this monthly networking event. The committee will email you the details on locations and times. Please contact [AlumniBow@iese.edu](mailto:AlumniBow@iese.edu) to join the mailing list.

## MBA '05/'06



**Bianca Schwoeppe** (MBA '05) and her husband **Luis Santillana** (MBA '06)

welcomed the arrival of their first child, Leonard, on Dec. 29, 2008. Leonard weighed 3.3 kg and measured 52 cm. Bianca and Luis's son was born in London where they are now based. Following graduation, Bianca spent a year and a half with Mercer Management (now Oliver Wyman) in Munich before moving to Barclay's global strategy and planning division. Luis joined London Mining in London from Hochschild Mining in Peru.

## EMBA '02

Prof. Miguel A. Ariño led the academic session at a reunion for the EMBA Class of '02. Ricardo Lobera and Pilar Giner convened the meeting.

## EMBA '09

Nuubo, the business launched by entrepreneur **Rodrigo Miranda**, recently participated in the GSMA World Mobile Congress in Barcelona, where it presented an innovative phone application alongside Telefónica. The application allows users to view and administer the performance of their electrocardiogram via their mobile.

## MBA '84

**Dirk Kremer** has been appointed president of the Circle of Dutch Business People in Barcelona, where he will take over from **Marco Hulsewé** (PDD '98), who has left his post following four successful years.

## AMP '83

**Luis F. Quiroga** and **Manuel Balseiro** gathered their former classmates for a reunion in Santiago de Compostela on Dec. 12 to mark the 25th anniversary of their graduation. "Participants looked back fondly on the unforgettable time they had at IESE and the professors that were spearheading IESE's remarkable development," said Luis.



AMP '08



AMP '03



**PDG '07**

Former classmates gathered together on Dec. 17 for a pre-Christmas reunion.

Prof. José Manuel Campa led the academic session. Class representative,

**Enrique Lorenzana**, has been appointed director of operations in Eastern Europe for Maserati. He will combine his new responsibilities with his role as country manager for the Iberian peninsula.

**AMP '03**

To mark the 5th anniversary of their graduation, **Marta Pou** and **Carlos Delgado** organized a reunion at IESE on Feb. 12. The former classmates enjoyed an academic session led by Prof. Pedro Nueno, who discussed

his perspective on the economic outlook.

**AMP '05**

**Pere Guardiola** and **Javier de la Muelas** gathered together their classmates on Dec. 5 for an early Christmas celebration and again on Feb. 5 for a guided visit to an exhibition at the Caixaforum in Barcelona.

**AMP '07**

Prof. Antonio Argandoña led an academic session on the economy for AMP '07 graduates, who were back at IESE's Barcelona campus on Dec. 16. **Miquel Costa** and **Angels Roqueta** convened the meeting.

**AMP '08**

The AMP Class of '08 returned to IESE on Feb. 11 to attend a reunion

convened by **Ruth Aixemeno** and **Conchita Gassó**. Juan M. Cendoya, executive vice president and head of communications at the Santander Group, led an interesting session on sports marketing.

**PDG '72**

The Barcelona Food Bank, run by **Antoni Sansalvadó**, provided nutrition to 142,000 lower-income people living in the Barcelona area last year. Sadly, this only represents 10 percent of the needy. The work is carried out thanks largely to the support of some 500 individuals and organizations, not to mention the businesses and people that

donate to the foundation and over 60 volunteers who give up their time.

**PDG '05**

Bernáldez & Asociados, a consultancy focused on the construction industry headed up by **José A. Bernáldez**, organized the second Forum of Construction Industry Support Services in Barcelona on Jan. 29. The forum discussed how companies supplying services to the construction industry, such as architect and engineering firms, could respond to the crisis by expanding overseas. The next edition of the forum will be held in Madrid.

**Global Executive MBA '07**



**Angel Fernandez Carbonell** has been promoted to director of sales and new business

development for North America at MWV Calmar, a division of the Meadwestvaco Corporation. MWV Calmar manufactures dispensers for a range of industries. Angel has relocated to the company's divisional headquarters in Grandview, Missouri (U.S.A.).



**Mikhail Lubenets** and his wife Polina welcomed a son, Mikhail, on November 28, 2008, in Luxemburg.



**EMBA '02**

# agenda

## April

**20-24**

Advanced Management Program  
in Munich/Barcelona – Opening  
Module

Barcelona | Executive Education



## May

**04-08**

Creative Cultures: Making  
Innovation Work

New York | Short Focused Program

**19-22**

Getting  
Things Done

Barcelona | Short Focused Program



## June

**09-12**

Getting Global Strategy Right

Barcelona | Short

Focused Programs

**08-10**

Business Strategy in the  
Digital Age

New York | Short Focused

Programs

**08-12**

Inside Russia

Moscow, St. Petersburg | Short

Focused Programs

**22-26**

Advanced Management  
Program – Opening Module

São Paulo | Executive Education

**30, July 1-3**

New Technology Playgrounds

Barcelona | Short

Focused Programs



## July

**06**

III International Conference of  
Work and Family

Barcelona | Research

**06-10**

Advanced Management Program  
in Munich/Barcelona – Closing  
Session

Barcelona / Executive Education



Atlanta



Barcelona



New Delhi



Beijing



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