

Julia Prats
Architects of
the Future

Antonio Dávila
Going
Beyond 80

Pedro Nuevo
Entrepreneur
Towards 2020

Juan Roure
Entrepreneurship:
Four Big Questions

C. Zott and R. Amit
Creating Value in
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IDEAS

KEYS FOR AWAKENING THE ENTREPRENEUR IN YOU

10



IDEAS



ENTREPRENEURSHIP
Architects of the Future
Julia Prats

20

THE CHALLENGE OF GROWTH
Going Beyond 80
Antonio Dávila

22

THE IMPORTANCE OF INNOVATION
Entrepreneurship Towards 2020
Pedro Nueno

26

NEW CHALLENGES
Entrepreneurship: Four Big
Questions
Juan Roure

28

BUSINESS MODEL INNOVATION
Creating Value in
Times of Change
Christoph Zott and Raphael Amit

32

NEW DESIGN

ALUMNI
MAGAZINE


CROSSROADS

JORDI CANALS

Rediscovering the Role
of Business Schools

42

MEETING OF
HARVARD-IESE COMMITTEE

Preparing Better Leaders

48

**INTERVIEW WITH BERNARD MEUNIER,
NESTLÉ'S MARKET HEAD FOR SPAIN
AND PORTUGAL**

It's Time to Adapt to Changing
Consumer Needs

50

FOCUSED PROGRAMS

Targeting Success

54

**9TH PUBLIC-PRIVATE SECTOR
MANAGEMENT COLLOQUIUM**

The Keys to Beating the Crisis

56

**3RD INTERNATIONAL CONFERENCE OF WORK
AND FAMILY**

Companies Reveal True
Work-Life Colors in Crisis

57

AGENDA

58

LIFE

BREAKFAST WITH

GEORGE
SOROS

70

*The Wall
Street Journal
Breakfast
Series*



PEOPLE

VINAY KOTHARI (MBA '92)	
Building Business in India	60
YOU'RE IN THE NEWS	64
AUTHORS	66
AWARDS	67
APPOINTMENTS	68

LIFE

CHAPTER NEWS	74
--------------	----



Vinay
Kothari

IESE & YOU

SUCCEED

Improve as a Leader,
Improve as a Person

78

LAST WORD

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Index of Companies

3M.....10	Harvard University.....48	Oracle.....24
Abbott.....54	Havas Media.....74	Otinix.....64
AC Nielson.....50	Honda.....26	Philips.....10
Alucha.....10	IBM.....32	Priceline.com.....32
Amazon.....20	Imago Group.....60	Prosper.....32
Apple.....20, 32	IMD.....38	Renault.....26
Bancolombia.....32	Impact Media.....10	Reuters.....10
BBC Worldwide.....10	Improve Digital.....10	Savera India Private.....60
BBVA.....64	INALDE.....74	Siebel Systems.....24
British Petroleum.....38	Inditex.....10, 20, 32	Soros Fund Management...70
BuyVIP.....10	Indra.....64	Stanford University.....38, 54
BYD.....26	INSEAD.....67	State University of New York.....74
Camper.....64	Institut Català de Finances.64	Stora Enso.....10
CEIBS.....48, 54, 67	Instituto de Crédito Oficial.64	Suzuki.....32
Cementos Molins.....64	Instituto Superior da Empresa.....74	TECNUN.....10
Chrysler.....26	Intel.....10	Telefónica.....10
Competitiveness.....38	Inversora Pedralbes.....64	Tetra Brik.....10
Cremades & Calvo-Sotelo Law Firm.....64	KBK Group.....60	The Boston Consulting Group.....70
Dartmouth College.....42	Kellogg School of Management.....38	The Wharton School.....42, 54
Davigel.....50	Lavazza.....74	Universitat Pompeu Fabra.38
Der Norske Veritas.....64	Lending Club.....32	University of Michigan.....38
El Bulli.....20	Loewe.....64	University of Navarra.....10
Ericsson.....26	London Business School.....67	University of Pennsylvania42
Europraxis.....64	Microsoft.....10, 24	Vaughan Systems.....10
Facebook.....10	Mumbai University.....60	Vivaldi Partners.....54
Fiat.....26	Musgo.....64	Ysios Capital Partners.....10
Force Motors.....60	Naturhouse.....20	Zara.....32
Ford.....26	Neil D. Levin Graduate Institute.....74	Zopa.....32
Gillette.....32	Nestlé.....50	Zurich.....64
Goldman Sachs.....38	Nexenta.....10	
Grameen Bank.....20	Nutan Tiffin Box Suppliers Charity Trust.....60	
Harvard Business School.....38, 42, 48, 54, 67	Optenet.....10	
Harvard Kennedy School of Government.....48		

Index of Alumni

Aixemeno, Ruth (PADE-1-80).....64	Höving, Frank (G-EMBA '09).....64	Pujals, Joan M. (PADE-I-01).....64
Avelló, Alejo (PDG '03).....10	Illius, Mathias (G-EMBA '05).....64	Rescalvo, Miguel (G-EMBA '10).....64
Ayala, Josep Maria (PDG-I-89).....64	Kothary, Vinay (MBA '92).....60	Sanfeliu, Josep Lluís (G-EMBA '06)10
Azpiroz, Ramón (MBA '97) .60	Lladós, Ramón (G-EMBA '09).....64	Solé, Ramón (MBA '89).....64
Batló, Tony (MBA '94).....60	Lluch, Javier (MBA '99).....10	Torres, Carlos (PADE-1-04).....64
Castillo Marín, Ramiro (MBA '98).....74	Martínez Selma, Marc (G-EMBA '09).....64	Tous, Josep (PDG-1-06).....64
Cool, Hans (MBA '03).....10	Melé, Gaetano (G-EMBA '10).....74	Troniewski, Tomasz (G-EMBA '05).....64
Frijters, Joëlle (G-EMBA '08).....10	Molins López-Rodó, Fco. Javier (MBA '72).....64	Urbano, Carmen (PDG-A-09).....64
García, Gustavo (PDG '05).....10	Pérez Gasull, José Ramón (PDG-2-08) .64	Valle, Marco (G-EMBA '10).74
Gassó, Conchita (PADE-1-08).....64	Piera Serra, Javier (MBA '85).....64	Vaughan, Richard (EMBA '86).....10
González, Ferran (PADE-1-04).....64	Pinedo, Juan Ignacio (EMBA '88) .64	Volonteiro, Simona (PDG-1-06).....64
González Ubanell, Julio (PADE-II-89).....64	Powell, Evan (G-EMBA '08)10	
Hanzé, Pepe (G-EMBA '09).64		
Hoces, Lope (G-EMBA '08).....64		

Numbers refer to the first page of the article in which the alumnus appears.

WELCOME TO THE NEW MAGAZINE

It's true - we're in times of change. For that reason, the Alumni Magazine, your magazine, has also changed. Not too much, though. In this inaugural edition, you will find a good part of what was in the former magazine. But you will also discover a new design and some new names. We have also sharpened the focus, so that we are better able to cover topics that are relevant to you.

On pages 8 and 9, we explain the reasons behind the change. A few months ago, a sister publication was born to the Alumni Magazine: IESE Insight. Insight is a management review which features all the latest research carried out by prestigious professors and researchers from all over the world. It is aimed at bringing managers and entrepreneurs up to speed on recent ideas in business in a rigorous, relevant and straightforward way.

At the same time that Insight was launched, we became inspired to update and enhance IESE's Alumni Magazine for its growing group of readers all over the world. We realized that for the Alumni Magazine to best fulfill its objective of serving IESE graduates, we needed to deeply reflect on the publication's purpose within IESE and the Alumni Association.

What you have in your hands is the result of this reflection - and many hours of work. The magazine seeks to present in a more open way for IESE alumni what occupies the minds of our readers (Cover Story), the ideas of our faculty (Ideas, Last Word) and what is happening on our campuses (Crossroads). We also hope this new format will better serve our alumni and what you are doing (People and Life).

We don't know if we've accomplished our task. But you can be sure that we have done our best. Now it's your turn. First, read the new IESE Alumni Magazine. Second, enjoy it. And third - very important - send us your comments, criticism and suggestions, which we would very much like to receive.

Because if the old magazine was yours, we want this new magazine to be even more so.

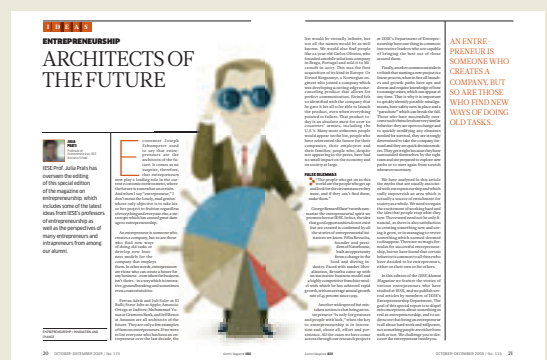


**ANTONIO
ARGANDOÑA**

Editor of
the Alumni Magazine
argandona@iese.edu



COVER STORY. Where would IESE be without its cases? The Cover Story brings together professors and Alumni to discuss a relevant topic.



IDEAS. IESE professors present articles on their latest research. In this issue, their attention focuses on the phenomenon of entrepreneurship.



AGENDA. Find out, at a glance, what is going on at IESE during the next three months.



PEOPLE. Alumni discuss their professional experiences. Also read about the latest news from IESE professors and Alumni, as well as reports on recent guest speakers at our campuses.



LIFE. Wherever you live in the world, we invite you to share the defining moments in the life of our school.



LIFE. CHAPTER NEWS. The latest news from the Alumni Association's chapters. After all, IESE is truly a global school.

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MORE IESE



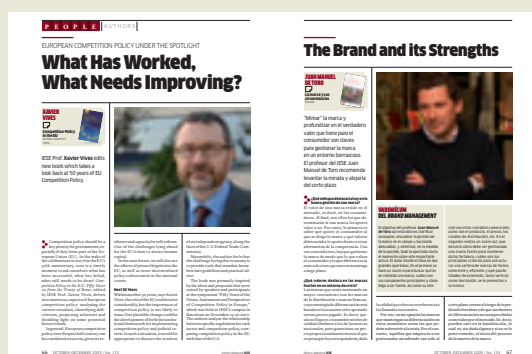
IDEAS HIGHLIGHTS. A brief overview of the latest IESÉ research. For those who want to find out more, visit *IESÉ Insight* or IESÉ Publishing.



CROSSROADS. Where can you find rigor and relevance; theory and practice; politicians and business leaders? IESÉ is increasingly becoming a global crossroads.



PEOPLE. YOU'RE IN THE NEWS. This continues to be the space for news about Alumni and graduated classes.



PEOPLE. AUTHORS. A recap of the latest books from IESÉ's professors.



IESÉ & YOU. A section outlining some of the key benefits of being a Member of the Alumni Association.



LAST WORD. Some final thoughts while you wait for the next edition of the magazine.

The creation of a new magazine at IESÉ, *IESÉ Insight*, has given us a great excuse (and opportunity) to give the *IESÉ Alumni Magazine* a new look. Our objective was clear: give an even clearer picture of IESÉ's many activities around the world. We wanted to show you in an even better way "what's new around here" - what we're doing, what professors are researching, who has visited the campus and what our alumni are accomplishing.

Throughout the large process of redesigning the magazine, we have had the help of many people who work at

IESÉ, as well as the team at Cases Associats. We particularly would like to thank Javier Rodríguez and Toni Piqué for the great effort they made to ensure that the new design and format are truly special.

As you know, the magazine is published in both English and Spanish to serve our readers, something that will continue as we take this next step forward in the magazine's history. We hope you enjoy the new and improved *IESÉ Alumni Magazine* - and, of course, we welcome all your suggestions and advice for future editions!

KEYS FOR AWAKENING THE ENTREPRENEUR IN YOU

The media has lionized entrepreneurs such as Mark Zuckerberg, the founder of Facebook, thus reinforcing the misconception that those who start businesses are necessarily young and have an entrepreneurial gene hardwired into their DNA. Here, IESE faculty and alumni entrepreneurs deconstruct this myth.

MARCELLA
MOOHAN





Prof. **Julia Prats**, the head of the school's Department of Entrepreneurship, describes an exercise in the entrepreneurship module of the Executive MBA. Entrepreneur program participants are asked to explain why they define themselves as entrepreneurs to their classmates. Then the class watches a short 1970s film about an entrepreneur who launches a company in the automotive industry.

Afterward, the participants are asked to compare the film's protagonist with the entrepreneurs in their group. Do their personalities match? Are there characteristics in common? They quickly realize that there is no common profile: some are shy, others are outgoing. And the reason why there is no common personality type, according to Prof. **Prats**, is that there is no mythical "entrepreneurial gene."

This is the first in a series of myths and misconceptions surrounding entrepreneurship rebuffed by members of IESE's entrepreneurship faculty. Their comments are seconded by the experience of the many IESE alumni who have successfully launched their own businesses.

APTITUDES NOT ATTITUDES

What there is, instead, Prof. **Prats** says, is a set of common competencies or behaviors. So, since behavior can be learned, anyone can cultivate entrepreneurial skills - just like any other aptitude. Prats points to her colleague Prof. **Pablo Cardona**'s model of the



Gustavo García
CEO of BuyVIP
PDG-B-05

Alejo Avelló
Managing Director
of CEIT and TECNUN
PDG-03



Hans W. Cool
Director of Alucha
MBA '03

Jöelle Fritjers
Managing Director of Improve
Digital
Global EMBA '08



Richard Vaughan
Founder of Vaughan Systems
EMBA '86



Javier Lluch
Chief Executive of Impactmedia
MBA '07



Josep Sanfeliu
Cofounder of Ysios Capital Partners
Global EMBA '07

three levels of competencies entrepreneurs should nurture (See Figure 1.).

"Everybody is a potential entrepreneur," Prats' departmental colleague, Prof. **Christoph Zott** says. "There is this stereotype that it's in your DNA. Entrepreneurship is a behavior and like all behaviors it can be learned," he concurred.

One example **Zott** cites is "influence skills," something that can be acquired, for example, in a negotiation skills class. If you do not have a two-page CV listing your previous successful start-ups, you are going to need to learn what **Zott** calls "symbolic or affective behaviors to connect with investors and convince them that they should trust you." Such skills can be a cheap and effective resource when money is tight.

The difference between personalities and behaviors comes into sharp focus when IESE alumni explain how they got where they are rather than what they have achieved. **Gustavo García** (PDG '05) launched BuyVIP, an online luxury clothing and accessories store in 2006. Since then, its turnover has climbed from €500,000 to €28 million in 2008. But how did **García** and his team get there?

"We chased our best brands for years. We called them every quarter and arranged meetings with them at every fair or event where they were presenting their collection. We sent them cake at Christmas and ice cream in summer. Sometimes they acknowledged the gift, sometimes not. But we kept chipping away until one by one, we got them all to work with us. Perseverance works, I guess," he concluded.

NOT FOR EVERYONE

While faculty agreed that business schools could and should bring out and help hone students' inner entrepreneurial abilities, most pointed out that students still have to decide whether it is right for them, though. "There are people who would prefer to have a fixed work schedule," **Pedro Nueno**, IESE professor of Entrepreneurship, said. "And then there are people who seek success regardless of how many long nights or weekends it takes," he added.

According to Nueno, these entrepreneurs are not mythical superheroes. They are simply very determined people with a strong spirit of sacrifice and capacity for hard work that they can tap into at critical times.


Evan Powell (Global Executive MBA '08) is an example of that. He launched Nexenta without external capital, also known as "bootstrapping." Nexenta manages data storage for enterprises on the open-source principal, in contrast to the proprietary technologies favored by the major players. The company has grown by 450 percent since January. "If you are going to bootstrap, your life is going to be impacted. You will have neither time nor money for your hobbies. And 100 hour weeks may be the norm," he said.

OUT OF THE GARAGE AND ONTO THE ROAD

Another enduring entrepreneurialism myth is that of the geek in the garage who invents a new product. "Entrepreneurs are constantly thought of as inventors," **Zott** said. "But the biggest insight of my research is that successful entrepreneurs don't need to invent a brand-new product like the iPod," he said.



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IESE AND CEIT: INNOVATION MEETS BUSINESS

THE FUNDAMENTAL ROLE OF EDUCATION

Partnerships between universities and companies are key to supporting innovation. To help support business innovation, IESE works to bridge the gap between research and development and the commercial applications of new technologies by collaborating with TECNUN, the bilingual engineering school in Northern Spain. IESE and TECNUN are both the offspring of the University of Navarra.

"Business schools have the responsibility to provide management education for people with ideas," said Mathieu Carenzo, director of IESE's Center for Family-Owned Business and

Entrepreneurship (CEFIE). "Last year, we spent a week with people from TECNUN, teaching them the basics of business and management," he said. In turn, TECNUN promotes entrepreneurialism through CEIT, a center focused on applied investigation and supporting young researchers.

CEIT is a multidisciplinary center that boasts nine research teams working in different fields of knowledge, including materials, mechanical dynamics and design, environmental electronics and engineering. The center provides a forum for researchers to take "bold but prudent risks with their innovations," said the center's managing director, Alejo Avelló.

Where there is a compelling commercial application for the researchers' innovations, the center creates a spin company. To date, the 12 companies that have emerged as a result of CEIT's work have generated more than 300 jobs, most of which are high-skilled. As José Ignacio de Carlos Gandasegui (MBA '91), the center's assistant director, said, "Our reach is extremely wide-ranging: we generate knowledge which is easily transferable to the market in the form of new entrepreneurial initiatives."

One example of such an initiative is Optenet, a global IT company that develops security solutions for Internet service providers,

telecoms operators and large firms. The firm's founder, Francisco Martín, launched the company in 1997 with €3,000 while working from a tiny office in TECNUN's basement.

Since landing its first contract with the Spanish incumbent telecoms operator, Telefónica, in 2001, Optenet now has over 60 clients across the globe and provides security solutions to over 57 million users. Martín, a former faculty member at TECNUN, gives credit to its parent university. "One of (the University of Navarra's) strengths is knowing how to link business with academia," he said.

Instead, their ingenuity lies in synthesizing existing processes or products, or applying different processes. Such is the case of **Richard Vaughan** (Executive MBA '86). In 2001, his English-language improvement company, Vaughan Systems, launched VaughanTown, a kind of residential talk-a-thon.

The initiative consisted of "stocking" an abandoned Spanish village with 20 English speakers from all over the world and 20 Spaniards. After 10 days of fun and conversation, the Spaniards emerged three times more fluent in English.

Neither one-to-one conversation classes nor residential language courses were new: the program's originality lay in combining the two.

Another ingenious aspect of the program is that it is "stocked" with volunteers from across the English-speaking world, from retired Irish farmers to Los Angeles firewomen. As a result, students are exposed to a variety of accents and cultures. The volunteers are provided with bed and board in exchange for conversation.

The other flaw in the myth of the geek in the garage who invents a new product is that the product is likely to remain there between the lawnmower and the old bikes unless the entrepreneur has the business skills to exploit a commercial opportunity. That is where management education can come in. In fact, it is often MBAs who take the reins of entrepreneurial projects, according to **Mathieu Carenzo**, director of IESE's



Center for Family-Owned Business and Entrepreneurship (CEFIE).

LEARNING TO MANAGE

● **Richard Vaughan** of Vaughan Systems agreed with ● Carenzo's comments. He said that successfully completing the rigorous Executive MBA program convinced him that he could accomplish anything he put his mind to. And secondly, the modules on accountancy and control gave him agility with balance sheets, enabling him to quickly calculate an idea's financial viability. This is another important aspect of entrepreneurialism that is supported by IESE's programs. Entrepreneurs, almost by definition, need to be general managers: few

start-ups can afford to hire specialized finance, marketing, HR or production staff.

Josep Ll. Sanfeliu (Global Executive MBA '06) is another alum who noted the benefit. "An MBA program is crucial for entrepreneurship because it allows you to gain knowledge and experience in concepts that you are familiar but not entirely comfortable with. It gives you the self-confidence to launch a new venture," he said. **Sanfeliu** and his partners formerly launched Ysios Capital Partners, a venture capital fund of €70 million focused on the biotech, pharmaceutical and medical technology sectors, in 2008.

"In this respect, IESE's focus on general management is an advantage," said Prof. **Oosterveld**, himself a former intrapreneur at Philips, an investor and graduate of the MBA class of '72. At Philips, **Oosterveld** headed up the division that commercialized the technology behind the CD-ROM and DVD.

Indeed, let's not forget that entrepreneurial skills and business models are currently much in demand among established companies. Increasingly, employees engaged in a special project within a larger firm are supposed to behave as entrepreneurs, even though they have the much larger resources and capabilities of the company to draw upon.

This practice, dubbed "intrapreneurship," is most widespread among firms that use or produce innovative products or services and are actively involved in research and development. However, as the need for innovation intensifies across all sectors, many established companies are beginning to recognize the need for intrapreneurial solutions. Some companies, such as 3M and Intel, even give their employees certain freedom to develop their own projects and then provide them with the funds to use for these projects.

DAMAGE LIMITATION

● **Francisco Martín**, founder of Optenet, a global IT ● company, says that his experience of entrepreneurship contradicts the myth that portrays the typical entrepreneur as a swashbuckling serial risk-taker.

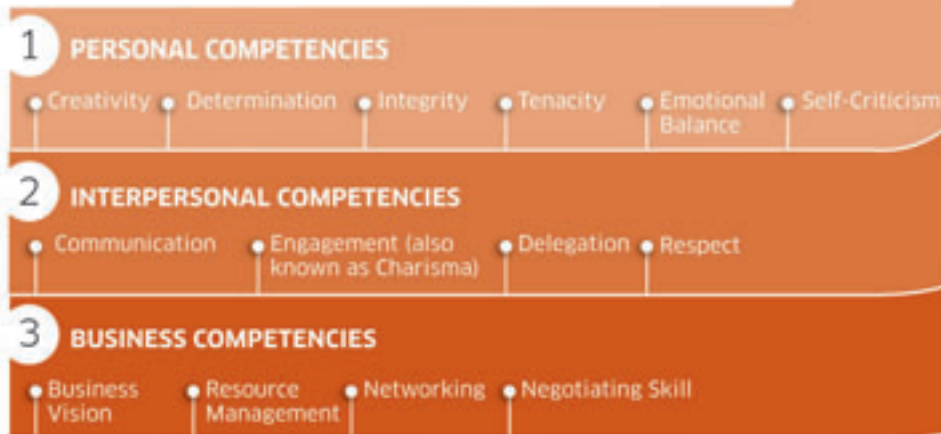
"In my opinion, an entrepreneur should strike a balance between taking risks and playing it safe," he said. "On the one hand, an entrepreneur should base his or her decisions on a profound knowledge of the market in order to minimize risks... On the other hand, it is impossible to be 100 percent sure of what is going to happen next."

Rob Johnson, a visiting professor in the Department of Entrepreneurship, agreed. "There is a common misconception that entrepreneurs are big risk-takers, almost like gamblers. What distinguishes entrepreneurs is their ability to mitigate risks so that they narrow the risks down to two or three elements that will make or break a business," he said.

Johnson speaks from experience: before teaching, he and his business partner successfully launched and sold their company, which was focused on the information industry just as the commercial importance of that sector was coming to the fore. He continues to support new enterprises as a venture capital investor.

FIGURE 1. THE ENTREPRENEUR: INSIDE OUT

- The Concentric Capabilities and Attitudes
- Required for Entrepreneurship

THE THREE LEVELS OF COMPETENCIES

SOURCE: based on an original model developed by IESE Professor Pablo Carrón

OPERATING ENVIRONMENT

As a successful venture capital investor and entrepreneur, **Johnson** knows first-hand that launching your own enterprise means accepting a high possibility of failure. On top of that, the entrepreneur's sensitivity toward failure may be compounded by the culture of the country he or she is operating in.

While faculty accept that cultural norms in individual countries can impede entrepreneurialism, the majority felt that the myth of the failed entrepreneur as social outcast is overdone. Prof. **Nueno** believes that attitudes are changing. "If an MBA in the '70s launched a company that failed it would be perceived badly," he said. "But nowadays it's different: people think, 'he's worked hard, done his best ... he'll have learned something from the experience.'"

By any means, such attitudes tend to be limited to the "uninitiated" outside the world of entrepreneurialism, according to **Mathieu Carenzo** of CEFIE. The center runs a range of networking and matchmaking events on campus to bring together entrepreneurs and business angels in IESE's Private Investors Network.

"Within the ecosystem of entrepreneurialism, they [investors, business angels and venture capitalists] value the experience gained through failure and are willing to invest in that person again," he said.

BUILD ON EXPERIENCE

Experience, of course, is only acquired overtime - which shoots holes in the myth of entrepreneurialism being exclusively a young person's game. In fact, most entrepre-

neurs are 35 years old and upward, according to Prof. **Tony Dávila** of the Department of Entrepreneurship.

"With over 10 years of work experience, you're so much better prepared," **Joëlle Frijters** (Global Executive MBA '08) said. Frijter's company, Improve Digital, provides advertising optimization technology to major online publishers, including BBC Worldwide and Reuters. "You have more visions (with more context), you have a better network, you are able to move things from A to B faster and convince others to come along with you," she said.

On top of that, it can be a long, hard slog and could take years before your work comes to fruition. "It's never a quick buck," Prof. **Oosterveld** said. "It's like growing a plant, you water it for days and weeks and months before it blooms and, even then, the rabbits could come and eat it and you have to start over from zero," he said.

Hans Cool (MBA '03) knows this from personal experience. His company, Alucha, develops innovative recycling technologies. One such application can recycle the thin layers of aluminum and plastic that make up Tetra Brik containers, along with carton board. Tetra Brik is notoriously hard to recycle.

The idea of marketing this technology was born in Prof. **Nueno**'s entrepreneurship class in the MBA program. Almost six years later, the Nordic forest products multinational, Stora Enso, is currently building a €6 million installation based on Alucha's technology at its paper mill outside Barcelona. The plant is due to start operations at the end of this year.



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EXPERIENCE IS ONLY ACQUIRED OVER TIME, WHICH SHOOTS HOLES IN THE MYTH OF ENTREPRENEURIALISM BEING EXCLUSIVELY A YOUNG PERSON'S GAME.

ADVICE FROM THE TRENCHES

1. JUST DO IT

"Step away from the whiteboard, stop brainstorming, stop planning and start selling. When in doubt, get the product into the market and try to get paid for it."
Evan Powell (Global Executive MBA '08)
Nexenta

2. BIGGER THAN YOUR BOOTS

"In the first year, you need to act bigger than you are and also invest in that. Large companies don't want to work with small unstable start-ups."
Joëlle Frijters, (Global Executive MBA '08)
Improve Digital

3. WORK IT

"There are many opportunities out there that people pick up on. The difference is that the entrepreneur turns that opportunity into a business by sheer hard work."
Javier Lluch (MBA '99)
Impact Media

4. KEEP THE FAITH

"A strong belief in your idea is very important. We have been working on our first project for over five years and have overcome many barriers during that time."
Hans Cool (MBA '03)
Alucha

5. AGE BRINGS EXPERIENCE

"I was 24 when I launched my company. However, my true entrepreneurial spirit surfaced much later, at age 48."
Richard Vaughan (Executive MBA '86)
Vaughan Systems

MAKE YOUR OWN LUCK

But perhaps the most pervasive myth of entrepreneurialism, discredited to a greater or lesser degree by most of the faculty members and entrepreneur alumni, is that of luck. Prof. **Rob Johnson** echoed the opinion of many alumni by quoting golfer **Gary Player**, "The more I practice, the luckier I get."

When it comes to crafting an entrepreneurial opportunity, there is no substitute for sheer effort and bloody-mindedness. "Luck can play a role and I have seen some examples of that," Improve Digital's Frijters said. "But never without really hard work and determination," she said.

Another group said that it is not that entrepreneurs catch a lucky break, but rather that they grab chances that others let slide by. "Pure luck does not exist," Vaughan of Vaughan Systems said. "Successful entrepreneurs open the door every time opportunity knocks. Most people don't even hear the knock," he said.

WANTED: ENTREPRENEURIAL SOLUTIONS

With the global financial system still recovering from the crisis, some would argue against embarking on a new venture at the moment. But while financing may be thinner on the ground, opportunities are likely to crop up as companies outsource services to save costs or retrench and focus on core strategy.

Moreover, others suggest that the crisis has left the world in greater need of entrepreneurs than ever. "The problems we are undergoing right now won't be solved by major corporations," CEFIE's director **Mathieu Carenzo** said. "Mass employment brought by mass industrialization got us out of the depression. That will be the case with this crisis," he said.

By any means, as Prof. **Christoph Zott** points out, "Research into job creation shows that jobs are not created by large multinationals; large multinationals tend to restructure and shed jobs. It's the small companies that create jobs." Despite the high profile of large entrepreneurial companies such as Microsoft and Inditex, lots of entrepreneurial companies are SMEs.

Instead, it is entrepreneurs who are best suited to grab opportunities in today's shifting environment. "The recession has brought about a sea change in the world and is accelerating the shift from old, heavy industry to clean industry," Prof. **Oosterveld** explained. "These sectors lend themselves to entrepreneurialism."

Just as the digital world emerged from the early 1990s' banking crisis, Dean **Jordi Canals** believes we are going to see something similar in areas such as clean energy, health care, life sciences and education. "Despite the uncertainty, now is also the best of times," the dean told the IESE MBA graduating class of 2009 on April 30. "It's an ideal time for MBA graduates to bring their entrepreneurial spirit to fruition." The same is true of IESE graduates of all ages.

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ENTREPRENEURSHIP

ARCHITECTS OF THE FUTURE

**JULIA PRATS**

Professor of Entrepreneurship, IESE Business School

IESE Prof. Julia Prats has edited this special edition of the magazine on entrepreneurship, which includes some of the latest ideas from IESE's professors of entrepreneurship as well as the perspectives of many entrepreneurs and intrapreneurs from among our Alumni.

ENTREPRENEURSHIP • INNOVATION AND CHANGE

Economist Joseph Schumpeter used to say that entrepreneurs are the architects of the future. It comes as no surprise, therefore, that entrepreneurs now play a leading role in the current economic environment, where the future is somewhat uncertain. And when I say “entrepreneur,” I don’t mean the lonely, mad genius whose only objective is to take his or her project to fruition regardless of everything and everyone else, a stereotype which has caused great damage to entrepreneurship.

An entrepreneur is someone who creates a company, but so are those who find new ways of doing old tasks or develop new business models for the company that employs them. In other words, entrepreneurs are those who can create a future for any business – even when the business isn’t theirs – in a way which is innovative, groundbreaking and sometimes even counterintuitive.

Ferran Adrià and Juli Soler at El Bulli; Steve Jobs at Apple; Amancio Ortega at Inditex; Muhammad Yunus at Grameen Bank, and Jeff Bezos at Amazon are all architects of the future. They are only a few examples of famous entrepreneurs. If we were to list everyone who has been an entrepreneur over the last decade, the



list would be virtually infinite, but not all the names would be as well known. We would also find people like 22-year-old Carlos Oliveira, who founded a mobile solutions company in Braga, Portugal and sold it to Microsoft in 2007. This was the first acquisition of its kind in Europe. Or Eivind Bergnsmyr, a Norwegian engineer who joined a company which was developing a cutting-edge noise-canceling product that allows for perfect communication. Eivind felt so identified with the company that he gave it his all to be able to launch the product, even when everything pointed to failure. That product today is an absolute must for over 20 countries' armies, including the U.S.'s. Many more unknown people would appear on the list, people who have reinvented the future for their companies, their employees and their families; people who, despite not appearing in the press, have had no small impact on the economy and on society at large.

FALSE DILEMMAS

● "The people who get on in this world are the people who get up and look for the circumstances they want, and if they can't find them, make them."

George Bernard Shaw's words summarize the entrepreneurial spirit we promote here at IESE. In fact, the idea that good opportunities do not exist but are created is confirmed by all the stories of entrepreneurial initiatives we know. Félix Revuelta, founder and president of Naturhouse, built an opportunity from a change in the food and dieting industry. Faced with market liberalization, Revuelta came up with an innovative business model and a highly competitive franchise model with which he has achieved rapid growth, with an average annual growth rate of 45 percent since 1999.

Another widespread but mistaken notion is that being an entrepreneur "is only for geniuses and people with luck," when the key to entrepreneurship is in innovation and, above all, effort and persistence. All the cases we have come across through our research projects

at IESE's Department of Entrepreneurship have one thing in common: innovative leaders who are capable of bringing the best out of those around them.

Finally, another common mistake is to think that starting a new project is a linear process, when in fact all launches and growth paths have ups and downs and require knowledge of how to manage crises, which can appear at any time. That is why it is important to quickly identify possible misalignments, have safety nets in place and a "parachute" which can break the fall. Those who have successfully overcome such obstacles show very similar behavior: they are open to change and to quickly modifying any elements needed for survival, they are strongly determined to take the company forward and they are quick decision makers. They get it right because they have surrounded themselves by the right team and are prepared to explore new paths or to start again from scratch whenever necessary.

We have analyzed in this article the myths that are usually associated with entrepreneurship and which sadly impoverish an area which is actually a source of enrichment for society as a whole. We need to regain the excitement of working hard and the idea that people reap what they sow. The reward need not be only financial, as there is also satisfaction in creating something new and seeing it grow, or in managing to revive something which seemed doomed to disappear. There are no magic formulas for successful entrepreneurship, but we have found that certain behavior is common to all those who have decided to be entrepreneurs, either on their own or for others.

In this edition of the *IESE Alumni Magazine* we feature the stories of various entrepreneurs who have studied at IESE, and we publish several articles by members of IESE's Entrepreneurship Department. The goal of this special report is to dispel misconceptions about something as real as entrepreneurship, and to underscore that being an entrepreneur is all about hard work and willpower, not something people are either born with or not. We challenge you to discover the entrepreneur inside you.

AN ENTRE-
PRENEUR IS
SOMEONE WHO
CREATES A
COMPANY, BUT
SO ARE THOSE
WHO FIND NEW
WAYS OF DOING
OLD TASKS.

THE CHALLENGE OF GROWTH

GOING BEYOND 80

**ANTONIO DÁVILA**

Professor of Accountancy
and Control, IESE Business
School

There is a widely-held belief that the comparatively sluggish rate of new business creation in Europe is the result of a lack of entrepreneurial zeal. In his latest study, Prof. Antonio Dávila challenges this myth by casting light on the importance of building a solid management infrastructure during the transition from a “good business” to a “good company.”

LEADERSHIP AND PEOPLE MANAGEMENT •
DECISIONS ANALYSIS • STRATEGIC MANAGEMENT •
ENTREPRENEURSHIP • INNOVATION AND CHANGE

Setting up new businesses with real opportunities for success is no easy task. But even with an attractive and profitable business already in place, the next step - that of transforming oneself from an entrepreneur into a manager - is just as tough. The transition from a “good business” to a “good company” takes place at some point when it has between 50 and 100 employees. When a business has fewer than 80 employees (to take an intermediary point between 50 and 100) the entrepreneur can handle everything himself. All decisions come through him and he knows what’s going on in every corner of the organization. There is no need to know the intricate ins and outs of business management; a good idea, some charisma and a bit of common sense is enough. The big challenge is to grow beyond 80 employees. At this point the company cannot grow based only on good intentions. It needs good managers.

A good example of this is a company set up in June 2003 in Silicon Valley which I have had the opportunity to work with and have followed closely. The basic business idea is great. It wants to be, and is fast on its way to becoming, a leading player within the world of high-tech industry – establishing itself in the meantime as a benchmark for many within the sector, from startups, venture capital and medium capitalization companies to large multinationals. The company has been growing strongly for the last three years but has now reached the

transition point. The managing director is a great visionary – the company was his brainchild, after all – and a great salesman – most of the company’s sales up to now have been a result of his persistence and hard work. But his big challenge now is to create a team that will allow the company to grow beyond the seventy employees it currently has. For him, growth has always meant more time with clients and more pressure within the organization to sell. And the management team has always consisted of him and three other trusted colleagues.

THE ABILITY TO GROW

● The issue of how best to approach this transition is particularly pertinent with respect to European companies. There is a widely-held belief that Europe suffers from a lack of “entrepreneurial spirit,” which is nothing more than a reflection of its supposed lack of “innovative spirit.” It is true that an excess of red tape and the social stigma of failure, a key risk faced by entrepreneurs, may go some way to explaining the slower rate of new business creation in Europe, especially relative to the U.S. Nonetheless, I often encounter people with ideas who set up new businesses here with the same entrepreneurial zeal I have seen in Silicon Valley. Maybe there aren’t as many, but there are still quite a few.

The slower rate of business creation in Europe is often put down to a lesser desire among Europeans to create new enterprises. While there may be an element of truth in this, the real source of the problem has



THE TRANSITION FROM A “GOOD BUSINESS” TO A “GOOD COMPANY” TAKES PLACE AT SOME POINT WHEN IT HAS BETWEEN 50 AND 100 EMPLOYEES.

more to do with the “ability to grow” a business and create a real company, i.e., with managers to manage it. In many businesses, the curb to growth isn’t the viability of the business plan, or the lack of funds; it’s the inherent shortage of professional management. We are all familiar with companies, in many cases family-run businesses, that reach the magic number of 80 employees and stop growing. There are also countless cases of new, very promising businesses that, once they have reached this ceiling, remain just that: a promising business.

So, what goes wrong? Many entrepreneurs will say that the business is profitable enough so what’s the point in growing further? Sometimes entrepreneurs are afraid to leave their region - the environment which they know and in which they feel most comfortable. On other occasions, growth represents more work (which is true since the number of contacts doesn’t grow in lineal fashion but exponentially with the rise in the number of employees). The fact is that the management model beyond 80 is different. The “under 80” management model is not “scaleable”, that is to say, you can’t carry on doing the same thing just on a bigger scale and at a faster rate. If everything that goes on in the organization has to go through the entrepreneur, more growth means more hours of work and more headaches, while expanding to other regions means more travel.

As soon as a company’s workforce exceeds 80 employees, management must be professionalized. This means that you have to delegate and use management tools. If this isn’t done, the company has no means of growing and the “entrepreneurial spirit” remains just that, an allusion to what could have been but isn’t. Professionalizing management requires a sea change in attitude and moving from thinking of the company as a personal business to understanding it as an organization. It means hiring people with the skills and experience to “create” an organization. It means hiring specialists – a finance director to set up a fi-

nance department, a sales director to set up a sales team, a human resources director who understands the meaning of a person’s professional career. And it also means adopting management tools – from setting up a simple budget to the design of the sales process or new product development.

A BIT OF RESEARCH

● These thoughts were running round inside our heads for quite a while until we decided to do what academics do best: research. We launched a project to study 78 newly created Silicon Valley companies (with an average age of just over 5 years) that employ more than 50 employees. We devoted a great deal of time to each company, talked to various managers and gathered details of their history, such as the growth in the number of employees, sales, profits, investors and the adoption of professional management tools – from budgeting, sales processes and alliances to product development, financial analysis and people management.

The results were conclusive. The companies which grew most rapidly were those that had devoted time to creating a “management infrastructure,” that is to say, management tools. Because of the geographical region and the selection criteria – high-growth companies – many of the companies in the sample were at least partly backed by venture capital. And if there’s one thing that venture capital investors prioritize above all else, it’s growth.

If an entrepreneur isn’t able to make the company grow, the management board (on which the investors sit) will quickly replace the entrepreneur – moving them to another department such as R&D, or otherwise suggesting that they find new ideas and create another company (outside the existing one). As a result, in our sample of companies we see quite a high rate of turnover at the head of the organization. To see if this theory about professionalizing the company made sense, we looked at the level of development of management tools after one year, two years and three years of the company’s existence and the probability of the managing director being replaced. Figure 1 shows this probability in relation to the de-

**PERCENTAGE OF FOUNDERS
REPLACED AS MANAGERS**

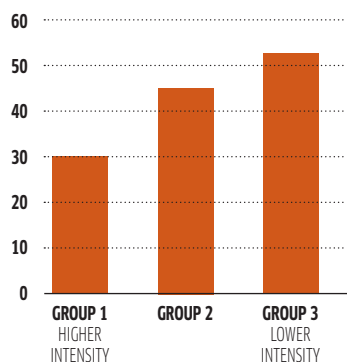


FIGURE 1

velopment of management tools. The figure suggests (and it's statistically relevant) that the lower the level of management development, the higher the probability of replacement.

We did something similar in Figure 2. We grouped the companies during the second year into three groups based on their level of management development and looked at how they grew. Once again, more development invariably means greater growth.

The conclusion is clear: management does not destroy the entrepreneurial spirit as is so often argued. On the contrary, management enables the entrepreneurial company to grow. Therefore, contrary to popular belief, lack of growth isn't due to a lack of ideas (or a market), but rather to a lack of management know-how. Of course, it is true that too many management tools can lead to increasing bureaucracy and smother innovation. But none of the 78 companies we studied had that problem. The most common problem was the opposite: a lack of management.

ENTREPRENEURS AND MANAGERS

● A close look at the level of management turnover at these high-growth companies raises several interesting points. A good entrepreneur is not necessarily a good manager. What is valued in an entrepreneur is the ability to create, to take an idea to market; in a manager, on the other hand, it is the ability to grow, to lead a team to generate ideas. One is a creator of products and markets; the other is a creator of companies. The former enjoys uncertainty, novelty; the manager likes having a platform on which to grow.

Creating companies not only requires entrepreneurs. It also requires managers – people who turn businesses into companies which grow beyond those 80 employees. Such managers are a scarce resource that must be created; they are even harder to find than entrepreneurs. They are people with experience in large companies – which is why one of the functions of large companies in a country is to create managers – and who know how to create a management infrastructure. But they must also have the motivation and desire to work in a “small” company.

These directors know how to “create a company” as well as hire the right people with the necessary management tools. One of the companies in the sample needed to structure its product-development process. Instead of going through the motions and waiting for a fault to occur (as happens more and more frequently as the “team” becomes unmanageable with growth) to force them to restructure the process, the managing director hired someone who had been responsible for product development at Intel. This person brought with them all the necessary experience and expertise to oversee such a crucial area. Something similar happened in other companies with regard to financial management – instead of improvising ways of budgeting, measuring profitability and presenting reliable financial data to the board, experienced managing directors hired experienced finance directors who had invaluable knowledge of best accountancy practices.

Perhaps the company that best understood the need to structure the business in order to grow was Siebel Systems. This company, founded in 1993, reached a billion dollars in sales and 8,000 employees in seven years – something previously unheard of in the software industry. Microsoft took almost 15 years to reach that size and Oracle took 13 years. Tom Siebel, the founder and managing director (an entrepreneur with the skills of a manager), had worked at Oracle for many years before focusing on new companies. Indeed, Siebel Systems was a big company from its very inception – the five employees all wore suits (unusual in Silicon Valley) and behaved as if the company were already a large multinational. Management tools were always ahead of growth. The discipline which led this company to the top (and to leave in the dust many other companies which were set up at the same time but which never grew) was the seed of the problems it would experience ten years later – but that's another story.

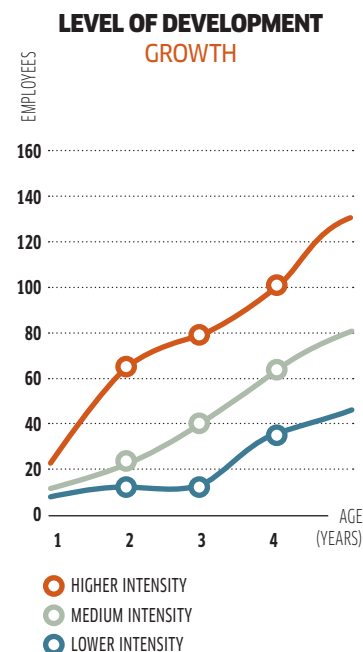


FIGURE 2

THE IMPORTANCE OF INNOVATION

ENTREPRENEURING
TOWARDS 2020**PEDRO NUENO**

Professor of Entrepreneurship
and Holder of the Beltran
Chair of Entrepreneurship,
IESE Business School

As the global economy begins to slowly pick itself up again following one of the most serious economic crises in generations, concerns abound about the health of business innovation. IESE Prof. Pedro Nueno shares his views on post-crisis innovation, identifying some important reasons for optimism.

The phenomenon of entrepreneurship also seems to go through cycles. The 80s was a time of restructuring and financial inventions, but not much new entrepreneurial wealth. In the 90s, on the other hand, we fell over ourselves turning innovations into companies and creating new business sectors, such as cell phones and the Internet, which have transformed our society. In the present decade we have once again turned our attention to financial restructuring and innovation, and we may well, as a consequence, end up with fewer companies than we started with.

But all that is about to change. Allow me to make a prediction. There is a huge amount of innovation going on in companies. The problem is that it's not being transformed – quite deliberately – into business. There are also a lot of innovative ideas forming in the heads of executives, scientists, doctors and professionals from all industries. Unfortunately, these people are not sufficiently interested in taking the big leap, nor can they see much in their surroundings to encourage them to do so.

I'll try and give some examples of what I mean. Ericsson set up a laboratory in the 1920s to develop wireless mobile phones. It went on to produce a few models for very special applications such as the military and mining, but most of their telephone business focused on the development and deployment of wired telephony worldwide; Ericsson even got into the cable manufacturing business. Just imagine developing a 50-kg cell phone and having the management board tell you for 60 years that it has no future. Admittedly, the first cell phones were not all that prac-

tical, but the rate of innovation pumped in since they were launched for mass consumption, some 20 years ago, has been spectacular and has created incalculable wealth. Just think how frustrating it must be for those who predicted for 60 years that the 50-kg contraption, if properly developed, would have huge potential, only to have the management board tell them to shelve it.

But let's look at another example. Most carmakers have announced the launch of electric cars for the beginning of the next decade. Several have already unveiled prototypes of the vehicle they intend to launch and are excited at the prospects of this market segment. But some 20 years ago Honda won a race for electric cars in Phoenix by staying ahead for 200 kilometers without recharging. Renault announced the electric Zoom, Fiat the Downtown and Chrysler the TEVan, while at Ford they had been working on electric models since the 1960s. Research into hybrids peaked between 1978 and 1984. In that 6-year period automotive companies whose management boards had not yet approved their hybrid prototype were getting nervous.

So why have management boards chosen now to launch electrics and hybrids? Whatever the reason, it's a welcome development which should raise a host of new opportunities. By a strange twist of fate, just at the time Warren Buffet was buying a share of Chinese car company BYD, precisely because of its advanced position in electric and hybrid cars, I was over there writing a case study about its entrepreneurial chairman and major shareholder, Wang Chuangfu. As Mr. Wang showed me his hybrid and electric prototypes, he told me that he also expected to sell lots of conventional



vehicles in the future. We are looking ahead, then, to a decade in which such an important economic sector as the automotive industry will witness a huge amount of applied innovation, with everything that this implies for the creation of entrepreneurial opportunities in a huge number of areas.

But if we look at another essential industry such as healthcare, seldom has applied innovation been so strong as it is at the present time. Being a member of the Jury of the *Wall Street Journal's* Technology Innovation Awards keeps me very busy in August. Each of the projects presented by the competing companies must be analyzed and ranked. But it gave me great pleasure this year to see that there have rarely been so many new products and services pushing strongly into the market with potential sales of billions of euros, which will certainly bring with them limitless new opportunities for supply, distribution and other related functions.

However, as we look forward to the 2010s, we can see a strong Asia, with China and India and 2.4 billion consumers on the fast track to growth. We can also see entrepreneurial companies beginning to create opportunities in

Africa. As a professor of entrepreneurship at IESE, I guess I have received over 50 business plans so far this year from entrepreneurial alumni planning initiatives in Asia and Africa. This is probably twice as many as the same period a year ago, for a comparable number of projects. Colleagues from other business schools report similar experiences.

All this leads me to think that the time is right to take innovation out of the closet and into the market. But I understand the market is the whole world. This means the management board has to be proactive, to truly lead. And for this to happen, they have to get excited. It's sometimes a good thing to surround yourself with people who see the bright side of things, though it must, of course, be from a realistic perspective.

To finish on a slightly different note, here's another prediction. The 2010 decade will be great, but what about the 2019 crisis? As we take advantage of this time of opportunity, remember that there are cycles. In this business world there is that nagging financial reality they call a balance sheet, and in terms of the care it requires it is second only to people.

**THERE IS A
HUGE AMOUNT
OF INNOVATION
GOING ON IN
COMPANIES.
THE PROBLEM
IS THAT IT'S
NOT BEING
TRANSFORMED
INTO BUSINESS.**

NEW CHALLENGES

ENTREPRENEURSHIP: FOUR BIG QUESTIONS



**JUAN
ROURE**

Professor of
Entrepreneurship, IESE
Business School

Entrepreneurship is more relevant than ever. Many see it as the only way to put the current crisis behind us and move towards better times. Professor Roure reflects on four key aspects of the process.

IS AN ENTREPRENEUR MADE OR BORN?

● Entrepreneurs may well possess
● certain innate qualities that enhance their development. But it's also true that there are a number of common variables related to the environment, internal company characteristics and the profile of entrepreneurs, themselves, that are crucial for entrepreneurship to flourish.

In short, although there may be some inborn qualities that make for a successful entrepreneur, there are also decisive conditions which can be nurtured to create a fertile breeding ground for entrepreneurial activity.

There are entrepreneurs of all ages and walks of life. Many home businesses have achieved exceptional levels of success. Their journey has been long and difficult, and their founders' healthy ambition and desire to grow at all times seem to play a vital role. The ambition to create a company appears to be influenced by a range of factors such as opportunities and resources, as well as by available means.

However, regardless of the opportunities and resources available, if there is no ambition, the project cannot develop and grow. The ability of the entrepreneur and his or her team to build an entrepreneurial culture – as part of an ambitious vision of the project – focused on opportunities and growth comes into play quite naturally at this stage.

WHERE ARE THE OPPORTUNITIES AND HOW SHOULD THEY BE FOCUSED UPON?

● There are various myths
● regarding opportunities. One myth is that they are found in rapidly growing emerging sectors that are currently in vogue. In reality, winning entrepreneurial teams can be found in many sectors and they tend to focus sharply on those activities that they know well.

Another myth associated with launching a new venture is that you must have a singular, brilliant idea and stick with that. Again, in reality, entrepreneurs identify, copy and buy viable ideas that others can develop. Finally, there is the trap of the large market. Many entrepreneurs fall into this one. They erroneously assume that “their market” is vast, homogeneous and measurable and so they focus on reaching a small part of this large market. Falling into this trap leads to a huge oversight since, in defining your target market, you will have ignored the expectations and preferences of customers in relation with the business proposition, along with potential opportunities that could come from diversified demand.

One way of avoiding this trap is to identify or create “gaps” inside the large market where you can play a significant role, and where potential clients appreciate to a greater extent the value propo-



ENTREPRE-
NEURSHIP
CAN BE
UNDERSTOOD
AS A PROCESS
OF EXPLOITING
KNOWLEDGE
IN THE MARKET
PLACE.

THIS PERIOD OF ECONOMIC RECESSION HAS LED TO A NEW GENERATION OF ENTREPRENEURS.

sition of your project. This helps clearly define your activity, business model, product and service, as well as introduce and define your value proposition.

Given that we are talking about companies in the launch phase, credibility in the eyes of possible customers or investors is a crucial factor. Particularly in the initial stages of the project, the business proposition should center on the client more than the market. To carry this out, it is critical to define where one wants to go (segment identification) and where one wants to operate (segment prioritization). The third link consists of “concentrating on the focus,” that is, selecting the segment that the firm will center its value proposition upon once the project has been launched.

IS THERE A SOCIAL MODEL THAT FOSTERS MORE AND BETTER ENTREPRENEURS?

● A high level of entrepreneurial activity in a country or region is linked to a high rate of business creation, large numbers of emerging entrepreneurs and high business turnover. According to reports by the Global Entrepreneurship Monitor, entrepreneurial activity in Spain is about average for European countries, although we lag far behind countries like Brazil, China and the United States, which are renowned for their high index of entrepreneurial activity. The most innovative countries in the European Union are the northern economies: Finland, Sweden, Denmark, the Netherlands and the United Kingdom.

It is difficult to ascertain the causes for low entrepreneurial and innovative activity in a country or region. We can explain it in terms of the degree of citizens’ aversion to economic or financial risk and the consequent stigma associated with failure. However, the fact that Europe lags behind the U.S. in this regard is an indisputable fact. The emergence of the so-called “entrepreneurial model” in the U.S. has been associated with the existence of a highly competitive environment resulting from a large market, a limited role of government in the economy, access to capital, availability of technology and, perhaps most significantly, the establishment of a strong entrepreneurial culture.

In contrast, in Europe the dominant cultural and social values regarding the pursuit of opportunity and entrepreneurship continue to fuel negative attitudes towards failure, which affects all facets of risk management and its consequences. In the U.S., the “best and brightest” generally welcome the idea of becoming entrepreneurs. Here, everything is a bit more complicated because there is no culture of entrepreneurial support, either in the family, at school or at university. Also, the time needed to register a company or a patent is still considerably longer than in the United States. We must be able to tackle the stigma of failure in Europe. It is one of the key challenges we have to overcome if we are to compete successfully on a global scale. Failure is part of the entrepreneurial and innovation culture. Accepting it can only make us stronger, not weaker.

ARE ENTREPRENEURS IN CRISIS DURING TIMES OF CRISIS?

● This period of economic recession has led to a new generation of entrepreneurs. For example, if we look at the 50 projects that have been presented in the eight Business Angels and Family Offices Network forums in the past year, we will see that the quality of business plans has increased significantly. This may reflect to some extent how the economic crisis is generating a wave of entrepreneurial initiatives.

For many in professional fields, entrepreneurship is also a window of opportunity which would not be possible by means of a standard job. In practice, looking beyond the economic cycle, the current economic reality is that we live in an “economy of entrepreneurs” who come in all shapes and sizes. These include visionaries that start out in their garage, people with experience in the ‘real’ business world who launch a ‘virtual’ platform offering something that is attractive and beats anything on offer even in the real world, and entrepreneurs who buy up floundering companies with the goal of creating their own.

It is very difficult – if not impossible – to return to pre-crisis conditions, which is why it’s so important not only to understand what is happening, but to seize the opportunities that emerge, here and elsewhere in the world. Entrepreneurship is the key.

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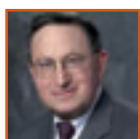
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RICOH

BUSINESS MODEL INNOVATION

CREATING VALUE
IN TIMES
OF CHANGE**CHRISTOPH ZOTT**

Professor of
Entrepreneurship, IESE
Business School

**RAPHAEL AMIT**

Professor of Entrepreneur-
ship, The Wharton School,
University of Pennsylvania

The innovation of business models is a highly powerful tool that can be leveraged by intrapreneurs. Innovating in terms of business models is the best way to achieve sustainable competitive advantage.

Everyone seeks to innovate in order to maximize revenues and margins. However, this usually requires significant investment: innovation is usually costly, time-consuming and is not guaranteed to be successful.

Is there a way for managers to innovate in their existing markets with their existing products by utilizing their existing resources and capabilities in novel ways? Could they extract more value from their firms' existing resources, and if so how? This question is easier to answer than it appears. Creating a new business model can pave the way for a new form of innovation.

Managers and entrepreneurs (and academics) should care about business-model innovation for several reasons. First, it represents an often overlooked (and hence underutilized) source of future income for their business, an opportunity to create new business or enhanced revenues and profits at relatively low cost. Second, these economic advantages could translate into a sustainable performance advantage, given that competitors might find it difficult to imitate and/or replicate an entire novel activity system (as opposed to copying a single novel product or process, which often undermines and erodes the returns from that product or process).

Third, because business-model innovation can be such a potentially powerful competitive tool, managers must be aware of competitors' efforts in this area.

DEFINING A BUSINESS MODEL

● We define a business model as
● the way your company "does business" with its customers, partners and vendors. That is, the system of specific activities that are conducted by the focal firm or by its partners to satisfy the perceived needs of the market; how these activities are linked to each other; and who conducts these activities.

To illustrate the concept of business-model innovation, consider the case of Apple. The company had been focused on the production of innovative hardware such as personal computers. Through the development of the iPod and the associated music download business iTunes, Apple was the first electronics company that included music distribution as an activity, linking it to the development of the iPod hardware and software. Apple thereby pushed many subactivities of legal music downloads to its customers, thus avoiding or reducing additional costs for the firm, while offering a new service. That is, Apple did not just bring a new hardware product to the market; rather, it radically transformed its business model to include an ongoing relationship with its hardware customers (similar to the "razor and blade" model



BUSINESS
MODEL
INNOVATION
REPRESENTS
AN OFTEN
OVERLOOKED
SOURCE
OF FUTURE
INCOME.

WHY INNOVATE IN YOUR BUSINESS MODEL?

KEYS FOR COMPETITIVENESS

- **It represents a source of future income** which is often neglected or underutilized; an opportunity to create or raise revenue at a relatively low cost.
- **Economic limitations** can be turned to your advantage. Creating a model of sustainable performance that is difficult for your competitors to imitate can be far more beneficial than copying a single product or a new process.
- **Realizing the potential** of this type of innovation raises the alertness of management to moves by the competition in this area and it becomes easier to identify competitive threats.
- **To change the whole system** of operations it is necessary to develop a systemic and holistic approach, which can be draining. For this reason, the options available for designing the business model are rarely questioned. Bear in mind that whatever choices are made will have significant implications in the long term.

of companies such as Gillette) and thereby enhancing its revenue and preserving profit margins. Apple has thus expanded the locus of its innovation from the product space to the business model.

Another example is the fashion retailer Inditex. The firm has made business-model thinking a corporate priority and their annual report begins by explaining the Inditex business model and highlighting its innovative elements. Inditex has made many choices that, viewed in isolation, seem inefficient. For example, for their Zara business, they perform many generic activities largely in-house, such as the dyeing and cutting of fabric, and the washing, ironing, and ticketing of finished garments. Moreover, they outsource sewing to small workshops located close to their Spanish production facilities.

When viewed in isolation, both of these choices seem inefficient, hence questionable. As a whole, however, their carefully designed activity system allows Inditex to bring new fashionable garments from the design stage to the shop floor within record time — days as opposed to months — which makes a big difference in the fast-moving fashion business. Although its competitors have much stronger track records and capabilities in product innovation and logistics, Inditex beats them to the punch through its business model, which relies on standard resources (e.g., people who spot new trends, but do not create them) and off-the-shelf technologies (e.g., standard communication technologies for transmitting real-time feedback from the retail shops to the design teams), but which deploys these resources in activities that are linked and governed in novel ways.

HOW TO INNOVATE IN THE BUSINESS MODEL? A CONCEPTUAL PRIMER

- Rapid advances in information and communication technologies

have facilitated new types of technology-mediated interactions between economic agents. These developments have enabled firms to change fundamentally the ways they “do business;” namely, the ways they organize and conduct exchanges and activities across firm and industry boundaries with customers, vendors, partners and other stakeholders. In other words, these developments have increased firms’ possibilities of purposeful networking, that is, of structuring their destiny within the context of the value networks within which they exist. Senior managers of focal firms can actively design (i.e., construct, link, sequence), in innovative ways, boundary-spanning exchanges and activities. This structure is captured by the firm’s business model.

INTERDEPENDENCE IN ACTIVITY

- The number of activities that a company carries out is typically large, and for that reason innovating in the business model requires tracing the system of activities.

However, managers need to bear in mind that identifying technologically and/or strategically distinct activities can be conceptually challenging because the number of potential activities is often quite large. Many seemingly inseparable activities can be broken down further, especially given ongoing advances in information and communications technologies. One way to deal with this issue is to define activities at different levels of aggregation, such as focusing on the supply chain operations reference model, which lays out top-level activities (plan, source, make, deliver and return), and also specifies sub-activities that can be delineated at second, third, and fourth levels. At high levels of aggregation, activities could comprise whole business functions, such as accounting and human resource management. At low levels of aggregation (i.e., high levels of decomposition), activities could be as specific as the processing of customer e-mails based on their content, or the translation of product manuals into a foreign language.

INTERDEPENDENCE IN THE DESIGN OF ACTIVITY

- The most important design elements characterizing a system of

activities are content, structure and governance. These elements can be strengthened, leading to innovation in the business model.

The content of an activity system refers to the selection of activities, i.e., those that are performed. For example, in addition to the typical activities of a retail bank, Bancolombia adopted activities to offer microcredits to reach the more than 60 percent of Colombians who did not have access to banking services. To perform these new activities (and thereby innovate its business model content), the bank needed to train its top management, hire and train new staff, and link the new activity to its existing system (platforms, applications and channels).

In the 90s, IBM changed its focus of interest and moved from being a hardware supplier to a service provider. The company relied on the knowledge and experience it had gained over the years to launch a new range of activities in consulting, IT maintenance and other services. As a result, more than half of the \$90 billion in IBM revenues in 2006 came from these activities, which hadn't even existed 15 years before.

The structure of an activity system describes how the activities are linked, e.g., sequencing among activities, and exchange mechanisms among the linked activities.

Consider Priceline.com. This online travel agency has established links with airline companies, credit card companies, and the Worldspan Central Reservation System, among others. Through the introduction of a reverse market in which customers post desired prices for sellers' acceptance, however, the firm has fundamentally innovated the exchange mechanism through which these parties interact and by which items such as airline tickets are sold. Priceline.com has been granted a business method patent on its innovative activity system. The structure of that system distinguishes the firm from other travel agencies.

The governance of an activity system refers to who performs the activities. Franchising, for example, represents one possible approach

to innovative activity system governance. It can be the key to unlocking value, as was the case for Japanese retailing when entrepreneur Toshifumi Suzuki realized in the early 1970s that the franchise system developed in the U.S. was an ideal response to the strict regulations imposed by the Japanese government on retailing outlets (e.g., limiting their size and restricting opening times). By franchising Seven-Eleven stores in Japan, Suzuki adopted a novel type of activity system governance and managed to create value through professional management and local adaptation.

DESIGN OF THE MODEL

- Managers can innovate in the
- three design elements of a business model (content, structure and governance) simultaneously.

Lending Club, Prosper and Zopa are aimed at enabling direct small, unsecured loans between individuals. Important business-model design issues for the founders in the early stages of these firms were: (1) whether or not to include a secondary market for trading loans in their activity systems (a content issue); (2) how precisely to link borrowing and lending activities — for example, would they provide an algorithm that automatically matched borrowers to lenders, and if so, to whom and to how many (a structure issue); and (3) who should perform the credit risk assessment of the borrower, the P2P firm or the lender (a governance issue)?

The founders of Prosper made the conscious early decision to let lenders choose the borrowers to whom they wanted to lend their money. This was a structural choice (settling the question of how lending and borrowing activities were linked) but at the same time constituted a decision about governance (the evaluation and selection activities were shifted to the customers and not performed by the firm).

INTERDEPENDENCE IN THE REVENUE MODEL

- The revenue model, akin to a
- pricing strategy for specific products or services, refers to the specific modes in which a business-

RETHINKING
THE FIRM'S
BUSINESS
MODEL CAN
PAVE THE WAY
TO A NEW FORM
OF INNOVATION.

THE PERSPECTIVE OF THE BUSINESS MODEL ALLOWS US TO SEE THE FIRM AS A BOUNDARY-SPANNING SYSTEM OF ACTIVITIES.

model enables revenue generation for the focal firm. In that sense, a revenue model complements a business model design, just as a pricing strategy complements a product design. Although the concepts may be quite closely related and sometimes even intertwined — for example, in the product world, Gillette uses its pricing strategy of selling cheap razors to make customers buy its rather expensive blades — business models and revenue models are conceptually distinct.

A business model is geared toward total value creation for all parties involved. It lays the foundations for the focal firm's value capture by co-defining (along with the firm's products and services) the overall "size of the value pie," or the total value created in transactions, which can be considered an upper limit to the firm's value capture. The business model also co-determines the focal firm's bargaining power. The greater the total value created and the greater the focal firm's bargaining power, the greater the amount of value that the focal firm can appropriate. How much of the total value the firm actually captures, however, depends on its pricing strategy or revenue model.

SIX QUESTIONS EXECUTIVES NEED TO ASK

● As we have seen, the source of innovation seems to have shifted from the product and process to the organization of a firm's activities, specifically, their content, structure and governance. Echoing this shift, practitioners such as venture capital investors increasingly emphasize the importance of "asset-light" companies. Indeed, our own research shows that in a highly interconnected world, entrepreneurs and managers must look beyond the product and process levels to focus on their business model and on ways to innovate it in order to create and exploit opportunities for new revenue and profit streams. In this regard, we suggest that managers ask themselves the following six key questions:

1. What is the objective of the new business model? In other words, what perceived needs should be

satisfied through the design of a new activity system?

- 2. What novel activities are needed to satisfy the perceived needs? (Business-model content)**
- 3. How could these activities be linked to each other in novel ways? (Business-model structure)**
- 4. Who should perform each of the activities that are part of the business model (e.g., the focal firm or a partner), and what novel governance arrangements could enable this structure? (Business-model governance)**
- 5. How is value created through the novel business model for each of the partners?**
- 6. What focal firm's revenue model will allow it to appropriate part of the value created from the new business model?**

Addressing these questions and adopting the business model perspective helps managers and entrepreneurs purposefully structure the activity systems of their firms in co-operation and interdependence with other firms and economic agents in their ecosystems. This purposeful design and structuring can be an important source of innovation, in particular during times of change and specifically, during periods of resource scarcity and high uncertainty and volatility in both capital and real markets that adversely affect revenues and profits.

Most importantly, perhaps, the perspective advanced in this article encourages systemic and holistic thinking when considering innovation, instead of concentrating on isolated, individual choices. The message to managers is clear: look at the forest, not the trees — and get the overall design right, rather than optimizing details.

MORE INFORMATION:

Universia has published the full version of this article.

Zott, C. and Amit, R., "Business Model Innovation: Creating Value In Times Of Change," *Universia Business Review*, Special Issue on Business Models, June 2009.



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CRITERIA FOR CHOOSING A VENTURE CAPITAL FUND

HEINRICH VON LIECHTENSTEIN, ALEXANDER PETER GROH

● In their study “The First Step of the Capital Flow from Institutions to Entrepreneurs: The Criteria for Sorting Venture Capital Funds,” IESE Prof. **Heinrich von Liechtenstein** and **Alexander Peter Groh**, a visiting professor at IESE, analyze the criteria employed by institutional investors in selecting which venture capital firms to invest their money in. After conducting a survey of more than 1,000 institutional investors, the authors found that the most important criteria are the expected deal flow; access to transactions; a VC fund’s historic record; its local market experience; the match of the experience of team members with the proposed investment strategy; the team’s reputation, and the mechanisms proposed to align interest between the institutional investors and the VC funds.

FULL ARTICLE AND VIDEO: *IESE Insight*

Banking in Emerging Countries

Do financial institutions in developing countries have any specific social responsibilities? IESE’s Antonio Argandoña and Francesc Prior would say yes – particularly when considering that a lack of financial depth is an important obstacle to economic growth in less developed nations. In their recent article, the authors present the underlying causes of low financial depth and provide examples of financial industry best practices in three emerging economies: Colombia, Ecuador and Peru.

FULL ARTICLE : *IESE Insight*

HEALTH AND PSYCHOLOGY IN THE WORKPLACE

PAULA BROUGH, THOMAS KALLIATH, MICHAEL O'DRISCOLL AND STEVEN POELMANS

● Over the course of the 20th century, the field of psychology has had an increasing influence on the understanding of work performance, employee health and work relationships. More recently the sub-discipline of occupational health psychology has emerged within the organizational psychology domain, and interest in it has generated dedicated journals, academic texts and university courses. In a response to this growth of interest, the book, *Workplace Psychological Health: Current Research and Practice*, discusses eleven topics pertinent to contemporary workers and to occupational health experts in particular.

MORE INFORMATION: *IESE Insight*

“FAST FASHION” RETAIL STRATEGY

VÍCTOR MARTÍNEZ DE ALBÉNIZ, FELIPE CARO

● The retail fashion industry has witnessed a revolution, with stores like H&M and Zara surpassing Gap to become major players in the market. Victor Martínez of IESE and Felipe Caro of UCLA Anderson School of Management describe their unique strategy in “The Effect of Assortment Rotation on Consumer Choice and Its Impact on Competition,” which appears as a chapter in the new book, *Consumer-Driven Demand and Operations Management Models*.

OFFSHORING FACTS CORRECT COMMON MYTHS

PABLO AGNESE, JOAN ENRIC RICART

● Contrary to common belief, offshoring is not the preserve of large developed economies, as Pablo Agnese and Joan Enric Ricart demonstrate in their review of offshoring in a range of countries, large and small. They also highlight the continuing prominence of manufacturing over the services sector; the latter, while on the rise, represents a small fraction of total offshoring. The study concludes that smaller countries are, in relative terms, among the biggest offshorers and that, while the offshoring of service industries is growing faster than the offshoring of materials, the level remains insignificant.

MORE INFORMATION: *IESE Insight*

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All information regarding IESE research is available for consultation at *IESE Insight* and IESE Publishing.

AWARDS

COSIMO CHIESA

❖ **Cosimo Chiesa**, IESE professor of marketing, received the title of Knight of the Order of Merit of the Republic from the President of the Italian Republic in recognition of his contributions to the economic and academic world.

STEVEN POELMANS

❖ IESE Prof. **Poelmans**' paper "Cross-national Differences in Relationships of Work Demands, Job Satisfaction, and Turnovers with Work-Family Conflict," co-authored with

Paul E. Spector, Tammy Allen, Cary Cooper, Laurent M. Lapiere, Juan Sánchez and Michael O'Driscoll, was chosen as one of the 20 best articles in the annual Rosabeth Moss Kanter Award for Excellence in Work-Family Research competition.

The paper, published in *Personnel Psychology*, one of the journals with the highest impact factor in OB/HRM, is one of the first international studies to analyze differences in work-family conflict in 26 countries around the world.

NOT TOO MUCH, NOT TOO LITTLE

ELENA REUTSKAJA,
ROBIN M. HOGARTH



- The degree of
 - satisfaction
- derived from any given decision depends largely on the number

of alternative options available. This is the central finding of the study, "Satisfaction in Choice as a Function of the Number of Alternatives: When 'Goods Siate' But 'Bads Escalate,'" written by **Elena Reutskaja**, assistant professor of marketing at IESE, and Robin M.

Hogarth, of the Universitat Pompeu Fabra. The study analyzes to what extent satisfaction with the choices we make depends upon the number of options available to us. Although it is widely accepted that it is preferable to be able to choose between a range of options, when we are presented with too many we tend to hesitate and delay decision making. **Reutskaja** and Hogarth observe that the number of choices available to us should be restrained to within a moderate range, which allows us to weigh up the pros and cons of each but does not inhibit the decision process.

FULL ARTICLE: *IESE Insight*

Cluster Management: Theory and Practice

The third edition of the Barcelona Clusters Summer School (BCSS 2009), organized by IESE's International Center for Competitiveness, took place from July 6 to 17 at IESE's campus in Barcelona. As with previous editions, the program was coordinated by Emiliano Duch, founder of the Institute for Competitiveness and president of the consultancy Competitiveness, on behalf of which he advises throughout the world on the development of clusters.

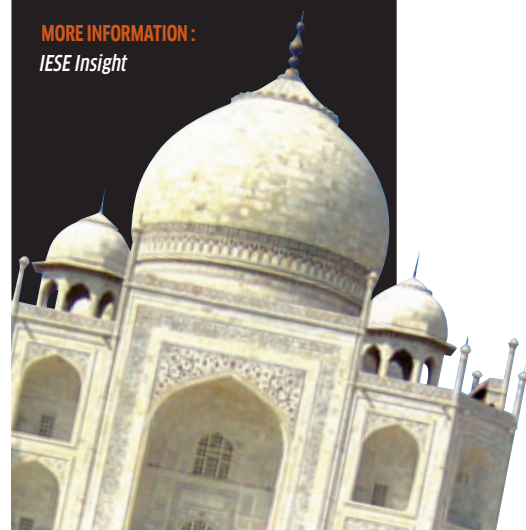
The BCSS 2009 offered a 2-week program combining the study of theoretical concepts with a close look at the best real-life cases, delivered by a team comprising some of the world's leading cluster experts. They included IESE Profs. **Pascual Berrone**, **Pankaj Ghemawat**, **Joan Enric Ricart** and **Antoni Subirà**, program director Emiliano Duch and Christian Ketels, a professor at Harvard Business School and a member of Michael Porter's Institute for Strategy and Competitiveness.

SOCIAL ENTREPRENEURS IN INDIA: A SMALL STEP TOWARDS INSTITUTIONAL CHANGE

KATE GANLY, JOHANNA MAIR

In their role as change agents, social entrepreneurs tackle persistent social problems that often require innovative solutions in resource-scarce environments. While much research to date has focused on the "entrepreneurship" side of the equation, there have been few studies that examine the processes of "social change" that these entrepreneurs and organizations aim to set in motion. One way to define the role of social entrepreneurs in social change processes is to view them as institutional entrepreneurs. In the paper "Social Entrepreneurship in Rural India: A Small Step Approach Towards Institutional Change," authors Kate Ganly and IESE Prof. **Johanna Mair** draw upon a broader research study of one such entrepreneurial actor in Eastern India, and address issues of institutionalized inequality and social exclusion through community development work.

MORE INFORMATION:
IESE Insight



Human Resource Management

JAVIER QUINTANILLA, MARÍA JESÚS BELIZÓN,
LOURDES SUSAETA, ROCÍO SÁNCHEZ-MANGAS



In this chapter of the book, *The Cultural Context of Human Resource Development*, edited by Carol D. Hansen and IESE Prof.

Yih-teen Lee, the authors describe the evolution of HR policies in Spain, particularly the strategic management of HR. Prompted by recent political, economic and social change, we have seen considerable, growing interest in a more holistic and systematic view of developing individuals and their organizations. In this chapter, titled “Malleability in Spain: The Influence of US Human Resource Development Models,” the key focus is on the development of the HR function.

TRANSFERRING KNOWLEDGE WITHIN MULTINATIONAL CORPORATIONS

SEBASTIAN REICHE, ANNE-WIL HARZING, MARIA L. KRAIMER

Through their capacity to exchange intellectual capital between the head offices and the branches of the multinationals they work for, international envoys play a role that is becoming increasingly important. In their latest study, “The Role of International Assignees’ Social Capital in Creating Inter-Unit Intellectual Capital: A Cross-Level Model,” Profs. **Sebastian Reiche**, **Anne-Wil Harzing** and

Maria L. Kraimer analyze and describe the functions that international envoys fulfill as key agents of knowledge transfer. Due to their familiarity with their companies’ headquarters and branches, these agents facilitate valuable intellectual exchange. The authors of the study also analyze how and under what circumstances this knowledge is transferred.

FULL ARTICLE: *IESE Insight*

IESE Insight Publishes Second Edition: *The Power of Partnerships*

The second issue of *IESE Insight*, IESE’s new management journal, focuses on the power of partnerships. It features contributions from experts at leading universities, including Kathleen M. Eisenhardt of Stanford University, Thomas Vollmann and Carlos Cordón of IMD and Venkat Ramaswamy of the University of Michigan, along with IESE professors **África Ariño**, **Pinar Ozcan** and **Bruno**

Cassiman. The publication analyzes how the potential of working in partnership can be maximized and value created through means such as collaboration and the process of

co-creation. The journal also includes articles by respected academics Prof. John A. Quelch of Harvard Business School and John Ward of Kellogg School of Management, as well as an interview with Peter Sutherland, chairman of British Petroleum (BP) and Goldman Sachs.



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REDISCOVERING THE ROLE OF BUSINESS SCHOOLS

The current crisis has highlighted the need to redefine the role of senior managers in organizations.



JORDI CANALS

Professor and Dean,
IESE Business School

Business schools are the academic setting where management knowledge is developed and researched in a systematic way. The Wharton School, set up in 1881 within the University of Pennsylvania, was the first business school founded in the United States. Several other graduate schools were created in the U.S., such as Harvard and Dartmouth, before World War I. In Europe, most of today's leading schools were established in the late 1950s and the 1960s.

The positive effects of business school programs are evident through the lives of many successful entrepreneurs and firms. The failures and mistakes of individuals educated at business schools, including those related to the current financial crisis, distract us from the positive effects that business schools have had in terms of developing excellent professionals across many industries in new and longstanding firms. Business schools have contributed to job creation and innovation, both in developed and emerging countries. The many challenges that businesses and society face in the 21st century will only heighten the demand for highly prepared managers and entrepreneurs.

Today, business schools are being criticized by some, in particular regarding the role they have had in the current financial crisis. In this article, I will briefly review some of the major challenges business schools face today. I believe that business schools need to take a more decisive role in shaping the concept and mission of the firm, and rethinking the role of senior managers in organizations.

The current financial crisis has generated two types of criticism against business schools. The first is related to factors external to business schools. The second type has to do with some internal gaps and deficits that business schools should recognize.

SOME EXTERNAL FACTORS

● **Business schools and the crisis.** Some observers who level criticism against business schools – such as lack of relevance, unethical behavior or negative impact on people and firms – have a point, though for reasons that are different from those sometimes mentioned. It is true that many MBA graduates have gone to work for Wall St. in recent years. However, even among the schools where the investment banking industry recruited heavily, the total number of MBA



THE POSITIVE EFFECTS OF BUSINESS SCHOOL PROGRAMS ARE EVIDENT THROUGH THE LIVES OF MANY SUCCESSFUL ENTREPRENEURS AND FIRMS.

graduates in important managerial positions in those firms was relatively small and their responsibilities were probably similar to those of other professionals who had not attended business school. Moreover, there are many business school graduates working in many other industries and having a positive impact on companies and society. A different question is whether senior managers with a good education from a good school could have done more to avoid such a disaster in the banking industry.

● **Globalization.** Many Western companies have failed in their efforts to become more international and global. Some of them have committed strategic mistakes as they sought to penetrate foreign markets. Many more have taken cultural missteps when working in foreign environments. Perhaps more complex is the fact that developing and transferring talent in global companies has become a nightmare, with a feeling of frustration experienced by both companies and employees. Business schools have to do a better job teaching the processes and challenges of globalization in their programs and activities. In fact, business schools still have a long way to go in terms of taking globalization more seriously.

● **Corporate reputation.** The damage to many firms' reputations that has taken place in parallel with the recent economic crisis is a great concern. In many countries, firms used to be admired institutions that created jobs, generated investment and signaled advancement. Unfortunately, these perceptions have changed over the past years. Some companies have suffered severe blows to their reputations. Many firms are seen as pure profit maximizers and their role in society seems to be in question. This perception goes beyond the crisis of investment banks and other financial institutions. At the same time, some business leaders are seen today as the villains in these developments because they drove them or allowed them to happen. The public views them as opportunists with a short-term focus on their own benefits and privileges.

Many business schools are still stuck in traditional financial-based models of management and have been very slow in reacting to these challenges. Ethics, values and a more humanistic view of firms are dimensions that can be found in too few business schools.

INTERNAL FACTORS

● **The mission deficit.** Organizations with a strong sense of mission can develop informal mechanisms that may lead to higher performance and increased work satisfaction. A clear mission sends a signal to the whole organization by stating why a firm exists, what values it stands for and what purpose it has.

Many business schools do not have a clear sense of mission and what they seek to do in society. It is clear that all of them have the goal of helping educate people and developing new knowledge. The question is whether this is still valid enough today and, if it is, what balance business schools should strike between the activities they want to have. In principle, there is no superior model, but it is important to understand why a business school exists and what it wants to be.

IESE's view since its foundation in 1958 is that it should aim at developing leaders who aspire to have a deep, positive

and lasting impact on colleagues, their own firms and society at large through professionalism, integrity and a spirit of service. We think that good management and leadership can change people's lives and organizations, and help improve societies. IESE's programs aim at advancing the practice of management and leadership and generating programs and new knowledge that can contribute to this process.

● **The relevance deficit.** Business schools became relevant institutions after World War II because they helped tackle a very important need: the education of professional managers and the development of a body of knowledge about the main management disciplines. In the 1970s and 1980s, many business schools became more interested in promoting the same type of research as traditional universities. The fact is that research became increasingly less relevant for the practice of management, even if it was adorned with an allegedly superior academic rigor.

The relevance deficit also became very clear in the school programs. Many top U.S. and European business schools did not offer executive programs until very recently. It was, in part, a matter of choice, but it was also attributable to the lack of interest that faculty members had towards working with senior executives on real business problems. This should not be the case: research and practice should be closely connected in business education and the classroom is a great context where ideas, hypotheses and experience should be discussed.

● **The humanistic deficit.** In many schools, faculty members see firms as organizations whose social purpose is to maximize profits for shareholders, and align executive pay to economic performance. Unfortunately, these theories have displaced some higher ideals in the business world and the force of pragmatism in getting results has become the dominant paradigm.

The claim that people are important is stronger than ever; but in practice, many decisions are taken without considering their impact on people. Today, we have management models completely void of human presence, where decision making happens in a mechanical way and incentives shape the motivations of the agents.

At the beginning of the 20th century, prominent business people had the perception that companies had a social purpose, beyond making money. As a matter of fact, the foundation of schools such as Harvard and IESE is rooted in the conviction that educating business leaders in a rigorous, ethical way is important for the good of society.

TOWARDS A NEW NOTION OF THE FIRM AND BUSINESS LEADERSHIP

● Reframing the view and role of the firm and business leaders in society is a priority for business schools. If companies and senior managers are not viewed positively in society, business schools may become irrelevant.

● **A new view of the firm.** A firm is an organization made up of people who work together with the purpose of producing and delivering goods and services for clients, and creating economic value in the process and opportunities for learning and improvement for the people involved in the firm. This framework is a starting point for redefining the role of companies in society. Companies have to create



economic value. Nevertheless, this is not the only goal that a company has, nor is it an objective that can be achieved by purely economic means, for several reasons. Companies are groups of people working together to serve clients in a very efficient way. Profits are one of the indicators of how the company is doing, but not the only one. At a more personal level, individuals would like to get things done in the best possible way. But this also means that they will have to work with others to make things happen. In personal relationships, trust is essential. Corporate cultures and values that enhance the work environment should be a priority for top managers. Incentives that may destroy basic attitudes and values should be removed from the firm's policies, even though the cost may have a short-term impact on profits.

Companies are not only profit maximizers. Decision-making models that overemphasize this dimension, at the expense of ignoring others, may end up creating a concept of the firm that is far from the healthy view of the organiza-



tion that a dynamic society actually needs. From the 1980s through the 2000s, we witnessed the unstoppable preeminence of capital markets, investment banks, financial goals and an almost exclusive view of firms as profit makers. Many of the excesses and crises that appeared over those years were in part a natural outcome of a warped view of the firm. A positive view of the firm goes beyond an effort to avoid scandals, although it can certainly help diminish their likelihood.

PEOPLE IN COMPANIES: A HUMANISTIC VIEW OF THE FIRM

● The dominant economic and sociological paradigms in management have put forward simplified ideas of individual behavior in organizations. In both approaches, the notion of individual freedom is replaced by determinism: Given the right incentives and the right environment, people will always behave in a certain way.



CORPORATE CULTURES AND VALUES THAT ENHANCE THE WORK ENVIRONMENT SHOULD BE A PRIORITY FOR TOP MANAGERS.

This assumption is at odds with one of the basic tenets of many companies and management scholars: people do matter. Some companies talk about people as their most important asset or pillar. Unfortunately, many managerial models across different disciplines – finance, marketing and organizational theory – simply take a lighthearted view of people in organizations.

The humanistic perspective of the firm has several pillars. The first is that each person is unique and can make a unique contribution. Second, each person has intrinsic dignity and basic rights to be respected in the workplace and in society. Third, each person has the freedom to make decisions and the right to act free from coercion to use this freedom against his or her own will. Fourth, each person is responsible for the use of his or her capabilities and rights, and for the external actions for which he or she is accountable to others and society at large. Fifth, each person has basic material needs, but also has aspirations and motivations that go beyond material and economic incentives. Sixth, each person has values that have to be respected as long as they do not do any harm to other people or to themselves.

In the past, many theories made the assumption that management was a neutral entity. Management is not neutral. It involves people making decisions and people receiving the influence of those decisions. And decisions are based on the choices and values that each person has. The isolation of the decision-making process as a pure rational process is not a real experience. Managers should bring values to the workplace. However, there are conditions for sustainably carrying this out and avoiding clashes with people with different values: each person respects the other person as a unique human being with intrinsic dignity that deserves respect. One's values have to recognize this very simple point.



● **The role of senior managers.** A new notion of the firm has implications for the functions and role of senior business leaders. In a close parallel with the view of the firm as profit maximizer, the role of senior business leaders, starting with the CEO, board members and members of the top management team was seen as maximizing profits and market values in the short term. There is nothing intrinsically wrong about this, except that a firm's value creation is the outcome of a process. If this process is not well designed and well managed, the outcome cannot be good.

This perspective does not ignore financial results, but reflects the reality that good performance is the outcome of many decisions regarding people, clients, products, services, operations and other factors. The chief executive's role is to make sure that people work in a way that is both efficient and effective, that makes them feel proud about what they do, that generates clients who are pleased with what the firm offers them and shareholders who are pleased enough with the financial performance of their investment.

This view of business leaders has a critical implication: business leaders are professionals whose function is to serve. Service is the key attribute in any profession worthy of its name, and this is also true in the business world. A leader who does not serve her people, her clients, her shareholders, her society, is not a good professional. He or she may help the company make money in the short term but may create an unsustainable organization in the long term.

This view also reminds us that business leaders have to lead by example. Many successful organizations have



THE CHALLENGES FACING BUSINESS SCHOOLS ARE GREAT, BUT THEIR FUTURE VERY MUCH DEPENDS UPON THEIR ABILITY TO SERVE ENTREPRENEURS, FIRMS AND SOCIETY.

passed the test of time, despite managerial mistakes, because their CEOs have led by example. The example consists of a mix of professionalism, fairness, virtue, courage, strength and generosity in thinking of others. This does not mean putting other people ahead of us, which may not even be human, but putting other people and their interests and ambitions at least at the same level as ours. By taking this perspective, senior managers have the potential to be an important force for change in society, and management can be a profession that serves the common good.

SOME FINAL REFLECTIONS

● Management remains an important profession in society today. The challenges facing business schools are great, but their future very much depends upon their ability to serve managers, entrepreneurs, firms and the community.

One important step that business schools must now take is to redefine the view of the firm. In addition, they must redefine the meaning of the management profession, the role of senior managers and the unique mission of companies in society by going beyond the generation of economic value.

IESE Business School has focused on these goals ever since it was founded in 1958. The strong sense of IESE's mission and values, along with the entrepreneurial drive of its faculty, staff and alumni, has led the school to grow successfully, and has also helped to create new schools and programs around the world. IESE's fundamental values are quite unique among business schools worldwide and the current financial crisis shows us that these values are more important than ever.



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46TH MEETING OF
THE HBS-IESE COMMITTEE**PREPARING
BETTER LEADERS**

For the last 46 years, faculty members from Harvard Business School and IESE have met annually to reflect on the future of management education. In Europe, IESE is the only business school with which HBS has such strong ties.

At its annual meeting held recently on IESE's campus, members of the HBS-IESE Committee unanimously agreed that one of the primary causes of the financial crisis was a lack of ethics. They discussed what needed to be changed and what leaders will need to guide their firms in the future.

Committee members also pointed to a lack of leadership and effective governance, factors that depend upon the behavior and actions of people, as underlying causes of the recession.

HBS and IESE are institutions that have the responsibility of transmitting and fostering integrity and effective leadership capacities in business leaders, now and in the future. For this reason, the objective of university-based education must not be reduced to merely providing tools or technical skills. Management development should address all areas that have an impact on doing business, from knowledge and skills to ethical behavior. (See Dean **Jordi Canals**'s article on the future of business schools in this edition of the *IESE Alumni Magazine*).

Professors **Joan Enric Ricart** (IESE), **Eric Weber** (IESE), **Srikant M. Datar** (HBS), **W. Carl Kester** (HBS), **Richard Vietor** (HBS), **Jordi Canals** (IESE) and **José L. Nueno** (IESE).

MORE THAN FOUR DECADES OF SHARED HISTORY

The group not only analyzed the reasons behind the crisis and possible solutions in the short, medium and long term. Members also looked at how to avoid a similar crisis in the future. Founded in 1963 as a result of the strong relationship between the two institutions, the committee meets each year to discuss global trends in business and management education, as well as joint research and teaching projects. The Committee played a key role in the establishment of IESE's full-time MBA program, the first of its kind in Europe.

HBS professors taking part in the meeting this year were W. Carl Kester, deputy dean for academic affairs, and Profs. Srikant M. Datar and Richard H.K. Vietor. Professors representing IESE were **José Luis Nueno**, professor of marketing; **Joan Enric Ricart**, professor of strategic management; **Eric Weber**, professor and associate dean; and **Jordi Canals**, dean of IESE.

IESE - HARVARD RELATIONSHIP

- Began back in 1963
- Jointly deliver the Global CEO Program for China
- IESE is the leading distributor of Harvard cases in Spanish

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“IT IS TIME TO ADAPT TO CHANGING CONSUMER NEEDS”

BERNARD MEUNIER,
COUNTRY HEAD
FOR NESTLÉ SPAIN
AND PORTUGAL

IESE HAS DESIGNED A
CUSTOM LEADERSHIP
PROGRAM FOR NESTLÉ
AIMED AT PREPARING
THE COMPANY'S FUTURE
LEADERS FOR THE
CHALLENGES OF AN EVER-
CHANGING WORLD.

Bernard Meunier, country head for Nestlé Spain and Portugal, describes how his company is adapting to meet changing consumer needs during this period of uncertainty. Meunier, who talks of the rise of a “new consumer,” highlights the need to develop new offers in the consumer goods industry as well as carry out exhaustive studies of each market in order to anticipate and address their future needs.

As Nestlé's Country Head for Spain and Portugal, you are leading the company's efforts in one of the three European markets most affected by the economic downturn (Spain, the U.K. and Ireland). Prior to this, you lived through the 1998 ruble crisis in your leadership role at Nestlé's Russia and Eurasia division. What did you learn from your first experience of managing in a crisis that you can apply to this downturn?

In a crisis, the most important thing is to act, quickly and in the right direction. Doing nothing is the surest way to suffer the full impact of the deterioration of the environment. Not all decisions will be correct, and therefore it is essential to constantly monitor the impact of these decisions on our performance, and correct those that do not give the expected results or go in the wrong direction.

For this we need to get closer to our clients and consumers, understand how much they are changing as a result of the crisis, and share within the company this information in real time, through more frequent, direct and concise communications.

In essence, we need to get closer to the market, communicate better and faster, and act decisively, whilst continuously monitoring the impact of our decisions.

What is different about this crisis and how is Nestlé responding to it?

This crisis is unprecedented in Spain, coming after more than 15 years of sustained growth in the economy and in private consumption. It is changing the way consumers look at what they buy, where and how they shop. The con-



sumer has changed more in the last 12 months than in the previous five years.

We need to adapt our offer of products and services to this 'new consumer', better differentiating our products from the competition, reinforcing the quality/price perception of our offer, and giving to consumers the full benefit of our superior R&D capabilities in the form of higher nutritional values for our foods and drinks.

What is Nestlé's strategy with respect to private labels?

It is our task to convince the consumer that our products are superior in terms of quality, taste and nutritional profile – what we call at Nestlé the 60/40+ approach. There is obviously little future for national brands that are undistinguishable from retailer brands and charge a 50% premium without clear justification. At the same time, we should not limit our offers to the middle and high price segments of the market, and we will increasingly focus our efforts on developing offers in the 'economy' segment of the market, with the launch of Popularly Positioned Products, or PPP as we call them.

IN A CRISIS, THE MOST IMPORTANT THING IS TO ACT, QUICKLY AND IN THE RIGHT DIRECTION.

**IESE
CUSTOM PROGRAMS**

- Strong collaborative relationship between IESE and the company.
- Outstanding performance delivery.
- Personalized attention.



OUR MANAGERS NEED TO QUICKLY ASSUME LEADERSHIP ROLES IN A “BUSINESS UNUSUAL” ENVIRONMENT AND IESE (THROUGH ITS CUSTOM PROGRAM) HELPS THEM UNDERSTAND OUR MULTIFACETED CORPORATE CULTURE.

BERNARD MEUNIER **A LIFE AT NESTLÉ**

A Belgian graduate of economics, Bernard Meunier has built a highly successful career within the Nestlé Group. After working for two years as marketing advisor at AC Nielson, he joined Nestlé Benelux in 1985 as brand manager and in 1987 was appointed sales manager. In 1990, he transferred to the group's headquarters in Vevey (Switzerland), where he was made senior marketing advisor for Coffee and Beverages. In 1992, as director of marketing for Nestlé Hungary, Meunier put in place an effective structure for the marketing functions and introduced a highly effective management culture and system within the Hungarian division. In 1996, when he moved to Nestlé Russia,

Meunier oversaw the implementation of a similar marketing structure at the newly-created organization. From January 1998, he served as sales director for Nestlé.

In 2000, Meunier was placed in charge of the general management of Nestlé Hungary and between May 2003 and March 2005 served as head of the non-household division of Nestlé France as well as president of Davigel, an affiliate of the Nestlé group. In April 2005, he was appointed chief executive of Nestlé Russia and later went on to assume control of all the group's businesses in Eurasia.

On November 1, 2008 Meunier was appointed country head of the Nestlé Group for Spain and Portugal, whose headquarters is located in Spain.

Nestlé has a wide range of products in its portfolio, from Perrier mineral water to Friskies dog food. Does Nestlé have any plans to increase visibility of the company's umbrella branding?

We do more than half our sales with products that are marketed under the Nestlé corporate brand, such as Extrafino, Nesquik or Nidina. But we also have a rich portfolio of independent corporate brands such as Nescafé and Nesquik, which enjoy high awareness and appreciation. The link between all our products and the Nestlé corporate branding is ensured through the seal of guarantee and the nutritional compass at the back of all labels. However some brands such as Friskies, Perrier or Buitoni do not boast the Nestlé nest on their back labels as their brand essence would not benefit from such a direct link.

This being said, millions of consumers visit our www.nestle.es web site each year where the full range of brands and products is clearly visible. As we multiply the points of contact with our consumers' online (mails, web sites, on-line videos) the link in our consumers minds between Nestlé and all its brands grows by the day.

The global economic crisis has prompted a period of introspection on the part of lawmakers, governing bodies and consumers. Does Nestlé expect to see a greater interest on the part of consumers in socially conscious products that are organic and/or fair trade? If so, how does Nestlé plan to respond to this?

At Nestlé we have a strategic integrated approach to CSR called Creating Shared Value which stands for the fact that while creating value for our shareholders we also create value for society. This approach, all the more important in times of crisis, is highly valued by consumers and opinion leaders, and contributes to our solid corporate reputation. We have developed a plan to communicate it in a more proactive way in the months and years ahead.

Nestlé is a Swiss company and yet consumers may not be aware of this. Switzerland has positive connotations for many consumers in respect to good design and a clean, orderly environment. Yet Nestlé has chosen not to exploit this. Why do you think this is so?

We are proud of our Swiss heritage and never conceal it. At the same time, we are also very proud that in many of the countries in which we operate a majority of consumers believe that the company originates from their own country. That's the case for example in the U.S., in the U.K., in France, and to some extent in Spain. This proves how well we have integrated into the national landscape and how relevant our brands and products are for the local consumers. It obviously helps that we have been in Spain for 104 years! When it comes to food and nutrition, consumers attach a high value to culture and traditions. Food is largely local, and adapting our recipes to local taste has always been an intrinsic part of our winning formula.

IESE runs the Advanced Leadership custom program for Nestlé's Future Leaders. Where do you see the benefit of this program as a newly installed chief executive?

The Nestlé Advanced Leadership Program is designed to accelerate the preparation of Nestlé Spain and Portugal's



THE KEY TO BEING SUCCESSFUL IN TODAY'S GLOBAL ECONOMY IS TO DEVELOP A HIGH CULTURAL AND EMOTIONAL ADAPTABILITY.

future leaders for the challenges facing them, in a fast-changing world. Our managers need to quickly assume leadership roles in a “business unusual” environment and IESE helps them understand our multi-faceted corporate culture by being exposed to other business models. It also gives participants who have been given new people management responsibilities an insight in their personal leadership style and new skills to motivate their teams.

As a Belgian who has worked for a multinational company in his home country, Russia, Hungary, France and Spain, what do you believe are the keys to working successfully in today's global economy?

Being born and raised in a multicultural country at the heart of Europe has been an inspiration. I always wanted to grow beyond the borders of my small native country and experience working in diverse social and cultural environments. I chose to work for Nestlé because I knew this company would give me the opportunity to do so if I could prove my worth.

I believe the key to succeed in today's global economy is to develop a high cultural and emotional adaptability. Understanding a different culture, coming to like it and keeping a good personal balance allow you to both enjoy and succeed in a foreign environment. And multiplying experiences in various countries gives you an invaluable vision of the globalized world and a definitive edge over those that have always worked in the same location.

SHORT FOCUSED PROGRAMS 09-10

TARGETING SUCCESS

IESE's portfolio of Short Focused Programs covers a broad range of topics, and is aimed at bringing executives up to speed on critical management topics.

Since its foundation in 1958, IESE has sought to provide CEOs, executives and entrepreneurs with management education that is highly relevant, as well as based on solid research. With this in mind, the school is continually updating and expanding its series of Short Focused Programs, which highlight a wide spectrum of critical business areas.

"All the programs set for this year have been designed with the specific needs of companies in mind," says Mabel de Muller, director of Short Focused Programs. With a history going back over 20 years, IESE's Short Focused Programs have become highly effective management education tools. As with all IESE programs, Short Focused Programs take a general management perspective, providing a comprehensive view of the firm. Recently IESE offered the program for executives, "Tough Times, Tough Strategies: Leading Your Company to Global Growth." The program took place in New York, October 5-8, coinciding with the World Business Forum.

Participants had the opportunity to attend presentations delivered by prominent global leaders including President Bill Clinton, economist Paul Krugman, filmmaker George Lucas and David Rubenstein, managing director of The Carlyle Group. The Forum was held at Radio City Music Hall. The IESE program was led by IESE Prof. Paddy Miller with the participation of members of IESE's faculty.

UPCOMING PROGRAMS

Among the upcoming Short Focused Programs IESE will offer is "Achieving Operational Excellence," (March 2-5, 2010) which has proven immensely popular among participants of past editions. "The program goes far beyond current SCM practices to provide a comprehensive business perspective," said former program participant Marco Haakmeester, vehicle logistics control Europe manager at Nissan Europe S.A.S.

Another popular program has been "Developing Leadership Competencies," the next edition of which will take place at IESE's campus in Barcelona in November 2010. "The program gave me deeper insight into my strengths and areas for improvement, and strategies to develop them. As the head of human resources, my ability to develop the leadership competencies of our managers has been greatly enhanced," said former participant Tove Elisabeth Nielsen, head of corporate image and human resources at J. Lauritzen.



UPCOMING SHORT FOCUSED PROGRAMS

1. ADVANCED DIGITAL MEDIA STRATEGIES

In Partnership with the
Institute for Media and
Entertainment

**NEXT EDITION:
NEW YORK,
DECEMBER 9-11, 2009**

As the media and entertainment industry has moved full-force to digital platforms, business models have shifted radically. Executives need to understand the forces driving these changes, and they need the tools to act strategically as developments continue to unfold. The sessions will be led by IESE Profs. José Luis Nueno, Josep Valor and Sandra Sieber



2. ACHIEVING OPERATIONAL EXCELLENCE **NEXT EDITION: BARCELONA, MARCH 2-5, 2010**

This program addresses how to cut costs and free up cash by optimizing operations. Participants learn specific methods for lowering costs and improving service quality, as well as how to devise and implement new supply chain frameworks.

www.iese.edu/aoe



3. GETTING THINGS DONE **NEXT EDITION: BARCELONA, MAY 18-21, 2010**

The Getting Things Done program shows business leaders how to identify sources of power within their organizations and use this information to effectively influence others and drive strategic change. Led by Stanford University Prof. Jeffrey Pfeffer and IESE Prof. Fabrizio Ferraro, Getting Things Done unlocks the mysteries behind strategy implementation and reveals the most essential factors in bringing about the successful execution of business objectives.

www.iese.edu/gtd

4. CREATIVE CULTURES: MAKING INNOVATION WORK **NEXT EDITION: NEW YORK, JUNE 10-11, 2010**

This program showcases how to unlock innovation by implementing a proven framework and securing the

appropriate conditions to nurture innovation. Led by IESE Prof. Paddy Miller, it is a must-do program for those leaders who are in need of boosting innovation through a turn-key solution.

www.iese.edu/cc



5. GETTING GLOBAL STRATEGY RIGHT **NEXT EDITION: BARCELONA, JUNE 8-11, 2010**

Based on research by IESE Prof. Pankaj Ghemawat, one of the world's foremost authorities on globalization, this program will set forth guidelines to evaluate and exploit cross-border business opportunities. Participants will leave the program equipped with the necessary tools to determine the best competitive strategy for their organizations.

www.iese.edu/ggsr

6. DEVELOPING LEADERSHIP COMPETENCIES **NEXT EDITION: BARCELONA, NOVEMBER 2010**

Leadership skills are critical in turbulent times - not just to survive, but also to gain competitive advantage. In this program, led by IESE Prof. Pablo Cardona, participants learn practical ways to harness competencies for cultural change and develop a thorough understanding of the coaching process.

www.iese.edu/dlc

MORE INFORMATION:
www.iese.edu/sfp

9TH PUBLIC-PRIVATE SECTOR MANAGEMENT COLLOQUIUM

TRUST AND COMPETITION

The Keys to Beating the Crisis



● To ensure their countries emerge from the crisis as swiftly and painlessly as possible, public policy makers must deliver sweeping reforms in all areas, ranging from productivity and education to the justice system, public administration, pensions and the labor market. This was the recommendation made by Prof. Xavier Vives, academic director of the SP-SP Center, during the 9th Public-Private Sector Management Colloquium held on June 19 at IESE's campus in Barcelona. Prof. Vives also laid much of the blame for the current financial crisis on the economic policies adopted by governments around the world. Prof. Vives roundly described governments' responses to the crisis,

including policies aimed at guaranteeing toxic assets, injecting liquidity into the financial systems and lowering interest rates, as panic containment measures.

The IESE professor also provided an overview of the type of short, medium and long-term objectives policy makers should pursue to address the crisis. In the short term, the priority must be to regain the trust of investors and consumers, while for the medium and long term, policy makers should seek to strengthen the economy's foundations so as to allow for growth that is both stable and sustainable. They should also work to minimize any harmful disruptions to competition and trade.

A LONG-TERM VIEW

● Carlos Cavallé, the president of the Public-Private Sector Research Center (SP-SP) and former dean of IESE, sent a clear message of realism and caution, saying that "the crisis will be long." However, he cited the Obama Plan as a positive example of how to address it.

For his part, Andreu Morillas, secretary of state of the department of the economy and finances of the regional government of Catalonia, emphasized the need for a change of paradigm, while Joaquim

Triadú, vice-president of the SP-SP Center, said that what is most needed is to regain a sense of business ethics and responsibility.

Policy makers should work to minimize any disruptions to competition and trade.

SOCIAL RESPONSIBILITY

The Doing Good and Doing Well Conference Receives Award

● The Graduate Management Admission Council (GMAC) awarded IESE's Doing Good and Doing Well Conference (DGDW) the TeamMBA award for Best Education Initiative at its annual conference in Baltimore, Maryland, on June 19. Liz Curran (MBA'09) and Alvaro Carbón (MBA'09), along with IESE MBA Admissions Director Javier Muñoz and Associate Director Anna Lee, collected the award in front of a 600-strong audience.

"The fact that IESE won this award is testament to the significant effort put in by hundreds of students since 2004 and the support of IESE staff and faculty," said Curran shortly after accepting the award on the school's behalf.

GLOBAL LEADERS IN ASIA

Building Closer Ties with Japan

● "IESE's growing presence in Japan makes an important contribution toward strengthening the relationship between Spain and Japan," said Alfonso Carbajo, counselor of commerce at the Spanish Embassy in Tokyo, during a special session organized by IESE's Alumni Association and the consultancy firm IGB Network dedicated to the theme "Developing Global Leaders in Asia."

Norihito Furuya, of IGB Network, and IESE Prof. Kimio Kase moderated the session, which was attended by 70 alumni, as well as a number of other executives. IESE Prof. Pedro Nuevo also gave a session in which he highlighted the technological and industrial power and creativity of Japanese companies, saying that the country is poised to excel once the economy rebounds.

Companies Reveal True Work-Life Colors in Crisis

IESE's International Center for Work and Family Holds Academic Conference and Practitioner-Focused Forum

Leading international scholars in the field of work-life issues and HR executives from family-responsible businesses gathered at IESE Business School's Barcelona campus on July 6 to 8 to discuss topics under the theme of "Harmonizing Work, Family and Personal Life in Times of Crisis." IESE's International Center for Work and Family (ICWF) hosted the event.

The 3-day event comprised ICWF's 3rd International Conference of Work and Family, led by IESE Prof. Steven Poelmans, followed by the 5th Family Responsible Companies Forum. The forum, organized by the ICWF's Director, Prof. Nuria Chinchilla, and her colleague Prof. Mireia Las Heras, gathered together HR leaders including Accenture's Global Human Capital Director, Armelle Carminati.

MOMENT OF TRUTH

Prof. Chinchilla and Las Heras said the downturn is separating the wheat from the chaff in terms of organizations' commitment to work-life policies. Chinchilla said the crux is the companies' underlying motivations for rolling out such policies. If it is mere window dressing in a bid for positive PR, the company may find it easy to ditch work-life initiatives.

On the other hand, the IESE professor said that if an organization is truly committed to work-life bal-



ance, it realizes that the issue is not the policies' cost, but rather the cost to the firm of not implementing and supporting them. Chinchilla pointed out that if companies abandon work-life policies now, they run the risk of de-motivating staff to do their best: exactly the opposite of what is required of them in the current climate.

Because of the crisis, organizations need to become more creative.

Prof. Las Heras referred to previous crises to illustrate the point. For example, in the early 1990s, IBM remained committed to work-life policies despite a sharp downturn. The company had to close offices to save money, so it introduced telecommuting policies, allowing employees to work from home. "Because of the crisis, organizations need to become more creative," she said.

THINKING OUTSIDE THE BOX

Ellen Galinsky of the Families and Work Institute shared some of the creative solutions employers reported in its 2008 U.S. survey. Initiatives ranged from instigating suggestion boxes for employees on how to cut costs to granting unpaid time off during the school vacation periods for employees. Other schemes

include granting sabbaticals or reducing the working week to four days, for example.

The survey also found that U.S. employers had begun to ask employees to assume more of the cost of salary benefits such as health insurance and pensions.

In addition to companies' commitment levels to work-life policies during the downturn, scholars discussed whether employees would make use of them in times of uncertainty. "The reality may be that employees may feel scared about using these policies," said Prof. Gary Powell of the University of Connecticut. "There is an increased pressure to perform," he added.

"It has to be clear to your supervisor that your job is your number one priority," Judi Casey of the Sloan Work and Family Research Network agreed. But she also pointed to anecdotal evidence in the media that the waves of layoffs are prompting some to reassess their attitudes to work and life. "There is this tone of opportunity that says, 'maybe we could work less, become less consumer-oriented and get by on a smaller income?'" she said.

And some of the U.S. middle-class households getting used to surviving on one salary are facing other shifts. More men than women have lost their jobs due to the crisis, and male high-earners over 50 are finding it particularly difficult to find re-employment, Prof. Ellen Kossek of Michigan State University said.

On the positive side, Prof. Kossek also flagged up opportunities for work-life balance brought by the crisis. The academic said the changing paradigm presents the possibility to "re-engineer work practices, get rid of low-value work and switch to results-oriented work."

MORE INFORMATION:
insight.iese.edu/



Dave Ulrich

**8TH IESE-IRCO PEOPLE
MANAGEMENT SYMPOSIUM
OCTOBER 19-20, MADRID**

Prof. Ulrich will discuss the qualities of a good leader and Prof. Cardona will explain how to pick out potential leaders from among employees.

GRADUATIONS

On November 6 the graduation ceremonies of the **Strathmore AMP** and the **PMD Brazil** will take place in Barcelona.

PROGRAMS

On October 6 and 7, New York will be the setting of the **World Business Forum**, which will feature an interview by Paddy Miller and the CEO of Abbott, Miles White.

On October 19-21, the Institute for Media and Entertainment (IME), in New York, will host a Short Focused Program on **Branding in Media and Entertainment**, led by faculty members from the Kellogg School of Management.

Monday November 2 will see the inauguration of the first module of the **Pan African AMP**.

The New York-based IME will also be the setting for the Short Focused Program **Advanced Media Strategies**, which will be held from December 9-11

OTHER PROGRAMS AND SESSIONS

Monday October 5, New York / Short Focused Programs: **Tough Times, Tough Strategies**.

Tuesday October 20, Madrid / Short Focused Programs: **Operational Finance: Current Assets and Treasury Management**.

Tuesday October 20, Barcelona / Short Focused Programs: **Marketing and Sales Management: Managing, Organizing and Motivating the Sales Team**

Tuesday November 3, Barcelona / Short Focused Programs: **Strategic Management of Global Value Chains**.

Wednesday November 4, Barcelona / Short Focused Programs: **Developing Creativity and Innovation Within the Company**.

November 10, Barcelona / Short Focused Programs: **Sales Management: Managing, Organizing and Motivating the Sales Team**.

October 11 and 12, Madrid: **Keys to Successful Operations in International Trade: Contracting, Risks and Financing**.

November 18, Barcelona / Short Focused Programs: **Management Competencies: Portfolio Management**.



November 24, Barcelona / Short Focused Programs: **Management Competencies: How to Develop My Relational Capacity**.

November 24 and 25, Madrid: **Operational Excellence: Keys to Competitiveness**.

November 24, 25 and 26, Madrid / Short Focused Programs: **Negotiate Effectively: An Everyday Business Necessity**.



PRESENTATIONS

In December / January, Prof. Kimio Kase will present the **Value Creation in Sports Management** study.

Prof. Jasmijn C. Bol, of the University of Illinois at Urbana-Champaign, will be at IESE's campus in Madrid on October 26 to present her latest research on **Supervisor Discretion in Target Setting**. The session will be coordinated by Prof. Fernando Peñalva.

On November 5, Prof. Eva Ascarza, of London Business School, will be at IESE's campus in Barcelona to present her latest research work, **Modeling Churn and Usage Behavior in Contractual Settings**. The session will be coordinated by Prof. Jorge González.

MEETINGS

Meeting of the Advisory Board of IRCO (International Research Center on Organizations) on September 10 at IESE's campus in Madrid.

3rd Pharmacy Industry Meeting: Towards a New Industry Model?

Chief executives of many of the leading pharmaceutical companies will gather at IESE's campus in Barcelona on November 5.

The Global Alumni Reunion (GAR) will be held in New York on October 10 and 11.

On October 20, **the Health Technology Meeting** will be held under the slogan "Recognizing Value."

The 24th Meeting of the Automobile Sector will be held at the campus in Barcelona from November 24-25.

OTHER MEETINGS

November 12, **Seminar on the Building and Management of Global Teams**.



17th Finance Forum

**MEETING
NOVEMBER 4-5, MADRID**

CIIF – the International Center of Financial Research – is currently organizing the Spanish Association of Finance's 17th Finance Forum, which will be held on November 4-5, 2009 at IESE's campus in Madrid.



Vinay Kothari

Building Business in India

Vinay Kothari (MBA '92) came to IESE looking for the knowledge and experience that would help him turn his aspiration to run a global company into a reality. Today, he has launched major ventures with two fellow IESE graduates, while helping IESE's alumni community in India blossom.

In the 5th century, it was mathematicians in India who came up with the idea of zero, making a major impact on science and commerce around the world. Today, India and its rapidly expanding economy are poised to make another impact on the business world – despite the economic downturn, says Vinay Kothari.

“India is one of the countries least affected by the crisis, mainly because of its prudent fiscal policies,” says Kothari. “The growth rate is projected to increase from the current 6 percent to approximately 8 to 9 percent by the end of 2010.”

To boost economic momentum, India's government has announced major stimulus packages and investments in sectors such as real estate and infrastructure, including power generation, highways, airports and industrial parks, he said. Kothari is well-positioned to analyze his country's economic future. He sits on the boards of directors of three companies – KBK Group, Savera and Imago Screens. He also serves as a non-executive director on the board of Force Motors Ltd.

When he speaks of his home country, he does so with notable esteem. And no wonder – with fast-growing IT and automobile sectors, and one of the largest pools of engineers in the world – India already boasts the 12th largest economy in the world. The story was different, however, when Kothari was lured to IESE to do his MBA in the early 90s. At that time, the country was just undergoing reforms that liberalized markets, setting the stage for the economic prowess India has developed today.



➤ INDIA IS ONE OF THE FEW COUNTRIES LEAST AFFECTED BY THE DOWNTURN, MAINLY BECAUSE OF ITS PRUDENT FISCAL POLICIES.

FIRM ROOTS

● Originally from the north Indian State of Rajasthan, Kothari's parents moved to Mumbai in the late 1950s. His father started a real estate development business there, which later fuelled Kothari's drive to one day lead a company himself. "My family has always earned their daily bread 'doing business.' Having been surrounded by such an environment since early childhood, it was only natural that I would choose to go in to business and dream of having a global business," he says.

Kothari carried out his entire schooling in Mumbai, and began his journey toward becoming an entrepreneur by earning a bachelor's degree in accounting and economics at Mumbai University. It soon struck him, however, that he needed more preparation if he was going to reach his goal, ideally in an international environment. "I realized that in order to succeed in global business, I needed to update myself with modern management theories and concepts, strengthen interpersonal and quantitative abilities and gain international exposure. So I decided to pursue an MBA and enrolled in the program at IESE," he said.

He was drawn to the IESE program for numerous reasons, among them the outstanding faculty, the large international student community, the use of the case method, the bilingual English-Spanish dimension and the fact that the program is top-ranked. While some students from India choose U.S. MBA programs, others opt

for European programs because of their global character and closer proximity.

Kothari liked IESE's highly global approach, 2-year format and pan-European links. He was also enticed by the distinctive cultural experience that IESE offered, as compared to other business schools. "I had always wanted to learn about a new culture, so I was a little different," reflects Kothari. He was already married at the time of the program, so his wife was able to experience Barcelona as well, he notes. And, in fact, Kothari's first child was born while he was in the MBA program. He was particularly influenced by classes led by professors Pedro Nueno on entrepreneurship and Pablo Fernández on finance, he said. Following the MBA, the desire to pursue his goals and lead a global firm in his home country led him back to India.

FOLLOWING THE MBA, THE DESIRE TO PURSUE HIS GOALS AND LEAD A GLOBAL FIRM IN HIS HOME COUNTRY LED HIM BACK TO INDIA.

for European programs because of their global character and closer proximity.

SOLID PARTNERSHIPS

● Kothari says the choice of IESE has paid off in many ways, particularly in terms of the business partnerships he has built with fellow IESE alumni. At the same time that his IESE MBA has helped him professionalize his family's real estate firm, Kothari's involvement with the school's Alumni Association has led to joint ventures with two Spanish companies which are global in their respective markets.

The first is with Savera India Private Limited, a leading company manufacturing steel guide rails used in the

➤ IN ORDER TO SUCCEED IN INDIA, COMPANIES MUST BRING THEIR BEST AND LATEST PRODUCTS AND MUST ALSO PRODUCE LOCALLY AND COMPETITIVELY.

elevator industry. The second venture is with Imago group, a global firm that manufactures variable message signs used in intelligent transport systems and visual communications. Both companies are led by IESE MBAs: Savera's managing director is Ramón Azpiroz (MBA '97), and Imago is headed by Tony Batllo (MBA '94).

"Vinay has been extremely cooperative from the beginning," says Batllo, "and has brought to the joint venture contacts, people selection, local knowledge and more than useful help in moving local government and large corporations. After one year of cooperation, we feel very satisfied that we're present in almost all relevant tenders, the key players know us and we have surpassed our initial sales budget." Azpiroz stressed that Savera always relies on local partners when developing manufacturing activity abroad. In this sense, working with Kothari, a fellow IESE alumnus, has been "a safe and quick way to know somebody to become our local partner in India."

Moreover, "we have been able to develop an excellent personal relationship with all that means - friendship, the opportunity to know a completely new culture and country," Azpiroz said. Both Batllo and Azpiroz stressed the benefits of IESE's alumni network. Batllo notes that he has turned to the network on various occasions for information, advice or recruitment purposes. The success of these two joint ventures, as well the expansion of his family's business - KBK Group - have been key highlights in his professional career so far, Kothari says. "We are continuously looking for more opportunities to partner with foreign companies who would like to set up operations in India."

BUSINESS IN INDIA

● Although the global panorama remains uncertain, Kothari says that India offers excellent opportunities for multinational companies looking to expand beyond national boundaries. Yet he put forward several caveats for firms with their sights on the country.

"India is a value-conscious and a price-sensitive market. In order to succeed, companies must bring their best and latest products and must also produce locally and competitively," he says.

"The scale of operation should be global," he says. "In order to achieve economies of scale the strategy should be to produce for both local consumption and exports. Companies must also take advantage of the low-cost engineering skills available to set up research and development centers

to reduce the product development costs." Kothari stressed that the current economic downturn has changed the way the world does business. "One has to be cautious considering the large under-utilized capacities available around the world in sectors such as steel and automotive." As a long-time member of the board of Force Motors Limited, a company publicly listed on the Indian stock exchange, Kothari has extensive experience in the automotive industry.

This expertise has led to his participation in one of IESE's longest-running events, the Automotive Industry Meeting, organized at the school's Barcelona campus by IESE Prof. Pedro Nueno. Kothari has taken part in three editions of the meeting as a speaker, an experience he described as "incredible."

"You meet top people in the industry - it's an important event," he said.

STRENGTHENING IESE'S ALUMNI BASE

● Kothari's contributions to IESE, however, have not been limited to Barcelona. He currently serves as president of the Regional Alumni Chapter in India, which was formed just two years ago. Though relatively small now, the group is growing quickly.

"We have a total of 38 alumni in the chapter currently, of which 32 are of Indian nationality," he said. "Close to 60 percent are members of the Alumni Association and we have a small but steadily growing community of enthusiastic alumni, eager to contribute to the development of the IESE brand in India and stimulate activity among alumni."

The group has organized a session in Mumbai with guest speaker Mr. Pawan Agarwal, CEO of Nutan Tiffin Box Suppliers Charity Trust, who shared the principles and work philosophy of his company.

"With this event, we leveraged the presence of the Inside India Short Focused Program, which took place at the same time in Mumbai, offering the possibility for alumni in India, IESE professors and program participants to reunite at the event," he said.

IESE's Dean Jordi Canals also met last year with alumni in New Delhi, to share his thoughts on the financial crisis and corporate governance with alumni in the area.

Given his active involvement with the Alumni Association and his partnerships with other IESE alumni, it is no surprise that Kothari rates the school's alumni network as one of the most important aspects of the program.

KOTHARI RATES THE SCHOOL'S ALUMNI NETWORK AS ONE OF THE MOST IMPORTANT ASPECTS OF THE PROGRAM.

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YOU'RE IN THE NEWS

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Send your comments to revista@iese.edu

EMBA '88

Juan I. Pinedo del Campo

has been appointed director general of the Fernández-Vega Research Foundation and Ophthalmology Institute, both based in Oviedo.

G-EMBA '05

Mathias Illius

and his wife, Betty Torres, have announced the birth of their son, Mathias Antonio, born on April 30 in Barcelona.

Tomasz Troniewski

and his wife, Magdalena, welcomed the birth of their daughter, Antonia, in Warsaw on May 7.

G-EMBA '08

Lope Hoces

married the knot with his fiancée, Gloria, on May 23 in Barcelona. His former MBA classmates were among the wedding guests.

G-EMBA '09

Marc Martínez Selma

has been appointed new director of the Corredores y Grandes distribution channels of Zurich Spain.

Frank Höving

has announced the birth of his second child, Carla, who was born on May 12. Frank and his wife, Sandra, are already parents of one son, Mark.

Ramón Lladós

and his wife, Mercé, welcomed the birth of their daughter, María, on May 26 in

Encamp (Andorra). María joins 18-month-old brother Ramón.

Pepe Hanzé

and his wife, Isabella, have announced the arrival of their daughter, Isabella, born on June 8 in Guayaquil, Ecuador.

G-EMBA '10

Miguel Rescalvo

has been appointed director of Climate Change Services in North America for the company Der Norske Veritas (DNV).

MBA '89

After occupying various senior posts at companies such as Camper and Loewe, **Ramón Solé Capdevila** has been recruited to oversee the international expansion of the Spanish chain store Musgo, which specializes in home decoration, gifts and fashion.

PADE-II-89

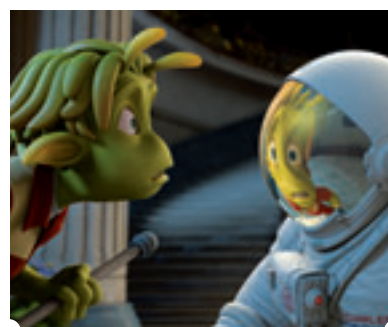
This class shared lunch together on June 1 to mark the 20th anniversary of their graduation. **Julio González Ubanell** organized the event.

PADE-I-01

Cremades & Calvo-Sotelo Law Firm recently appointed **Joan M. Pujals** to the company's advisory board. Pujals was a counselor in the Generalitat – the Catalan regional government – between 1992 and 1999.

PADE-1-04

On July 2, members of this class returned to IESE's campus in Barcelona to celebrate the fifth



PDG-A-09. Carmen Urbano, financial director of the animation studio Ilion, has informed IESE that the studio's latest film, Planet 51, an alien comedy adventure, will open at cinemas on November 20.

anniversary of their graduation. They were joined by Prof. Pedro Nueno, who presented a session. Class representatives **Carlos Torres** and **Ferrán González** helped organize the event.

PADE-1-08

On June 16, Prof. José Luis Nueno delivered a session about the Nespresso Case to members of this class. **Conchita Gassó** and **Ruth Aixemeno** organized the meeting.

PDG-I-89

Josep M. Ayala

has been appointed president of the Instituto de Crédito Oficial (ICO). Ayala has worked throughout his career in the banking sector, first as business director at BBVA, and later as executive president of BBVA Banco Ganadero de Colombia and managing director of Banca Catalana. Prior to taking on his new role at ICO, Ayala served as chief



G-EMBA. IESE Alumni from the U.S. and Mexico gathered in Aspen, Colorado for 4 days of skiing, live music and nightlife from March 26-30. They were also joined by an Australian delegate from London! The participants were Andie Jenkins, Tomas Rehfish (G-EMBA '03), Jorge Davalos (G-EMBA '04), Steven Hickson (G-EMBA '02), Fernando Garcia (G-EMBA '03), Sean Ugrin (G-EMBA '03), Henrik Scherer (G-EMBA '03) and Carlos de la Torre (MBA '06).



PDG '94/'99/'04. At the invitation of the Madrid Alumni Division, alumni of these three groups, accompanied by their spouses, attended a session led by Prof. Luis Manuel Calleja. The event ended with a cocktail reception.

executive of the Institut Català de Finances (ICF).

PDG-1-06

Members of the PDG-1-06 had dinner together at the Círculo del Liceo on July 8. They were joined by Prof. Antonio Argandoña, who discussed his views on the evolution of the financial crisis. The meeting was organized

by **Josep Tous** and **Simona Volonterio**, with the help of Pedro Torrebaddella.

PDG-2-08

José R. Pérez Gasull and his wife, Carla, have become parents of their first child, Pablo, who was born on May 31 in Barcelona.

IN REMEMBRANCE

F. JAVIER MOLINS LÓPEZ-RODÓ (MBA '72)

passed away on July 1 at the age of 62. Husband and father of four children, Javier Molins was vice-president of Cementos Molins, as well as chief executive of Inversora Pedralbes and Otinix.

JAVIER PIERA SERRA (MBA '85)

died on June 25 at the young age of 49. Piera Serra led a highly successful professional career while always managing to share close ties with staff and fellow executives. He was the founder, in 1994, of the company Europraxis, which in 2001 was acquired by Indra, one of the leading IT companies in Europe and Latin America. Prior to his passing, Piera Serra was chairman of Europraxis and COO of Indra.

EUROPEAN COMPETITION POLICY UNDER THE SPOTLIGHT

What Has Worked, What Needs Improving?



IESE Prof. **Xavier Vives** edits new book which takes a look back at 50 years of EU Competition Policy.



● Competition policy should be a key priority for governments, especially if they form part of the European Union (EU). In the wake of the celebrations in 2007 for the EU's 50th anniversary, now is a timely moment to ask ourselves: what has been successful, what has failed, what still needs to be done? *Competition Policy in the E.U. Fifty Years on from the Treaty of Rome*, edited by IESE Prof. **Xavier Vives**, delves into numerous aspects of European competition policy analyzing the current situation, identifying deficiencies, proposing solutions and shedding light on some potential future trends.

In general, European competition policy over the past half century can be considered a success, given its re-

silience and capacity for self-reform. One of the challenges lying ahead for the EC is how to attract human capital.

In the near future, we will also see the effects of private litigation in the EU, as well as more decentralized policy enforcement in the national courts.

Next 50 Years

Within another 50 years, says **Xavier Vives**, the role of the EC could evolve considerably, but the importance of competition policy is not likely to wane. One plausible change could be the development of both the institutional framework for implementing competition policy and judicial review. In such a situation, it would be appropriate to discuss the

creation of an independent agency, along the lines of the U.S. Federal Trade Commission.

Meanwhile, the author feels that the challenge facing the economy is to provide tools that translate know-how into guidelines and practical advice.

The book was primarily inspired by the ideas and proposals that were voiced by speakers and participants at the symposium "Fifty Years of the Treaty: Assessment and Perspectives of Competition Policy in Europe," which was held at IESE's campus in Barcelona on November 19-20, 2007. The authors analyze the relationship between specific regulations for each sector and competition policy, comparing competition policy in the EU with that of the U.S.

AWARDS

CHINA HONORS PROF. PEDRO NUENO

IESE professor receives highest honor given to foreigners

● The Chinese government has presented IESE Prof. **Pedro Nueno** the “Friendship Award,” the highest honor it bestows on foreigners. It is the first time the award has been given to a Spaniard.

The award was presented by China’s President Hu Jintao, in Beijing, on National Day, October 1, which also marked the 60th anniversary of the foundation of the People’s Republic of China. The day’s celebrations, in which both Nueno and his wife were invited to participate, culminated in a huge anniversary parade. **Nueno** had been invited to meet with leaders of the Chinese government prior to the National Day reception. During the ceremony, held in the Great Hall of People, the IESE professor was congratulated by the Prime Minister of China, Wen Jiabao. The act was covered by the main news channels in China and around the world.

EUROPEAN PARTNERSHIP WITH CHINA

● Prof. **Nueno** began his long relationship with China in 1984 when, as executive vice-president of the European Foundation for Management Development, he launched a master’s program in Beijing as part of a joint venture involving five European business schools including IESE, INSEAD and London Business School. In 1994, the project was bolstered by the formation of a “joint-venture” between the

European Union and the government of Shanghai, which culminated in the creation of the China Europe International Business School (CEIBS).

CEIBS has undergone spectacular growth within China and enjoys considerable international recognition. Prof. **Nueno** argues that business schools should work closely together on innovative projects. Since its foundation, CEIBS has had close ties with leading business schools such as IESE and Harvard Business School. This close relationship has made it possible for many IESE professors to deliver sessions at CEIBS. Some have even gone on to occupy senior positions such as Prof. **Alfredo Pastor**, who served as dean of CEIBS from 2002 to 2004 and now holds the Spanish Chair in Economics, and Prof. **Jaume Ribera**, who holds the Port of Barcelona Chair of Logistics and teaches on a number of programs.

CHINESE DEVELOPEMENT

● Prof. **Nueno**, now executive president of CEIBS, notes that China’s leaders feel deeply grateful to foreigners who have contributed to the country’s development. During the final ceremony of the 3-day celebration, Prof. Nueno was given a privileged vantage point in Tiananmen Square close to President Hu Jintao, from where he was able to view the October 1 parade. The IESE professor said he sensed Chinese leaders around him were experiencing a mix of feelings – ranging from pride and satisfaction



Prof. **Nueno** receives the “Friendship Award,” the highest honor China bestows on foreigners.

**Nueno was
congratulated by
the Prime Minister
of China, Wen
Jiabao.**

with what had been achieved to realism and resolve regarding the task ahead: namely, to continue advancing economic and social progress with determination, care and good management.

Prof. **Nueno** has received a number of other awards during his career including the Silver Magnolia and the Golden Magnolia, the highest awards given by the government of Shanghai, and the Civil Merit Medal of Spain. He also prizes the awards he received from the International Academy of Management and the Harvard Business School, which he was presented on its 75th Anniversary.



ÁFRICA ARIÑO

- Has been appointed director of IESE's doctoral program. Prof. Ariño holds a degree in economics and business administration from the Universidad de Barcelona and a Ph.D. in management from the University of California, Los Angeles (UCLA). Her research interests focus on strategic alliances, particularly in their structural design, process issues and evolutionary aspects of the inter-partner relationship.

HAKAN ENER

- Has joined IESE as assistant professor in the Department of Entrepreneurship. Having earned a Ph.D. in management from INSEAD, Prof. Ener's research has centered primarily on the management experience pitfall, for which he received a worldwide doctoral research award from the Center for Creative Leadership in the U.S.

AMALIA SANTOS

- Has joined IESE as assistant director of the Personnel Division. She holds a degree in economics and business administration from the Universidad de Zaragoza, an MBA from the Saint Ignatius University, Antwerp, and a master's in human resource management from the University of Leeds (UK). Santos has formerly worked in the change management division of Accenture, in Madrid; has advised Merck Sharp & Dhome on human relations, and has overseen training and development at the Royal Botanical Gardens-Kew, in London.



LUIS CABRAL

- Has joined IESE as professor of economics and as academic director of IESE's new center in New York. Having graduated in economics from Stanford University, Prof. Cabral has taught at the London Business School, Haas-Berkeley and most recently at NYU Stern School of Business.

JOSÉ L. ILLUECA

- Has joined IESE as lecturer in the Department of Managing People in Organizations. Illueca has worked for Philip Morris in Switzerland, with HR management responsibilities in over 15 European countries in the processes of change management, mergers and acquisitions. His areas of interest include business and change management, decision-making skills, ethics and business, compensation and benefits.

SANDRA SIEBER

- Has been named academic director of the Global Executive MBA program. Having earned her Ph.D. in economics and business administration from the University of Navarra, Prof. Sieber joined IESE in 2000, following a tenure at the Universidad Pompeu Fabra. Her areas of interest center on the interplay of strategic management and information systems, as well as on the role of new information and communication technologies (ICTs) for organizational learning and innovation.



MIGUEL A. CANELA

- Has joined IESE as visiting professor in the Department of Managerial Decision Sciences. Following his graduation in mathematics from the Universitat de Barcelona, Prof. Canela has spent the last 30 years teaching at the same university, as well as serving as a senior consultant and as director of the master's program in quality management at the Institut Català de Tecnologia. His research interests cover a wide spectrum of disciplines from the applications of statistics and mathematical modeling to botany, nutrition and medicine.

MARCO TORTORIELLO

- Has joined the Department of Strategic Management as assistant professor. Holding a Ph.D. in industrial administration from Carnegie Mellon University, Prof. Tortoriello is currently a member of the Editorial Board of the Academy of Management Review and Organization Science.

DAVID ZORN

- Has joined IESE as assistant director of Executive Education – Custom Programs. Zorn holds an MBA from IESE ('09) and a degree in industrial and systems engineering from the Georgia Institute of Technology. He has worked in production for Siemens, where he filled a number of operational posts in the U.S., Mexico and Germany, and oversaw business development for Choice Point, in Atlanta.

Prof. Melé, Guest Editor of the *Journal of Business Ethics*

Domènec Melé, IESE professor of business ethics, was guest editor of the third issue of the 88th volume of the *Journal of Business Ethics*, a special issue which featured a collection of articles on IESE's 15th International Symposium on Ethics, Business and Society, which was held at the campus in Barcelona on May 17-18.



PEDRO VIDELA

Has been appointed director of the MBA Program. He holds a commercial engineering degree in economics from the Universidad Católica de Chile and a Ph.D. and M.A. in economics, both from the University of Chicago. His areas of specialization include macroeconomics, international economics and emerging economies. As a consultant, Prof. Videla has been involved in projects with institutions such as the World Bank, IMF, EU, the InterAmerican Development Bank and USAID.

HELÈNE C. SOSTARICH BARSAMIAN

Has been appointed IESE's director of corporate development in the U.S. She holds a Ph.D. in French philology from the University of New York and a master's in Romanic philology from the Université Catholique de Louvain. To date, her professional career has primarily focused on international fundraising. Among the numerous projects that she has been closely involved in are the renovation of the Henry Ford Building and the foundation of the Kofi Annan Fellowship in Global Governance. In her new post she will work closely with the Corporate Development Division and senior managers at IESE's new center in New York.



EDUARD CALVO

Has been appointed assistant professor in the Department of Production, Technology and Operations Management. Prof. Calvi holds an M.Sc. and Ph.D. in electrical engineering from the Universitat Politècnica de Catalunya, and has occupied a range of research posts at the Massachusetts Institute of Technology (MIT). In 2005 he was presented the "Salvà i Campillo" award for the best young engineer by the Gremio de Ingenieros Eléctricos Catalunya (College of Electrical Engineers of Catalonia).



ALEJANDRO LAGO

Has been appointed assistant professor in the Department of Production, Technology and Operations Management. He holds a Ph.D. in electrical engineering from the University of California at Berkeley and a degree in civil engineering from the Universidad Politècnica de Catalunya. Prof. Lago's interests and professional experience include logistics, production systems and the management of complex transportation systems.



The hedge fund manager and philanthropist participates in the breakfast series run by **The Wall Street Journal**

GEORGE SOROS

CALLS FOR
RADICAL CHANGE



George Soros, chairman of Soros Fund Management and the Open Society Institute, believes that the Obama administration's management of the financial crisis has been credible but "well short of perfect." The financier and Obama supporter was speaking at The Wall Street Journal's Viewpoints Executive Breakfast Series in New York yesterday. IESE Business School and The Boston Consulting Group co-support the series of conversations with global leaders.

In Soros' view, the Obama administration is doing very well in all aspects of government except in the recapitalization of banks and the reorganization of mortgage markets. "As far as the management of the financial system is concerned, I'm afraid that there has been too much continuity

THE OBAMA ADMINISTRATION'S MANAGEMENT OF THE CRISIS HAS BEEN CREDIBLE BUT WELL SHORT OF PERFECT.

between the Bush administration and the Obama administration," he told Deputy Managing Editor of the WSJ, Alan Murray.

UNSUSTAINABLE SITUATION

- In terms of the banks, he would
- have preferred a compulsory recapitalization with the U.S. treasury acting as underwriter in the case that shareholders failed to step in. The billionaire financier also proposed that the capital be injected into a "new" bank, with the financial insti-

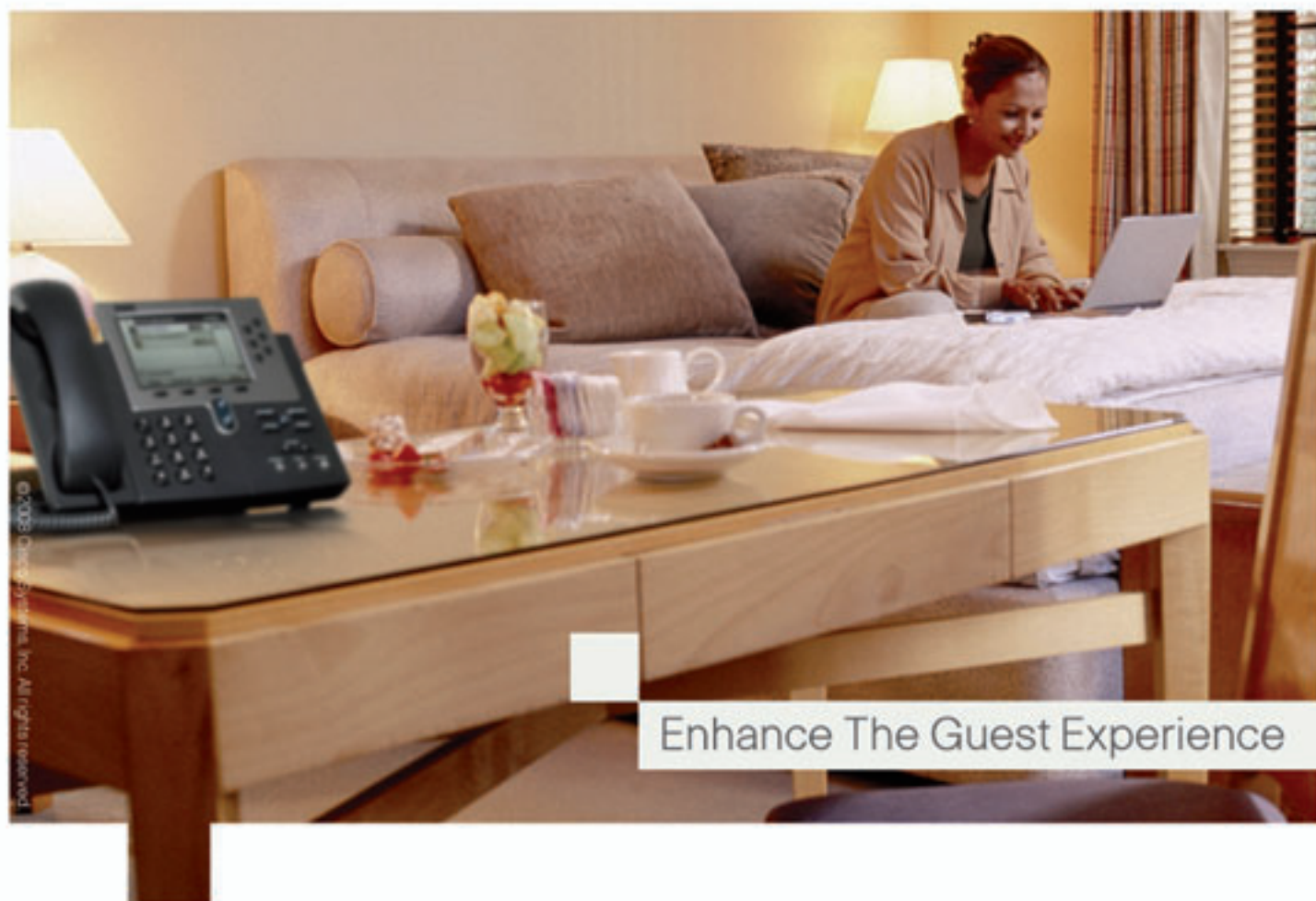
tution's toxic assets remaining in the old entity.

While acknowledging that the financial sector had enjoyed many years of high earnings – accounting for up to 14 percent of total US corporate earning – Soros said that such a situation "cannot be maintained and is not really very efficient either." However, the solution, in Soros' view, will not be found in simply expanding the scope and authority of regulatory bodies, whose actions can often make the markets even more unstable.

THE DANISH WAY

- On the topic of the mortgage
- markets, Soros proposes adopting or borrowing from the Danish system. In Denmark, mortgage credit institutions face strict regulations on matching the assets (mortgage loans) and the liabilities (mortgage bonds) based on "the balance principle" or "the balanced book principle."





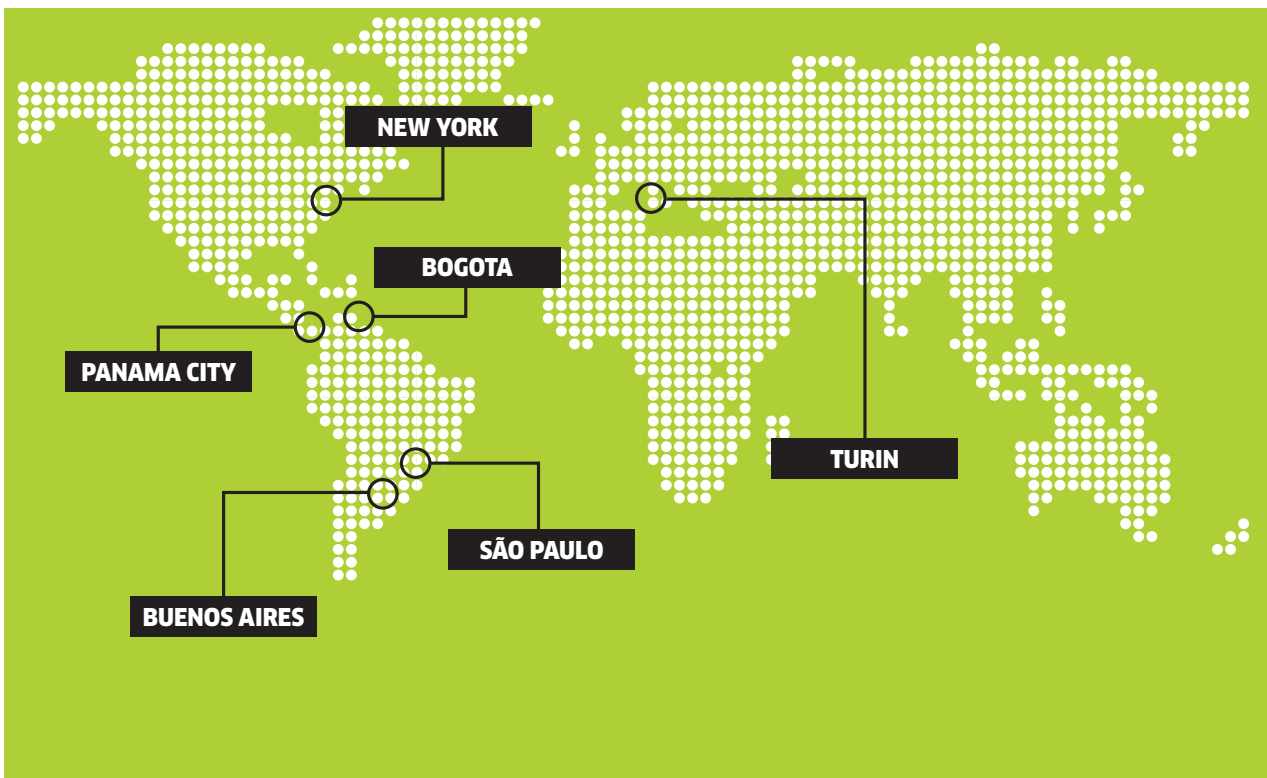
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THE LATEST ON
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CHAPTERS

CHAPTER NEWS

NEW YORK

June 10

Members of the U.S. Chapter gathered at the Neil D. Levin Graduate Institute on June 10 to attend sessions by Irving Wladawsky-Berger, Garrick Utley and Lynne Rosansky, professor, president and vice-president of academic affairs of the Levin Institute of the State University of New York, respectively. During the conference, moderated by IESE Prof. Sandra Sieber, Wladawsky-Berger provided an overview of the role of innovation in the current economic crisis. Garrick Utley and Lynne Rosansky described some of the tools currently being

used by the City of New York to stimulate innovation in the city, and discussed the Levin Institute's involvement in two new initiatives aimed at fostering and retaining talent in New York.

SÃO PAULO

June 23

Prof. Beatriz Muñoz-Seca gave a session on efficient problem solving techniques to Brazilian Alumni on June 23. The IESE professor recounted the experience of the Teatro Real as an example of how to deliver five-star service by paying more attention to the most crucial aspects of service delivery. According to Prof. Muñoz-Seca,

the lessons learned from this case can be easily applied to the business world in order to deliver more competitive and better services. The meeting took place at the campus of the Instituto Superior da Empresa (ISE) in São Paulo.

August 6

Brazilian Alumni also enjoyed a talk by IESE Prof. Paulo Rocha, in the same city, on August 6. Prof. Rocha discussed his latest study, published in IESE Insight, "*Não gerencie filas e espera, gerencie experiências*," which proposes a new conceptual structure geared at helping executives formulate better strategies for managing client waiting time.

TURIN

July 4

On July 4, Italian Alumni converged on Lavazza's headquarters in Turin. They were joined there by IESE Prof. Julián Villanueva, who delivered a session on his recent case study "El Bulli: The Taste of Innovation," and Gaetano Mele, CEO of Lavazza, who discussed his company's international expansion strategy.

The Italian Alumni Chapter would like to thank Gaetano Mele and Marco Valle (Global EMBA '10) for their support as well as the use of Lavazza's headquarters for the meeting.

PANAMA CITY

July 14

Panamanian Alumni met on July 14 in Panama City. IESE Prof. Josep Tàpies led a session on effective advisory boards. Arguing that the board must serve as a motor for change within a company and not as a burden, the professor of strategic management described the necessary steps the board must take to ensure a company's long-term survival and success. The Alumni also enjoyed a session by Gonzalo Gómez Betancourt, professor and head of family business at INALDE, who discussed the dynasty model of family business. Prof. Betancourt highlighted the central role of family unity and commitment in the long-term success of a family business.

Finally, Carlos P. Hornstein, head of the IESE Executive Education team, presented two new senior management programs aimed specifically at executives operating in Latin America: the Senior Executive Program and the Global CEO Latin America.

BOGOTA

July 16

On July 16, Colombian Alumni met in Bogota for academic sessions led by IESE Prof. Josep Tàpies and Gonzalo Gómez Betancourt, professor and head of family business at INALDE. During his address, Prof. Tàpies discussed how to turn the board of directors into a motor of change within a company while Prof.



1. Alumni during a session in São Paulo on June 23, 2009.

2. Prof. Josep Tàpies speaks in Bogota on July 16, 2009.

3. Prof. Beatriz-Muñoz-Seca in São Paulo on June 23, 2009.

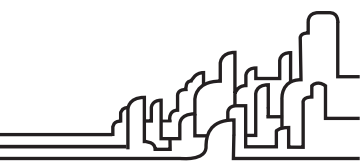
Gonzalo Gómez spoke about the dynastic model of family business.

BUENOS AIRES

June 30

On June 30, the Argentina-Uruguay Alumni Chapter gathered its members for a talk by IESE Prof. Javier Estrada. The session, titled "Good Riddance 2008! What Can We Expect Now?", explored the economic panorama left in the wake of last year's tumultuous events as well as the future outlook for some of the big international stock exchanges.

On behalf of the IESE Alumni Association, we would like to thank Ramiro Castillo Marín (MBA '98) and Havas Media for their support in organizing the meeting.



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SUCCEED: IMPROVE AS A LEADER, IMPROVE AS A PERSON

The new online platform SUCCEED has been warmly welcomed by many Alumni around the world who appreciate both its quality and user-friendliness. As we explained in the last issue of the magazine, the platform aims to provide members with educational and coaching tools that enable them to continue developing as leaders, as well as a highly personalized service. The platform structures the learning process into seven different phrases:

- **Self assessment**
- **Understanding the market**
- **Choosing your options**
- **Creating your brand**

- **Executing your action plan**
- **Evaluating your opportunities**
- **Developing your future career plan**

During each of these stages, Alumni can consult or download a broad range of academic content. In addition, they can test their knowledge as they go along by completing practical exercises. SUCCEED also features a life coaching service, which allows users to discuss their personal objectives with a team of experts and IESE professors. Through this service and the personal guidance it offers members will be able to truly maximize their career potential.

INFORMATION IS POWER: CONSULT THE LIBRARY ON-LINE

As a member of the IESE Alumni Association you can access high-quality information at the IESE Library. This term we highlight three commercial databases (Factiva, Business Source and Ebrary) which can be accessed even off-campus. Factiva allows you to consult more than 25,000 business sources in 22 languages, including *The Financial Times*, *The Wall Street Journal* and

The Economist, as well as download company profiles (Reuters, Datamonitor, D&B, etc.). Users of Business Source Complete can access articles from academic journals and professional publications such as *Harvard Business Review*. Meanwhile, Ebrary allows you to consult electronic books on business and management from leading publishing houses. www.iese.edu/en/research/library

LIBRARY BLOG

IESE's library team also publishes a blog that keeps users abreast of the latest content, reports and studies on

subjects that may be of interest to the business community. bizknowledgewatch.iese.us

Maximize Your Soft Power Skills

If you missed Prof. Brian O'Connor Leggett's session of the Continuous Education Program on soft power, you can now access it by e-conference. The talk gives an overview of soft power: the inherent qualities that constitute personal magnetism and the accompanying rhetorical and non-verbal communication skills. According to Leggett, soft power is the ability to persuade others without any recourse to hard power behavior. It is about inducement and attraction, namely what enables us to master our emotions to reach out and attract others with a clear vision by way of our verbal and non-verbal communication skills.

OTHER E-CONFERENCES:

- "Employability in Times of Crisis: The Importance of Networking and Self Direction" (Profs. Nuria Chinchilla and Mireia Las Heras).
- "Understanding the Economic Crisis: The Role of Financial Instruments" (Prof. Fernando Peñalva).
- "When Will They Ever Learn? An Organizational Behavior Perspective on the Recent Financial Crisis" (Prof. Jeffrey Pfeffer).

THE ADVANTAGES OF THE IESE MEMBER CARD

The IESE Member Card identifies you as a member of the IESE Alumni Association and opens the door to a wide range of services. It also provides access to a range of special deals that can save you money on a host of products and services. All Members of the IESE Alumni Association also receive automatic membership of the Association of Graduates of the University of Navarra, which also brings with it a number of lucrative benefits.



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- Cooltra
- Europcar
- Hertz
- National-Atesa

Education

- Alancity
- Fomento de Centros de Enseñanza
- O'Sullivan's
- Wesco

Hotels

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- Ahotels
- EXPO Hoteles & Resort
- Hotel Princesa Sofía Barcelona
- Hotel Torre Catalunya Barcelona
- GHT Hotels
- Gran Hotel Balneario Blancafort
- Habitat Hoteles
- Fuerte Hoteles
- Hotel Fontanals Golf
- Hoteles Hesperia
- Iberostar Hotels & Resorts
- Gran Hotel La Florida
- Hotel Montecarlo
- Hotel RA Beach
- Thalasso-spa
- Hotel Rex
- Hotel Ritz
- La Torreçilla
- MAS Residence
- Masia Sureda,

- NH-Hoteles
- Ontime Hotel
- Prestige Hotels
- Roc Blanc Hotels
- S'Agaró Mar Hotel
- Sol Meliá Hoteles & Resorts
- The Roger Smith Hotel
- Torremirona (Girona) Golf and Spa Resort

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- Hecop Centros de negocios
- International Business Centre
- Offiten
- Melior Centros de Negocios
- S.F. Centro de Negocios
- Windsor & Tuset Business Center
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- Club de Golf Perelada
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- Bluespace Barcelona
- Reserva Self-Storage

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- My Car OK

Publishing

- Unidad Editorial

Health

- Agrupación Clínica
- Atención Sanitaria Domiciliaria
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- Smart Telecomms
- Sony
- TechnoTrends
- Trendmicro
- Working Oxygen

An Ethical View of the Crisis



DOMÈNEC MELÉ

Chair of Business Ethics

Published in the context of the current economic crisis, the new Encyclical by Benedict XVI, “Caritas in Veritate” (Love in Truth), is a document which focuses on the need for integral human development. It speaks about the current crisis, not to mention many other relevant issues.

Benedict XVI encourages us to confront today’s problems with confidence rather than resignation and to embrace the new responsibilities imposed upon us by a serious and complex crisis. And rather than stopping short at that, it puts forward a proposal for the future which is both profound and bold. He suggests a “profound cultural renewal and a rediscovery of basic values upon which to build a better future” (no. 21). The Pope sees the crisis as an opportunity to reassess approaches which are often taken for granted. “The crisis,” states the Pontiff, “forces us to re-evaluate our path, to adopt new rules and to find new forms of commitment, to build on positive experiences and reject negative ones. Thus, the crisis becomes an *opportunity to perceive and project in a new way*” (no. 21).

A new way? In what sense? And how? I would dare to surmise that this “new way” relates to a phenomenon that some of us business ethics scholars have been witnessing for some time now. I am referring to the frequent mental gap

between ethics and business activity. Ethics is often introduced at the tail-end of business as simply a restriction to activity which, in essence, is considered strictly economic. Ethics is seen as an add-on: avoid bribes, extortion, fraud, tax evasion, etc. Or it is used as a problem-solving tool, but never as a guiding principle that leads to the consideration during decision-making of the good or bad inflicted on people or groups.

I understand this “new way” as a recovery of something that is, in essence, commonsensical but which is easily forgotten: that business activity isn’t simply a matter of production, distribution and financing. Above all, it is a human activity, with an intrinsic ethical dimension. Profit-driven production, distribution or financing are activities with specific procedures, but they are at the same time human actions to which the decision maker is committed.

This last observation links to a request from the Pope which, in my opinion, has great significance: “new efforts towards a unitary understating and a *new humanist synthesis* are needed” (no. 21). This “unitary understanding” of the various aspects that make up management and, above all, this “new human synthesis” presupposes a broader rationality which includes the implicit moral aspect of every decision and the redefining of many theories and approaches pertaining to business activity. A real challenge, indeed.



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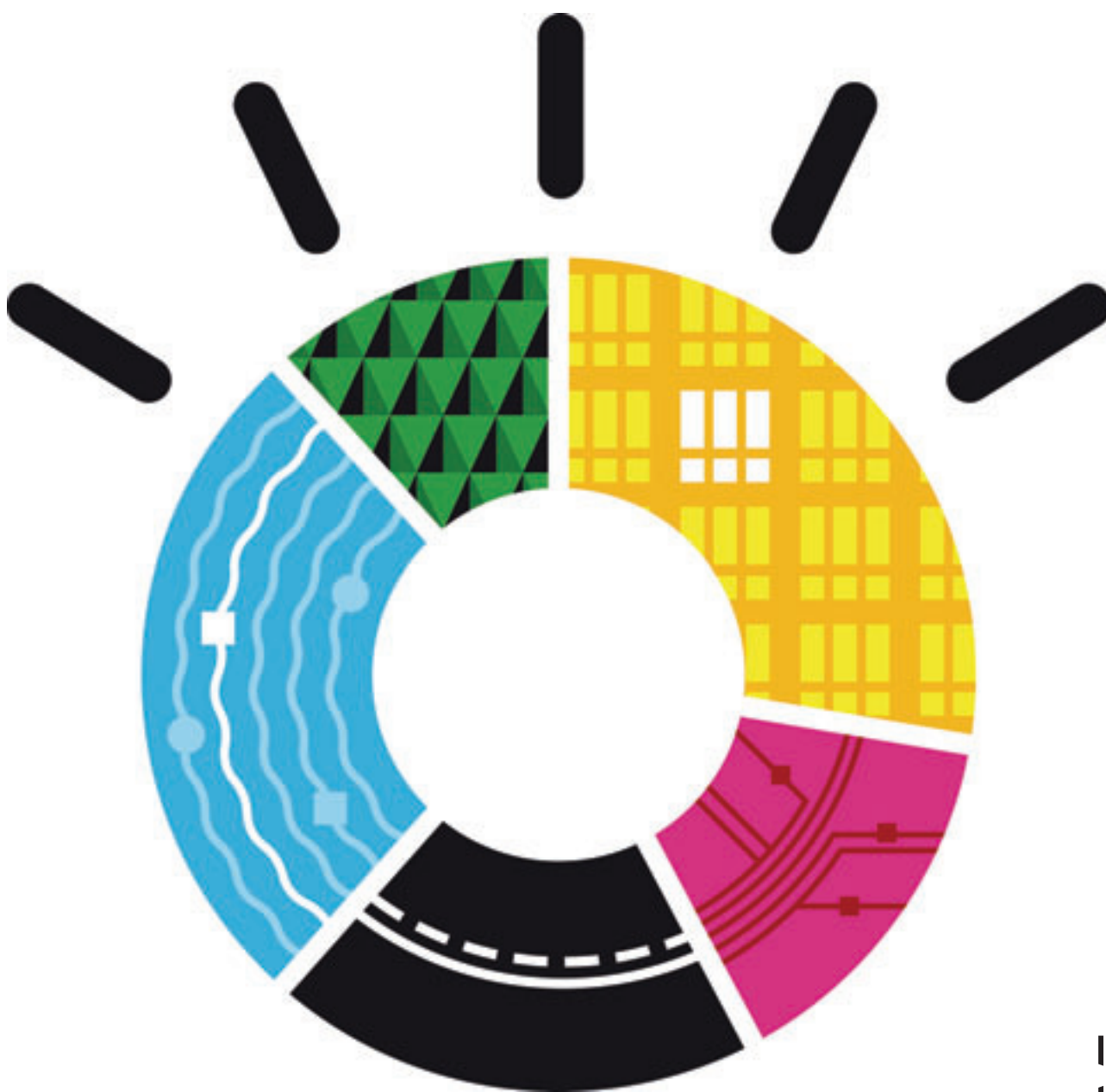


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