

P. Miller - T. Wedell-Wedellsborg

Where Ideas Really
Come From

J. Villanueva - J. González

Broadway Reaches
for the Stars

Blazing the Trail:

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ANTONIO ARGANDOÑA

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the *Alumni Magazine*
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IESE's mission is to develop leaders who aspire to have a positive impact on people, firms and society through their professionalism, integrity and spirit of service. As a consequence, we aim to infuse a guiding principal in our participants' understanding of management: that a company's mission is to be at the service of its clients, employees and other stakeholders.

It is this same spirit of service that led IESE to open its New York Center: to better serve our program participants and alumni, and to provide IESE's unique approach to management education in places where it can have the greatest impact. New York is, without a doubt, one of those places.

On top of that, IESE's Manhattan address represents a two-way street for the school's other stakeholders. For example, faculty members' research will be enriched by greater opportunities to interact with North American business leaders. And IESE's U.S debut further expands the school's global reach, building on its established presence on four continents.


The Global Alumni Reunion '09 on October 10-11 in New York was a magnificent arena to explain all of these reasons for establishing a campus in the U.S to our most important stakeholders – our alumni. As well as details of IESE's New York venture, the 1,100 graduates, family and friends that made it to the Big Apple garnered insights from the raft of high-level speakers at the event. And for those of you that could not make it, there are updates in this issue of *IESE Alumni Magazine*.

As mentioned, IESE's New York center builds on its thriving global activities. One example of this is The Africa Initiative, the umbrella unifying all of the school's efforts to develop the quality of management education on the continent and thus help develop strong business leaders. You can read more on The Africa Initiative in this issue of *IESE Alumni Magazine*, just one of many articles reflecting our global scope.

In short, IESE is mindful of the task ahead with the upcoming inauguration of the New York Center. But we are confident that, if the school puts itself at the service of its alumni, its program participants, its staff and faculty – those teams of people that make up what we are – IESE's newest venture will be a success.



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IESE NEW YORK 2009
GLOBAL ALUMNI REUNION
REFRAMING THE FUTURE OF BUSINESS

START SPREADING THE NEWS: THE GAR IN NYC A GREAT SUCCESS

MORE THAN
1,100 ALUMNI
AND FRIENDS
FLOCKED
TO THE BIG
APPLE



Against a dazzling city skyline, IESE alumni and friends from around the world gathered in New York City to celebrate the 48th Global Alumni Reunion in October. Never before had our premier annual gathering been held outside Europe, making the occasion even more memorable. At the same time, we had the opportunity to mark another important milestone: the upcoming inauguration of IESE's New York Center in 2010.

Hosted by U.S.-based alumni and IESE faculty members and staff, we had the chance to visit the construction site of the new center, as well as take in the sights and sounds of the Big Apple. We also had the opportunity to visit many of the city's spectacular art museums guided by knowledgeable experts.

But first, the experience kicked off with the reunion's traditional academic program, featuring a host of high-profile speakers. Over 1,100 alumni, faculty, guest speakers and friends took part in the reunion, which focused on the theme "Reframing the Future of Business." IESE Profs. **Pedro Videla** and **Paddy Miller** were academic directors of the program.

The famed Waldorf Astoria Hotel hosted the reunion. Among the speakers were **James D. Wolfensohn**, former president of the World Bank, Dr. **Valentin Fuster**, director of cardiology at Mount Sinai Hospital in New York, **Kathryn Wylde**, president & CEO of Partnership for New York City, and **Antonio Perez**, CEO and chairman of Kodak.

IN SEARCH OF NEW VALUES

More than ever, the economy is in need of "entrepreneurship, free markets and investment," IESE's Dean **Jordi Canals** said in his welcoming address. Dean **Canals** added that the business world is experiencing "a crisis of ethical values."

IESE's mission of developing leaders who can have a deep impact on people, firms and society through



NYC AND LONDON FACE THE CHALLENGE OF MAINTAINING THEIR POSITIONS AS FINANCIAL CAPITALS

**KATHRYN WILDE,
CEO, PARTNERSHIP FOR NYC**

integrity and a spirit of service is particularly relevant today, he said. In addition, the school's global character and strong links with business schools around the world offer the corporate world a highly informed perspective of globalization.

NYC: GATEWAY TO THE GLOBAL ECONOMY

● In a separate session, **Matthew Bishop**, American business editor and NY bureau chief at *The Economist*, interviewed **Kathryn S. Wylde**, president & CEO of Partnership for

New York City, who offered insights on the city's current economic situation and future. **Wylde** pointed out that both New York and London face the challenge of maintaining their status as global financial capitals.

Because of its financial institutions, "New York is America's gateway to the global economy," **Wylde** said. When asked about a possible crisis of values in the New York business community, **Wylde** said in response that the world blames the city in large part for the current economic situation. The city will pay a price for this perception, she

said. The financial sector contributes a third of all the revenue generated in the New York metropolitan region.

In terms of its recovery, **Wylde** believe the city should "hold the line," resisting pressure to raise taxes and spending. In addition, there should be a greater focus on supporting the entrepreneurial side of the economy. "Up until now big has dominated," **Wylde** said. The CEO of Partnership for NYC added that although the city is a center for raising venture capital, most of the money ends up funding ventures in places such as California and Boston.



On a positive note, **Wylde** said that, contrary to popular belief, crime is not on the rise in New York City, due in part to the city's state-of-the-art police system. New York City's future rests on its ability to provide services to international companies, especially those based in the developing world. She said that 15 percent of the city's growth over the last five years came from foreign direct investment.

LEARNING FROM HEALTH CARE

● In an interview with IESE Prof. **Pedro Nuevo**, Dr. **Valentin**

Fuster, director of cardiology at Mount Sinai Hospital, emphasized the need to see health care as an economic priority. He drew analogies between the proper functioning of the human heart and the inner workings of a business, arguing that, like medicine, business cannot operate efficiently without the circulation of information.

Similarly, Dr. **Fuster** drew analogies between his medical school teaching and the instruction encountered in many management schools today: "The most important

1. Dean **Jordi Canals**, **Bill Layton**, **Mireia Rius**, **William F. Baker**, Prof. **Eric Weber** and **Antonio González-Adalid**
 2. Prof. **Eric Weber**, **Joaquín Duato** and **Baldomero Falcones**
 3. **Robert C. Lieber**
 4. **Lorraine Merghart** and Prof. **Nuria Chinchilla**.
 5. Prof. **Paddy Miller**
 6. Prof. **Pedro Videla**
 7. **Charles Calomiris**, **James D. Wolfensohn** and Prof. **Jordi Gual**
 8. **Antonio Pérez** and **Alan Murray**
 9. Auditorium of the **Waldorf Astoria**



thing is vertical communication, and... competence in leadership." Further, **Fuster** suggested that the reasons people choose to enter medical school can be instructive for the business-minded. The "ideal of service" is at the heart of the medical vocation, **Fuster** noted, and businesspeople can look for inspiration from model physicians, who see their patients as their "father and brother," rather than a collection of numbers and medical readouts.

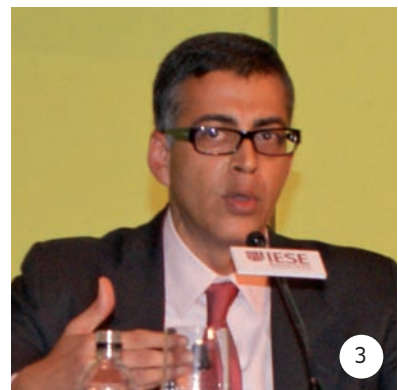
On a practical note, **Fuster** drew attention to global healthcare crises, observing that good economics and good health care go hand in hand. Of particular note was **Fuster's** emphasis on the education of healthcare consumers about preventative lifestyle choices. The question and answer session with Dr. **Fuster** was lighthearted with questions about the health benefits of coffee and wine, and the importance of exercise. Dr. **Fuster** argued forcefully, however, that we ought to adopt the idea of "integrated health," rather than a list of "do's" and "don'ts."

TECHNOLOGY IS KEY

● Turning to technology, Kodak CEO and Chairman **Antonio Perez** shared his struggle and success in turning Kodak into a market leader in the digital sector. "We came with no digital business to speak of and now 70 percent of our business is digital," he said, adding that Kodak has the largest market share of digital cameras.

On his arrival at Kodak in 2003, **Perez** found that the company "was doing so well with film they were not thinking about doing anything else." Paradoxically, Kodak first invented the digital camera in 1975 and the company has been working with digital imaging for 30 years. But as **Perez** said, it is extremely difficult for a company that has been making enormous returns quarter after quarter to suddenly divert its resources to a market with significantly lower margins.

One of his first actions as CEO was to carry out a thorough audit of the company's technological advances in the preceding years. It soon became

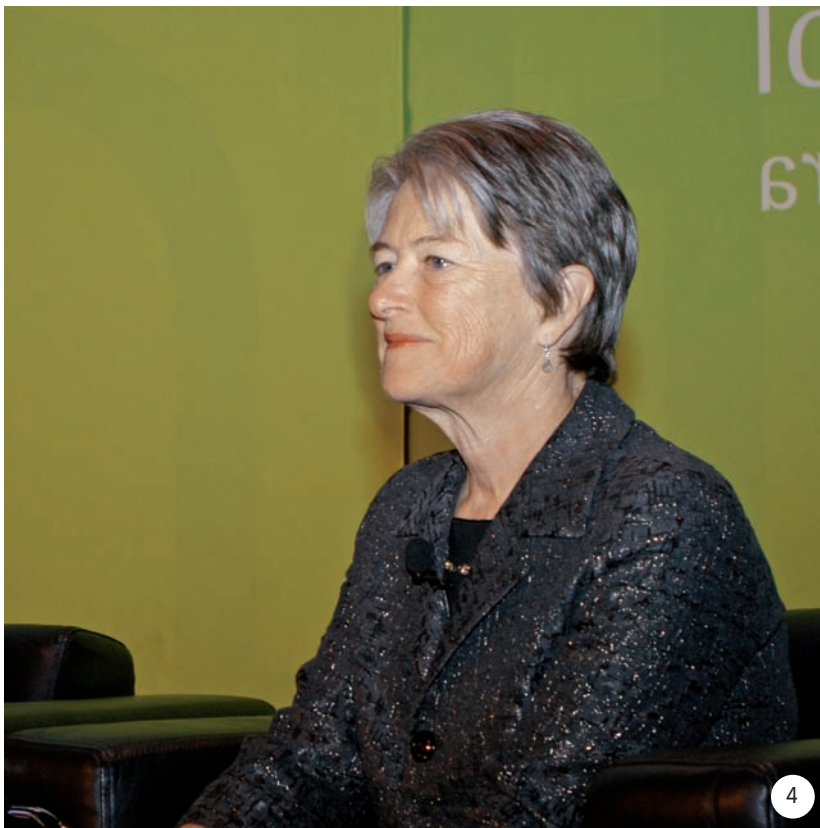


clear that the company already had all the necessary technology to enter the commercial printing and digital photography sectors. **Perez** also restructured the company, reducing its international workforce from 70,000 to about 25,000. "You cannot change a culture without changing the people," he said.

Perez offered a three-pronged approach to late-arrivers to a market sector. The first requirement is to have a breakthrough technology. The second is to have an advantage in the supply chain. He pointed out that this was easy if you are late to the game, since earlier competitors have most likely already paved the way. The last is to have a value proposition that attacks competitors' weak spots. **Perez's** strategy has proved successful for Kodak: the company enjoys 130 percent growth quarter over quarter, the CEO said.

PERSPECTIVES ON THE DOWNTURN

● Three experts presented their visions of the economic future in



the session “Reframing the Economic and Financial Landscape” - **James D. Wolfensohn**, former president of the World Bank, Prof. **Charles Calomiris** of Columbia Business School and Prof. **Jordi Gual** of IESE and the major Spanish bank, “la Caixa”.

Wolfensohn began by noting that a recent G-20 communiqué might mislead some into thinking that our economic situation is already beginning an upward swing. The communiqué notes, however, that the “process of recovery is incomplete.”

Plummeting global GDPs, the former World Bank chief said, do not merely represent a modest adjustment in growth. Rather, the scale of the current global shifts in wealth concentration is unprecedented in the modern era. Asian countries such as India and China may account for close to 50 percent of global GDP by 2050 if current trends continue. This, he said, is a “tectonic shift” in economic trends. China, for instance, has “taken us up on the things we used to do, and has in many cases improved upon our efforts.”

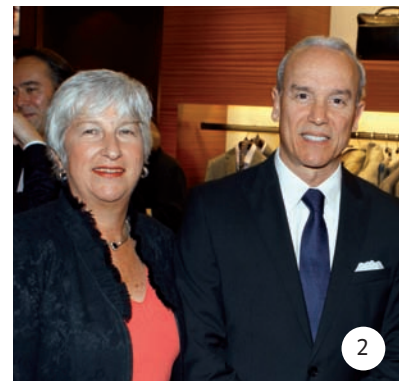


Next to take the stage was Prof. **Charles Calomiris** of Columbia Business School. **Calomiris** is part of a 15-member bi-partisan task force of academics charged with studying the crisis and putting forward remedies.

Calomiris argued that the principal problems facing economic recovery are essentially the result of government policy mistakes. On the one hand, the U.S. government’s macro-economic policy created a loose credit environment. Given that housing subsidies are delivered via leverage, many consumers were encouraged



1. Prof. Nueno and Dr. Valentin Fuster
2. Alumni attend academic session
3. Prof. Pankaj Ghemawat
4. Kathryn S. Wilde
5. Dean Jordi Canals
6. Carlos Rebaza at networking event in Ermenegildo Zegna's flagship N.Y. store
7. Prof. Eric Weber



1. Amaya Morera, Natalia Centenera, Carlos Testor and Mireia Rius
2. Clemencia Inés Restrepo de Tobón

PHOTOS & VIDEOS:

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by lenders to over-leverage their mortgage. Of great consequence, too, **Calomiris** said, is our lack of a reliable means to measure risk. Small businesses are also suffering: they are “dragging very far behind in investments, and do not have access to credit. They depend on banks, and banks aren’t lending.”

Calomiris stressed the need for a long-term outlook and solution. Long-term planning will prevent what has thus far frustrated recovery efforts: the “misalignment of political will and economic necessity.”

Prof. **Jordi Gual** of IESE and “la Caixa” took the stage next, and emphasized the extent to which some European nations have fared worse than other developed economies during the crisis. He also noted their questionable fitness for recovery. As to the effectiveness of the European Union’s actions, **Gual** argued that trade and monetary policies have been well-coordinated and highly effective. Financial market policy, however, is by far the worst performer. Prof. **Gual** then questioned

Europe’s readiness for economic recovery by observing that difficult balances must be dealt with, such as economic heterogeneity, timing, and the magnitude of reform.

GLOBETROTTING

● A session on reframing business would not be complete without a conversation on globalization. IESE Prof. **Pankaj Ghemawat** shared data and debunked the somewhat popular belief that globalization is an inevitable phenomenon in every sector of business. **Ghemawat** pointed out that the long-term immigrants only represent 3 percent of the total global population. He added that even international voice calls, a seemingly easy flow of international communication, still only account for 2.5 percent of total calls. Prof. **Ghemawat** advised companies looking to go global that “where you come from has a huge impact on where you should go,” and added that with large populations, like those of India or China, it is crucial to assess if

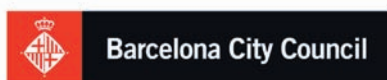
you are well-positioned to compete in their markets.

The event’s final session focused on healthcare and infrastructure. **Baldomero Falcones**, president and CEO of FCC, one of the leading European services and construction groups, said that “investing in infrastructure is a sound economic policy,” and emphasized that investment in this area creates employment, increases aggregate demand and has a multiplying effect.

Joaquín Duato, company group chairman of North America Pharmaceuticals, Johnson & Johnson, pointed out the misconception that the healthcare industry is shielded from an economic downturn, and observed that health-care consumption in the U.S. is currently being affected, with a downturn in elective procedures and fewer physician visits. He argued that “health care is a pillar of the economic system” and spoke about the growing trend for universal healthcare both in China and the U.S., but pointed out that broader coverage must be balanced with concern for cost and quality.

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COVER STORY





BLAZING THE TRAIL

IESE PREPARES TO LAUNCH U.S. CAMPUS

IESE Business School is bringing to New York its long tradition of developing global leaders and executives that profoundly and positively impact society. At the same time, the school aims to strengthen awareness of its identity and activities in the United States.

"With the new building and the Global Alumni Reunion held in New York, IESE is steadily gaining visibility in the U.S.," says **Kip Meyer**, assistant director of Executive Education in the United States.

As a tangible example of the school's progress, **Meyer** notes that IESE has recently signed an agreement with Wal-Mart International for the center's first custom program to begin in 2010.

"Being able to share information about the 'Doing Good, Doing Well' conference run by IESE MBA students

or how IESE has helped to develop business schools in emerging countries impresses the companies we talk to here in the U.S.," says **Meyer**.

And in terms of location, there was no better place than New York City for launching IESE's U.S. venture, says **Eric Weber**, director of IESE in New York.

"The city's adaptable nature makes it uniquely receptive to IESE's business philosophy, which will add a new dimension to the business culture in North America," **Weber** said. "As IESE has grown through the years, the U.S. has always been a reference point. Strengthening our connections with alumni and client companies in the region, as well as expanding our research initiatives from a base in New York was a logical step to take."

In addition, IESE's center in New York reflects an unprecedented move in the business school world. By becoming the first European busi-

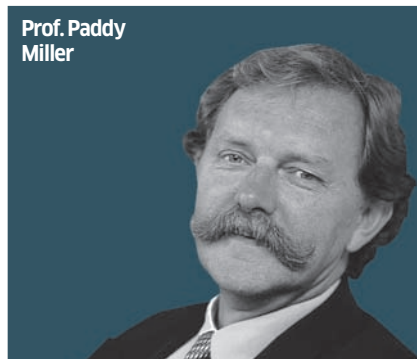
ness school to establish a permanent presence in the U.S., IESE is now set to share its distinct vision of global business with North American firms.

NEW WORLD, NEW ASPIRATIONS

● The New York center will also provide a base for IESE programs in other U.S. locations such as the Senior Executive Program Latin America, one of the numerous initiatives IESE is set to lead on U.S. soil. "People are amazed by the international scope that IESE has," says **Begoña de Ros**, director of the program.

The program is targeted at experienced executives and run in collaboration with IAE and IPADE, leading Argentinean and Mexican business schools that form part of the school's network of Associated Business Schools.

This network, which spans the globe, also distinguishes the school from others, **de Ros** said. It gives IESE



faculty access to invaluable insights on doing business in emerging markets that few management schools have.

Though the center aims to serve U.S.-based executives, IESE's focus remains entirely global in terms of program content, faculty and participants in its programs, **de Ros** emphasizes.

IESE has mastered the logistical art of leading programs in different geographic locations, having long offered the Global Executive MBA program with modules in Shanghai, Silicon Valley, Barcelona and Madrid, as well as the Executive MBA with modules in the U.S., Europe and China.

Regardless of location, however, the basic character of IESE programs remains the same, she said.

BREAKING THE MOLD

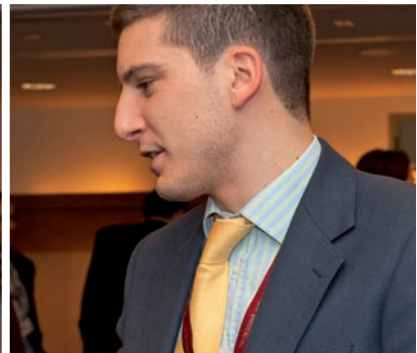
- The center also offers a chance to
- share IESE's unique management approach with firms in the region.

"One of the primary strengths of IESE Business School has been, and continues to be, its focus on teaching that people-centric values should dictate the business environment; the notion at the core of an IESE education is that we need to be mindful of the ripple effect that one individual's actions will produce for society", said **Hélène Sostarich-Barsamian**, U.S. director of development.

"IESE's reputation...for the excellence of its faculty and academic programs precedes our alumni wherever they are around the globe," said **Sostarich-Barsamian**.

Lorraine Merghart (MBA, '84) said she was "hopeful that IESE will be able to broaden the definition of 'business' as not simply an entity formed to make a profit and create shareholder value." In particular, IESE stands to help develop "both the individual and the individual's place within the broader society and thereby contribute to a better society," she said.

IESE is breaking the mold of contemporary business, then, by insisting that business be at the service of society, not society at the service of business. The school is also going against



the tide with its commitment to the New York center given the current economic environment.

With the Herculean task of rebuilding the economy, one might question the timing of an international business school's expansion to the United States. While the idea strikes many as counter-intuitive, IESE's Dean **Jordi Canals** sees it as an opportunity, *The Economist* noted in a recent article about the New York Center.

The opportunity to launch new programs and carry out rigorous research directly with U.S. companies will be among the key benefits of IESE's new outpost, notes IESE Prof. **Paddy Miller**, who has been a part of the New York project from the outset.

"We now have the opportunity to make contact with U.S. managers and companies directly, and generate material that is highly relevant to our U.S. stakeholders," Prof. **Miller** stresses.

IESE QUALITY ON NEW TERRAIN

- IESE is already making its mark on
- the U.S. through the programs that have been carried out on the continent to date, both in New York and Miami.

Rose Mary Cosio, for example, recently embarked on the SEP for Latin America. Cosio serves as vice-president, investment manager, of Deutsche Bank Trust Company Americas. Based in New York, she is the investment manager responsible for South Latin America.



**PROF. MILLER TO KICK OFF CURRICULA AT NEW YORK CAMPUS
WITH SHORT FOCUSED PROGRAM "THE INNOVATION ARCHITECT"**

INNOVATION FIRST ON AGENDA AT IESE'S NEW YORK CENTER

As IESE reinvents itself with its bold New York initiative, it is fitting that the first program to be hosted at the new center focuses on innovation. IESE Prof. **Paddy Miller** is to lead the Short Focused Program "The Innovation Architect: Creating Breakthrough Companies" at the new campus on May 5 and 6.

The program aims to change the way par-

ticipants think about innovation and creativity. "Much of the innovation industry talks in recycled platitudes: the real secret is that innovation is more about business culture than it is about brainstorming ideas. A culture of innovation is driven by the individual. It's instilled in an organization by small teams working together day to day," **Miller** said.

"The Innovation Architect" Short Focused Program will help participants tap into

pockets of innovation in their companies and equip them with strategies on how to stimulate creativity throughout their organizations. During the process, participants will develop strategies and a clear action plan on how to infuse creativity and innovation throughout their company's culture, rather than it being a solitary activity.

FOR MORE INFORMATION:

The Innovation Architect
New York, 5-6 May
www.iese.edu/cbc

Cosio serves high-net-worth individuals, families and selected institutions with a fully-integrated management service in the International Division for Private Wealth Management at Deutsche Bank. Unlike many other banks, Deutsche Bank weathered the recent financial crisis well and did not avail of government funds.

"When I learned about IESE's SEP in Miami, I thought: this is perfect. It has the curriculum I need and at the same time I will not need to be away from my work that much. And, of course, the fact that the program focuses on helping senior executives with specific interests in Latin America just made it all the more attractive

to me. It fits my needs perfectly," said **Cosio**.

The various components of the program allow her to sharpen skills in areas which she is not often directly involved in, such as accounting, she said. "That's a skill I want to be much more familiar with because of financial decisions and the impact they have."

Leadership is another area covered in the program that has a direct impact in her work environment, she said. "In this program, I am learning a new perspective and developing more creative ways of leading people."

MANHATTAN'S MEDIA ALLEY

● An important ally in IESE's activities in New York is the Institute

for Media and Entertainment (IME), based at the New York Center. "New York has become the Mecca of the media universe not only because of its wealth of creative talent, but also because of its importance as a hub of advertising, TV and film production and international media distribution," said IME Director **Rich Sabreen**. "In addition, downtown Manhattan's Silicon Alley has become an incubator for many new media businesses."

The center is within walking distance of the headquarters of some of the top media companies in the world, including Time Warner, Hearst, Viacom, News Corp, the *New York Times* and NBC Universal. And many non-U.S. media and entertain-

ment companies maintain significant operations in the vicinity, he said.

The IME currently offers two Short Focused Programs for executives: “Advanced Digital Media Strategies” and “Branding in Media and Entertainment.”

“IESE’s international framework promotes global thinking among program participants, enabling them to think beyond their own local issues, to broaden their outlooks, and potentially to expand their media and entertainment businesses and products into new markets and areas of operation around the world,” said **Sabreen**.

“We’re building IME as a ‘brand’ that stands for world-class executive learning and innovation in the media and entertainment industry. And we’re not only doing this by the programs we offer, but also by the content we create,” he said.

A LANDMARK MADE FLEXIBLE

While some may have assumed that the new campus would amount to just a few rented offices, many are impressed that it will be launched as a fully-functioning academic enterprise, symbolic of IESE’s new role in American business.

“The building is a physical testimony to the extent of IESE’s commitment to the U.S. project,” said **Paul Gallagher**, U.S. director of finance and administration. “It’s amazing to see the shift in people’s understanding of what we are doing when they learn about it. They initially assume we will have just a few offices, and then they find we will have an academic center for teaching and research with faculty based here,” he added.

IESE’s new home is “designed for flexibility, as we know from our workplace practice that the business world is a dynamic one, and optimizing space is critical to increasing business efficiency,” said principal architect **Ambrose Aliaga-Kelly** of Gensler Architects, which is leading the center’s renovation.

“Rooms in the new building are reconfigurable, and have been designed to support seminars, meetings, pre-



sentations, dining and casual interaction. Two 70-person classrooms provide the largest learning spaces,” he explained.

“The existing building is a landmark structure, almost 90 years old, so much of the fabric and all of its systems needed to be replaced. Working within older buildings, respecting history and enhancing it, while still working within a budget, is always a challenge,” said **Aliaga-Kelly**.

Gallagher notes that the building’s history is the principal reason the site was selected by IESE.

“Business school classrooms require a large column-free space for unobstructed views and need adequate ceiling height,” **Gallagher** said. “New York City’s tall buildings are all typically supported internally on forests of columns. This structure was built in 1916 as a school for Russian ballet dance and deliberately had large, open, high-ceilinged performance spaces which have returned to their original function as instruction (and in some sense, performance) spaces,” he said.

Gallagher adds that “programs for management in the creative industries, offered by IESE with IME, the Institute for Media and Entertainment, will continue the building’s link with the arts and culture.”

ENGAGING NEW YORK

With the economy in dire need of recovery and consumer trust levels plumbing new depths, **Andrea Takahira** (SEP Miami ‘09) cites New York as a demonstration of business carried out well – and not so well. Some believe that New

York City will have to reinvent itself to recover from the economic crisis. New York is a “very competitive and energy-driven environment. People feel a need to excel, compete, and challenge themselves and existing norms,” **Takahira** says.

IESE, in a sense, is reinventing itself in North America by bringing to America its own set of experiences and ideas. “Unless you have positive, successful examples in society, nothing will change,” says **Takahira**. IESE aims to be that positive, successful paradigm for New York by building a more holistic understanding of world business.

The school has already sought to reach out to the New York business community through special events such as the Viewpoints Executive Breakfast Series, with the *Wall Street Journal* and BCG.

Aimed at senior executives, these events feature live interviews with high-profile global business leaders. Participating speakers at the events have included hedge fund manager **George Soros**, **Jeffrey Immelt** of General Electric and **Louis V. Gerstner**, former CEO of IBM.

Business leaders stand to benefit from IESE’s new venture, a singularly bold effort to push business ethics to the forefront, and to refocus the purpose of business toward the good of society. On top of that, its international scope is second-to-none.

IESE’s New York Center looks to have a lasting, positive impact on its students and management culture. In the words of one alumna, it aims to “teach business students to think.”

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THE IESE NEW YORK CENTER

Renovations on IESE's New York Center are in full swing. The center is located on West 57th St in the city's commercial business district and a few blocks from Carnegie Hall and Central Park. This emblematic building will open its doors to welcome IESE alumni in New York in Spring 2010.



A WORLD-CLASS FACILITY

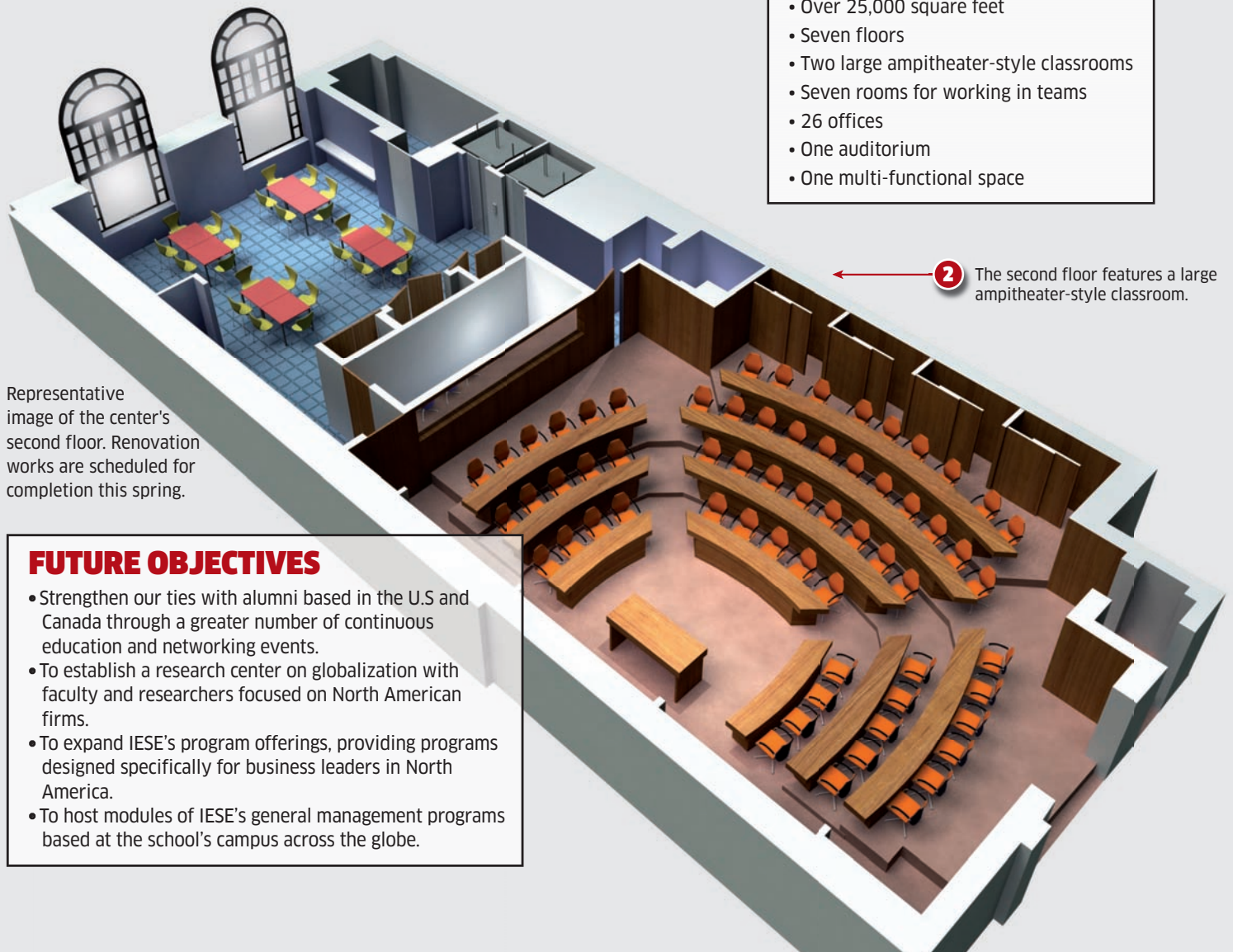
The New York Center in Manhattan will provide a world-class learning environment in an historic setting. The center is located inside New York's commercial business district and steps away from Carnegie Hall, Lincoln Center and Central Park. The 1916 building was the original home of the Louis H. Chalif Normal School of Dancing. More recently, the building was occupied by Columbia Artists Management Inc., an international leader in managing the careers and touring activities of performing artists and institutions. The building has hosted performances by musical artists such as Luciano Pavarotti, José Carreras and Wynton Marsalis, and actors Lauren Bacall and Harrison Ford.



COORDINATES : 165 West 57th Street (at 7th Ave.)

IESE NY CENTER IN NUMBERS

- Over 25,000 square feet
- Seven floors
- Two large amphitheater-style classrooms
- Seven rooms for working in teams
- 26 offices
- One auditorium
- One multi-functional space



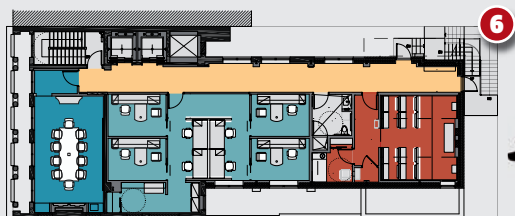
2 The second floor features a large amphitheater-style classroom.

Representative image of the center's second floor. Renovation works are scheduled for completion this spring.

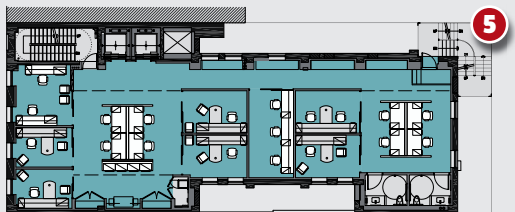
FUTURE OBJECTIVES

- Strengthen our ties with alumni based in the U.S and Canada through a greater number of continuous education and networking events.
- To establish a research center on globalization with faculty and researchers focused on North American firms.
- To expand IESE's program offerings, providing programs designed specifically for business leaders in North America.
- To host modules of IESE's general management programs based at the school's campus across the globe.

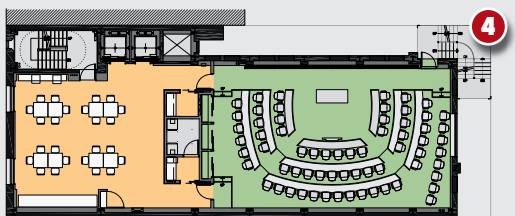
FLOOR BY FLOOR



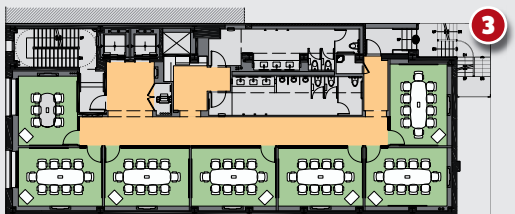
The sixth floor features a large boardroom, chapel, offices and workspaces.



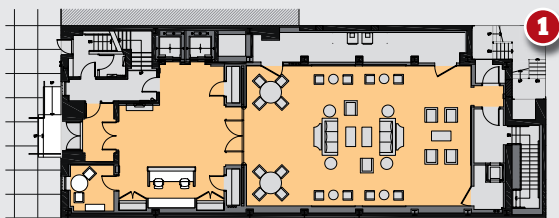
This space is designated for staff offices and working spaces for staff, faculty and research assistants.



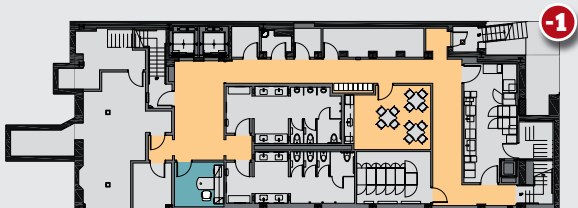
The fourth floor features a large amphitheater-style classroom and recreation space.



The third floor has seven fully-equipped team rooms.



The first floor features a large reception area and a multi-functional space.



The basement level has bathrooms, a staff dining area with kitchen and storage space.



The building's colorful asymmetric façade is in the Italian Mannerism style typical of the Late Renaissance, with reliefs reflecting its theatrical heritage.

CREATIVITY AND CONTEXT

WHERE IDEAS
REALLY COME FROM**PADDY MILLER**

Professor of Managing People
in Organizations,
IESE Business School

**THOMAS
WEDELL-WEIDELLSBORG**

Innovation Consultant and
Managing Partner, 13 MBAs

Many creative ideas are influenced by the places we live or work in. As IESE prepares for the inauguration of its new building in New York City, it's worth recalling that immersing yourself in a new culture is one of the best ways to become more innovative, not just for people, but also for organizations, including, as luck would have it, business schools.

INNOVATION AND CHANGE • LEADERSHIP AND
PEOPLE MANAGEMENT •

If there is one thing that characterizes our pursuit of innovation, it is the search for creative geniuses and their brilliant ideas. Most researchers agree that innovation is the key to long-term survival and success – so where do we find those new ideas? It is a puzzle we must solve, and the future of our companies seems to hang in the balance. Often we put our money on individuals. Maybe we're wrong.

To understand the future of creativity, it is illuminating to take a look at its past. When the denizens of Caesar's Rome spoke of a "genius," they were not referring to creative individuals as such. Rather, the Romans believed that ideas came to us from a guiding spirit, an external being who whispered wise thoughts into our mortal ears, similar to the Greek concept of a muse. In their time, people like Archimedes were not thought of as geniuses; their special talent, rather, was their ability to *attract* the genius, the muse, so that they could be the vessels of divine inspiration, the chalice that could capture the insights of the gods. This notion – that creativity comes from the outside – can even be seen in the etymology of the word "inspiration," which originally comes from the belief that ideas were quite literally blown into our minds, inspired by the gods, carried on a divine breath.

Gradually, however, the perception of creativity as an outside in-

fluence was replaced by a more individualistic way of thinking. During the Renaissance, the word "genius" slowly came to mean the creative person and not just the ethereal spirit that advised him or her. And in modern times, when research into creativity dawned in the 1950s, starting with the psychologist J.P. Guilford's famous call for studies of creativity, the individual-centered notion of genius was very much dominant. In a telling parallel to early studies of leadership (an equally elusive phenomenon), many creativity researchers focused on the study of the Great Men of creativity, scrutinizing the lives of Einstein, Picasso and other luminaries to discover what was special about them.

The individual-centered focus has since been supplemented by other approaches, but one lesson from these studies is clear: when it comes to creativity, not everybody is equal. Research into personality differences has shown that some people are much more likely than others to come up with new ideas or inventions. Specifically, as measured through the widely used Big Five model of personality traits¹, people who score high on the trait referred to as "openness to experience" are more likely to be creative.

There is reason to believe that our understanding of creativity and genius is about to come full circle, going back to the ancient way of thinking about creativity as an ex-

ternal factor. The classification of attributes such as openness never quite touches on what we intuitively understand – someone has a gift for creativity, an ability to combine a mixture of intelligence and instinct and solve a complex problem. And that gift is influenced more by context than it is by character. It is less about who you are, and more about *where* you are. It is about creative spaces.

One of the most fascinating pieces of evidence for this was discovered in 2009 by researchers **William Maddux** and **Adam Galinsky** in their study of how living abroad affects creativity². Conducting a number of creativity tests, **Maddux** and **Galinsky** found that people who had been living abroad (expats) were significantly more likely to find innovative solutions to problems, such as negotiating a complex deal. The really interesting thing about their study was that they controlled for personality factors including openness. The results showed that people who had not lived abroad tended to be less creative than expats, *even if they were equally high on the openness trait*. It was not the personality trait as such that made them creative; it was the behavior it caused – the act of exposing themselves to new ideas and new ways of living and working.

In other words: Creativity is not just about who you are; it is equally about the environments you choose to live in. And this makes the research operational for executives, because, while it is very difficult to change your personality or your employees' personalities, it is often much easier to do something about the environment you live in.

To increase the likelihood of getting good ideas, hire and promote people who have lived abroad, and send your employees on longer stays in foreign divisions. A week in Shanghai will not suffice; it's got to be a year or more. The president of an innovative and successful mul-



tinational we have worked with expressed this clearly:

"I believe diversity is one of the key things to promote. Our current leadership team is very diverse, with people hailing from Turkey, Ireland, Pakistan, Colombia, the U.S., Spain, Belgium and France. And that is how it should be. If you only want to work with clones of yourself, it is going to be hard to make things happen."

The idea that creativity is about seeking out new spaces is, of course, also relevant for IESE and our current global expansion. By coming to New York, we are not just bringing world-class management education to the United States (in case anyone hadn't noticed, the United States is not exactly short on good business schools). What we are really doing is changing ourselves, changing IESE yet again and making ourselves more creative, by the simple act of moving to a new place. And what better place than New York City, one of the most culturally diverse cities in the world?

IT IS LESS ABOUT WHO YOU ARE, AND MORE ABOUT WHERE YOU ARE. IT IS ABOUT CREATIVE SPACES.

1. For more on the Big Five model, see Goldberg, L.R. (1993): "The Structure of Phenotypic Personality Traits," *American Psychologist*, 48.

2. Maddux, William W. and Galinsky, Adam D. (2009): "Cultural Borders and Mental Barriers: The Relationship Between Living Abroad and Creativity," *Journal of Personality and Social Psychology*, 2009, Vol. 96, No. 5, 1047-1061.

INNOVATION

BROADWAY
REACHES FOR
THE STARS

JULIÁN VILLANUEVA
Professor of Marketing,
IESE Business School



JORGE GONZÁLEZ
Professor of Marketing,
IESE Business School

Broadway has managed to hold its own despite the chill winds that have been blowing in these difficult economic times. IESE Profs. Julián Villanueva and Jorge González unveil the secrets of Broadway's success in this article, which draws on their recent case study, "E Schubert Organization: The Show Must Go On."

ENTREPRENEURSHIP • DECISIONS ANALYSIS •
INNOVATION AND CHANGE

Bearing in mind that the average price of a Broadway musical is \$70 and that few have fared well on Wall St. over the last two years, many feel that the sector has done an excellent job of making the period from May 2008 to May 2009 its highest-earning season in history.

The area of Manhattan that falls between 8th Avenue and Broadway and 41st and 53rd Streets is home to the densest concentration of theaters on the planet. Every day of the year, the theater district attracts an average of almost 34,000 people eager to pay a total of more than \$2.5 million in tickets and dining, turning Times Square into a giant human anthill under the bright lights of its huge billboards.

However, this was not always the case. In 1993, the same theaters that are now playing to healthy houses were attracting audiences that were 38 percent smaller. Bearing in mind that prices are now 81 percent higher than they were 15 years ago, this means that Broadway has practically tripled its turnover without increasing its capacity. Not bad, huh? What can we learn from this industry during its period of constant growth?

And what challenges does it currently face?

NEW PRODUCTS FOR NEW AUDIENCES

● Innovation: The Show Must Go On

While the financial crisis has threatened almost all industrial sectors, the inability to innovate has proven an even greater threat. Broadway, however, has shown over the last decade that it can launch around 35 new shows a year. There is always a fresh offering. So the show must go on. And it must go on with receipts that are high enough to pay the lease, wages and promotional costs while hoping that something better isn't waiting around the corner. When audiences dwindle, so does the producer's confidence in the show.

Broadway is a Darwinian environment; at least that's what most theater producers will tell you, given that more than 60 percent of their investments lose money. The stakes involved can range from \$2 million to produce a new stage play to the \$20 million it costs to put on a show like *Shrek: The Musical*.

Reaching a Wider Audience: Long Live The Lion King!

● In 1993, Broadway's tills were
● yet again ringing to tunes from

two successful musicals imported from London's West End: *The Phantom of the Opera*, with the eponymous hero's tortured love for Christine, and *Miss Saigon*, a musical inspired by Puccini's *Madame Butterfly*. Fifteen years on we find that the most popular shows are *Wicked*, a Universal Pictures production that recounts a story parallel to the one told in *The Wizard of Oz*, and the Walt Disney musical *The Lion King*, with songs by Sir **Elton John**.

This comparison shows how the development of a product aimed at more family-based audiences has reaped financial rewards for the industry. The Walt Disney Company, whose three Broadway shows brought in receipts of \$153 million in 2008, provides the clearest example of this.

Apart from bringing a new audience to Broadway, Walt Disney's success has attracted other entertainment giants such as Universal, Sony and Dreamworks.

Broadway now offers a wider range of shows than it did 15 years ago. A resident New Yorker from the Upper West Side who goes to an average of 12 shows a year will be more interested in buying a ticket for *Race*, the latest play by **David Mamet**, while a family with children who come to the Big Apple for a weekend will take the opportunity to see *Mary Poppins*.

Another way of bringing Broadway to a wider audience is to invite famous Hollywood actors to perform in a stage play for a few months. **Jude Law**, **Catherine Zeta-Jones**, **Daniel Craig**, **Siena Miller** and **Hugh Jackman** are just some of the stars who trod the boards in 2009. In short, while some bemoan the over-proliferation of popular entertainment and the absence of more profound works, other industry players simply respond that "a ticket is a ticket."



THE DEVELOPMENT OF A PRODUCT AIMED AT FAMILY-BASED AUDIENCES HAS REAPED FINANCIAL REWARDS FOR THE INDUSTRY.

THE MARKETING CHALLENGE: A COMPLEX ENVIRONMENT

● Not long ago, there was a clear structure to the way a new Broadway show was marketed: ads in *The New York Times*, and perhaps some on the radio and TV. There was a public relations campaign and previews to allow the critics to have their say. People bought their tickets at the theater box office. They saw the show and told their friends about it. Word of mouth, discount coupons in Times Square and hotel concierges did the rest.

The current period of growth on Broadway has coincided with a multitude of changes in marketing. Adapting to this new environment is one of the greatest challenges that the theater industry has faced.

Managing sales channels and prices

● The three main theater owners (Shubert, Nederlander and Juhamcyn), control 82 percent of all seats, along with a large part of the distribution network: the box offices at their own theaters and direct sales via Telecharge and Ticketmaster. However, if you search for “Broadway musicals” in Google, the first page that appears is Broadway.com, a company which, despite appearances, does not belong to these operators but is instead an independent broker that will sell you tickets at way above the list price. Nevertheless, many people buy their tickets here thinking that it is the main ticketing channel.

The role played by brokers and resellers is a controversial issue in the management of ticket sales. On the one hand, they buy a lot of tickets. On the other, they can generate considerable anger among theatergoers, as these resellers buy up tickets for the most popular shows and then re-sell them at higher prices. For example, the markup added by Broadway.com is around 30 percent.

Another important source is “tkts”, a channel that sells same-day tickets to under-subscribed shows

at discounts of up to 50 percent. Perhaps you have stood in line at the “tkts” stand in Times Square, thinking that this was the place to buy tickets, and were pleasantly surprised to find that the price was lower than you expected. Or perhaps you got to the head of the line only to discover that you could only buy tickets for that day and there were none left for the Broadway show you wanted to see.

How To Improve Channels and Promotional Activity?

● It’s true that a ticket is a ticket, but what if someone who only has \$100 to spend is faced with a price of \$120 on Broadway.com, doesn’t know that there are cheaper channels available and ends up not buying. And what about those people who are willing to pay higher prices but find themselves in the “tkts” line, disappointed with the long wait but ultimately perhaps happy with their 50 percent discount? In short, how can the design and management of distribution channels be matched to pricing policy?

Approximately one in four tickets are sold at a discount, and the average discount is between 35 and 40 percent. The industry uses “tkts” as the main channel for price reductions, but it also distributes coupons in the areas around Times Square, as well as circulating e-mail lists. Another creative approach is the “Kids Go Free” campaign, aimed at attracting families to see musicals. Nevertheless, list prices usually remain fixed, though there is of course some variation depending on where you are sitting (up to 5 different prices in a theater like the Majestic) or whether you go at the weekend.

However, the theater industry does not use techniques like yield management the way some hotels do, whereby different prices are charged depending on the season and how many days in advance you

buy your ticket. Both industries share two particular characteristics, though: high fixed costs and low variable costs.

Added to the confusion with the ticket distribution channels, the heavy promotional activity and the proliferation of websites that publish the various discount codes (such as *broadwaybox.com*), one could expect greater price sensitivity among consumers. But the fact is that the industry has been able to increase the average price of tickets in recent years despite a slight drop in audience numbers, something that would indicate that theater managers, or at least some of them, have been doing their homework.

Communication: Connecting to Fragmented Audiences

● To complicate things a bit further, ways of communicating with prospective audiences are changing radically. For example, during the 1980s, a TV commercial or an announcement in *The New York Times* could attract audiences to a particular musical, but these media no longer offer any guarantees. It's not enough to have a good product. You need a much more sophisticated communications strategy.

As **Nancy Coyne**, CEO of Serino Coyne, Broadway's leading advertising agency, observes, "When we launched Phantom, radio and TV worked instantaneously. Now everyone is creating a new world without advertising. The only thing that has not changed is street advertising [e.g. buses and billboards], which is exactly the same as it was before." The industry is now trying to launch shows using Facebook, Twitter, Google and other digital media. The role of public relations agencies is also changing. While mainstream media's opinions, particularly the critics', remain important, they are becoming increasingly less so, especially among younger audiences, and agencies are trying to strengthen the word-of-mouth effect via new social networks.

In Search of Lost Audiences

● Although there is no question-
● ing the theater industry's success in developing new audiences over the last decade, there is still work to do. For a start, there is a very low turnout among people between the ages of 18 and 34.

According to **Coyne**, "This age group is more interested in other forms of entertainment and they also don't have the money." Some time ago, however, many people were using similar arguments regarding under-18s, but Disney has demonstrated that you can extend the industry's reach with the right product and communications.

In addition, Broadway remains very expensive for the majority of the population. While it is true that a seat at the back of the dress circle can cost \$25 with the right discount, the average cost for two people can easily exceed \$200 if you are not savvy on ticket distribution channels and also dine out before the show. As a result, the majority of today's theater audiences are high-earning university graduates who are in New York City at 7 p.m.

Over recent years, Broadway has expanded to embrace new audiences by capitalizing on the constant flow of tourists to the Big Apple and generating a business centered around the theater district that is worth several billion dollars. Opening on Broadway still remains a dream for most people in the theater world.

This capacity to attract talent that is willing to innovate is the driving force that keeps the theaters alive, the old playhouses that take a break each morning to get ready for the moment when the lights go down and the actors take the stage. On the other side of the orchestra pit, an expectant audience awaits. As long as this still happens, Broadway will continue to breathe. Is this process becoming increasingly complicated? You bet it is!

CASE STUDY AT IESE PUBLISHING
M-1232-E Shubert Organization: The Show Must Go On

LEADERSHIP AND PEOPLE MANAGEMENT

HEALTHY PEOPLE,
HEALTHY
COMPANIES

**STEVEN
POELMANS**

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IESE Business School

In this article, Prof. Steven Poelmans discusses his new book, *Workplace Psychological Health*, and implications of workplace wellness issues for companies.

This issue of the *IESE Alumni Magazine*, which highlights the school's new home in New York City, is a fitting place to tackle the subject of wellbeing in the workplace. New York is often singled out for its unparalleled work environment, rapid pace and energy.

But what is a healthy work environment and how can it be created? Both companies and researchers are becoming increasingly concerned with this question. A recently released report by the American Heart Association (AHA) noted that cardiovascular disease (CVD) kills 864,000 Americans each year, making it the leading cause of death in the United States. CVD is strongly linked to workplace stress and, according to the AHA report, 25 percent of women and 18 percent of men around the world suffer from high levels of job stress. In addition, the report states that "the societal benefits of a healthy employed population extend well beyond the workplace."

By analyzing the causes of workplace stress and taking steps to implement workplace wellness programs, firms can boost the health

levels of their employees and therefore society at large.

In the chapters I authored for the recently released book *Workplace Psychological Health* published by Edward Elgar (2009), I discuss some of the warning signs of work-related stress and address a new approach toward leadership – one that is focused on at IESE Business School.

WELL-BEING AND LIFE SATISFACTION

Over the last five to 10 years, researchers have come to the realization that modern diseases are no longer primarily caused by viruses and bacteria. The causes of death in the population today are more often related to work and lifestyle habits, i.e., the way we actually do things. Coronary heart disease, for example, has been clearly linked to certain behavioral patterns. And the primary reasons for absenteeism in the workplace are back pain and stress, which are related to the pressures of the workplace and everyday work habits.

It may seem counterintuitive, but a larger income does not ensure fewer stress-related health problems. By having more money, you can afford better insurance and better doctors. You can also eat better-quality food. Yet the correlation between health levels and income is surprisingly low.

What researchers have discovered is that health levels are inextricably linked to the way people work and the way they see the world in general.

There are several factors that have a direct impact on happiness and well-being in general. The first factor is a pleasant life. In this regard, having an interesting job or a satisfying relationship can be helpful, but these factors can be temporary. As soon as conflict arises or the positive situation comes to an end, satisfaction can disappear.

Researchers have observed that stable levels of wellbeing are more often created by having an “engaged” and “meaningful” life. This means having either work or some kind of activity outside of work that you enjoy thoroughly and that is linked in some way to the strengths and talents you have.

A meaningful life requires having a job that is not just interesting, but contributes directly toward something you consider important. One of the key rewards of having a meaningful life is that you are better equipped to tolerate obstacles in life, particularly those that affect your personal equilibrium.

Advances in science have clearly demonstrated the link between physical and psychological wellbeing. One of the best cases for demonstrating this is coronary heart disease, which is the number-two cause of death in the world.

One of the risk factors of coronary heart disease and heart attacks is type-A behavioral patterns. Specific kinds of type-A behavior are feelings of hostility and impatience toward the environment. This includes being easily upset and getting

angry quickly when you perceive incompetence or slowness in the people around you. This kind of hostility has been identified as a separate risk factor for coronary heart disease.

WORKAHOLISM: THE WARNING SIGNS

Some researchers use the number of hours spent working as a criterion for identifying workaholism. In our research, however, we have found that this criterion is not the only key. We have found examples of professionals who work very long hours and still have a very satisfying life and feel very well. So what's going on there?

The key is the way you

HEALTH LEVELS ARE INEXTRICABLY LINKED TO THE WAY PEOPLE WORK.



TIPS FOR ESTABLISHING WELLNESS PROGRAMS

In its report, the American Heart Association (AHA) provides specific recommendations for establishing workplace wellness programs. The recommendations include creating a social and physical environment that is conducive to healthy behavior, creating incentives for people to modify their lifestyles, and taking into account the characteristics of today's highly diverse workforce.

Moreover, companies are urged to implement worksite wellness programs that "help working families balance work and family commitments and incorporate policies around childcare, elder/dependent care, telecommuting and flexible work schedules."

work. What seems to characterize work addiction is a lack of control or an obsessive inability to not work. Another indicator is a lack of pleasure derived from work. Work is regarded as something unavoidable and, although you feel guilty about working so many hours, you can't seem to stop it.

Very often you can identify an addiction through abstinence symptoms, i.e., the behavior you exhibit when you cannot do a certain thing or take a certain substance. In the case of workplace addiction, if you become nervous or agitated when you cannot work, this may be a sign of workplace addiction. People may also criticize you for working too much. The ultimate proof of work addiction is when working hard begins to damage the quality of your decisions and relationships, and you are either unaware of this situation or don't care.

THE RELUCTANT HARD WORKER

- The reluctant hard worker is a person who is under pressure to work very hard, but does not enjoy the work and/or would prefer not to work so hard. This often happens when people are moved within an organization like pieces on a chessboard, without being consulted, or when they are required to do a job they are not prepared for. In these cases, the person has to accept the situation, although it may cause great anxiety and suffering.

In the current economic environment, such cases may become more prevalent as people stick with jobs they do not like because they feel they don't have other options.

THE REMEDY: A NEW LEADERSHIP STYLE

- An important step towards improving wellbeing in the workplace is viewing professionals as people in the fullest sense, rather than merely employees. This is what we

teach at IESE Business School. This means seeing them as individuals who also have families, unique goals and ambitions.

Following this thinking, leaders should focus on helping members of the organization develop as people. This means going beyond simply establishing objectives, checking to see whether they have been met, and then rewarding or demoting people based on results.

It means leaving behind an autocratic style of leadership that disregards the human aspects of people. It's about asking how to help people develop the competencies they need, not only to reach their objectives, but also to be more efficient and satisfied individuals in the workplace.

The development of a workplace wellness program can be a critical component of the process. Since they require resources and time, workplace wellness programs are particularly challenging for small companies to create. Yet wellness programs have a proven track record for reducing CVD and are an ideal opportunity to help improve the world's health at large.

A key trend we are seeing now is the personalization of management education. At IESE, this idea is incorporated in the classroom, so that we not only talk about accounting, marketing, finance, operations and logistics. We also actually talk about questions such as: what's your purpose in life? Where do you want to go? To what extent have you been taking care of yourself, which is a condition for taking care of other people? We talk about time management, life-work balance and stress management.

All of these issues are ultimately related to the health of people, and therefore, companies today. As stated in Latin, *mens sano in corpore sano*.

In the same way, we can say: healthy people mean a healthy organization.

MORE INFORMATION:

www.circ.ahajournals.org/cgi/content/full/120/17/1725.



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NEW INDEX RANKING COUNTRY ATTRACTIVENESS

WHERE BEST TO INVEST?

A new study by a team of IESE professors and researchers assesses the attractiveness of over 60 countries to venture capital and private equity investors.

A team of IESE faculty members and other collaborators have created a broad international index that measures countries' attractiveness to investors in Venture Capital (VC) and Private Equity (PE) limited partnerships. A total of 66 countries spanning six continents are included in the survey. The index reveals contrasting levels of opportunity and diverse challenges in today's post-recession economy.

The Global Venture Capital and Private Equity Country Attractiveness Index was developed by IESE Business School's International Center for Finance Research in collaboration with Ernst & Young. The project was led by IESE Profs. **Alexander Groh** and **Heinrich Lichtenstein**.

"This is the first time that VC/PE attractiveness has been measured to such an extent," said **Groh**.

Countries that fared well in the ranking were those that have excelled in enhancing "competition, openness and professionalism" within their borders, he said.

The United States topped the ranking, and was therefore used as the world benchmark. The other countries rounding out the top five were Canada, the United Kingdom, Australia and Hong Kong.

The index was based on six criteria that investors cite as most impor-

tant to them: economic activity; the depth of capital markets; taxation; investor protection and corporate governance; the human and social environment; and entrepreneurial culture and opportunities.

DYNAMIC MARKETS

One notable pattern emerges in the survey: countries scoring higher for investor protection and corporate governance all earned high marks, since these criteria lead to liquid and efficient capital markets. These markets, in turn, foster a dynamic environment that facilitates deal-making flow and exit opportunities.

The aim of the survey is to contribute to investors' challenge of deciding where to allocate VC and PE. It also aims to help policymakers as they seek to influence economic conditions and strengthen the vitality of their own regions. "As limited partners consider where to allocate their capital, and PE and VC funds look to make the right investments themselves, the investing landscape will inevitably change. There will undoubtedly be comparative winners and losers, and the Global VCPE Country Attractiveness Index could prove to be a valuable tool in helping funds navigate through this uncertain time," said authors **Simon Perry**, **Alexander Reiter** and **Gil Forer** of Ernst & Young in a recent article.

MORE INFORMATION:
www.vcpeindex.iese.us

TOP 10 MOST COMPETITIVE COUNTRIES



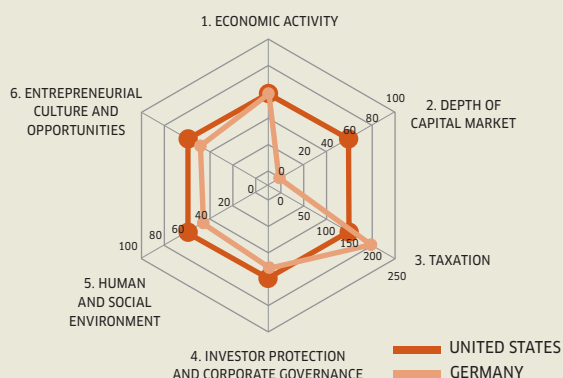
1. UNITED STATES
2. CANADA
3. UNITED KINGDOM
4. AUSTRALIA
5. HONG KONG
6. SINGAPORE
7. JAPAN
8. SWITZERLAND
9. NETHERLANDS
10. GERMANY



UNITED STATES: KING OF THE HILL

The United States is the leading magnet for venture capital and private equity investment, due in part to the country's common law system which provides both flexibility and protection for business transactions.

The entrepreneurial spirit and culture of U.S. society also remains a critical factor. "This mentality leads to greater innovation, employment and, in the end, prosperity," said Prof. **Groh**, one of the study's authors.



WINNERS AND LOSERS

The study – which is based on data going back to 2000 – reveals that China, Poland and India have taken major strides over the last five years in boosting their appeal to VC and PE investors. China's high ranking stems in large part from political economic decisions, while Poland's increased attractiveness

can be traced to its accession to the EU and the expansion of its capital markets through the establishment of the Warsaw Stock Exchange. Among those countries that have slid in investor attractiveness in comparison with other countries in recent years are Kuwait, Latvia and Oman.

ALSO FEATURED IN THE STUDY

- Basic Facts
- VCPE-Ranking
- Key Factors
- Performance
- SWOT Analysis
- Comparison within Peer Group
- Separate VC and PE Indices

The Dangers of Early Fiscal Tightening

PROF. JAVIER DIAZ-GIMÉNEZ
AND R. ANTÓN BRAUN

IESE Prof. **Javier Díaz-Giménez** and **R. Antón Braun** of the University of Tokyo note some striking similarities between the current Spanish and Japanese recessions in a recent paper. One message that emerges from their research is that a tightening in fiscal policy that occurred in Japan in 1997 may have been implemented too early – a potential lesson for other countries, including Spain.

MORE INFO: *IESE Insight*



Emotion in the Entrepreneurial Process

CHRISTOPH ZOTT AND QUY HUY

The role of “affect” – emotion or desire as influencing behavior – plays a major role in the success of start-ups, say IESE Prof. **Christoph Zott** and **Quy Huy**, professor of corporate strategy at INSEAD. Based on their five-year field study, the authors argue in a recent paper that fledgling entrepreneurs must appeal to stakeholders’ hearts as well as their minds. They can accomplish this through a variety of affective actions.

“Contrary to conventional wisdom, we found that successful founders did not take a centralized, secretive, commanding approach to their business, as is often used when firms are in a vulnerable stage,” they said.

MORE INFO: *IESE INSIGHT*



IN EUROPE, CSR RESISTS ONE-SIZE-FITS-ALL

ANTONIO ARGANDOÑA AND H. VON WELTZIEN HOIVIK

● IESE Prof. **Antonio Argandoña** and **H. von Weltzien Hoivik** provide an overview of their working paper addressing CSR in Europe in a recent *IESE Insight* article. The demands for socially responsible actions have been around since before the Industrial Revolution.

In Europe, they say, CSR has been influenced by historical, cultural, political and socio-economic drivers and conditions specific to different countries. Therefore, there is no way to reach a unique, precise definition of CSR.

MORE INFO: *IESE INSIGHT*

FAMILY OFFICES BEAT THE CRISIS

HEINRICH LICHTENSTEIN AND RAPHAEL AMIT



● Despite the economic crisis, 15 percent of family offices turned a profit

in 2008-2009. A study by IESE and Wharton reveals how family offices have been able to weather the storm. The survey looked at 167 family offices around the world. Of the families who took part in the study, all of them manage at least \$100 million that can be invested, and nearly half of those who participated in the study manage more than \$1 billion.

MORE INFO: *IESE Insight*

Who Are the Customer Evangelists?

JULIÁN VILLANUEVA AND GIULLERMO ARMELINI



Word-of-mouth (WOM) communication is today's most potent marketing tool. For this reason, marketing executives, as well as researchers

in the field, are focusing more than ever on how to manage WOM and determine the value of customers' referral value (CRV).

IESE Prof. **Julián Villanueva** and **Guillermo Armelini** of the Universidad de los Andes have created a new social-network-based methodology for measuring CRV, discussed in an *IESE Insight* article, "Who Are the Customer Evangelists: What Are They Worth?"

MORE INFO: *IESE Insight*

INSTITUTIONAL INVESTORS' INFLUENCE LIMITED IN THE BOARD ROOM

PASCUAL BERRONE AND RUSSELL REYNOLDS ASSOCIATES

● The financial crisis has put the spotlight on the way boards of directors are managed. For this reason, a new study on the structure of these boards, based on interviews with around 30 institutional investors and board chairs, makes for timely reading.

Of note is the surprisingly low level of direct or indirect influence that institutional investors have on corporate governance. According to the authors of the study, IESE Prof. **Pascual Berrone** and Russell Reynolds Associates,

60 percent of the board chairs they interviewed stated that they exercised little or no involvement.

That figure is even more surprising when taken alongside institutional investors' belief that boards do not meet their expectations regarding equity, independence and management control issues.

The study also points out that institutional investors often do little more than pay lip service to issues of Corporate Social Responsibility.

COMPANIES COME UP SHORT ON SOCIAL NETWORKS

EVENY KÁGANER

● Facebook has over 320 million users, outstripping the entire U.S. population of 304 million. Despite that, a recent study by IESE, Cisco, the Rochester Institute of Technology and the Henley Business School reveals that many firms lack the know-how to

fully exploit social networks.

The study, based on 100 interviews in 20 companies and directed by IESE Prof. **Eveny Káganer**, found that three-quarters of the companies used social networking sites to some extent and half used blogs.

IESE INSIGHT SHINES SPOTLIGHT ON TRUST

The third edition of the management review *IESE Insight* has been published, offering a timely focus on trust. Among the leading authors tackling the issue are: **Robert Solow**, winner of the 1987 Nobel Memorial Prize in Economic Sciences; **Sandro Castaldo**, director of the Marketing Department at the SDA Bocconi School of Management in Milan; and

IESE professors **Pablo Cardona** and **Josep M. Rosanas**. This edition of *IESE Insight* also suggests some simple yet powerful strategies for attracting investors. Other features include a business case on the British motorcycle brand, Triumph, and an exclusive interview with the American venture capitalist **Franklin "Pitch" Johnson**.



EMBRACING THE FUTURE

As the recession bites across the globe, MBAs need to be more proactive than ever in their job search.

The school's MBA Career Forum, one of the largest of its kind in Europe, is an ideal opportunity for IESE MBAs to jumpstart their future.



With the theme “Embracing the Future,” the 2009 MBA Career Forum attracted representatives from 44 of the world’s leading companies on the lookout for their executives of the future.

The 3-day event, organized by IESE’s Career Services team, took place on IESE’s Barcelona campus from October 26 to 28.

The MBA Career Forum is the largest recruitment event of the year at IESE and, according to the latest figures, one of the largest in Europe. With the participation of companies such as Citi, McKinsey, Vodafone, Barclays Capital, Delta Partners, Banco Santander and Syngenta, as many as 40 percent of IESE MBAs find a job via the forum.

According to **Alejandro Herrera**, director of IESE’s Career Services, the event was once again a resounding success. “Though companies in general are taking a slightly more conservative approach, many of our stu-

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OF IESE CAREER
SERVICES

- 86 percent of MBA graduates find employment within three months of graduating
- MBA Career Forum attracts over 40 leading companies



dents are already going through the second round of interviews,” he said.

TOP CALIBER TALENT

● The participating companies said the forum offers a number of attractive features. As **Isabel Markwitz** of Syngenta said, “IESE is one of the leading business schools in Europe and the format of the Career Forum allows us to screen as many students as possible in just one day.”

Markwitz’s opinions were echoed by **Anne Hiedemann**, a member of McKinsey & Co.’s recruiting team,

who added, “IESE’s MBA students are an extremely valuable talent pool. Their broad professional experience and international backgrounds are particularly appealing to our company.”

Delta Partners was also at the forum to recruit both full-time employees among second-year MBAs and first-year interns. According to **Rachael Jennings**, of the company’s recruiting team, “Delta Partners’ integrated business model, industry specialization and focus on emerging markets have provided tremendous opportunities for growth and expansion. We are confident that

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OF IESE CAREER SERVICES

- Helps students improve their interviewing skills through mock interviews
- Teaches students effective career management strategies



IESE can bring our company the talent needed to build on our successful history.”

Company presentations were organized to allow students to find out about opportunities in a diverse range of sectors. Second-year MBAs attended face-to-face meetings and interviews with recruiters, while first-year students sought summer internship opportunities.

Throughout the year, IESE’s Career Services team organizes a series of similar events to help students keep track of the latest opportunities in their chosen field. These services are particularly valuable during times of recession, when opportunities on the ground are scarcer.

“Graduates need to adjust to the new environment. They need to be more proactive than ever,” said **Herrera**. “The Career Services team is determined to give students all the support they need. We are teaching them effective career management strategies, while also helping them improve their networking skills and identify good career opportunities.” In the latest MBA rankings published by *The Economist*, which IESE topped, the publication cited as one of the school’s major competitive advantages its ability to find internship positions and jobs for its students and

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graduates across an extremely broad range of sectors and industries. For example, recruiting firms and organizations spanned from the International Committee of the Red Cross to Amazon. This is thanks to the highly proactive sales campaigns conducted by the Career Services team.

“There is less of a need among schools located in the world’s most important business hubs, such as London and New York, to attract the top recruiters; they usually come directly to you, which is usually why there is a much narrower representation of sectors and industries at these schools,” said **Herrera**.

“By contrast, here at IESE we are mindful of the fact that we need to go that little bit further in order to attract the top recruiters, and have therefore been much more proactive than most schools.”

The representation of a wide range of sectors at the MBA Career Forum is also a reflection of the broad interests of IESE’s faculty and the strong general management focus of the school’s MBA program. “We are convinced of the need to attract a broad range of sectors far beyond the two dominant recruiting industries, banking and consulting,” said **Herrera**.

The design principle for the Sydney Opera House revealed itself just after lunch.



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EABIS CONFERENCE

Toward a Model of “Happy Sobriety”

● The key to creating a sustainable economy is reinventing how we combine happiness with a more sustainable way of consuming. This was the key recommendation made by **Bruno Berthon**, global managing director of strategy, growth and sustainability at Accenture, as part of what he dubbed “a model of happy sobriety.”

The strategy expert was speaking during the opening session of the 8th annual colloquium of the European Academy of Business in Society (EABIS), held on IESE’s campus in Barcelona on September 21-22.

Berthon also highlighted the need to create new measures of economic performance to complement GDP, as recently proposed by the Commission of the Measurement of Economic Performance and Social Progress, headed by Prof. **Joseph E. Stiglitz**.

During the session’s keynote speech, **Peter Loescher**, CEO and president of Siemens, identified four “megatrends” that must be addressed in the coming years if the world economy is to achieve sustainable growth: demographic change, urbanization, globalization and climate change.

SIGNS OF PROGRESS

● With regard to climate change, **Loescher** pointed to compelling evidence that some of the world’s largest economies and biggest polluters are already beginning to heed the call for change.

The **Obama** administration has directed \$80 billion of the U.S. stimulus budget toward green economy initiatives, while China is showing a growing interest in energy-efficient solutions.



Peter Loescher, CEO and president of Siemens

Siemens was recently recognized by the Dow Jones Sustainability Indexes as a global leader in sustainability for its role in pioneering green technologies.

One example is its involvement in the new clean energy photovoltaic power plant in Benixama in South-eastern Spain.

GROWING ROLE OF BRICS

● Also among the speakers was ● **Simon Zadek**, managing partner and director of AccountAbility, who warned of the rapid growth of state-owned companies and sovereign wealth funds in emerging countries such as China, Russia and Brazil, and their increasing role in the global economy.

The session was moderated by **Mark Wade**, former Shell executive and member of the supervisory board of EABIS.

The second day of the EABIS conference featured an absorbing panel discussion on governance and organizational leadership, with the participation of **Jordi Can-**

nals, dean of IESE; **J. Frank Brown**, dean of INSEAD; **Enase Okanodo**, dean of Lagos Business School, Nigeria; and **Patricia Werhane**, senior fellow and chair of Darden Business School of the University of Virginia.

Chris Marsden, chair of the trustee board of the Business and Human Rights Resource Centre, moderated the session.

Loescher identified four main “megatrends” that must be addressed.

HEALTH-CARE TECHNOLOGY AND PHARMACEUTICAL MEETINGS

DIAGNOSING HEALTH CARE

As the political debate on health-care policy took center stage in the United States, health-care experts converged on IESE in October and November to discuss the key challenges facing the sector.

Renowned health-care expert **Regina E. Herzlinger** of Harvard Business School was one of the speakers at IESE's 16th Annual Health Technology Industry Meeting, which took place on the Madrid campus on October 20. IESE Prof. **Pedro Nueno** organized the event.

Among the topics addressed were aging populations, immigration and changing lifestyles. The potential for new technologies to help prevent, rather than diagnose, diseases and significantly reduce overall health costs, were also on the agenda.

In her presentation, Prof. **Herzlinger** discussed the U.S.'s \$2 trillion annual health-care expenditure and the range of options currently being considered in the debate on health-care reform. **Herzlinger** argued that the Swiss model is viable for the United States to follow.

PHARMEMERGING MARKETS

Meanwhile, experts speaking at IESE's 3rd Annual Pharmaceutical Industry Meeting, held on November 5 on the Barcelona campus, urged pharmaceutical companies to revisit their current business models and gear up to capitalize on the world's rapidly growing "pharmemerging" markets, particularly China and India.

Other countries set for major growth are Brazil, India, South Korea and Mexico, the experts noted.



Prof. Regina E. Herzlinger of HBS



IESE Prof. Pedro Nueno

Back in 2006, the U.S. accounted for one half of total growth in the pharma industry, said **Adrian Grecu**, the commercial director for China, Russia and India at Abbott Laboratories. Today, one half of total growth is expected to come from pharmemerging markets.

Organized by IESE Prof. **Pedro Nueno**, the event also included the participation of **Reinhard Vocke**, a co-owner of Management Engineers, and numerous leaders in the pharma industry.

CONTINUOUS EDUCATION

Spanair Flies High with New Terminal

"Barcelona deserves better connections to the world," said **Ferran Soriano**, president of Spanair, at a Continuous Education Session at the Barcelona campus on October 21. Soriano was referring to the recent inauguration of Barcelona airport's new south terminal (T1), which will almost double its capacity to 55 million passengers. Spanair was the first airline to operate from the new terminal.

GATEWAY TO THE WORLD

"The city has grown so much in recent years that its airport can now justify operating as a genuine international hub offering a full range of services," he said. The airport's director, **Fernando Echegaray**, also spoke at the event. **Echegaray** said that the abundance of services for travellers in the new terminal will be the key to its success. Barcelona airport's T1 has a 5,000 m² space for frequent flyer lounges, 47 stores and 30 eateries, including one Michelin-starred restaurant.

PROMOTING BARCELONA ABROAD

The new airport hub will support IESE's efforts to promote the city on the international stage following an agreement between the Barcelona city council and the IESE Alumni Association.

The two institutions agreed to work together to promote the city around the world, especially in strategic markets such as New York City, where the Barcelona city council already has offices.

IESE will, of course, be inaugurating its own center in New York in Spring 2010.

CONNECTING THEORY TO REALITY

IESE hosts this year's
annual conference of the
International Community of
Case Publishers.

Triumph, the British manufacturer of custom motorcycles, is the focus of one of the new cases published by IESE in 2009. The case was prepared by Profs. F. Iniesta and J. Villanueva, with J. Mitchell.



IESE recently hosted the 5th annual conference of the International Community of Case Publishers (ICCP), which attracted representatives from the world's 20 leading academic case study publishers. Also in attendance were senior research directors from a number of top international business schools and institutions, including Harvard Business School, Darden, Stanford GSB, the Asian Business Case Center and INSEAD.

At IESE, as at Harvard Business School, the selection and preparation of cases is subject to a rigorous quality-control process in order to ensure that utmost quality is maintained.

"Establishing a process that guarantees high-quality cases combined with a high standard of case teaching makes all the difference," said **Christine Ecker**, executive director of research at IESE and head of IESE Publishing.

IESE employs the case study method widely in all of its programs because it believes the method is the most effective means of teaching strategic management skills. One of the main advantages of using this methodology is that it allows students to become active participants in the learning experience.

As **José R. Pin**, a professor of Managing People in Organizations and Business Ethics and a veteran case study instructor, said, "Adults learn primarily about things that interest them. Their active participation in discussions about real-life cases that have a bearing on their everyday experience makes the case study method both interesting and fun."

However, as IESE Prof. **Sandra Sieber** explained, "It is not just a question of discussion for discussion's sake. The discussion is enriched only when it proceeds from an in-depth analysis of the situation under discussion as well as from effective teamwork and the expert direction of the professor."

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OF RESEARCH
AT IESE

- IESE is the leading producer of cases in Spanish
- IESE distributes, through IESE Publishing, case studies prepared by Harvard, Darden and Richard Ivey Business School

IESE IS ONE OF THE WORLD'S LARGEST PRODUCERS OF
MANAGEMENT TEACHING MATERIALS

CASE STUDIES AT IESE

Each year IESE Publishing produces around 100 case studies and 50 technical notes. Many are available in English and Spanish. IESE Publishing currently has a catalog of more than 25,000 documents, prepared by faculty at respected business schools such as Harvard, Darden and Richard Ivey School of Business.

"Most of IESE Publishing's clients are business schools and consulting firms. However, we also have a number of private clients that use the cases to enhance their understanding of specific business contexts," said

Christine Ecker, IESE's executive director of research.

IESE only publishes cases that have previously been tried and tested in class, which is an effective means of guaranteeing quality, not only for internal use, but also for distribution.

IESE's faculty members are prolific producers of cases and technical notes. In fact, as a result of their output and the school's research alliances with prestigious business schools in the U.S., Europe and Latin America, IESE has established itself as one of the world's largest producers of business cases.

TOP CASES 2009

- Triumph: Marketing British Steel (A)
- The KLM Approach to Alliances
- Nike Football Team Sports: Agility as an Engine for Growth
- LPP Reserved: Growth Strategies of a Fashion Retailer in Central and Eastern Europe
- Goodyear Dunlop Europe: The Private Label Decision

- AéroTec Systèmes' Navigateur: A Travel Experience from Out of This World
- Rafael Nadal: the Champion and the Person



Paddy Miller, professor of Managing People in Organizations at IESE, compared the role of the professor in a case discussion to that of a referee: "the professor makes sure that students approach the issue at hand at an intellectual level that is challenging for them."

Furthermore, the direct participation of the managers involved in the company under discussion, both in general and teamwork sessions, helps create a highly interactive forum in which all participants can exchange their own experiences.

"This helps reinforce the learning process, engages the interests of participants and brings them closer to the case at hand," said Prof. **Pin**.

The ICCP began in 2005 as an informal meeting between Harvard Business School and Ivey in North America, and IESE, ECCH, IMD and INSEAD in Europe. The group's mission is to become a leading platform for the promotion of the case method, as well as the dissemination of the schools' shared message and goals. Since

the ICCP was founded, its membership has expanded to include other respected academic institutions in the U.S., Europe and Asia.

IESE itself is a driving force in improving case quality and the teaching of cases worldwide. The International Faculty Program, launched in 1992, is aimed at introducing the case study method to faculty members from schools throughout the world, including many in emerging countries.

Directed by Prof. **Javier Santomá**, the 4-week residential program also helps participants develop new ideas for curriculum and course design for implementation at their home institutions.

"The program offers a complete academic experience for business management scholars. It helps them develop their personal careers at their respective home institutions, while also helping improve the preparation, writing and teaching of case studies throughout the world," said **Santomá**.

A

B

C

OF RESEARCH
AT IESE

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IESE YOUNG TALENT PROGRAM

Nurturing the Management Talent of Tomorrow

High-potential young graduates embark on IESE's MBA Young Talent Program.

● **Fahey Kathryn Sheble**, **Hoy Kwan Lam**, **Juana Galíndez** and **Aashish Nawal** are four of the 35 young university graduates beginning their careers in the safe knowledge that they have a seat reserved for them in the first class of IESE's 2013 MBA program. The high-potential graduates of the first intake of IESE's Young Talent Program come from countries far and wide including the United States, Mexico, India, China, Greece and Columbia.

The Young Talent Program, launched by IESE in 2009, is a new initiative aimed at supporting the careers of talented young university graduates from all over the world. Early signs indicate that the initiative has been a notable success.

Attracting and retaining talent is a crucial challenge for any company seeking to survive in today's highly competitive global economy, especially during challenging times. This is why IESE's Young Talent Program is seeking to support the professional ca-

reers of some of the most exceptional university students, while also nurturing the talent companies will need to thrive in the years to come.

Some of the participants, with an average age of 23, have already embarked on the first phase of the program, which involves spending two years working and gaining experience at one of the participating companies.

"The Young Talent Program has provided me with a major stepping-stone as I make the transition from university to the working world," said U.S. program participant **Fahey Kathryn Sheble**, who studied international economics at the University of Navarra and is now working for participating company L'Oréal. "I think that being part of the YTP can give applicants an important edge and for me it has been a great facilitator in my finding a job."

One of the participating companies is BP. "We view the YTP as an excellent opportunity to attract high-quality young candidates," said **Pedro Moreno**, HR manager at BP Spain. Prior to

taking up their posts at their respective companies the YTP participants visited IESE's Barcelona campus in July, where they learned about the school and met fellow classmates, attended academic sessions and used the case study method.

WOMEN OF TOMORROW

● One important feature of the program is the high proportion of female participants, who represent almost half of the cohort. Also of note is the broad representation of university graduates from around the world, including Cambridge, Oxford, Princeton and the University of Navarra.

Students interested in applying for the YTP can do so during their junior or senior year at university. If selected, they spend two years gaining experience at their respective company and then begin their MBA at IESE. On graduating, the students head back to their company to put all they have learned into practice.

THE YOUNG TALENT PROGRAM AT A GLANCE

1

UNDER
GRADUATES
APPLY TO
PROGRAM

2

SUCCESSFUL
CANDIDATES
WORK FOR
TWO YEARS

3

YTP PARTICI-
PANTS BEGIN
FULL-TIME
MBA

4

PARTICIPANTS
RETURN TO
PARTNER
COMPANIES

PARTNER COMPANIES

The Boston Consulting Group • BP • Celsa Group • Cisco • EADS CASA • Endesa • Johnson & Johnson • L'Oréal • Mango • McKinsey & Company • Microsoft • MSD • Nestlé • Philips • Santander Group

Reputation Management: Crucial in Downturn

● The economic crisis is having a negative impact on the reputation of business in general, but it will have a particularly dire effect on companies that have a weak reputation, said **Charles Fombrun**, managing director of the Reputation Institute in Spain, at the inaugural edition of the Corporate Reputation Conference held on IESE Business School's Barcelona campus on October 15.

The event was sponsored by IESE's Center for Business and Society in collaboration with the Reputation Institute and the Foro de Reputación Corporativa (fRP). In addition to invited speakers, IESE Profs. **Joan Fontrodona**, **Vicente Font**, **Guido Stein**, and **Antonio Argandoña** also took part. Representatives of firms such as Danone, Agbar, BBVA, Telefonica, Ferrovial, Iberdrola, Gas Natural and Repsol were on hand to discuss key reputation challenges.

THE ECONOMIC VALUE OF REPUTATION

● **Charles Fombrun**, founder of the Reputation Institute (RI) and a former professor at Wharton and Stern, discussed the research his organization has carried out on the effects reputation can have on financial results.

Following research conducted in 27 countries, RI developed the reputation management tool RepTrak™, which measures seven core areas of reputation: products and services, innovation, workplace, governance, citizenship, leadership and performance. Research suggests that a strong reputation affecting public perception can improve a firm's financial market va-



IESE Prof. Guido Stein and Charles Fombrun, founder of the Reputation Institute (RI)

lue. A strong reputation can also lower costs.

While a strong reputation has always been an important factor for corporate success, it takes on even greater importance in a dour economic context.

However, the function of reputation extends beyond pure economic variables, noted IESE's Dean **Jordi Canals** during his address to the conference. Today more than ever, firms must work to build their reputations in order to go beyond being mere "commercial" entities and become fuller social enterprises.

Canals noted three variables that are key for firms' long-term reputation and which are becoming increasingly important in today's uncertain context. The first is the

way in which firms respond to the needs of employees in moments of crisis, since "people are the essential nucleus of any organization."

The second variable is the company-client relationship, since firms must pay even more atten-

tion to the added value of their products in times of recession. Finally, firms must take into account what society expects of them in areas such as education, professional training

and immigration. These three areas must be taken into consideration when testing the quality, solidity and solvency of a firm's reputation in the long-term, he said.

As **Fombrun** said, quoting investor **Warren Buffett**: "It takes 20 years to build a reputation and five minutes to ruin it."

It takes 20 years to build a reputation and five minutes to ruin it.

24TH AUTOMOTIVE
INDUSTRY MEETING

EUROPEAN CAR INDUSTRY SHIFTS GEARS



Juan Llorens, Matías Carnero, Prof. Nueno, James Muir, José Montilla, Fumiaki Matsumoto and Dean. Canals

Leading figures from the automotive sector gathered at IESE on November 24-25 to participate in the school's 24th annual Automotive Industry Meeting. Guest speakers included senior managers of some of the world's biggest carmakers, including Ford, Seat, Nissan and Peugeot.

Speaking about the future of the European car industry was Dr. **Bernd Gottschalk**, former president of the German Association of the Automotive Industry (VDA). **Gottschalk** predicted that the most important innovations in the sector in the coming years would bring higher fuel efficiencies, greater productivity and increased vehicle safety.

GROWTH MARKETS

● Future growth in demand, **Gottschalk** said, will almost certainly come from emerging markets, in particular China and India, as the mature markets of North America, Europe and Japan begin to stagnate. European carmakers, meanwhile, will need to keep their production costs down as fierce competition from companies such as India's Tata



and Japan's Toyota begins to raise price sensitivity among European consumers.

By far the biggest challenge facing the automotive sector is overcapacity. In the wake of the financial crisis, sales are down by 15 million cars.

To re-stimulate vehicle sales, governments across Europe have followed Germany's example and have launched scrappage schemes, which

offer consumers financial incentives to swap their older models for new ones.

However, as **Gottschalk** pointed out, "sales are still down by 10 million units and European governments are scheduled to end these programs as soon as early next year."

GOVERNMENTS TAKE THE WHEEL

● **Gottschalk's** fellow guest speaker ● **Richard Viereckl**, a partner at the German consultancy firm Management Engineers GmbH, stressed that one of the most important consequences of the recession has been the much greater role of Western governments in the industry.

"Governments in the U.S. and many other countries have adopted a very powerful stakeholder role in the industry," he said. However, for this increased stakeholder role to pay dividends, governments should press automotive companies to address a range of problems, including over-administration, over-capacity, complex structures and incomplete post-merger integration.

A TURBULENT SECTOR

● **Francisco Pérez Salinas**, after-sales director for Seat, reminded participants that the sector has always been beset by periods of radical change. "The automotive market has always been a rollercoaster ride. We can expect many changes between now and 2020."

As evidence of the volatility of the automotive sector, **Pérez Salinas** pointed to the way the fortunes of leading car firms have waxed and waned in the past: "Six of the top 10 carmakers in 1950 were no longer in the top 10 in 1970."

Ultimately, the survival and success of European carmakers hinges on their ability and willingness to innovate, said **Pérez Salinas**, quoting Einstein:

"Imagination is even more important than knowledge because knowledge is limited."

IESE Prof. **Pedro Nueno** led the 2-day program of roundtable discussions and talks.

THE ECONOMIST RANKING

IESE MBA Top of the Class

● IESE earned the top spot in *The Economist* 2009 full-time MBA ranking. The other schools in the top five spots are IMD, Berkeley, Chicago and HBS in second, third, fourth and fifth position, respectively.

This is the third time the school has achieved the highest position in the publication's ranking; a remarkable achievement considering that *The Economist* first launched its annual "Which MBA?" ranking only eight years ago.

Speaking on a podcast featured on *The Economist's* website, the publication's business editor, Bill Ridges, cited as one of the main factors behind this success the school's ability to "find other sectors where it can place its students." These include less traditional sectors for MBA graduates such as real estate, not-for-profit and government.

SOCIAL TRENDS INSTITUTE

Professionalizing Occupations

● The culinary profession has demonstrated how something as routine as cooking can also be the subject of professionalization, said IESE Prof. Marta Elvira during her address at the conference "Care and Professions in a Globalized World," organized by the Social Trends Institute (STI) and held in Barcelona on November 5-7.

Prof. Elvira identified the major factors involved in an occupation's professionalization. These include increased organization of knowledge (development of universities), workplace structure and internal divisions of labor.



The World in 2010

**MADRID
FEBRUARY 1**

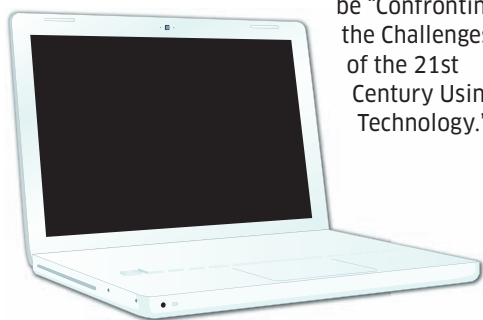
Daniel Franklin, executive director of *The Economist* and editor of the annual publication *The World in 2010*, will be speaking alongside IESE Prof. Juan J. Toribio in a session titled "The World in 2010."

MEETINGS

1st IT Management Meeting

To learn more about social networking, mobility, outsourcing and cloud computing, be sure to attend this meeting on March 3 at IESE's campus in Barcelona. The central theme will

be "Confronting the Challenges of the 21st Century Using Technology."



1st Innovation Management Meeting

"Working Together Effectively to Innovate" is the central theme of this industry meeting which will take place on March 10 at IESE's campus in Barcelona. Participants will discuss, among many other topics, how to build a culture of innovation within their organizations.

12th Luxury Brands Meeting

Learn about strategies to help raise the value of luxury brands during this meeting on April 14 at IESE's campus in Barcelona. The theme of the meeting will be "Reinventing Prestige."

6th Annual Meeting of the Banking Sector

This new edition of the banking sector meeting will take

place at IESE's campus in Madrid on June 1.

16th Meeting of the Telecommunications Sector

IESE's campus in Madrid will host this meeting of June 16 and 17. The event will be co-organized by the e-business Center PwC&IESE and IESE's Public-Private Sector Research Center.

14th Food and Beverage Sector Meeting

Rebuilding the sector's future will be the central focus of this year's edition of the Food and Beverage Sector Meeting, to be held at IESE's Barcelona campus on May 27.



PROGRAMS

PMD New York

The third module of this program will take place at IESE's New York City campus from May 10-14. Participants will learn how to manage change and develop corporate strategies that create value for shareholders.

SEP for Latin America

Participants of the Senior Executive Program Miami will gather from March 22-26 for the third module of the program, whose central theme will be "Enhancing Business Performance." Among the issues covered will be self-leadership, entrepreneurship, innovation and corporate finance.

Global CEO Program for Latin America

The third edition of this program, aimed at high-ranking senior managers working for companies in Latin America, gets under way on April 11 at IESE's campus in Madrid. In May, participants will study for the second module at Wharton School in Philadelphia and will attend the program's closing module in June at CEIBS in Shanghai.

DOING GOOD & DOING WELL

BARCELONA FEBRUARY 26 AND 27

The seventh edition of the Doing Good and Doing Well conference will adopt the theme "From Niche to Mass Market: Taking Responsible Business to the Next Level."

INTERNATIONAL CASE COMPETITION

BARCELONA FEBRUARY 18-20

The world's top business schools will be participating in the 15th edition of this competition which tests participating students' ability to work towards a business solution on a relevant and current case.

SHORT FOCUSED PROGRAMS

Achieving Operational Excellence.

Barcelona, March 2-5

New approaches for optimizing the value-chain process. The program addresses how to fully align operations with overall business strategy, and explores innovative ways of maximizing effectiveness in today's global context.

Branding in Media and Entertainment.

New York, April 20-22

Develop your plan of attack through research-based action learning, including case studies and group exercises, from the premier marketing faculty of the Kellogg School. The program helps executives enhance their brand savvy, from positioning for online platforms to creating global brand concepts.

Develop Your Communication Skills: It's How You Tell Them!

Madrid, April 20-22

Based on extensive practice with video analysis and individual feedback, this program prepares you to become an effective public speaker. Participants learn how to establish credibility and gain commitment from their audience, as well as gain confidence in their public speaking.

Getting Things Done.

Barcelona, May 18-21

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. The program is led by Stanford University Prof. **Jeffrey Pfeffer**, a world-renowned expert on management, leadership and human resources.



Save the Date

WILLIAM F. BAKER

MADRID, FEB. 12

Bill Baker, the CEO of the Educational Broadcasting Corporation (EBC) in the U.S., is to speak at a breakfast event organized by IESE's International Research Center for Media Companies (CEIC) at the Madrid campus.

THE INNOVATION ARCHITECT: CREATING BREAKTHROUGH COMPANIES

**NEW YORK
MAY 5 - 6, 2010**

This program showcases how to unlock innovation by implementing a proven framework and securing the appropriate conditions to nurture innovation. It is a must-attend program for those leaders who are in need of boosting innovation through a turn-key solution. Participants will learn how to tap into pockets of innovation in their companies and develop strategies for stimulating creativity throughout their organizations.

FROM DIGITAL THINKING TO DIGITAL DOING: BUSINESS IN A WEB 2.0 WORLD

**BARCELONA
JUNE 8 - 11, 2010**

Blogs, online social networks, micro-blogging, mobile apps and other Web 2.0 applications have become a central part of the online consumer experience. Meanwhile, companies of all sizes, from a wide range of industries, are now getting serious about understanding how this new hyper-connected collaborative environment relates to their business. This program uses a rich blend of case studies, research reports, hands-on exercises and interactive discussions.

GRADUATIONS

MBA

The more than 200 students of the 45th MBA class will celebrate their graduation on May 7, together with their families and faculty members.

EMBA BARCELONA

The third class of the Barcelona EMBA will graduate on May 14.

EMBA MADRID

The graduation ceremony for the 18th class of the Madrid Executive MBA will take place on May 27.

GLOBAL ENTREPRENEURSHIP WEEK

IESE CATCHES THE SPIRIT OF GLOBAL INITIATIVE



“**W**ork, perseverance, effort and positive thinking” are the main

keys to achieving entrepreneurial success, according to American entrepreneur and IESE alumnus **John Erceg** (MBA '96). After spending the last six years sacrificing everything for his company's success, **Erceg** has firmly established EnGrande.com as one of the leading hotel accommodation search engines in Europe. “During the first few years I worked more than 10 hours a day, six days a week and I didn't even pause to think about it,” said **Erceg**.

Erceg was speaking at the first of a series of breakfast meetings held at IESE November 16-21 as part of Global Entrepreneurship Week. During the meetings, successful entrepreneurs spoke candidly with IESE students about their companies and experiences.

During his presentation, **Erceg** said that his company's philosophy is based on the simple concept of providing pleasant, clean and affordable rooms for around €30 a night, a business model that he is unwilling to sacrifice or compromise despite the company's recent growth.

“Obviously we want to grow and expand our business each year. We want to improve our service by adding tools that help make searches easier for our customers and we would love to be better placed on Google. But, above all, we want to continue to perform well by focusing on doing the things we know how to do.”



A global initiative, GEW included activities in 80 countries on six continents. IESE's Center for Family-Owned Business and Entrepreneurship (CEFIE) coordinated the 200 GEW activities that took place in Spain, placing the country fifth in terms of number of events organized (for more information visit www.iese.edu/CEFIE).

A GLOBAL MOVEMENT

● GEW aims at inspiring a future generation of entrepreneurs who have the potential to create innovative and sustainable firms and make a positive impact on their communities.

Events organized in connection with the initiative ranged from large-scale competitions to small networking gatherings such as the series of breakfast meetings at IESE.



GEW AIMS AT INSPIRING A FUTURE GENERATION OF ENTREPRENEURS WHO HAVE THE POTENTIAL TO CREATE INNOVATIVE AND SUSTAINABLE FIRMS.

IESE CELEBRATES FEMALE ENTREPRENEURIAL SPIRIT IN CHINA

As part of IESE's mission to bolster entrepreneurial activity around the globe, Prof. **Nuria Chinchilla** moderated a special event in Madrid in September honoring three outstanding female Chinese entrepreneurs.

Zhang Hao, **Sue Yuehuan** and **Shi Qingqi** are at the vanguard of the new generation of female business leaders in China, and the subject of a new book. They run three leading companies and are an inspiration to countless Chinese women.

All three women are members of an association of female entrepreneurs headed by **Shi Qingqi** herself. Their fascinating stories, along with those of 15 other women, were researched by author **Julia Pérez-Cerezo** (AMP '97). Her aim was to open the eyes of the West to the growing role of Chinese female business leaders, whose examples of determination, inner strength and desire to succeed against all odds remain little known outside of Asia.



PASSION: DRIVING ENTREPRENEURSHIP

● **Santiago Peribáñez** was another entrepreneur participating in the breakfast talks. He returned to his home country of Spain from France to focus on developing franchise networks. Despite achieving some success with his ventures, in particular with a franchise network of self-service laundrettes, **Peribáñez** realized that his company was missing one crucial ingredient: passion.

His response was to radically change his line of business and dedicate himself to something that both interested him and offered real possibilities of success: selling wine.

After conducting an in-depth study of the sector, **Peribáñez** realized that what the wine market in Spain lacked above all was an upmarket retailer that, while staying true to traditional Spanish tastes, offered a select range of quality wines. In 2003, the first Vinus & Brindis store opened in Barcelona.

CHAMPIONING ONLINE RETAIL

● “For some years now anything and everything has been available on the Internet: flights, services, books, music, etc. However, in the fashion industry there has been a certain reluctance to explore the retail opportunities the web provides,” said **Lucas Carné** (MBA '99), founding partner of Privalia, during his breakfast talk with MBA students.

The most difficult challenge he and the company's co-founder, **Manuel Villanueva**, faced was trying to



IN THE FASHION INDUSTRY THERE HAS BEEN A CERTAIN RELUCTANCE TO EXPLORE THE RETAIL OPPORTUNITIES THE WEB PROVIDES.

convince the leading fashion brands that online retailing could in fact be profitable. Through their sheer perseverance, leading brands were finally able to see that a company such as Privalia represented a great opportunity for them not only to clear their stocks but also to significantly reduce their operational costs, **Carné** said during his talk.

VENTUREPRENEURSHIP: THE NEW GENERATION

● “My passions, my youth and my ambition helped make me the entrepreneur that I am,” said **Christopher Pommering**, founder of Active CP during the fourth breakfast meeting.

GROWTH ENTREPRENEURS IN EUROPE

Prior to the Global Entrepreneurship Week, IESE's campus in Barcelona played host to the European Entrepreneurs Summit Roundtable. The annual forum is organized by Europe's 500, a European non-profit membership and networking organization for successful entrepreneurs dedicated to promoting entrepreneurship and growth in Europe.

It represents more than 3,000 entrepreneurs in Europe who have featured in the Top 500 Growth Entrepreneurs in Europe list.

This year's event, which took place on November 5, featured addresses by IESE's Dean **Jordi Canals**; Prof. **Juan Roure**, co-founder of Europe's 500; **Martin Schoeller**, president of Europe's 500; **Juan Laso**, CEO of T-Solar and president of the Association of Solar Industries, Spain; and **Antonella Mei-Pochtler**, senior vice-president of the Boston Consulting Group, Austria. **Mei-Pochtler** delivered the presentation "The Female Economy: How to Capture Your Share of the World's Largest, Fastest Growing Market."



Pommering achieved his first success as an entrepreneur more than a decade ago with his first project: the creation of Autoscout24, a leading European online marketplace for cars.

"The success I achieved with Autoscout24 made me think that I was capable of just about anything, but I soon encountered difficulties when I attempted to create Boats24 on my own," said **Pommering**, who views this failure as a useful lesson, from which he was able to draw upon when he founded Active CP, a venture capital fund, in 2002. "Cars, boats and now venture capital have been the main passions that have driven my professional career," he said.

Pommering has now chosen to dedicate himself to venturepreneurship, which, he explained, means focusing on supporting new entrepreneurs.

A LIFELONG DREAM

● **David Tomás** has always wanted to be an entrepreneur. His ambition finally led him to give up his profession as an agrarian engineer to dedicate himself to online advertising. Thus was born Cyberclick, a business group specialized in attracting new online customers for their clients.

The group includes **Alberto Cabezas-Castellanos'** company, Clacktion, which specializes in contextual

advertising (a form of targeted advertising for advertisements appearing on websites or other media).

Both **Tomás** and **Cabezas-Castellanos** shared their experiences at the Global Entrepreneurship Week breakfast series. Among the issues discussed was the day-to-day running of the company. Cyberclick bases its model around the objective of offering its clients the simplest solutions to address their marketing needs. A prime example of this is the company's creation of different microsites to promote a product or improve a client's positioning on search engines such as Google.

According to **Tomás** and **Cabezas-Castellanos**, the entrepreneur's path is never easy, which is why it is essential to be surrounded by a strong team, preferably made up of people that are highly specialized in their respective fields and share common goals. They also highlighted the importance of understanding and knowing your target audience, because it is they who will ultimately decide whether your company succeeds or fails.

In addition to IESE, other co-sponsors of GEW in Spain were ACCIÓ of the Department of Innovation, Universities and Companies of the Region of Catalonia, Fomento del Trabajo Nacional, Ernst & Young, Barcelona Activa, MadridEmprende, Fundación Banesto and Fundación Madri+d.

THE AFRICA INITIATIVE AT IESE

IESE PROMOTES STRONG LEADERSHIP IN AFRICA

“**T**he role of transformational leadership in Africa will be crucial in the coming years. After all, most of the continent’s future development will stem from the achievements of its business leaders,” said **Philip N. Muema**, a partner at KPMG Kenya and a participant of the second edition of the Pan-African AMP Module, held on IESE’s Barcelona campus from November 2 to 6.

The Pan-African AMP Module brings together participants of the Advanced Management Programs at two of Africa’s leading business schools, Strathmore Business School (SBS) in Nairobi, Kenya, and Lagos Business School (LBS) in Nigeria, to foster ties between participants and the two schools.

This edition of the Pan-African AMP Module was attended by 64 business leaders from East and West Africa. **Carlos Hornstein**, director of business development for IESE in Latin America and Africa, coordinated the 1-week module.

Participants were quick to see the benefits of the initiative. “One of the main advantages of the pan-African module is the networking opportunities it provides. It has allowed us to share our insights and experiences with one another,” said **Bili A. Odum**, managing director and CEO of Lagos-based BGL Asset Management. “In essence, IESE has helped bring East and West Africa closer together.”

ADDRESSING THE LEADERSHIP GAP

● One of the most important challenges facing African countries is a dearth of good leadership. Consequently, programs such as the AMP have the potential to deliver enormous advances to the continent and its people. “There is a need for strong leadership that focuses on the common good and the things that bring us together,” said **Robert Mugo**, a participant of the AMP

program at SBS in Kenya and CIO of the telecommunications company Safaricom. “Political leadership will have to take its cue from business leaders.”

Nana Dawodu, a managing partner of ALM Consulting Limited and a participant of LBS’ AMP program in Nigeria, seconded **Mugo**’s comments. “In order to build strong institutions, we need to attract the most successful business leaders into politics. After all, the wrong type of laws will have an impact not only on our businesses, but on the continent as a whole,” **Dawodu** said.

Although female representation on the Kenya AMP is historically high, some on the Pan-African module said women’s rights had some way to go. “In many African countries, discriminatory laws have erected barriers that prevent women from engaging in economic activities,” said **Eva Muraya**, a participant of the SBS AMP program and CEO of Color Creations Ltd. “We need leaders who recognize and are able to tap the potential offered by this half of the population.”

There was consensus among participants of the Pan-African AMP Module on one point: the need to develop robust educational institutions at all levels. As South Africa’s former president **Nelson Mandela** said, “Education is the most powerful weapon which you can use to change the world.”

EFFECTIVE ACTIONS

● IESE will welcome participants on the third Pan-African AMP Module in November, as well as hosting executive MBA students from SBS and LBS for a week at the end of the year. But the school’s commitment to Africa goes far beyond 1-week modules in Barcelona.

“A lot of what we do, we do ‘in-situ’ in Africa by sending IESE faculty to lead courses there,” Prof. **Lluís Re-nart**, coordinator of the school’s The Africa Initiative said. For example, IESE faculty members delivered sessions in the first edition of the Advanced Management Program in Luanda, Angola, in 2009.



The AMP in Angola was organized by the Lisbon-based business school AESE, in collaboration with FACIDE, an association of Angolan business managers. AESE is one of a host of business schools and institutions that IESE works with in their joint bid to develop strong leaders in Africa. As well as AESE, SBS in Kenya and LBS in Nigeria, IESE maintains close ties with Nile University in Cairo, Egypt and contributes to the development of L'Institut des Hautes Études in the Ivory Coast.

On top of that, IESE helps “train the trainer” in Africa through the International Faculty Program (IFP) or the doctoral program. Through the IFP, the school helps faculty in African countries develop personally and professionally, with the aim of improving the overall quality of management education.

INSIDE AFRICA

● The recently launched Inside Africa program offers business leaders and investors practical insights into doing business in Sub-Saharan Africa.

Participants gain a first-hand view of the business context in Kenya and South Africa, although the scope of the program extends to the whole Sub-Saharan region. Kenya (ranked 72 in the World Bank's Doing Business 2008 survey) and South Africa (ranked 35), present an illustrative contrast between two Sub-Saharan countries at different stages of development.

The IESE faculty will team up with professors from Strathmore University and the Gordon Institute of Business Science, part of the University of Pretoria, in Johannesburg.

DRIVING PROGRESS

IESE recently launched The Africa Initiative, the umbrella project encompassing all of IESE's efforts to support the development of quality management education on the continent and thus help develop strong business leaders. Prof. **Lluís G. Renart** leads the initiative and is assisted by Program Coordinator **Izabela Kordecka**.

“Through this new initiative, we aim to provide information, ideas and support to help coordinate the full range of African initiatives being developed by IESE faculty, chairs and research centers, as well as provide support to IESE's associated schools

on the continent. In addition, the initiative will serve as a platform for the development of new projects and programs, while also raising awareness of IESE's latest activities in Africa,” said Prof. **Renart**.

The initiative's main objectives will be to provide assistance for the development of African professors; to support the creation of new Associated Business Schools; and to build ties with the numerous institutions and organizations that are either active or interested in starting up activities in Africa. Through the launch of this initiative, IESE reaffirms its commitment to improve the quality of management education on the continent.

Fritz Folts (MBA '91) Navigating Risk During a Downturn



Fritz Folts (MBA '91) is a principal and investment committee member of Windward Investment Management, an investment advisory firm serving high net worth individuals, trusts, retirement plans, foundations and endowments. It currently manages over \$3 billion in client assets. Folts credits IESE with giving him a more global outlook and helping him discover his entrepreneurial spirit.

Despite high unemployment and shaky confidence, the markets are remarkably buoyant. Why is this?

It is important in our business not to confuse the market with the economy. When a market declines to the extent that we experienced from January 2008 through March 2009, there is a natural tendency for the markets to experience a bounce-back rally at some point. Since the current market low in March, the global equity markets have bounced back dramatically. Year to date, the S&P 500 is up over +20%, and Chinese equities have increased by over +50%. It is like bungee jumping, the farther the market falls in any period, the more dramatic the bounce-back seems to be. However, oftentimes these bounce-back rallies turn out to be simply bear-market rallies which eventually run out of gas, at which point the market turns down again. Furthermore, particularly in the U.S., as the economy continues to struggle and unemployment remains a problem, the Federal Reserve is forced to maintain its extraordinarily stimulative monetary policy, including short-term interest near 0%, in an attempt to reverse deflation and support economic recovery. The global equity markets have been major beneficiaries of these monetary and fiscal stimulus programs, which have had the effect of reflatting asset prices.

Does this buoyancy mean the central banks' strategy of bailing out failing institutions is working?

Immediately following the collapse of Lehman Brothers, there was a real sense of foreboding throughout the global



capital markets. There was a feeling that, at least here in the U.S., we were heading towards a potential collapse of the banking and shadow banking system and towards the real possibility of another great depression, similar to the 1930s. Even though the bailout of Wall Street and the banks was administered as a rather blunt instrument, I believe that their actions did help to avoid the potential of an even worse calamity.

The central banks have increased liquidity. Could this just be fuelling the next bubble?

Yes, the enormous degree of liquidity which has been made available, at least in the U.S., by holding short-term interest rates at basically zero, combined with aggressively employing quantitative easing, which is the equivalent of printing money, is raising the risk of inflating the next asset bubble. The U.S. fiscal deficit is projected to more than triple over last year as the U.S. government attempts to bail out consumers, businesses and banks by shifting their debt onto the U.S. Treasury's balance sheet. This extraordinary monetary and fiscal stimulus can be supportive of higher global equity prices in the short to intermediate term but typically results in currency devaluation and increased inflationary pressures over the longer term.

What regulatory changes need to be made?

I'm not sure exactly, but I do think that for one thing there needs to be greater transparency, particularly in the deriva-

➤ **THERE NEEDS TO BE GREATER TRANSPARENCY, PARTICULARLY IN THE DERIVATIVES MARKET WITH INSTRUMENTS SUCH AS CREDIT DEFAULT SWAPS (CDS).**

tives market with instruments such as Credit Default Swaps (CDS), etc. For example, AIG was for the most part a fairly conservative insurance company, but it was brought to its knees by a small group in London called the AIG Financial Products Group (FPG), which was recklessly entering into Credit Default Swaps (basically insuring corporate credits) with absolutely no regard for risk management and with no capacity to meet their obligations should there be a problem in the economy or the markets. However, there was no transparency in that market, no central clearing house or exchange and therefore no way to understand the level of risk that AIG FPG was piling up alongside their enormous annual bonuses.

Also, in my opinion, there needs to be additional specific regulation around the use of leverage on Wall Street, in banks and in the shadow banking system (hedge funds, etc.). The crisis that we experienced in 2008 was essentially a *credit contraction*. A situation in which, through de-leveraging, liquidity is extracted from the financial system.

Do the regulators need to educate themselves? For example, do they understand risk?

In the U.S., at least, I am often surprised and disappointed by how little most members of Congress understand about the financial markets. On the other hand, I do believe that U.S. Treasury Secretary **Geithner**, Federal Reserve Chairman **Bernanke** and President **Obama's** advisors, such as **Larry Summers**, et al., do understand the global capital markets and risk. However, the issue here is that these individuals may just simply be too close to Wall Street to be effective.

Is risk a dirty word now?

I would say that investors have been re-introduced to financial market risk by their recent experiences. However, the root of the problem is that financial markets are simply far more volatile than modern portfolio theory and the efficient-market hypothesis leads one to believe, which in

➤ I THINK THAT WALL STREET'S STRUCTURE, WHERE THE MAJORITY OF ONE'S REMUNERATION IS THROUGH AN ANNUAL BONUS, IS NOT NECESSARILY CONDUCTIVE TO RESPONSIBLE BEHAVIOR.

turn entices investors to ultimately take greater market risk than they realize.

The general public views the bonus culture as being at the root of the crisis. Is this justified?

I think that Wall Street's structure, where the majority of one's remuneration is through an annual bonus, is not necessarily conducive to responsible behavior. What would be more helpful, perhaps, would be a system where one is paid out over a longer period for longer-term success and not just making a killing one year with a product that could bankrupt the firm the following year. A bonus system that rewards long-term, sustainable success would help to force folks on Wall Street to consider not only short-term reward, but also longer-term risk in their decision making and their actions.

Your firm says that "volatility" by itself is an incomplete measure of risk. Could you expand on this?

Yes, we do believe that volatility is an incomplete measure of risk because it relies on the bell curve (normal distribution) by measuring the degree of variation of returns around the mean or (average) return. We simply reject normal distributions as the basis for making risk-management decisions, given that we believe investment returns fluctuate in accordance with a power law [which holds that small occurrences are really common, whereas large instances are extremely rare] rather than a Gaussian distribution [used to describe any variable that tends to cluster around the mean]. Therefore, we use a multi-objection function to analyze investment risk, which looks at not only volatility but also maximum drawdown, with the goal of maximizing risk-adjusted return and simultaneously minimizing portfolio drawdowns (declines).

Have investors become more risk averse?

Again, I believe that investors have been re-introduced to market risk for now, based on recent experiences. But I have also seen that, as this rally in global equities continues, investors are feeling, not the pain of losing money in the market, but rather the pain of feeling that they are missing the current rally by being in cash as a result of the market meltdown in 2008.

Has the efficient-market hypothesis, that price reflects all the relevant information in regard to value, now been discredited?

I would say yes, the efficient-market hypothesis has been discredited. However, surprisingly, it is still the basis for most traditional investment analysis. Our basic premise at Windward is that we reject both modern portfolio theory and the efficient market hypothesis as overly simplistic. They are useful but insufficient.

In general, how can the financial sector become more responsive to society?

Tough question. In my view the investment-management and the brokerage industry has not really told its clients the truth about risk. This is partly because they have a tendency to underestimate risk, but also they avoid talking about it because they're afraid of scaring their clients off. On the client side, clients are looking for certainty. They want to be told the market is going up, so they are ripe to listen to these half-truths. That has to change.

How did you come to choose your current career path?

I've always been a fairly good global, macro thinker; able to see the big picture and that fits well with how we approach the market at Windward. And I've always had an interest in global politics and this has all come together here, though it took me a while to realize this was what I wanted to do.

How has your education here at IESE helped your career?

I gained three things in particular. One was the development of my capacity to have a global perspective and focus. More than anything, that came from being around so many students from so many nationalities and cultures and realizing that there are a lot of different ways to look at the world. The other thing is the emphasis there on ethics. The third thing was the spirit of entrepreneurial thinking, that it's important and is to be celebrated. IESE helped me realize that that's what I wanted to do.

When the economy slows down
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making is more critical than ever**

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RESEARCH EXCELLENCE AWARDS

Alumni Association presents awards in recognition of IESE faculty research

● IESE Profs. **Pinar Ozcan**, **Beatriz Muñoz-Seca**, **Josep Riverola**, **Joan de Dou** and **Alberto Ribera** will be honored at the Alumni Association's Research Awards on February 9. The presentation will take place during the association's advisory board meeting, which will be held at IESE's campus in Barcelona and broadcast by videoconference at IESE's campus in Madrid.

The association's Executive Committee, which met up on December 1, selected Prof. **Pinar Ozcan** for the best published article award for her piece, "Origin of Alliance Portfolios: Entrepreneurs, Network Strategies, and Firm Performance." The article, which Prof. **Ozcan** co-wrote with **Kathleen M. Eisenhardt** of Stanford University, was featured in the *Academy of Management Journal*.

Meanwhile, Profs. **Beatriz Muñoz-Seca** and **Josep Riverola** will

pick up the award for best published book for their work, *The New Operational Culture: The Case of the Theater Industry*, which was published in 2008. The jury's selection process for this category is based on three criteria: the quality, prestige and impact of the titles presented.

RIGOR AND RELEVANCE

● Finally, Profs. **Joan de Dou** and **Alberto Ribera** will receive the best course award in recognition of the courses "Personality and Leadership" (MBA version) and "Managing Oneself" (Global Executive MBA version). The jury was particularly impressed by the structure, relevance and impact of the two courses.

The IESE Alumni Association created the Research Excellence Awards

in 2001-02. The awards' primary aim is to support research at IESE and recognize the contribution of IESE professors in a broad range of management fields.

The awards' primary aim is to support research at IESE.

INTERNATIONAL IMPACT

● The series of awards recognizes the best academic article to be published in leading international

journals; the best published book, in terms of its international appeal and impact on the world of business; and the design of a new course that has proven particularly popular and useful among the school's students.

The jury was composed of IESE Profs. **Fernando Peñalva** and **Julián Villanueva** and Alumni Association executive committee members **Antoni Esteve**, **Antonio González-Adalid** and **Alejandro Beltrán**.



Prof. de Dou



Prof. Muñoz-Seca



Prof. Ozcan



Prof. Ribera



Prof. Riverola

STANFORD GSB PROF. D. JOHN ROBERTS HONORED

The IESE–Fundación BBVA Prize

• The IESE–Fundación BBVA Economics for Management Prize was awarded to Prof. D. John Roberts, John H. Scully Professor in Economics, Strategic Management and International Business at the Stanford Graduate School of Business in Madrid on October 21. Roberts' address was subsequently published by Cambridge University Press under its "Economics for Management Lecture Series."

Prof. Roberts' lecture, "In Praise of Weak Incentives," discussed the recent wave of attacks on the incentive systems employed by U.S. and U.K. investment banks. The Stanford professor concluded that banking executives had received comensurate financial compensation and that the banks' pay systems had encouraged excessive risk taking. Roberts has held faculty and research posts at Oxford, Kellogg, MIT and McKinsey & Co.



Chinese Business School CEIBS Bestows Honors on IESE Faculty

As part of its 15th anniversary celebrations, the China Europe International Business School (CEIBS) presented IESE Prof. **Pedro Nueno** with the CEIBS Outstanding Contribution Award in recognition of the key role he has played in the foundation, development and international promotion of the Shanghai-based business school. Prof. **Nueno** currently serves as the school's executive president.

In addition, CEIBS presented its Excellence Award to IESE Prof. **Alfredo Pastor** for his tireless work as the school's dean from 2001–04. Lastly, CEIBS expressed its gratitude to IESE and the numerous members of its faculty and staff that have contributed to the Chinese business school's development and expansion by bestowing the CEIBS Honorary Award on IESE's dean, **Jordi Canals**.

XAVIER VIVES PICKS UP BEST PAPER AWARD

• Prof. **Xavier Vives** recently won the *Journal of Industrial Economics*' best article award 2008 for his paper, "Innovation and Competitive Pressure," which analyzed and evaluated the effects of competition on product and process innovation. In the piece, **Vives** successfully managed to reconcile theory and practice while also reviewing the factors governing the innovation phenomenon.

MARTA ELVIRA RECEIVES GRANT FROM EUROPEAN UNION

• IESE Prof. **Marta Elvira** recently received a four-year Marie Curie grant to help fund her research project, "Emergent Health Care Occupations & Quality of Life: A Cross-Country Study." The prestigious grant is awarded by the European Union to support the training and development of experienced researchers from across the single market.

CONTINUOUS EDUCATION

FINANCIAL CRISES DON'T JUST HAPPEN



The financial debacle was caused by a series of “failures” and policy errors that could have been avoided, said highly-regarded U.S. economist **Charles W. Calomiris** speaking on the Barcelona campus to IESE alumni on December 1.

Calomiris is the **Henry Kaufman** Professor of Financial Institutions at the Columbia University Graduate School of Business.

In his energetic talk, **Calomiris** outlined what he believes were the four major causes of the global financial crisis. **Calomiris** stressed the importance of correctly diagnosing the causes of the downturn to improve chances of making a correction.

“We have to spend time figuring out what happened, before we try to fix it,” he cautioned. And only by taking a long view of history can policymakers understand what “weights” to give certain factors. The first factor, he said, was “loose money,” emerging from across-the-board low interest rates. Second, he pointed to government-backed housing subsidies, which were effectively removed from federal balance sheets and promoted risk-taking. While critical, these two factors do not tell “the whole story,” he said.

Buy-side agency problems, such as unreliable credit scores, and prudential regulation failure, which led to risk being measured improperly, were the remaining two factors. These four factors led to the current downturn, whose end is still not in sight. “I think we’re in for a long haul,” he said.

Prof. **Pedro Videla**, professor of economics and head of the IESE MBA program, moderated the talk.

8TH IRCO-IESE MANAGING PEOPLE SYMPOSIUM

Dave Ulrich Sheds Light on Leadership

Dave Ulrich, professor at the Ross School of Business, University of Michigan and co-founder of the Results Based Leadership Group, was on IESE’s Madrid campus on October 19 to participate in the 8th Annual IRCO-IESE Managing People Symposium, co-sponsored by Adecco.

Leadership is a basic requirement for resolving any problem, including the challenge of today’s current crisis, **Ulrich** said. The ability to lead, however, is not something a person is born with, but a capacity that can be developed over time.

UNIVERSIA KNOWLEDGE

IESE FACULTY IN WHARTON TOP TEN MOST-READ ARTICLES

● IESE faculty features twice in the top ten most-read articles in The Wharton School’s Spanish and Portuguese-language online management journal *Universia Knowledge*. IESE Prof. **Marta Elvira** tops the list with an interview on her book, *Best Human Resource Practices in Latin America*, co-authored with **Anabella Davis**. **Elvira** highlights the link between talent man-

agement strategies and commercial success.

IESE Prof. **Santiago Álvarez de Mon**’s case study on the tennis player **Rafa Nadal** also features in the top ten. **Álvarez de Mon** uses the Spanish player’s race up the rankings to illustrate the importance of consistency, humility and discipline in “**Rafael Nadal**: the Champion and the Person”.

EUROPE'S 500 EUROPEAN SURVIVING THE IMPOSSIBLE



● **Nando Parrado**, one of the 16 survivors of Uruguayan Air Force Flight

571's crash in the Andes on October 13, 1972, addressed a packed auditorium of IESE students and alumni on the school's Barcelona campus on November 6. Attendees heard first-hand **Parrado's** world-famous story of courage, endeavor and leadership. His presentation was part of the Europe's 500 European Entrepreneurs Summit Roundtable.

Parrado discussed how the air crash survivors - members of Uruguay's national rugby squad along with family and friends - survived 72 days in one of the most inhospitable environments on the planet. "We were tortured by cold and endless time," said **Parrado**.

His story provides some of the finest examples of excellence in teamwork, leadership, creativity and strategic management. The rugby team was on its way to play a match in Chile.

SPANISH ECONOMY ROUNDTABLE DEAN CANALS SHARES VIEWS AT THE ECONOMIST FORUM

● IESE's Dean **Jordi Canals** provided his views on the downturn in Spain during a special conference organized by the U.K. publication *The Economist*.

The event also brought together the country's Prime Minister **José L. Rodríguez Zapatero** and the leader of the opposition, **Mariano Rajoy**, as well as numerous business and civic leaders.

The conference aimed to identify measures to lift the country out of recession. Specific issues discussed included unemployment, public debt, the education system and the current political tension in Spain.



EUROPEAN LEADERSHIP FORUM

Prof. Diaz-Giménez Analyzes Banking Crisis

London's Intercontinental Hotel was the setting for this year's annual European Leadership Forum (ELF) on November 17, organized by *BusinessWeek* Events and co-sponsored by IESE Business School.

Among the speakers at the conference was IESE Prof. **Javier Diaz-Giménez**. In discussing the global financial system, Prof. **Diaz-Giménez** laid the blame for the crisis on a combination of poor regulatory framework, oversight and the irresponsible actions of some banking executives. **Diaz-Giménez** also pointed to the need for meaningful legislation to bring down the excessive levels of personal debt in many European countries.

YOU'RE IN THE NEWS

ARE YOU IN THE NEWS?

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Send your comments to revista@iese.edu



MBA '06. Luca de Agostini and Alfonso Urien called together 80 of their former classmates for a reunion in Madrid on the last weekend of November. The participants converged

on IESE's campus in Madrid for a session by Prof. Francisco Iniesta.

EMBA '97

The former classmates had a reunion on November 19 to celebrate the 12th anniversary of their graduation. **Pablo Her- raiz** organized the event.

EMBA '98

Juan M. Poyatos called together his former classmates for their annual reunion on November 26. **Miguel Torres**, president of Motorola Spain, delivered a session in which he shared some of his experiences with his former classmates.

EMBA '03

Ramón Valdelomar has joined Brown Forman, producer of Jack Daniel's and Finlandia Vodka, as Country Manager Iberia.

EMBA '05

José L. Vázquez Antolínez has been appointed president of the Spanish Association of Interactive Television Companies (AEDETI, for its Spanish acronym).

EMBA '06

Alumni gathered at a reunion organized by **Roberto Martínez** and **Luis Baón** on November 28.

EMBA '07, MBA'03

Josep Abellán (EMBA'07) is collaborating with **Masaharu Uchida** (MBA'03) on a project aimed at helping Spanish clothing brands get a foothold in Japan, one of the world's most important fashion markets.



MBA '94. In October, a group of IESE alumni visited the Santa María de Garoña nuclear power plant, located in the north of

the Spanish province of Burgos. The plant's director, José R. Torralbo (PDG '09), gave a tour of the facilities.



AMP '05. Imma Folch has been appointed marketing manager for EMEA for Worldcom PR Group.



PDD '06. Xavier Gracia i Lacalle completed the New York Marathon, in 3 hours 46 minutes.



MBA '05. Diego de Miguel Martínez and his wife Marcella welcomed their second son Gonzalo on August 29.

MBA '96

Gonzalo Pérez-Ricarte and his wife, Ana Bardisa, welcomed the birth of their third child, Macarena, on November 24 in Madrid.

AMP '05

Former members of this class met up on December 10 in Barcelona to celebrate their traditional Christmas dinner. **Francisco de las Muelas** and **Pere Guardiola** organized the meeting.

AMP '07

The former classmates gathered at IESE's campus in Barcelona on November 17 for a session with IESE Prof. **Eduardo Martínez Abascal**.

PDG '79

José M. García-Hoz has been nominated president of the University of Navarra's Alumni Association by the university's rector, **Ángel J. Gómez-Montoro**.

PDG '04

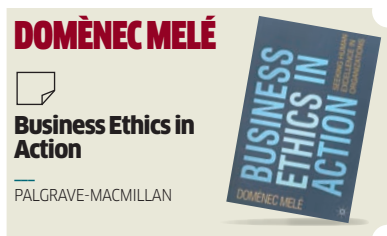
IESE Alum **José R. Alba** was ordained a priest on September 6. He previously worked in the automotive sector.

PDG '08

Charles Rodríguez has been appointed corporate financial director of Chemo Group in Spain, and to the company's board of directors. Prior to joining Chemo Group, **Rodríguez** was the corporate financial director of Orascom Construction Industries (OCI) in Spain.

BUSINESS ETHICS

Profit With Principles



In his latest book, *Business Ethics in Action*, IESE Prof. Domènec Melé challenges the new generation of managers, executives and consultants to think about how to conduct their work ethically.

● The WorldCom and Enron scandals are recent examples of white-collar crime that made business ethics seem like a contradiction in terms. As fat bonuses and greed get blamed for the current financial mess, those who suffer are starting to wonder if our lack of conscience could also have been a contributing factor.

Though it may be true that some of today's leading companies have a strong ethical framework, including Johnson & Johnson and IBM, many firms and individuals still view ethics as optional, while others use seemingly ethical aims as mere window dressing

to keep customers happy. With *Business Ethics in Action: Seeking Human Excellence in Organizations* (Palgrave Macmillan, 2009), IESE Prof. Domènec Melé not only provides much-needed didactic material for business ethics courses, but also for management education as a whole.

Citing a host of "bad" examples, Melé shows the reader that ethics are not optional extras, but indispensable to good business. He doesn't simply tell us what not to do, but illustrates how firms can go the extra mile.

UNIVERSAL PRINCIPLES BASED ON THE PERSON

● A company is nothing more than the sum of its parts. On this premise, the author writes from a person-centered perspective. Accordingly, principles and norms for good behavior bring out the best in people, allowing them to flourish.

Throughout the book, readers can test their adherence to non-culturally specific rules with tricky ethical dilemmas included in each chapter. The author also addresses controversial contemporary arguments – such as whether capitalism by definition is ethical.

The book consists of an introduction and four main sections dealing with individual business ethics,

managerial ethics, organizational ethics and societal ethics.

Melé guides the reader through the full panorama of contemporary business ethics issues, including cultural diversity and international values, whistle-blowing, insider trading and fraud, managerial ethics, responsible leadership, corporate social responsibility and corporate accountability, and, finally, environmental ethics.

ETHICAL BUSINESS LEADERS

● Prof. Melé also highlights the many positive examples provided by business leaders, both past and present, such as **Francois Michelin**, Sir **Adrian Cadbury**, the 19th century British industrialist, and **Cynthia F. Cooper**, the whistleblower in the WorldCom scandal.

Melé argues that, to respect individuals, the organization must allow them to exercise their rights as workers. Such rights are detailed in the third chapter of the book, where the author touches on issues such as child labor, health and safety, and racial discrimination.

The last chapter of the book addresses environmental ethics, suggesting some possible strategies for being an eco-friendly company – a theme that is fast moving to the top of everyone's agenda.

Feeding the World



❖ *Food for Thought / How Agriculture is Feeding the World*, by Rolando T. Dy, is a virtual "Who's Who" of the movers and shakers of global agribusiness. The book provides a special focus on Philippine problems and addresses the question of whether we have been mistakenly focusing on

self-sufficiency in rice as the answer to Filipinos' chronic struggle with poverty and hunger. Also included are several chapters on the Association of South East Asian Nations. Dy is executive director of the Center for Food and Agriculture of the University of Asia and the Pacific (UA&P).

Letters to Young Chinese Entrepreneurs



• *Letters to a Young Entrepreneur*, a book written by IESE Prof. **Pedro Nuño** in 2008, is to be published in Chinese. The book uses 21 letters of correspondence to analyze the factors an entrepreneur should consider to launch out successfully.

Nuño presents numerous examples that arise in all entrepreneurs' careers. He also evaluates entrepreneurship from different socio-cultural perspectives. He finds that the basic principles vary little with geography, but that different cultural or economic environments can condition certain aspects of the entrepreneurial process.

The book includes a chapter on China, in which Nuño reflects on the importance of networking. Knowing how to make good use of *guanxi* - those door-opening connections and personal networks of relationships, favors and debts - proves essential for anyone looking to launch a busi-

ness. To illustrate, Nuño writes of a young Chinese man who wants to start his own business in Barcelona. For him, it is the extensive community of Chinese expatriates living in Barcelona who will most likely help pave the way.

As **Nuño** said, "China is an enormous country experiencing significant growth and, as a consequence, opportunities abound. Many of these are conventional opportunities, similar to those that emerged in post-Second World War Europe."

Nuño cites the construction industry, infrastructure, hospitals, transport and the food and beverage sector as the country's most important growth sectors.

"Chinese entrepreneurs currently benefit from a generous capital market as well as from a government that tends to cast a protective net around Chinese businesses that contribute to the country's development."

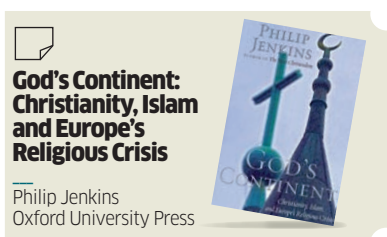
However, **Nuño** said, "entrepreneurship is ultimately a process and this process is pretty much the same the world over."

"Before translating the book into Chinese, the publishers read the English edition and decided that the ideas it puts forward were no less relevant to their country."



Nuño has been teaching courses on entrepreneurship at IESE for more than 30 years. He played a key role in the creation in 1994 of the China Europe International Business School (CEIBS), of which he is now executive president. He recently received the "Friendship Award," the highest honor China bestows on foreigners, in recognition of the contribution he has made to management education in the country.

Hot Topic



• In his latest book *God's Continent: Christianity, Islam and Europe's Religious Crisis*, Philip Jenkins, distin-

guished professor of history and religion at the University of Pennsylvania, debunks the notion that the Islamic crescent is descending upon Europe. Jenkins shows that the fervent rhetoric about a Muslim-dominated Europe is based on politically convenient myths: that Europe is under threat from waves of Muslim immigrants, exploding Muslim birth-rates, and the demise of European Christianity. Jenkins points to the existing Eu-

ropean pressure for tolerance and secularism and to the diversity within the Islam that is moving north, arguing that Europe is just as likely to transform Islam as be transformed by it. He also reveals that Muslims are by no means the only new immigrants in Europe: Christians from Africa, Asia, and Eastern Europe are also pouring into the West countries, and bringing with them a vibrant faith that is transforming the face of European Christianity.

8TH GLOBAL EXECUTIVE MBA
CLASS GRADUATES

STRONG TEAMS CRUCIAL FOR STRONG LEADERSHIP

Johan Schroeder, former CEO of Radiometer and member of the International Advisory Board of IESE, delivered the keynote speech at the graduation ceremony of the 8th class of the Global Executive MBA, during which he shared his insights on prudent decision-making and effective teamwork.

On October 8, the 36 graduates of IESE's 8th Global Executive MBA Class donned caps and gowns to receive their degrees at the commencement ceremony held on the school's Barcelona campus. **Johan Schroeder**, former CEO of the Danish medical technology firm Radiometer, gave the keynote address.

Schroeder stressed that, as a manager, teamwork will always yield better results than individual efforts. For this reason, he advised the new graduates to consistently solicit and utilize their colleagues' knowledge.

Schroeder also emphasized the importance of prudent decision making. "When I was faced with difficult decisions, it was often helpful to spend time formulating this problem as a business case... It is always a good idea to spend time considering the problem rather than jumping to a solution and then having to consider how to avoid unseen consequences," he said.

He also warned the graduates that "in most business decisions, it is not so important to find the solution with



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the maximum return. It is, however,” he continued, “of vital importance to avoid solutions where the outcome is unbearable.”

A TIME OF OPPORTUNITY

● IESE’s Dean **Jordi Canals** said that, despite the global economic downturn, “this is mainly a time of opportunities. A good time for MBA graduates to bring their entrepreneurial spirit to fruition.”

He underscored the importance of optimism in the face of adversity: “Hope springs from the belief in the transformational power of the human spirit, noble aspirations, ideals, hard work and perseverance.”

“Attitudes are key,” said Dean **Canals**. “The IESE MBA program has offered you a wealth of knowledge and capabilities, but the main legacy of this program is an understanding of your role in the business world as one based on professionalism, ethics and a spirit of service. I am sure that the next generations of IESE students will admire your pursuit of professional excellence, your generosity towards others, your com-



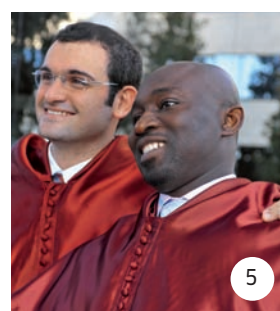
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1. Johan Schroeder, former CEO of Radiometer
2. Profs. Joaquim Vilà, Franz Heukamp, Govert Vroom and Carlos García Pont
3. Lamees Qasem and her family
4. Matt Donnelly and Murray Duncan Grainger
5. Juan José Hanze and Akintunde-Ayokunle Fagbamiye
6. Cesar Calvo Ortega and his son



mitment towards the common good, your humility in dealing with success and adversity, and your strength to begin again after failure.”

A HARMONIOUS LEARNING ENVIRONMENT

● A lively speech was also delivered by Global Executive MBA graduate **Matt Donnelly** from the United Kingdom, who said, “The passion of our teachers, the unrelenting drive of the administrators to consistently deliver the necessary environment for harmonious learning has been awe-inspiring.”



The director of the Global Executive MBA program, IESE Prof. **Eduardo Martinez Abascal**, congratulated the graduates – all busy professionals – on completing the rigorous 16-month program:

“IESE awards you the MBA degree with pride, and I am sure you graduates and your friends and family share this pride with us. I am sure you will all do great things, both individually and collectively,” said **Martinez Abascal**.

“Never give up that spirit of service that many of you have perfected over the course of the program. Give yourselves in service to others, expecting nothing in return.”



A GLOBAL PROGRAM SPANNING THREE CONTINENTS

● The Global Executive MBA is a highly international general management program for professionals, featuring modules on three continents. The program is globally diverse in terms of content, faculty and participants. This year's graduates came from Andorra, Argentina, Bahrain, Canada, Ivory Coast, Ecuador, El Salvador, Germany, France, India, Ireland, Italy, Kenya, the Netherlands, New Zealand, Nigeria, Peru, Russia, Spain, Switzerland, the United Kingdom and the United States.



1. Eduardo Gutiérrez de Cabiedes Hildalgo de Caviedes, his wife and Prof. Luis Palencia
2. Yashwant Nath Singh and his daughter
3. Youb Loukil, Akintunde-Ayokunle Fagbamiye, Isabelle Orhan
4. Viresh Prashar, Frank Höving and María José Granero París
5. Global EMBA Class of 2009, Maria Puig (Executive Director) and Ling Tee (Program Director)
6. Pascal F. Chapon and his daughter
7. Federico Ciardelli, Pascal F. Chapon and Ignacio Iglesias Arauzo



LAURENCE FINK

CALLS FOR GLOBAL
REGULATIONS

BlackRock CEO
participates in
*The Wall Street Journal
Breakfast Series*



New regulations are needed in the financial industry, but to work, they will have to be consistent globally, according to **Larry Fink**, CEO and Chairman of BlackRock, at a recent edition of the *Wall Street Journal* Executive Viewpoints Breakfast Series, sponsored by IESE Business School and The Boston Consulting Group.

BlackRock is one of the largest publicly-traded investment management firms in the world. The company's assets under management totaled \$1.4 trillion across equity, fixed-income, cash-management, alternative-investment and real-estate strategies at the end of September 2009.

In the interview with WSJ's **Alan Murray, Fink** said that while risk is already being reduced substantially in the banking and finance industry, more must be done to galvanize discipline in large institutions.

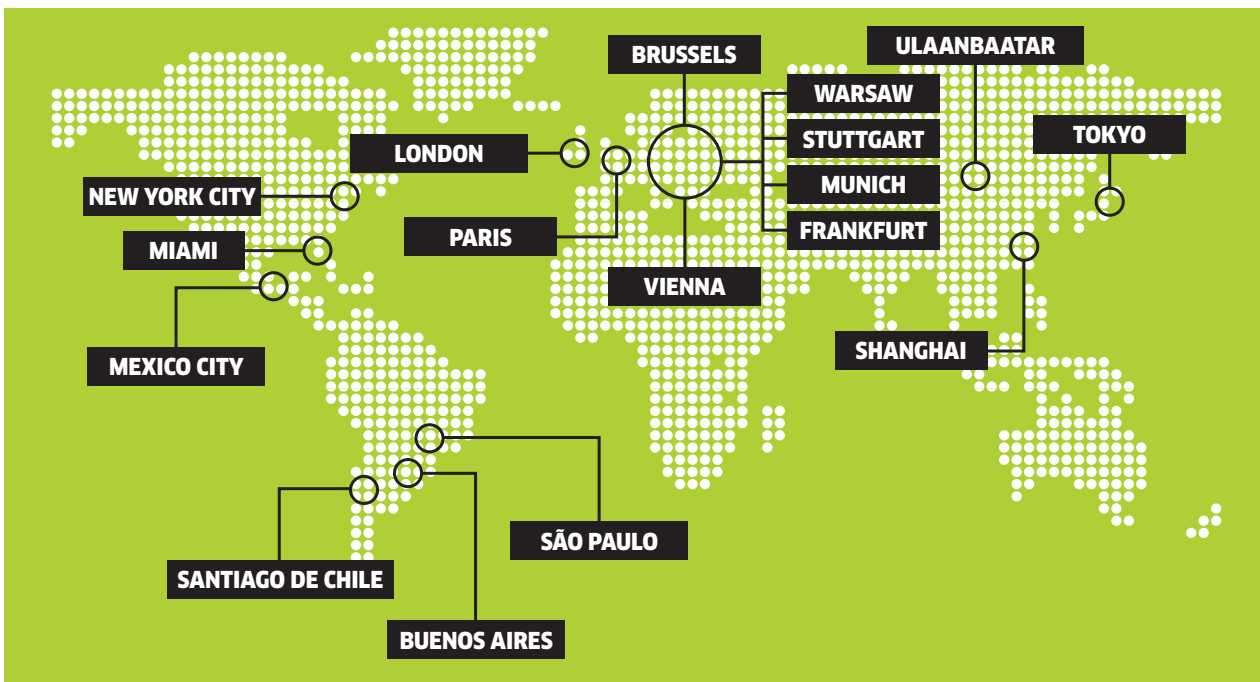
BACK ON BALANCE

“We have to bring everything on to balance sheets,” he said. “In my opinion, you need to have more and more derivative products trading on exchanges, so we can see the largest of those products. We could have netting; we could see who our counterparties are. You do that and you’re going to bring down a lot of the systemic risks,” he stated.

He also stressed that, “obviously,” regulators are going to have to spend more time understanding risk in order to create effective rules. Risk will

also have to become more transparent to investors. However, new regulations must be global in scope, he said. “We need to make sure that we can’t mitigate risk in one country by moving it to another country. We need to make sure the global financial system does not have risk, not just the U.S. system.” International bodies, such as the G-20, should ensure that new regulations have a global impact, since today’s companies are global.

Turning back to the United States, he said he is “a little frightened” about where the capital will come from to finance the U.S. next year. The **Obama** administration, he said, is counting on low interest rates and steep yields to kick-start the economy. However, the Federal Reserve’s purchasing power will be lost in April 2010, when a program created by the Fed (Term Asset-Backed Securities Loan Facility) ends.



THE LATEST ON
IESE'S ALUMNI
CHAPTERS

CHAPTER NEWS

BUENOS AIRES

October 1

● Alumni based in Argentina and
● Uruguay were joined in Buenos Aires on October 1 by Prof. **Sanjay Peters**, who discussed the effect the crisis is having on emerging countries in an address titled "To What Extent Have Emerging Markets Become Obsolete Markets by the 2008 Financial Crisis?" **Mario Franzini** (MBA '74), president of the Argentina-Uruguay Alumni Chapter, delivered the welcoming address.

November 26

● The Argentina-Uruguay Alumni
● Chapter also brought together its members for a session by Prof.

Alberto Ballvé about the world-famous Boca Juniors Football Club. The event was held at Havas Media's offices in Buenos Aires.

SANTIAGO DE CHILE

September 10

● On September 10, members
● of the Chile Alumni Chapter gathered for their traditional Annual IESE Alumni Reunion. They were joined by Prof. **Pedro Nuño**, whom they had chosen as "2008 Professor of the Year." The IESE professor also gave a session on "Entrepreneurship Towards 2020," in which he proposed strategies to help companies emerge from the crisis stronger than ever. In addition, **Patricio Jottar** (MBA '88) announced the end of his term

as president of the Chilean Alumni Chapter. The new president is **Lionel Olavarría** (MBA '75).

October 19

● The following month, the Chile
● Chapter assembled its members for a session featuring a presentation by professor **Alberto Fernández**. The IESE professor discussed the common mistakes made during the planning stages and when monitoring objectives, and offered a number of strategies to avoid them.

LONDON

September 15

● Members of the United Kingdom
● Alumni Chapter gathered to

attend a session featuring a presentation by **Greg B. Davies**, head of behavioral finance and investment philosophy at Barclays Wealth and an honorary research fellow at University College London. His speech, "Behavioral Finance and the Psychology of Investing," provided an overview of market behavior forecasting techniques. Investors must now, more than ever, stay one step ahead of the crowd, he said. **Davies** also explained how personality can affect a person's investment decisions. The U.K. Chapter would like to thank **Rob Juxon** (MBA '02) and Barclays Wealth for their assistance.

December 11

The UK Alumni Chapter gathered its members for a session by IESE Prof. **Laureano Berasategui** on "Managing High Performance Teams". **Berasategui** provided participants with tips on how to cultivate high performance from teams working in situations of tension and uncertainty and how to keep the team united during times of crisis.

PARIS

September 21

Paris-based alumni attended a session with Prof. **Nuria Chinchilla**, in which she discussed some of the main findings of her latest book, *Masters of Our Own Destiny: How to Reconcile Professional, Family and Personal Life*, which she co-wrote with **Maruja Moragas**. The professor shed some light on the historic struggle to achieve work-life balance. Prof. **Chinchilla** said that the first step towards achieving greater balance will depend on our "determination to improve the lives we lead and to become masters of our own destiny."

November 25

Mireia Rius, director of the IESE Alumni Association, and **Wim den Tuinder**, associate director and



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1. Prof. Chinchilla with members of the France Alumni Chapter, Paris

2. Prof. Pedro Nueno receives award from the Chile Alumni Chapter, Santiago de Chile

3. Prof. Alberto Fernández with members of the Chile Alumni Chapter, Santiago de Chile

4. Alumni based in Argentina and Uruguay at a reunion in Buenos Aires

head of IESE's international alumni chapters, met with members of the France Alumni Chapter in Paris on November 25. During their presentation, "What the IESE Alumni Association Can Mean for You," **Rius** and **den Tuinder** shared the Alumni Association's latest news and innovations.

WARSAW

September 21

Members of the Poland Alumni Chapter recently had the opportunity to attend a session with IESE Prof. **Josep Valor** on "Competing with Infrastructure." The world's dominant telecommunications companies

are now having to compete with other companies entering the market with completely different business models, due to changes in competition regulations. Prof. **Valor** discussed the likely impact of these changes, as well as ways to navigate through the new regulatory landscape.

SÃO PAULO

September 23

Brazil-based alumni gathered at a session led by IESE Prof. **José R. Pin**, who spoke about Pope Benedict XVI's recent encyclical, "Caritas in Veritate." Prof. **Pin** provided an overview of the document's

main messages and explored how the measures proposed could help make companies more ethical, as well as more competitive.

September 29

- The Brazil Alumni Chapter
- assembled its members for a meeting organized in collaboration with the publishers of the Brazilian magazine *Época Negócios*, at which IESE Prof. **Juan J. Toribio** delivered the address, "The Way Out of the Crisis: A European Outlook."

October 28

- Brazilian Alumni also met the following month on the ISE campus in São Paulo to attend a session by IESE Prof. **Joan de Dou**. The event, organized in collaboration with the publishers of the Brazilian magazine *Época Negócios*, featured two presentations. The first addressed the issue of work-life balance and the second, stress avoidance.

November 27

- On November 27, alumni and friends attended a conference that featured sessions from **Fábio Zambelli**, head of the Department of Production, Technology and Operations at Brazil's ISE Business School, and Dr. **Georges Landau**, founding editor of *Focus Brazil*.

They discussed the potential impact of the recent discovery of massive oil deposits in Brazil on the country's economy. It is estimated that in 10 years' time the energy sector will contribute as much as 20 percent of Brazil's GDP.

MEXICO CITY

October 14

- The Mexico Alumni Chapter
- members gathered on the IPADE campus for a session with IESE Prof. **Julia Prats**, who delivered the presentation "Financing New Projects: Private Capital." Prof.



Prats described the leading players in the private capital sector: business angels, venture capital and private equity firms. She also explored the pros and cons of each and identified the best times to use them. Finally, she gave an overview of recent developments in the sector and how it has been affected by the crisis.

VIENNA

October 20

- A special session in Austria
- featured guest speakers **Peter Oswald**, chief executive of the international division of Mondi, an international paper and packaging group, and **Norbert Zimmermann**, chairman of the advisory board of Austrian technology and metalware firm Berndorf. Along with IESE Prof. **Pedro Videla**, they shared their views on business ethics and their forecasts for 2010.

TOKYO

October 29

- Alumni and friends were joined
- by IESE Dean **Jordi Canals** and Dr. **Peter Baron**, founding partner of Japan Business Solutions, at a special session organized by IESE and the Tokyo Leadership Forum. **Baron** gave an address about professional career management, while Dean **Canals** discussed ways to create a more stable economy in the wake of the recent crisis in the presentation "Beyond the Financial Crisis: Building a More Stable Global Economy."

SHANGHAI

October 31

- The China Alumni Chapter
- organized a session for its members on October 31 on the CEIBS campus in Shanghai. The participants were



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5. Prof. Juan J. Toribio addresses members of the Brazil Alumni Chapter, São Paulo

6. Hugh Sinclair (MBA '01), Tsendsuren Gantumur (IFDP '03) and Oliver Thirlwall (MBA '01) in Mongolia

7. Hugh Sinclair in Ulaanbaatar

8. Session in Miami on December 2

joined by IESE Dean **Jordi Canals**, who spoke about the opportunities presented by the recent crisis to build a more stable global economy.

BRUSSELS

November 10

Members of the Belgium and Luxembourg Alumni Chapter met up in Brussels for a session led by **Sébastien de Fooz**, who recounted some of his experiences when he left his home town of Ghent in 2005 to walk the 5,500 km to Jerusalem in six months with only €50 in his wallet.

FRANKFURT

November 11

Germany-based alumni attended a session led by IESE Prof. **Laureano Berasategui**, who

gave the presentation "Managing High-Performance Teams." During the talk, the IESE professor spoke about how to approach team management in today's world; the need for more in-depth research into how teams function; the keys to successful teamwork and the major pitfalls that can result in team failure.

STUTTGART

November 19

The Germany Alumni Chapter convoked a meeting for its members in Stuttgart, at which Prof. **Josep Tàpies** gave the presentation "The Family Council: Key Elements in Good Governance of Family-Owned Business." Prof. **Tàpies** discussed the role of the family council in a family business, drawing parallels to the crucial role played by the board of directors in a non-family business.

NEW YORK CITY

November 19

U.S.-based alumni were treated to a session with acclaimed journalist **William F. Baker**, who is currently President Emeritus of Educational Broadcasting Corporation (EBC). EBC is the parent company of WNET-TV (Channel Thirteen) and WLIW-TV (Channel 21), where **Baker** served for 20 years as Chief Executive Officer. **Baker** offered participants a vivid picture of the U.S. media sector by drawing on the latest Nielsen report on modern viewing habits. He also discussed how modern journalism may be affected by these changes, in particular by the recent fall in advertising revenue.

December 10

Members of the United States Alumni Chapter met up with IESE Prof. **Sandra Sieber** for the session "From Advertising to Software Services: Google and the Future of the Digital Landscape." Sieber explained how Google became one of the leading players in the Internet business.

MUNICH

December 10

Germany-based alumni joined IESE Prof. **Steven Poelmans** in Munich for the session "Cultural Intelligence: Adapting to a Diversifying Workforce." Poelmans discussed the concept of cultural intelligence and offered some tips on how to adapt to growing workplace diversity and use of virtual, cross-functional and multinational teams.

MIAMI

December 2

U.S.-based alumni gathered with Prof. **Guillermo D'Andrea**, of

ALUMNI MEET UP IN THE BIG APPLE

Grand Central Station was the perfect rendezvous to bring together some 70 IESE alumni for a social event held on October 9, the eve of the Global Alumni Reunion (GAR) in New York. The Alumni Association would like to thank **Lorraine Merghart** (MBA '84), a member of the IESE U.S. Alumni Chapter Board who was instrumental in organizing the event.

On the same evening Global Executive MBA alumni met up at the New York Athletic Club in Manhattan to enjoy a night of networking and mingling. The annual event, which allows the close-knit Global Executive MBA community to reconnect, marked the school's growing presence the school in the U.S.

After seeing the turnout of his fellow Global Executive MBAs at the event, **Sean Ugrin** (Global Executive MBA '03), from Denver, Colorado stated: "I completed the program in 2003 when there were fewer than 60 alumni, including my class. As a member of the Alumni Chapter in the U.S., to be able to welcome the Global Executive

MBAs to New York is a great experience. I am amazed to see how much the Global Executive MBA community has grown." With over 25 percent of all participants since the program's inception attending, together with 15 professors and Global Executive MBA staff and guests, it was one of the best turnouts the event has had. Among the IESE staff and faculty at the event were **Maria Puig**, executive director of the Global Executive MBA, and Prof. **Eric Weber**, the associate dean of IESE.

Finally, alumni from the AMP '09 program got on their bikes to take in some of the sights in New York at the Global Alumni Reunion in October. The sightseeing trip was one of a number of social events organized by alumni to make the most of their time in the Big Apple. The IESE Alumni Association would like to express its gratitude to all the U.S. chapter board members who worked so tirelessly to make IESE's first GAR in New York a resounding success.



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IAE Business School (Argentina) to hear the talk, "Catering to Emerging Consumers: Retailers' Response and its Implications for Manufacturers." **Guillermo D'Andrea** teaches on the Senior Executive Program (SEP) for Latin America which brings together the expertise and experience of three business schools (IESE, IPADE and IAE).

SANTO DOMINGO

December 9

● Alumni in the Dominican Republic met on Barna Business School's campus in Santo Domingo, where they heard a talk by Prof. **José R. Pin** on transcendent leadership.

ULAANBAATAR

December 31

● **Hugh Sinclair** (MBA '01) and **Tsendsuren Gantumur** (IFDP '03) organized the first alumni reunion of its kind in the Mongolian capital of Ulaanbaatar to welcome in the 2010 New Year. The occasion for this reunion, held on New Year's Eve, was a visit from IESE alum **Oliver Thirlwall** (MBA '01). The group later took a horseback trip into the Mongolian mountains. There are currently five IESE alumni living in Mongolia, four of whom are involved in business education and work at the Mongolian University in Ulaanbaatar.

9. Global Executive MBA alumni reunion at the New York Athletic Club in Manhattan

10. Alumni from AMP '09

11. AMP '09 alumni meet up in New York to participate in the GAR

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KICK-START YOUR FUTURE

The IESE Alumni Association's recently launched portal includes a virtual platform with a range of tools to support its members' personal and professional growth.

The Alumni Association has launched a virtual toolkit to help alumni identify their strengths and areas for improvement. The Association's "Professional Development" platform will help them to re-examine and potentially redirect their professional career paths.

Career support is one of the most frequently-requested items among the Association's members, according to survey results. In response, the Association has launched the new "Professional Development" platform to strengthen its services in this area.

Tools in the "Professional Development" platform include online programs such as START, a kind of SWOT analysis of alumni's leadership skills, and SUCCEED, a seven-step career development plan. The platform also encompasses the "Career Opportunities" service.

Faculty from the Department of Managing People in Organizations contribute their extensive expertise in the area, with content and programs regularly updated as a result of their research.

MAXIMIZE YOUR POTENTIAL

● Faculty from the Department of Managing People
● are also collaborating in IESE's Talent Development Unit. The unit has recently launched START, an online program for the exclusive use of Association members. START's main aim is to help alumni identify the leadership skills that they need to hone by completing a range of self-assessment tests and exercises to gain a clear picture of their current leadership profile.

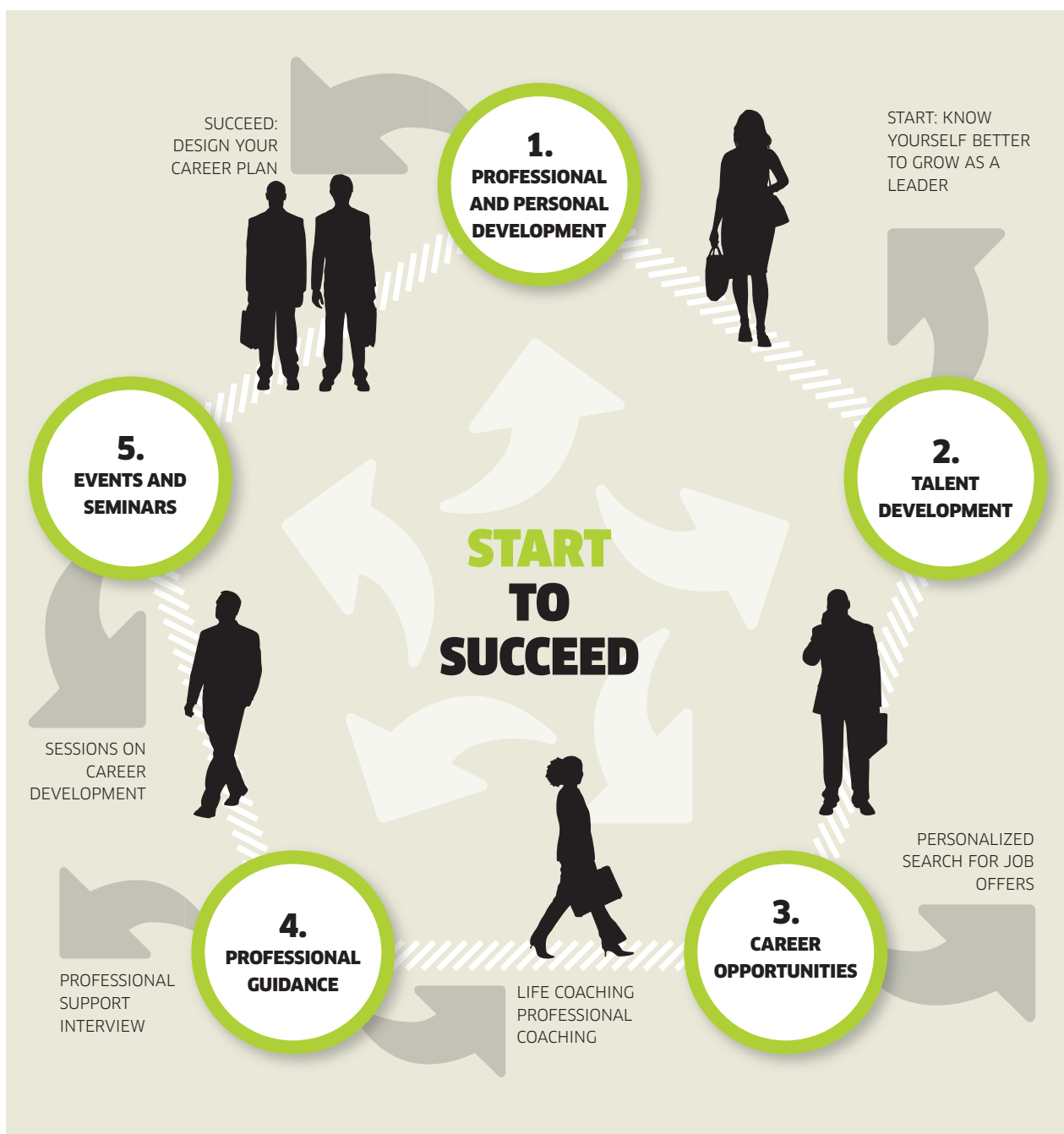
Users can compare their results with the average scores of other executives; share the experience with other alumni; and draw up an action plan with the support of an experienced coach. Prof. **Pablo Cardona**, director of IESE's Department of Managing People in Organizations and Research Associate **Helen Wilkinson** are spearheading the Talent Development Unit.

José M. Moreno (MBA '96), managing director of Voltimum Iberia, said that using START had been "an invaluable experience" that had enabled him to enhance his awareness of both his leadership strengths and areas for improvement.

PERSONAL CAREER TRAINERS

● As a next step, Prof. **Cardona's** professional
● coaching service can help alumni improve their self-awareness as well as define and achieve their goals. Or Alumni Association members can attend life coaching programs led by other IESE professors. Members can request a personal interview on how to move forward professionally and in the personal sphere via the portal. The first session is free of charge. Prof. **José M. Rodríguez Porras** coordinates this initiative.

The life coaching service also offers assistance with the decision-making process at each stage or crossroad in our professional and personal lives. This service is ideal for alumni facing periods of change, uncertainty or those who feel unfulfilled by their current situation. Prof. **Nuria Chinchilla**, director of the International Center for Work and Family and an expert on work/life balance, leads this project.



- And those members that are unable to attend personal coaching sessions do not miss out: the Alumni Association's Professional Development platform includes SUCCEED, an online tool that helps alumni draw up professional and personal development plans (*IESE Alumni Magazine* issue no. 114, pp.34-35).

- Once alumni have firmed up their career plans using SUCCEED or via personal coaching sessions with faculty, they can target their ideal job on the "Career Opportunities" section of the portal.

This section allows alumni to conduct personalized searches by sector, geographic region and salary range, as well as save their preferences for future searches.

- Lastly, the Alumni Association runs a full roster of ongoing Continuous Education seminars and sessions focused on career development to allow alumni to constantly enhance their career planning skills and keep track of recent developments in career management.

Since the Alumni Association launched its new portal last year, the range of services on offer continues to grow. The interactive platform, available in both Spanish and English, will evolve in response to the needs of association members.

So for Alumni Association members who want to reassess their career paths in 2010, there is no reason why they cannot "START" to "SUCCEED."

THE NEW LOOK ECONOMIC OVERVIEW

IESE's monthly publication *International Economic Overview* has begun the new year with an overhaul aimed at providing a better service as well as strengthening the school's ties with alumni.

Among the publication's new features is a readers' letters section (on the back page) featuring the most interesting comments from alumni as well as Prof. **Pedro Videla's** response. By promoting two-way discussions with readers, the school hopes to strengthen its already close ties with its alumni.

The publication will also include a third article to allow its writers to tackle a broader range of topics within the same issue.

Also, the articles will be signed by the authors, which should help to personalize contact between readers and the authors and make it easier for alumni to comment directly on issues raised in each article.

Finally, the new-look publication will include some

of the Alumni Association's latest news, informing alumni about other services the association's portal offers.

International Economic Overview is a monthly publication for members of the Alumni Association. Its editorial board, which consists of members of IESE's Economics Department, analyzes economic trends and prospects. The publication, along with the *IESE Alumni Magazine*, is one of the most valued services among members of the IESE Alumni Association.

The publication's editorial board includes Profs. **Antonio Argandoña, José M. Campa, Jordi Canals, Javier Gómez Biscarri, Nuria Mas, Alfredo Pastor, Juan J. Toribio, Pedro Videla** and **Xavier Vives**.



CONNECT WITH IESE ON THE WEB

Who hasn't heard of social networks? The phenomenon that is transforming the way we communicate on the Internet is nothing new to IESE, which has a strong presence on the leading networking sites. What is new, though, is that you can now access each site from one single web page:

www.iese.edu/Network

YOUTUBE

The site's main YouTube screen features the latest IESE video. All the other IESE Youtube videos are just one click away.

FACEBOOK

Keep track of the latest news about the school on the world's no.1 social networking site.

TWITTER

Alternatively, you can follow the latest developments at the school on Twitter, the revolutionary microblogging site.

ITUNES

IESE videos are also available in the podcasts section of Apple iTunes' audiovisual platform. In addition, you can log on to www.iese.edu/Network to access a range of IT resources designed to make our lives easier, such as widgets and toolbars, not to mention a host of blogs related to IESE. So, what are you waiting for? Give IESE's network page a browse!



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Looking Back to Face the Future



JUAN CARLOS VÁZQUEZ-DODERO

Professor of Accounting and Control
and Business Ethics, IESE Business School

Almost 30 years ago, during the *IESE Alumni Magazine's* formative years, I published an article about entrepreneurship. It comes as something of a surprise that three decades on many of the ideas that I put forward back then not only remain applicable today, but have actually acquired even greater relevance. I would like to revisit some of these concepts for the purpose of shedding light on the vast opportunities that exist right now. They represent challenges that are not much different, in essence, from those we faced back in 1981.

We are going through tough times, full of difficult and daunting opportunities, but opportunities nonetheless. We have had to adapt to a new business and economic scenario, and we must confront this situation in a constructive way, with the desire and determination to improve our present reality, whether we like it or not.

Business leaders are faced with two main choices: either confront the challenges head on or concede defeat. Waiting it out (i.e., doing nothing) in the hope that better times are on the way is just one way of conceding defeat. Others include focusing solely on the difficulties; laying the blame on anyone and everyone except oneself; refusing to address the urgent need for constant reinvention; refusing to explore the opportunities available both locally and beyond

our borders; and, finally, being unwilling to make the sort of sacrifices that such challenging times call for.

However, there are also those who see the current circumstances as a challenging opportunity to set up new companies; who, despite the climate of uncertainty, continue to battle on with renewed energies; who have looked long and hard at their business model in order to identify what remains valid and what areas need changing. These could include, to name a few, approaches and policies; operational methods and marketing strategies; ways of embracing the new opportunities arising from technological developments, and accountancy and control strategy.

Just as I wrote almost 30 years ago, today's world is full of entrepreneurial opportunities. But we must be ready to unleash all our creative energies, to take the bull by the horns, so to speak, and to work hard.

I sincerely hope that in the next few years we will have responded successfully to this new challenge. It is true that there has always been and always will be those who do not follow the right path, but let's not fool ourselves: real achievements come to those who truly pursue their goals, and success comes to those who work hard. And right now, in these times of opportunity, we must work with all the means at our disposal to address the tough challenges ahead.

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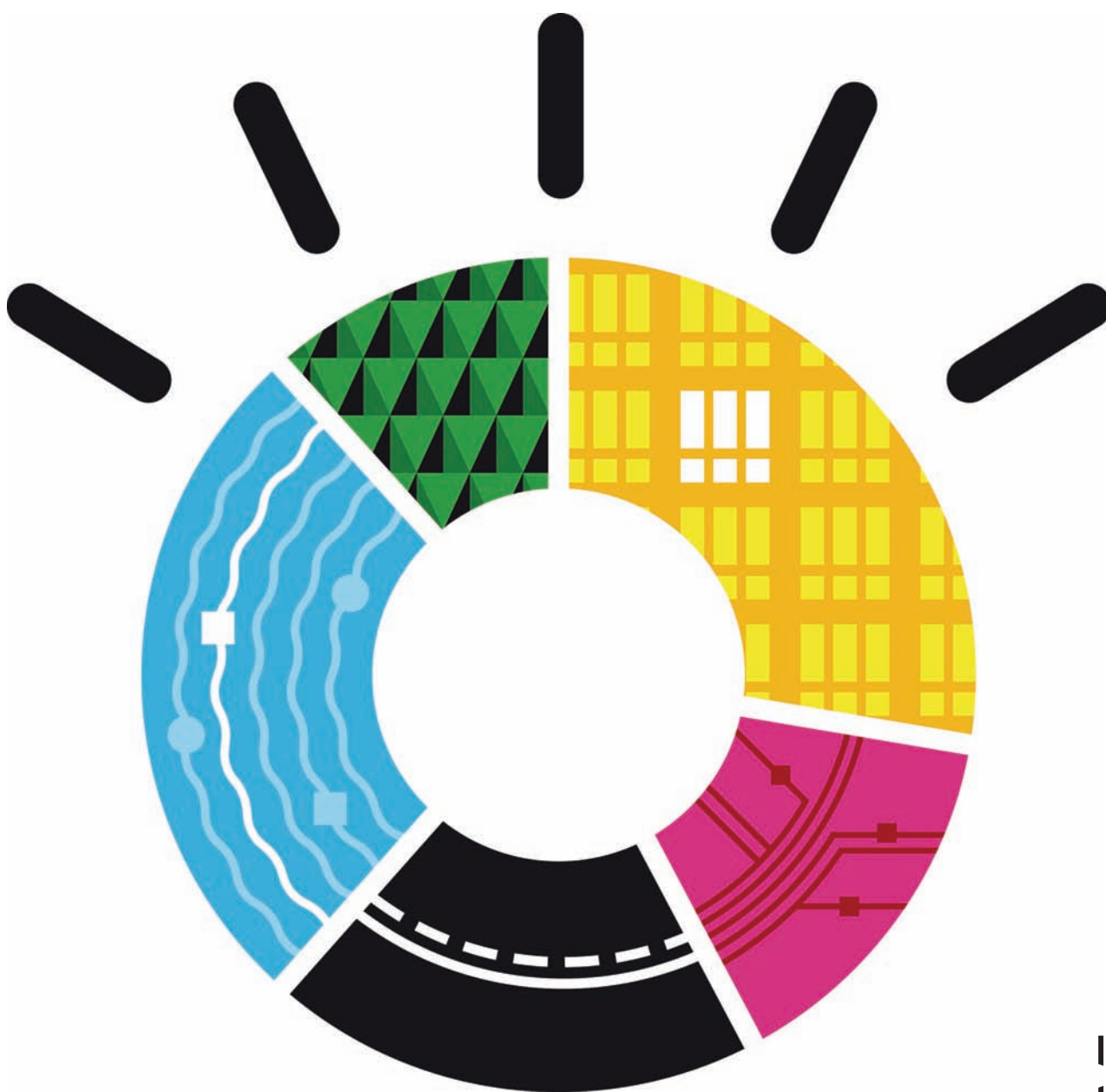
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