

**Antonino Vaccaro and Alberto Ribera**

The Smart Way to Cut  
the Wise Guys Down to Size

**África Ariño**

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Past Indicative  
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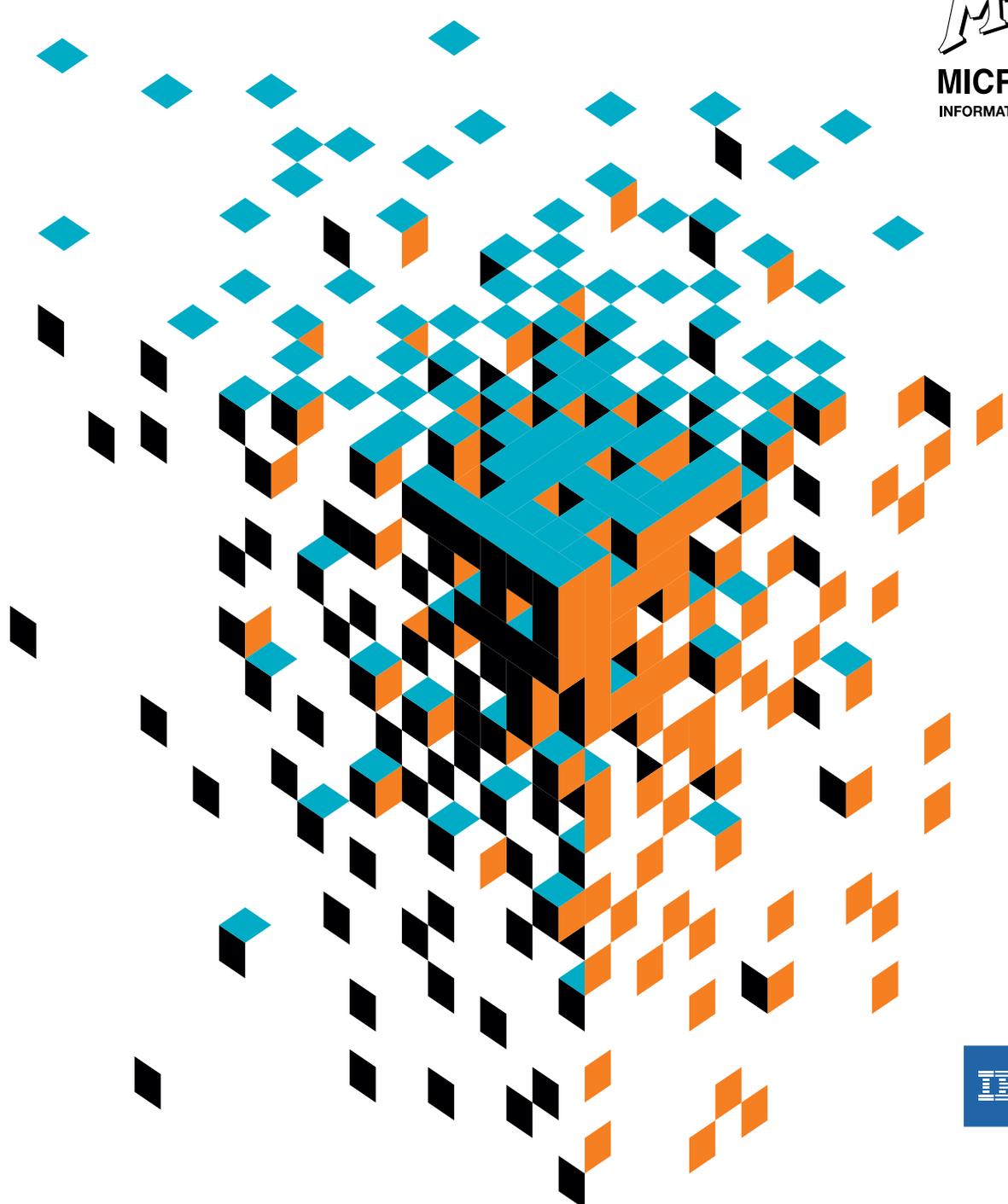
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# WANTED: A NEW WAY OF DOING BUSINESS



**ANTONIO  
ARGANDOÑA**

Editor of  
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What has “a new world” got to do with “building the business of the future”? Well, for one thing that’s the headline we have given the *Alumni Magazine*’s cover story. And, needless to say, they have a lot to do with each other. We at IESE owe a lot to businesses and to the men and women who run them. We aim to teach business leaders in a way that ensures that business performs its social function. As a result, we view business much as a parent looks at their child: with tenderness and devotion, but critically too.

And this translates into an equally critical attitude that strives for things to be better. Much better. We need a new vision and a new theory of business in order to arrive at a new practice. For us this implies a renewed spirit of business leadership, with new understandings, new attitudes, abilities and responsibilities. This will lead to business having a new presence in society. Ambitious? Certainly, but here you will find much food for thought.

In the “Ideas” section, **Antonino Vaccaro** and **Alberto Ribera** discuss an idea that is gaining widespread currency: total transparency. But it may be an erroneous aspiration and we should proceed with care. **Pablo Maella** returns to a perennial issue in human organizations: how to make people more effective. Meanwhile, **África Ariño** looks at the pros and cons of alliances.

We also devote several pages to the subject of “entrepreneurs and investors in search of change.” The future depends on the entrepreneurial spirit. The project precedes the money and the project translates into a vision of business and the economy. Behind every project there is a leader, which is why encouraging the entrepreneurial spirit is part of IESE’s mission.

There is much more in the magazine. We have produced it, as ever, with great care so that you can spend a while learning new things, recalling others and, as always, sharing them with your fellow alumni.

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# A NEW WORLD: CREATING THE BUSINESS OF THE FUTURE

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STEPHEN  
BURGEN

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The world financial crisis poses important questions about both the strategic and ethical paths that have been followed and that have brought us to this point.

Is it possible to create a better society, a society in which business can play a leading role, if we establish organizations whose goals extend beyond simply making money? The *Alumni Magazine* has responded to this challenge by asking our professors how we can exploit the current crisis in order to make a better world. Their responses are food for thought, with theories that are on the threshold of new paradigms. They are difficult challenges but, as Thomas Edison said, “I only ask that the doubters don’t get in the way of those of us who are trying.”



“Economists built a whole theory based on selfishness: everything is for me, nothing is for others. But as human beings we are also selfless,” the Nobel laureate and micro-finance pioneer

**Muhammad Yunus** told an IESE conference in June. “Why not have social business alongside the conventional business? Why not create a business on the basis of selflessness, where everything is for others and nothing for me?”

To many, **Yunus’** comments go to the heart of everything that has gone wrong with capitalism. Entire oceans of ink have been spilled since the world financial crisis was officially declared some two years ago. Is it worse than the crash of 1929? Is it the worst ever, unlike any other in history? Or is it simply a particularly violent seismic shock in the cycle of boom and bust? Things will never be the same again, we are told. But is this the end of capitalism, the dawning of a whole new world, or are the cynics right, that the rush is on to return to business as usual? What are the lessons to be learned and if we heed them — which is by no means certain — what will the landscape of this brave new world look like? Here, IESE professors covering a range of disciplines reflect on the nature and impact of the crisis and its possible repercussions on the way that business is conducted and the way we live.

“The collapse of the U.S. investment banks in the autumn of 2008 was one of the most remarkable events in modern economic history,” says **Jordi Canals**, the dean of IESE. “These events in the financial services industry in the United States are unique: no other industry has imploded this way in any other country.”

**Luis M. Calleja**, IESE professor of strategic management, agrees that, while crises appear to be both cyclical and inevitable, this one is different because the financial collapse “coincided with social, demographic, political and technological” crises. “Change has always been a constant,” he says. “What is different now is that it happens faster. Now we experience rapid swings and upheavals that were once felt across a generation. The immediate advantages of this are obvious (as are the disadvantages) because you can recall the fallout from last time and therefore diagnose the causes and change direction.”

“This isn’t the first crisis we’ve suffered, nor will it be the last,” says **Reyes Calderón**, dean of economics at the University of Navarra. “Life is cyclical by nature: the changing seasons, day and night, birth and death, success and failure, Advent and Lent. In this respect, the economic crisis is like a bout of the flu: unpleasant, uncomfortable and recurrent. It arrives with a certain force, upsets life for a few days and later, with or without medication, it goes away. Thus, although they are painful, crises seem to be a natural and necessary part of creative destruction. Children bounce back from a fever, and so does society.”

So what were the causes of the crisis and how could it have been avoided? **Alejandro Llano**, professor of metaphysics at



“A purely idealistic approach won’t work. We must look at how to change structures.”

**JOAN FONTRODONA**  
Business Ethics

“The crisis has brought to a head questions about the prevailing business models.”



**ALEJANDRO LLANO**  
Philosophy

“We need models that do not differentiate between financial returns and social impact.”



**JOHANNA MAIR**  
Strategic Management

the University of Navarra, believes that crisis occurs when a set of prevailing values are no longer valid but have not been replaced by others. “The financial crisis has brought to a head an ongoing process in which the prevailing business models have been called into question,” Llano says. “For all the mass of literature on the subject of management, it has rarely touched on the heart of the question, which is that management has been focused on profit maximization.”

**Johanna Mair**, associate professor of strategic management, comments that she is researching and teaching how more inclusive business models are crafted and enacted. “Inclusive models that do not strictly differentiate between categories such as economic and social value but that aim at providing financial returns and have a positive social impact,” she says. “One thing that has emerged from the crisis is that we need more diversity and variety in organizational forms. This is also a point of inflection for business schools and for efforts to make more inclusive trajectories of capitalism possible.”

**Canals** agrees. “The current economic turmoil has been partially fueled by the idea of firms as pure profit maximizers in the short-term on many occasions without connection with the firm’s long-term performance, as well as the notion of business leaders as agents focused only on delivering such results. The current crisis has proven this wrong, with the effect of putting the firm’s reputation in jeopardy as a result,” he says. He adds that under strict economic logic, the firm’s goal is to maximize its market value. Consequently, the firm’s top management should direct every decision and action towards increasing the company’s value. The problem is that we are liable to confuse ends with means. For a company, making money and being efficient are necessary, but not sufficient, conditions for long-term survival. When a company makes short-term economic gain its sole purpose, it neglects other decisive factors that may put the firm at risk in the long term. And when society as a whole succumbs to this misunderstanding of means and ends it makes a serious mistake. Perhaps unwittingly, **Canals** says, it is killing the goose that lays the golden egg.

“I’ve always insisted that to say that the point of a business is to maximize profits is like saying the point of living is to breathe,” says **Miguel A. Ariño**, professor of managerial decision sciences. “It’s one thing to say a person can’t live without breathing, another to say breathing is the point of existence. In the same way, a business can’t survive without profits but making a profit isn’t its *raison d’être*.”

As **Josep M. Rosanas**, professor of accounting and control, points out, the collapse of Lehman Brothers bank shows just how misguided this approach is. “While the top man at Lehman Brothers, **Dick Fuld**, pocketed \$500 million through a system of incentives designed to maximize shareholder value, the shareholders themselves ended up with nothing.”

However, if the profit motive ceases to be paramount, investors are going to have to lower their expectations of big returns and wean themselves off the drug of risk-taking, a drug that until now had no unpleasant side-effects. “If we change this (maximizing profits) we are going to have to educate investors so that they understand that profit maximization is not our primary objective,” says **Joan Fontrodona**, academic director of IESE’s Center for Business in Society. “If investors ask the directors if all decisions are taken in order to maximize profits, the answer will have to be no. We have to change maximization for sufficient profitability.”

For Prof. **Alberto Fernández** it isn’t the incentives themselves that are the problem, but the way they are misused. The problem has been short-term strategies based on short-term results. He suggests career paths as another way of motivating people. “People are motivated by having new responsibilities and challenges which, clearly, also entail greater financial rewards.”

If there is a consensus, it is that things got out of hand, that money and power became the only ends, both symbiotically linked in a feeding frenzy where the demands for ever higher and faster returns encouraged a recklessness that was rewarded with colossal bonuses. “Weak ethics,

“ONE THING THAT HAS EMERGED FROM THE CRISIS IS THAT WE NEED MORE DIVERSITY AND MORE VARIETY IN ORGANIZATIONAL FORMS.”

**Johanna Mair**

“Saying the point of business is to make profits is like saying breathing is the point of living.”

**MIGUEL A. ARIÑO**  
Decision Sciences



“Change has always been a constant. What is different now is that it happens faster.”

**LUIS M. CALLEJA**  
Strategic Management



“If we really want to find a way out of this, we need trust and values.”

**REYES CALDERÓN**  
Economics



“A CRISIS CHANGES OUR NOTIONS OF SUCCESS AND FAILURE. IT CALLS INTO QUESTION THE GOALS AND CRITERIA THAT GOVERN OUR ACTIONS.”

Luis M. Calleja



**JORDI CANALS**  
Dean of IESE



**ALBERTO FERNÁNDEZ**  
Accounting & Control

social myopia and a lack of fellow feeling have led many to confuse the ends with the means and look out only for themselves. The result of this is there for all to see and it's not a pretty sight,” **Llano** says. But if no one wants a return to sub-prime, toxic loans and the sort of financial wizards who believed economic life could be reduced to algebraic equations, what have we learned from all this and where do we go from here? We know we don't want to continue as before but we don't know how to get ourselves out of the jam we find ourselves in because there is no obvious way out, **Llano** says.

What hasn't entered into consideration is ethics, he says, the question of what is good and bad, not in regard to running the business but in regard to human beings. He proposes a humane approach to doing business that is not

counterposed to the market economy, but runs counter to the proposition that the market is everything.

Will we emerge from this stronger? If you can withstand the shocks, yes, says **Calleja**, pointing to 100-year-old companies such as Siemens, IBM, Santander and Nestlé that have withstood wars and slumps and become more resilient in the process.

IESE's **Pankaj Ghemawat** comments that “the crossfire over globalization is bound up with even more polarized wrangling over regulation. More globalization is widely believed to go hand-in-hand with deregulation, and vice versa. And, worse, globalization and regulation are both framed as take-it-or-leave-it propositions. But globalization and regulation are complementary rather than in conflict. Otherwise, the entire policy space collapses down to a single binary choice, which I will refer to in this book as the tug of war between World 1.0 and World 2.0. We have nowhere to aim but directly at each other's faces.”

It is vital, **Calleja** says, to know what can and can't be changed, and each requires a quite different form of counsel. “For the immutable, you need someone wise; for the moveable you need a technician,” he says. One thing that clearly has to change, says **Canals**, is the way business is run. He says there is a widespread belief that the quality of business leadership can and should be improved and that corporate reputation must be restored. He believes it is imperative that we rethink the notion of the firm, what its purpose is and what role it should have in society.

“The pillars upon which a respected company is built are its mission, its people, its economic model and its management organizational effectiveness,” he says. “Those pillars help the company establish and develop key relationships with stakeholders, which contribute to its social legitimacy and pave the way for increasing respect. Deep down, companies are communities of people with the ability to organize individual work and enhance its value through cooperation. Firms should be schools where individuals learn not just knowledge and skills but also personal and social values that are key to the common good, such as the value of professionalism, the spirit of service, the work ethic, cooperation, trust and lifelong learning.”

**Calleja** insists that the time has come to put people first and give the spiritual primacy over the material. He posits a humane business model that puts the common good above exclusive privileges. The common good consists of what can be shared — happiness, security, peace, respect for the individual and their humanity, achieving common goals — and which increases through being shared. Exclusive privileges, on the other hand, such as money, influence, space, inside information and power, are diminished when shared.

All of this requires, among other things, leadership by example. It is reasonable to ask why business leaders did not do more to avert the crisis and to avoid the damage done to the very businesses they were there to protect. The superstar CEOs have been brought down to earth by corporate scandals, shareholder outrage at their excessive compensation deals and by the crisis itself.

“Short-term performance is always important, but long-term performance is what makes a difference in the senior manager’s professional life,” says **Canals**. “Humility is an essential virtue for any CEO, and should be combined and developed together with the determination to achieve agreed upon objectives. A CEO develops people and talent not only by employing sophisticated techniques, but mainly by learning and becoming a positive model for others. A CEO with a strong sense of integrity and ethical values does not just talk about ethics, but tries to put them into practice in every business problem or challenge. They cannot help the people who work with them grow and contribute to the company’s development unless they first set an example.”

**Fontrodona** contends that we have to approach the problem on all levels: theoretical, practical and systemic. “A purely idealistic approach won’t get us anywhere,” he says. “There are economic structures that must be questioned and we must look at how they can be changed. Both things go hand in hand. But it has to happen bit by bit. It’s like a big ship, it moves forward through a series of small maneuvers, but a sudden movement could cause it to sink.”

On the positive side, there are signs that the ship is already changing tack. While on the one hand, capitalism has grown ever more rapacious and profit driven, on the other there has been a rising clamor for restraint, accountability, ethical behavior and genuine corporate social responsibility that goes beyond PR and window dressing. There is a profound sense of outrage that those most responsible for getting us into this mess were — and in many cases still are — paid enormous salaries and bonuses while it is the man in the street, through public spending cuts and job losses, who has to pick up the tab.

#### **COLLABORATIVE SYSTEMS**

- There is also a growing sector of companies which, while
- not excluding the possibility of making a profit, exist primarily to serve humanity. Young people in particular, whose ideas about power and democracy are informed by new technologies and social networks, are demanding a more humane and collaborative economic system based on justice and moderation. More than anything, what is most in need of repair is trust. Prof. **José A. Segarra** agrees with Yunus that another way of doing business is possible, if we establish an enterprise that “serves human beings and combines efficiency with human coexistence.” We should remember, he says, that businesses are established by people to serve people, and that the individual is not at the service of the business.

**Calderón** says the argument is simple. “If we want to find a way out of this, we need trust and values, and to do this we need to make the most of the ‘value factory.’ Invest in the family; the family that teaches responsibility, hard work, austerity and solidarity and which is the basis of sustainable development. It is the compensatory moral force against the ravages caused by the self. Politicians don’t produce decent, honest, hard-working people, it’s the family. Bouts of the flu come to an end, values don’t.”



“Globalization and regulation are complementary rather than in conflict.”

**PANKAJ GHEMAWAT**  
Strategic Management



“We must establish businesses that combine efficiency with human coexistence.”

**JOSÉ A. SEGARRA**  
Marketing



“The top man at Lehman Brothers pocketed \$500m while the shareholders ended up with nothing.”

**JOSEP M. ROSANAS**  
Accounting and Control

**“CHANGE IS LIKE A BIG SHIP. IT MOVES FORWARD THROUGH A SERIES OF SMALL MANEUVERS.”**

**Joan Fontrodona**

## TRANSPARENCY

## THE SMART WAY TO CUT THE WISE GUYS DOWN TO SIZE

**ANTONINO VACCARO**

Assistant Professor of Business Ethics, IESE

**ALBERTO RIBERA**

Associate Professor of Managing People in Organizations, IESE

A grassroots campaign to curb Mafia extortion in Sicily shows how information can be used to powerful effect against even the most fearsome and ruthless opponents.

TRANSPARENCY • BUSINESS ETHICS • ORGANIZED CRIME

What do a cookie maker, seven friends, and a Sicilian Godfather have in common?

The answer is that the seven friends founded “Addiopizzo” (bye-bye extortion) — a successful Sicilian anti-racket organization. The cookie maker was the first entrepreneur to join the organization and some Sicilian Mafia godfathers have recently experienced a significant reduction in the income they receive from extortion. Incredible, isn’t it?

Now, let’s do a quick recap of this story, because the best is still to come. Addiopizzo was founded in 2004 by a group of recently graduated university students who wanted to fight the Mafia’s extortion of Sicilian businesses. According to the Italian police, at the beginning of 2000, more than 90 percent of Sicilian businesses had to pay a monthly pay-off (*pizzo*) to the Mafia in exchange for protection. The remaining 10 percent were in a grey area, as they chose not to cooperate with either the police nor the Mafia.

Addiopizzo has created an anti-racket certification that allows consumers to identify businesses that do not pay bribes to the Mafia and refuse to collaborate in any way with these criminal families. It also monitors

members, in collaboration with the police and other activists, to ensure that they don’t play a double game, getting the certification to attract customers while at the same time paying bribes to the Mafia. In the Palermo province alone, Addiopizzo can count on more than 10,000 members and almost 600 businesses.

Businesses that sign up to Addiopizzo’s certification have to display the anti-racket symbol at the entrance of their shop so that consumers know they are making their purchases from businesses that do not pay extortion to the Mafia. As one of the activists pointed out during an interview, “Our certification ensures that the money spent by consumers will not end up in the hands of Mafia families...In the past, people did not realize that racket money paid to the Mafia was paid with customers’ money.”

Addiopizzo’s activities are not limited to the mobilization of responsible consumers. The organization has also created a support program for entrepreneurs who want to fight — and denounce — Mafia extortionists. Entrepreneurs who decide to blow the whistle receive psychological and practical support along with the possibility of entering the special protection program run by the anti-Mafia police. As an anti-Mafia expert pointed out during a recent interview, “a few years ago, this would have been considered unthinkable...just impossible.”

How did Addiopizzo achieve this? What can we learn from their experience? Why is Addiopizzo relevant to business people in general?

The answer to the last question is relatively simple. Addiopizzo is a successful anti-extortion initiative that could be replicated in countries plagued by Mafia-type organizations such as Russia, Colombia, Mexico, Jamaica, China, Japan and several African countries. We should not forget that organized crime has a significant impact on economic activity at a global level. The World Bank recently estimated that criminal organizations generate annual revenues of more than \$120 billion, equivalent to the GDP of a country such as New Zealand or Hungary.

In the past, organizations such as Transparency International have tried to implement top-down approaches in the fight against corruption and crime and have encountered enormous problems in the implementation of high-level policies. By contrast, Addiopizzo is a bottom-up initiative that has focused on micro-level dynamics to boost social change. Addiopizzo's ability to leverage information to prevent and fight corrupt business practices make it an exemplary case of an organization capable of strategically using information disclosure to induce radical and positive change in a hostile environment.

Contrary to the view prevailing among some academics, who call for "extreme," "radical" or "full" transparency, the case of Addiopizzo highlights the opportunities that the strategic use of information offers for effecting positive change. Instead of disclosing "everything now," Addiopizzo has opted for a more focused informational disclosure approach — strategic transparency, where only certain types of information are disclosed and where the timing of disclosure addresses specific situations.

#### **INFORMATION IS POWER**

● Strategic transparency has nothing to do with concealing the truth or manipulating stakeholders. Instead, strategic transparency is

ITS ACTIVITIES  
HIGHLIGHT THE  
OPPORTUNITIES  
OFFERED BY  
THE STRATEGIC  
USE OF  
INFORMATION



“ADDIPIZZO HAS TAUGHT ME THE POWER OF INFORMATION AND HOW TRANSPARENCY CAN BE USED TO AVOID OR RESOLVE PROBLEMS.”

focused on a pragmatic and realistic understanding of the power of information and the role played by contextual conditions as important indicators for decision making processes related to information disclosure.

We can draw a parallel to physics to clarify this important issue. Transparency is the “social” analogy of the concept in physics laid out in Heisenberg’s Uncertainty Principle which states that if you use light to observe an electron, its energetic state will alter. By the same token, if you increase the availability of information — shed more light on — some business activities, then the people responsible for that business will change their behavior.

Too much information, like too much light in physics, can render things unstable and unmanageable. Indeed, too much energy, released too quickly, can destroy a system instead of improving its performance.

The same can happen with individuals and organizations; people need time to digest and process information. Full transparency can be worse than full opacity, simply because your customers, employees or even your enemies, do not have the time, or are not prepared, to process the information disclosed. This issue is critical in the development of transparency policies aimed at fighting fraud, corruption and other misconduct in business.

#### LESS THAN FULL DISCLOSURE

● Addiopizzo has successfully implemented a strategy that engages honest individuals and companies to collect and use information as a weapon to fight corrupt and violent people and practices. As one of the Addiopizzo activists pointed out: “It is not only important to collect information from our members (consumers and firms) it is also important to understand when is the right moment to disclose key information to the public.”

For example, Addiopizzo publicly highlighted the Mafia’s violent intimidation of **Vincenzo Conticello**, the owner of a small restaurant who reported the extortionists to the police. The press releases, which were sent out immediately after the start of the in-

timidation, coupled with police protection, had the positive effect of stopping the Mafia’s threats. Criminal organizations prefer to work underground and cease to function when they are forced out into the light.

By the same token, Addiopizzo uncovered the strong connection between **Toto Cuffaro**, former regional president of Sicily, and the Mafia. This information was released at a critical moment in the regional political debate when, according to Addiopizzo’s members, the problem of Mafia’s infiltration into politics was being ignored.

#### THE USES OF TRANSPARENCY

● We have seen how businesses that work with Addiopizzo have learned how to strategically leverage information to fight the Mafia. As one entrepreneur mentioned in an interview, “Addiopizzo has taught me the power of information... making things clear and transparent can be a good way to avoid problems or to resolve them... and I am trying to share this lesson with my employees ... Transparency is not only a tool to interface with the external environment, it is a subject that should also be addressed inside any organization to prevent problems and avoid danger.”

It seems that the saga of the Sicilian Mafiosi might soon come to an end. We should note that Italy is not the only country where citizen-driven, anti-crime movements are emerging. During the past few years a number of similar organizations have emerged around the world. Among others, it is worth mentioning EGJustice in Guinea Bissau, the “Youth-driven Mjaft!” founded in 2003 in Albania, the Ocasia Colombia founded in 2006 and the Shayfeen founded in Egypt by a group of women.

However, we should not forget that mafias around the world are not just criminal organizations, they are also the result of cultural traits deeply rooted in their respective populations. And here we can see another dimension in the power of information: provide the right information in the right way to new generations and you will change the world.



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## STRATEGIC ALLIANCES

## UNEQUAL PARTNERS



ÁFRICA ARIÑO

Professor of Strategic Management, IESE Business School

Alliances are one way for startups to leverage their scarce resources and increase their chances of success, but many entrepreneurs lack experience in how to manage these alliances.

The past decade has witnessed a change in how many entrepreneurs organize. Where earlier, small companies may have been likely to try to go it alone in creating a market when offering a product or service, increasingly they have turned to setting up alliances with other organizations. Many entrepreneurs are motivated to form an alliance because it may help their startup company leverage its scarce resources and increase the likelihood of economic success.

While the practice has become more widespread, the knowledge of how best to form and manage these alliances has not kept pace. Many entrepreneurs do not have any experience in managing alliances. Those that do, have likely discovered that there is no single model for when to use or how to structure an alliance.

Many firms share the conviction that you can't go it alone in today's business environment. As alliances have come to represent a substantial percentage of some firm's revenues and profits, their failure rates appear to be just as considerable. Defining what is meant by collaborative success or failure is difficult, however. Nevertheless, numerous studies have shown that between 30 and 70 percent of all alliances fail.

Alliances pose many questions and challenges for firms. When should they be used rather than alternative investments and how should they be designed and structured? How can firms navigate complex alliance processes more effectively and how can they best manage their involvement in extended networks? What are the or-

ganizational and managerial requirements of effective alliance implementation and how can partners gauge the performance of their alliances and make improvements?

Alliances are often collectively referred to as hybrid organizations, and this description is apt. They blend features of organizations and markets, cooperation and competition, flexibility and commitment, trust and formal contracts.

Alliances themselves can be seen as sources of entrepreneurial opportunities that are well defined at the outset. But they can also be seen as a means of discovering or creating completely new opportunities that are not well known prior to the formation of the collaboration. They are also one of several "modes of action" by which individuals or firms exploit the opportunities they recognize or create.

Why enter into an alliance in the first place? When entrepreneurs are asked to enumerate the reasons why their firms might take on a partner, they often list reasons such as the following: 1. to improve their chances of survival; 2. to obtain critical resources; 3. to tap into others' financial capital; 4. to create new businesses; 5. to accelerate growth in certain product markets; 6. to achieve rapid internationalization and; 7. to cope with various uncertainties.

New ventures have to overcome the "liability of newness." Often they lack relationships, or have an undeveloped set of relationships, with key stakeholders such as investors, suppliers, employees and customers. Alliances can begin to counter a firm's liability of newness by addressing the new venture's resource shortfalls by teaming up with a larger or more



ALLIANCES CAN  
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COMPANY.

established firm. Secondly, relationships with reputable partners can have beneficial effects on the new venture's ability to secure resources from other sources as well.

Certain questions must be answered before deciding what type of alliance governance is required. The partners should consider what are the primary commercial objectives of the alliance. What are their anticipated resource contributions and what will be the alliance's product market scope and geographical scope? What are the key hazards and risks the parties face and what are their interests in the collaboration? And in what specific ways will the policies obtain financial or non-financial returns from the alliance?

Although alliances can be broadly broken down into equity and non-equity governance structures, in fact, the incentives, control rights, monitoring

mechanisms, safeguards and other aspects of alliance governance can vary a great deal within each of these two categories. An equity alliance offers greater incentive alignment and control than a non-equity one, but involves greater governance costs as well. The question of whether an equity or non-equity alliance is more attractive therefore involves consideration of whether the incentive alignment control features of equity alliances are needed, such as when the firm faces a serious risk of opportunistic action.

Getting the right partner is of particular importance to alliance success. This involves a process of partner search and selection. Readily available information about potential partners is often insufficient. Determining who might be the right partner takes much time and effort from senior management due to the lack of information. When it comes to partner selection, it

is necessary to make sure that the partner and the firm are compatible. Two main groups of selection criteria emerge in this respect: task- and cooperation-related. Task-related selection criteria are associated with the strategic resources and skills that a firm requires for its competitive success, while cooperation-related criteria are associated with ascertaining how partnering firms can work together effectively.

It comes down to a question of whether or not it is a good fit. Assessing the fit, be it strategic, organizational, operational or human, is an ongoing process throughout partner search, partner selection and negotiations, which entails exploration and discovery. If the company has a good knowledge of the potential partner from past relationships, the process is greatly simplified. This is why, in general, strategic and organizational fit are

### KEY QUESTIONS AND CHALLENGES POSED BY ALLIANCES

- **When should you use alliances rather than alternative investments? Or avoid them?**
- **How should alliances be designed and structured? How can alliances be governed appropriately to achieve collaborative objectives?**
- **How can firms navigate complex alliance processes more effectively (e.g. partner selection, negotiations and relationship management)?**
- **How can firms best manage their involvement in extended networks?**
- **What are the organizational and managerial requirements of effective alliance implementation (e.g. capabilities, teamwork)?**
- **How can partners gauge the performance of their alliances and make improvements?**

### PREPARING FOR PARTNERSHIPS

- **Strategic issues**
  - Does the firm have a clear vision and strategy?
  - Does the firm understand where to form alliances, and where not to?
  - Are partner selection criteria clear?
  - Are potential partners being monitored?
  - Are the alliance activities of rivals being benchmarked?
- **Organizational issues**
  - Does the firm have a culture of cooperation?
  - Is there strong teamwork in the firm?
  - Does communication flow freely?
  - Is responsibility decentralized in the firm?
- **Managerial issues**
  - Are employees comfortable in situations requiring responsibility without control?
  - Do employees work well with others from different cultural backgrounds?
  - Do employees possess general management skills?
  - Do top managers display commitment to new initiatives?

#### MORE INFORMATION

*Entrepreneurial Alliances.*  
Ariño, A.; Reuer, J.J.; Olk, P.M.  
(Pearson Prentice Hall, 2010)

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

considered during partner search and selection, while most likely operational and human fit will be evaluated during negotiations as they are more difficult to assess from a distance.

When preparing to negotiate with the preferred potential partner, managers of entrepreneurial companies should keep in mind three considerations of a general nature before getting down to the details of the negotiation. The first is to keep in mind that the purpose is to use the alliance to co-create value along with the partner. Secondly, analyze both the company's needs and those of the preferred potential partner, that is, carry out a two-sided analysis. And thirdly, remember that they still have to confirm the fit with the preferred potential partner. The next step is to go ahead and sign the deal. But even then, entrepreneurs should ask themselves the killer question, "when the time arrives for my company's exit from this alliance, will the company be stronger and more powerful than when we entered?" If the answer is yes, then the time has arrived to take the pen and sign the contract.

Alliance execution is an important element of the alliance implementation challenge. Of course, the better the job that entrepreneurial managers have done selecting their partner and negotiating and designing the alliance, the better position they'll be in to address this challenge. However, sooner or later entrepreneurial managers will face one or another type of conflict. While a certain level of conflict may

be healthy, it may become harmful if not properly managed. Two main avenues open up here. The first relates to setting up formal mechanisms that establish the rules of the game for decision making. The second avenue involves nurturing the right relational quality between the partners.

It is wise to periodically reassess the desirability of keeping the alliance alive in order to avoid the error of maintaining it simply out of inertia. Terminating an alliance does not mean it has failed. Alliance termination may have been planned from the beginning. Entrepreneurial managers may decide to terminate an alliance once the goals for which it was created have been achieved. In such cases, putting an end to the alliance is a sign of success.

#### THE END OF THE AFFAIR

Two situations may call for terminating an alliance. First, if the alliance no longer helps meet the goals for which it was created; and second, if the costs it entails surpass the benefits it yields. The first situation may arise once the firm is capable of carrying out the alliance activity on its own. The second, where costs surpass benefits, may happen when differences between the partners emerge as a relationship develops, such as incompatible goals, different philosophies and decision making, design of non-cooperative compensation systems, asymmetry in the power held by each partner and so on.

Sometimes it is not easy for the partners to agree about when and how to end a strategic alliance, particularly if the termination is due to an impasse between the partners. This is why it is highly advisable to specify the circumstances in which the alliance will be ended.

Eventually, all partnerships come to an end, whether planned or not, but planning that end may avoid major problems at the final stages and reduce the costs of termination. The more an entrepreneurial company depends on the alliance, the harder it should try to make it for the partner to leave.



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## GETTING RESULTS

## HOW TO BECOME MORE EFFECTIVE

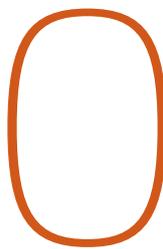


**PABLO MAELLA**

Lecturer in Managing People in Organizations, IESE Business School

Effectiveness means getting positive results at work, but what is understood by positive results varies from case to case. Here we examine the six main variables that contribute to a person's effectiveness.

EFFECTIVENESS • MOTIVATION • SKILLS • SELF-MANAGEMENT



On May 26, 1999, Manchester United and Bayern Munich faced each other in the Camp Nou stadium in Barcelona in the UEFA Champions League final. In the 90th minute, the Germans were winning 1-0. Three minutes later the game was over: the English won 2-1. Which of the two was the most effective? Without a doubt, the English were, because they scored one more goal than their opponents and won the match and the trophy. Effectiveness can be defined as achieving the desired results, which in this case was winning a football match. For their part, Bayern were winning for most of the game, they were playing strong and entertaining football, they fought to the end, but ultimately were not effective. They didn't obtain the desired result.

Effectiveness means getting positive results at work. It follows that, if I'm not getting results, I'm not being effective, which suggests that I'm not performing even though my intentions might be good. What is understood by positive results varies from case to case. For a secretary, it might entail the efficient organization of the boss's diary. For a factory worker, it would mean producing the most in the least amount of time, and for a sales manager it would be to increase sales by 10 percent. At the same time, we can say that companies are only as effective as their members are.

### THE VARIABLE ELEMENTS OF EFFECTIVENESS

● A number of factors contribute to a person's effectiveness. We shall focus on six main variables, represented below in the form of a house: responsibility, ability, self-motivation, self-management, luck and simplification.

Managing individual effectiveness mainly depends on the person themselves. It's in their hands if they want to be more or less effective, and not in the hands of their bosses or the company. Anyone who is not conscious of this reality and who therefore doesn't try to manage their performance, cannot be effective. This is why responsibility is the basis of personal effectiveness: it is the plinth on which it rests.

Effectiveness requires good self-management on the part of a responsible person. If someone is not prepared to take the initiative in regard to their performance, no one is going to do it for them. Responsibility cannot be delegated. Nobody is responsible for us. To put it another way, it is up to us to be effective. Each one of us has to drive his or her own performance.

Another variable is each person's ability to carry out their work. This ability consists of a person's knowledge and talents. Performance results from an individual having the talents required for the job, or to put it another way, a person is effective when their talents are consonant with the type of activity they carry

1

### Responsibility

- Establish and take responsibility for relevant, challenging and realistic goals
- Be proactive
- Pursue your goals tirelessly and tenaciously
- Don't play the victim when things don't turn out as you hoped

4

### Self-management

- Encourage self-management, and specifically:
  - Clarify the objectives
  - Obtain the necessary resources to achieve these objectives
  - Seek autonomy in decision making
- Encourage job flexibility when this facilitates self-management

2

### Ability

- Give people jobs according to their ability
- Develop the abilities necessary for each job wherever there is room for improvement. There are two steps to this development:
  - Self-knowledge
  - Self-improvement, which implies:
    - ♦ Action
    - ♦ Challenging and pushing oneself

5

### Luck

- Behave as though there's no such thing as luck, while being aware that it exists
- Don't complain when you have bad luck
- Be proactive when dealing with the consequences of bad luck

3

### Self-motivation

- Minimize or eliminate de-motivating aspects of the job
- Make sense of the work in hand
- Adopt a positive attitude
- Show ambition and a taste for challenge
- Make every effort to achieve results
- Show tenacity and perseverance in order to achieve things even when not motivated to do so

6

### Simplification

- Opt openly for simplification and behave accordingly
- Identify what can be simplified and do so
- Prioritize and focus on the essential
- Focus on the present
- Accept reality, and yourself, for what they are



BEING RESPONSIBLE PEOPLE MEANS MOTIVATING OURSELVES TO DO THINGS WE DON'T PARTICULARLY WANT TO DO.

out. Whatever abilities a person has, they can always be increased, because another way to be more effective is to develop and improve the skills necessary for the job.

Ability is fundamental but not sufficient by itself. Talent without effort amounts to little. A person's willingness to push themselves at work is what we call self-motivation, which is another condition of sustained effectiveness. We could define this as a willingness to make more effort. If someone is really motivated, they make more effort. Therefore, motivation is more than having an easy disposition and a willingness to do things, it is a question of will. We are effective when we do well what we have to do to get results, not when we do them with the minimum effort. Being a responsible adult means motivating ourselves to do things that we don't particularly want to do. Would we call a doctor responsible who carried out an operation badly because he wasn't motivated and didn't like performing that type of operation?

**SELF-MANAGEMENT**

● Another variable, self-management, is closely linked to ability and self-motivation. To be effective we need to have more than the skills necessary to carry out our work. Making the necessary effort to do it and ultimately, being able to do it, are what make self-management possible. That is to say, the company must establish systems and processes that allow people to work in an environment where they can use their abilities and be self-motivated.

By self-management we mean a person's ability to work and make decisions according to their criteria within an organizational framework. There are three conditions a company must meet in order to develop this. The first is to clarify each person's job and goals so that everyone knows what is expected of them. The second is to give them the means to achieve these ends and the third is to give them the autonomy to carry them out. Without these three elements, self-management is not possible.

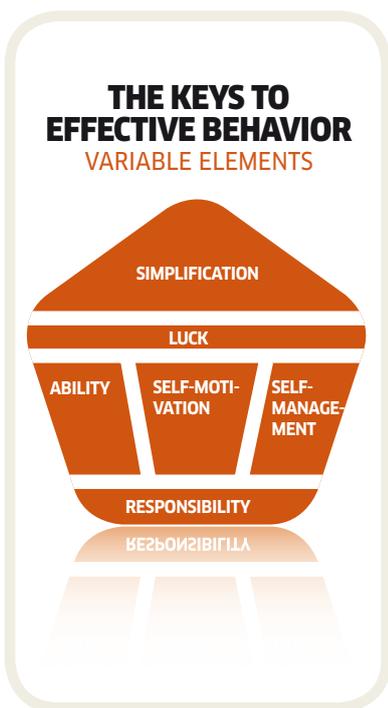
If a person doesn't know what is expected of them, if they don't have the necessary resources and are not given a framework in which to act, self-management is not possible, nor is effectiveness.

Luck is the effect outside forces have on results and on the individual and over which we have little influence. Luck exists and influences effectiveness. It will continue to affect performance, whether positively or negatively, throughout one's career, because whatever we achieve, the work is also affected by circumstances beyond our control. If the economic climate is not favorable, if a competitor brings out a new product or becomes bankrupt, if war is declared, or if it rains heavily — all of these factors can have an impact on effectiveness and there's not much the individual can do about it.

The fact that luck exists implies that it's possible to achieve good results without doing things well, and vice versa, or rather, it is possible, as a result of unfavorable external circumstances, to perform badly despite having done things well. This is an important fact when it comes to evaluating one's professionalism and that of the people around us.

Simplification is an exponential element in performance. It is possible to achieve good results without simplifying, but doing so increases them. The simple way of doing things is the most effective way because we use the least resources to achieve our objectives. Therefore, in terms of effectiveness, there is no justification for complexity when things can be done simply. However, although the simple might be the most effective, the working world in which we live is complex and, if we are not careful, this can make it difficult to obtain the best results.

Each of the performance variables we have examined carries with it a corresponding set of behaviors which, if adhered to, will lead to effectiveness. Adopting these principal behaviors, as illustrated on the preceding page, will lead to positive results at work.





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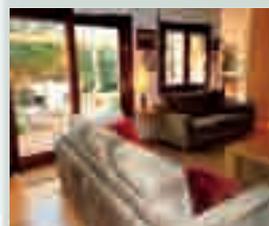
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## COMPENSATION REGIMES: NOT JUST HOW MUCH BUT HOW

NEW EDITION OF *IESE INSIGHT*

The latest issue of *Insight* focuses on compensation regimes, which many see as being at the root of the crisis. **Alex Edmans** of The Wharton School makes the case for the increasingly popular idea

that CEOs' compensation should be linked to the company's debt and not just to its capital worth. This would align top executives' interests with those

of both shareholders and creditors. We also carry an interview with **Subodh Bhargava**, chairman of Tata Communications, who talks about India's rapid growth and discusses sectors of the Indian economy that should be of interest to Western investors. There are also stories out of Africa, notably the success of the Spanish company Gallina Blanca.

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## CHOOSING HOSPITAL CARE

TAMMY BOYCE, ANNA DIXON,  
BARBARA FASOLO AND ELENA REUTSKAJA



The fruit of a year-long study, in "Choosing a High-Quality Hospital: The Role of Nudges, Scorecard Design and Information," the authors examine ways in which organizations can help patients make better use of information about clinical quality when deciding which hospital to go to. The research indicates that people tend to choose convenience over clinical quality but that it is possible to guide people towards making a choice that puts quality first. Exposing people to differences in quality between hospitals and forcing them to consider these difficult trade-offs may cause anxiety. Patients would benefit from official information reassuring them that all the hospitals concerned are adequate, even if not top ranked.

## School of excellence

PABLO CARDONA AND BORJA LLEÓ

FC Barcelona is the toast of the football world, admired and imitated everywhere for its combination of verve and effectiveness. But unlike many other big clubs whose player lists read like a United Nations roll call, more than half the Barcelona players are homegrown and formed the core of the Spain team that won the Football World Cup in South Africa last year. Furthermore, all three finalists for football's coveted Balon d'Or award this year were the product of La Masía, the school where Barcelona trains its young recruits, many of whom join the club at the age of 10 or 11. In their case study, "Barça's La Masía: Developing Homegrown Talent," IESE Prof. **Pablo Cardona** and his assistant **Borja Lleó** show how at La Masía the focus is on three key areas: physical fitness and sport, academic and moral. Over the past 30 years, La Masía has become the world's biggest producer of football talent, turning out great players while inculcating them with values that help them to enjoy the life they have chosen.



CASE AVAILABLE AT: [www.iesep.com](http://www.iesep.com)

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# Committed Management

RAFAEL ANDREU AND JOSEP M. ROSANAS

Businesses need to develop management that is committed to a mission that goes beyond producing good financial results. For this reason it is essential to develop ideas about organizations that take into account and can satisfy the needs and motives of the people who work in them.

**MORE INFORMATION:** *IESE Insight*

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## The payoff of knowledge management

A. VACCARO, R. PARENTE, F.M. VELOSO

● With so much emphasis placed on technology, the expectation is that organizations will be as tech-savvy as possible. This has prompted organizations to adopt countless varieties of information and communication technologies (ICTs). While the benefits may be undeniable, little research exists showing the exact relationship between ICTs and firm performance. In their article, “Knowledge Management Tools, Inter-organizational Relationships, Innovation and Firm Per-

formance,” the authors examine how ICTs — and knowledge management tools (KMTs) in particular — impact the financial performance of key business units in the realm of automotive suppliers. Leaders wondering whether to increase their KMT reliance should hesitate no longer, as the authors demonstrate that KMT-reliance levels are directly associated with higher financial performance, new product performance and faster innovation or speed to market.



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## THE SEVEN PILLARS OF A SOUND FINANCIAL SYSTEM

XAVIER VIVES

● Prof. Xavier Vives proposes seven key elements to ensure stability in the financial system.

- 1 Central banks must have a mandate.
- 2 Regulation and supervision of all bodies that operate as banks.
- 3 Secure against expected losses.
- 4 Minimize the effects of a crisis on institutions that play a central role in the system.
- 5 Institutions operating in global markets require uniform regulatory standards and internationally coordinated supervision.
- 6 Alignment of incentives.
- 7 Mechanisms to ensure that the intervention of a supervisor is not delayed.

**MORE INFORMATION**

*Occasional Paper*  
“The financial crisis and regulation”  
*IESE Insight/Economy*

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## THE GLOBAL CHALLENGES OF OFFSHORING

JOAN RICART, PABLO AGNESE, NICCOLÒ PISANI, TUNJI ADEGBESAN  
Offshoring is not a new phenomenon, but technological advances have opened up new opportunities for businesses to use low-

cost labor and broaden strategic options. The book *Offshoring in the Global Economy* is designed to help executives deal with the challenges offshoring presents. The authors examine it from

a financial and management perspective and also discuss the implication of offshoring of services and research and development, activities traditionally carried out in the home country.

# NEW MEDIA WORLD: “THE WILD WEST”

IESE has formed a U.S. Advisory Council to guide its growth in North America.

1. Bill Baker, Gerry Byrne, Carmen Di Rienzo, Chris Vollmer.
2. Edward T. Reilly.
3. Tom Kane.
4. Tom Rogers.

In a special Continuous Education event on IESE’s Barcelona campus, coinciding with the meeting, members of the council likened today’s fragmented and rapidly-evolving media industry to “the Wild West.” The meeting centered on two sessions, which focused on new media and the U.S. economic recovery. The sessions were moderated by IESE professors **Josep Valor** and **Nuria Mas**.

In his welcoming remarks, IESE’s Dean **Jordi Canals** expressed his appreciation for the executives’



participation, noting that it was a “great privilege” to hear from the distinguished members of the school’s new council.

“Legacy media, particularly television, is still doing very well,” said **Bill Baker**, President Emeritus of Channel Thirteen in New York. “Traditional television is still a very heavily used medium, and still the most heavily used medium in the United States markets.”

The problem, he said, is that it has become heavily fragmented, going from a handful of channels to many of them. **Baker** stressed his main concern was that, as print



journalism declines due to the relentless migration to online media, democracy will be threatened as quality news sources disappear.

New media channels have ignited both problems and opportunities for brands, concurred **Gerry Byrne**, Senior Vice President, Ad Genesis Digital. “If the newspaper world in the United States had recognized the potential impact that Craigslist was about to have on the business, and had created a consortium to address its loss of the classified business, it would have potentially changed the course of human events.”

But “the one consistency that will always be there is that there will be consumers on one side, and there will be brands on the other side,” said **Byrne**. Brands will always find ways to reach consumers, and consumers will always seek brands that can help better their lives.

**Carmen DiRienzo**, President & CEO of V-Me Network, stressed that this is “a positive time” for the media industry. If brands continue to act “wisely,” allowing content to live in many platforms, the industry will continue to grow.

“The intelligence and creativity of the content owner - and in some cases the redefinition of contractual rights,



and the way that content is owned and distributed - is actually going to be at the root of how we continue to broaden the ways in which there is money to be made in the media industry," she said.

**Chris Vollmer**, Partner and Leader for Booz & Co., said that in an environment where consumers have ever expanding choice, the power of a media brand will become even more important.

"The single issue that many media companies face is that, in digital, they aren't at the scale they wish they would be," he said, and are unable to deliver the advertising solutions they could through traditional media.

The second session featured panelists **Jay Ireland**, President and CEO of GE Asset Management; **Tom Kane**, former President, CBS Stations; **Edward T. Reilly**, President & CEO, American Management Association; and **Tom Rogers**, President & CEO, TiVo.

Panelists concurred that they were cautiously optimistic about the U.S. economic recovery.

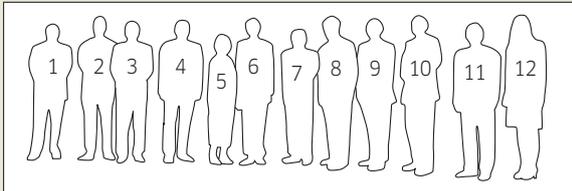
"I think we find ourselves in a period of time that could be described as being in the eye of a very big storm," said **Reilly**, pointing to improving economic indicators. But long-term growth will only come through "an enormous amount of leadership" to address current challenges, most notably deficiencies in the U.S. education system.



## IF BRANDS CONTINUE TO ACT WISELY, THE INDUSTRY WILL CONTINUE TO GROW.

- 1. **Chris Vollmer, Tom Kane and Gerry Byrne.**
- 2. **Prof. Eric Weber, Jay Ireland and Tom Rogers.**
- 3. **Prof. Luis Cabral and William Baker.**





- |                        |                       |
|------------------------|-----------------------|
| 1. Prof. Luis Cabral.  | 7. William Baker.     |
| 2. Chris Vollmer.      | 8. Edward T. Reilly.  |
| 3. Gerry Byrne.        | 9. Jay Ireland.       |
| 4. Tom Kane.           | 10. Tom Rogers.       |
| 5. Carmen Di Rienzo.   | 11. Prof. Eric Weber. |
| 6. Prof. Jordi Canals. | 12. Begoña De Ros.    |

## GROUP TO GUIDE IESE'S GROWTH IN NORTH AMERICA

To help steer IESE's development in North America, the school recently created a U.S. Advisory Council that includes 14 high-level senior executives. The group met for the first time in March on the school's Barcelona campus. Members also took part in a special academic session, in which they fielded questions from alumni and MBA students.

Since IESE established its New York Center, it has launched a portfolio of programs designed for senior executives in the United States. The new center also seeks to be a hub for research on global business with a focus on innovation, leadership and media and entertainment.

## MEMBERS OF IESE'S U.S. ADVISORY COUNCIL ARE:

**William Baker**  
President Emeritus  
Channel Thirteen

**Gerry Byrne**  
Senior Vice President  
AdGenesis Digital

**Luis Cabral**  
Academic Director New York Center  
IESE Business School

**Jordi Canals**  
Dean  
IESE Business School

**Vin Cipolla**  
President  
The Municipal Art Society

**Begoña De Ros**  
Executive Education New York Center  
IESE Business School

**Carmen Di Rienzo**  
President & CEO  
V-Me Network

**Claire Huang**  
Director of Marketing,  
Bank of America. Merrill Lynch

**Jay Ireland**  
President & CEO  
GE Asset Management

**Tom Kane**  
Former President  
CBS

**Steve Murphy**  
President  
Christie's

**John Pujadas**  
Vice Chairman  
PWC

**Edward T. Reilly**  
President & CEO  
American Management Assn.

**Tom Rogers**  
President & CEO  
TiVo Inc.

**Chris Vollmer**  
Partner  
Booz & Co.

**Eric Weber**  
Associate Dean  
IESE

**Kathryn Wilde**  
CEO  
Partnership for New York City

**Josh Weston**  
Honorary Chairman  
Automatic Data Processing (ADP)

# GLOBALLY-MINDED FIRMS AND MBAS CONNECT

48 Leading Companies at IESE Career Forum.

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**F**resh from an interview with Abbott Laboratories, MBA student **Nihar Prasanna** praised IESE's Career Services team for the scope and caliber of recruiters they bring to the school's premier hiring event.

One of the defining characteristics of IESE is its highly diverse student body, he said. "So when recruiters come to IESE, they have the ability to recruit or place people globally. I think that's critical for people like me... I know that if I want a job in J&J or Medtronic in Switzerland, there's a team here on campus that will help me get that job. In that sense, it's a global HR service."

"Yes, there are constraints about work permits and visas," he said, citing one of the challenges in forging an international career. "But if you do a good job and if they really like you, then it is just logistics."

**Prasanna** was among the 400 first- and second-year students who networked with company representatives from leading firms at the 3-day event. The forum combines personal interviews with networking opportunities to provide comprehensive recruiting. With 48 leading firms participating, it is one of the largest events of its kind in Europe. The forum allows companies to meet many students at once while the students have the opportunity to gain a solid training in business management and develop valuable skills in leadership, communication and teamwork.

"These are the kinds of companies that really value MBAs," noted **Prasanna**. "Large cap capitals such as J&J, and the big banks and consulting firms, have structured programs. So for someone who is a career switcher or for someone who is looking to develop their CV with a solid brand, this is a great opportunity."

Two essential ingredients for a successful career in international management are the stamp of having worked for a leading multinational and a degree from a leading business school, he said. "I continue to be impressed by what the school does in bringing the right recruiters in," said **Prasanna**, whose own background is in government health care. "IESE has always been strong in health care."

The forum serves as a catalyst for helping MBA students decide on their focus and direction, said **Salone Sehgal**.

"It's a great initiative when you see so many companies coming from across the world, and especially so many big multinationals," said **Sehgal**. "And I think with having such big companies on board it really helps students decide what they're interested in. They can go to a Johnson & Johnson and then go to a Morgan Stanley, it really allows them to explore all their career opportunities."

"I think the fact that we have such a diverse student body, when you have 80 percent international students, it's imperative that you have companies that represent different parts of the world. Students need to be placed, they're not just looking for jobs say in Europe, they're looking for opportunities across the world."

"Just because they're studying in Europe, doesn't mean



COMPANIES CAN FIND PEOPLE FROM ACROSS CULTURES, DISCIPLINES AND BACKGROUNDS — HEALTH CARE, BANKING, CONSULTING — AND THEY CAN PICK AND CHOOSE ANY PROFILE THEY LIKE.”

Itay Sagie

they’re going to be employed in Europe,” said **Sehgal**, who had just signed a contract with Morgan Stanley to join the company in London next year.

Large companies are attracted to IESE due to the diversity of the student body, said **Itay Sagie**. “I believe multinationals such as Johnson & Johnson and Morgan Stanley come here for a good reason and that is because they find multinational students” who have strong global backgrounds.

“Not only do we learn in class a lot about doing business all over the world,” **Sagie** said, “but we also learn outside of class. We get to know our peers who come from 47 different countries and we get to know how to do business first-hand.”

“I think these companies appreciate the sort of mentality and culture that we have here at IESE,” he said, adding that students also appreciate and benefit from the global breadth of the firms that take part in the annual event.

#### A MIX OF PROFILES

● Moreover, no matter where students come from, ● they have a strong possibility of finding a job in their country of origin, he said. “And companies can find people from across cultures, disciplines and backgrounds — health care, banking, consulting — and they can pick and choose basically any profile they like.”

For **Richa Pathak**, the IESE Career Forum opens the door to working in a host of different international locations and cultures.

“When we joined the MBA program, most of us had the ambition to be able to work abroad and have inter-



national careers,” she said. “The Career Forum provides this opportunity.”

It’s important for students to have the chance to talk with company representatives face-to-face, and identify their subtle, yet critical, differences in culture and strategy. The forum also sheds light on “what it means to have an international career,” said **Pathak**, whose impending career path couldn’t be more global.

“I’ll be working with Citigroup in the coming year, and I’ve been hired for the Europe, Middle East and Africa region,” she said. “Although I’m from India, I’ll be based in London, and I’ve been studying in Spain. So that already gives me an idea of how different cultures work. And,” she adds, without missing a beat, “I look forward to being able to move to Latin America or North America at some time, as well.”

#### MORE INFORMATION

[www.iesecareerforum.com](http://www.iesecareerforum.com)



## PARTICIPATING COMPANIES

A.T. Kearney	FSA
Accenture	Gallina Blanca Star
Amazon	Guardian Industries Corp.
Arthur D. Little	ICRC/CICR
Bain & Company	J.P. Morgan
Banco Sabadell	KPMG
Bank of America Merrill Lynch	Lan Airlines
BASF	L'Oréal
BBVA	Medtronic
Booz & Company	Morgan Stanley
Bertelsmann	Nike Europe
Celsa Group	Nomura
Delta Partners	Novartis
Deutsche Bank	Pepsico
Deutsche Post	Samsung Electronics
DHL Inhouse Consulting	SC Johnson
EBRD	Siemens Management Consulting
Ernst & Young	The Boston Consulting Group
European Bank	The Financial Services Authority
EuroPraxis Consulting	Value Partners
Everis	Vestas



25TH AUTOMOTIVE INDUSTRY MEETING

# **ELECTRICAL IMPULSE FOR CAR MAKERS**

Low-emission and low-consumption technologies and the role that the electric car will play in the future of the automobile industry dominated discussion at IESE's annual automotive sector meeting in Barcelona.



THERE'S A DIFFICULT CHOICE BETWEEN EXPENSIVE, ZERO-EMISSION CARS AND LESS COSTLY, LOW-EMISSION CARS WITH INTERNAL COMBUSTION ENGINES."

**Bernd Gottschalk**

Is the future electric or will fuel-efficient technologies guarantee the future of the internal combustion engine? This was a recurring theme over the two days of the 25th Automotive Industry Meeting held in Barcelona under the title "Reinventing the Industry." The annual meeting has, thanks to the driving force of Prof. **Pedro Nueno**, become an unmissable date on the industry's calendar.

The opening remarks by IESE Dean **Jordi Canals** were followed by a discussion titled the "Global Economy and the European Automotive Industry" led by IESE Prof. **Antonio Argandoña**, Prof. Dr. **Bernd Gottschalk**, former president of the German Automobile Manufacturers Association and **Ivan Hodac**, secretary-general of the European Automobile Manufacturers Association.

According to **Gottschalk**, "the crisis is almost over in the automotive industry, but don't try to compare this crisis with previous ones. We have to adapt to higher volatility." The real question, he said, is whether the recovery is sustainable and whether China will continue to grow. We shouldn't underestimate either China or the United States, he said. "The problem for me, is where is Europe going? What is its status?" In regard to electric cars, he said that "the customer faces a difficult choice between expensive, zero-emission electric cars and less costly, low-emission cars with internal combustion engines."

**Hodac** echoed **Gottschalk's** views about the European auto industry. "We are still the technological leaders but we need to keep production in Europe," he said. He added that we also need a European approach to e-mobility. "If we can't recharge electric cars from renewables, there's no point in doing it."

**Henry Li** of Build Your Dreams (BYD), one of the leading companies in the development of electric cars, said China's car market expected to show average growth of 18 percent a year from 2000-2015. Unlike the big state-run car companies, small outfits like BYD invest heavily in R&D. BYD's "three green dreams" to achieve zero emissions are solar power, energy storage and electric cars and from this the "green city solution" becomes possible, where the stored energy is used to power urban public transport.

The final morning session took the form of a panel discussion about "The Electric Car and Other Future Innovations." Dr. **Egil Mollestad**, chief technical officer of Oslo-based Think, which is developing electric cars, predicted that the growth of the electric vehicle (EV) will mirror the evolution of the personal computer. City cars will be the fastest growing EV sector. EVs can combine high performance with low maintenance costs as they have fewer moving parts, he said.

**Paul Mulvaney**, managing director of ESB cars in Ireland, says Ireland wants 10 percent of all cars to be electric by 2020. The key is to have sustainable electricity



WHAT CUSTOMERS LIKE ABOUT GASOLINE IS THAT IT GIVES THEM UNLIMITED MOBILITY. WITH ELECTRIC CARS YOU WILL HAVE TO CHANGE DRIVING BEHAVIOR.”

Alain Uyttenhoven

1. José M. Machado.

2. Ivan Hodac, Bernd Gottschalk and Prof. Antonio Argandoña.

3. James Muir.

generation and a smart grid in order to produce sustainable transportation, he said. As with the mobile phone, the technology in EVs is evolving rapidly, especially in battery design and charging times. “The electric car is a good news story in Ireland,” he said, adding that Ireland will have 3,500 charge points at 60 km intervals by the end of next year.

#### USING UP SPARE CAPACITY

● **Hugh Spowers**, director of River Simple, said he believes that electric cars are inevitable, but they are not limited to battery power, and he discussed the exciting possibilities of hydrogen fuel cells. “If you change everything dramatically and simultaneously it reduces risks and barriers to innovation,” he said. We need to sell miles traveled as a service rather than sell cars, he added.

Tesla Motors is a pioneer in high performance electric cars. Its Roadster can reach 60kmh in 3.7 seconds. **Christiano Carlutti**, vice president for Europe sales and operations for Tesla Motors, described how his company — which is based in Silicon Valley and focuses solely on electric cars — is seeking to show the industry “how it is possible to do things in a different way.” The company currently has its own retail stores in London, Munich, Monaco, Zurich, Copenhagen, Paris and Milan, in addition to eight stores in the U.S. Created in 2003, Tesla has sold 1,400 units so far and has 3,000 pre-orders for the company’s forthcoming model. “The



economics of scale are not there yet, but they will come,” he said. Prospective buyers of Tesla cars include a wide cross-range of society, but they are almost all individuals who are “thought leaders and innovators” in their professional fields.

**Alain Uyttenhoven**, managing director, Toyota, Germany, made the case for hybrid cars, commenting that with electric cars affordability is a critical issue. “What customers like about gasoline is they have unlimited mobility. With electric cars you have to change driving behavior. We at Toyota don’t think ‘either or’, we think ‘and and and.’ We believe the gasoline engine has a future.”

In a session on “Players from Emerging Markets,” **Abhijit Gajendragadkar**, vice president of business planning at Tata Motors, said that although Tata has been making commercial vehicles for many years, it only started making passenger cars 12 years ago, in alliance with Fiat. He described how the Indian automobile market has evolved in three phases, from the protectionism of the 1980s through liberalization to globalization.

The internal market is set to go on growing with population expected to rise by 110 million in the next ten years amid increasing urbanization. Other sessions covered manufacturing, distribution and sales. Sales techniques will have to adapt to the digital age. A full 44 percent of consumers say they would be likely to buy a new car through the Internet if that option were available, according to **José M. García**, automotive director,



## 25TH ANNIVERSARY: 25 YEARS SUPPORTING THE SECTOR

At the celebrations for the 25th anniversary of the Automotive Industry Meeting, the Spanish (ANFAC), European (ACEA) and Chinese (CAAM) industries saluted the contribution made by **Pedro Nueno** through his consistent support of the automotive industry. In their name, **Francisco Javier García Sanz**, a member of the Volkswagen Group board of directors, chairman of the board of administration at SEAT and president of ANFAC, presented an engraved plaque and a sculpture of an automobile.



Google Spain, who cited a Cap Gemini study. Today's core purchasers still mainly research online and purchase offline, he said, but many close the deal based on Internet research.

### ONLINE SALES

● The Internet has opened up a completely new avenue for influencing car buyers today, he said. "The situation of the purchaser has changed. When they come into the dealership they are much more decided, but they are going to ask very different questions." He urged manufacturers and dealerships to take better advantage of online brand building. **García** also predicted that, given the expected growth of mobile devices, it is probable that tomorrow's consumer will make a trip to the dealership for a test drive but will obtain the price and other information about the car through their mobile phone. The big issue facing the industry, however, is how sales networks will cope with a 20 percent decline in demand which has occurred over the past three years.

**James Muir**, president of SEAT, provided the event's closing address with a talk on the future of mobility. "A plethora of technologies are currently under development, but there is no one single route, no panacea," **Muir** said. Automotive manufacturers are currently developing and testing a range of vehicle options, including hybrid electrical vehicles (HEVs), extended range electrical vehicles (EREVs), battery electrical vehicles (BEVs) and fuel-cell electrical vehicles (FCEVs). But as

the costs build up, there is likely to be growing collaboration among vehicle manufacturers in an effort to save money and achieve economies of scale.

The automotive sector of the future is certain to be greener and more competitive, as growing demand from consumers as well as greater pressure from the European Union to tackle emissions leads to the development of more eco-models — with as many as 97 last year — and the entrance of new competitors, said **Muir**.

However, while the future may be green, it is still highly uncertain. "Customers are still reluctant to walk the talk," said **Muir**. And that is in Europe, where exorbitant fuel taxes make hybrid and electrical cars a more attractive option to consumers.

Arguably the biggest barrier facing European electric car manufacturers is the continuing availability of cheap combustible fuel in the world's two biggest markets, the United States and China. **Muir** warned that, with customers keen but not prepared to pick up the extra cost, governments and car manufacturers will have to work together to find a viable solution.

**Muir** closed the event by reminding participants that "the challenges facing manufacturers are the same as those our ancestors overcame in bringing the internal combustion engine to market." The changes will be continuous and rapid for all companies in the sector, he warned. But those who are intelligent, nimble and flexible will have the opportunity to change the order of retailing and the market.

## CAMPAIGN MANAGEMENT PROGRAM

# IF YOU RUN FOR OFFICE YOU PLAY TO WIN

“**A** political campaign is a multi-million dollar business and yet they are often more of a seat-of-the-pants, make-it-up-as-you-go-along operation. For a candidate to win and be taken seriously, the campaign needs to be run like a business – especially as everything you do is played out in public.”

This is just one of countless fascinating observations made by the indefatigably enthusiastic Prof. **Steven Jarding** during the four-day Program for Campaign Management being held this week on IESE's Madrid campus. **Jarding**, who lectures in public policy at Harvard Kennedy School of Government, has run campaigns for U.S.



**A FULL-LENGTH INTERVIEW WITH PROF. STEVEN JARDING**

is published in the March issue of Insight magazine  
[www.insight.iese.edu/gestionpublica](http://www.insight.iese.edu/gestionpublica)

Democrat for 30 years. He sees the fact that, aside from IESE, only two other schools run courses in campaign management, as further evidence of the lack of professionalism in political campaigning, despite the high stakes and vast sums of money involved.

One of the greatest failures, he says, is a lack of research. Everyone has a skeleton in their closet and the opposition is bound to bring it out if they think it will turn the tide in their favor. Candidates have to be ready to respond to this. The public, Jarding says, will forgive almost anything except lies and hypocrisy.

“People say I’m aggressive,” he says. “I have a reputation for pushing the envelope. I won’t break the law but I’ll play by whatever rules are available. This is a bottom line business. If you don’t win, you’ve failed.”

**Jarding** has managed campaigns for US Democratic senators **Tom Daschle**, **John Kerrey** and **Bob Edwards** and his campaign for the governor of Virginia, where he guided rank outsider **Jim Webb** to victory, was hailed as one of the biggest upsets in U.S. campaigning history.

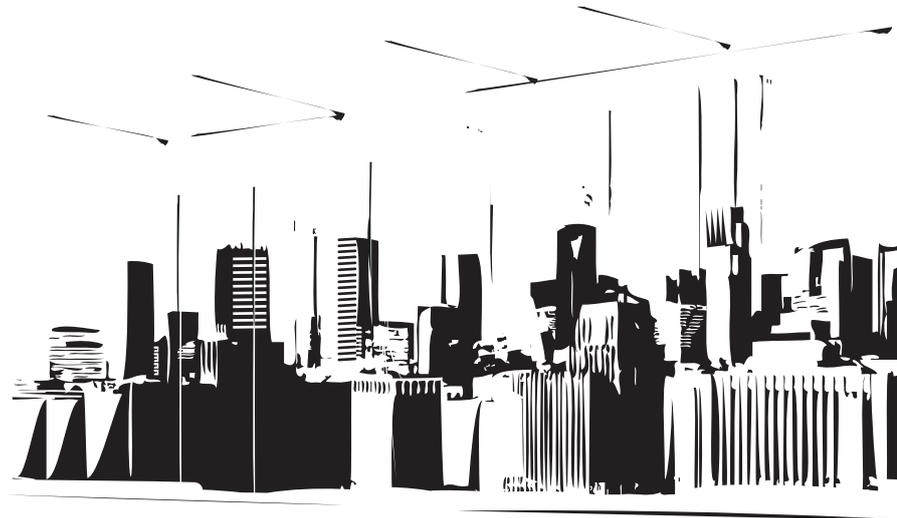
Few personal issues will bar you from running for office. The biggest obstacles, he says, are a lack of money, a lack of policy and skeletons in the closet. “In the U.S. less than one hundredth percent can run for the Senate because they don’t have the money, which is why 60 percent of senators are millionaires. You not only need money, you need to be able to afford to quit your job for two years. If you can’t give the campaign your full attention and your opponent can, you’ll probably lose.”

He says that almost no misdemeanor or indiscretion bars you from running but you have to be honest and open about it. “It’s not the crime, but the cover-up that will be your undoing,” he says.

Voters are also not keen on candidates with a history of mental illness, nor those who have undergone cosmetic surgery, as it is regarded as a form of duplicity. A history of drug or alcohol abuse comes far down the list these days.

And should you achieve your goal and get elected? “You get one opportunity to change things and the window closes very quickly,” **Jarding** says. “You have to make long-term policy in the short term.”

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GLOBAL ENTREPRENEURSHIP WEEK

# ADVENTURES IN BUSINESS



IESE coordinated more than 300 activities as part of Global Entrepreneurship Week, including an investors' forum, as well as celebrating the 10th anniversary of FINAVES, an investment fund initiative.

# IN PURSUIT OF THE NEW



Pere Botet, Dídac Lee, Gonzalo Rodríguez-Fraile, María del Pino Velázquez and Prof. Alberto Fernández Terricabras.

**G**lobal Entrepreneurship Week (GEW) was held around the world from November 15-21. The aim of the project is to help businesses to establish themselves and to assist young entrepreneurs in over 100 countries to connect with others in the business world so that they can create value for their local communities. Activities in Spain are coordinated by IESE and its Center for Family-owned Business and Entrepreneurship (CEFIE), which coordinated more than 300 activities, of which CEFIE organized 17. Among other events, the FINAVES private investors network celebrated its 10th anniversary and there was a series of breakfasts with entrepreneurs.

## FINAVES 10TH ANNIVERSARY

● Being an entrepreneur is a state of mind. That's how  
● four of the entrepreneurs who took part in the FINAVES 10th anniversary celebrations defined what they do. IESE brought together entrepreneurs, investors and experts to commemorate the 10th anniversary of this body that has helped to promote and support business initiatives led by IESE alumni. **Jordi Canals**, the dean of IESE, thanked everyone who has made FINAVES possible, and said that "in spite of current circumstances, it is possible to be an entrepreneur." He added, "You are the agents of change who will create a better society."

**Dídac Lee** (PDG-1-08), chief executive of Inspirit, said that "to be an entrepreneur you have to adopt a nonconformist attitude. The market is full of imperfections and you have to try to solve them." **María del Pino Velázquez** (MBA '91), founder and CEO of Unísono, said "in my case, I was restless and then saw my chance." "This restlessness doesn't just amount to setting up a new business, but also starting a new project within the company itself," added **Pere Botet** (PADE-I-94), an executive at the Caprabo supermarket chain and founder of Inderhabs Investments. "Let's forget about the crisis," said Prof. **Pedro Nuño**. "Everyone knows there are lots of projects out there and a lot that needs to be done." When it comes to entrepreneurship, it's not the project or the idea that counts, but the execution. **Dídac Lee** said that "a badly executed idea is not innovation, it's fantasy."

## 28 COMPANIES + 1,000 JOBS + 40 ENTREPRENEURS



“Over the past 10 years FINAVES has invested in 28 companies and created 1,000 jobs on the way to making a reality of the projects presented by some 40 entrepreneurial alumni,” said **Alberto Fernández Terricabras**, the FINAVES director. FINAVES invests in the initial development stage in projects proposed by IESE graduates. During the 10 years that it has existed, FINAVES has set up four seed capital societies which have invested €9 million in these 28 enterprises which between them

now have a turnover of €60 million. FINAVES has helped to create enterprises led by alumni around the world, including the United States, United Kingdom, France, Germany and Chile. The fund membership is made up of professors, alumni, private, institutional and government investors who wish to participate in IESE business initiatives. The fund is managed by IESE staff who specialize in risk capital.

**Gonzalo Rodríguez-Fraile**, founder and chairman of PRS Investment Advisory, said that is why it’s important that the entrepreneur “surround themselves with a good team and good managers.” This takes time.

**Botet**, a FINAVES investor, said you shouldn’t go it alone. “It’s vital in these projects to have complementary associates,” he said. “If you can get together a good team, you can go a long way,” **Nueno** said.

But there’s no easy way to do it. “You have to live with failures but you have to see them as opportunities to learn and reflect and not to become victims and look beyond oneself for reasons or causes,” said **Rodríguez-Fraile**.

“You can’t assume you’re going to be successful. You have to accept that it’s normal that sometimes things turn out badly from time to time,” said **Botet**. He added, paraphrasing **Michael Jordan**, “you only miss the shots that you don’t throw.”

### FINAVES AWARDS

- The annual FINAVES awards for entrepreneurship
- are given to three businesses that have stood out for their capacity to create jobs, growth and innovation.



Emily Kunze, Carlos Nueno, Javier Relats

The awards went to Advance Medical, founded by **Marc Subirats** (MBA ’99) and **Carlos Nueno** (MBA ’99), Nexenta System, set up by **Evan Powell** (G-EMBA ’08); and Aïta, established by **Javier Relats** (MBA ’97). The FINAVES prize for employee number 1,000 went to **Carolina Costa** (MBA ’10) of Advance Medical in Brazil, **Lidia Caba** of Kubiwireless, and **Elena López** of Impact Media. The FINAVES team, led by Prof. **Alberto Fernández Terricabras**, also presented an award to Prof. **Pedro Nueno** for founding FINAVES and for his support over the years.

During the GEW there was also a session entitled “**María Reig Moles** and **Pau García Mila**’s best decision.” At the age of 17, **García Mila** co-founded EyeOS, a cloud computing operating system that allows people to access files and applications from any Internet connection. **García Mila** won Spain’s National Communications Award in 2009. “Being an entrepreneur comes from wanting to be one,” he said. “What matters is to have and develop an idea and in the process you become an entrepreneur.”

But entrepreneurs need investors such as **María Reig**, who runs Reig Capital Group which has invested in sectors



Prof. Pedro Nueno, Marc Subirats and Pere Botet.

such as hotels, property, fashion, tobacco and risk capital. **Reig** was among the group that formed the investors forum during the GEW, at which 20 projects were presented. During the week, IESE's Network Forum of Private Investors and Family Offices, which has dealt with more than 300 projects, met for the 49th time. The Forum presented six to eight previously selected projects to private investors.

**MORE INFORMATION ABOUT ENTREPRENEURS**

Center for Family-owned Business and Entrepreneurship  
[www.iese.edu/cefie](http://www.iese.edu/cefie)

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

Private Investors and Family Offices Network  
[www.iese.edu/businessangels](http://www.iese.edu/businessangels)

Global Entrepreneurship Week  
[www.gewspain.es/](http://www.gewspain.es/)

Portal IESE Insight/Iniciativa emprendedora  
[www.insight.iese.edu](http://www.insight.iese.edu)

Portal for case study sales IESE Publishing  
[www.iesep.com](http://www.iesep.com)

**BOOKS ON ENTREPRENEURSHIP**

*International Perspectives on Social Entrepreneurship Research*  
 ROBINSON, J.; MAIR, J.; HÖCKERTS, K. London: Palgrave Macmillan. Enero, 2009.

*Letters to a Young Entrepreneur.*  
 NUENO, P. España: Ediciones Experiencia. September 2008

*Getting Between the Balance Sheets: The Four Things Every Entrepreneur Should Know About Finance*  
 LIECHENTSTEIN, H; FRODSHAM, D. London: Palgrave Macmillan. 2010 Enero, 2009.

**THE SEVEN DEADLY SINS OF ENTREPRENEURSHIP**

Being a successful entrepreneur requires avoiding several pitfalls. Here are seven mistakes you should be careful not to make, according to **Mathieu Carenzo**, director of IESE's Center for Family-Owned Business and Entrepreneurship (CEFIE), based on his experience working with start-ups.

**1 GOING IT ALONE.**  
 Don't be afraid if you don't know everything. You should always team up with the best professionals you can afford to expand your scope of expertise.

**2 STICKING WITH YOUR "GUT" FEELING.**  
 While intuition is important, it's even more critical to analyze your business opportunity in a very systematic way. Stay focused and be realistic.

**3 CREATING YOUR COMPANY IN A VACUUM.**  
 Starting your own company may be lonely at times, but nothing can inspire you more than sharing your idea with experienced fellow entrepreneurs and experts. Integrate their feedback into your project.

**4 NOT CONTINUING TO LEARN.**  
 You may be brilliant in a certain area, but you still probably have a lot to learn as an entrepreneur. Keep learning and

developing so that you can acquire the personal and professional skills you need to grow your company in the long-term.

**5 FOCUSING TOO MUCH ON THE VISION**  
 While being ambitious is common among entrepreneurs, launching a start-up is mostly hard work. Keep your head in the sky but your feet on the ground (work, work, work!).

**6 RESISTING CHANGE.**  
 If your strategic direction isn't working, be flexible and prepare to adapt to new information and shifts in the marketplace. Don't be afraid of change.

**7 THINKING YOU ARE GOING TO GET RICH QUICKLY.**  
 Be patient because, in most cases, entrepreneurs don't get rich overnight. It will take a long time and you can expect to make lower-than-normal wages for a while. But the many rewards of having your own business can be worth it in the long run.

# IESE FAMILY OFFICE FORUM HOLDS ITS 56TH MEETING

“An investor chooses the forum which offers the best projects, and the projects are to be found where the best investors are. IESE’s Investors’ and Family Office Forum has the best projects because we have the best investors,” says business angel **Luis Martín Cabiedes** (MBA ’85). “It’s the only forum that nothing would induce me to miss out on.”

The IESE Private Investors’ Network Forum and Family Offices held its 50th meeting on December 13 at a special event that brought together a panel of entrepreneurs and investors who shared their experiences and the knowledge acquired over their seven years involvement in the network. The Forum was held simultaneously on the IESE campus in Barcelona and Madrid.

Prof. **Juan Roure**, founder and chairman of the IESE Investor and Family Office Forum, describes it as “a meeting place where investors can meet entrepreneurs with fast-growing projects who need a capital injection of between €200,000 and €2 million.”

The Network is open equally to investors and entrepreneurs who are IESE alumni or those with no previous links to the business school. “We see it as a service that IESE offers society,” **Roure** says. Some 400 companies have presented their projects in the Forum, of which around 40 have received finance, some with great success, such as BuyVIP and Privalia.

There is a great deal of potential in this type of investment. “Our goal is to become Spain’s leading Forum in order to attract the most ambitious projects while also being able to count on a top body of investors,” **Roure** says.

“Over the years many alumni, many experts and business people have passed through here and, at one time or another, have decided to become investors,” says **Martín Cabiedes**. “This has created a virtuous circle through which we continue to attract better investors and better projects.”



Luis Martín Cabiedes.



Prof. Juan Roure.



## Building a Sustainable Enterprise

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A new way of thinking
- Green marketing:  
Rethinking your product offer
- Product take-back legislation: What manufacturers need to know
- Integrated reporting in the cloud: Combining two disruptive ideas



Plus...

- **SAP:** How would you transform this business?
- **Seven operations myths** to beat before they beat you
- **What it takes to win**, according to a top U.S. political strategist

**Charles Petrucci**  
of American Express  
on data privacy,  
telepresence and the  
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CUSTOM PROGRAM FOR SGCC

# SMART GRID VENTURE

## China Power Executives Visit Barcelona Campus

● Fresh from a 2-day custom program in Paris organized jointly by IESE and Schneider Electric, executives from the State Grid Corporation of China (SGCC) spent a day in Barcelona, beginning at the IESE campus with a discussion on the future of the electric car led by Prof. **Pedro Nueno**.

SGCC is China's national power provider, has 1.6 million employees and is ranked 8th in the *Fortune* 500 list. Schneider Electric, which is based in Paris but has its EMEA headquarters in Barcelona, wants to develop its existing relationship with SGCC and brought the senior executives over with a view to making closer ties with the company.

### STRATEGIC PARTNER

● **Emmanuel Lagarrigue** (AMP '10), Schneider Electric's senior vice president of corporate strategy and development, said: "SGCC is a key partner for Schneider Electric in China and a very important customer. SGCC will play a major role in the development of a smarter electric grid, in China and abroad. For Schneider Electric, this ten-day visit of top SGCC executives in Europe was the opportunity to share part of our R&D and to show concrete applications in the fields of charging infrastructure for electric vehicles, renewable

energies, grid automation and microgrid management. In Barcelona, they will also have the opportunity to meet key institutions and inspiring thinkers for the development of greener and smarter cities."

### EFFECTIVE LEADERSHIP

● The custom program in Paris, led by IESE Profs. **Paddy Miller** and **Yih-Teen Lee**, was titled "Leading Effectively." There were sessions on the fundamentals of good leadership, mission-critical leadership and developing competencies for global leadership.

**Nueno**, who has been instrumental in establishing IESE's ties with China and who in 2009 received the China Friendship Award, the highest honor offered to foreigners, said the electric car is caught up in a chicken and egg situation. On the one hand, there is a reluctance to invest in the necessary infrastructure until it's clear what consumer demand will be, while on the other, consumers are reluctant to buy a car for which little or no infrastructure exists. After the talk, the delegates went on to a reception at Barcelona city hall, followed by a meeting with **Ramón Linares**, the senior vice president of corporate strategy at Gas Natural Fenosa. The day ended with an open-topped bus tour of the city.

**Consumers are waiting for the infrastructure to exist before they buy electric cars.**

## Banking Sector More Stress Tests Ahead

● Leading players and experts in the financial sector discussed the implications of the Irish bailout and the announcement of another round of stress tests during IESE's annual meeting of the financial sector, organized by Professor **Juan J. Toribio**.

During the meeting **José L. Malo de Molina**, the managing director of the Bank of Spain, said that Spain was not going to have problems maintaining its debt repayments, adding that the situation was not comparable with that of Greece or Ireland, and that Spain would not need to be bailed out.

**Malo de Molina** said that more structural reforms would help to regain confidence. **Miguel Martín**, president of the Spanish Banking Association, also ruled out a rescue package. He said the government's reforms were a move in the right direction but called on the administration to "take them to the limit."

The Irish rescue package and the new round of "stress tests" were also dominant themes at the 6th Banking Sector meeting, which was held under the title "Building the Future." **Matías Rodríguez Inciarte**, vice president of the Bank of Santander, and **Ángel Cano**, chief executive of BBVA, both predicted that the results of the new stress tests would be very similar to the last round, and that these now included strict criteria based on extreme scenarios.

**Josep Olliu**, chairman of Banco Sabadell, said Spain must stop burying its head in the sand if it wants to win back financial credibility. It has to make salaries more flexible and change its negotiating structure, as well as the relationship between the State and the autonomous communities.

# How to Do What's Best for the Club



Delegates attending the sports management program.

IEESE's Center for Sport Business Management has launched a Program for Managing Sports Organizations in conjunction with the Spanish football league and the indoor football league. The 5-day program will be held on IESE's Madrid campus.

Aimed at the senior management of clubs and sports bodies, the program addresses the key issues of

sponsorship, brands, social networks, financial control mechanisms, talent spotting, leadership and team motivation and business strategies.

The project reflects the growing importance of sport as a business that now plays a significant role in the economy. The program seeks to raise the level of professionalism within the management of sporting organizations.

## Learn to Profit From Play

Johan Cruyff, the former Barcelona player and coach, and Joan Laporta, the club's then-president, opened the Armand Carabén Workshop on Football Economics at the end of November. The event was organized by FC Barcelona and IESE's Public-Private Sector and was coordinated by Profs. Jordi Galí and Xavier Vives.

Laporta praised the part played by the former Barcelona executive Armand Carabén in modernizing the club and broadening its outlook. It was Carabén who encouraged the club to sign Cruyff in 1973. Laporta emphasized the importance of the synergy between a club's management and its identity. The aim of the workshop is to foment an exchange of ideas between sporting and business experts. Workshop topics included the evolution and regulation of broadcasting rights, the state of the players' market and the economic challenges faced by elite football clubs.

The workshop was also the occasion for the presentation of the book detailing last year's workshop, entitled *Football Economics. Proceedings of the Armand Carabén Workshop on Sports Economics*, edited by Jordi Galí and Xavier Vives.

## Recruiting via Web 2.0

The theme of the 11th Symposium on the Management of People organized by IESE and Adecco last fall in Barcelona and Madrid was the role of Web 2.0 in the workplace. The use of social networks implies a cultural shift that business cannot ignore, the meeting was told.

One of the most significant changes has come in the way talent is managed, whether through specialized sites such as LinkedIn and Xing or blogs and social networks such as Facebook and Twitter.

"Some 45 percent of employers use social networks to find out more about job applicants, according to CareerBuilder, and as many as 52 percent of applicants are rejected on the basis of their online identity," said Esperanza Suárez, the IESE researcher who has compiled "New challenges in people management in the 2.0 culture: the workplace, legal

aspects and social networks," under the guidance of IESE Prof. José R. Pin. On the other hand, professional websites aid in the search for talent because as well as helping headhunters, these sites include information about people who are not actively seeking work, unlike employment agencies. These sites include references and testimonials from clients.

According to María Martín, communications director at Xing, about 20 percent of staff are recruited via these websites, a figure that she expects to rise to 70 percent.

## HEALTH CARE SECTOR MEETING

# AN EYE TO THE FUTURE IN SICKNESS AND IN HEALTH



Jordi Martí (PADE-1-07), Francisco Ballester, François Sarkozy, Pedro Nueno and Francisco Belil.

● The 2-day health care sector meeting took place on the Barcelona campus under the title “The Health-Care Industry in 2020.” In his opening remarks, IESE’s Dean **Jordi Canals** said long-term thinking was necessary, hence the seminar’s title.

Opening the proceedings, Prof. **Pedro Nueno** said that, in difficult times, meetings such as this were more necessary than ever, in order to share thoughts and ideas. He was followed by IESE Prof. **Alfredo Pastor**, a former Secretary of State for the Economy in the Spanish government, who said that health spending everywhere has steadily increased faster than GDP.

Industrialized countries have hitherto been the principal consumers of health care but this is gradually going to change and there are growing new markets. He said that demographically there are two problems: growth and ageing. In developed countries growth is not a problem but ageing is, where the aged population is double that of developing countries. The average age in Japan is 42 and Germany is not far behind. On the other hand, the average age in Niger is 15.

“Health spending is a much more complicated issue than pensions, which are solely a question of mon-

ey,” he said. Apart from the U.S. and Switzerland, most of the cost of health care in OECD countries is borne by the public purse. No one is expecting significant growth in industrialized economies over the next few years and deficits are going to be reduced very slowly, so clearly something has to change.

Taking up this point, **François Sarkozy**, younger brother of the French president and Chairman of Healthcare Consulting for Publicis Healthcare Communications Group Limited, said that there is not equal access to health care across the European Union as the proportion of public spending dedicated to health varies from country to country. Unmet needs for health care are highest in Poland and lowest in Denmark.

#### ACCESS TO INFORMATION

● He said that inequalities arise through lack of access to information as well as because of unequal income and that it is important to reduce disparities in information. As we have fewer doctors per capita, we need to increase the skills and responsibilities of nurses and pharmacists. Patients also need to take more responsibility for their

health care. The question is not only how much we spend on health care but how to ensure that it is being spent efficiently.

There has been a shift in the debate across Europe from “costs” to “value,” **Sarkozy** said. We must ask what the benefits are from investing in health and how these benefits can be measured. Many big companies such as Nestlé have begun to invest in their employees’ health. In the UK, 30 million working days are lost due to illness, at a cost of £10 billion (€11.8 billion) a year. France, which spends more on health care, has a rate of sick leave 4 percent below the EU average, although **Sarkozy** emphasized that the link is not proven. Health care should not be viewed as a cost of doing business but as an investment, he said.

A study carried out in the U.S. shows that 40 percent of premature deaths are due to behavioral problems. He added that each European citizen spends twice as much on alcohol and tobacco as on medication and that there is limited value in treating people with medication if they persist with an unhealthy lifestyle. What is needed is a risk-sharing philosophy, in which patients who don’t comply with their doctor’s advice may have to pay more.

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## SUPPORT FOR AFRICAN BUSINESS SCHOOLS

# Ivory Coast School Established AMP to be Taught in French

● IESE has helped establish a new business school in Ivory Coast: MDE Business School. The initials stand for Management Développement d'Entreprise. MDE was formerly the IHE-Afrique (Institut de Hautes Etudes-Afrique), which has offered workshops for West African executives since 2003.

With IESE's support, the renamed institution is now positioned as one of the country's leading business schools. In 2011, the school will carry out West Africa's first Advanced Management Program. MDE offers the AMP in French, which is the region's language of business. IESE and Lagos Business School, an institution IESE helped establish in 1991, are MDE's main academic partners for the program. MDE is the fifth business school that IESE has helped get off the ground through its Africa Initiative program.

"IESE's mission is to develop leaders who have a positive impact on society. The agreement that we have signed



with MDE signals our aim to do so not only at home, but also in developing countries," said Prof. **Lluís Renart**, director of the Africa Initiative.

IESE's support of MDE covers a wide range of activities. Currently, IESE helps prepare MDE faculty members, many through the school's International Faculty Program. IESE also makes academic and administrative recommendations to MDE on future programs and initiatives. MDE's fac-

ulty members come from IESE, Essec and Lagos Business School.

"Currently, there are no executive education programs in the region. Our senior executives have to turn to foreign schools for their business education," said **Martín Frigola**, Director of MDE. "At MDE, they are in an African setting in which to discuss issues with executives familiar with the local challenges, something they wouldn't encounter in Europe or the U.S."

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## SOCIAL TRENDS INSTITUTE

# Scientists Try to Determine the Extent of Free Will

✦ A group of leading scientists and philosophers who met on IESE's Barcelona campus at the end of October affirmed that science is compatible with our desire for freedom. The standard argument against free will holds that neither determinism nor indeterminism allows for human free will because events ultimately caused by chance are no more freely willed than are events caused by prior events within the laws of nature. Harvard astrophysicist **Bob Doyle** used

his version of the two-stage model to reconcile free will with indeterminism. He claimed that "our thoughts come to us freely and our actions go from us willfully," summing up his view as "first chance, then choice." Philosopher **Robert Kane** of the University of Texas at Austin contributed the idea of "torn decisions," in which people are ultimately responsible for their actions even when chance ultimately determines which of two possibilities is realized, because, he

said, "free will isn't freedom of action but rather freedom of self-formation." The meeting's sole biologist, **Martin Heisenberg** – the son of Nobel Prize-winning physicist Werner Heisenberg – may have best embodied the meeting's philosophy. Appearing by videoconference, **Heisenberg** responded to the question of whether free will might be an illusion with the comment that, "Before thermodynamics we didn't say temperature was an illusion. So we can't say freedom is an illusion now."



## Globalization in an Integrated World

**BARCELONA, APRIL 7**

IESE Dean presents the conference “Globalization and Leadership Development in an Integrated World. The Role of Companies and Business Schools” which will be attended by CEOs, HR vice-presidents, global recruiters and distinguished scholars. The conference will deal with trends in HR practices worldwide, with a particular interest in emerging markets.

## SHORT FOCUSED PROGRAMS

### Develop your Communication Skills

Barcelona, 22 - 24 March, 2011

### Create Effective Virtual Teams

Barcelona, 6 & 7 April, 2011

### Strategic Management for Leaders of Non-Governmental Organizations

Madrid, 9 - 13 May, 2011

### Getting Things Done

Barcelona, 17 - 20 March, 2011

### Making Social Responsibility Work: The Cornerstone of Sustainable Business

Barcelona, 4 - 8 July, 2011

### Developing Leadership Competencies

Barcelona, 8 - 11 November, 2011

## CONTINUOUS EDUCATION



**Düsseldorf, March 16** New Markets and Entrepreneurship: How Markets Emerge and How Start-Ups Can Grow Rapidly by Catalyzing The Process. Prof. Pinar Ozcan

**Amsterdam, March 17** Volkswagen, Porsche and Hedge Funds, or: The Good, The Good-looking and the Naughty. Prof. Jan Simon

**New York, March 30** Chinese Companies Marching Globally. Prof. Pedro Nueno

**New York, May, 5** Effective Management of Professional Networks. Prof. Marta Elvira

**Paris, May, 23** Web 2.0 in the Enterprise? Looking Towards the Next Frontier. Prof. Evgeny Kaganer

**Copenhagen, May, 25** Blinded by Growth. Prof. Javier Estrada

**London, June, 16** Making Innovation Work: How to Design Innovative Companies. Prof. Antonio Dávila

## China: The Route for Prestige

**BARCELONA, MAY, 10**

The 13th Prestige Brands Meeting discusses how, now that China has overtaken traditional markets, European companies, regardless of size, have to conquer consumers from distant markets by operating with them directly and or along tourist and hub routes.

# MBA Alumni Reunion

BARCELONA, MAY 28



The 8th IESE MBA Alumni Reunion will once again combine academic sessions with the opportunity to catch up with friends, colleagues and IESE professors. At the same time the five-year MBA groups from MBA-71, MBA-76, MBA-81, MBA-86, MBA-91, MBA-96, MBA-01 and MBA-06 will meet in a special session.



## Programs in China and Brazil

**GLOBAL CEO PROGRAM FOR CHINA**  
**BEGINS MARCH 27**

Focusing on individual initiatives and organizational excellence, the program is designed especially for Chinese CEOs who are in a position to reflect on both of these areas. Leveraging the acclaimed case method pioneered by HBS, the program enhances leadership skills by helping you to broaden your business knowledge and to acquire strategic vision in both a Chinese and a global business context.

**ADVANCED MANAGEMENT PROGRAM**  
**BEGINS JUNE 6**

Designed for executives working in the fields of management, communication and strategies. The first four modules will be held on the Campus Jordão and the fifth at IESE in Barcelona.

## Brazil Business Summit

BARCELONA  
MARCH 24-25

The Center for Emerging Markets and Barcelona Chamber of Commerce host this conference on strategic partnerships with Brazil.

## GRADUATIONS

### AMP-Warsaw

The AMP-Warsaw class graduation ceremony will be celebrated in Barcelona on April 15



### EMBA

The weekly EMBA '11 graduation ceremony will be held in Madrid on May 5, and the bi-weekly on May 6

### MBA

MBA graduations will be celebrated in Barcelona on May 13

### GLOBAL-EMBA

The next Global-EMBA monthly graduation will be held in Barcelona on June, 10.

PAN AFRICAN EMBA

# BREAKING DOWN NATIONAL BARRIERS



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**The program brings EMBA students from Nigerian and Kenyan business schools together in Barcelona, allowing them to share their experiences of globalization from a general management perspective.**

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**A**frican business leaders from Strathmore Business School in Nairobi and Lagos Business School in Nigeria met on IESE's Barcelona campus towards the end of last year for a module of the Executive MBA. It is the first time that two EMBA classes from different African schools have been brought together with an EMBA group in Barcelona.

The week began with a session by Prof. **Lluís Renart** on the history of IESE's links with Africa and the launch of The Africa Initiative in 2009. **Renart** explained that IESE's engagement with Africa fits in with its overall mission as a global institution, with a special focus on human and ethical values. He said that IESE always teaches from a general management perspective and that it sought to teach in such a way that it creates a transformational impact.

It tries to achieve these goals either directly or indirectly through other institutions. Sometimes it starts by offering an AMP taught by IESE professors, then progressively begins to use local faculty with the eventual launch of a new business school. The aim, **Renart** said, is to create autonomous schools, not branches of IESE. Some of this is achieved through the International Faculty Program which was created in 1992. In 2009, it had 33 participants representing 22 nationalities, 10 of them from Africa. IESE also establishes joint degree programs, peer-to-peer cooperation and faculty development "in situ" in Africa.

For social and economic development to occur, **Renart** said, many factors need to be in place, such as health, education, political stability, infrastructure and a market economy. But it also needs well-managed businesses, for which business schools are needed to train leaders, and this is IESE's principal contribution.

As well as Strathmore Business School and the LBS, IESE also works with Nile University in Cairo and with the Angola School of Management in Luanda, which was formally launched in 2010 with help from AESE in Lisbon. It is helping to develop the Institut des Hautes Etudes in Abidjan, Ivory Coast, where the first AMP program will be launched this year and will be taught in French. Through its connection with CEIBS in Shanghai, IESE has also been involved in launching the first MBA course in Accra, Ghana.



“We have a dialogue with the schools in Africa and they decide what they would like us to do,” **Carlos P. Hornstein**, IESE’s director of business development (Latin America & Africa), says of the Barcelona EMBA module. “Two or three years ago we decided to put the two groups together.”

**Hornstein** says this has been a big success. “The feedback has been that to be with executives from other schools and countries has been really valuable, and they have also been able to network with Spanish EMBA students. From an academic standpoint the content is complementary to what they have been doing in both of their

schools. The idea is to talk about globalization from a general management perspective. We bring together professors from a range of disciplines to discuss the impact of globalization on both business and the individual. We organized a visit to Barcelona football club’s stadium and museum that was linked to a case. So there was academic content linked to a social activity.

“Next year we are going to have even more students and we may have to split them up into two classes of 60, with 30 each from Nigeria and Kenya. Our aim is for this to become part of the MBA experience when they sign up for the



program in Nigeria and Kenya. We would like it to be part of the program, rather than an optional week, to enrich the synergies between the programs.”

**Simon Njoroge**, from SBS, who is a general manager for Maersk Line, said of the module, “What struck me from the beginning was the quality of the faculty. I didn’t expect to meet such high-caliber faculty members. I came looking for a challenge and I have been challenged both in regard to my personality and my creativity. If you were to ask me what would be different in how I do my job tomorrow, the first thing would be that I would start the



THE PROGRAM CONTENT IS VERY DEEP AND PROFOUNDLY RELEVANT TO MY WORK. I WILL TAKE MANY OF THESE LESSONS BACK HOME.”

**Ann Njogu**

day by asking myself what I am doing and how much is the business that I’m in adding to me as a person and to the community I live in.”

Fellow SBS student **Ann Njogu**, executive director of the Centre for Rights, Education and Awareness, also found the module fulfilling. “This is the pinnacle of my MBA program because it is so relevant and so practical,” she said. “It’s anchored in excellent theoretical principles but it hammers out key ideas that are so relevant back home. The program content is very deep and profoundly relevant to my work. I will take many of these key lessons back home. I have been forced to ask myself core questions about who I am and how I work.”

**Ekaete Augustine-Edet**, from LBS, was equally enthusiastic. “The quality of the faculty is amazing. They have in-depth experience. It’s not just theory. The talk about work-life balance put everything into perspective. Business is important but you also have your family, your life – you have to strike a balance. Being here has given me a different perspective on how to look at myself and my business. No one can leave here and say they didn’t learn something.”

# PAST INDICATIVE, FUTURE IMPERFECT

To mark the publication of *The World in 2011*, the *Alumni Magazine* spoke to *The Economist's* executive editor Daniel Franklin about the world recovery, the future of the euro and the prospects for journalism in the digital age.

**T**his year, *The Economist* celebrates the 25th anniversary of its annual *The World in ...* report on expected trends and events in the coming year. Given that no one predicted the disaster that befell the world economy barely two years ago, you would think it prudent to keep the crystal ball locked away in a desk drawer, but

**Daniel Franklin**, executive editor of *The Economist*, says that, for all their shortcomings, we need soothsayers.

“Looking back at our predictions for 2010, there are always things that surprise us, events that come out of nowhere to change our calculations,” he says. “So it’s right that these predictions should be viewed with a healthy skepticism, but nevertheless I think we need to make a best guess as to what is going to happen. We have to have a working hypothesis of the likely course of events and the economy.”

As **Franklin** comments in his review of the predictions for 2010, “stuff happens.” No one could have confidently predicted what turned out to be last year’s biggest news stories: the earthquake in Haiti, the floods in Pakistan, the oil spill in the Gulf of Mexico and the disruption to air travel caused by the Icelandic volcano.

One firm forecast for 2011, however, is that emerging economies will grow much faster than those in the traditional heartlands of capitalism. How different will these new economies look?

“The role of the state is particularly significant in places like China and, in a different way, Russia,” **Franklin** says. “State-owned enterprises play a much bigger role in the economy. There is something of a global contest between different models of capitalism. There’s the American model, which has taken a big knock, and meanwhile the Chinese model

marches on. Let’s not forget the Indian model, which is different from China’s. But the major fault lines are along the degree of state involvement.”

## SOCIAL UNREST

● There is a widespread perception that, through austerity measures, ordinary people are being forced to pay for a crisis that was not of their making. Aside from the French campaign against pension reform, protests have so far been relatively muted. Should we expect more? “At the moment, people’s main preoccupation is to get by from day to day,” **Franklin** says.

“There has been unrest and we’re likely to see more of this as austerity measures bite in various parts of Europe. There’s often a lag between economic measures and social unrest. The public sector is in the firing line and that is about to cause a lot of conflict. The level of unionization in the public sector has remained quite strong and this is where you would expect to see a contest, not just over jobs but in the way the public sector is organized.”

Many people are saying that the global financial collapse is a wake-up call, that the excesses of free-market capitalism need to be curbed and should give way to a more responsible and humane approach to doing business. **Franklin** takes a skeptical view. “It’s certainly a wake-up call,” he says, “but whether it’s about responsibility and humaneness, I’m not so sure. Being responsible and humane is all very well but you also have to stay in business because if you can’t, you are no longer able to do any good whatsoever. So it’s a wake-up call but more in other ways, such as the share in the spoils of capitalism, in particular the inequality in certain rich countries and certain sectors. Clearly a disproportionate part of the wealth has gone to the very top of the finance sector.”

## SLOW RECOVERY

● *The World in 2011* predicts that we can expect another tough year for the global economy, and says that the withdrawal of government support will expose just how weak the private sector is. Furthermore, signs of recovery in the United States have not been accompanied by a surge in new jobs.

“Normally, in a recovery in the United States, you see the jobs market roaring back, and that hasn’t happened, which leads to a suspicion that something structural is changing in the American labor market,” **Franklin** says. “Perhaps there is less mobility because of troubles in the housing market. Perhaps more disturbing is a greater mismatch than there was before between where the skills are and where the jobs are because of globalization.”

Turning to Europe, he believes there is a big adjustment to be made in some countries, complicated in Spain and some other European countries by the inability to devalue within the euro area. “On the other hand, the German economy has been remarkably strong throughout this period. It’s surprising people with its growth and if you look back at Germany over the past 10 years, it’s been the strongest growing economy per capita of all the G7 countries.”

## THE FUTURE OF THE EURO

● As for the Euro Zone, the language itself reveals the divisions. “People talk about the ‘core’ and the ‘periphery.’ There is a struggle to agree on which countries fall into which category. This distinction is recognized not least in the bond market, and that’s blown away the idea of Europe as one big, equal family.”

However, the core countries have invested a great deal politically in the idea of the euro and to break it up would be very costly, he says. And the peripheral countries are also important markets for the core. There is a powerful interest in keeping it all together but how that is done is another matter.

“I think Spain can avoid the bail-out,” he says. “It is in an inherently stronger position because it started out with very low debt and, as a large economy, has many strengths. But Spain did itself no favors by being slow to adjust to the severity of the problems it faced.”

It is encouraging to see that *The Economist* is not predicting the outbreak of any new wars this year, although it does entertain the possibility of Washington having to send combat troops back into Iraq. “If you look over the longer term, the trend has been for a decline in wars and in the number of people killed in violent conflict, though that’s not the impression you get from reading a newspaper,” he says.

The discussion ended, perhaps inevitably, on the outlook for journalism in a digital age in which consumers have rapidly become accustomed to getting information for free. Some newspapers have responded, with mixed results, by restricting access to their websites via so-called pay walls, obliging online readers to pay for the content.

“To look at it in a positive light, these are difficult times for newspapers because of the huge challenge of technology together with a breaking down of the tra-



ditional model of advertising and paid circulation for newspapers,” **Franklin** says.

“But it’s an incredibly creative time both for new types of journalism and new business models in the media. It may not be easy to be in an industry that is going through such an upheaval, but from a consumer’s point of view there’s a wonderful range of choice and ways of consuming media, including access to media not just from your own country but from around the world. What you had in the media was a lot of duplication, which has been exposed. I was part of the White House press corps where hundreds of reporters were reporting essentially the same thing in more or less the same way. It’s tremendously wasteful.”

CONTINUOUS EDUCATION, BARCELONA

# CHINA'S STATE CAPITALISM IN A MARKET ECONOMY

“China has never in its long history had a long-standing friendly relationship with a foreign country. This makes it very different from the West.” This was just one of many fascinating observations made by **Tom Hout** of Hong Kong University and the Fletcher School at Tufts University in his talk last November at a Continuous Education in Barcelona session titled, “What Can European Business Now Expect from China?”

**Hout** said that China is not only different from the West, but more different than most of us realize and that, having emerged from the recession in better shape than the West, the Chinese government is adopting a more aggressive attitude in its dealings with Western business. The state has always played a strong development role in China, he said, much more so than in the U.S. or Europe, and it is a very state capitalist-oriented economy with many features of a market economy.

China's strategy is to co-opt and coerce multinationals into sharing their technology as a condition of entry into the Chinese market, with the aim of developing home-grown companies that will be able to compete with



them. The state pre-selects Chinese companies it wants to champion in any given sector, and these tend to be selected as joint venture partners with Western firms. The greater the technological advantage a Western company has, the more power it has to resist these forced marriages. “If you have the bargaining strength with the Chinese you have to use it, if you don't want to get pushed around,” **Hout** said.

He said that European companies such as Zara, ColaCao, Airbus, Adidas, Areva, Lafitte, Ericsson, Nokia and IBM were all running successful operations in China. The attractions are that it is a big, fast-growing and profitable market and that Western companies have the

edge in terms of brands and technology. However, it is a difficult place for the inexperienced and a big investment is required in order to retain market share against competing Chinese companies.

**Hout** said China wants to get past the iPhone scenario, where the phone was assembled in China using components from around the world but with 85 percent of the profits going to the U.S. He said the country sees its export future in products such as high-speed rail, onshore wind and nuclear power plants.

In becoming a global competitor, it has cheap labor, land and capital, an undervalued currency and the ability to learn fast on its side.

## IESE AWARDS

# Academic Excellence Prizes for Research

The Association of IESE Members has awarded **Víctor Martínez de Albéniz**, **Domènec Melé**, **Fernando Pereira** and **José A. Segarra** with prizes for Excellence in Research. Prof. **Martínez de Albéniz** was awarded the prize for the best academic article published in a top international journal for “Competition in the Supply Option Market,” which was published in *Operations Research*. Profs. **Melé** and **Pereira** won prizes for their

books, **Melé** for “Business Ethics in Action: Seeking Human Excellence in Organizations” and **Pereira** for a work on accounting written jointly with other IESE professors.

Prof. **Segarra** won the prize for the best course for “Managing small and medium-size businesses.” The prizes were created by the Association in 2001-02 with the aim of encouraging management research and teaching.

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## VISITORS FLOCK TO NEW YORK CENTER

# “THE IESE STAMP OF QUALITY”

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Paul Gallagher, Luis Cabral, Mariano Puig, Isak Andic and Federico Riera-Marsá.

• The new IESE center in New York  
• has received a stream of illustrious visitors since it opened. Executives and businessmen such as **Isak Andic** of Mango, **Mariano Puig** (PDG-I-64), **Antonio Llardén** and **Rafael Vilaseca** (MBA '76) have all recently signed the visitors' book.

“It's great to see IESE with a base in New York and I wish it all the best,” **Mariano Puig**, chairman of Puig, wrote on November 19. He was accompanied by Mango CEO **Isak Andic** who referred to the “good work” done by IESE Dean **Jordi Canals** and his team, wishing them the same success “as in everything you have done so far.”

The chief executive of Gas Natural, **Rafael Vilaseca**, who visited the center on December 3, said he was “proud of what had been happening in recent years” and added that he was “grateful for everything he had learned at IESE and congratulated them for everything they had done since.”

**Antonio Llardén**, the chairman of Enagás, visited on December 8 and commented that he was “very happy to have the opportunity to visit IESE's magnificent center in New York” and said that it offered the “perfect environment for study and teamwork and bore IESE's stamp of quality and prestige.”

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## Awards

### Víctor Martínez de Albéniz

• Was awarded the JFIG prize at the INFORMS conference for the best paper of the year written by a junior professor, having finished his PhD seven years ago. The paper, written with Felipe Caro (UCLA), is titled “Product and Price Competition with Satiation Effects.”

### Sebastian Reiche

• Has been named as a member of the Teaching Committee of the International Management Division of the Academy of Management.

### Pedro Saffi

• Has, along with Jason Sturgess (Georgetown University), been given the prize for the best paper on regulation awarded by the Comisión Nacional del Mercado de Valores (CNMV) for their work “Equity Lending Markets and Ownership Structure.”



**MORE INFORMATION**  
<http://blog.iese.edu/>

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## Prof. Antonio Argandoña has his own Blog

• **Antonio Argandoña**, professor  
• of economics and holder of “la Caixa” chair of Social Responsibility in Business and Corporate Governance, has launched himself into the blogosphere with a blog in which he will focus on three big topics: the

economy, social responsibility and ethics in business and society. He now joins a select group of IESE professors who have their own blogs, among them **Miguel Ángel Ariño**, **Nuria Chinchilla**, **Josep Tàpies** and **Julián Villanueva**.

ADAPTING THE BUSINESS SCHOOL CURRICULUM

# From the Classroom to the Boardroom



There is an acute sense that the recent financial crisis was a crisis of leadership. A new book edited by IESE Dean Jordi Canals offers an interdisciplinary approach to the topic of leadership development.

● If nothing else, the recent meltdown of financial markets and the fall of very powerful and well-established firms have highlighted the need to rethink the essence of business leadership.

In this sense, the new book, *The Future of Leadership Development*, could not have come at a more timely moment. Based on papers prepared for the conference, “The Future of Business Leadership: The Role of Business Schools,” held at IESE in 2008 to mark the school’s 50th anniversary, the book is a collection of essays by the deans of leading international business schools and top management scholars.

As IESE Dean **Jordi Canals** explains in the introduction, “what we are witnessing today in many companies is a combination of reckless strategic decisions, exces-



sive short-term focus and poor governance mechanisms.”

While it may be true that external shocks were a major exacerbating factor in the crisis, the lessons that need to be learned are both real and urgent.

### SOUL-SEARCHING QUESTIONS

● **Canals** invites readers to ponder a whole series of challenging questions: What could companies have done differently? Was there a more effective approach to assessing risks and evaluating investment decisions? Were the goals and objectives set by boards of directors realistic? What types of business leaders have companies been looking for, and universities helped to develop?

The challenge is not so much to apportion blame, says **Canals**, but

to learn what could have been done better, what the responsibilities of CEOs are, and — perhaps most importantly — where the focus of leadership development in the future should be.

The book is divided into three parts. In the first part, perspectives on the role of business schools in leadership development are provided by prominent industry insiders.

They include **Jay O. Light**, dean of Harvard Business School; **Dipak C. Jain**, professor and dean emeritus of the Kellogg School of Management; **Arnoud de Meyer**, president of Singapore Management University; **J. Frank Brown**, dean of INSEAD, and IESE Dean **Jordi Canals**.

### GAPS IN BUSINESS EDUCATION

● The second part of the book features contributions from a number of leading management scholars, including Stanford University Professor **Jeffrey Pfeffer**, who proposes an agenda for change in the model of leadership development at business schools.

The third and final part of the book is organized around two papers prepared by IESE faculty that introduce some practical ideas for leadership development. In the first paper, professors **Mireia las Heras** and **Nuria Chinchilla** discuss ways in which CEOs can develop leadership within their own organizations.

They urge business schools to stop focusing exclusively on developing technical skills and to develop a more integral approach to their teaching.

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# Lessons in Leadership

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## Growing as a Leader

Pablo Cardona,  
Helen Wilkinson  
EUNSA, 2010



• The preface to this guide to developing leadership capacities is written by **Edurne Pasaban**, the first woman to climb all 14 of the world's 8,000m peaks. Being a good leader is like climbing one of those peaks and involves, as **Pasaban** says, "struggling each day to develop positive habits." *Growing as a Leader* sets out 10 key abilities required of a good leader and discusses how to develop them.

The 10 fundamental attributes are creative initiative; decision making; communication; empowerment; client orientation; integrity; teamwork; resilience; time management and conflict management.

Creative initiative depends on the company having a culture that encourages autonomy and in which people feel valued. Business leaders need to create a climate in which employees feel they have a clear mission and where there is a free exchange of information and ideas.

The authors divide decision making into the analytical, based on the available information, and the intuitive, rooted in experience. The more training and experience acquired in a particular field, the more we can trust in our intuition. However, no one is infallible. Mistakes will be made and the important thing is to learn from them.

In the case of communication, the authors distinguish between ethos, the speaker's credibility; pathos, their emotional connection with the person being addressed; and logos, the way in which the argument is pre-



Prof. Pablo Cardona.



Helen Wilkinson.

sented. Combined, these make up the essence of good communication that is essential both for the business and personal well-being. As for empowerment, on the one hand it implies overcoming the traditional modes of top-down management, but on a personal level involves self-knowledge and the ability to change oneself.

The client is the *raison d'être* of any company and client orientation must involve everyone in the business, not just the sales force, in order to have satisfied and loyal clients. To achieve this, business leaders must continually ask their team to put themselves in the clients' shoes and ask themselves if they are getting the service they require.

Integrity is a virtue that is easier to recognize than define, though most would agree that it implies a combination of reasonableness, sincerity and fairness. But these principles

mean little in the abstract, and leaders must be seen to act with integrity, as integrity is the basis of personal trust and moral authority.

It is well documented that people assume different roles when they work in teams and business leaders must study their own aptitudes, as well as those of other team members, if the team is to function successfully.

The authors cite resilience as an essential trait among leaders, and also list time management as necessary both for the sake of efficiency and to minimize frustration and stress. Finally, they address the question of conflict management. They examine the varieties, causes and possible benefits of conflict and conclude that, while there is no one recipe for coping with conflict, it is vital that in dealing with it that people are treated with respect and fairness.

# KENNETH CHENAULT

## JOBS ARE WHAT MATTERS: AMEX CEO REFLECTS ON THE U.S. ECONOMY

WSJ's Viewpoints Executive Breakfast Series,  
Co-sponsored by IESE and BCG.



**K**enneth Chenault was the special invited speaker at a recent WSJ Viewpoints Executive Breakfast Series, co-sponsored by IESE Business School and BCG. Asked what he would say to the so-called “Tea Party” Republicans, he said the important thing is to engage in a dialogue. “But I would also say to them that, just as you hold other people accountable for driving results and outcomes, you will also be held



accountable.” Everyone, from the President on down, is going to have to “reach across the aisle,” he said. Legislative gridlock is not the solution, though it will work for a short period of time in the polls. “But at the end of the day, what the American public is focused on is ‘do I have a job and is the economy growing?’”

Although he voted for **Obama**, he feels the President should have focused less on issues such as health care and more on the economy. “The President has to ask what are the key priorities that the public want him to focus on,” he said. “My view is it needed to be on job creation. The

U.S. faces a host of issues but as leaders we have to decide what are the core priorities and the time frame that we’re going to focus on those core priorities.”

At American Express he says they see an increasing split between the affluent and the less affluent. “From a discretionary standpoint consumers are spending more than ever,” he said. “We’re getting close to pre-recession levels.” Corporate spending has grown too, but at Amex they see small business as the key. “Over the past decade, two thirds of new jobs have been generated by small business,” **Chenault** said. “People with

**The President has to ask what are the priorities that the public want him to focus on. I think it needed to be on jobs.**

small businesses say things are picking up but at the same time they have less confidence in the economic recovery than they had a year ago. They feel customer demand is not improving over the long term.”



THE LATEST ON  
IESE'S ALUMNI  
CHAPTERS

# CHAPTER NEWS

## MUNICH

October 4

The German Chapter welcomed Prof. **Javier Estrada** who led a meeting titled "Investing in Turbulent Times." The meeting was attended by **Jordi William Carnes**, the deputy mayor of Barcelona. The Chapter thanks Barcelona City Hall for helping to organize the event.

November 11

Prof. **Marc Sachon** gave a talk based on a case study titled "The Wiedeking Years at Porsche – Operational Excellence" to the German Chapter in Munich in which he discussed how **Wendelin Wiedeking** brought Porsche back from the brink of bankruptcy. Alumni also had an opportunity to take a close look

at a Tesla car. The Chapter thanks **Leonhard Graf von Harrach** (MBA '06) and Tesla Motors for their help in organizing the event.

**MORE INFORMATION:** [www.iese.edu/news](http://www.iese.edu/news)

## PARIS

October 4

The French Chapter met in Paris for the last *Dîner de premier lundi* (first Monday of the month dinner) before the Global Alumni Reunion.

October 5

The French Chapter met at the headquarters of L'Association France-Amériques in Paris for Prof. **Javier Estrada's** talk "Investing in Turbulent Times". The session focused on two principal themes: historic share and bond

performance and the implications for investors and the current valuation and outlook for the international money markets. The Chapter thanks of L'Association France-Amériques for helping organize the event.

December 6

In December another *Dîner de premier lundi* was held and the Alumni were looking forward to a visit from Prof. **José L. Nueno** on January 31.

## MOSCOW

October 6

The Russian Chapter met in Moscow where Prof. **Evgeny Kaganer** led a session titled "Web 2.0 in the Enterprise – Looking Towards the Next Frontier".

Via video conference, Cisco's **Andrew Warden** and **Roberto Arenas, Kaganer** discussed the possible business applications of Web 2.0 based on a study of 100 organizations around the world. The Chapter thanks Cisco Systems for help in organizing the event.

## BUENOS AIRES

October 7

The Argentina Chapter held its annual meeting in the capital. During the morning Prof. **Julia Prats** gave a talk based on her case study of El Bulli restaurant, "What is Innovation?" and another titled "Growth is Possible and There Are Tools To Help You". Later **Inés Bertón**, who founded Tealosophy with \$132 in the midst of the Argentine financial crisis, talked about her company. Prof. **Juan Llach** of IAE wrapped up the event with a session titled "World Food Demand and Other South American Products".

## MIAMI

October 26

Alumni met in Miami to hear contributions from IESE Profs. **Javier Estrada** and **Pedro**



A session in London.

**Videla**, together with **Hernan M. Mayol**, senior vice president of corporate banking in Latin America at Merrill Lynch. The speakers analyzed the American financial and stock markets in a session titled "Economic and Stock Market Outlook in the Americas". The Chapter thanks the Florida International Bankers Association for help in organizing the event.

## SHANGHAI

November 10

Prof. **Alfredo Pastor** addressed the China Chapter on the theme "China and the West: Back to Normal" and China's economic growth and re-emergence as a world

power. The Chapter thanks CEIBS for help in organizing the event.

## LONDON

November 15

English alumni attended a conference given by **Robert Buckland**, managing director and chief global equity strategist at Citi Investment Research and Analysis (CIRA), **Jeavon Lolay**, head of global research at Lloyds Banking Corporate Markets and Prof. **Pedro Videla**. The session was titled "Everything From the 'Risk of a Double-Dip Recession' and the 'Greek Crisis' to 'the Currency War': Current World Economic Issues We All Want to Discuss, but for Fear of the Bad News" and the speakers focused on the key issues of the financial crisis. The session ended with **Videla's** ironic "In Debt we Trust" on the rising debt in European countries and the poor growth anticipated in the Euro-region over the next 12 months. The Chapter thanks Citi for help in organizing the event.

## WAVRE

November 15

Belgian alumni hosted a meeting addressed by **Robert**

## YOU'RE IN THE NEWS

### ARE YOU IN THE NEWS?

We are interested in all your latest news. Send your comments to revista@iese.edu

**EMBA '09 Jordi Brossa** has been appointed global supply chain manager at AkzoNobel CR Automotive Plastic Coatings.

**MBA '94 Alan Pace** has replaced **William C. Layton** as president of the United States IESE alumni chapter.

**MBA '05 André Stürmer** has been appointed managing director of TriVest, a South African venture capital firm.

### GLOBAL CEO PROGRAM LATIN AMERICA '10

**Carlos R. Yepes** has been named CEO of the Bancolombia group, the market leader in Colombia's financial sector.

**MBA '90 Salut Navarro** has established PDG Executive

Consultants, which provides clients with financial outsourcing services.

### IN MEMÓRIAM FRANCISCO RUBIRALTA (PDG '69)



Francisco Rubiralta Vilaseca, founder and CEO of the steel company Celsa, and a good friend and benefactor of IESE, died in Barcelona on November 17, aged 71.



1



2

**Madelin**, chairman of the General Directorate of the Information Society who, after an introduction from Prof. **Magda Rosenmöller**, spoke about “The Future of EU Health Policy: Fostering Innovation in the Sector”. The discussion centered on the issues the sector faces in the European Union. **Pascal Lizin**, head of external and public affairs at GSK Biologicals, spoke about GSK’s recent work in the field of vaccinations. The Chapter thanks **Sheldon Poujade** (MBA ’99) of GlaxoSmithKline Biologicals for help in organizing the event.

## AMSTERDAM

November 17

- Prof. **Jan Oosterveld** spoke to ● Dutch Alumni on “Megatrends and the Economic Crisis”. He discussed trends that have emerged in recent decades and their origin, causes and current state in relation to the crisis.



3

## VIENNA

November 19

- The Austrian Chapter held ● their traditional breakfast on November 19 where members brought each other up to date on what they had been doing since they were students at IESE.

## ZURICH

November 26

- The Swiss Chapter met for ● breakfast in Zurich.

December 14

- The Swiss Chapter was addressed ● by Prof. **Pedro Videla** on “Everything From the ‘Risk of a Double-Dip Recession’ and the ‘Greek Crisis’ to ‘the Currency War’: Current World Economic Issues We All Want to Discuss, but for Fear of the Bad News” in which he reviewed the salient issues of the international crisis. The Chapter thanks **Edwin de Bruijn** (MBA ’01), **Jérôme Koelewijn** (MBA ’96) and Morgan Stanley for help in organizing the event.

**MORE INFORMATION:** [www.iese.edu/news](http://www.iese.edu/news)

## TOKYO

November 26

- Prof. **Ryoko Toyama** of Chuo ● University addressed the Japan Chapter on “Innovation and Knowledge Management”. The

1. Meeting of minds in Washington D.C.
2. The session in New York.
3. The session in Tokyo on November 26.

meeting was held on the campus of the Globis Business School in Tokyo and the Chapter thanks the school for help in organizing the event.

## NEW YORK

December 1

- More than 100 people gathered ● in New York to hear **Guillermo Jasson**, chief executive of Cross Fields Capital, and Profs. **Javier Estrada** and **Pedro Videla** lead a session titled “Growth and Distressed Investment Opportunities. Latin America and U.S. Side by Side”. The speakers discussed the impact of the crisis on capital movement, wealth creation and investment in emerging markets, with particular reference to Latin America and the United States. **Jasson** said that Latin America was now regarded as a secure place to invest because of its continuing growth and access to capital markets. He believed this formed the basis for the rise of a Latin American middle class.

## WARSAW

December 8

- Over 100 alumni from the ● Poland Chapter met in the capital for their traditional Christmas dinner.

## WASHINGTON D.C.

December 14

- Prof. **Marta Elvira** addressed ● members of the United States Chapter on “Effective Management of Professional Networks.” The Chapter thanks **Brian Blakely** (MBA ’99) and the Inter-American Development Bank for helping to stage the event.

**MORE INFORMATION:** [www.iese.edu/news](http://www.iese.edu/news)

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Financial Times, May 2010

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- **Transforming Business Leaders**  
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● For those who have grown fond of messages 140 characters long, IESE is also on Twitter with 2,300 followers on the main channel ([www.twitter.com/iesebs](http://www.twitter.com/iesebs)), almost 1,000 on the IESE Publishing shop ([www.twitter.com/IESEP](http://www.twitter.com/IESEP)), and 500 on the MBA ([www.twitter.com/iesemba](http://www.twitter.com/iesemba)) and Executive Education ([www.twitter.com/ieseiee](http://www.twitter.com/ieseiee)) channels. The Library ([www.twitter.com/IESELibrary](http://www.twitter.com/IESELibrary)) and the magazines ([www.twitter.com/IESEInsight](http://www.twitter.com/IESEInsight)) and ([www.twitter.com/iesemagazine](http://www.twitter.com/iesemagazine)) are also tweeting.

Other options for social network addicts are to take part in discussions on IESE's page on LinkedIn or check in on the geo-positional network foursquare. Why not? Wouldn't you like to be the mayor of IESE?

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# Doing Business to Music



**PEDRO NUÑO**

Professor of  
Entrepreneurship, IESE

When you have enjoyed some success as an entrepreneur, it will have involved enthusiastic people, who have taken risks, put in some work and perhaps made sacrifices and succeeded in convincing others to join them on the adventure. Suddenly, everything comes together and the venture takes off, whether it's a new business or taking an existing business in a new direction. This does not happen if you're pessimistic or unmotivated. The question is: how do you generate enthusiasm? Enthusiasm is something we have to create ourselves.

When I began studying engineering many years ago I knew how difficult it was to pass the exams and there were moments when I thought I was going to fail them all. But my father smiled and said: "It's no big deal for you. You'll come top of the class." When the results were published I was surprised to see that I had passed every exam with honors. That's when I became enthusiastic. "Engineering is a breeze. I'll do another degree and I'm going to get a job, too." And everything turned out well.

Working at IESE makes me enthusiastic, as does spending part of my life in China. Furthermore, if you look at yourself in the mirror first thing in the morning and say, "go for it!", that's a good way to start the day. Sometimes things don't work out as you'd hoped, but faced with a problem, arm yourself with a realistic amount of enthusiasm and get on with it. This way of looking at things and my work teaching entrepreneurship led me to wonder whether music might be in any way connected to doing business and even whether listening to music might make me a more enthusiastic entrepreneur. Anyone who has made the mistake of reading my books will know that I've tried my hand at painting. Anyone who visits IESE's new campus in Barcelona will be aware of the impact architecture can have. So what about music?

Over the past two years I have been conducting an experiment during my many journeys between IESE and the airport. I find a station that plays music and I know what the piece is because the name is displayed on the control

panel. And I try to associate the music with something to do with business. Strauss' Radetzky March, for example, is rousing and the audience can't resist clapping along to the beat. Couldn't we associate this with a company where everything is going well? This experiment of putting music on during every stage of an enterprise is not only exciting, it has certain advantages. Before I started doing it, I used to come back from China, collect the car, put on the news and the sound of political or trade union leaders brought me back to the reality that I was back in Spain. By listening to music I could arrive at IESE without listening to the news. Once at IESE I was safe: keen students, international programs, emails from Harvard ...

I set about programming the 10th anniversary of FINAVES. It wasn't easy to set up FINAVES, but it's now one of IESE's success stories. For me, this success includes the special pleasure of being replaced at the helm by another IESE professor who is better than me. I have always preferred to step down from office and responsibility once the company, institution or organization was functioning well or when any serious problems had been ironed out. This became possible in 2010 with the appointment of **Alberto Fernández Terricabras**, who is a fan of the project, an excellent teacher and someone with a profound knowledge of entrepreneurship.

On the day of the anniversary I tried out "The rhythm of the entrepreneur," a story accompanied by images, key elements and music at each stage and which looked at how we can keep our identity, values and personality and use them in the service of doing business.

It was received with much enthusiasm. I was really excited, having succeeded in generating this enthusiasm. The audience were singing in IESE's auditorium. I tried the same thing a few days later in China, at CEIBS, and the Chinese also sang. And I tried it again at Harvard, in Boston, and they sang and applauded and everyone wanted to try it at work or at home. I've also carried out the experiment in two Executive MBA classes, again with great success. I think I've learned a lot. We should always try to bring out the enthusiasm in ourselves and others.

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1. McKinsey study: <http://www.datacenterknowledge.com/archives/2009/04/15/mckinsey-data-centers-cheaper-than-cloud/>. 2. Comparison of IBM System x3850 X5 + MAX5 with total 96 DIMMs x 16 GB for total 1.5 TB of memory vs. IBM System x3850 M2 with 32 DIMMs x 8 GB = 256 GB. Comparison of processor-based licensing fees on current Generation 4 processor systems with 64 DIMMs vs. the IBM System x3690 + MAX5. IBM eXFlash technology would eliminate the need for a client to purchase two entry-level servers and 80 JBODs to support a 240,000 IOPs database environment, saving up to 97% in server and storage acquisition costs. IBM, the IBM logo, ibm.com, X-Architecture, Smarter Planet and the planet icon are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. A current list of IBM trademarks is available on the Web at [www.ibm.com/legal/copytrade.shtml](http://www.ibm.com/legal/copytrade.shtml). Intel, the Intel logo, Xeon and Xeon Inside are trademarks or registered trademarks of Intel Corporation in the United States and other countries. © International Business Machines Corporation 2011