

IESE

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The Drivers
of Progress

Pascual Berrone
Stepping Off the
Money-Go-Round

Guido Stein
Politics of
The Revolving Door

Michel Camdessus
Why Europe Must
Return to Basics

Hans Ulrich Maerki
Wanted: Bold New
Breed of Leaders



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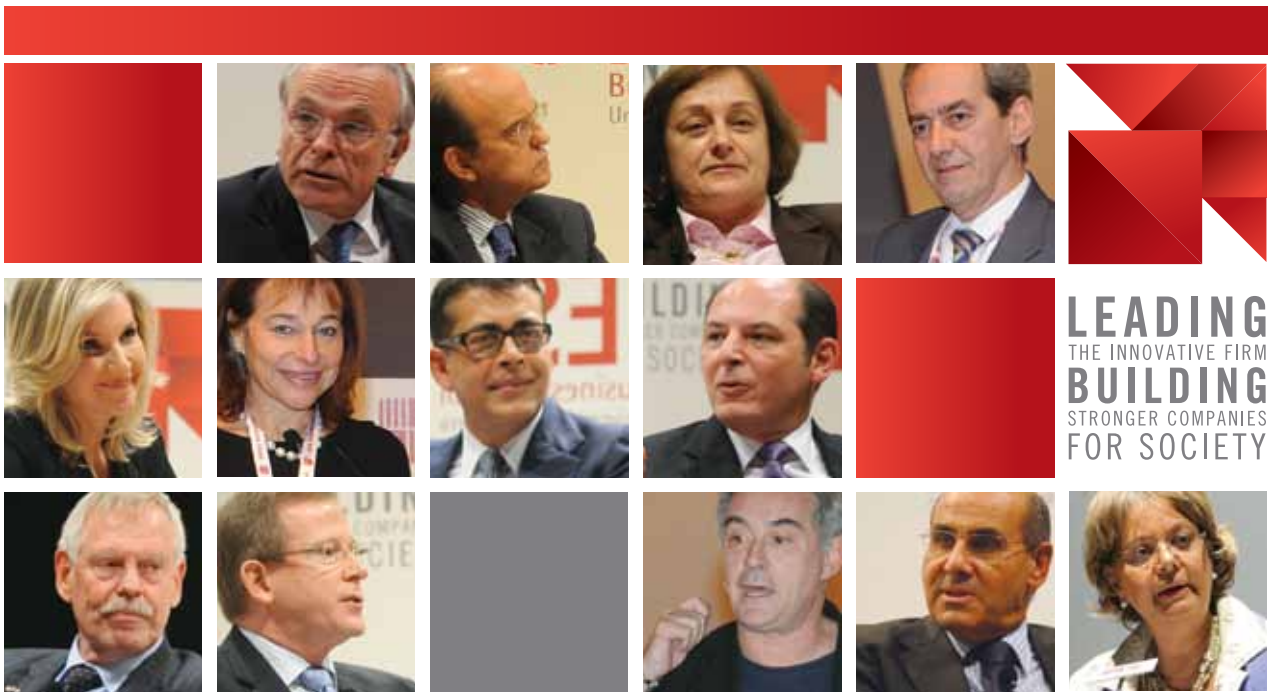
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**ANTONIO
ARGANDOÑA**

Editor of
the *Alumni Magazine*
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What is IESE? What are its distinctive characteristics? We can try to explain but it's difficult. Whenever I try it always sounds like the official version, like something I've memorized. Come and see for yourself. This is the best advice we can give. What is an IESE program like? Come and see for yourself. IESE is what we economists call an "experience good", something good that you won't understand until you've tried it, and which you "buy" because you have tried it and you say to yourself: yes, this is what I was looking for.

Why am I saying this? Because this edition of the *Alumni Magazine* forms part of this "come and see for yourself." International: take a glance at the cover story, the Global Alumni Reunion and you'll see. Research: in Ideas you'll find a couple spoonfuls of what's been cooking in the IESE kitchen. Entrepreneurship: there are a couple of articles about the Global Entrepreneurship Week which give you a taste of the discussions that took place then. Challenge: there is some serious discussion about the future of the sector at the Automotive Industry meeting. Humanism, a colloquium to refocus business from the humanist point of view. And much more.

We particularly recommend the interviews with **Pedro Larena** of Deutsche Bank and Sir **Howard Stringer** of Sony, as well as the articles by our professors in the Ideas section. **Antonio Dávila** describes the strategies, key moments and challenges for startups; **Pascual Berrone** puts the much vaunted, criticized and not always well understood subject of incentives in its place, and **Guido Stein** discusses a taboo subject with which every senior executive should be very familiar with: why are so many CEOs sacked.

In this edition we also publish the speeches given at the Global Alumni Reunion by **Michel Camdessus**, Honorary Governor of the Banque de France and former Managing Director of the IMF and **Hans Ulrich Maerki**, Board member of ABB, Ex-president of IBM and member of IESE's International Advisory Board. del IESE because we feel everyone should have the opportunity to hear them.

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C O V E R S T O R Y



50TH GLOBAL ALUMNI REUNION

ROADS TO INNOVATION



Some 2,800 alumni attended the 50th Global Alumni Reunion in Madrid in November. Speakers at the meeting focused their attention on the challenge of how to achieve sustained and sustainable growth based on ethics, knowledge and innovation.



Prof. Santiago Álvarez de Mon and Isidro Fainé.



Antonio González-Aladid.

If people don't trust you as a leader they will never follow you. It's about trust and truth."

ISIDRO FAINÉ
PRESIDENT, "LA CAIXA"

IESE's 50th Global Annual Reunion opened with some telling words from **Michel Camdessus**, former head of the International Monetary Fund and now honorary governor of the Banque de France, who told the assembled alumni in the Museu Thyssen Bornemisza in Madrid that utilitarianism had corroded the social values of the market (the speech is on page 34). We need a citizens' Europe, not one of technocrats, he said, accompanied by IESE Dean **Jordi Canals** and **Antonio González-Adalid**, head of the alumni association.

The following day more than 2,800 alumni from 42 countries gathered at the Palacio de Congresos in Madrid for a day of stimulating debate on a wide range of issues initiated by a series of top-flight speakers.

It was then the turn of Dean **Jordi Canals**, who talked about the previous reunions that over the years have expanded beyond Spain to be held in Amsterdam, London, Munich and New York. The 2012 meeting is to be staged in São Paulo. Prof. **Canals** then went on to talk about IESE's mission and its future, including the proposed expansion of the Madrid campus and the launch of some of the school's programs in São Paulo.

Santiago Álvarez de Mon then introduced **Isidro Fainé**, president of "la Caixa" and Caixabank. **Fainé** described how he began his career in the banking sector, despite initially being interested in physics as a young student. His first supervisor predicted that he would be president of the bank in 20 years.

Fainé said that he looks for the following three characteristics in employees: a driving force, being able to relate to people on all levels and the ability to acquire technical knowledge. "The most important thing is the attitude, their personality and ambition," he said. "If people don't trust you as a leader they will never follow you. It's about trust and truth. I always start out with 100 percent trust and then subtract if need be."

Asked about the future of Spain in view of the country's current economic difficulties, **Fainé** said that "if we don't believe in ourselves, nobody will." He said he is optimistic because of his own life experience, which has led him to believe that anything is possible. "Spain has enough critical mass and talent. Ultimately, it's a question of character," he said.

THE RISE OF LATIN AMERICA

● The next session highlighted the continued ascent of Latin American economies, which are steadily boosting their trade with China. Analyzing the global economic landscape during the session were moderator IESE Prof. **Juan J. Toribio**, along with **José M. González-Páramo**, a member of the executive board of the European Central Bank, **Susan Segal**, CEO & President of the Americas Society and Council of the Americas and IESE Prof. **Pedro Videla**.

"The impression of Latin America is changing," said **Segal**, which is proven by growing foreign direct investment. The important challenge for Latin America is how to move



Prof. Javier Quintanilla.



Prof. Julián Villanueva.



Prof. Pedro Videla, Susan Segal, Prof. Juan José Toribio and José Manuel González-Páramo.

to value-added products and shift away from exportation of raw materials. “Chile is the only Latin American country that has a rainy day fund for the day commodity prices fall,” she said. Political, crime and security issues also continue to plague many Latin American nations. There is a great opportunity to reduce poverty and expand the middle classes today in Latin America, she said.

In his remarks, Prof. **Videla** described emerging countries that are experiencing particularly good times, such as India, despite the overall drop of GDP last year.

CHINA'S GROWTH AXIS

● Over the past two years, economic recovery is being driven by the “growth axis” of China, Africa and Latin America. In recent years, China has been contributing more to global growth than the United States and in 2020, China will be larger in total terms in GDP than the U.S. He said that in the past four years China’s GDP has grown by 42 percent while the U.S. grew by 4 percent in the same period.

Huge financial investments made in China, which constitute 50 percent of its growth, have triggered inflation and raise questions about the long-term viability of infrastructure projects. Bad loans have also become a key concern in China. The one-child policy also means that the country will get old before it gets rich, which will incite families to become increasingly austere. China is entering a situation much like Japan in the 1980s, he said.

In India, meanwhile, consumption is the main factor in growth, and it is developing with significant exports and a service sector that is growing. India’s economy remains limited, however, by underdeveloped infrastructure. India’s economy remains centered on services, while China’s is on exports. India needs to expand its industrial sector in order to grow, **Videla** said.

González-Páramo said financial risks are greater today than they were a few months ago and inflation rates are higher than the ECB would like. But he stressed that central banks are highly focused on inflation at all times in order to maintain price stability.

The central bank can only fulfill responsibilities within its institutional scope, he said. The sovereign debt crisis is a problem for governments. They share a currency but not much else, he said. “Now is the time for European leaders to find the broadest area of agreement among themselves.”

The bank’s main goal is to make sure channels for translating monetary policy remain open. He described actions the ECB is taking to confront the crisis, such as limiting liquidity risks, extending the fixed income rate through next July and taking measures that will encourage banks to make loans.

Today’s crisis will be just “a boring footnote” in a history book, since the big change that is occurring is that millions of people in emerging countries are becoming more prosperous, said **Videla**. The world is witnessing a “fundamental turning point” as historically poor nations gain economic traction. “What is really happening



Adriana Hauser and Prof. Pankaj Ghemawat.



Bruno di Leo.



Mireia Rius.

is that about 3.5 billion people are coming out of poverty,” he said.

Leaving the euro would not make sense and no country would gain from going it alone, said **González-Páramo**. If a country has been fiscally undisciplined, the solution is to solve the problem for the long term. “Europe will only survive if it stands united,” he said. “Imagine the credibility loss for a country that left the euro. What international funding would be available to such a country?”

OPPORTUNITIES IN EMERGING MARKETS

● This was followed by a session on business opportunities in developing economies, with IESE’s Prof. **Pankaj Ghemawat** and **Bruno di Leo** of IBM Growth Markets, based in Shanghai, and moderated by **Adriana Hauser**, a journalist and anchor at CNN.

Prof. **Ghemawat** said that what is happening is that parts of the world are trading places in terms of GDP. By 2030 Asia will account for 45 percent of world GDP. To operate in new markets, you must go beyond market size, recognize differences, expand the competitive set, adjust how you do business and transform your organization, he said. He added that you will have to compete in these markets with local companies, pointing out that China is Brazil’s biggest trading partner, as it is India’s.

“At IBM we have learned that entering a market is not the same thing as creating a market,” said **Bruno di Leo**.

“You must be relevant to your clients. At IBM, the only thing that is constant is change. A multinational model worked well in the second half of 20th century, but we have moved to become a globally integrated enterprise. This is about where you concentrate decision making, which is not at headquarters but where the client is. We think emerging markets go far beyond the BRICs and we are in 150 countries. But you have to be there to be relevant.”

The next session featured **Jay Ireland**, CEO of GE Africa and **Kees Storm**, retired chairman of Aegon and a member of IESE’s International Advisory Board, and was moderated by IESE’s **Eric Weber**. **Ireland** talked about what GE is doing in Africa. GE has had an office in Johannesburg since 1888 but has really only started operations in Africa over the past 10 years. “We now have about 1,100 employees in Africa, but probably fewer than 20 of them are part of our leadership,” he said. “For Africa to develop, it has to do something about its electrical infrastructure, as well as other basic factors such as clean drinking water which is a major health problem.”

“We are also focusing on job creation,” he said. “The best thing you can do as a company coming into a country is employ people and to build a supply chain.”

Kees Storm talked about innovation and creating a better world. “It is amazing the amount of innovation that has gone into making fuel-efficient cars and planes, as well as electric bicycles,” he said. While innovation leads to products and therefore profits, it also makes the world

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Michel Camdessus.

a better place, he said. “We have to produce sustainably if we are to save the planet for future generations.”

“I am worried that our society is developing in the wrong direction. In the United States 1 percent of the population earns 19 percent of the total income. This is unsustainable when 15 percent of Americans are poor. The developed world is in a mess, our systems don’t seem to work anymore and our leaders are paralyzed. In the past, this has led to wars. Another threat is anarcho-capitalism. It’s like playing Monopoly, it’s great at the beginning when you’re all playing, but not at the end when one player has all the property and the money. I urge you to give something back to society and to do something innovative.”

CALLING ON HAUTE CUISINE

● The first afternoon session moderated by Prof. **Julián Villanueva** brought together chef **Ferran Adrià** and **Luis Abril**, secretary-general of Telefónica. **Adrià**, the most innovative chef of his generation who has led a revolution in cuisine, began by saying “when you talk about innovation you have to understand that we all have different problems. A bar faces different challenges from haute cuisine.” After screening a video of the last two minutes in the life of El Bulli, he said that “chefs who worked with me were offered salaries three or four times what they were getting but they didn’t go because they believed what we were doing was for the greater good.”

“Innovation is not a nine to five job, it’s passion. You don’t need a lot of money, you need ideas, you need to be

FURTHER INFORMATION

- e-conferences of all sessions are available on the IESE Alumni Association website, www.iese.edu/alumni
- Several of the prestigious speakers, such as **Luis Abril**, **Ferran Adrià**, **Jay Ireland**, **Carlos Cordón-Cardó**, **Susan Segal**, **Bruni di Leo**, **Hans Ulrich Maerki** and **Kees Storm** gave interviews which can be viewed at www.iese.edu/videos
- More than 35 media organizations were accredited to cover the meeting, among them: Financial Times, Wall Street Journal, The New York Times, Reuters, The Times, Bloomberg Businessweek, Handelsblatt, Süddeutsche Zeitung, Les Echos, El País, El Mundo, ABC, La Razon, La Vanguardia, El Periódico de Catalunya, Expansión, Cinco Días, El Economista, TVE, Antena 3 TV, EFE and Europa Press.
- At its peak, the Global Alumni Reunion reached 54,000 people via Twitter at #IESEGAR

brave. I worked with multinationals on 35 occasions and in 15 years I never made ends meet at El Bulli. Eighty percent of innovation in cooking took place at El Bulli but we had an R&D budget of only €200,000.” His advice: “Always give more than they ask you for.”

“Working with **Ferran Adrià** means you have to forget about being shy or uncomfortable or having inhibitions,” **Abril** said. “Everything that is generated is positive and easy. This is a partnership and I hope it’s good for both parties. It’s certainly good for Telefónica.”

NEW HORIZONS IN MOLECULAR RESEARCH

● Next, it was the turn of **Carlos Cordón-Cardó**, head of pathology at Mount Sinai School of Medicine in New York and **Jesús M. Prieto**, Director, Division of Hepathology and Gene Therapy, CIMA, University of Navarra. In the session, moderated by IESE Prof. **Beatriz Muñoz-Seca**, a new healthcare model was highlighted, as well as the growing importance of molecular research.

Muñoz-Seca said that “in an environment such as healthcare, which is undergoing a crisis, the concept of translational research is important because it offers an opportunity for entrepreneurship.”

Prieto defined translational research as “observing problems presented by the patient in the hospital, translating them to the research laboratory to find solutions that will then be taken back to the patient with new diagnoses and treatments.”

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Ferran Adrià.



Juan A. Castellanos and Prof. Franz Heukamp.

While we think that globalization is making the world flatter, at the same time it is creating tensions among us."

PATRICIA FRANCIS
INTERNATIONAL TRADE CENTER

Prieto explained the process of molecular development of pharmaceuticals and said "the discovery phase is carried out at research centers, but the following phases require a biotechnology firm and if the product works, a pharmaceutical company."

The involvement of companies in this dynamic is essential, he said, since the business world is able to realize the potential of research. "If what is discovered in the laboratory doesn't make it to the company, it doesn't work. To make a product available to patients, you need companies. On one hand, to get financing for the research centers, and on the other hand, to create technology companies linked with research centers to reach the clinical stage, and, then, clinical use," he said.

Cordón-Cardó presented an overview of the sector, stressing that "in the United States and the world in general, we are seeing a decline in large pharmaceutical companies, which have become significant elements in implementation, but not in innovation. However, there is strong growth in the field of biotechnology, which represents innovation in our sector. And there are important differences. You get results if you invest. But large investments are not what is necessary; instead, good ideas and good executors are needed."

Ángel Cano, president and COO, BBVA, Spain's second largest bank, **Patricia Francis**, executive director of the International Trade Center and **Hans Ulrich Maerki**, ABB board member and who, with **Francis**, is a member of IESE's International Advisory Board, then discussed the next steps

for international companies. The session was chaired by **Francisco Iniesta**.

"More than 50 percent of our profits come from emerging countries," **Cano** said. "We are changing from an international group to being a global one. We are working to become more transversal. We need to invest in training to produce the best people. We need tools, policies and procedures that can be used around the world, and that represent our principles of integrity and transparency."

Francis reminded us that 10 years ago China was the sixth largest economy in the world, now it's the second. "But what has happened is there is a huge lack of trust between various players and this has led to many misunderstandings. While we think globalization is making the world flatter, it's creating tensions among us," she said.

"We need to promote what I call active listening, for people not to come to the table with "already listening," that is, with their minds made up." She talked about the need to bring women, whom she said could be regarded as an "under-performing asset," into playing a more active role in the economy. We need to be networked and work in a joined-up manner.

Maerki then said that "a globally integrated enterprise is one that produces and allows to be produced goods and services wherever they are, and if buyers aren't there they create their markets. It reinvents itself and fosters innovation." How can CEOs capitalize on complexity? **Maerki** said they can do it through courageous and visionary leadership, through re-inventing the client relationship and understanding that the



Prof. Beatriz Muñoz-Seca.



Prof. Francisco Iniesta, Hans Ulrich Maerki and his wife, and Patricia Francis.



Prof. Eric Weber and Jay Ireland.



Kees J. Storm.

business exists to make the clients successful and through building operational dexterity. The key to operational dexterity is to simplify.

“Given today’s challenges it becomes clear that creating success in tomorrow’s world will take leaders who are courageous and visionary enough to make decisions to alter the status quo, in other words leaders who can take very bold decisions,” **Maerki** said. “These are people who can live with or embrace ambiguity, people who reach beyond the silos in their companies, who proactively exchange knowledge and cooperate with internal and external stakeholders, in order to improve the ability to handle the unknown.”

“Creative leaders act despite uncertainty, they take calculated risks, they rely on deeply felt values and a well-defined vision to provide the confidence and conviction and to exploit windows of opportunity,” he said. “Be global where possible, local where necessary, don’t assume one size fits all, understand cultural differences in local markets but realize all the benefits globalization offers. Remember what IBM’s Sam Palmisano said: in a global world, work moves to where work is done best.” (The speech is on page 40).

The meeting wound up with a few words of thanks from **Antonio González-Adalid, Jordi Canals** and **Mireia Rius**. Prof. **Canals** said the ideas shared during the day were practical and not just theoretical. He thanked all the speakers, the professors and the organizers and sponsors of the meeting. “The human capacity to overcome obstacles even in these difficult times is cause for optimism,” he said.

See you all next year in São Paulo.



AFTER THE ACADEMIC SESSIONS

The day before the Global, alumni were treated to a private visit to the Thyssen-Bornemisza museum. The museum, in the famous Paseo del Prado, houses almost 1,000 works of art from the 13th to the late 20th century. The meeting on the 18th began with a well-attended Pentecostal Mass in the Palacio de Congresos.

The following day was dedicated to cultural activities, among them a visit to the Palacio Real, Madrid’s Descalzas Reales, a golf tournament and a visit to the headquarters of Telemadrid. All of these activities gave alumni an opportunity to renew acquaintances and friendships and to do some networking.

PHOTOS OF CULTURAL ACTIVITIES:

www.iese.edu/alumni

HOMILY:

www.iese.edu/Aplicaciones/upload/HomilaGAR.pdf

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jaimestebanez Jaime Estébanez
At the 50th IESEGAR!! (@Palacio Municipal de Congresos w/ 3 others) [pic]: 4sq.com/sV18Wf

jvg1970 Julian Villanueva
The most important thing now is growth with social inclusion (Susan Segal) #IESEGAR

JoseCabiedes Jose Cabiedes
The world is changing! RT @iesebns Bruno di Leo: Emerging markets not only import new technologies, they develop their own #IESEGAR

JoseCabiedes Jose Cabiedes
I fully agree! RT @iesebns: Isidro Fainé: Spain has enough critical mass and talent. It's a question of character. #IESEGAR marisolmenendez Marisol Menéndez

marisolmenendez Marisol Menéndez
Monopoly is great at the beginning when everyone has an opportunity, less appealing when one is winning and the rest have to surrender #IESEGAR

rzamo Ruth Zamorano
Be global when possible, local when necessary (H.Ulrich) #IESEGAR

mruizsanroman Miguel Ruiz
Very warm congrats to #IESEGAR team. You mastered the online experience of the 50th Global Alumni Reunion. Next year I hope to share RioGAR.

jamaroastur Javier Martínez
Bruno di Leo: Africa is the next door to the future of emerging markets #IESEGAR #embasev

asunsoriano asun soriano
"@iesebns: Bruno di Leo: What's important doesn't happen at headquarters, it happens where your clients are located #IESEGAR" toda la razón

ggcp68 GiorgioCassanmagnago
i regret not being at #IESEGAR. F. Adrià speech seems to be quite interesting. See you next year in Brazi!

vanesagoig Vanesa Goig
Prof. Álvarez de Mon is interviewing Isidro Fainé at #IESEGAR
Much wisdom and also much humility.

magomore José Luis Izquierdo
Pedro Videla . By 2050, 60% of GDP and 65% of the world's population is going to be in Asia. #IESEGAR

pinillainm Inmaculada Pinilla
#IESEGAR Susan Segal. China is Latin America's most important partner. Inflation and unemployment are both falling compared to the U.S.

ANunezMartin Antonio Núñez IESE
We need global, multicultural and adaptable corporate leaders for a changing world. Angel Cano at #IESEGAR

elenaibanez Elena Ibáñez
Ferrán Adrià, orange in hand, makes our hair stand on end talking about values and showing the video of the last day at El Bulli #IESEGAR

agustibranas Agustí Brañas
Ferran Adrià: Not "my team" but "the team", because I'm a part of it. #IESEGAR

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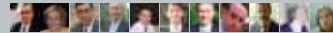
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EARLY-STAGE COMPANIES

THE DRIVERS OF PROGRESS

**ANTONIO DÁVILA**

Professor of Entrepreneurship and Accounting, IESE

Start-ups increasingly play a key role in transforming the way we live and in driving the overall economy, but starting a company from scratch is not for the faint-hearted or impatient.

Entrepreneurs are important drivers of social and economic progress and, increasingly, successful early-stage companies are changing society as they launch products and ideas that transform the way people live, work and play. Interestingly, in our study *Global Entrepreneurship and the Successful Strategies of Early-Stage Companies* we found that the similarities in early-stage companies around the globe are far greater than their differences. The people behind these new ventures also have much in common. Viewing the world through the perspective of proactive opportunity is part of the DNA of many successful entrepreneurs. Starting and building a new venture typically requires an enormous amount of optimism, stamina and ability to survive some very rocky seas.

EIGHT GROWTH STRATEGIES FOR NEW VENTURES

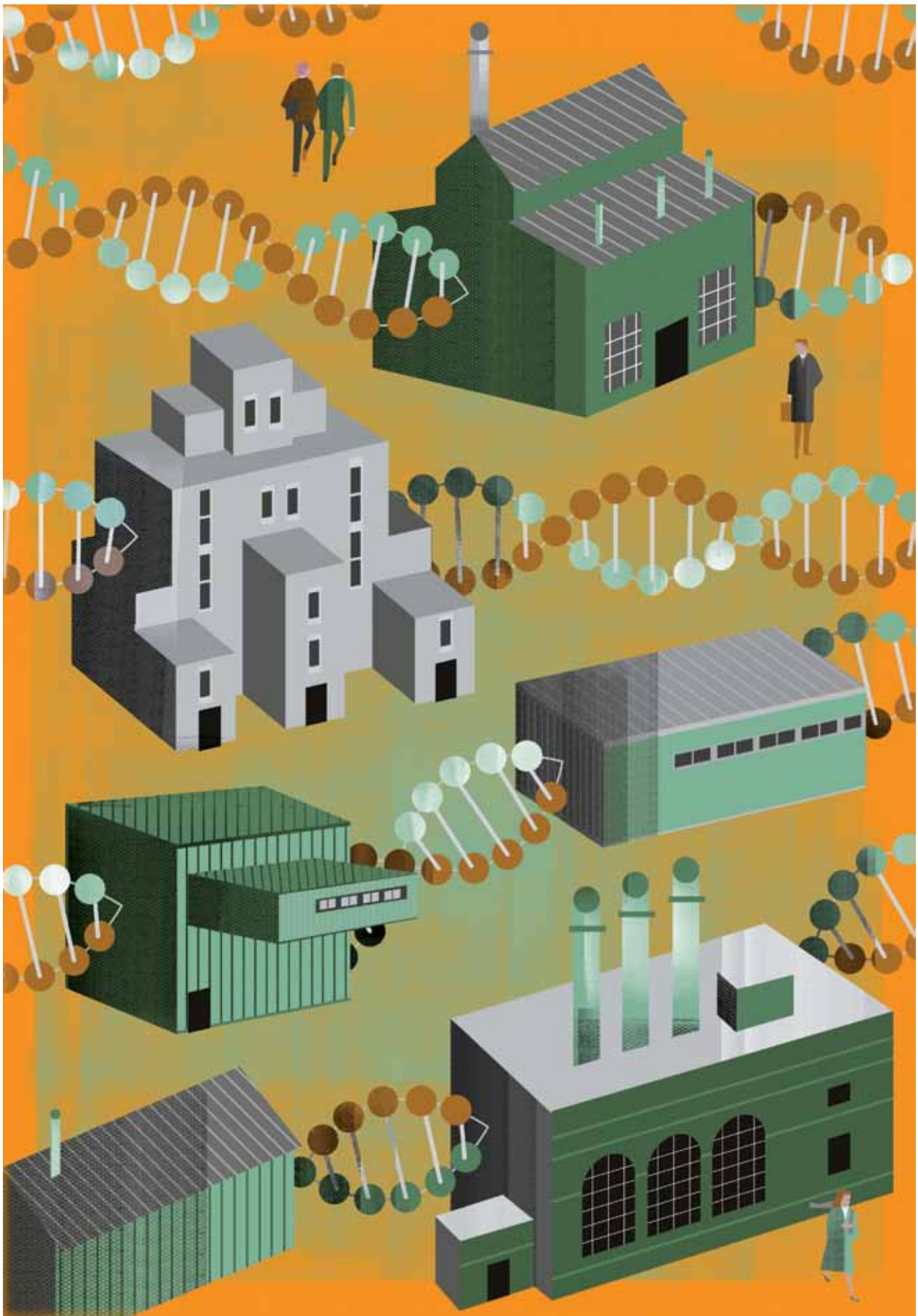
- We succeeded in pinpointing eight growth strategies for new ventures, each of which has associated opportunity / risk factors. We also asked a range of executives to highlight what they believed were the key growth accelerators and growth challenges. We also asked them about their darkest hours of self-doubt, some of which are highlighted here.
- Wave
- New product in a new category

- New product in an existing category
- Redesign of business value chain
- Research or discovery of knowledge
- Rollup (aggregation) of existing players
- Governmental, regulatory or political change
- Idea transfer or transplant

RIDING THE WAVE

When it comes to waves, few companies manage to pull off the “triple play” in which they help to create a new business wave, play a major role in building the wave and continue to ride it. One such firm is Microsoft. Its founder Bill Gates says that they had a “focus on helping to build an entire industry around personal computing. We worked with a lot of software and PC companies to help them get off the ground. Building this ecosystem was critical to our success.”

The distinction between a new product in a new category and a new product in an existing category is one of degree. Almost all products labeled as belonging in a new category will have some features that are in existing products. New product companies can differ greatly in their ongoing product strategies. Some keep their first successful new product as a core and add ongoing features to it. Others build an ongoing new product pipeline where the aim is to develop a sequence of new products. New products can exploit short-



STARTING AND BUILDING A NEW VENTURE REQUIRES AN ENORMOUS AMOUNT OF OPTIMISM, STAMINA AND THE ABILITY TO SURVIVE SOME VERY ROCKY SEAS.

comings in existing markets, as the China Lodging Group did in regard to economy hotels.

VALUE CHAIN OPPORTUNITIES

- Value chain restructuring can
- take many forms and may be based around outsourcing of processes or research, IT expertise or restructuring to reduce activities that add no value. In the case of Net-a-Porter, its founder Natalie Massenet saw in the nascent Internet an opportunity to sell high fashion directly to customers. “I wasn’t trying to transform the store, I was trying to transform the magazine. I thought it would be amazing if you could tell readers what to buy and also to give it to them with one click,” Massenet says. In 10 years, Net-a-Porter’s revenues have grown to over \$100 million.

Discovery and research knowledge ventures tend to be in the field of life sciences or the extractive industries. Companies that seek to discover major product breakthroughs for medical conditions such as cancer or diabetes face daunting risks of success. New ventures that start at the very early stages of the discovery process face a long period before revenues come in. However, there can be a very large payoff if a successful new product is created.

In the extractive industries sector, in the early exploration stage companies face a very low probability of finding significant reserves for any one company but very high payoffs if that discovery is made. Commodity price fluctuation is a significant risk factor in this sector. For example, from 1990 to 2002 the price of uranium was below \$10 per pound, but between 2007-2009 the price ranged from \$40 to \$90 per pound.

ROLLUP OF EXISTING VENTURES

- Acquisitions, mergers and joint
- ventures are an important element in the growth strategies of both existing and new companies. How-

ever, a subset of new ventures (or restarted ventures) explicitly make acquisitions a core and major engine of their growth strategy, involving the rollup (aggregation) of existing players. The key risks in rollup ventures are overpaying for the company and the assets acquired and a heavy reliance on debt financing.

GOVERNMENT INCENTIVES

- The global telecommunica-
- tions industry has seen many start-ups that have benefited from government incentives or changes in regulatory systems. Suntech Power, which makes photovoltaic cells, took advantage of government incentives in Spain and Germany in order to grow the company. However, a change in Spanish government policy in 2008 dented its profitability.

There are many ways that governments can promote new ventures in green technologies and other environmental causes. Tesla Motors, a United States start-up, was founded in 2003 by Silicon Valley entrepreneurs to explore the potential of electric cars. The U.S. Department of Energy has provided Tesla with \$45 million in advanced technology loans to help the U.S. to be competitive in battery technology.

Great ideas can arise anywhere and often do so simultaneously, but alert entrepreneurs who use an idea transfer approach can be early movers in taking already proven ideas to other parts of the world. For example, **Robin Li** observed the early success of Google and then replicated it in China in the form of Baidu. “We recognized that Internet search in Chinese was an under-served market,” says **Li**. “During my time on Wall Street and in Silicon Valley I had thought deeply about how searches could be vastly improved for the Chinese.”

Niklas Zennström, who co-founded Skype in 2003 set out to solve a market pain point – the monthly phone bill, by creating a free telecommunications network. “Hundreds of millions of people

would be interested in this idea,” he said. “My belief was that if you could successfully address this basic idea, you could probably create a good business out of it.” Two years later, eBay (a 1995 start-up) paid \$3 billion for Skype.

VALLEY OF DESTRUCTION

● Early-stage companies are rightfully heralded as a vibrant and important source of growth. Statistics on the revenue or jobs created are often quoted. What is given much less publicity is the simultaneous and sizeable amount of revenues and jobs destroyed in the early-stage sector of the economy. We characterize these as the “mountain of creation” and the “valley of destruction,” two concepts that highlight how the net revenue and net job creation that we report for this early-stage sector mask the larger gross creation by some companies and simultaneous large destruction by other companies (who were the creators in prior years).

Our research also shows that in the first five years, an early-stage business will almost certainly experience one year of losses. For example, 42 percent of companies have a pattern of two positive revenue growth years and one negative growth year in their Year 2 to Year 5. These are among the “dark moments” that put the firm’s strategy to the test as well as testing the nerve of those running the firm. Start-ups are not for the faint-hearted. It takes imagination and vision, but also plenty of grit and a tough-minded entrepreneurial spirit of the sort embodied by **Martin Sorrell**, CEO of the communications company WPP, who said that when everyone claimed the business was bankrupt and over-leveraged, “even in those dark moments I never ever thought that we were going to go down. Not even for one second.”

MORE INFORMATION:

Global Entrepreneurship and the Successful Strategies of Early-Stage Companies. Foster, George; Dávila, Antonio; Haemmig, Martin; Xiaobin He; Ning Jia; von Bismarck, Max; Wellman, Kerry. World Economic Forum. 2011

ROBIN LI

CHIEF EXECUTIVE OF BAIDU
CHINA'S LEADING SEARCH ENGINE



“ After the Internet bubble burst, mainstream websites no longer wanted to invest in search technology. In the summer of 2001, we decided that it was time for Baidu to undergo a major transformation. I recall being in a conference room in Shenzhen taking calls from members of the board of directors. I knew right then that consensus would not be achieved through logical reasoning but through a demonstration of the founder's fierce determination. Later on, one of the directors told me that the board was not moved by my theories or reasoning, but by my attitude.”

MARTIN SORRELL

WPP, MARKETING COMMUNICATIONS COMPANY



“ The period from 1990 to 1992 presented the biggest challenge when people would say we nearly went bankrupt, we were over-leveraged. The market always goes one way and another and in dark moments, it always goes too far one way or the other. But the darkest moment was then. On the other hand, intellectually, whilst it was a challenging time, it was a very interesting time. The biggest test of companies, people, individuals, families and countries is in their darkest moments, in their toughest moments. It's not the easy times that are the true test, it's the difficult times. In those dark moments in 1991 and 1992 I never ever thought that we were going to go down. Not even for one second.”

PIERRE OMIKYAR

FOUNDER OF EBAY



“ In the early days of eBay, my view was that as long as it was legal, we could sell it on eBay. One of the few times we made a decision to limit legal items was when a member of our board became very upset about Nazi paraphernalia being sold on the site. It was a tense time and there were lots of discussions - you could argue that some of these items hold significant historical value despite the fact that they offend many of us (myself included). The community had key input in these discussions and helped us to figure out how to proceed. In the end I think we made the right decision to prohibit those items from being sold on eBay. Since then, we've also limited other items that promote hate and racism.”

COMPENSATION SYSTEMS

STEPPING OFF THE MONEY-GO-ROUND

**PASCUAL BERRONE**

Assistant Professor of Strategic Management, IESE Business School

Much of what is accepted as fact about the relationship between compensation systems and overall firm performance are merely assumptions. Compensation is a pivotal mechanism that deserves to be analyzed in its entirety and not in a piecemeal fashion.

COMPENSATION • STOCK OPTIONS • INCENTIVES • MOTIVATION

Compensation's central variable of interest – money – represents the most generalized medium of exchange known to humankind, making it an integral part of practically all transactions within and across organizational boundaries. Money is the quintessence of business language and compensation dollars have a direct impact (and in most firms, the most important one) on the cost side of all financial statements and few doubt the importance of its impact on the bottom line.

However, many of the accepted “truths” about the relationship between compensation systems and overall firm performance are in fact little more than assumptions. The traditional compensation model based on job evaluation and market surveys, while popular, has provoked criticism over the years and has led to the search for more complex models that enables a strategic analysis of how pay resources may be used that go beyond the “attraction, retention and motivation” mantra.

Furthermore, the ethical problems arising out of the cases of Enron and Wall Street, among others, have called into question the link between incentives and decision making where so-called perverse

incentives, such as managerial bonuses linked to revenue growth, have been a major force in these debacles, not only for the organizations involved but for the global economy. Incentive systems, therefore, are a double-edged sword.

Our research was carried out from the standpoint that a new approach is needed if compensation is to transcend the traditional paradigms grounded in industrial / social psychology and labor economics and incorporate such notions as the development of systems for monitoring and incentive alignment, coping with environmental uncertainty and balancing the needs and demands of multiple constituencies. Compensation is a pivotal, organization-wide control and incentive mechanism that should be analyzed *in toto* rather than in a compartmentalized, piecemeal fashion.

Organizational members from the highest to the lowest levels in the pyramid respond to how they are rewarded and hence the design of the compensation system influences strategic choices made by top executives as well as how those choices are eventually implemented throughout the entire firm.

Organizations face an array of compensation policy choices that are more or less elitist or egalitarian. The number of management levels included in executive compensation



REWARDING CORPORATE SOCIAL PERFORMANCE MAY PROMOTE ACTIONS THAT ARE GOOD FOR BOTH THE FIRM AND SOCIETY.

programs affects the firm's decision to develop a hierarchical or more egalitarian culture. The number of levels also affects the extent to which the interests of lower-level managers are aligned with those of top management. The extent to which the incentive system covers different management groups, and not just the CEO and his or her immediate lieutenants, sends powerful signals to the rest of the organization as to what is valued and important. It can also promote a more participative image of the authority structure.

Pay disparity remains highest in the United States. One survey of 365 of the largest publicly traded U.S. companies showed that CEOs earned 531 times what the typical hourly employee took home, while the ratio of CEO pay to the average employee's pay for the same sized British, German or French companies is less than 5 percent that of the United States. At the other end of the spectrum, Japan has the smallest gap between CEO and average worker pay.

While risk bearing and risk taking have increasingly been discussed in the aftermath of the financial meltdown, uniform metrics of risks and how to apply such metrics in determining executive compensation remains unclear. What is clear, however, is that in most (if not all) of failed companies in the 2008-2010 financial crisis, the majority of executive compensation packages were provided in the form of variable, performance-based incentives delivered in both cash and equity awards.

One potential problem of stock options and similar instruments is that the executives rewarded with stock options benefit when the stock price rises but experience no reduction in real wealth when the price falls. Managers may respond to these instruments with excessive risk-taking actions since they would not see their wealth damaged if stock prices drop. Moreover, executives need only short-term improvements in share value to exercise their op-

tions. In fact, executives are not required to hold stocks for more than one day. Raising a company's stock price for a single day clearly is not a real advance for the business. Rather, this stimulates balance sheet misrepresentation, tax evasion and other corporate malfeasances.

CEO compensation has been the subject of intense public debate as executive pay has risen dramatically as compared to the pay of the average worker and to the actual growth of companies. Other aspects of CEO employment contracts that outrage the public are the use of exorbitant perks, golden parachutes for ousted executives, large sign-on packages for their replacements and very weak to non-existent pay-for-performance relationships. All of these have created the impression that there is something deeply wrong, perhaps even "immoral" (in the words of U.S. President Obama) about these corporate practices.

A troubling fact is that corporate malfeasance not only affects investors and pension holders but also has had important social costs. This brings to the forefront the relevance of corporations to society and their role within it. In this context, it has been widely urged that CEO contracts should incorporate non-financial social performance ratings as part of the CEO evaluation and reward process.

The argument is that rewarding corporate social performance would promote actions that are good for both the firm and society, enhance organizational legitimacy and reputation, the infusion of moral values at the top and a more humanistic management style. This implies a shift from the neoclassical approach and its shareholder maximization point of view to a stakeholder oriented perspective.

Corporate social performance (CSP) evaluates how well a company performs in its efforts to develop practices to deal with and create relationships with its numerous stakeholders. CSP is thus seen as a source of competitive advantage

because when the firm meets the needs of a wide variety of stakeholders, it enhances its corporate reputation, improves trusting and cooperative relationships, provides access to superior resources, lowers liability exposure and enhances social legitimacy, all of which is ultimately expected to contribute to the bottom line.

Studies show that maximizing a sole set of criteria is one of the biggest dangers in poorly designed incentive programs. For example, pay schemes that only reward financial performance may deter managers from engaging in corporate social initiatives since the link between social actions and financial performance is not straightforward and could actually hinder more immediate results. Stakeholder theory suggests, however, that over-emphasis on financial performance and ignoring stakeholders' expectations can seriously damage the normal functioning of firms, for example, if the firm is associated with causing environmental damage.

This implies the adoption of a stakeholder approach, which focuses on the firm's long-term survival by balancing interests of multiple stakeholders. As a consequence, criteria that capture these interests should be included in executive compensation schemes.

However, three concerns cast doubt on these arguments. First, it is not clear whether social initiatives have a positive impact on financial performance. The second problem is "stakeholder mismatch," that is, it can't be assumed that all stakeholders favor responsible actions or have a preference for social initiatives. A third aspect is that social initiatives are mainly driven by intrinsic motivation. Indeed, many people and firms invest their time and money in improving the environment and supporting charities without economic returns. However, another intrinsic motivation is "impure altruism" that is, people (or firms) may try to improve their image by carrying out social works.

Much has been said about the motivational properties of money but performance-contingent pay can be such a powerful motivator that it may induce individuals to develop a very narrow focus to accomplish whatever will trigger the reward and neglect other important components or dimensions of the job. One of the ironies about the use of pay as an incentive mechanism is that the greater the strength of the outcome-reward connection and the magnitude of the reward, the more design flaws become apparent and the greater the potential harm to the firm.

While linking pay to productivity may be conducive to greater individual and unit performance, it does not necessarily follow that the performance of the entire organization will improve, because this performance derives from a complex, synergistic interrelation of all its component parts. Performance-contingent pay plans may improve the performance of a firm's constituent parts yet have dysfunctional consequences for the organization as a whole. The reason for this paradox is that each unit is bound by its own local rationality. Thus, linking rewards to the achievement of each unit or individual's objective may exacerbate a natural tendency toward parochialism and a disregard for overriding goals and organizational interdependence.

In conclusion, executive pay is perhaps the most crucial strategic factor at an organization's disposal. It can be used to direct managerial decisions and indirectly channel the behavior of subordinates. Because most organizations follow a pyramidal structure, whatever is rewarded at the top is likely to have a multiplier effect throughout the business.

Unfortunately, there is no simple model for understanding executive pay. Many judgment calls must be made and prescriptive statements are of little value. However, the decisions made are more likely to produce desired results if they are based on an informed consensus of all the key stakeholders involved in the process.

MAXIMIZING A SOLE SET OF CRITERIA IS ONE OF THE BIGGEST DANGERS IN POORLY DESIGNED INCENTIVE PROGRAMS.

MORE INFORMATION:

Compensation and Organizational Performance. Luis R. Gómez-Mejía, Pascual Berrone, Monica Franco-Santos. Publisher: M.E. Sharpe, 2010

CEO TURNOVER

POLITICS OF THE REVOLVING DOOR

**GUIDO STEIN**

Associate Professor
of Managing People in
Organizations, IESE

CEOs who are sacked because of their poor performance may make the headlines but bad results are a minor factor behind the turnover of top executives.

Contrary to popular wisdom, bad results are not the main reason that the managing directors of large companies lose their jobs. Although poor performance makes them more vulnerable to being sacked, other factors have to be considered in order to understand the dismissal of CEOs, such as the power they wield within the organization, the availability of alternative candidates and the board's expectations and loyalty.

In fact, CEOs most frequently lose their jobs as a result of mergers and acquisitions, through planned succession or because they retire, as is shown in the "Study of CEO Turnover in Spain's Major Listed Companies (2001-2010)," that I carried out along with the researchers **Salvador Plaza** and **Lourdes Susaeta**.

According to this research, 47 percent of Spain's listed companies have changed their CEO once or more than once during the period covered by the study, above all in 2009 and 2010, and in particular in the real estate, finance and energy sectors. However, there has been hardly any turnover in the leisure and hotel sector.

What leads a board of directors to dismiss their top executive? What are the factors underlying a CEO's de-

parture? This study maps the causes of CEO turnover in Spanish listed companies. The reasons may be endogenous, in which case the executive may exercise a certain influence, if he or she has a capital investment, or is involved in recruitment of directors or compensation. If the reasons are exogenous such as, for example, age, the type of industry or the size of the company, these are factors over which the executive will have less influence.

FLUCTUATING TURNOVER

After studying the changes in 184 companies over a 10-year period (2001-2010), we discovered that more than half (53 percent) of companies kept their managing director in the job during the entire period and almost a third (33 percent) only changed the top executive once during this period. Only 10 percent changed their CEO twice and just under 4 percent had three or more CEOs during this period. This means that barely 14 percent of companies account for the majority of the 123 dismissals recorded during that decade.

Curiously, the trend was reversed during the last few years studied. While 2009 was the most active of the decade, with 15 percent of dismissals, 2010 was much quieter and only produced 6 percent of the total CEO turnover.

Understanding the circumstances that have led large Spanish compa-



WHEN THE REPUTATION OF THE COMPANY OR INDIVIDUALS IS AT STAKE, THE REAL REASON FOR DISMISSAL IS OFTEN NOT GIVEN.



nies to dismiss the top executive is of interest not only to academics interested in corporate governance, but also to politicians, business people, consultants and anyone who wants to understand the workings of Spain's power structure.

This study is based on reasons given for dismissal as published in the media and other complementary sources of information such as corporate governance reports from each of the companies studied. This, however, has its limitations. On the one hand, because there may be more than one reason for the dismissal, and on the other, because companies don't always make public the real reason for dismissing someone.

For example, when the reputation of the company or people involved in the dismissal is at stake, they usually offer "generic" explanations, such

as personal reasons or some type of illness. At other times, part of the CEO's severance terms may include maintaining the appearance that he or she has resigned for personal reasons rather than attribute it to the board of directors.

REASONS FOR DISMISSAL

- The principal cause of CEO

turnover is mergers and acquisitions (29 percent), especially those that result from hostile takeovers. When a company is bought or absorbed by another, the stronger of the two always imposes its management team.

Then there is natural turnover, which represents almost a third of the total. This includes planned successions (19 percent) and retirement (11 percent). It makes sense

that turnover through retirement should be high given that a CEO is at the summit of his or her professional life, having arrived at a point where they are able to put their experience to use after a long and fruitful career.

By planned succession we mean the process through which the CEO, along with the company's board of directors, plans their departure in advance and chooses a successor with the potential and skills necessary to take on the job. This can be done through adopting a relay succession strategy, seeking an heir apparent or through staging a "horse race."

It is interesting to note that in almost two out of every 10 cases, CEO departure has occurred through planned succession. This may be a positive result of improved management and the reforms introduced based on recommendations in the code on good governance.

On the other hand, 23 percent of dismissals are directly related to the managing director's successful or poor performance. In 9 percent of cases, a job well done translates into taking on a more prestigious position at another company, while 7 percent have been fired on the grounds of poor results, the same percentage as those leaving because of disagreements about management policy.

In other cases, personal or health reasons are given for the CEO's departure (8 percent) and to a lesser extent, death (3 percent) and scandal (3 percent). Finally, it should be pointed out that only 2 percent of companies offer no public explanation for the dismissal.

IS AGE AN ISSUE?

- Age itself need not be grounds for dismissal, always assuming the CEO maintains his or her abilities and is capable of carrying out their work normally. However, some companies include contract clauses that set an upper age limit for executives. For example, the BBVA bank has established an age limit of 70 for executives. Clearly this has strategic implications that have not yet been studied.

According to our study, the average age of a CEO on departing their post is 62 but there is a variation of 11 years on this figure, in that we have found directors who have stayed on till the age of 90 and others who have left at barely 40.

On the other hand, data on the age of incoming CEOs is more homogenous. Around 30 percent take up the position aged between 50 and 55, although the average age of an incoming managing director is slightly higher (56).

BANKING AND THE REAL ESTATE SECTOR

● The sectors that have seen the highest turnover are financial services and real estate, with 23 percent, followed by consumer goods (19 percent), the basic materials sector, industry and construction (18 percent). The service industry is in fourth position at 16 percent. The sectors with the lowest turnover are energy (13 percent) and technology and telecommunications (around 9 percent).

It's noticeable that in the real estate sector dismissals peaked in 2006, coinciding with a significant surge in mergers and acquisitions which shows how the impact of buying and selling real estate agencies played a significant role a year before the crisis hit.

SHORTER MANDATES FOR CEOs

● The study reveals that CEOs face shorter and more intense mandates. It remains to be seen whether this phenomenon represents a passing fashion or a more fundamental change and whether this increased turnover has been triggered by a higher degree of activism on the part of shareholders.

In Spain, managing directors spend an average of nine years in the job. However, there are significant variations, depending on the sector in which the company is operating. There are CEOs who have stayed on for 43 years and others whose presence in the organization has been little more than the blink of an eye.

It is surprising that 26 percent of CEOs have been in the job for less

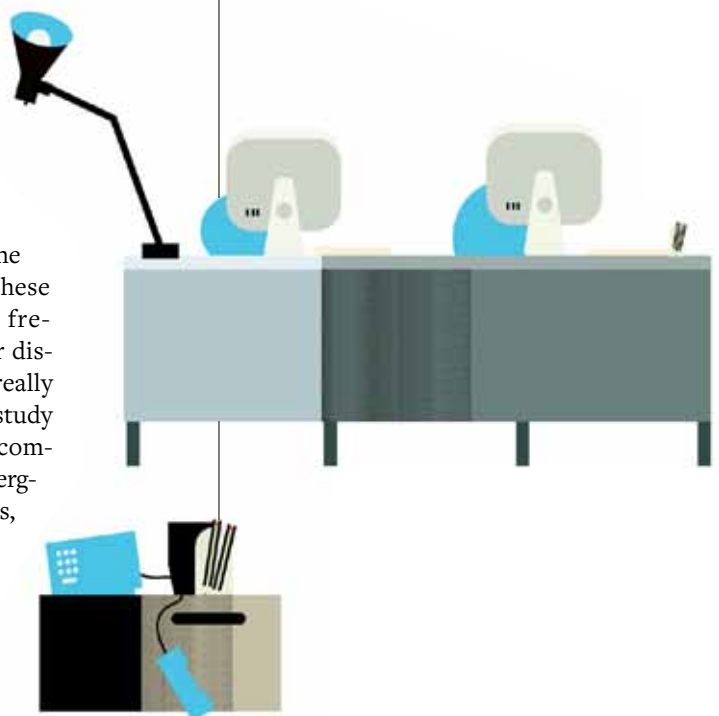
than two years. The reason for this is the same as for the turnover of executives in general: mergers and acquisitions, planned successions and moving on to more prestigious jobs. It should be highlighted that some of these brief mandates relate to CEOs in transition, that is to say, executives who are bridging the gap between a CEO who is departing through planned succession and the new appointment, while the company seeks the ideal candidate.

In sectors such as consumer goods, basic materials, industry and construction or financial services and real estate, the managing director's mandate is on average usually longer than nine years. On the other hand, in more dynamic sectors, such as technology and telecommunications, oil and energy and consumer services, CEOs usually have shorter mandates of between five and eight years.

Finally, it's worth noting that CEOs who have managed to stay in the job the longest, leave their positions through death, for personal reasons or illness, or through retirement.

As we have pointed out, poor results are a relatively minor cause of the dismissal of CEOs in Spanish listed companies, representing only 7 percent of cases. However, these dismissals often attract a lot of media attention, as do those concerning scandal, creating the impression that these are much more frequent motives for dismissal than they really are when, as this study shows, the most common reasons are mergers and acquisitions, a planned succession, retirement or moving on to a more prestigious position.

THE AVERAGE RETIREMENT AGE IS 62 BUT WE HAVE FOUND DIRECTORS WHO HAVE STAYED ON UNTIL THE AGE OF 90 AND OTHERS WHO QUIT AT 40.



REVIVING THE EUROPEAN UNION

WHY EUROPE MUST RETURN TO BASICS

**MICHEL CAMDESSUS**

Honorary Governor
of the Banque de France
and former Managing
Director of the IMF

Utilitarianism has had a corrosive effect on the fundamental values of liberty, justice and solidarity that underpin the European Union. What follows is the text of the speech given by Michel Camdessus at the Global Alumni Reunion on November 17, 2011.

EUROPEAN UNION • FINANCIAL CRISIS • G20
SUBSIDIARITY • SOLIDARITY • IMF

These are times of crisis and uncertainty. Never! Never, that is to say, not since 9 May 1950, when the world heard the prophetic message from the humble

Robert Schuman, has Europe been in such a bad state.

Europe is humiliated, without a clear vision of its future and in danger of falling apart, something that was predicted during the boom years and yet, what, little hope remains lie like embers under black ashes. This is the Europe that we described barely six years ago, in the preamble to the Constitution, as “a special place for human hope.” This is the Europe that today many see as the world’s sick continent just as our grandparents described Turkey at the end of the Ottoman Empire as the “sick man of Europe.” Here we are friends, confronted by a dying Europe. Is this the beginning of the end?

This cannot be. We have to urgently ask ourselves how this could be the beginning of the end, how to change course and how to reestablish Europe’s confidence in itself and its future. We have to do this together.

In the midst of this drama, it seems to me that we should look at the fundamentals of the Union and see what we have done with them. This implies a double imperative: a concrete

commitment, or rather, a return to these fundamentals, to consolidate our relevance in the world. This is what I propose to Europeans and to the rest of the world to help us on the uphill journey that we face.

WHAT HAPPENED TO OUR FUNDAMENTAL BELIEFS?

The answer is obvious: to a large extent, we’ve forgotten them. It’s therefore worth remembering just what they are and how we have abandoned them. To help me in this endeavour, I shall look back at the work I carried out in 2007 with some European friends, among them people of the stature of **Marcelino Oreja**, at the request of European bishops at a time when Europe already seemed to be wobbling on its foundations.

What are the values that unite us? Clearly, the first is peace and liberty. Sixty years of peace is a tremendous achievement for the European project, extending across Central and Eastern Europe and the entire continent.

To this we should add “the closest possible union between peoples,” culminating in the idea of European citizenship and the pursuit of a communitarian method of finding the common good. This has made an original and effective contribution to international life and multilateralism, for which reason the Union has been described as “one

of the outstanding examples.” On these foundations, Europe has established itself as a great “monetary and economic power,” allowing it to be recognized and to carry out its responsibilities at a global level much more efficiently than through the actions of its individual members. What emerges from this is a global responsibility that we have an obligation to exercise.

Much more profound is the Union’s fundamental respect for human dignity which informs all of its other values, including respect for human rights. Among these we should add diversity, subsidiarity and the possibility of integration progressing at different speeds. These are accompanied by tolerance and, most important, solidarity within the Union, reflecting the idea of “a shared destiny” and solidarity with the world, which is demonstrated by the fact that the Union has the biggest humanitarian budget in the world.

PUTTING TECHNOCRACY BEFORE DEMOCRACY

● Taken together, these values ● make up the common wealth and basis of the Union. But to make them real, two fundamental principles must infuse the life of the Union: political democracy and the social market economy. Having allowed both to grow weak, we have put our values and our common future at risk.

Of late we have put technocracy before democracy. Having lost the enthusiasm that marked the first few years after enlargement, we have abandoned Europe to specialists and their institutions, behaving as though development would happen of itself and treating Brussels as a limitless pot of gold.

In 2007 we said: “in a society that is anxious about globalization and environmental questions, faced with structural unemployment and an aging population, there is a tendency to lay the difficulties that have arisen at the door of Europe’s formal structure. This led to a situation in which several national

leaders, some for convenience and others out of bad faith, denounced policies for which they themselves were responsible.”

We can’t continue like this. European democracy, in spite of the work carried out in the European Parliament, is still to be built, beginning with greater participation on the part of its citizens by giving them the means to understand European democracy and to take action within it. But there’s still more.

THE CORROSIVE EFFECTS OF UTILITARIANISM

● By allowing utilitarianism to ● corrode the social economy, we have allowed neoliberal and utilitarian ideology to also corrode bit by bit the basic ideas about the social market economy.

Conceived in the 1950s by politicians who were mainly Christian Democrats or Social Democrats, solidarity has always been a central idea of the community, reflecting our “shared destiny.” Its philosophy has been, and continues to be that of the social market economy in which, given the variations between countries, social and economic issues are closely linked. Mere utilitarianism has gradually substituted this philosophy.

I now want to talk about the ethical shortcomings that lie at the root of the crisis and have had such an enormous impact, especially on developed countries, a process in which technical mistakes have combined with ethical weaknesses in the management of economies and where both public and private debt have been used as a means to “earn more to consume more” and to squander budgets.

To put it bluntly, Europe’s financial crisis, in common with other parts of the world, has been above all an ethical disaster and, in one way or another, we have all participated in it. We are not going to overcome this without introducing profound changes in our collective behavior and without going back to basics.

**WE HAVE
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WE HAVE TO REMEMBER WHAT WE SHOULD NEVER HAVE FORGOTTEN, THAT THE EUROPEAN PROJECT IS BASED ON VALUES.

Faced with the ruins left by an economic system and culture that viewed human beings as nothing more than producers, consumers and / or savers, by a business culture whose goal was to make the most money in the shortest time, the only sustainable way out is to create a new culture based on a new humanism, orienting our societies in a clear and shared idea of behavior that is in keeping with our values. Is this Utopia? An economist's dream? That's what some people will say. For my part, I see it as a matter of survival.

GETTING BACK TO BASICS

- If we are to face up to people's
- doubts and discontent and bring Europe closer to its citizens, we have to get back to basics. We have to remember what we should never have forgotten, that beyond its policies and institutions, the European project is based primarily on values, on an ethical idea of social life which means we have to substitute a worn-out technocracy with a citizens Europe, and creeping utilitarianism with a fresh approach to the basic ideas of the social market economy. This is the only way that we can make a new beginning and have new relevance in the world.

TOWARDS A CITIZENS' EUROPE

- The European Union cannot
- be constructed without its citizens. For this reason it is essential to expand the scope for citizen involvement. A new consciousness in Europe requires political change and the involvement of everyone can communicate positively and clearly in a way that will bring Europe closer to its citizens and raise people's consciousness of their European identity. This change in mentality depends not just on political leaders but on everyone in civil society taking the initiative. I am thinking particularly of people who work in education, who should without delay introduce a European

dimension into their teaching. People in cultural life should also work across frontiers and increase the exchange between nations. The media should also write about the European reality, helping people better to understand the different countries and diverse cultures as well as the nature and function of European institutions. Furthermore, it is vital that we develop a real "ethics of European governance," renewing the dynamic coexistence between European institutions and national governments in order to avoid an outbreak of nationalism. We need to work in the spirit of subsidiarity which assumes that everyone accepts their responsibilities, especially at the regional and local level, as well as in civil society.

That said, I think it is unavoidable that in the coming months and years there will be a huge debate on what lessons can be learned from recent events. Will it be possible to continue with the single currency shared by 17 members without an equal level of federalism in the budgetary framework? And if it's not, will it form part of a new treaty or be decided outside the treaty, and will it be for a few, the 17 countries or for everyone? What we are looking at is the need to reinvent the social market economy in the context of the difficult circumstances created by the crisis.

TOWARDS A NEW MODEL OF THE SOCIAL MARKET ECONOMY

- To quote the IXE2 Group once
- again, "people continue to seek a sense of coexistence. Fifty years ago, global conflicts and the threats of totalitarianism made the reconciliation and unification of the continent imperative. Nowadays Europeans are richer but they seem to have less of a sense of solidarity, as individualism and utilitarianism has undermined social links. Faced with new challenges, here at the beginning of the 21st century, only common values and the project of advancing civilization will allow for a deepening sense of community

and the ability to face up to global responsibilities.” This requires a reorientation of the social market economy. The values that we hold dear – respect for the individual, freedom, solidarity, democracy, justice – mean that we must put people at the heart of the European economic and political project. Societies must seek strong and sustainable economic growth in order to guarantee human development. This must be based on knowledge and innovation and with respect to our fragile environment and our limited natural resources.

European economic growth is necessary to guarantee a high level of employment and social protection. To achieve this growth we urgently need concrete advances, above all the establishment of a European area of research and innovation with an adequate budget. We also need to adopt an energy policy that will guarantee supplies at the best price.

Too many citizens are excluded from the benefits of economic growth. We need to rethink our individualistic approach to a life that is dominated by consumption. Guaranteeing the dignity of individual human beings and the struggle against every form of exclusion lies at the heart of our heritage.

FACING UP TO THE THREAT OF A GROWING POVERTY GAP

● Today, under pressure from international competition and technological advances, and with the spread of the consumer model of society, Europe faces the threat of being divided between those who live well and the others, ever more numerous, who face poverty and no opportunity for social integration. Along with this, social justice demands that member states ensure that the liberalization of the market is accompanied by a strengthening of social norms in order to eliminate “social dumping.” Given that solidarity is one of the founding values of the Union, the introduction of basic agreements regarding the social dimension is overdue, agreements that enshrine values

and norms that, within the diverse traditions of the member states, constitute a common heritage. Europe must maintain its social mission because it is an essential part of its identity and is a model of civilization that we want to reinforce. To achieve this we need budgetary policies that reduce debt and prepare us for the future and for our children’s future.

TOWARDS A MORE RELEVANT EUROPE

● With the sort of audacity of ● which only the most humble people are capable, **Robert Schuman** said: “A united Europe will be the model for universal solidarity.” At this moment, as globalization accelerates change, it is important to ask ourselves if this prediction still holds true and how a Europe based on its core values can make itself relevant to the world.

ACHIEVING SUSTAINABLE DEVELOPMENT

● One of these conditions is obvious. It consists in setting an example by meeting its obligations of achieving sustainable development, justice and peace. We must recognize that there is a long way to go, for us as Europeans as well as for others, if we are to set such an example.

Yes, there is a long way to go, and our friends in the international community frequently remind us that many of them have been waiting for Europe to set this example by moving towards “the universal solidarity of the future.” They have sketched out for us an agenda whose gist can be clearly read in the lines – and between the lines – of the recent G20 communiqué in Cannes. Putting it bluntly, they said to us: “Europeans, please put your house in order.”

I believe this message has been clearly received and that Europe and its governments, whatever their sensibilities, are adopting policies that to some people appear heroic, two others suicidal, and to still others – including myself – simply indispensable, although unfortu-

EUROPE FACES THE THREAT OF BEING DIVIDED BETWEEN THOSE WHO LIVE WELL AND OTHERS, EVER MORE NUMEROUS, WHO FACE POVERTY AND EXCLUSION.

WE MUST DEVELOP DIPLOMATIC AND MILITARY POLICIES TOWARDS A GLOBAL ROLE OF DEFENDING HUMAN RIGHTS WHEREVER THEY ARE UNDER THREAT.

nately more difficult to introduce because they have been delayed. The necessity for these policies is obvious, given that Europe must put its house in order as quickly as possible so that it can fulfill its true vocation. We all know that growth is necessary to strengthen social cohesion within Europe, but with Europe the way it is, this is not enough. Europe faces formidable challenges and to meet them it must have international ambitions, which means nothing less than making a coherent contribution to the new international order that the humanization of globalization requires and which so many other countries expect of us: to share and to propose.

PROMOTING INTERNATIONAL SOLIDARITY

- In spite of the crisis, and its costs and its calamities, Europe continues to be a group of privileged countries, which means that it has three fundamental responsibilities.

It must promote international solidarity and encourage development. It must be as good as its word when it comes to the world's poorest countries and must take an exemplary role in trying to achieve the millennium goals, concentrating its efforts on a reduction of poverty and an intensified effort to reach as soon as possible the long-standing commitment to set aside 0.7% of GDP for development.

It has to develop a common immigration policy, taking into account new developments in migration. It must make closer links between more humane policies concerning the arrival and integration of immigrants with common policies of development that must be more vigorously pursued in the countries of emigration, in particular Africa and Latin America.

With the clear understanding that "peace is another word for development," it must develop its military and diplomatic policies away from the normal defensive functions and towards a global role of preventing and resolving conflicts, maintaining peace and defending human rights

wherever they are under threat, especially by fundamentalist ideologies and terrorism. We must share, but also propose.

We must imagine and support the establishment of a world government that works towards lasting development. Only in this manner, with a deep respect for the principle of subsidiarity, will it be possible to effectively face up to problems on a world scale. In these turbulent times, Europe can be a model, both for its monetary and constitutional achievements, and for its communitarian policies. Europe's citizens need to understand that the world is accelerating and that we urgently need to take our rightful place and assume our continent's responsibilities.

Europe must take the initiative in moves to establish a world government. In this regard, it has a unique and extensive experience to share, bearing in mind the recent problems in its institutional life which have demonstrated, paradoxically, the solidity of the framework when exposed to extreme conditions. This suggests that there are two essential tasks to share with other countries. Firstly, to set out a framework for an effective global government in which everyone can have influence and take responsibility. And secondly, and possibly more pressing, to set out the basic elements of a profoundly reformed international monetary and financial system.

TOWARDS BETTER WORLD GOVERNANCE

- Based on its unique experience, Europe can and must offer a project to the world and show that at least it is capable of speaking with a single voice in world forums. In common with European nations, all of the emerging countries recognize the need to orient the rapid and complex process of globalization towards the common good and that to do this requires a world body that can be recognized as legitimate by all countries, that is able to adopt the necessary global strategies and has the necessary authority over

international institutions to ensure that these strategies are effectively implemented.

The crisis has created the opportunity to shift the responsibility for moving the world economy toward sustainable development from the G8 to the G20. A de facto world governance group is being established which includes the main emerging countries and which can have much more credibility, legitimacy and influence than that enjoyed by the G8. However, there is an essential problem that has not been resolved: the legitimacy of the positions adopted and the decisions taken by the G20, as with the G8, given that both only committed to the countries of which they are comprised (20 or 25 but not the more than 119 members of the United Nations).

The best way to get around this problem would be to decide that the composition of the world governance group should include the IMF and World Bank between whom, thanks to a system of regional constituencies, all countries are represented.

Of course this will involve arduous negotiations, but no different from those that confront us in trying to work out a deal for world institutional reform. This would create optimum link between Bretton Woods and the new G20 which would allow for responses of a universal reach to problems that have always been more or less of global importance.

REFORM OF THE INTERNATIONAL MONETARY SYSTEM

● Another equally urgent topic is ● the reform of the international monetary system. It seems to me that the interests of emerging countries and those of Europe coincide on this topic. We have all suffered a grave crisis which has multiple causes, among which is the lack of an international monetary system worthy of the name, that is to say, one that is capable of infusing the system with a minimum discipline. Conscious of this, the G20 has decided to make reform of the system a priority.

This work has begun and will almost certainly take several more years to complete. The significant thing is that they're looking for deep reform and not just some trite phrases to trot out in official communiqués.

To contribute to the process, given the importance of the topic, some key figures, some of them very prestigious such as **Paul Volcker**, **Horst Koehler** and others, have met in recent months to propose, informally, but based on their experience of occasional success and frequent failure, some concrete elements of this reform.

As I had the privilege, though without having the same prestige, to take part in this effort I would like to be able to give you a summary of the proposals contained in the so-called "Palais-Royal initiative" which are now on the table at G20.

WE MUST NOT DESPAIR OF EUROPE

● To those of you here from other ● continents on which Europe has left its mark during past centuries, a mark that some regret but which many recognize as sowing the seeds of a humanism born of Europe's Christian roots, I would like to say: don't despair of Europe. If, as I hope, it maintains its unity and consolidates its values and its economy, Europe, in a multipolar world where all countries will have their own role to play, will be present and taking an active role in humane, ineffective and sustainable development.

As for you, my fellow Europeans, I can't suggest anything better than that which those admirable Spanish mountaineers know very well: that in difficult circumstances, sometimes the only way out is up.

This requires strength, energy and courage. Everyone needs to be involved in the project. Only in this manner will the European ideal once again represent for its citizens that which it should never have ceased to be: a lasting and legitimate source of security, a cause for pride and for hope.

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THE GLOBAL ENTERPRISE

WANTED: BOLD NEW BREED OF LEADERS

**HANS ULRICH MAERKI**

Board member of ABB,
Ex-president of IBM
and member of
IESE's International
Advisory Board

Doing business in an international context calls for boldness, flexibility and dexterity. Be global where possible, local where necessary and don't assume that one size fits all. This is the text of the speech given by Hans Ulrich Maerki at the Global Alumni Reunion on November 18, 2011.

LEADERSHIP • INTERNATIONAL COMPANIES
DEXTERITY • CLIENT RELATIONSHIPS •

In 2006, **Sam Palmisano**, the CEO and Chairman of IBM, wrote a remarkable paper about the history of international and later multinational companies and he introduced the notion of a new breed of companies, the so called globally integrated enterprise. **Palmisano** describes the new model, the opportunities and the challenges of the new model and the next steps that international companies need to take.

If I were to summarize his thoughts, it would go something like this. A globally integrated enterprise produces or allows the production of goods and services wherever it finds the skills that are required at a competitive cost, and it sells wherever buyers happen to be. It creates markets wherever it makes sense to do so, it freely moves all resources to where they can best be leveraged, it constantly re-invents itself, it fosters innovation and seeks growth while at the same time focusing on ever increasing productivity.

Sam once said, "work moves to where work is done best," which might explain why over 100,000 of the 450,000 IBM employees are working in India today. So my first piece of advice is that, should you be leading an international company, your first next step might be to understand the significant differences between your company and a globally integrated enterprise and then quickly begin to move in that direction.

IBM is probably ahead of the game here in many ways but, from what I can see, many large and medium and even smaller companies are focusing on becoming really global.

The key question is how leaders in business and the public sector respond to an increasingly competitive and economically volatile environment, a market unlike anything seen before. In a 2010 survey of more than 1,500 CEOs, general managers and public sector leaders carried out by IBM through personal interviews worldwide, the company came to the following conclusions:

- Complexity is expected to increase, and more than half of the CEOs doubt their own ability to cope with it.
- Creativity is the most important leadership quality, according to the CEOs.
- The most successful organizations co-produce products and services with customers and integrate customers into core processes.
- The best performers manage complexity on behalf of their organizations, customers and partners.

Thus the key question becomes, how can CEOs capitalize on complexity? The conclusions and recommendations made by the researchers were as follows:

- By embodying creative leadership
- By reinventing customer relationships
- By building operational dexterity

I think that, given today's challenges, it becomes clear that creating success in tomorrow's world will take leaders who are courageous and visionary enough to make decisions that alter the status quo, in other words, leaders who can make very bold decisions. These are people who can live with or embrace ambiguity, people who reach beyond the silos in their companies, who proactively exchange knowledge and cooperate with internal and external stakeholders, in order to improve the ability to handle the unknown. These are people who can do breakthrough thinking.

Creative leaders act despite uncertainty, they take calculated risks, they rely on deeply felt values and a well-defined vision to provide confidence and conviction and to exploit windows of opportunity. They pilot radical innovations, they ask why, even after they feel they have found the answer, they continually tweak their models and promote a mindset of never being satisfied with "good enough."

They look for new management styles, they strengthen their ability to persuade and influence because a hierarchical management style with command and control will no longer work in this environment. And of course they use a wide range of communication approaches, capitalizing on new technologies, accepting that blogs, social networks and instant messaging are tools that are widely used today by customers and employees alike and which often can play a much bigger role than traditional top-down communication.

What follows from this is rethinking or re-inventing the customer relationship, which means reaching the simple and obvious conclusion that the customer or client comes first. When IBM's employees determined the company's core values in 2006 by using collaborative tools over a few hours, involving more than 100,000 employees and clients, they came up with three value statements, one of which was: "dedication to every client's success." They realized that clients were not there to make IBM successful but that IBM's mission was to make its clients successful. The correct

interpretation of this value statement has changed IBM enormously, not only internally but also in its relationship with clients over the past few years.

The third and last requirement I want to put forward is the need to build operational dexterity. Operational dexterity enables CEOs to pursue growth opportunities and to address challenges with speed. With fast and flexible operations, they can also become experts at finding advantages in complexity, for both their customers and themselves.

So what is key in order to build operational dexterity? Simplify, simplify, simplify - whenever and wherever possible. Simplify interactions with customers, be ultra-easy for customers to do business with. Policies, procedures, access to products and services should be effortless for customers around the world. You also want to simplify for your organization and for your partners. Be clear in your communication and expectations, eliminate bureaucracy and implement lean and standardized business processes.

Operational dexterity also requires you to promote a mindset of being fast and flexible. Acting quickly demands different decision-making, you need to make decisions when you know enough and resist the urge to wait until you know it all. You need to push execution speed, remove procedural roadblocks and enable and empower employees to make decisions and to act.

Operational dexterity also means to be "glocal." Be global where possible, local where necessary, don't assume one size fits all, understand cultural differences in local markets but at the same time realize all the benefits globalization offers.

Remember what **Palmisano** said: in a global world, work moves to where work is done best. That is true for most industries today.

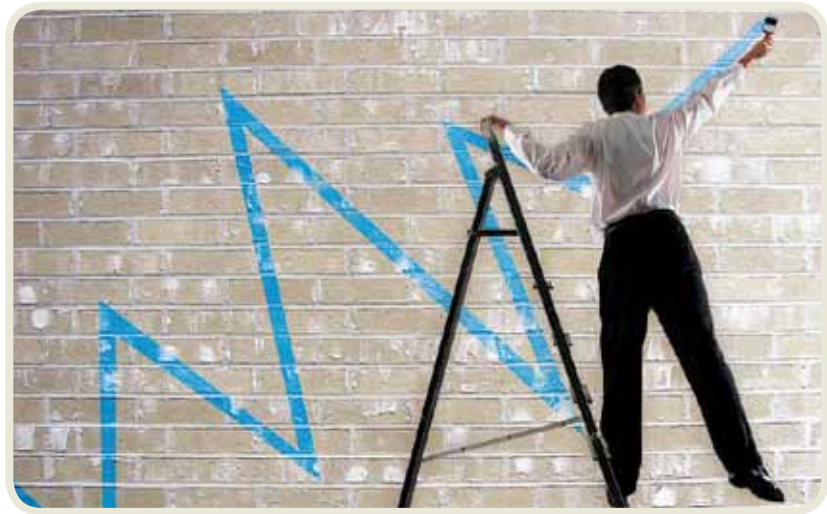
There is no doubt that we are operating in very challenging times nowadays. But companies who do some or most of what I have just described will certainly come out of this crisis in a much stronger position and they will be much better equipped to cope with economic volatility and competitive challenges.

SIMPLIFY,
SIMPLIFY,
SIMPLIFY -
WHENEVER
AND WHEREVER
POSSIBLE. MAKE
IT ULTRA-EASY
FOR YOUR
CUSTOMERS TO
DO BUSINESS
WITH YOU.

IESE Insight Into Flower Market

While we can't predict the future or know for certain what is around the corner, we can at least see which way the wind is blowing. The forthcoming issue of *Insight*, to be published in March, takes an in-depth look at global social and economic trends because what we can't foresee for certain we can at least anticipate. To this end, the online case forum examines the case of the Kenyan flower industry which in April 2010 was hit by a so-called "black swan" event when ash from the Icelandic volcano Eyjafjallajökul grounded flights out of Nairobi for five days, severely disrupting the supply chain. The floriculture industry is a blooming business and Kenya supplies over a third of the European market. In 2010, it accounted for 20 percent of Kenya's exports, worth some €400 million. The cloud of volcanic ash was costing the industry €2 million a day. The case study examines how the industry responded to the crisis. The case study "The Flower and the Volcano: How Eyjafjallajökull Disrupted Kenya's Flower Industry" by IESE's Aadhaar Chaturvedi and Víctor Martínez de Albéniz is available from *IESE Publishing*.

TO PARTICIPATE GO TO:
www.ieseinsight.com/review/CaseForum



Investments That Make an Impact

ULI GRABENWARTER AND HEINRICH LIECHTENSTEIN

In their report "In Search of Gamma: An Unconventional Perspective on Impact Investing," produced with support from the Family Office Circle Foundation, IESE's Uli Grabenwarter and Heinrich Liechtenstein debunk the myths surrounding this type of investment and say that true impact investing has five defining characteristics: profit is a key objective; an intended social impact objective; a measurable impact; a positive correlation between the intended social impact and financial return and a resulting net positive change to society. The authors propose the gamma factor to measure impact investment performance. They suggest using the gamma factor as a multiplier for deriving the return of an investment, and they call the outcome the "impact-adjusted return."

MORE INFORMATION:
IESE Insight/Finance

An Analagous Initiative

FABRIZIO FERRARO AND DROR ETZION

Not so long ago, the reporting of non-financial issues was a practice few companies bothered with. Over the past decade, however, the sustainability report has become as much a part of the corporate environment as the annual financial report. Much of the credit for this change must go to the Global Reporting Initiative (GRI), a non-profit organization founded in 1997. Its guidelines for “triple bottom line” reporting of financial, environmental and social concerns have since become the de facto industry standard. In their article, “The Role of Analogy in the Institutionalization of Sustainability Reporting,” published in *Organization Science*, IESE’s **Fabrizio Ferraro** and **Dror Etzion**, of McGill University, explore how the GRI used an analogy with financial reporting to establish widespread corporate commitment to sustainability reporting. However, the authors caution against regarding the GRI’s success as a guarantee of the analogical approach. They also warn that continued corporate commitment to sustainability should not be taken for granted, as new economic cycles present companies with new challenges and opportunities.

MORE INFORMATION:
IESE Insight / Strategy

When in Rome

CARLOS SÁNCHEZ-RUNDE, LUCIARA NARDON AND RICHARD M. STEERS

“You can’t go through a Japanese company with a sledgehammer,” said the Welsh-born American businessman Howard Stringer on his appointment as CEO of Tokyo-based Sony. If he was going to make things work at the Japanese company, Stringer realized he would have to respect local business practices. Or does the fact that Sony had deliberately hired a Western CEO signal that maybe the Japanese firm wanted a bit of shaking up?

Therein lies the quandary facing today’s global managers: how to adapt their leadership styles to fit local circumstances, while achieving corporate objectives and expectations at the same time. In their article, “Looking Beyond Western Leadership Models: Implications for Global Managers,” **Carlos Sánchez-Runde**, **Luciara Nardon** and **Richard M. Steers** contrast Asian versus American leadership styles to illustrate that leadership is culturally sensitive, and why. While foreign business leaders need to understand the on-the-ground realities of the country they’re working in, they should ultimately try to strike a fine balance between local business customs and their own particular leadership qualities, the authors say.

MORE INFORMATION:
IESE Insight / Leadership and People Management

THE WORLD OF GLOBAL TRANSACTIONS

JORGE SOLEY, SERGI CUTILLAS AND LEONARDO TARIFFI

● Global transaction banking has experienced a spectacular boom over the past 10 years, a boom that has been driven primarily by the ever-growing complexity of global banking customers’ needs. To address these needs, banks have introduced a broad selection of sophisticated banking products and services. In their paper “Global Transaction Banking,” IESE Prof. **Jorge Soley**, along with **Leonardo Tariffi** and **Sergi Cutillas**, explain that the basic premise of global transaction banking

is to provide banking products and services that can help companies and private individuals manage their assets and their associated risks. Global transaction banking clients’ main goal is to optimize their cash flow stemming from receipts and payments for sales and purchases. Put simply, it helps clients to address their daily financing problems and ensures a greater volume of receipts and payments in their accounts. However, the real money-making business for banks comes from offering a

competitive range of personalized, complementary services that provide greater added value and help to retain a client’s loyalty.

MORE INFORMATION:
IESE Insight / Finance



ENTREPRENEURS TURN CAMPUS INTO A HOTBED OF IDEAS

With some 300 events and 75 partners, in November Global Entrepreneurship Week attracted investors and innovators from around the world to IESE.



Between November 14-20, IESE hosted and organized the Spanish contribution to Global Entrepreneurship Week (GEW). An initiative of the Kauffman Foundation, the world's largest foundation dedicated to entrepreneurship, GEW connects people through activities that create a platform to foster an entrepreneurial ecosystem. In 2011 it was celebrated in 123 countries where more than 25,000 partner organizations hosted some 40,000 events.

“This year we had more than 75 partners, including universities, business schools, entrepreneurial associations – basically the whole ecosystem that is involved in entrepreneurship,” said **Mathieu Carenzo**, executive director of IESE's Entrepreneurship and Innovation Center. “We had eight sponsors so we broke even, and in terms of activities, our goal was to go over last year's number of 300. This year we got close to 350. Activities range from breakfast with an entrepreneur for a group of



Simon Webster, Rob Johnson, Will Thorndike and Kirk Riedinger.

8 to 10 students to conferences on specific issues attended by as many as 400 people. In the four years that we've been doing this, we've had more than 100,000 people joining our activities. So it has a real impact."

However, hitherto the GEW has lacked media impact. "What we have done is each year we choose an ambassador of the year, a young entrepreneur, and that helps us get media attention," **Carenzo** said. "This year we chose **Pau García-Milà**, who co-founded eyeOS six



WHEN I STARTED OUT ENTREPRENEUR WAS STILL A BIT OF A DIRTY WORD IN THE U.K."

Simon Webster

Chairman, European Search Fund Association

years ago when he was just 17 years old. Now eyeOS is the leading Cloud desktop worldwide and is in a global partnership with IBM."

SEARCH FUND CONFERENCE

● Entrepreneurs and would-be entrepreneurs crowded into the auditorium on IESE's South Campus to attend the Search Fund conference organized by the school's Center for Entrepreneurship as part of Global Entrepreneurship Week. Contributions from the panel of four pioneers in the field of search funds, **Simon Webster**, chairman of the European Search Fund Association, **Kirk Riedinger**, chairman of Alta Colleges, **Will Thorndike**, general partner of Housatonic Partners and **Rob Johnson**, a member of the IESE faculty, were then followed by a lively Q&A session.

The discussion on investor and entrepreneur's views on search funds centered on deciding to do a search, raising search capital and challenges unique to Europe. **Simon Webster** said that when he began trying to raise funds the word entrepreneur was still "a bit of a dirty



Simon Webster, Robert Stephens, Marc Bartomeus, Ian Nieboer, Rob Johnson, Will Thorndike, Kirk Riedinger, Matieu Careno and Antonio Dávila.



YOU NEED TO BE WELL-ROUNDED TO BE A GOOD ENTREPRENEUR. YOU'RE DOING A LITTLE BIT OF EVERYTHING."

Kirk Riedinger
Chairman, Alta Colleges

word in the U.K." He said that had changed but there was still a stigma attached to failure that there wasn't in the United States.

Kirk Riedinger commented that "people who have experienced failure can be very valuable in business. The fear of failure isn't as well founded as people think. You learn a lot from it."

Rob Johnson pointed out that search funds are a risky business. "This is the ultimate venture capital investment because you're backing the person without knowing what the business is. The real risk is, can this person run a business. A number of people have raised search funds and not found companies. You get very close on deals that fall through. It's not a simple process or a part-time job."

A DOSE OF HUMILITY

● You need to be well-rounded to be a good entrepreneur, **Riedinger** said. "You're doing a little bit of everything. What do you need most? Hunger and persistence would be at the top of the list." **Thorndike** added that, "as well as drive, you need humility during the search phase and humility isn't always associated with MBAs."

Asked how a young MBA can generate deal flow, **Riedinger** said “you can generate it by going out to bankers and lawyers and they will show you opportunities, but we found that the best way was to focus on an industry or a set of industries.”

Once a company has been acquired, **Webster** said, “you have to make sure you listen hard in the early days and don’t make too many changes.” He added that a lot of the best investments are the ones made in difficult times, but that it’s not clear whether that will be true of the times we’re living through.

Johnson said the difference between doing this sort of business in the United States and Europe is that if the deal is in California it doesn’t matter if the investors are all in New York. “In Europe there are cultural differences between each country so you have to present things differently,” he said. “If you invest in a European country, you have to have some investors from that country on board in order to attract others.”

The 57th Forum of the IESE Network of Private Investors and Family Offices met under the auspices of Prof. **Juan Roure** during Global Entrepreneurship Week. Some 180 people took part, 100 in Barcelona and 80 in Madrid, connected via videoconferencing. Seven projects were presented. There was a teaching session on co-investment at which the speakers were **Alberto Zoilo Álvarez** of Padeinvest, **Josep María Casas** of Neoko Capital and **Miquel Costa** of EDAP2007.

During the week Telefónica presented, in collaboration with IESE Career Services, the Wayra project which is designed to seek out and help entrepreneurs. “Wayra is a program established by Telefónica to seek out talent and innovative technological projects,” said **Gonzalo Martín-Villa**, who is in charge of the program. “We receive a series of proposals for projects, we assess them and choose 10 projects for each of the countries where we have launched the initiative: Colombia, Mexico, Spain, Peru, Argentina, Brazil, Venezuela and Chile. Generally we are offered projects that are technologically strong but which tend to be weak as a business proposal. In business schools such as IESE we know we will find projects that are both technologically strong and well developed from a business point of view and that have a good business plan.

“Of course we are looking for talent as well as ideas. We want to discover and develop the next Facebook or Twitter and, like all entrepreneurs, we want to change the world. In launching a project such as this within a large company such as Telefónica, we are also acting as entrepreneurs.”

Anyone who wants to submit a project or wants further information should go to the website www.wayra.org where there is a simple form to fill in and send it to us along with the project.

MORE INFORMATION:
www.iese.edu/eic



IN EUROPE THERE ARE CULTURAL DIFFERENCES BETWEEN COUNTRIES SO YOU HAVE TO PRESENT THINGS DIFFERENTLY.”

Rob Johnson
IESE faculty

LESSONS FROM ENTREPRENEURS

IESE's Entrepreneurship and Innovation Center, in collaboration with the Entrepreneurs Organization, held five breakfasts during the GEW where entrepreneurs shared their experiences with MBA students.

It's often the case that commitment, a serious attitude and hard work turn out to be more useful than individual technique," believes **Jordi Vallverdú**, managing director of Tailor & Co., the clothing repair and adjustment franchise that he established when he felt the time had come to move his career forward.

Jordi was speaking during one of the breakfasts for entrepreneurs held on IESE's Barcelona campus during Global Entrepreneurship Week from November 14 to 18.

"Passion, ambition, optimism and energy" are the fundamental qualities of a successful entrepreneur, according to **René Lönngren**, founder of Le Cool Publishing, the publishing company that emerged from *Le Cool*, a free, independent weekly online bulletin that is published every Thursday. The bulletin publishes a selection of cultural events and leisure activities taking place in the subscriber's area.

It is also important to be sharp and on the ball and to see opportunities. A key thing is to get "traction" in order to demonstrate with good results that the idea has a future. **Francisco Giménez** (PDD '99) had a romantic dream: set up a business that would make a social impact. It was with

this objective that he set up Augere in 2001, a consultancy specializing in corporate services and open programs in coaching and leadership. "Why be an entrepreneur?" he asked. "Because it's about transformation and doing things differently and taking control of your life. It's about making a difference." He reminded his audience that, although people sometimes forget it, executives can also "promote entrepreneurial initiatives within the company."

Santiago Peribáñez, managing director general of Vinus & Brindis, is above all a wine-lover. "Love of the project" is, in his view, a defining characteristic of an entrepreneur. After establishing a laundry business, he decided that he wanted to make his mark in the world of wine and that's when he got the idea for Vinus & Brindis, Spain's first urban chain of wine outlets. **Santiago** says the key to success is "passion for the product, a coherent idea and a good team."

"You have to give the client value, but the most important thing is that the client understands that's what you are doing," said **Joan Pons**, CEO of Workmeter. It's vital to present the product in a way that the client sees its value from their point of view, and not from yours, he said, adding that you need to be aware of your weaknesses and surround yourself with a good team.



THERE'S NO SUCH THING AS FAILURE. IT'S MERELY AN OPPORTUNITY TO START AFRESH."

René Lönngren, Le Cool Publishing





ENTREPRENEURSHIP IS ABOUT TRANSFORMATION AND DOING THINGS DIFFERENTLY AND TAKING CONTROL.”

Francisco Giménez - PDD '99, Augere



THE KEY IS PASSION FOR THE PRODUCT, COHERENT IDEAS AND SURROUNDING YOURSELF WITH A GOOD TEAM.”

Santiago Peribáñez, Vinus & Brindis



YOU’VE GOT TO BE SHARP AND ON THE BALL TO SPOT THE OPPORTUNITIES. IF YOU DON’T SEEK, YOU WON’T FIND.”

Jordi Vallverdú, Tailor & Co



THE MOST IMPORTANT THING IS THAT THE CLIENT RECOGNIZES THAT YOU DELIVER VALUE.”

Joan Pons, CEO of Workmeter



GLOBAL CEO PROGRAM

With each module held in a different country, the Global CEO program helps executives keep up to date with emerging markets.



“I chose the Global CEO program because I was looking for a program that offered a detailed vision of the multitude of disciplines that the modern business world comprises as well as a global vision of the future,” said **Monsour Hajjar**, CEO of Allied Enterprises and the UAE Chalhoub Group, who was one of the participants in the Global CEO Program: A Transformational Journey (GCP).

It is a program designed by IESE and the Wharton and CEIBS business schools that aims to keep you up to date with the fast growth in emerging markets. Its main objective is to help those taking part by giving them the tools to take advantage of the opportunities in these new areas of economic growth.

The GCP is an intensive and revolutionary learning experience which puts the responsibilities of the participants in perspective on a daily basis, while at the same time extending their knowledge of the dynamics of global business, in particular those related to the more complex emerging markets. It is aimed in particular at CEOs, owners, managing directors, board members and senior executives with more than 10 years of management experience.

“The professors are experts and leaders in research in their field,” said **Sanjay Sharma**, CEO of Tata Interactive Systems. “They help us to find practical solutions for some of the cases that we studied during the course.”

The academic directors of the program are Prof. **Julia Prats** of IESE, **Jerry Wind** of Wharton and **Juan Antonio Fernández** of CEIBS. The remaining professors belong to these three schools and work in various fields and specialties.

Among the IESE professors involved in the program are: **Adrian A. Done**, **Pankaj Ghemawat**, **José L. Nueno**, **Pedro Nueno** and **Pedro Videla**, while **Carlos P. Hornstein** is co-director.

The interaction between the participants is another fundamental element of the program. “The people on the course are very interesting and have a wide range of experience and there is a lot you can learn from them,” added **Sharma**. “It’s a good course for senior executives who want to become CEOs. It is very intelligently designed. The fact that it is held in Brazil, China and the United States helps us to understand these markets better, to have a more global vision and, furthermore, it gives it a touch of adventure.”

The first module was held between November 6-11 in São Paulo. Participants took part in the panel “Opportu-



nities and Risks in Brazil and Latin America: Company Growth and the Experience of their CEOs” which included speakers such as **Dario Galvão**, the founder of Galvão Engenharia, who told those taking part that “we have to get rid of corruption, companies have to be more transparent in order to make the economy more transparent.” **Pedro Gonçalves**, the managing director of Roche Diagnóstica Brasil Ltd, said that “a multinational working in Brazil has to make a commitment to the country, not just to sell but to invest, and in that way it will receive the same treatment as Brazilian companies.”

A WIDE-RANGING PROGRAM

- During the Global CEO, participants do not only
- get information of immediate use in their work but also learn about the most advanced business models and frameworks to help them understand various business problems. It is a wide-ranging program that allows the various participants to focus on topics relevant to their companies.

The participants come from a wide range of countries. Some 42 percent work in Europe, 26 percent in Central and South America, 13 percent come from North America and 18 percent from other countries. And given that

55 percent of them come from emerging countries and 45 percent from mature markets, the exchange of experience and knowledge is a particularly valuable component of the program.

A POWERFUL ALLIANCE

- IESE, Wharton and CEIBS provide executives
- with a highly productive and balanced learning experience. IESE has wide experience in emerging markets thanks to its long-standing relationship with various business schools in Latin America, Asia and Africa, notably with institutions such as ISE in Brazil, IPADE in Mexico and LBS in Nigeria.

At the same time, the Wharton School at the University of Pennsylvania, founded in 1881 as the first business school in the United States, enjoys an excellent international reputation for its intellectual and innovative leadership in the main disciplines of business management. On the other hand, CEIBS is the leading business school in China and its MBA, EMBA and executive education programs are among the best in Asia. The Global CEO is, therefore, the result of the long-standing relationship between IESE and these schools.



THE ROAD TO OPPORTUNITY

While the premium manufacturers are benefitting from record sales in China and the U.S., volume car-makers face a more challenging environment.

The 26th annual Automotive Industry meeting was held on IESE's Barcelona campus in November under the heading "Megatrends in the Automotive Industry." The two-day conference, organized by professors **Pedro Nueno** and **Marc Sachon**, with the support of **Joan Llorens**, brought together industry experts from Europe, the United States and China to discuss the future of the industry.

Themes ranged from the outlook for the European and U.S. industries, through electric cars, financing, retail and the Internet and changing patterns of mobility. **Antonio Cobo**, the chief executive of General Motors in Spain,

said that Europe faces two challenges: first, dealing with competition from the East while at the same time trying to enter their markets, and second, the electric car.

He was optimistic about the potential of electric cars and believes they present "a unique opportunity" for Europe which should aim to become a leader in the sector. In order to do that, what is needed is an infrastructure so that there will be enough users to bring down costs. This implies optimum policies and a legal framework to help the sector develop. "We are capable of leading the renaissance of the car," he said.

For his part, **José Manuel Machado**, the president of Ford in Spain, said his company was backing not just



Prof. Pedro Nueno.



Prof. Marc Sachon.



José Vicente de los Mozos.



Ivan Hodac.



HERE IN EUROPE WE ARE
IN A POSITION TO LEAD
THE RENAISSANCE OF
THE AUTOMOBILE.”

Antonio Cobo
CEO General Motors, Spain



the electric car, but the electronic one. Using new technologies, the car would be capable of learning the user's habits and will be connected to the cloud so that it can be operated from a mobile phone or a computer. "The car will be your friend," he said.

Ivan Hodac, the secretary-general of ACEA, an association of 17 European manufacturers, addressed the theme of the "European comeback" which he said four years ago had been predicted to begin in 2012 but is still a few years off.

"The comeback is not complete. We are still down almost 30 percent against 2007, the last year of positive figures," **Hodac** said. "Not everyone is doing badly. The premium brands are doing well but the volume manufacturers are not. Meanwhile, Brussels continues to legislate as if nothing has happened and it's business as usual." The free trade agreements encourage imports but not exports, he said, making it is easier to import into Europe than to export out of it. "Global markets present us with opportunities, but they are also a threat," he added.

"We are leaders in e-mobility but the Chinese and Koreans are just as smart as we are, so we can't be complacent," he said, adding that it is very difficult to compete with countries where there is no social security, low labor costs and no trade unions.

SELLING MOBILITY

● "We need to harmonize policies within the European Union to have a real internal market and we have to make the industry more attractive to young people," **Hodac** said. "We need to create a new model; we will not be selling cars in the future, we will be selling mobility. The car isn't the status symbol it was for young people; it's been replaced by IT gadgets."

The news from the United States was more positive, as there retail sales are expected to recover gradually over the next few years. As an indication of the size of the market, **Phillip D. Brady**, president of the National Automobile Dealers Association, told the audience that retail car sales represent 14 percent of the total retail sales of all products in the U.S., adding that a few years ago this was 20 percent. Sales are running at about 5 million fewer than in 2000, although up on 2009, and are anticipated to rise to close to 17 million in 2015. Cross-over utility vehicles represent nearly 25 percent of sales, he said.

HYBRID SALES SLUMP

● The "Detroit three" – General Motors, Chrysler and Ford – continue to dominate but Toyota, Hyundai, VW and Kia have a growing share of the U.S. market. Reflecting the disappointingly poor sales of electric vehicles, sales of hybrids are also down from 350,000 in 2007 to 200,000 this year, and overall make up a tiny part of the market.

Brady said that online search and promotion are becoming paramount. He also pointed out that for dealers

more profit now comes from selling used cars and services than from selling new ones. Dealers have had to enter into deals with banks to help buyers raise finance, as 84 percent of car sales involve some kind of financing and customers have problems raising this directly from banks.

José Vicente de los Mozos, a vice president of manufacturing assembly parts at Renault Group, said the French company wants to grow at an international level and generate free cash flow. In order to achieve this, he said, what is needed is innovation, new factories, developing the brand, client satisfaction, reducing investment and the overall cost of production.

The issue of franchises was addressed by **Antonio Romero-Haupold**, president of AVAG Holdings, after which **Thomas Anliker**, director of sales and independent concessions for Chevrolet Europe, and **Ludger Fretzen**, chief executive of Volkswagen-Audi in Spain, talked about retail sales. **Anliker** said that “the Internet is the most important factor in the vehicle buying process.” Fretzen emphasized the importance of reaching agreements between manufacturers, franchisees and politicians in order to increase structural demand. He also commented on the importance of the client and their loyalty to the brand. “More than 60 percent of our business comes from after-sales,” he said. He added that it was important to reduce the complexity of after-sales service and recommended setting up low-cost service areas so that clients didn’t simply go to the cheapest mechanic. “Losing a sale is not as important as losing a client,” he said.

CHINA IS A DIFFERENT STORY

● **Brady** was followed by **Yongping Chen**, the business director of BYD Europe BV, who talked about the Chinese market. Although BYD was founded as recently as 1995 and has only been making cars since 2003, it has 180,000 employees and was ranked No. 8 among the 50 most innovative companies. It has seen an astonishing annual average growth of 70 percent.

BYD – which stands for Build Your Dreams – specializes in electric and hybrid vehicles and sold 520,000 cars in 2010. **Chen** said the Chinese market has not been so vulnerable to the world financial crisis. Sales are expected to grow by 8 percent by 2015. He said that 1999 private car ownership in China stood at 5 million, while last year it had risen to 65 million.

There was then a discussion about the evolution of the various forms of electric and hybrid vehicles, changing modes of ownership and the growing used car market. Other sessions included one given by **Francisco Javier García Sanz**, the president of ANFAC, on the place of the car in the 21st century, a panel of SME automotive suppliers, including **Franz Borgers** of Borgers GmbH and **Veit Schmid-Schmidfelden**, general manager of Fertinger GmbH, Austria, discussing the pressure to innovate, and **Frank Torres**, chief executive of Nissan Spain, on car manufacturing in Spain. The conference concluded with a session led by **James Muir**, president of SEAT,



who said that the emerging markets were the future of the industry. He said that SEAT had made the mistake of relying to heavily on the domestic market in the run-up to the crisis, and then talked about the firm’s expansion plans in China. He said that SEAT is a popular brand in China, as are Spanish-made cars in general. Muir said the company wanted to take advantage of this to strengthen the brand and sales in China and in this manner improve the company’s position in Europe and internationally.

1. Franz Borgers. 2. Juan Llorens.
3. José Manuel Machado. 4. Thomas Anliker.
5. Ludger Fretzen. 6. Philip D. Brady. 7. James Muir.

CREATING GOOD AND NOT JUST GOODS

Colloquium on Christian humanism examines the ethical dimensions of economics and the role of business in increasing the social good.



The 2nd International Colloquium on Christian Humanism in Economics and Business was held on IESE's Barcelona campus in October. It was chaired by **Domènec Melé** and **Martin Schlag**, who also organized the meeting, and took as its theme "Christian Humanism at the Service of Development."

The opening session was moderated by Monsignor **Luis Romera**, professor of philosophy and rector of the Universidad Pontificia de la Santa Cruz in Rome, reviewing Christian humanism in the current context, said that "recovering humanism means developing a vision of society and existence in which ethics are not seen as a code imposed by the entrepreneur or politician but rather as something intrinsic."

Miguel Alfonso Martínez-Echevarría, professor of the philosophy of economics at the University of Navar-

ra, posed the question "does Christian humanism make sense in economics?" and concluded that we must not fall into the trap of believing in "the supposed anthropological neutrality" of the economy. "It is a waste of time to have pretensions of ethics of the economy or of commerce which approaches the economic phenomena with the lamentable and baseless prejudice that there exists a neutral humanism which supposedly gives foundation to economic theories."

Melè, professor of business ethics at IESE, talked about what Christian humanism can contribute to development, such as the wisdom, values and principles that ensure development is at the service of people, motivation and the fomenting of virtues such as solidarity, justice, truth and individual responsibility.

Maria De Benedetto, professor of administrative law of economics at the Università Rome-Tre, said, "econom-



ics should be judged by the light of the values they want to achieve. This implies a redefinition of profit, a strong regulation of financial markets and a moral and legal evaluation of consumer priorities.” She added that a leader must be the architect of the collective conscience, and that a real leader is one capable of reintroducing ethics into the *raison d’être* of business.

The view of **Philippe de Woot**, Emeritus Professor at the Catholic University of Louvain in Belgium, rejected the narrow definition of the *raison d’être* of business as being the production and distribution of services. In his view, the role of the firm is to create and innovate and to harness science and technology in order to transform it into material development and social well-being.

The entrepreneur is the essential figure, he said, someone with vision, a taste for risk and the ability to convince others to back them.



Domènec Melé and Martin Schlag.



Maria de Benedetto.

A panel of three business people then talked about their vision of Christian humanism. **Kim Tan**, trustee of the Transformational Business Network, talked about his experiences of investing in projects designed to boost development. **Jon Gallostra**, managing director of JG Engineering, discussed the challenges of applying humanism in a medium-size business.

In the colloquium’s concluding session on “Fraternity in a Global Economy,” **Stefano Malferrari**, director-general of Monte Paschi Monaco SAM, compared the Western world “to a wealthy family where the financial success of a generation has had an unwanted consequence on the following generation: the loss of initiative and dependency on the parents’ investment, assets and revenues because the family leader has not supported the growth of the human and intellectual capital of the family.”

NEW PROGRAMS IN BRAZIL, MUNICH AND NEW YORK-MIAMI

IESE extends its range of executive programs in strategic markets.



IESE has consolidated its international profile with a range of new executive programs in Germany, Brazil and the United States especially designed for managers who want to advance professionally and take on greater responsibilities, and in particular for senior executives who are working in strategic markets.

THE GERMAN EXPERIENCE

“After seven years of the AMP Munich (Advanced Management Program) IESE in Germany has strategically extended its portfolio with the PMD Munich. This program is the fruit of the desire of executives to deepen their understanding of general management. They have a lot of technical knowledge but they are also conscious of what they lack in soft topics such as marketing and sales, as well as needing a global macroeconomic

outlook,” said **Alex Pschera**, the program’s director. The Munich PMD (Program for Management Development) provides a high-level and personalized learning experience aimed at executives from small, medium-size and large companies who are specialists in their sector and have 8 to 10 years experience managing international companies.

IESE Prof. **Heinrich Liechtenstein** is the program’s academic director. The course is taught by IESE’s international faculty and has been specifically designed for executives working in Germany and Central Europe who want to extend their abilities and knowledge in order to maximize their professional and personal effectiveness.

The program’s format has been designed to be adapted as much as possible to working hours and to interfere as little as possible in the professional and personal



Munich, São Paulo and IESE's New York center.

lives of those taking part. The first module will be held in May, 2012 on IESE's Barcelona campus, the second will be held between May and June in Munich and the final module will be held in July, once again on IESE's Barcelona campus.

The PMD Munich analyzes real scenarios with senior executives from a range of industries. This helps participants to hone their analytical skills and to improve their decision-making and thus enable them to act more quickly and effectively when it comes to implementing changes in their companies.

The course covers, among other areas, competitive strategies, financial accounting and leadership skills. And to further personalize the learning experience, participants also take part in one of the Short Focused programs that IESE organizes on their European campuses or in New York.

The PMD has emerged from the long-running success enjoyed by the AMP, a program that has attracted many of the main companies in the region, such as Siemens, BMW, Daimler and Grohe. The creation of the PMD is a clear demonstration of the fact that there are more and more executives in Germany who believe that these courses help them to achieve their business objectives and implement the necessary changes.

EXTENDING FRONTIERS IN BRAZIL

- In collaboration with ISE, its associate school in Brazil,
- IESE is also consolidating its presence in Latin America with the launch of the new Executive MBA Brazil, which is expected to start in August, 2012 in São Paulo.

The Brazil EMBA is a program aimed at Brazilian executives who want to develop a global perspective and is one of the first courses of its type in the country.

It is a part-time, trilingual program that will be held over the course of 19 months. Classes will be given in English, Portuguese and Spanish. It will follow the format of its predecessors held in Madrid and Barcelona, with modules held on both Spanish campuses.

Brazil is an emerging economy with growing importance in the global economy, which means that there is an increasing demand for skilled executives with new abilities. This is precisely the moment to "go for IESE's sought-after MBA," commented course director **Érica Rolin**.

MOVING AHEAD IN THE UNITED STATES

- Staying on the other side of the Atlantic, IESE has
- also programmed for 2013 the Program for Leadership Development, led by **Luis Casas**. The course is aimed at developing the leadership abilities of executives and specialists in various sectors. It is designed for executives with 8 to 10 years experience managing international companies who want to advance their careers.

The participants in the PLD will focus their attention on areas such as finance, marketing, operations and human resources, always viewed from the perspective of a managing director who seeks to integrate the organization's resources and lead others through personal example.

New York and Miami, two of the world's business capitals, will host this program, which is expected to begin in March 2013.

These are three examples of the global outlook inherent in IESE's programs, as well as the school's willingness to provide all the keys to leadership in their executive education courses, to help for executives who want to become better professionals and business leaders, always bearing in mind the idea of service to society and professionalism that IESE teaches in all of its courses.

MORE INFORMATION:

www.iese.edu/PMDMunich
www.iese.org.br/emba
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ENHANCED PERFORMANCE

On the new portal you can check whether a case has got the contents you are looking for by downloading the first few pages for free. You can see if the material is suited to your needs by clicking on where it says "Preview" on the document.

At the new website www.iesep.es users can quickly and safely choose from among 26,000 titles. IESE Publishing is the world's largest distributor of business cases in Spanish. A large number of titles are also available in English, and some in Portuguese.

The principal clients are business schools and consultancies, "but individuals also use them to contemplate different business scenarios," says **Christine Ecker**, executive head of research at IESE.

It is a more functional site, with three home pages in Spanish, English and, specifically for Latin America, the page IESEP LATAM, which has local case studies and material produced by schools in the region. There is also a function that allows the user to identify content that derives from Latin America by searching for the label LATAM.

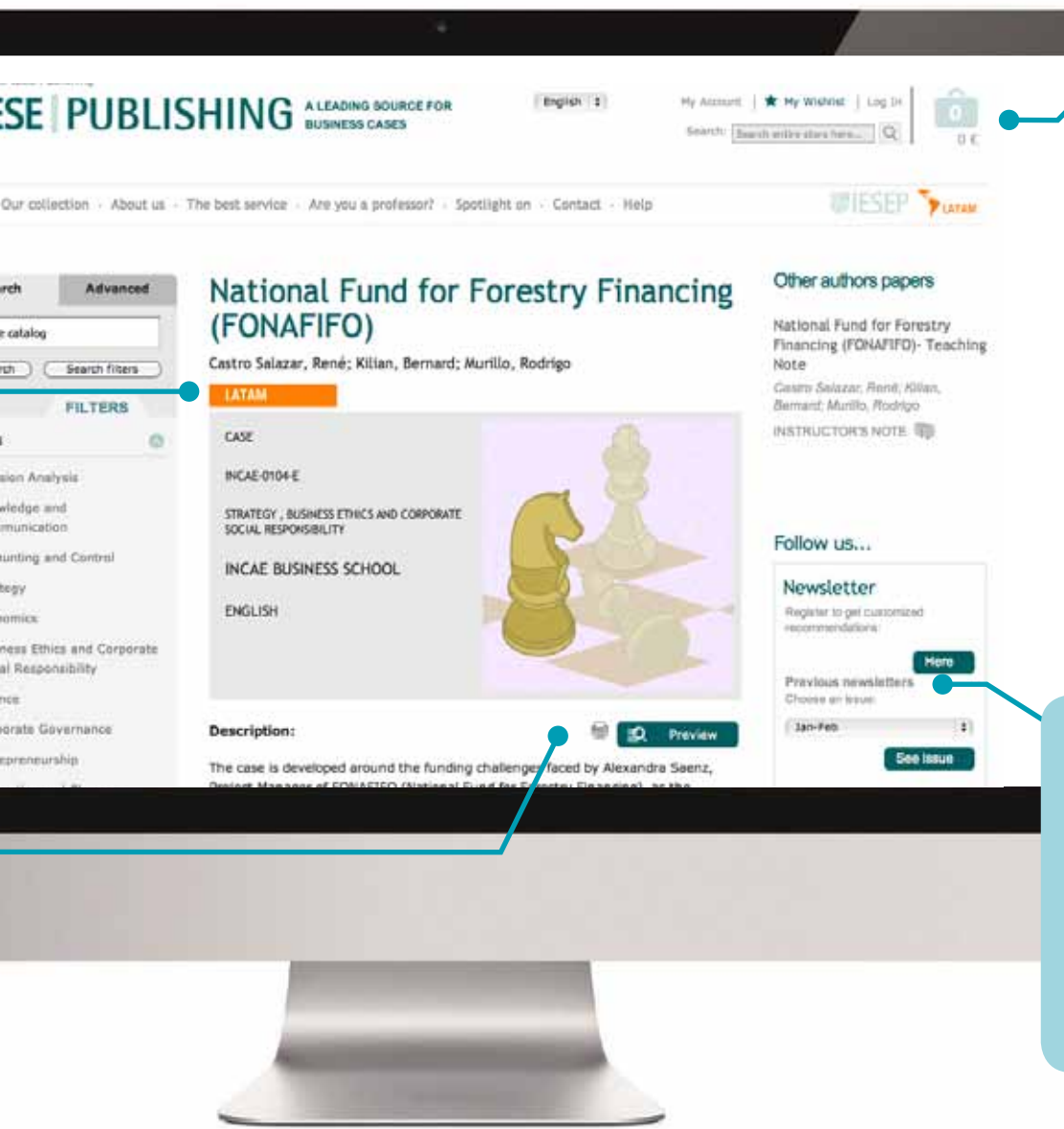
EASIER TO USE

The new design has shortened the process so that it is easier to access or buy documents. The user can make the most of these improvements in the space "my account" and can consult their favorite documents without having to search for them each time and can share their list with all their contacts.

Furthermore, the user can use "My account" to manage regular payments, to receive newsletters and also to receive newsletters according to their particular areas of interest.

Using the search facility, the user can quickly find the material they're looking for, whether case studies, book chapters, technical notes, instructor's notes, books, articles, dossiers, exercises or Short Focus Cases in a variety of areas.

The new website has three search levels: general, for the entire website; specific, (using the left-hand column)



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You can keep up to date by registering to receive the news bulletin, consulting newsletters or following IESE Publishing via RSS or social networks such as Twitter, Facebook and LinkedIn.

to make broad searches filtered according to areas of interest, language or specific documents; and a much more detailed one, with more search fields and lists of results.

We have also enhanced the portal by offering you detailed product information about the cases. Not only have we improved the quality of information that we provide – which makes it easier to search – but we now provide the user with a wide range of complementary information, including: cases that have featured in IESE Insight Review, news pieces related to cases that have been published on the portal and videos relating to cases.

MORE PARTICIPATIVE

- Social media has an important function in the new portal.
- The Twitter account, @iesep keeps you up to date with any developments, and also keeps you abreast of what case method professors are up to (on Twitter). Facebook provides

up-to-date information and at LinkedIn the user will find a community in which they can discuss learning experiences and business in general.

CASE METHOD EXPERTS

- IESE has used the case method almost since the school's
- beginning and has developed high standards in this form of study. It also helps to spread quality teaching through the International Faculty Program which seeks to disseminate this method and improve its use on a global scale.

IESE Publishing is the distribution point for business administration and management teaching materials. Its extensive collection includes titles from Darden Business Publishing (U.S.), ESE Escuela de Negocios (Chile), Harvard Business Publishing (U.S.), IAE Universidad Austral (Argentina), IPADE (Mexico), Ivey (Canada) and Stanford (U.S.).

SPANISH-GERMAN SUMMIT

Clouds on Germany's Economic Horizon

Despite its rapid recovery after the shocks of 2009, not everything is rosy in Europe's powerhouse.

● Is the German economy pulling the European growth train and what measures can be taken to increase collaboration between Germany and Spain? These were some of the questions addressed by experts at the Spanish-German summit titled "The German Economy Moving Ahead" held on IESE's Barcelona campus.

IESE Prof. **Heinrich Liechtenstein** said the purpose of the meeting, which was sponsored by Bertelsmann, AHK and the Goethe Institute, was to look at Germany's new role in relation to the euro crisis and also at what opportunities exist for Spain in Germany. The panels were moderated by Prof. **Antonio Argandoña**.



Heinrich Liechtenstein.

Walter von Plettenberg, director of the German Chamber of Commerce, said that Germany had experienced a huge downturn in 2009 but that in 2010 it had rapidly picked up. Companies did what they could to keep workers on for when the upturn came. But there are some clouds on the horizon, with falling demand

and growth expected to fall from 3 percent to 1 percent next year. "Everyone is anxious about what the euro crisis will mean for the German economy," he said.

Andreas Richter, director of the Stuttgart Chamber of Commerce & Industry, said that in his area of Baden-Württemberg in southern Germany, where there is full employment, the real challenge is finding quality personnel, especially engineers.

Monika Varnhagen, director of the German Office of International Exchange, which looks for skilled labor all over the world, said Germany lacks skilled workers. The obstacles for Spanish immigrants is their poor language skills and the fact that most young people who want to move to Germany want to move to big cities, but many jobs are concentrated in rural regions and small towns. "In general," she said, "the low birth rate means we haven't enough young people."

IESE Opens Center for Public Leadership

● IESE unveiled its newly-created Center for Public Leadership and Government at a special presentation on the school's Madrid campus. The new center's mission will be "to promote the training of senior members of public institutions from across the globe in order to achieve a lasting impact on people and society," said its executive director, **Antonio Núñez**. IESE Prof. **José R. Pin** outlined 10 "essential" points for public sector reform.

The presentation, "Making It Happen: A Delivery Unit Method for Implementing Complex Programs in the Public Sector," was led by **Alastair Levy**, member of the London office of McKinsey. **Levy** explained that the current economic crisis provides an opportunity to improve fundamental government activities, a challenge that is both urgent and large-scale.

Making such reforms depends on government leaders' ability to priori-

tize activities and resources, and reorganize to achieve greater efficiency and savings. The way to do this is to create appropriate pressures that will optimize management and give government the capacity to lead reforms.

He pointed to Sweden, which was able to reduce its operating budget by 11 percent in the mid-90s without a negative impact on activities and while achieving lasting cost-control measures.

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CONTINUOUS EDUCATION PROGRAM

China Puts Money on Green Technology

Leading official says her country is committed to sustainable development and will do more to protect intellectual property.

The focus of the 16th five-year plan of the People's Republic of China is on green technology and sustainable development, **Yan Junqi** told a Continuous Education session entitled "The Evolution of China" in Barcelona in late November.

Yan Junqi is vice chairwoman of the Standing Committee of the 11th National People's Congress, and is a board member of CEIBS, the business school in Shanghai with which IESE has a close association. She was accompanied on stage by Prof. **Pedro Nueno** and **Jan Borgonjon**, president of Interchina and also a board member of CEIBS. **Yan Junqi** said that since the 1970s China had followed the path of peaceful development but that it has learned from its mistakes and understands that development also has to be sustainable.

"China cannot base its economy on sacrificing natural resources," she said, adding that the emphasis on green technology opens up new opportunities for inward investment. "Chinese integration into the world economy has been very positive. We have all come out winners and foreign investors have done very well." She added that although China's GDP is second in the world, it is still a developing country. Per capita income is 100th in the world ranking. However, as wages rise, so does consumerism, which increased by 30 per cent in 2010.



Xu Dingbo, Pedro Nueno, Yan Junqi, Zhang Weijiong and Jan Borgonjon.

She said that China would strengthen protection of intellectual property and overall would move towards being a more open country, but also a more innovative one, with greater emphasis on technological innovation rather than just production. To do this China needs to improve the quality of its management but also of its education system, which needs to be more flexible in order to encourage imagination.

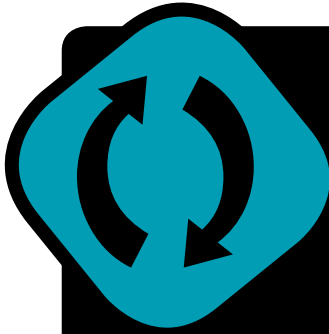
"We are going to reduce government interference and promote small business," she said. "We are going to reform the market for raw materials. We are moving to eliminate monopoly. We want to open up even more to foreign companies. We

will contribute to making the world financial system fairer and more transparent. The transformation of the Chinese economy is not something bad or evil for the Western world."

Jan Boronjon then presented the report "The Business Environment in China in the Year 2012." He confirmed that consumption is rising.

However, so are salaries, he said, and although it won't be as cheap as before, it will still be a long time for other countries can compete with China on price. There then followed a Q&A session with the other panellists, **Zhang Weijiong**, vice president and co-dean of CEIBS, and **Xu Dingbo**, director of CEIBS Beijing campus.

"China cannot base its economy on sacrificing natural resources."



Sector Meetings

9th DISTRIBUTION BUSINESS MEETING MADRID, FEBRUARY 29

Professors José Luis Bueno and Julián Villanueva are coordinating this meeting which will discuss developments and trends in the sector.

3rd INSURANCE SECTOR MEETING MADRID, APRIL 24

Professor Jorge Soley brings together executives and other business people to discuss the latest developments in the sector.

14th PRESTIGE BRANDS MEETING BARCELONA, APRIL 25

Once again representatives of some of the world's most illustrious brands meet in Barcelona to discuss trends in the industry. The meeting will be coordinated by Professor Fabrizio Ferraro.

MANAGEMENT PROGRAM

PLD Barcelona

The first of three modules begins on March 5



Doing Good Doing Well Social Investment Competition

BARCELONA FEBRUARY 25

Calling all Alumni! The DGDW Social Investment Competition is currently recruiting socially minded entrepreneurs and social investors. The first-annual DGDW Social Investment Competition will take place on February 25, 2012 during DGDW and will bring together top MBA students, socially minded entrepreneurs and social investors in which MBA students and entrepreneurs go through the entire investment process in an extremely condensed time period while being judged and moderated by the investors. Please contact us at dgdw.sic@iese.net if you are interested in participating.

Healthcare Management Program

MADRID APRIL 16

An intensive management program for the healthcare sector. The program is divided into three, one-week modules that are held on the Madrid and Barcelona campuses. The program covers a wide range of topics, including the economic environment, healthcare models, team decision-making and leadership management.



SHORT FOCUSED PROGRAMS

Develop Your Communication Skills: It's How You Tell Them!
Barcelona, March 6-8

Create Effective Virtual Teams
Barcelona, March 21 & 22

Management by Projects
Barcelona, March 24-26

Arts and Cultural Management: From Service Design to Success
New York, April 24 & 26

Revolutionize Your Business With Social Media and Collaboration
New York, May 15 & 16

Getting Things Done
Barcelona, May 15-18

The European Healthcare Market
Barcelona, May 21-23

Public Management Programs

Strategic Management
for Leaders of Non-Governmental
Organizations
Madrid, March 26-30

Driving Government Performance
Madrid, June 18-21



Global CEO Program for China

THREE VENUES

The first module begins on March 25 at CEIBS in Shanghai, the second at IESE in Barcelona on May 20 and the third begins on July 15 at Harvard Business School. The task of building strong companies and effectively integrating them into the global marketplace is a difficult and complex undertaking for top corporate executives. Recognizing that companies succeed through individual initiatives and organizational excellence, the program is designed especially for Chinese CEOs who are in a position to review, reflect on and make breakthroughs in both of these areas.

Pedro Larena (MBA '85)

'Above All I Put My Trust In My People'

ÁLVARO
LUCAS

His German colleagues are not quite sure what to make of him and Pedro Larena (MBA '85) jokes that they see him as a sort of Jiminy Cricket. He is in charge of Deutsche Bank's international operations and is responsible for 10,000 people working in around 1,000 branches, but Larena insists he is just an ordinary family man who likes to go sailing.

A portrait of a girl by **Manuel Valdés** guards the entrance to **Pedro Larena's** (MBA '85) office. When he opens the door he fills the entire doorway, as he is around 6ft 11in tall. It is surprising to see art like this in a bank and **Larena** comments that Deutsche Bank's collection of paintings is worth more than all the money in its vaults.

As this is a bank, and furthermore, a German one, I was expecting to meet someone who'd escaped from the pages of *Buddenbrooks*, but **Larena** is more like somebody from the Buendía family in *One Hundred Years of Solitude*. He says he is not fanatical about anything but is passionate about everything, including sailing, which led him to cross the Atlantic in a sailing boat, crewed by himself and two good friends.

Pedro Larena dismantles the stereotype of the banker. I'm just an ordinary person. What I really care about is my family. I think it's the most important thing there is. I have four wonderful children, three boys and a girl. And then, of course, there is my wife **María**, who



I don't deserve and without whom nothing would be possible. But I'd describe myself as somebody who is permanently dissatisfied. I'm very restless. I used to do a lot of sports but now I don't have time to do as much as I'd like to.

One of the reasons you don't have time is because Deutsche Bank hired you to make its international commercial arm profitable.

You could say that, given that I am the person in charge of the area outside Germany. I am responsible for 10,000 people and around 1,000 branches, which altogether make up a large part of the business. It's not just that we work in eight different countries but we have different types of businesses in some of them. For example, we have five distinct businesses in Italy, with different brands. What we have managed to achieve in all these countries is turn a profit.

And my team's great achievement is that in two years they have multiplied six-fold the profits of our European Franchise (5 countries), something not many people could say.

➤ **IF YOU WANT TO
WORK IN MARKETS
SUCH AS CHINA AND
INDIA YOU HAVE TO
START OUT HUMBLE AND
BE PREPARED TO LEARN.”**



China, India and Vietnam are among the countries you operate in. Compared to Europe, is there a big difference in the way you do business?

They're completely different, in every respect, both social and financial. If you want to work in these markets you have to start out humble and be prepared to learn. From a financial point of view of a European bank, these are developing countries. But they are experiencing vertiginous growth and are an opportunity not to be missed. We're talking about an economy that's on the boil. They're very different but they're also very regulated, which isn't the case here in Europe except in regard to consumer protection. There, on the other hand, they tell you whom you can lend to, in which sectors and whether you can or cannot open an office.

Are these countries untouched by the global crisis?

Much less than us in Europe, they live in a different world. If you come across a bank branch in India you can be sure it has many employees. There are few branches of foreign Banks because the government hands out few licenses, with the result that the branches are enormous and very inefficient from a practical point of view compared to the offices we have here. Banking there is like it was in Europe 25 years ago. We have the advantage of knowing what's going to happen because we've already been through it. One way or another, a much more efficient bank will emerge. What took us 30 years to change, they are doing in 10.

How do you establish yourself there?

It's not easy. In India, for example, we broke even this year for the first time and next year will begin to make a profit. In China, quite apart from its size, language is a big issue. Very few Chinese people speak English and those that do are much sought after. If you want to set up a network there you need to hire people who speak English in order to make yourself understood. But it's amazing what's happening. We are experiencing a lot of new things and we also face the huge challenge of establishing something good and efficient in a new market.

What is the key to your success as a manager?

I trust my people, which is just as well because when you're managing 10,000 people you need to know how to delegate and be able to trust your team. In fact, I think that's one of the keys to success in any job. When I came here I changed everything. My then boss gave me plenty of freedom and support because the alternative was either to close or sell off this part of the business. We managed to turn things around in a few months and within two years we were making quite good money in all countries.

Do they think well of you in Germany?

We've managed to clean up all the businesses that were making a loss, we have focused on strategy and made sure that they all make a profit. It's not been easy. The Germans are frankly surprised because they didn't think it was possible. They still look at me a bit strangely because for them I'm a sort of Jiminy Cricket.

➤ DIVERSIFICATION IS DANGEROUS. TO START WITH YOU NEED ALL SORTS OF RESOURCES, HUMAN RESOURCES IN PARTICULAR, IN ORDER TO DEAL WITH THE DIFFERENT SORTS OF BUSINESSES YOU HAVE.”

Wasn't it because big banks diversified and got involved in international business that they lost control over some investments which ended up being "contaminated"?

Diversification is dangerous. To start with, you need all sorts of resources, human resources in particular, in order to deal with the different sorts of businesses you have. If you can't give them the right sort of attention they are almost certainly going to fail. Anything that you acquire or any sort of organic growth that you can't make your own is going to end up out of your control. Deutsche Bank's advantage is that we compete in a very defined area and our value proposal is very strong. The few times we stepped outside of this area it hasn't turned out well.

What can banks do to solve the crisis, bearing in mind that their image has been severely damaged?

In this respect, the idea of sustainability is more important than ever, but saying it doesn't make it so and we run the risk of it becoming merely a fine word that has lost its real meaning. It's a simple matter of ensuring that both business and society are sustainable.

Of course, sustainability involves creating jobs and this involves financing businesses. But what has happened is nobody is lending money to anyone who can't pay it back. Right now, banks are getting rid of the deadwood because the main objective is to stay afloat.

You did an MBA at IESE in 1985. How did it impact on your education and career path?

IESE represents a before and after in my life. Until then I didn't have a clear idea of where my career was going. At IESE they teach you what you don't learn at university.

One of my children asked me why I want him to do an MBA when he has already done business studies and I replied because at IESE you don't learn accounting or new things about

econometrics or financial mathematics because they hardly talk about these things. Most of the time at IESE you are discussing topics that you've never seen nor experienced because it is pure business and pure market.

But you studied law...

Yes I did and it was hard for me to keep up with everything to do with numbers, although I was good at understanding and synthesizing case studies most closely related to the commercial aspect of the business, which were also those that were the toughest to prepare. One thing made up for another and in the end I did well in spite of the fact that all of us had this sword of Damocles hanging over us in the form of the threat of being expelled if we weren't up to scratch, which was something that the professors liked to remind us of permanently.

What do you recall about that epoch?

I have many fond memories of Prof. **Pereira**. He was an institution in himself, and as a person he was kindness itself. He taught accounting. He had a book with all the faces and names of the students and it was my bad luck that early on he marked my page and every morning when he opened the book he saw my name, with the result that I was the first one to be asked a question.

Knowing that I would never escape, I had to spend every night preparing up for the class the following day. As a result I learned a lot about something about which at the beginning I knew very little. I also have very good friends that I made at IESE with whom, in spite of the time that has passed, I am in close contact.

What is special about IESE?

What's special about IESE is it teaches you how to generate wealth and how to be an honorable worker, whether you're the boss or an employee.

THAIS IVERN (MBA '01), JAVIER LLUCH (MBA '99) AND RAFA MARTÍN-ALÓS (MBA '00)

IMPACTMEDIA

Only by Doing Things Differently Can We Arrive at Something New

● Sometimes the best ideas arise out of everyday situations. A small lapse in concentration gave rise to an innovative company that is now Spain's leading digital advertiser. "Rafa's wife **Cristina** was at a large shopping center and couldn't remember where she'd parked the car," said **Javier Lluch** (MBA '99) who founded Impactmedia with **Rafa Martín-Alós** (MBA'00) and **Thais Ivern** (MBA'01). "It occurred to her that it would be easier to remember if the parking sectors were associated with a brand rather than with a color, an animal or some other symbol. **Rafa** mentioned the idea to **Thais** and me and, as all three of us were ready for adventure, we saw it as a good idea. It would be a "win-win" for everyone, as the customer would find it easier to find their car and the shopping center would have a new income stream from a normally unproductive area. Above all, people would be obliged to remember the advertiser's message in order to find their car. So, after an in-depth analysis, we launched Impactmedia."

NEW OPPORTUNITY

● Impactmedia was founded in 2003 at a time when big shopping centers were a relatively new phenomenon in Spain but had a lot of potential. Given the large numbers of people visiting these centers to shop or for leisure, they presented a clear advertising opportunity, as was the case in countries where shopping centers have existed for some time. "Our main objective has been to maximize the



Javier Lluch, Thais Ivern and Rafa Martin-Alós.

effect of the message," **Lluch** said. "Firstly in parking areas associated with brands and now with digital screens in the shopping centers." Both factors allowed them to work against the tide in a sector that had barely developed in 50 years.

"We've had a lot of problems working in a very traditional sector with enormous competitors with a big presence in the mass media where changing the status quo is difficult." At Impactmedia they put their money on innovation, however unorthodox, because they are convinced it will pay off in the long term.

Right from the start, before they put up a single advertisement, they decided the business would only make sense if they had exclusive rights in the main Spanish shop-

ping centers. "When we installed our first digital advertisement we already had an agreement with more than 40 shopping centers," said **Lluch**. Now they are in more than 60 and in spite of the crisis and the shrinking of the advertising market during 2011, Impactmedia is going to grow by 80 percent this year, and from 20 to 40 employees.

FINAVES took the role of "lead investor" in the last capital injection, said **Javier**. "It was fundamental when it came to attracting other investors. Having them as an investor meant that we had strong commercial funds that helped us sign long-term agreements with shopping centers. It also brought us intellectual capital which was vital in use making strategic decisions."

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CHARLENE LI TALKS ABOUT BUSINESS AND SOCIAL NETWORKS

Listen Carefully and Please Don't Shout

❖ It's not about technologies, it's about the relationships you can form with them, Charlene Li told a packed auditorium on IESE's campus in November, giving a modern twist to 1960s communications theorist Marshall McLuhan's famous dictum that "the medium is the message." Li, an authority on social networks and founder of the Altimeter Group, told her audience, "It's all happening out there on social media. The only choice you have is whether to engage in the dialogue or not." In the opening session of the meeting organized by HSM and IESE and sponsored by MPG, she said that companies are not only slow to wake up to the advantages of social media, but many of them actively avoid it. Li advised company directors to go to social sites and do a simple search to see what people are saying about their company. "It's not just about listening, it's about learning and changing," she said. "To consumers marketing often feels like someone shouting at them. That is not a dialogue."



THE THINKERS50

World 3.0 Wins Best Book of 2010–2011 Award

IESE Prof. Pankaj Ghemawat has been awarded the best book of 2010–2011 prize by The Thinkers50 for his book *World 3.0: Global Prosperity and How to Achieve It*. The global ranking of management thinkers is published every two years in recognition of original economic thinking around the world. Prof. Ghemawat received the prize at a special event held on November 14 at Lancaster House in London, which was attended by 500 nominees and guests. The nominees came from a range of leading business schools that included Harvard Business School, Tuck, UCLA, Oxford, Insead and LBS. The candidates for The Thinkers50 list received more than 10,000 votes between them. Candidates are assessed on the basis of 10 criteria: originality, practicality of their ideas, style of presentation, written communications, loyalty to their followers, business sense, impact of the ideas, international perspective, the rigor of the research and the elusive guru factor.

NEW IDEAS FOR NEW MARKETS



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BUSINESS AND HUMAN VALUES

The Ethical Foundations of Good Management



In essence, being a good manager means being ethical because it is about dealing with people.

● In the first decade of the 21st century, many businesses learned firsthand the moral and financial risks of focusing exclusively on short-term financial gain. Lehman Brothers, which, after 158 years in business, went bankrupt over the space of just one weekend. The cause: horrific mismanagement and a reckless disregard for moral hazard. The results: the worst global recession in decades.

In his book, *Management Ethics: Placing Ethics at the Core of Good Management*, IESE's Domènec Melé seeks to shift our gaze from short-term gains at any cost, to a deeper, longer-term view of management. Melé argues that good management should take ethics into account because management is about people, and dealing with people requires ethics.

A business is first and foremost a human construct run by free individuals who cooperate within an organization with common goals, and the decisions and actions a manager takes have the potential to benefit or

hurt other people. Thus, ethics is not an artificial add-on to business, but an intrinsic aspect of good management.

ETHICS AND GOOD MANAGEMENT

● Ethics are embedded in management, first through decision making, second, through the ideas that drive the practice of management and, third, through the moral character of the manager.

Acting on ethical decisions contributes to good management by helping to humanize business, generating trust, fostering loyalty, encouraging responsibility and helping to develop a strong moral culture.

Melé avoids complex philosophical discussions to present a way of thinking about ethics on very basic principles, such as the Golden Rule, which states that one should treat others as one would like to be treated oneself, and Natural Moral Law, which holds that certain rights or values are inherent in human nature and recognizable by human reason.

Three basic values, and their corresponding virtues, are upheld as critical to ethical management: justice, truthfulness and intelligent love. Justice renders to each what is rightfully theirs. Truthfulness refers to the observance of truth in speech and behavior, and a disposition to search for the truth. Intelligent love – understood as love driven by true knowledge of the real needs of the other – goes beyond justice and entails care and benevolence.

Having an ethical sense pushes one to act in the best way for the purpose of efficiency. In turn, firm efficiency contributes to the common good. An efficient use of resources

provides material support to human life and makes economic goods more widely accessible.

THE FIRM AND THE COMMON GOOD

● While business managers always face a trade-off between generating profits and being responsible to their firm's many stakeholders, making a profit is not the sole purpose of business. The firm contributes to the common good and to sustainable development. It does this by creating wealth and knowledge, by performing as a responsible stakeholder and being a good corporate citizen. This means seeking not only economic results, but also positive impacts on society and the environment. Sustainability should be integrated into all processes, products and activities.

While ethics may not be a cure for all the ills affecting the economy, they are absolutely vital if we are one day to move beyond the current crisis to a sustainable recovery.

THE FUNDAMENTALS

1. Justice: to render to each what is rightfully theirs.
2. Truthfulness: both in speech and behavior.
3. Intelligent love: care and benevolence.
4. The business contributes to the common good.
5. The business promotes sustainable development.

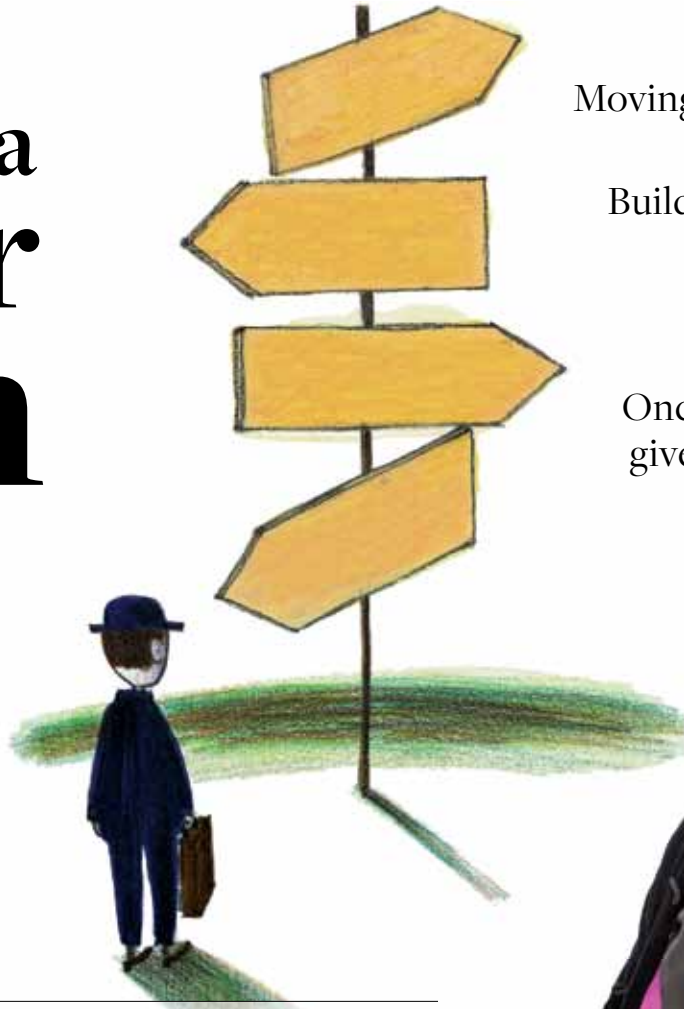


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ANDREA BALDO

General Manager,
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“ I really appreciate that the case studies in *IESE Insight* are all real, which makes the lessons that much more applicable. Not only can you see how other managers approach the same problem, but you can also express different opinions online in the Case Forum.”

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SONY'S SYNERGIES

SIR HOWARD STRINGER SPEAKS IN NYC

The Wall Street Journal
Viewpoints Executive Breakfast Series,
organized by IESE and BCG.



Sony is focusing on developing strong synergies between all of the company's products, which include content – such as movies and video games – as well as electronics, said Sir **Howard Stringer**, CEO of Sony. Sir **Howard** was the special invited speaker at WSJ Viewpoints Executive Breakfast Series, co-sponsored by IESE Business School and BCG, in November.

In an interview held in New York with WSJ's **Alan Murray**, **Stringer** discussed how Sony plans to reach more consumers around the globe by ramping up device connection and digital content.



“The theory of having content is that I don’t have to negotiate with anybody,” he said, noting that Sony will have 350 million connected devices by the end of next year.

“What the public around the world really wants is movies, television, video games and music, and we have all four of those lined up. Once all those devices are connected and seamlessly, as good as iTunes is, the Sony Entertainment Network will deliver content globally in a way that no other company can,” he said.

Discussing Sony’s key challenges, he said that it faces losses of more than \$1 billion in the current fiscal year, due to restructuring costs, natural disasters and hacking.

We have to find a way to compete against Apple that has two new products a year, when we have 50.”

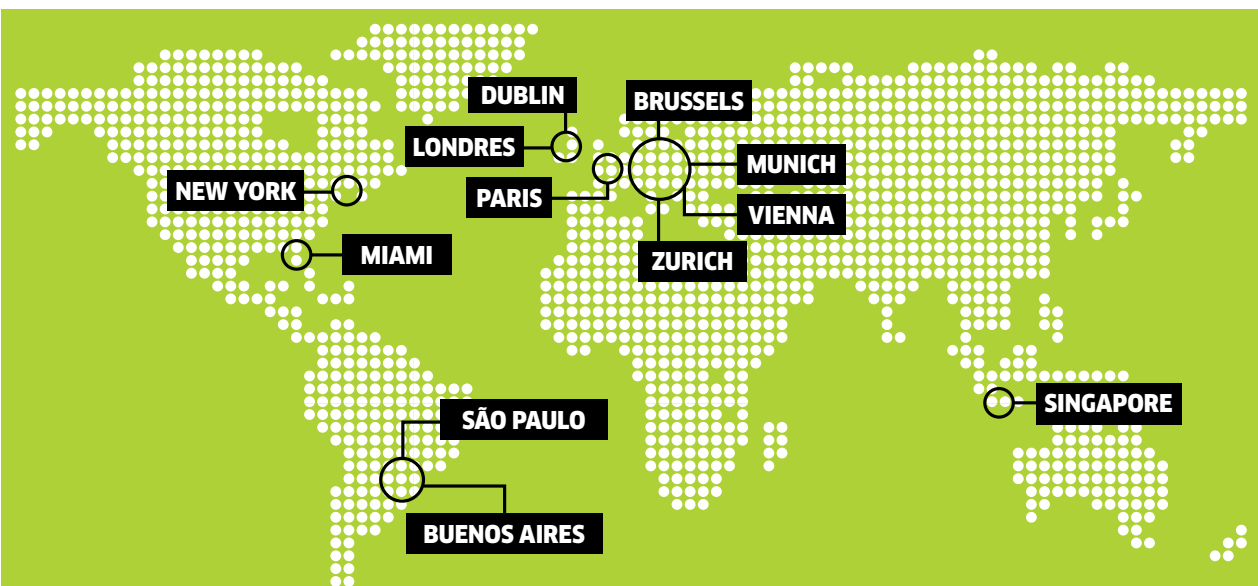
It also faces formidable competition from Apple, he said. One of the differences between the two companies is the number of products they have to market.

“We have to find a way to compete against Apple that has two new products a year, when we have 50.”

Because Sony’s activities are so diverse, the company is currently perceived differently around the globe, he said. “In India, we’re a content company. In Russia, they think we’re an electronics company.”

Sir Howard also discussed the fundamental changes ahead for television, an area where many companies are investing significant amounts of R&D. As a result of the push to innovate, a new type of television set will emerge, but it will take time for the general population to make a widespread transition to the new format, he said.

He also affirmed that he is not planning to step down from his post at Sony any time soon: “I’m up for this fight,” he said.



THE LATEST ON IESE'S ALUMNI CHAPTERS

CHAPTER NEWS

SÃO PAULO

November 3

● Prof. **Javier Estrada** visited alumni at ISE in São Paulo where he gave the talk “Blinded by Growth” in which he discussed how growth is linked to profitability from an investor’s point of view. The evidence suggests that it is perfectly possible to obtain low profitability while enjoying high growth, and high profitability where growth is low.

BRUSSELS

November 8

● Alumni met in Brussels for a conference led by **Peter de Keyzer**, chief economist of BNP Paribas Fortis. The executive reviewed the current economic situation in Europe in a talk titled “The Economic Outlook for the Eurozone.” The Chapter thanks BNP Paribas Fortis and **Luc Haegemans** (AMP ’11) for their help in organizing the event.

MIAMI

November 9

● Alumni attended a meeting given by IESE professors **Javier Estrada** and **Evgeny Káganer** titled “Disruptions in Technology and Finance: Opportunities and Dangers,” on the opportunities and challenges that social networks present to the banking sector and other financial institutions. Although clients are not opposed to the incorporation of social networks into their banking experience, the banks have been slow to take advantage of new media.

ZURICH

November 9

● The Switzerland Chapter organized a meeting with professors **Heinrich Liechtenstein** and **Uli Grabenwarter** who talked about impact investing, which is charac-

terized by the desire to make both a social and an economic impact. The conference was titled “Impact Investing – the power of financial return and positive social impact.”

NEW YORK

November 14

● IESE’s New York campus played host to a Continuous Education session given by **Anne Weisberg**, director of diversity at BlackRock, who was accompanied by Prof. **Nuria Chinchilla**. The conference, titled “Balancing Professional, Family and Personal Life,” discussed conciliation, based on the ideas expressed in **Chinchilla’s** book *Masters of Our Destiny*.

December 7

● Prof. **Paddy Miller** addressed alumni in New York in a session titled “A new challenge for leadership. A changing skillset.”



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DUBLIN

November 24

- The Ireland Chapter met in
- Dublin for a Continuous Education session given by Prof. **Antonio Argandoña** on the challenges facing the global economy. He discussed how Ireland has improved its macroeconomic situation but said it was up to business to aid the recovery through innovation and by cooperating with the government and society as a whole.

LONDON

December 1

- Prof. **Xavier Oliver** visited alumni
- in London where he gave a session titled "Marketing 3.0. Straight to the Soul. Are Agencies Helping Brands as They Were Before?" He talked about the declining role of advertising agencies, many of which have lost the confidence of their clients.

PARIS

December 5

- The France Chapter met at
- the headquarters of Barilla Harry's France where **Bernadette Martin**, founder of Visibility



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1. Brussels. 2. Miami. 3. London. 4. Singapur.

L I F E

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 '93

Rafael Fiestas is the new managing director of Siemens Spain. For the past three years he has managed Osram, a subsidiary of Siemens.

EMBA-S-08

Jesús Martínez Planas has been named as managing director of Brammer Iberia.

G-EMBA '05

Álvaro de Nicolás has joined British Telecom as chief technology officer in the BT Vision division.

MBA '95

Carestream has named **Manuel Frowein** as sales manager for Spain and Portugal.

MBA '04

Seur has named **Mikel Iriberry** as its new corporate finance director.



G-EMBA

Some 80 alumni attended the traditional annual Global EMBA dinner which was held in the Madrid restaurant La Capilla de la Bolsa.



5



5. y 6. Paris.

Branding, gave a talk titled "Personal Branding" about how to tell a story in order to strengthen a brand across all platforms. The Chapter thanks Barilla and **Massimo Ferrari** (AMP '10) for helping to organize the event.

as a means of communicating and motivating. The Chapter thanks **Markus Scwhartz** (MBA '96) for help in organizing the event.

SINGAPORE

December 6

- The Singapore Chapter organized
- a meeting between MBA students and the local companies taking part in Singapore Trek.

MUNICH

December 8

- The Germany Chapter met for
- conference given by Prof. **Marc Sachon** titled "e-Mobility: Hype and Reality." The session discussed the issues such as innovations to cut carbon dioxide emissions and the role of hybrid cars.

VIENNA

December 6

- The Austrian capital hosted a
- Continuing Education session given jointly by Prof. **Brian Leggett** and a representative of Egon Zehnder International which was titled "Walking the Leadership Tightrope – Balancing Hard Power and Soft Power." The conference explored the concept of soft power

BUENOS AIRES

December 16

- The Argentina Chapter met
- in the offices of Seeliger and Conde for a session titled "Managing Oneself and Managing Others: How can Psychology and Neuroscience Help Executives?" given by the scientist **Laureano Berasategui**.

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· Madrid, March 13 - 14, 2012

STRATEGIC MANAGEMENT FOR LEADERS OF NON-GOVERNMENTAL ORGANIZATIONS

· Madrid, March 26 - 30, 2012

STRATEGIC COMMUNICATION FOR PUBLIC MANAGEMENT

· Madrid, April 2012

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· Madrid, June 18 - 21, 2012



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1. **PMD-Brasil-2011** P: Alexandre Costa • S: Érica Pimentel Dias.

2. **AMP-Brasil-2011** P: Wady José Mourão • S: Danilo Silveira.

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Financial Times, May 2011

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Shape: Transforming Business Leaders

June 11 – 15, 2012

Short Focused Program (SFP)

Barcelona or New York

See program portfolio www.iese.edu/sfp

Fall Edition

Anticipate: Building the Foundation

October 15 – 20, 2012

Prepare: Getting Ready for What Lies Ahead

November 26 – 30, 2012

Shape: Transforming Business Leaders

February 11 – 15, 2013

Short Focused Program (SFP)

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WEBSITE MEANS YOU NEVER NEED TO MISS A MEETING

IESE organizes so many events and conferences it is impossible to attend them all but you can always catch up via the e-conferences and podcasts available on the IESE website. Numerous speakers at November's Global Alumni Reunion (GAR) in Madrid gave interviews, among them **Ferran Adrià**, the most innovative chef of his generation, who talks about what it takes to break the mould. **Jay Ireland**, president and CEO of GE, Africa, discusses how General Electric plans to tackle climate change.

Ángel Cano, CEO of the Spanish bank BBVA, explains the ways in which leaders must adapt to changing environments. ABB Board member **Hans Ulrich Maerki** says that with so much uncertainty, businesses need to draw up a road map for the next three to five years and that this needs to include a value system that will help them reach good decisions.

Other **GAR** speakers interviewed include **Kees Storm**, the retired chairman of Aegon, **José Manuel González-Páramo** who, as a member of the executive board of the European Central Bank, has some clear views about the euro crisis.

Meanwhile, **Carlos Cerdón-Cardó**, head of pathology at Mount Sinai School of Medicine in New York, talks about revolutionary approaches to treating disease and the growing synergy between research institutes and biotechnology companies.

EYEONIESE PODCAST

There are also dozens of photographs of the Global Alumni Reunion on the same site. And make sure you don't miss the monthly EyeOnIESE podcast that keeps you up to date on IESE activities on the campuses in Barcelona, Madrid and New York.

MORE INFORMATION:
www.bit.ly/rz6YBv

Lucky iPad Winners Announced

In May we raffled 10 iPad 2s among the entire alumni community whose members only had to update their details before October 30 in order to be eligible. More than 12,000 alumni from all around the world took part. The winners of the second round and who are already enjoying their new iPads are: **José Masana (PDD'75)**, **Ignacio de la Rica (MBA'83)**, **Evelio Puig (MBA'83)**, **José Luis Sánchez-Ramos (PDD'11)** and **Luis López (PDC'88)**.

To update your details:
IESEAlumniAssociation@iese.edu



THE IESEXPERIENCE IN PHOTOS



Devesh Sahai



Myles Commike

We can now announce the winners of the Global Alumni Photo competition. They are **Devesh Sahai (MBA '12)**, who won the open prize and **Myles Commike (MBA '12)** who was awarded the jury prize for technique, quality and content.

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Time to Slow Down and Pause for Thought



JUAN CARLOS VÁZQUEZ-DODERO

Professor of Accounting and Control and Business Ethics

One of the good things that may come out at the present chaos is that we might regain a sense of time which, to my way of thinking, we have lost. Everything right away, there's no time to lose, it's urgent; that's how we live. We have spent too long adapting our lives to the speed of new technology. Everything has accelerated in a few decades and we have adapted to this pseudo social urgency, with unfortunate consequences.

Life and nature have their own speeds. But the culture of efficiency – more things in less time – has driven us to a way of living that could be described as “too much, too soon.” There are many illustrations of this, from a child who hasn't a minute to play, that is to say, to figure out what it wants to do, because its timetable is packed with extra-curricular activities, not chosen by the child but by its efficient progenitors who want the child to be able to ski at two, swim at three, play tennis at four and so on until the poor creature, whose life is already distorted, has no time to read or chat nor the time or the place needed in order to think.

As for adults, it's absurd. It's not just that we want to arrive quickly, but we can't bear a 15-minute delay on the AVE; queuing for a few minutes drives us to distraction; even a small delay in delivery annoys us; a leisurely lunch or dinner is not acceptable and prolonged after-dinner chats are a thing of the past; relaxing and just switching off, without heading off on some journey, is not accepted, while waiting for the computer to load an application or program makes us anxious. What's considered good is fast food, fast fashion and a film made up of scenes that only last a few seconds.

A few years ago a lifestyle known as “slow down” emerged, a reminder of what we used to call payments “all in good time” and “dress me slowly, I'm in a hurry,” which reflect a culture in which it is important to think before you act. Supporters of this philosophy, among whom there are many medical professionals, say that this approach is good for the entire organism, especially for the nervous and vascular systems as it avoids an excess of adrenaline getting in the blood. And they tell exemplary tales, such as the Scandinavian worker who arrived early at work and left his car in the furthest reaches of the empty car park, which he then traversed on foot, in order to leave space for those who arrived late and with less time to park. This is not just courtesy but a mark of social consciousness and commonality which deserves to be praised. Anyone who is capable of doing this not only helps others and contributes to social coexistence, but also demonstrates a rare inner equilibrium.

The new situation in which we find ourselves and in particular the part that we call the West demands a complete rethink of our goals and methods. Perhaps the new shortages which demand austerity and taking better care of resources will help us to relearn how to do something that is natural to human beings: waiting, waiting patiently. Might we not return the situation where people wait patiently until somebody arrives to serve them? People say, guess what? I renewed my identity card and got a new passport, including the photos, in just one hour. Terrific. The question is, so what? In order to do what? To spend more time watching the TV, something that a large number of people dedicate a surprising amount of time to every day of the year?

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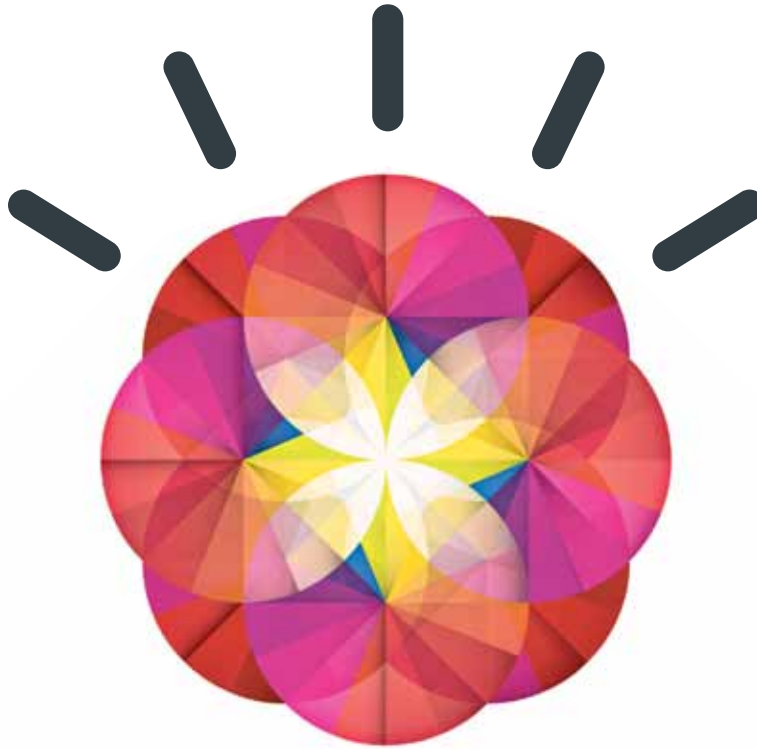
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power to you



Smarter computing builds a Smarter Planet: 1 in a Series

Smarter comes to computing.

Today, everything computes. Intelligence has been infused into things no one would recognize as computers: appliances, cars, roadways, clothes, even rivers and cornfields. This is the daily reality of an instrumented, interconnected and intelligent world – a Smarter Planet – which IBM began chronicling nearly three years ago.

Realizing its promise, however, will require more than infusing computation into the world. We also have to make computing itself smarter.

Wait, isn't computing smart, by definition? Without question, remarkable levels of computer intelligence are being invented – such as Watson, the IBM system that defeated the two all-time champions on the TV quiz show, *Jeopardy!* But organizations' computing infrastructures – consisting of mainframes, servers, PCs, enterprise applications, websites and more – was simply not built for zettabytes of data, global connectivity and advanced analytics.

So, as our planet gets smarter, our computing systems must do so, too. They must become far more automated, robust and adaptive – that is, industrialized. Thankfully, a new, smarter computing model is emerging. It is designed for data. It is tuned to the task. And it is managed in the cloud.

Designed for data: Organizations of all kinds need to manage not just information, but vast, global *information supply chains*. Not only the ones and zeros that traditional computers love, but streams of text, images, sounds, sensor-generated impulses and more. They need to apply sophisticated analytics to the real languages of commerce, processes and natural systems – and to conversations from the growing universe of tweets, blogs and social media. Decisions based on structured data alone are no longer adequate. Today's leading companies are building new systems and processes that locate, recognize and interrogate “big data.”

Tuned to the task: Generic computing stacks are no longer up to the job – because today there are fewer and fewer generic jobs. Transaction processing, with thousands of online users, is different from business analytics, with multiple data types and complex queries, which is different from the need to integrate content, people and work flows in a company's processes. That's why leaders are looking for more than high-performance technology. They are moving to architectures optimized for specific purposes, and built around their own deep domain knowledge – in healthcare, retail, energy, science and more. This workload-specific approach integrates uniquely tuned software and hardware – everything from the applications to the chips themselves.

Managed in the cloud: The need to manage these large data-driven workloads is driving broad adoption of cloud computing. But that means something different for business than for individual consumers. By infusing clouds with security and manageability we can make them smarter in order to provide companies with the agility required to move quickly in highly competitive environments; to activate and retire resources as needed; to manage infrastructure elements in a dynamic way; and to move workloads for more efficiency – while seamlessly integrating with their traditional computing environment.

Major computing models don't change very often – but when they do, they unleash enormous productivity, innovation and economic growth. So the good news is that smarter computing is now shifting from theory to reality. Look for more reports in coming weeks on how smarter computing is meeting the demands of a smarter planet.

Let's build a smarter planet.
Join us at ibm.com/smartercomputing