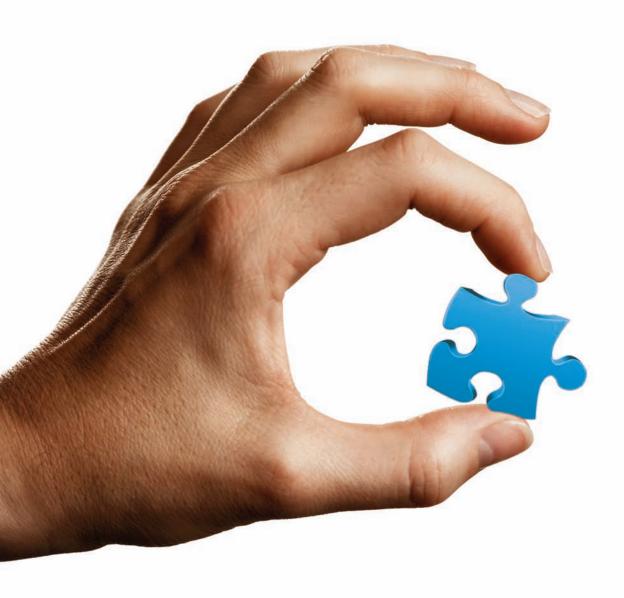


● 125 ALUMNI MAGAZINE

> April-June 2012 www.iese.edu

Carlos Sánchez-Runde, Luciara Nardon & Richard Steers Balancing Global Leadership **Adrian Done**The Way
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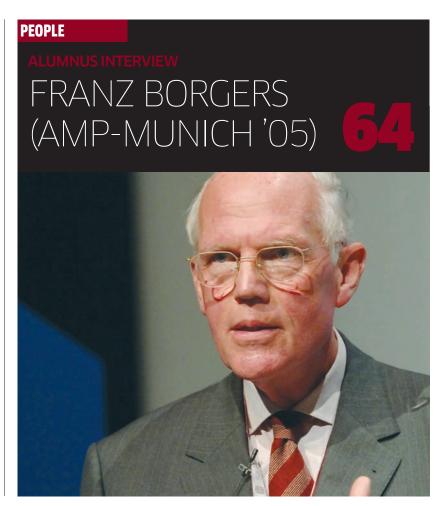
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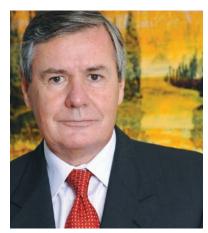
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BUSINESS BUILT

TO LAST



PEOPLE



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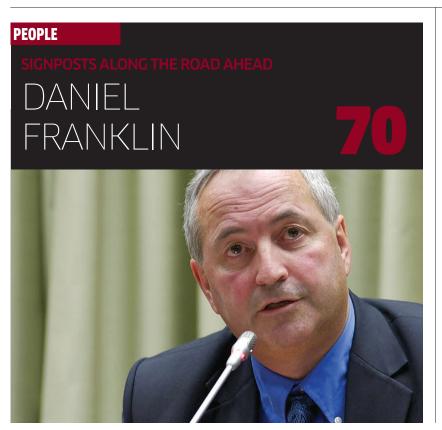
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E D I T O R I A L

LEADING THE WAY TO A BETTER SOCIETY



ANTONIO ARGANDOÑA Editor of the *Alumni Magazine* argandona@iese edu

or anyone who isn't familiar with IESE, this edition of the *Alumni Magazine* could serve as a good introduction. In a business school, where the transmission of knowledge is of paramount importance, it is not only vital to hear what the experts have to say, but to get to know them as well. This is demonstrated in the Ideas section. **Adrian Done** turns the old saw that those who don't understand history are condemned to repeat it on its head by explaining how we have to anticipate the future, even though we can't predict it. This is something that **Antonio Valero**, IESE's first dean, used to say. There is a homage to him in the magazine. There is also a piece about crowdsourcing by **Evgeny Káganer** and **Erran Carmel** and coverage of the Excellence in Research Awards that the Alumni Association hands out to professors who have produced exceptional work in the field.

"You've forgotten the article on global leadership by **Carlos Sánchez-Runde** and his co-writers," I hear you say. But I've done so deliberately in order to highlight the important role leadership plays in IESE's mission.

"In order to make money?" you ask. Yes, but no only that. There's more to a business than making a profit. It has to face up to its social responsibilities, do things well, behave ethically and make a positive impact on society. This can be done in many ways; there's no set formula. In the cover story we offer some examples of socially responsible businesses, social entrepreneurs, impact investors and philanthropic activity that have been encouraged by IESE. In Crossroads there is further evidence of IESE's commitment to social responsibility and sustainability in the report on the student-run Doing Good and Doing Well conference. We also report on the social and human impact that IESE is making in the field of healthcare.

And finally we also hear from the Alumni themselves. As we've said many times, IESE makes no sense without the help and support of people such as **Franz Borgers**, who is interviewed in this issue. We also take this opportunity to welcome the new president of the Alumni Association, **Jorge Sendagorta**. He his devoting his time and energy to the association and has a new commitment. "IESE has clear and significant features that distinguish it from the rest and it's up to all of us to take this further," he says. We're working on it, **Jorge**, and thank you for reminding us and for helping us carry it out with the help of all the alumni.

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INITIATIVES WITH SOCIAL IMPACT

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STEPHEN BURGEN

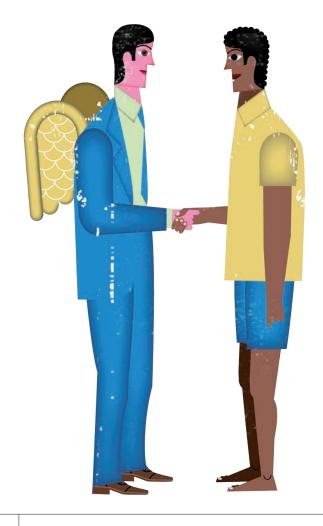
What should we expect from a business? Profits and nothing more? Many business people and executives now believe they must also give something back to society. Corporate social responsibility is more than a fine phrase but the problem is how to implement it and how to improve its implementation. Foundations and NGOs are already leading the way. Here we present stories from alumni who are dedicating their know-how to projects with a view to creating a better world.



C O V E R S T O R Y

"WITH TRUE IMPACT INVESTING THERE IS NO TRADE-OFF BETWEEN PROFIT AND SOCIAL IMPACT."

Prof. Heinrich Liechtenstein



hree Hands works to bring businesses and NGOs together with the aim of producing a positive impact on society, says Jan Levy (MBA '01), its managing director. What could be more motivating for a group of workers than to face up to a real challenge? This was the question that the founder of Three Hands asked. The first program was set up in 2003. It was the Children's Hospital Playbox Challenge, established jointly with Pfizer and the Scottish NGO Action for Sick Children and the aim was to make children's hospital stays more pleasant through play. To brighten up their hospital visits the children were given the Playboxes, which contain nurses uniforms, toy ambulances and books. The Pfizer sales team had five days to get the money together to prepare more boxes of toys and distribute them around hospitals. The result could not have been more positive: they raised three times the necessary money, delivered Playboxes to 23 hospitals and raised the profile of the project through the media.

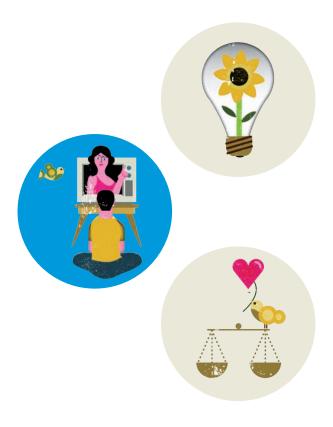
This initiative strengthened the links between the Pfizer employees and helped them to develop new teamwork skills

in pursuing a common objective. The sick children were able to enjoy new games and share them with their friends and the NGO raised money so that it could continue with its work. In this manner, the three main facets of Three Hands – companies, individuals and communities – all benefited. Since then the NGO has worked with other businesses in the United Kingdom such as Sky, 02, Guardian News, Danone and Fujitsu. Levy wanted to work in business but also wanted to make a positive impact and he believes that Three Hands represents the best of both worlds.

IMPACT INVESTING

Another sector which has been growing in significance is impact investing, where the financial returns are inseparably linked to the social impact, as for example investments in clean technology. "During the past decade and certainly since the beginning of the current financial crisis, investors have increasingly questioned whether traditional models for assessing investment performance are comprehensive enough," says Heinrich Liechtenstein, associate professor of financial management at IESE. "Likewise, financial investors across the complete investment spectrum have started to realize that their financial return models are

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no longer sustainable if they do not consider the longterm impact the underlying business has on society. Company managers have also started to realize that the non-financial aspects of their business performance have become an increasingly important factor in the value expectations of investors and hence in the value creation of businesses."

Liechtenstein defines impact investing as "any profit-seeking investment activity that intentionally generates measurable benefits for society. Impact investing can only be called impact investing if there is a positive correlation between the financial return and the social impact. Other factors are also required to qualify as an impact investment, including the pursuit of profit and an intentional, measurable social impact. However, unless this positive correlation is evident, any investment with a social goal is simply philanthropy."

He defines the five key characteristics of impact investing as:

Profit as an objective; a positive correlation between the intended social impact and the financial return of that investment. An intentional, pre-determined social impact; a measurable social impact; a result that produces a net positive change to society. With true impact investing, there is no trade-off between profit and social impact because the two elements are positively correlated.

Any trade-off between profit and social impact is the investor's choice, not a function of impact investing.

Successful impact investing depends on many traditional factors – such as a strategic approach, intelligent deal sourcing and building the best team – but is set apart by a process that continually assesses impact.

Financial-return-driven investors have been forced to look at new concepts of value creation and the sustainability of the business models they invest in, **Liechtenstein** says. Moreover, investors with a social and/or environmental agenda have discovered that capital efficiency is a vital component of their investment success and that this is also true on the impact front. In a way, clean technologies paved the way for this now fluid communication channel between what used to be two strictly segregated worlds, simply because, in every successful clean-tech company, the benefits for society and financial profitability are so closely interwoven in the business model that one cannot be separated from the other. "Clean-tech is a clear example of what we call the 'double enhancer.' The higher the impact, the higher the

C O V E R S T O R Y

"FOR ME THE BIGGEST UPSIDE IS APPLYING THE PRINCIPLES OF VENTURE CAPITAL TO SOLVE A SOCIAL PROBLEM."

Anna-Marie Harling (MBA '12)

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financial return, the higher the impact, etc. It is a virtuous circle," **Liechtenstein** says.

ANNA-MARIE HARLING (MBA '12) PROMOTORA SOCIAL MEXICO

Anna-Marie Harling worked as an investment manager for a social venture capital organization called Promotora Social Mexico (PSM) which makes equity investments in businesses in the sectors of health, education and economic development with the aim of reducing inequality in Mexico.

"After working with **Uli Grabenwarter** and **Heinrich Liechtenstein** at IESE researching the paper on impact investing I wanted to experience the industry from the inside. My work experience to date had also been focused on developed markets so I was searching for an opportunity in an emerging market. With the Spanish I learned while at IESE, Latin America was an obvious choice," she says.

"For me the biggest upside is working with very talented people and using the principles of venture capital but applying them to businesses whose very business model seeks to solve a social problem. It also feels great to be using all the learnings from the MBA but knowing that you're having a positive impact," Harling says. She has just started working as a consultant with the European Venture Philanthropy Association (EVPA) on their impact measurement initiative.

There are myriad methodologies and tools to measure impact but some confusion as to how to do so in practice. The EVPA is developing a practical manual to provide guidance on how to actually implement an impact measurement system.

SONJA PATSCHEKE (MBA '08)

FSG

Sonja Patscheke also wanted to bridge the business and social sector through her work and joined FSG (www.fsg. org), a nonprofit research and consulting firm that partners with foundations, corporations, nonprofits and governments to develop more effective solutions to the world's most challenging issues. It was founded by Harvard Business School Professor Michael Porter and Mark Kramer in 2000. It focuses on global development, health, education and youth and the environment. As a senior consultant, Patscheke is responsible for leading project teams, managing client relationships and contributing to FSG's intellectual capital development.

"Impact investing is still in its early stages of development, but it already makes a significant contribution to enabling innovative for-profit or not-for-profit social enterprises to achieve social and environmental results, often in developing countries," she says. "Profit-seeking investments that at the same time target a specific social impact can supplement philanthropy and help scale solutions in areas such as health, housing, microfinance, water, sanitation, clean technology that philan-

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CORPORATE SOCIAL RESPONSIBILITY

As IESE professor **Joan Fontrodona** argues in his paper "A Panoramic Vision of Business Ethics" published in *Universia Business Review*, if your car runs out of gasoline, it's an inconvenience, but if it runs out of oil you'll need a new engine. In the context of a company, they say, profits are the gasoline but ethics are the oil. "A company's problems must be analyzed from three angles: financial, social and personal acceptance and ethical principles and values. When something is not assessed from this triple perspective," they write, "you run the risk of omitting an important criterion and, consequently, of reaching a poor decision through an incomplete analysis."

"Social responsibility, which is understood to mean a moral commitment on the part of a business to contribute towards a better society, implies that companies integrate CSR criteria into their activities. CSR does not mean sharing out some of the profits among social initiatives or non-profit organizations (social action is only one aspect, and not the most significant one, of CSR) but rather means that companies introduce socially responsible criteria into their activities with an eye not just to profits but to environmental, social and ethical dimensions. CSR is not about handing out profits; it's about how profits are generated." **Fontrodona** argues that CSR should not be seen as a cost but as a benefit.

RESPONSIBLE COMPANIES

Clearly anything that serves the common good is welcome, whether it comes through impact investing, CSR or working with NGOs. However, what is needed is coordinated rather than individual action and, while each enterprise must take responsibility for its actions, CSR will have little impact if it is implemented in a piecemeal fashion. "What's the point of a fisherman



limiting his catch if the others don't, or a power station introducing clean technology while the rest continue to cause pollution?" **Argandoña** asks. "Our view is that businesses have a responsibility but they can't assume it on their own. What is required is the collaboration of the rest of the sector and other sectors, the public authorities and indeed of all of society."

IESE is committed to creating leaders who want to make a profound, positive and enduring impact on people, on businesses and society through professionalism, integrity and spirit of service. In the following pages, alumni who have taken IESE's mission to heart talk about how they are working to make a positive contribution to society.

Argandoña lists seven principles that underpin CSR:

- 1. Accountability.
- 2. Transparency.
- 3. Ethical behavior.
- 4. Respect for interested parties.
- 5. Respect for the law.
- 6. Respect for international standards of behavior.
- 7. Respect for human rights.

C O V E R S T O R Y

"COMPANIES COULD MAKE THEIR EMPLOYEES' **WORK MORE MEANINGFUL THROUGH CORPORATE SOCIAL** RESPONSIBILITY."

Laura Castán (PDG '09)



thropy alone or governments often do not have the necessary means to achieve." One problem is that it is expensive and difficult to do due diligence on these opportunities that often lack a track record. There is thus still a need for qualified financial intermediaries and advisors that

"An interesting innovation from the impact investing field are social impact bonds that were launched in the U.K. in 2010,"

Patscheke says. "A social impact bond is a contract with the public sector where the investor pays for social initiatives that can reduce public sector spending. If the initiative succeeds, the government repays the bond with the return depending on the social outcomes achieved."

She says that investors are interested in impact investing because they want to achieve more than a financial return with their investment, they want to do good by doing well. Foundations obviously fit this profile very well, but impact investing attracts all kinds of investors, including

institutional investors, commercial banks and private investors.

> "Some investors prioritize the financial returns, while for

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others the financial return is secondary, what they care about is a specific social or environmental impact. Investments can thus have very different risk and return profiles," she says.

"I have always wanted to make a difference in the world and I believe that if we want to tackle the world's most pressing problems, we need to constantly innovate and break down the barriers between the business, philanthropic and government sectors. Impact investment is a great example of a powerful tool for social change that has resulted from the interplay of these three elements.

"I started my MBA with the goal of finding a job that allowed me to use my business and consulting skills for social impact. My experience at LBS and IESE (I was an exchange student) have helped with that search. At LBS I was president of the Responsible Business Club, and at IESE, I found the Doing Good Doing Well conference, which I attended every year, inspiring, and I now sometimes come back as a speaker."

LAURA CASTÁN (PDG '09) CODESPA

Laura Castán believes "that companies could make their employees' work more meaningful through CSR" and specifically through corporate voluntary programs. The CODESPA Foundation, of which she is president, offers this possibility. Corporate volunteer work entails a company's employees carrying out voluntary work with social ends with the support of their employer who is behind the initiative.

Some 96 percent of the companies that have developed this type of initiative say that it's been satisfactory or excellent, according to the "Report on Corporate Voluntary Work in Spain 2010" produced by IESE Prof. **Sandalio Gómez**. In general these programs produce both an improved corporate image and better performance on the part of the workers, who feel more satisfied.

The CODESPA Foundation is an NGO that works in more than 16 countries. Its main aim is to reduce poverty through economic and social development. It gives the most disadvantaged people a chance, through their own work or professional training, to develop their skills and take charge of their own welfare and that of their families and communities. "We don't give them fish, we teach them how to fish, and more than that, we enable them to buy the fishing rod and teach them and help them to sell the fish," says **Castán**.

For example, they noted in Vietnam the low productivity of the rice harvests, the only source of income for millions of families, because the rain was washing away the fertilizer. After studying the situation, CODESPA designed a machine that could make the ideal fertilizer but it also had to be sure that there was a demand. To this end they encouraged the creation of micro businesses that produced and distributed the fertilizer and carried out a consciousness raising campaign with the help of the Communist Party's Women's Union. As a

C O V E R S T O R Y



result, 50,000 families are using the new fertilizer and have created hundreds of micro-businesses thanks to this project, which was financed by AECID and Ebro Foods. **Castán** worked for 10 years in corporate banking at Citibank. She was always struck by "the huge imbalance between the macroeconomic data and the percentage of the world population it represented." She got in contact with the CODESPA Foundation in 2009 and bit by bit became more involved. "Knowing that your work contributes something worthwhile is tremendously motivating," she says.

These are just a couple of examples of how the teaching these business people and directors receive from IESE helps them go the extra mile towards a deeper understanding of the social contribution they can make from a business perspective and the responsibility they have to contribute to social progress.

ALEJANDRO DÍAZ GARRETA (EMBA '98) FUNDACIÓN TELEFÓNICA

Having a social focus is not a contradiction in the business world, as Telefónica well knows. In 1998 it set up the Telefónica Foundation to bring together all of the social and cultural actions of all of the companies that make up Telefónica. "It's important to ensure that all of the projects that we carry out are aligned with the strategy that we have defined," says **Alejandro Díaz Garreta**, who is head of the Telefónica Foundation Program Management Office.

The foundation's main activity consists of providing access to knowledge to the largest number of people possible through direct social intervention and through creating and managing knowledge. It operates in 20 countries and in all of them, according to **Díaz Garreta**, "the passion and social awareness shown by all of the people working there" is very apparent, as is usually the case with people who work in foundations. Although there are clear differences between these types of organizations and businesses, he says they have something in common: both need executives who know how to manage people and resources and who have to take decisions every day.

PEDRO A. FÁBREGAS (PDG '78) FUNDACIÓN GAS NATURAL

Executive training is therefore useful in both these fields, although business schools need to pay more attention to the specific requirements of the service sector which "needs a more specialized training," says **Pedro A. Fábregas**, the managing director of the Gas Natural Fenosa Foundation.

He says that managing the foundation involves elements in common with running a company, such as the need for a strategic vision, an orientation towards results and the efficiency and effectiveness of operations. However, through not pursuing profits "it's necessary to develop alternative mechanisms in order to control the results." In this context, transparency and good gov-

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ernance are more important, says **Fábregas**. Conscious of this, last December the Gas Natural Fenosa Foundation established a Code of Good Governance.

The Gas Natural Fenosa Foundation was established in 1992 as a "flexible, dynamic and efficient" instrument designed to improve the dialogue with society on the subject of energy production and the environment and to conserve the company's 170-year history. With this in mind, it frequently organizes seminars on energy and the environment with national and international speakers and has opened the Gas Museum where visitors can view the past and future of the energy sector and its relationship to the environment.

"Working with the foundation adds an extra human dimension," says **Fábregas**, thanks to what this type of organization brings to society.

ANTONIO GONZÁLEZ-BARROS (PADE '01) INTERCOM GROUP

"Developing social projects has a positive effect on any company because it generates positive energy which is very contagious," says **Antonio González-Barros**, president of the Intercom Group. Last year it set up the "Micro Business Angels" initiative which invests in entrepreneurs in developing countries who need capital in order to start up their company and create employment. So far it has invested in six companies in Cameroon, Brazil and Peru and this year expects the number to rise to 10.

It's a long-term project. "The investment and the profits generated will be reinvested indefinitely in new and similar projects," says ${\bf Gonz\'alez\text{-}Barros}$.

CARLOS HORNSTEIN GLOBAL PLAY FOUNDATION

"Education is the most powerful weapon we have for changing the world." This quote from former South African president **Nelson Mandela** sums up the essence of the Global Play Foundation which believes that the best way to secure a better future for children in sub-Saharan Africa is through education. The foundation has been present in Mali since 2005 helping support the government in schools located in rural areas, building quality infrastructures, fully equipping them, training the staff and teaching them to be self sufficient.

Carlos P. Hornstein is the founder and president of the foundation and associate director of IESE's International Executive Education Department. Hornstein says that combining the two responsibilities requires "a lot of self-discipline, good time management and high levels of motivation" but believes "it is worth the effort". Hornstein believes that "every company must develop CSR policies to put its products and services as well as the capabilities of its employees at the service of the society." It is not just about getting money for projects.

"MANAGING THE
FOUNDATION INVOLVES
ELEMENTS IN COMMON
WITH RUNNING A
COMPANY. HOWEVER,
THROUGH NOT
PURSUING PROFITS
IT'S NECESSARY TO
DEVELOP ALTERNATIVE
MECHANISMS IN ORDER
TO CONTROL THE
RESULTS."

Pedro A. Fábregas (PDG '78)



- Profits are a clear objective.
- The investment must have a clear and measurable social impact.
- With true impact investing, there is no tradeoff between profit and social impact because the two elements are positively correlated.
 - The investment must bring about positive social change.
 - The social impact of the investment must be continually assessed.

I D E A S

LEADERS AND CULTURES

BALANCING GLOBAL LEADERSHIP



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In a globalized world, a leadership model that has been constructed on Western beliefs cannot be held up as a precursor to managerial and organizational effectiveness. hatisleadership? Is
it, as some
w o u l d
claim, like
b e a u t y,
s o m e thing that

is hard to define but instantly recognizable? Or are there many ideas of leadership; is it a concept that is culture-bound, rather like ideas of beauty? Is a leader a heroic, Braveheart-like figure, a strong-willed visionary, or are they more Confucian, the handmaiden of change that emanates naturally from within the situation, without the need for heroic effort?

The answer is both, but much of what is written on the subject discusses or proposes a particular leadership model that has been constructed on Western (mostly American) beliefs, values and cultures, and then offers this model to the world as a precursor to managerial and organizational effectiveness.

However, in a globalized world, this simply won't do. Whether in Japan or the U.S., China or Mexico, global leaders face the same problem: how to adapt their leadership style to fit local circumstances in order to achieve corporate objectives. Research has consistently demonstrated that preferred leadership styles vary considerably across cultures and as managers increasingly face the challenge of leading employees from different cultural backgrounds and with divergent expectations about hierarchy, power and interpersonal relations, it becomes

important for them to understand how cultural dynamics influence effective leadership. In searching for the essence of global leadership, managers generally approach the issue in one of three different ways.

THE UNIVERSAL APPROACH

The underlying belief in the universal approach is that leadership traits and processes are relatively constant across cultures and that leadership models are universally applicable, regardless of location. A good example of this can be seen in the ongoing debate in the West over the relative merits of transformational and transactional leadership. Advocates of transformational leadership, in which managers work to create a universally accepted vision of where the group or organization should go and then use moral persuasion (and often charismatic leadership) to reinforce this mission, argue that such an approach is superior to the transactional model, in which concrete exchange relationships with employees largely determine results.

The problem here is that recent research in Japan found that neither of these approaches is very effective in that country. Transformational leaders are often seen as being too abstract, while transactional leaders are sometimes seen as being too mercenary — and both are criticized for being too manipulative. Instead, successful Japanese managers tend to prefer something called "gate-keeping leadership," where they work to reduce the barriers to successful performance

LEADERSHIP • EMOTIONAL INTELLIGENCE • DIVERSITY • GLOBALIZATION



I D E A S

IT IS IMPORTANT
TO RECOGNIZE
THAT
LEADERSHIP
IS A CULTURAL
CONSTRUCT
THAT IS
EMBEDDED
IN DIVERSE
CULTURES.

among their subordinates. Here is the problem: If these Western theories fail to work in Japan, one wonders where else they might also fail (e.g., Brazil, Russia, Egypt or India).

THE NORMATIVE APPROACH

Here the focus is on the leader as a global manager. It is assumed that certain sets of leader traits and abilities are common to all managers regardless of where they are working. Recent work on the "global mindset," "cultural intelligence," and "global leadership" illustrate this approach. For example, successful global leaders are thought by some to exhibit cosmopolitanism, cognitive complexity, mental inquisitiveness, honesty, humility and personal resiliency. Leaders who possess this cluster of skills and abilities are thought to be prepared to manage effectively throughout much of the world. However, whether these traits are indeed commonplace among successful managers in different parts of the world has vet to be demonstrated. This raises questions about the normative assumptions underlying the model.

THE CONTINGENCY APPROACH

The third approach, which we refer to as the contingency approach, begins with the assumption that there are no universals in describing effective leadership. That is, successful leaders in New York may fail in Tokyo or Paris if they are unable to modify their behaviors to suit the unique local environments. This approach looks at leadership as a culturally embedded process, not a series of personal traits of the manager or followers. Here the focus is on the leader as a local manager, not a global one, and it is assumed that the characteristics for success will vary with the situation.

An example of the contingency approach can be seen in the use of symbolic leadership in Japan, where executives publicly and willingly accept both the responsibility and the consequences for corporate failures. Such behavior is commonplace and often required in this culture, but not necessarily in others. Witness, for example,

the testimony of Toyota's president and CEO Akio Toyoda before the U.S. Congress, in which he accepted full responsibility for mechanical problems associated with the company's cars. At the same time, and in similar congressional testimony, BP's British CEO Tony Hayward worked diligently to avoid accepting similar responsibility following his company's disastrous oil spill in the Gulf.

LEADERSHIP AS A CULTURAL CONSTRUCT

While all these models add value to our efforts to understand leadership in a global context, it is our opinion that they all miss the mark in sufficiently explaining the leadership construct as it relates to global diversity. First and foremost, it is important to recognize that leadership is a cultural construct. Its meaning is embedded in the diverse cultures where it is exercised, and changes accordingly. Most important here, it is not a Western construct that is easily expanded to global dimensions. Leadership means different things to different people. Leaders tend to be respected, admired and, indeed, sometimes revered, whether they are in the political or business arena, but clearly, this is not a universal truth. The opposite view of leaders can also be found in many countries. In Mexico, Egypt and Romania, for example, a widespread distrust and fear of power or the dislike of privilege prevails.

Furthermore, in individualist societies, leadership typically refers to a single person who guides and directs the actions of others, often in a very visible way. In more collectivistic societies, however, leadership is often less associated with individuals and more closely aligned with group endeavors. Indeed, the Anglo-American celebration of the accomplishments of various leaders stands in stark contrast to Lao Tzu's ancient, but still widely cited observation that "a leader is best when people barely know he exists, who talks little, and when his work is done and his aim fulfilled, people will say, we did this ourselves."

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EAST IS EAST

When Westerners interact with Chinese managers and leaders, they often come away from the experience confused and frustrated. Common Western responses include perceptions that Chinese leaders refuse to act decisively, fail to respond candidly, are ambiguous about their goals and objectives, and generally do not act like "leaders." To many Western executives, this appears to be ineffectual or even deceitful, making it difficult to build good working relationships. However, if we examine leadership through a cross-cultural lens, the picture can look quite different.

In many ways, current management thought as taught in many parts of the world is based on the original Greek concept of the ideal and purposeful action. Strategy appears as the art of arranging means towards desired end states. Corporate vision and mission make for a concrete definition of organizational ideals. Executives manage by objectives, and leaders strive to actively move the firm closer to achieving business goals and ideals that are carefully and publicly defined and implemented.

Chinese tradition, on the other hand, emphasizes positioning oneself in the flow of reality in a more passive way, so that we can discover its coherence and benefit from its natural evolution. Rather than establishing a set of objectives for action, one has to flow within the potential of each situation and the dynamics that the situation affords. As such, leaders must locate themselves in such a position that the desired path of events becomes the only viable alternative, the same way that they do not force the enemy (militarily or commercially) into a situation where their only alternative is to behave bravely against them.

CULTURAL INTELLIGENCE

Managers facing global assignments need to think about how they conceptualize leadership and managing people. What does this mean to them as a manager? Do they believe in a one-size-fits-all approach

or a more tailored approach that recognizes local differences? Do they take a universal or normative or contingency approach? And what are the limitations of their approach in the field where it matters? Finally, is there a better — perhaps broader - way to do this? Spending a bit of time considering just what leadership means can go a long way towards preparing managers for success in upcoming global assignments.

Second, with this understanding - and with their antenna out - managers on global assignments can and should go the extra mile to understand the uniqueness of the local environment and work to accommodate cultural differences where they exist. This is not to suggest that managers "go native." Such a move risks losing authenticity as a manager, leading to confusion and often distrust among subordinates. And, indeed, there are many examples of foreign leaders who were chosen largely because they would approach their jobs in radically different ways, not local ones. Consider the selection of Carlos Ghosn at Nissan or Howard Stringer at Sony. These executives were selected primarily because the companies wanted change, not continuity, thereby requiring a mold-breaking leadership style. But this task is seldom easy.

Hence, the challenge for global managers is not to capriciously try to imitate local behavior - a task fraught with risk and often doomed to failure. Rather, it is to try to understand local conditions and then act in authentic ways that are compatible, but not necessarily synonymous, with local expectations. Being unique can often prove to be a successful behavioral strategy, so long as such behavior is clearly understood by others to be supportive of local goals and objectives and not contradictory to cultural values and expectations.

Leading people from different cultures and, in fact, being led by people from different cultures, opens up considerable opportunities to learn more about ourselves, discover new ways of doing things, and find creative solutions to both old and new problems.

CHINESE TRADITION EMPHASIZES POSITIONING ONESELF IN THE FLOW OF **REALITY TO BENEFIT FROM** ITS NATURAL EVOLUTION.

MORE INFORMATION:
"Looking beyond Western leadership models:
Implications for global managers." Carlos Sanchez-Runde,
Luciara Nardon, Richard M. Steers. Organizational Dynamics, 2011

I D E A S

GLOBAL TRENDS

THE WAY THE WIND IS BLOWING



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Just because we are unable to predict the future doesn't mean we can't anticipate what is most likely to happen and take appropriate action.

ne of the historical lessons that comes from the many examples of collapsing human civilizations is that, from time to time, humans are incapable of foreseeing inescapable trends or acting in a timely and appropriate manner to deal with them. Perhaps we shouldn't feel too bad about this. After all, it isn't just humans that suffer from such an affliction. The same happened to the dinosaurs.

Apparently, every now and then something happens to bring an end to an established order. Some refer to such unpredictable and yet highly destructive somethings as 'Black Swan' events and history is littered with such catastrophes that demolish the old and open the way for the new.

The first part of the problem is simply due to a lack of vision. Most intelligent modern executives, business leaders, politicians (insert any profession you like) share one important attribute with the fern-chewing apatosaurus: they are little inclined to lift their heads from the daily grind to see what's heading in their direction. In both cases, there may well be reasons for not looking up at the sky or seeing the big picture.

Nevertheless, as we can clearly see from history, and especially in the midst of the current economic crisis, some vision and perspective on important upcoming issues is clearly a virtue. Those species, cultures, companies and individuals that have been able to see what was coming have survived and, possibly, prospered throughout ancient and modern history. The alternative to having some vision is simply to leave things to the black swans that show up whenever it suits them.

Vision is a good thing. It is universally accepted across cultures as a benefit. Vision is synonymous with wisdom. Yet how does one acquire it? Through school, university, work experience? Apparently not; at least not in the manner that qualificationbased education is widely executed in specialist subject-based "silo" regimes. The modern world is largely set up and run by specialist experts: economists, bankers, engineers, scientists, lawyers, doctors and so on. Even those professionals in positions that, in principle, demand high levels of vision, have come through educational and work experiences that severely limit the extent of their world view. Perhaps the uncomfortable truth is that the average mover and shaker or CEO's vision can be restricted by the specialized educational route and promotion path chosen to get there, rather than on ensuring an appropriate breadth of view and farsightedness to succeed in the long term once in the position. The same is clearly true of local and global politicians and other leaders in whom, as a society, we trust to captain us through turbulent times.

The whole "subprime" debacle offers an insight into the lack of general common sense in our expert-driven

GLOBAL TRENDS • BLACK SWANS • STRATEGIC PLANNING • SUSTAINABILITY

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world. It appears that no one who was in a position to inject some common sense into the proceedings had the wisdom to look past today's fast buck or to see the underlying insanity of the whole set-up. That is what I call a lack of vision.

The second part of the problem is what to do about a black swan in case you've managed to see one coming. It wasn't that we didn't realize the economic bubble was inevitably on the verge of bursting back in 2008. It was more that there was an unhealthy dose of denial, for a whole host of reasons. The status quo is a very absorbing state. As humans we seem to get caught in the hypnotic trance where we believe that because things are setup and working in a certain way, they will continue to do so. A whole host of factors such as inertia, comfort, vested interests, outdated bonus schemes, legacy systems, lack of conviction and so on conspire to prevent change.

Much of this uncertainty and crisis of confidence is due to a lack of vision, and not only on the part of the business leaders and political movers and shakers, but also at an individual level. As business people and citizens, we need more than just the tools and skills that we have acquired through our functional silo-oriented education and experience. In order to make good decisions we also need a good dose of general perspective. And to have such perspective requires a good grasp of the big issues out there in the real world.

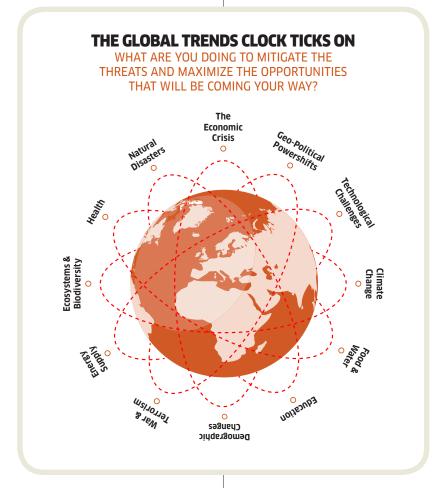
THE NEED FOR WISDOM

Therefore, in my book¹ I argue for a return to a positive valuation by society of general knowledge. Not in the form of "How high is the Eiffel Tower?" or "What was Elvis Presley's first hit song?" required by parlor games such as "Trivial Pursuits" or TV game shows, but more the type that is usually attributed to older generations as a result of their broad experiences, often gained through trying times that have required keeping eyes open and brain engaged. Such useful general knowledge and (un)common sense is usually termed "wisdom."

IF WE DON'T The general hope is that individuals with responsibility will somehow pick LIKE WHERE up such wisdom by chance as they progress through life. Unfortunately THESE KEY though, from housewives to CEOs, from schoolchildren to presidents, TRENDS ARE we are all intensely busy in our 21st century world. When we are not busy HEADING, THEN with our noses to the grindstone, we are surrounded by noise - 24/7. Time-**WE CAN TAKE** pressed and information-overloaded people have little time to truly get to **CORRECTIVE** grips with very general, yet profound, issues. As a result, big mistakes are ACTION. made: nuclear energy plants are inappropriately located near to areas of

high seismic activity; auto-executives





regret. Otherwise smart, competent human beings fail to take sound decisions or actions due to a lack of any real knowledge relating to the big picture.

I have attempted to start filling the hole in generalized lack of forward looking perspective through explicitly investigating some global trends that are likely to radically change the world. Trends that will heavily affect the global political and business terrain and that are quite likely to have a real impact within your professional and personal lifetime. The aim is to cut through the media headlines and analyze serious issues in order to help make rational judgments and sound decisions, and, hopefully, to avoid getting into more of the problems currently facing uninformed politicians, time-starved executives and confused citizens.

My research has revealed the following twelve Global Trends:

1. The crisis. The repercussions of the economic crisis- specifically

dealing with high public debt- are not going to disappear in the short-term.

- 2. The incumbent powers of Europe and the USA will continue to lose global 'clout' to emerging economic powerhouses such as China, India, Russia, Brazil and others.
- 3. Technological challenges. Old ways of doing things will be challenged by new disruptive technologies that bring potential challenges and improvements.
- 4. Climate change. Greenhouse gas emissions seem set to continue driving the mercury upwards.
- 5. Water and food Supply. The worsening problem of water scarcity will continue to impact food production for the foreseeable decades.
- 6. Education. The teaching of values, lifelong skills, literacy and numeracywill become increasingly important.
- 7. Demographic changes. The world population will continue to increase and then stabilize around 2050with a greater proportion of elderly.
- 8. War, terrorism and social unrest. The violent side of human nature is set to continue into the 21st century and potentially increase.
- 9. Energy supply. The world will remain, by and large, oil dependent in the coming decades-finding viable alternatives and managing demand will increase in urgency.
- 10. Ecosystems and biodiversity. Countless species will be put under increasing stress and the variety of life on Earth will continue to plummet.
- 11. Health. With increasing chronic conditions and significant challenges with infectious diseases, well-being for everyone will remain an unfulfilled goal.
- 12. Natural disasters. Earthquakes, volcanoes, storms, floods and droughts will affect greater numbers of people, but potentially kill fewer.

You are probably not particularly surprised by this list. Many of these issues are identified by the U.S. National Intelligence Council, the principal advisors to President Barack Obama on what to expect in the coming years. Also they constitute the basis of the World Economic Forum's 'Global Risks Landscape.'

Yet, how much time do you actually devote to thinking about the likely impacts of these global trends upon your business, your society and your life?

In the wake of the recent economic crisis, disease outbreaks, natural disasters, online security breaches and so on, I have often heard political and business leaders come up with phrases such as: "You can't plan for the unplannable." Such comments may give those who say them some comfort and gets them off the hook when something bad happens, but the truth is that we can plan for such things since we actually know a lot about them. What is more, faced with the possibility of a high impact event, any sane human being carries out some form of scenario and action planning. After all, faced with the fairly low likelihood, but high impact potential repercussions of a car crash, conscientious adults wear a seatbelt.

My hypothesis is that in the coming decades we will see plenty of proof that some current ways of doing things are not good. This is scientific, but it is also common sense. After all, it didn't require a rocketscientist to judge that the practices leading up to the current crisis were unsustainable. It was a simple, and fairly predictable, cause-effect relationship. Yet there were no seat belts, insurance plans or prudent behavior. Plenty of evidence is already in for the other global trends, several of which show similarly unsustainable patterns. We do not need to wait for the car crash before doing something about them: if we don't like where these key trends are heading, then we can take corrective action.

DO MORE WITH LESS

We now face the second part of the problem: what to do about those black swans now that we can see them? With a view of the big picture, it is time to consider formulating action plans to reduce the negatives and maximize the positives from these global trends.

In the real world, the focus should be upon "Doing more with less": taking well directed actions to minimize the downsides whilst accentuating the upsides. In the world of business this usually takes the form of managing operations to provide better quality of product and service outputs with reduced inputs. The same can be applied to the management of threats and opportunities, and most of the successful approaches are simple ones that can be easily understood and communicated.

Just one such common sense approach that works in the implementation of strategic goals in complex environments is that of the "Pareto Analysis." Many know of this as the "80:20 rule." The underlying principle is that for many management situations roughly 80 percent of the effects come from 20 percent of the causes.

In other words, focus upon the lowhanging fruit first. In the same way that 80 percent of the fruit can be picked-off a tree in 20 percent of the time needed to pick all the fruit, in any management situation it makes sense to concentrate on those actions that will lead to most benefit with the least possible use of time, energy and resources. To begin by wasting effort on the 20 percent that is out of reach is not sensible, wastes a lot of effort and is usually demotivating.

Perhaps one of the opportunities of the current time of economic crisis is a genuine return to sound values and common sense basics such as these. Pragmatic, simple and holistic approaches are the ones that are most likely to get us out of the predicaments we face, as well as to continue working towards a more prosperous, healthier and just world.

In the face of a changing world, we all have three choices: to act, to do nothing, or to react when change inevitably happens. History shows that in turbulent times forward-looking action invariably beats inaction or impulsive reaction. This is what facing up to change is all about. It is not about pessimism or optimism, but about realism. Not worrying about the future, but instead getting ready for it. It is about using an increased awareness of the big picture to take better decisions and improved actions in the years to come. The end is not nigh, but we are entering a new era.

WE GET **CAUGHT IN A** TRANCE AND BELIEVE THAT, AS THINGS ARE WORKING IN A CERTAIN WAY, THEY WILL **CONTINUE TO** DO SO.

MORE INFORMATION:

¹ Global Trends: Facing Up to a Changing World,
Adrian Done. Palgrave Macmillan. 2011. www.facinguptoachangingworld.com www.blog.iese.edu/adone

I D E A S

CROWDSOURCING

GET YOUR HEAD INTO THE CLOUD



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Organizations as diverse as NASA, Netflix and Wikipedia demonstrate the power of crowdsourcing in enabling new business models.

hase Rief of California runs a small media company, Rief Media, with 14 employees – except that none of them are actually his employees and they are scattered around the world. They all work for him through an online platform called oDesk. At the other end of the size spectrum is life insurance giant Aegon, which has an on-demand staff of 300 virtual licensed agents who are managed through another online intermediary, LiveOps. They are also not Aegon employees, but are scheduled for inbound and outbound calling through LiveOps routing software.

We call this phenomenon the "human cloud" - a sourcing environment where a pool of online workers can be tapped on-demand to provide a wide range of services to any interested buyer around the world. In the next five years, the "human cloud" will change sourcing and, in parallel, begin to transform labor markets.

The idea of leveraging an online virtual talent pool to help organizations complete tasks and projects is not new. At least two inter-related phenomena followed this line of thinking in the past.

Traditional crowdsourcing, as defined by **Jeff Howe** of *Wired* magazine, allowed organizations to transfer a task previously performed in-house to a large, usually undefined, group of people – the crowd. Several highprofile examples, such as Wikipedia and iStockPhoto, demonstrate the

power of crowdsourcing in enabling new business models. Crowdsourcing also proved valuable for traditional organizations. NASA, for example, developed a successful initiative – NASA Clickworkers – where volunteers from all over the world were given access to images of the surface of Mars to help identify and label craters. In general, crowdsourcing involved large-scale projects completed by a collective of people with no direct/guaranteed monetary incentive to participate.

The second phenomenon behind the concept of the human cloud is microsourcing. Having emerged in the late 1990s, before traditional crowdsourcing, early microsourcing platforms, such as Guru and Elance, sought to provide an online marketplace for freelancers. The idea was similar to that of eBay but instead of goods, buyers and suppliers would exchange services. Microsourcing, thus, has always relied on a one-toone relationship between a buyer and a supplier and involved jobs with limited scope and scale that could be completed by a single supplier. Yet microsourcing was similar to traditional crowdsourcing in that the initial search for a supplier would start with an open call aimed at a large and mostly undefined collective of potential workers.

While both crowdsourcing and microsourcing won a number of loyal followers among the buyer-organizations, neither managed to make a significant impact on the business world. Why is that? Our research suggests a number of obstacles.

CROWDSOURCING • INFORMATION TECHNOLOGY • LABOR MARKETS

First, general awareness about crowd- and microsourcing remains fairly low among the business audience. But even the buyers that are aware of these approaches tend to use them on a limited basis due to the perceived high risk involved. Our existing work culture is based on the idea of building trust through face-to-face interactions and longer-term relationships. Managers feel anxious delegating work to a person or company with whom they have only been in virtual contact. Hence, sourcing work from the crowd is perceived to be risky and requires "a leap of faith."

Another obstacle concerns the limited capacity of these approaches to handle work that is more complex or requires greater scale. The models based on the microsourcing approach, for instance, rely on dyadic relationships consisting of one buyer, one supplier, and a well-defined final deliverable. They provide easy and efficient mechanisms to connect the buyer to the supplier but offer limited collaboration and coordination. This makes them great for facilitating limited short-term projects that can be completed by a single supplier. Yet, many types of sourcing involve work $comprised \, of \, multiple \, interconnected \,$ tasks and requiring diverse supplier skill sets. Other types are not projector task-based at all but rather engagement-based, such as support, helpdesk and infrastructure.

Models based on traditional crowdsourcing, on the other hand, usually are better equipped to handle largescale projects (indeed, the scale of Wikipedia is impressive by any standard). Yet, the lack of established ready-to-use mechanisms to mobilize and monetarily compensate the suppliers make them impractical for most businesses. Consider, for instance, the case of the Netflix Prize. In 2006, the company launched an online competition with the goal of improving the quality of its movie recommendation engine, Cinematch. Teams of scientists from all over the world competed to create an algorithm that would improve on the existing algorithm used by Cinematch by at least 10 percent.



I D E A S

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The company spent more than a million dollars and three years to ramp up the competition and get the desired outcome. While this certainly was worth it for Netflix, as accurate recommendations translate into higher revenue and customer retention, this kind of effort – both in terms of time and money – would hardly be justified for most other businesses.

THE RISE OF THE "HUMAN CLOUD"

Recently, traditional crowdsourcing and microsourcing approaches have started to merge. The models evolving in the intersection zone show great promise in lowering the main obstacles and spurring growth. The enablers are the middlemen – the platforms – that are building and fine-tuning their delivery. We note four major developments, which together underlie the broad concept of the "human cloud."

BUILDING TRUST THROUGH RISK REDUCTION

To attract new buyers and retain existing ones, the platforms have been looking for ways to alleviate perceived risks associated with sourcing work in an online virtual environment. The microsourcing platforms such as Elance and Guru have made a big push into reducing supplier anonymity. Buyers may still not be able to look the supplier in the eye, as they are used to in the traditional offline environment, but today they have access to a wealth of information about them. The platforms have built frameworks for suppliers to share their professional and personal backgrounds, show off their portfolios and earning history, and demonstrate credentials through standardized skill tests. Buyers now can also interview suppliers before making the final hiring decision. All this makes the virtual relationship less anonymous and more trustworthy.

The platforms have also worked hard to make project progression and supplier work practices more transparent to the buyer. Elance, for example, offers project management tools enabling buyers to create project milestones, receive status reports from suppliers and link payments to milestone completion. Similarly, oDesk has developed a sophisticated system of remote work management that monitors suppliers' online work activity and tracks how much time has been spent on each task. In fact, oDesk uses its own platform to employ programmers who develop and maintain its site. This also allows firms such as Rief Media to hire and manage their entire staff virtually.

ACHIEVING SCALE THROUGH TASK AGGREGATION

The "human cloud" can now also serve buyers that need to source jobs comprised of a large number of mundane/highly repetitive tasks, such as assigning categories to products or verifying a large contacts database. The model we call "aggregator" achieves that by providing buyers with a single interface to send work to a large number of small suppliers. Utest, for example, allows buyers to leverage its on-demand virtual pool of software testers to find and fix errors in programming code. Other examples of platforms adopting the aggregator approach include Amazon Mechanical Turk, CrowdFlower and Clickworkers among others.

With regards to trust and perceived risks to buyers, the aggregator model addresses this by shifting the focus from individual suppliers (the crowd) to the platform (the company). The platform now becomes the primary point of contact for the buyer and, therefore, assumes partial responsibility for project-related risks. This set-up is no different from that in traditional outsourcing relationships and, hence, requires a much smaller "leap of faith" on the part of the buyer.

ENSURING QUALITY THROUGH SUPPLIER REDUNDANCY

Companies often have to source work that is highly unstructured, difficult to evaluate, and/or requires special expertise, such as design or R&D. A common challenge among these projects is that their outcome is often uncertain and quality is best evaluated in comparison to other alternatives. Tapping into the global talent pool and engaging multiple skilled providers to work on the same project is, in this context, highly attractive yet beyond the reach for most firms (consider the Netflix Prize example).

The crowdsourcing model, that we call "filter," aims to make this idea more accessible. Filters provide buyers with on-demand access to a specialized community of skilled suppliers, where multiple suppliers can be engaged on a project through a competition- or contest-based mechanism. The buyer then chooses from multiple competing inputs/deliverables and pays only for the one he or she finds most valuable.

Examples of platforms that operate under this model include Crowdspring, a global community of creative designers, and Innocentive - a community of scientists and researchers ready to take on your toughest unsolved R&D problems. Buyers that actively use these platforms span a wide range of industries and include both small and large companies. LG Electronics, for instance, has for the past three years leveraged Crowdspring's global community of "creatives" to run a competition to design a mobile phone of the future.

ENABLING COMPLEXITY THROUGH PROJECT GOVERNANCE

Perhaps the mightiest challenge of the "human cloud" lies in enabling sourcing of more complex projects that require significant coordination and control. To tackle this, platforms are stepping up with a much thicker layer of project governance. This usually includes collecting project requirements from the client, breaking them up into smaller tasks, coordinating completion/sequencing of individual tasks and ensuring quality of the final deliverable. To accomplish this, the

platforms employ a combination of actual human project managers working inside the platform and a sophisticated software-enabled framework for monitoring and coordinating individual tasks.

TopCoder and its communitybased model of software development provide perhaps the most advanced example of an intermediary platform. The model works by breaking down traditional steps of software development projects, such as conceptualization, requirements specification, architecture design, component production, assembly and certification and deployment into a series of online competitions -the "game plan." Multiple suppliers take part in each of the competitions and the output of each preceding round becomes an input to the subsequent one. The entire process is coordinated by a TopCoder employee, the platform manager, who also serves as a liaison with the buyer. By following this model, TopCoder has built and deployed enterprise-grade software for large multinational firms, such as UBS, Phillip Morris and ESPN among others.

Similar to aggregators, the intermediary platform operates by establishing a dyadic one-to-one relationship on the buyer-platform side and a one-to-many relationship on the platform-supplier side. This, again, offers a more familiar environment for the buyer and alleviates the perceived risks of having to deal with the "crowd."

"Human cloud" is still a small slice of the global sourcing landscape. We estimate its volume in 2010 at \$500 million globally, with all the platforms reporting double-digit growth. Elance President and CEO, Fabio Rosati, claimed that independent online "cloud" workers earned nearly \$1 billion in 2010. As "human cloud" continues to scale up, we may be at the beginning of a major disruption. Its consequences will be felt throughout the entire sourcing ecosystem – from small and large buyers to suppliers to sourcing intermediaries, including outsourcing providers and staffing agencies.

TAPPING INTO
THE GLOBAL
TALENT POOL
AND ENGAGING
MULTIPLE SKILL
PROVIDERS IS
BEYOND THE
REACH OF MOST
COMPANIES.

Insight Looks Ahead to the Future

ANTICIPATING GLOBAL TRENDS

With their minds on the crisis and day-to-day problems, most executives aren't thinking about the big issues their companies are likely to face over the next few decades. However, there is a series of global trends, from inherent systemic risks to disruptive new technologies to the aging population that may affect them. Although anticipating the future is not easy, the dossier in *Insight* No 12 may help. Prof. **Adrian Done** reviews 12 global trends that will affect the business agenda and suggests some tools for assessing threats and opportunities.

- The economist Ian Goldin, former president of the World Bank, immerses himself in the financial crisis to draw out the systemic risks of the 21st century.
- Work is changing. Two experts from the prestigious Institute For the Future recommend ten new skills.



✓ And lastly, the magazine looks at scenario planning. Prof. Mike
Rosenberg discusses the advantages of this methodology, based on the experience of Shell, a pioneer in the field.

MORE INFORMATION: www.ieseinsight.com

Family Values in the Workplace

NÚRIA CHINCHILLA AND MIREIA LAS HERAS

A report published by IESE's International Center for Work and the Family has studied the effect that family-responsible policies have on employees and their attitudes. The report "Efectos de la conciliación en el compromiso y la productividad" (The Impact of Conciliation on Commitment and Productivity), based on the results of over 6,000 questionnaires carried out in North and South America, Europe, Asia and Africa, shows that 83 percent of employees in family-responsible firms are committed to their companies as opposed to 70 percent in firms that don't implement such policies. Perhaps surprisingly, the lack of such policies are felt more keenly by men and by people without children than by women and parents.

80% inininininini

WOULD QUIT THEIR JOB IS THE COMPANY DIDN'T IMPLEMENT FAMILY-FRIENDLY POLICIES

93% †††††††††

SAY THEY ARE COMMITTED TO THE COMPANY WHEN THEY WORK IN A FAMILY-FRIENDLY ENVIRONMENT

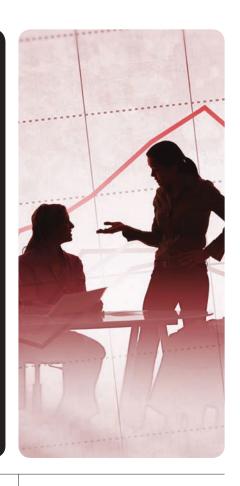
MORE INFORMATION: www.iese.edu/icwf

The Knowledge Gap

MARCO TORTORIELLO, RAY REAGANS AND BILL MCEVILY

Breaking down the barriers to knowledge transfer between an organization's disparate units is essential in the creation of new knowledge, arguably the most important source of competitive advantage in today's hyper-competitive world. In the article "Bridging the Knowledge Gap," IESE's Marco Tortoriello, MIT's Ray Reagans and Bill McEvily, of the University of Toronto's Rotman School of Management, explore the impact of corporate network structures on how knowledge is acquired inside organizations. Their research indicates three network features that have a positive effect on the successful transfer of knowledge: tie strength, network cohesion and network range.

MORE INFORMATION: IESE Insight/Knowledge and Communication



Work Till You Drop

ANTONIO DÁVILA, VEIKKO IKONEN, ILENIA GHENO, JAANA LEIKAS, KRISTIINA KANTOLA AND LAIA PUJOL

Early retirement used to be positively encouraged. Back in the 1960s, older workers were offered generous pensions and retirement packages in a bid to get them onto the golf course and younger people into jobs. But all that has changed. The aging of the population is a global phenomenon. In 2050, an estimated third of the E.U. population will be 60 or over. "Goldenworkers" is a new report written by IESE Prof. Antonio Dávila with Veikko Ikonen, Ilenia Gheno, Jaana Leikas, Kristiina Kantola and Laia Pujol. It aims to raise awareness of the importance of improving work environments for this aging population.

MORE INFORMATION: IESE Insight/Economics

IESE Alumni Magazine

WHERE ARE THE WOMEN?

JOSÉ RAMÓN PIN, ÁNGELA GALLIFA, C. ÁLVARO AND NÚRIA VILANOVA

There are now 54 women sitting

on the boards of the 35 companies quoted on the Ibex-35, Spain's equivalent of the Dow Jones or S&P 500. According to a 2011 report on Ibex-35 shareholder meetings, this figure is up from 52 in 2010, 43 in 2009 and 26 in 2008. Although doubling in four years, this number still represents just over 10 percent, more or less on a par with the European average. The report looks at the entitlements of small shareholders. while promoting best practices in communication, transparency and governance.

MORE INFORMATION: IESE Insignt/Accounting and Control

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ome 600 delegates attended the 9th annual Doing Good and Doing Well conference on IESE's Barcelona campus in February. The conference was structured around four keynote speaker sessions and numerous, a social investment competition, a cleantech venture forum and a sustainability fair.

Taking as its theme "Achieving Sustainability in Business and Society," the two-day conference opened with **Gavin Neath** of Unilever talking about why sustainability matters. **Neath** said that we are in the grip of an economic and a climate crisis and that, while the economic crisis has our full attention, the climate issue has dropped off the "to do" list. Both have to be tackled by companies and governments, he said.

"We are consuming resources faster than the earth can replenish them," he said. "We are living off the earth's capital, not the interest." The Unilever Sustainable Living Plan aims to help 1 billion people improve their health, halve the company's environmental impact and source 100 percent of materials sustainably. **Neath** added that there was a sound business case for sustainability because consumers demand it, it gives competitive advantage and encourages innovation, improves efficiency and attracts talent.

"Sustainability is at the heart of a fairer form of capitalism. It is in the self-interest of business to change," he said.

The keynote speaker on the afternoon of day one was **Jeffrey Spector**, chief of staff to **Melinda Gates** at the Bill and Melinda Gates Foundation. He spoke about the foundation's work in a session titled "The New Frontier in Development."

Humanity has made astonishing progress over the past 100 years, **Spector** said. Life expectancy in Spain in 1900 was 35; now it's over 80. The big change has been in the fall in infant mortality. Infant mortality is the gauge the foundation uses to measure the success of its programs.

"Vaccines save million of lives," he said. "Small pox was eradicated in 1988. Measles is down 93 percent. Polio cases are down from 350,000 in 1988 to 1,000 now. Vaccines don't just save lives, they prevent disability. Countries that have more disease have lower IQs."

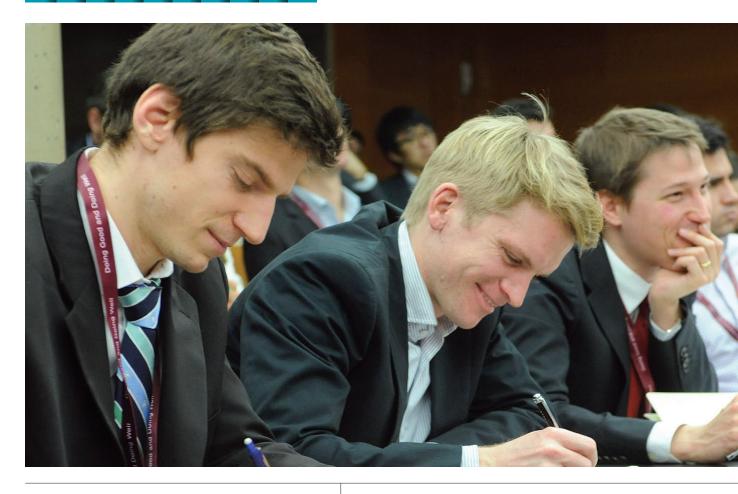
What is needed is community-led development to help people solve their own problems, he said. The problem is achieving scale because even the foundation's \$3 billion budget "is only a drop in the bucket."

The following morning's keynote speech was given by Mark Drewell, CEO of the Globally Responsible Leadership Initiative. Drewell entered to the music of Jennifer Lopez singing *Let's Get Loud*, as the session was titled "Let's Get Loud—Leadership and Business in the Great Disruption."

Drewell challenged the received wisdom that human development can only be achieved through perpetual growth. "We live in a society based on two principles: that growth is necessary and good," he said. "And yet the only people who believe in perpetual growth are madmen and economists."

All the research shows that the things that people really value - love, community, meaningful work, learning new things and being of service to others - can't be bought. "So why do we assume that all we need to do is create new

C R O S S R O A D S



wealth?" he asked. "What we need is to move towards environmental sustainability and social justice. We have the choice to retrofit on to the take, make and throwaway model we've created or build something new."

The final keynote speaker was **Jacques Pieraerts**, CEO of Toyota Spain. He acknowledged that, as the car industry contributes a significant portion of global carbon dioxide emissions each year, it has a responsibility "to be part of the solution" and to work towards a healthier future from both an environmental and a human perspective. He outlined two key Toyota initiatives that attempt to make good on this promise.

Firstly, its hybrid/electric Prius cars are the best selling of their kind anywhere in the world. In 1997, the year the Kyoto Protocol was implemented, Toyota already had its first-generation Prius on the road. Furthermore, its research department has observed a marked increase in the number of people opting for electric vehicles in the past few years. In 2009, only 1 percent of people considered buying an electric vehicle; in 2012, this number has increased to 10 percent.

The company is also actively researching how to manufacture vehicles using a greater diversity of energy sources. **Pieraerts** presented a graph demonstrating that the number of vehicles on the road is likely to increase by at least 500 million as emerging economies continue to develop. To keep the level of carbon emissions at least constant, we must utilize biomass plus petroleum and electricity as a source of fuel.

Finally, he outlined the initiatives Toyota has undertaken to be good stewards of the communities in which they operate. He highlighted the production plants in La Rochelle, France where they recycle 100 percent of the water they use. He stated that worldwide, they have a "zero waste to landfill" policy.

The Cleantech Venture Forum, chaired by IESE Prof. Heinrich Liechtenstein, brought together 11 world-class entrepreneurs and 12 top European investors for an Investor Feedback and Pitch Showdown. The day of pitches showcased the latest technologies and business models in cleantech, addressing problems such as urban transportation, recycling of complex waste streams and introducing gamechanging air pollution monitoring and solar energy technology. Each presenting company focused on an innovative solution to improve the use of natural resources. Investors with a strong cleantech focus asked probing questions and provided feedback as judges for the forum.

The forum began with 90-second pitches by the investors who presented overviews of their respective investment strategies. Throughout the day, there were back-to-back entrepreneur presentations. Each entrepreneur was given six minutes to introduce the audience to their company and was then grilled during an intense nine-minute investor question and answer period. Businesses presenting ranged in size and maturity from pre-revenue to growth stage, with companies seeking a range of funding from €200,000 to €20 million.

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WE ARE CONSUMING RESOURCES FASTER THAN THE EARTH CAN REPLENISH THEM."

Gavin Neath

Senior Vice President Sustainability, Unilever

A new feature was the Social Investment Competition which brought together five social entrepreneurs, 10 international investors and five teams of MBA students from various business schools, among them IESE and Columbia Business School. The entrepreneurs had the opportunity to present their projects and their investment requirements. The MBA students took on the role of investors and the real investors acted as judges. It was a great learning experience for everyone involved as well as a good opportunity to network. The audience, investors, entrepreneurs and MBA students all said it was a positive experience.

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MARK DREWELL CEO OF THE GLOBALLY RESPONSIBLE LEADERSHIP INITIATIVE

"The Globally Responsible Leadership Initiative is a partnership of 73 companies and business schools from around the world. We were working on the question of what you have to do to create a generation of responsible leaders. It was set up in 2004. The idea was that we would dedicate a year to this project until we came up with the answer. What we realized was the challenge of answering this question was so systemic and fundamental that we weren't going to crack it in a year. At the end of that year we produced a report which basically said we need to rethink the role of business in society,

because business has this unique capability to create economic progress. The thing we've lost sight of is for whom and how.

This means a whole raft of things for business schools. It's not difficult to find people who realize there's a problem in management education, that we are producing people created in the 20th century take, make and throw away logic based on the assumption that self-enrichment would create societal benefit. The logic of the business school in the 21st century is that it should be somewhere that acts on behalf of society to design the businesses that society needs to meet its current challenges.

We actually don't know how to design an economic system that only has the resources of one planet. We don't know how to organize corporations in a way that creates human progress as a priority and where financial success is a necessary piece of hygiene but not the purpose of the organization. However, we think there are enough people now who do get it and who are interested in finding other solutions. So

we don't feel the need to go out there and convince but are more interested in saying to people who do get it, how can we work with you?

The argument that you have to pay millions to get the best people to lead your companies is rubbish. There is plenty of evidence to show that people don't work funwdamentally for money. If you go to Sweden and look at the banking salaries they are nothing like the banking salaries in London or New York. But Sweden doesn't, as a result, have a problem of a lack of financial competence. Do you want a world where the chief executive earns 1,000 times more than the lowest paid person? Should we allow business schools to continue inculcating that logic? From a societal point of view the answer must be no. We need to shift the context of the conversation. The conversation remains that what we need is growth in order to create more jobs, but we need to link growth to well-being. Let's talk about what that means and set out social goals towards creating more of that. We would come up with very different answers."



JEFFREY SPECTOR

CHIEF OF STAFF TO MELINDA GATES OF THE BILL AND MELINDA GATES FOUNDATION

"Bill and Melinda Gates have made a substantial difference in the way that philanthropy is perceived.
As both of them have a very solid business background, and obviously in technology as well, they were able to bring some of the best practices of the business world to the field of philanthropy. We are a very rigorous organization and we bring this sort of data-driven analysis to a field that has been perceived in the past as being somewhat squishy. For us, the number one metric is child

mortality, the number of deaths of children under five. We track this very closely and we ask ourselves if the work we're doing is contributing to reducing that number.

One of the things we try to highlight is that the world has been making incredible progress. Childhood mortality since 1960 has gone down from 20 million to less than 8 million in 2010. And yet the number of children being born has grown by 25 percent, so by any measure the world is getting better for the poorest countries.

We focus on the most cost effective interventions which is why we spend on vaccines because we know they have a huge impact. Our approach is that we look at a problem, we see what is being done about it and see what we can contribute, what is our competitive advantage. And then we find organizations that are most closely aligned with what we believe is the most leveraged impact we can have. All we can do as an organization is try to be a catalyst and then try to get organizations such as

governments to bring them to scale, because we're not going to be able to fund everything. Our budget is \$3 billion a year, which sounds like a lot until you realize that we are dealing with problems of a massive scale and scope. It's just a drop in the bucket compared to some

government budgets. We are recognizing enabling as a vital aspect of development. Technological innovations are great but there is also a need for community engagement. Instead of seeing people as users we see them as people who have wishes and ambitions. The challenge is scaling up because you need a different model for different geographies and different cultures. We make sure that communities are involved from step one. Our success is completely dependent on so many other partners, including governments and NGOs. If we don't have alignment from day one, we're not going to be successful in what we do. Partnership and collaboration is the only way that things are going to get done."

UNNERVING JOURNEY INTO THE UNKNOWN

The second meeting of IESE's U.S. Advisory Council focused on the economic climate and the uncertain future of the media.



ESE's U.S. Advisory Council presented two panels in a special session of the Continuous Education program on IESE's Barcelona campus in early March on the subject of the "Global Economic Outlook and Insights from the Media Industry." The first panel, titled "An Economic Outlook from the American Perspective," was moderated by Prof. Pedro Videla. The first speaker was Jay Ireland, president & CEO, GE Africa, who said that "what you see in sub-Saharan Africa is the West being pushed aside by the East - China, India and Korea, and also Brazil. You see a lot of technological leapfrogging in Africa. For example, there are few telephone land lines but very good mobile telecommunications." On the topic of unemployment in the U.S. he said that at "GE we are bringing jobs back to the U.S. because they are based on technology. There's no future for unskilled labor in the U.S."

Ireland was followed by Kate O'Sullivan, director of the office of strategic relations at Microsoft. "Americans cling to the myth that the U.S. is very socially mobile while actually it ranks quite low," she said. "Our ethos is that if you work hard you will succeed. But there is a new clandestine class system that is exclusive. Both the Tea Party and the Occupy movement are railing against this same reality."

Carlos Padula, CEO, Stelac Advisory Services, added that there is low self-esteem among graduates because they are educated to believe that the world is their oyster but they end up unemployed and living with their parents. Edward Rielly, president and CEO of the American Management Association, said "there are large numbers of the unemployed because they are unemployable in a global market. Jobs are not sustainable at U.S. salaries in the U.S." He urged students in the audience to develop four skills: communications, creativity, collaboration and critical thinking.













LARGE NUMBERS OF THE UNEMPLOYED ARE UNEMPLOYABLE IN A GLOBAL MARKET."

Edward Rielly



1.Tom Castro, Gerry Byrne, Carmen di Rienzo, Alan Glazen, John Sturm and William F. Baker. 2. Jay Ireland. 3. Kate O'Sullivan. 4. Carlos Padula. 5. Edward Rielly. 6. John Schmitz.







John Schmitz of Schmitz Partners commented that "things are moving in the right direction but what happens in the U.S. will depend a lot on what happens in Europe. This is a very stubborn recession with chronic under-employment, especially among the young and the over-50s."

The second panel was titled "An Economic Outlook in the Media Sector. The impact of Technology and Innovation on the Media Industry," and was moderated by William F. Baker. Baker posed the question of whether the media is in a period of decline or transformation. Journalism is in crisis but is also full of opportunities if it can be monetized, he said. Consumers are not switching media, they are doing them all at the same time. Greater convergence is on the horizon, he said.

Tom Castro, a board member of Time Warner Cable, said "the only constant over the past 10 years in the media industry has been change. And these changes come from unanticipated directions and are global in scope. No one really understands where this is heading. It's both exciting and unnerving."

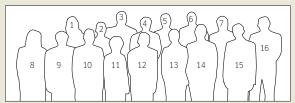
He was followed by **Gerry Byrne**, an online media publisher and former head of the Nielsen media group. "Digital technology has been a tsunami for the media industry," **Byrne** said. "What hasn't changed is that brands and advertisers still want to reach consumers; now it's a question of finding the right platform."

Carmen di Rienzo, president & CEO of V-Me Network, added that people still want quality media. "Change is scary but it's also a time of tremendous opportunity," she said. Alan Glazen, a media entrepreneur, explained that one out of every seven hours spent on a computer is spent on social media. "The customer is creating their own content. The growth is in places where people haven't had the freedom to talk freely until now. The real problem is no one is paying for anything and this can't go on."

Finally **John Sturm**, former president of the U.S. Newspaper Association, said: "The U.S. newspaper business is in its 27th consecutive quarter of advertising decline. Print is not dead, but it's dying; it is still needed in order to develop the digital side. The technology that did print media in is also going to be its lifeline."







- Begoña de Ros.
- Carlos Padula. John Sturm. Tom Castro.
- Alan Glazen
- 6. Gerry Byrne.7. Edward Rielly.
- 8. Mireia Rius.
- 9. John Schmitz. 10. Prof. Eric Weber. 11. Carmen di Rienzo. 12. William F. Baker.

- 13. Kate O'Sullivan. 14. Jay Ireland. 15. Prof. Jordi Canals. 16. Prof. Josep Valor.

PLOTTING IESE'S COURSE IN NORTH AMERICA

In order to put the development of IESE in the United States on a sound footing, the school established the U.S. Advisory Council made up of 27 top-level executives. This was the group's second meeting, both of which have been held in Barcelona.

Since IESE opened its New York center it has set in motion a series of programs designed for senior executives in the United States. At the same time it wants to establish itself as a worldwide center for business research.

MEMBERS

U.S. ADVISORY COUNCIL

William Baker

President Emeritus Channel Thirteen

Gerry Byrne

Vice Chairman, PMC Penske Media Corporation

Luis Cabral

IESE Business School

Jordi Canals

IESE Business School

Tom Castro

President & CEO El Dorado Capital and Time Warner Cable

Vin Cipolla

The Municipal Art Society

Begoña De Ros

IESE Business School

Carmen Di Rienzo

President & CEO V-Me Network

Alan Glazen

Chairman Glazen Creative

Frank J. Hager CEO, Opp CAP

Claire Huang Head of Marketing, Global Markets Bank of America

Jay Ireland

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Tom Kane

Former Chairman

Steve Murphy

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Katherine Oliver

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Kathryn Wilde

Partnership for New York

Gary Knell

President

National Public Radio (NPR)



he current healthcare crisis shows that, more than ever, innovations in management are essential to improve health, the healthcare system and public finances. IESE aims to contribute to the professionalization of management using cutting edge trends in management in companies and in public administration. One sector that is in special need of an overhaul is health. The sector has been changing rapidly, particularly over the past few years.

The basic problem the health system faces is that demand outstrips resources. "It's not just a case of weathering a brief storm, we're talking about a structural crisis that demands structural changes," said Prof. **Núria Mas** at the

start of the Continuous Education program titled "The Future of the Health Industry: A Better Prescription to Create Value?" held on January 17 on IESE's Barcelona campus.

Mas insists that the solution does not consist just in charging users and raising taxes. "We've all got a lot of debt and passing it from one to the other is not going to help," she said. As we clearly can't go on offering quality but unaffordable healthcare to a growing and aging population, she said the solution lies in finding areas where we can improve the service, both from the patient and staff perspective. She added that we need to find new models because existing healthcare systems have become obsolete as a result of changes in the forms of treatment of both acute and chronic illnesses.

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EESE
HEATTICARE
MANAGEMENT
PROGRAM
TENNIS

Module 1. The Stepping Stones Madrid, April 16-20, 2012

Module 2. Facing Change Barcelona, May 14-18, 2012

Module 3. Getting Things Done Madrid, June 18-22, 2012

In response to this challenge, in April IESE launched the Health Management Program (HMP) which focuses on the health sector. The faculty has been running programs aimed at health managers in Spain for the past 11 years and now, with the HMP, its scope is international.

A PROGRAM THAT MEETS THE SECTOR'S NEEDS

Healthcare management is completely different today and "until now no one had considered managing it the way you would a company," said **Isabel Morán**, executive director of the new international healthcare program.

"Over the past year numerous reports have been published by consultants, laboratories, financiers and pharmaceutical companies detailing the problems that we face. They say there is not enough money, the population is aging, doctors are not motivated, that they don't take on the leadership of their departments. So, now we know what all the problems are but up to now nobody has brought all this information together in a way that will help managers to act upon it. That's where the HMP comes in, it is a step towards executive action, and this is what makes it different from what everyone else is doing in the health field," she said.

At present there is no international program that shares the HMP's characteristics. "The Health Management Program is principally a general management program, very much focused on the operational reality of the hospital. Passing from theory to action involves the work of research departments which in due course we will publish. This entails, for example, studies of various health funding systems that allow us to compare which systems function in which countries, why they function in one place and not in another and which would be efficient here. We can also see the advantages and disadvantages of implementing different systems and formulas, together with all the other information we need in order to be effective," said Morán.

A BUSINESS APPROACH TO HEALTH MANAGEMENT

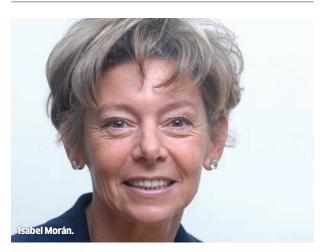
The new HMP has a clear, operational focus which combines some special and innovative aspects with more classical approaches. It is divided into three modules: the first "Stepping Stones" will be held in Madrid from April 16-20. The second, "Facing Chance," will be held in Barcelona from May 14-18 and the third "Getting Things Done" will take place from June 18-22, also in Madrid.

"Conceptually the program is structured around three basic elements that a hospital manager needs and the academic content has been thought out in terms of what that manager requires. These are: operational concepts; the financial basics; people management; technology and the impact of information systems; negotiating skills and arriving at negotiated settlements; entrepreneurship within the context of their own hospital, which is to say, that people are encouraged to come



WE HAVE COME UP
WITH A DESIGN THAT IS
FOCUSED ON THE DAYTO-DAY REALITY OF
RUNNING A HOSPITAL."





up with new ideas. And finally, concepts about strategy, but understood in terms of how the environment can change day-to-day operations," said Prof. **Beatriz Muñoz-Seca**, the program's academic director.

AN INTERNATIONAL PERSPECTIVE

Some 80 percent of the participants in the HMP come from outside Spain, mostly from Latin America, various European countries and Africa. "They are section heads, hospital managers, entrepreneurs working in the health sector and health managers," said Isabel Morán.

"There are two principal groups of people: those who have pursued careers in administration and health professionals who have gone into administration. And the interesting thing about all this is that the latter lack basic concepts, but what the people in the administration who are running hospitals or other parts of the health sector lack is an understanding of what it's like to be a doctor. With all this in mind and having reviewed what there already was in the market, we decided to come up with a design focused on the day-to-day reality of a hospital," said **Muñoz-Seca**.

The faculty has spent approximately 18 months developing the course material. "We thought it would be interesting, given that we have participants from all over the world and therefore working in a variety of healthcare systems, such as the British, Swiss, and Scandinavian, to examine the different ways of approaching the serious problems of healthcare around the world. Therefore there will be talks from healthcare professionals from countries such as Norway, the United Kingdom and Switzerland who will explain how the healthcare model employed in their countries is facing up to the sector's current difficulties," the academic director explained.

At the beginning of the course, each participant will present a problem that they would like to deal with and during the three weeks of the course they will develop a model designed to help them manage and resolve that problem, using the knowledge they have acquired. "In order to do this the participant will be helped by assessors from the faculty to work as facilitators and who will help them understand how to surmount their particular problems," said **Muñoz-Seca**.

She added that "what we are teaching are the basic elements, the elements of management that they need to know, that is to say, the concepts are equally applicable to a hospital in São Paulo or in Kenya or Poland. The importance of the program is that the participants can apply the concepts that they learn to the reality that they work in and adapt them according to their needs. We're giving them something general that can be applied to any situation. If there is some particular issue, they know that they can ask the faculty in order to assess on an individual level a problem that perhaps hasn't been dealt with in class."



IESE AND ACCENTURE IN JOINT VENTURE FOR HEALTHCARE MANAGEMENT RESEARCH CENTER

In February the Center for Research in Healthcare Innovation Management (CRHIM) opened in Barcelona. It is a joint venture between IESE and Accenture and its goal is to contribute to the transformation of the health sector through management training, applied research and the establishment of a forum for debate. The directors of this new center are professors Jaume Ribera and Magda Rosenmöller. The objective of the CRHIM, which can count on the participation of other professors with expert knowledge in the sector. such as **Núria Mas** and **Beatriz** Muñoz-Seca, is to contribute to the transformation of healthcare through applied research projects. During the presentation, Richard

Bohmer, an expert in health management, emphasized the importance of initiatives such as the center. The Harvard Business School professor talked about the huge demand for doctors and nurses with management skills, given that medical knowledge is ever more specific and that healthcare costs are rising throughout the world. He reminded his audience of a study that showed that nurses only spend 30 or 40 percent of their working day carrying out activities specific to their job, something that could be improved through innovation and more efficient management. "More and more, it's the organizational guestion that determines the level the quality of healthcare," he said.

"We want this center to become a role model," said Prof. Josep Valor, who opened proceedings by reminding the audience of IESE's mission and its commitment to the health sector which is reflected in its various programs and initiatives and which has led to the creation of the center. The professor highlighted the importance of innovation and the need to make efficient use of resources. For his part, Accenture's director of healthcare, Javier Mur, listed some of the key points needed to improve the sector: innovation in management, creating synergies between providers, coordination of services and stratification of patients.

MORE INFORMATION:

- HMP: www.iese.edu/hmp
- CRHIM: www.iese.edu/crhim
- Health Care Initiative: www.iese.edu/healthcare



or me, carrying out projects like this one is no different from working in a company," explained Adrià Martín, one of the members of the award-winning group within the "SEAT e-mobility Project."

A joint initiative of IESE and the car manufacturer SEAT, the project seeks to identify key factors for the introduction of electric mobility in Spain. From last November through January, more than 60 Executive MBA students in the Strategic Operations class taught by Prof. Marc Sachon took part.

"In reality, I think that there are certain advantages when compared to working in a company. In class, you have a professor who guides you, so you learn double. Also, you have more freedom than in a company to design any type of project or strategy," said **Adrià**.

The teams analyzed aspects of e-mobility such as available and necessary infrastructure, vehicles that are more expensive to manufacture but cheaper to operate, green energy sources and the use of intelligent networks.

"The experience has been positive. You can analyze a real situation with an important strategic component," said **Eduard Coves**, another student. The winning group, which did not have much experience in the automotive sector, was able to convert its members' weaknesses into strengths.

"Instead of going into the process of manufacturing and selling electric cars, we tried to focus on knowledge areas where we thought we could offer more value," said Eduard. His co-team member **Mireia Ribot** said, "We centered on the energy sector, more than the automotive sector, since two of us had experience in that area."



ACADEMIC-COMPANY COLLABORATION

In the opinion of another member of the group, **Max** Radt, "the most important thing about the project is that the company was present during the presentations and the questions that came up along the way – this adds to the value," he said. "The fact that SEAT collaborated, helped give the project a feeling of being real and encouraged us to make an even greater effort," said **Eduard**.

"It was a collaboration in which we all came out as winners," said **Enrique Rincón**. "For IESE, because it strengthened its relationship with SEAT, a very important company; SEAT, because it was able to gather fresh ideas; and students – unlike other fictitious situations when we have had to work together – have interacted within a realistic framework."

"The greatest benefit you take away is the experience of working with groups made up of students who come from different sectors and this is very enriching on a personal level," explains **Mireia**. **Max** observed that "we can see we have developed since the first projects we did when we started the course. You can tell what we have learned during the MBA."

IDEA EXCHANGE

The "SEAT e-mobility Project" with the participation of eight work and research groups, is led by Prof. Sachon. The company gave students of the best project team the opportunity to take four SEAT electric vehicles (BEV) for a test drive around Barcelona - even before the cars entered their fleet tests. SEAT, a leader in the market, has a team of engineers and professionals dedicated to promoting e-mobility, which is led by Dr. Matthias Rabe, vice president of R+D, and Dr. Tino Fuhrmann, head of e-mobility. The aim of the project is to create an exchange of ideas on the future of mobility and generate debate among future leaders in the business community.



t the beginning of June, faculty members from diverse universities in Europe, Africa, Asia and Latin America will become business school students once again when they begin the three-week International Faculty Program (IFP) on IESE's Barcelona campus.

Now in its twenty-first year, IESE's IFP is a unique business school faculty enrichment program geared toward helping professors improve their abilities as communicators, inside and outside the classroom, as well as enhancing their capacity to develop courses, author cases and exercise institutional management.

The IFP concentrates on teaching participants methodologies in management education, research and development of curricula. The program is designed for faculty members of business schools worldwide. The IFP introduces participants to the case study method, a dynamic

pedagogical tool. Participants in the program also have the opportunity to gain new teaching competencies, improve their existing techniques and share them with other colleagues. During the four-week residential course, they also gain new ideas for curriculum and course design for implementation at their home institutions.

"Most business school faculty members spend a great deal of time cultivating top-notch research skills during their Ph.D. programs, but usually they have spent less time on developing themselves professionally in other key areas such as teaching approaches, course design, leadership and managerial skills and career management," said IFP Academic Director **Javier Santomá**, IESE professor of financial management.

"The IFP provides business school faculty members with a robust, professional development program designed specifically to help them improve across all those areas," he said.





Germán Céspedes.



Monica Karretts-Makau.



Wolfgang Amann.

The course is structured around the following components: case study method; case writing; course design; leadership in context; faculty development; persuasive communication; institutional management; adult learning methods; operations management; coaching and mentoring and case presentation.

Monica Kerretts, who teaches the MBA program at Strathmore Business School in Nairobi, completed the course last year. "One thing I learned is that teaching is an art," she said. "It's about knowing your audience and knowing yourself. I learned a lot from seeing lecturers teach a proper case in action."

Wolfgang Amann, executive director in charge of further education at Goethe Business School in Frankfurt, was in the same cohort as Monica. He said the IFP had exceeded all his expectations. "Afterteaching for several years you find yourself in certain routines," he said. "You continue to use the successful recipes that have worked in the past. But here

you have representatives from a number of schools that have their own success recipes. We can mix the best of all worlds."

INTERNATIONAL NETWORK

Classmate **German Céspedes**, who was going back to Costa Rica to set up ESDE Business School there, agreed. "Thave a lot of experience in business but I'm not very familiar with education. This has helped me to focus all this experience into learning what it takes to be a good teacher in a business school." Faculty members from over 200 institutions around the world have already participated in the IFP since it was originally created. As a result, participants have helped create an important international faculty network, which is believed to be making a significant contribution to the elevation of business educational standards in many countries.

MORE INFORMATION: www.iese.edu/ifp

REAL MEDIA VOICES

The Media AMP in
New York City features
Leadership Forum – a
chance to connect with top
executives in the sector.



timulating chats with movers and shakers in the media industry are a central feature of IESE's Advanced Management Program for media executives, which included a module recently held at the school's New York campus. The Media AMP, which is held in partnership with the Paley Center for Media, is aimed at senior leaders in the sector, and is the first and only program of its kind. During the program, participants have the unique opportunity to sit down and converse with experts through a special component of the program, Leadership Forums. This year's forum participants included:

Frank A. Bennack, Jr. is Chief Executive Officer of Hearst Corporation, one of the world's largest media conglomerates and owner of well-known brands that include Good House-keeping; Cosmopolitan; Country Living; O, The Oprah Magazine; Esquire; Marie Claire; Seventeen and Smart Money.

Katherine Oliver is the commissioner of the New York City Mayor's Office of Media and Entertainment (MOME),

which consists of the Office of Film, Theatre and Broadcasting; NYC Media; and NYC Digital.

Geoffrey Sands is the Chair of the PBS Board of Directors and in this capacity holds an ex officio, voting seat on the PBS Foundation Board. He is a Director of McKinsey & Company and heads its Global Media.

Steve Capus was named President of NBC News in November 2005. He is the No. 1 News Division executive and is responsible for all aspects of America's highest-rated and most-watched network news division, as well as MS-NBC and NBC News Channel.

Alexandra Wallace was named senior vice president of "NBC News" in December 2008. In what is an expanded version of the role that she held from January 2006 until March 2007, **Wallace**'s responsibilities include overseeing "Nightly News," news production and staffing.

Alan Patricof is the founder and managing director of Greycroft Partners LLC, and one of the early pioneers in venture capital.



Other media leaders and experts also weigh in during the program, which consists of four 1-week modules conducted over a 6-month period. Three modules take place in New York City and one module takes place in Los Angeles. The academic director of the program is IESE Prof. **Mike Rosenberg**.

The Media AMP Leadership Forums are an invaluable aspect of the program because they allow participants to interact with world-class media and entertainment leaders in a private and intimate setting. Participants learn straight from executives about the management challenges that they face on a daily basis, and how they have addressed those challenges to advance their companies as well as their careers. They also address an extensive range of key management topics including corporate strategy, financial accounting, operations, IT strategy and digital value chain.

This year's international roster of participants includes C-suite level executives representing firms such

as Univision Communications, Indomina Group, Europapress and the United Nations. They reflect a range of countries such as United Kingdom, France, Italy, Kenya, Nigeria, Spain, Mexico, Colombia and the United States.

"Each Leadership Forum is designed to give participants the feeling of sitting in the lidving room of a major media star, allowing participants to hear them tell their personal stories about how they got to where they are today, their business challenges and views of their businesses' futures," said Program Director **Rich Sabreen**.

"These interactions not only take participants into the minds and hearts of these influential business leaders, they also pave the way for unparalleled networking opportunities with these leaders who are changing the face of the business."

MORE INFORMATION: www.iese.edu/media-amp

A TRIBUTE TO ANTONIO VALERO

Imagining the Unimaginable Achieving the Unachievable

A special session that focused on the figure of IESE's first Dean, Antonio Valero, looked back at his management vision and some of his thoughts on leadership, as relevant today as ever.

IESE Dean Jordi Canals highlighted magnanimity as one of the key virtues embodied by Professor Antonio Valero, IESE's original Dean, who was paid tribute to in Barcelona on February 9. This special session of the Continuous Education Program was titled "Antonio Valero's Academic Contribution: Business Policymakers in Especially Uncertain times". Last summer marked ten years since his death.

Gas Natural Fenosa Chief Executive Officer **Rafael Villaseca** (MBA '76) said that Professor **Valero**'s idea that "a business' policymaker takes care of what's most important in a company" had governed his own work. According to **Villaseca**, everything boils down to "deciding, setting out what needs to be done, and making sure it's seen through".

For this CEO, the first phase of action (deciding and setting out the plan) is made up of two parts: "the analysis" and "the decision." The analysis, according to **Villaseca**, should be "clear, concrete, and detailed," although - he lamented – it often is not. "There is a lack of courage and people become dizzied. It's hard to call things as they are, and analyses are insufficiently clear." With respect to the decision, he suggested that the best route to making

the right decision is through debate. Likewise, he warned "it's impossible to take a risk without knowing what it is," and recommended making a point of dealing with risk analysis, which in his experience is uncommon.

The second phase, the action, strictly speaking (making sure the decision is seen through) is the hardest part, he cautioned. However, he admitted that it is "the part that has most filled my professional life, and I wouldn't change it for anything. I have enjoyed and continue to enjoy putting things into practice – into action."

Villaseca also spoke a bit about how crucial a policymaker's attitude is to a company. "Success or failure is a matter of attitude," he declared. He confided that "everything I have done has been thanks to what I learned right here, most especially from Professor Masifern," and offered his thanks to Valero and to all the professors who've made a school like IESE possible.

In his remarks, Professor Carlos Cavallé - who worked with Antonio Valero during the nine years he led IESE (1958-1967) - set out the four characteristics essential for a lead-

er and implicit in **Valero**'s thinking. The first is "strategic thinking;" the second, the ability to "make the organization work" efficiently. A third trait is innovation. "Senior managers have to imagine the unimaginable and achieve the unachievable," evoked Professor **Cavallé**, quoting Professor **Valero**. Lastly, the fourth quality is a passion for excellence, the attention to detail born of carefully finishing anything undertaken.

Prof. Manuel Velilla pointed out that "the best definition of business policymaker was he himself," referring to Valero. He brought up one of Valero's main lessons: the concept of "objectives," and stressed the emphasis that IESE's first Dean placed on the importance of the concept of an objective as "the most desirable situation," as opposed to the current confusion with the concepts of indicator, index and the like. "To manage by objectives – Professor Valero often repeated – is not to manage by ratios or gauges.

Next to speak was Professor Juan Carlos Vázquez-Dodero, who put special emphasis on the important boost Valero gave to IESE's academic vocation through its doctoral program. This program's main focus was to educate professionals who were well schooled in matters particular to business and management, in full command of their academic specialty area, clear about their teaching role,

and conscious that sooner or later it would fall to them to administer some part of the institution in which they worked. Professor **Vázquez-Dodero** ventured that Dean **Valero** would likely

opt today for two types of doctoral programs: one more research-oriented, with the ability to teach; and one more teaching-and administration-oriented, with the ability to keep up with advancing scholarship.

Prof. Joan Enric Ricart explained the four elements that, according to Valero, should always comprise a company: business, institutional structure, managerial structure, and shared professional life.

To manage by objectives is not to manage by ratios or gauges.

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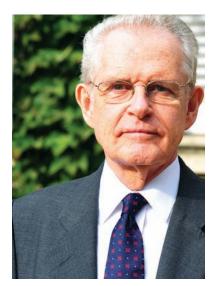
CONTINUOUS EDUCATION PROGRAM

Action Plan Against Corruption

Prof. Argandoña advises clear measures, a firm commitment and an integrity program to fight corruption.

How can companies protect themselves against corruption? This was the key question raised during the Continuous Education session led by IESE Prof. Antonio Argandoña on Jan. 31. The event was organized by the Spanish Committee of the International Chamber of Commerce and the "la Caixa" Chair of Corporate Responsibility.

When faced with corruption, business leaders have three options: do nothing, react or anticipate. When choosing this last alternative, Prof. **Argandoña** urged companies to create an action plan.



Prof. Antonio Argandoña.

First, companies should express their willingness and a clear commitment toward combatting corruption. And they should articulate these intentions publicly, specifying who will take charge if there is a crisis. They should also begin a process of internal reflection involving everyone in the organization. And finally, they must carry out a plan of integrity that analyzes risks and outlines communication policies.

Nothing is free, however, so companies have to be ready to invest resources, particularly in the areas of human resources and education for executives and other staff members. That's because it is "always better to prepare for the worst" and only later relax.

Also participating was Jordi Sellarés, secretary of the International Chamber of Commerce in Spain, who introduced the organization, noting that it was created to defend fair trade and competition and today acts as an advocacy group in the business world.

The Film Industry and Leadership

Crisis Calls for Radical Change

"Cinema is the mirror of life," said Jerónimo José Martín, president of Spain's Círculo de Escritores Cinematográficos, paraphrasing Orson Welles. "And films like *The Tree of Life* by Terrence Malick, require not only a change in the economic model, but a radical change in society's attitudes and, therefore, in every person that is a part of it."

Martín explained how movies have interpreted the crisis in alternative and subtle ways in a Continuous Education session on IESE's Madrid campus. His talk, "Capabilities for Weathering the Storm. Lessons from the Film Industry," was moderated by IESE Prof. **Guido Stein**. The film *Inside Job* by **Charles Ferguson** or *Wall Street 2* by **Oliver Stone** illuminate causes of the economic crisis, showing how executives and politicians were influenced by greed and ambition. Eventually, many people believed they were untouchable, he said.

Films such as *The Company Men* starring **Ben Affleck**, *Chinese Take*-

Away with Ricardo Darín and Win Win directed by Tom McCarthy are other examples.

In all of these films, the main characters learn to change the way they see the critical situations they face and become motivated by more than just success.

He noted a comment made by **Margaret Thatcher**, a role recently played by **Meryl Streep** in *The Iron Lady*, that stressed the importance of being reflective when facing a world enthralled by emotion.



Carlos Vázquez, Sofía Anza and Carlos Romero.

YOUNG TALENT PROGRAM (YTP)

A Good Career Launching Pad

Now in its fourth year, some 125 students have taken advantage of the program as a stepping stone to studying for an MBA and a way of developing their careers.

"My dream, even before I came to IESE, was to work for a private bank but none of them liked my CV once I'd finished my degree. Now, thanks to the YTP, I've got a job at Credit Suisse," says Carlos Vázquez, an arts graduate from the University of Navarra. He is one of the young people who joined the Young Talent Program and who has moved on to the second phase, the MBA, after spending two years working for a company.

Once they join the program, having finished their degrees, the graduates take part in the Next Steps Seminar, a one-week module in which they join classes at IESE and familiarize themselves with the case study method. They then spend the next two years

working for a company associated with the IESE program. At the end of this period they are ready to start an MBA at IESE. Students from the fourth intake are now doing the admission exams. A total of 125 students have been admitted since the program was launched, 60 percent of them from outside Spain.

Carlos Romero, who studied law and worked for PwC before embarking on an MBA, describes the benefits of the program. "Participants know they have been accepted on to the MBA course once they finish their degree and this forms part of a very useful package, as well as getting to know IESE before starting classes," he says. At the same time, IESE manages to hang on to talent that might otherwise

not have ended up in its classrooms. Through the YTP, IESE "links up companies with completely new profiles," says **Carlos Vázquez**. From the companies' point of view, they can count on being supplied with talented young people that have been filtered by IESE.

"I'm proud to have taken part in the first YTP. It's really great to see how later generations are benefiting from the feedback that you have provided," says Sofía Anza, who studied pharmacology and worked for Eli Lilly. "When you come to a place like IESE at such a young age you develop a lot of affection for it and you get involved." Carlos Romero feels that participating in the first program is "a responsibility" and makes him a role model for many people who want to join the program. "We have to repay the trust that IESE has invested in us," he says.

Finding and keeping talent is crucial for any company that wants to survive a period of globalization and recession. "The YTP encourages professional and business success while at the same time opening the door to specialized and qualified professionals," said Itziar de Ros, head of IESE's MBA admissions department.

MORE INFORMATION: www.iese.edu/youngtalentprogram

FACEBOOK'S CHRISTIAN HERNANDEZ ON HOW FRIENDS IMPACT CONSUMER BEHAVIOR

Driving Growth Through Social Networks

The era of the algorithm - when users simply searched for information on products and services through platforms such as Google and Yahoo! - has paved the way for "the algorithm plus friends" age, said Christian Hernandez, Director of Platform Partnerships at Facebook, during a special Continuous Education session this week.

Moderated by Prof. **Sandra Sieber** of IESE's Information Systems Department, the session coincided with the 2012 Mobile World Congress being held in Barcelona.

With 845 million users now under its belt, Facebook wants companies to learn how they can capitalize on today's highly social internet environment, **Hernandez** said. Today, it's "the algorithm plus your friends that are telling you where to go."

Whether it's buying clothes or choosing a restaurant, Facebook is en-



Christian Hernandez and Prof. Sandra Sieber.

abling people to contribute more than ever to their friends' daily decision making through new features that allow the discovery of content through human connections and recommendations. As technologies evolve, Facebook is also becoming a mobile experience with additional impact.

Hernandez insists that privacy remains a critical issue for Facebook. He stressed how Facebook has recently enhanced privacy settings so that users can have more control over the information that can be viewed or culled by others from the platform.

Start-up Nation

Israel's Hi-Tech Success Story

Israel's reputation for entrepreneurship has earned it the epithet "start-up nation," Rami Kalish told a Continuous Education session on IESE's Barcelona campus in February. Kalish, cofounder of Pitango, Israel's leading venture capital fund, was speaking at a session titled "Catalonia, Israel & Venture Capital" moderated by Prof. Antonio Dávila.

Many factors have helped Israel to become a start-up success story. There is government support and a

strong industrial and academic base. On the other hand, the Israeli Defense Force drives a lot of technological development and, while compulsory military service is generally time wasted in other countries, in Israel it produces people with high levels of training and experience. There is also a pervasive spirit of innovation and entrepreneurship.

"Entrepreneurs in Israel have high status," **Kalish** said. "And even if you fail, that's all right. We have a lot of time for second-time-around entrepreneurs. We value the spirit of risk taking."

Government support is a vital factor. It has a \$300 million budget to subsidize up to 50 percent of R&D investments for new products. It also offers a safety net for institutional investors who invest in venture capital, tax credits for angel investors. Hi-tech industries account for 15 percent of GDP, 10.2 percent of the workforce, 41 percent of industrial exports and are the highest contributor to GDP growth.



IESE SUPPORTS AFRICAN BUSINESS SCHOOL

Ivory Coast Programs Take Off

The Management Développement d'Entreprise (MDE) in Ivory Coast seeks to make an impact in French-speaking countries in West Africa.

The AMP and the PMD programs led by the MDE in Ivory Coast kicked off in February in Abidjan at full capacity. Eighty high-level participants (40 in each program) are taking part, signifying an important step forward for the newly-established business school.

In July, participants in the programs will fly to IESE's Barcelona campus for a week of academic sessions. They will also meet informally with European business leaders with activities or interest on the African continent.

At the same time, future professors at MDE Business School have spent time at IESE expanding their knowledge and teaching skills, with the objective of returning and helping the new business school become fully autonomous, both academically and organizationally.

MDE was receives institutional support from IESE. In 2011, MDE offered its first long open program,

which is taught in French. The new school in Ivory Coast aspires to make a major impact in Frenchspeaking West Africa and has already attracted students from various countries.

The MDE project is backed by IESE's "Africa Initiative" which is led by Prof. **Lluís Renart**, who also coordinates the academic support for business schools in Nigeria, Kenya, Angola and Egypt with the long-term objective of improving and developing management education across the African continent.

In 2011 the Abidjan school held its first AMP, which was given in French, which is something of a departure for business schools associated with IESE.

The Ivory Coast school hopes to extend its reach across all of French-speaking West Africa and participants from various other countries in the region have already signed up for the 2012 course.

News From Finaves

Israeli Investment

FINAVES III and IV have taken a stake in the Israeli company Gerium, founded by **Moshe Gerber** and **Eyal Gerber** (MBA '12). The company develops medical devices based on spectroscopy.

Gerium Medical's mission is to develop state-of-the-art medical devices in the field of medical optics. The company's devices measure different substances from the human body in a non-invasive manner. The first product they plan to market is a non-invasive technique for diagnosing jaundice in newborn infants through the measurement of transcutaneous bilirubin. The product is the result of extensive research conducted at Ben Gurion University in Israel. The technique reduces or eliminates altogether the need for blood tests. Hospitals in the United States have already adopted similar technologies in substitution of traditional blood tests.

Gerium has received investment from FINAVES through a share capital increase as well as seed capital from Naiot Venture, an Israeli VC specializing in the medical sector. The company has also received the backing of the Israeli government's Office of the Chief Scientist as well as support from a variety of renown experts in the sector.

FINAVES IV has approved a share capital increase of €1.5 million which includes the incorporation of new investors to the fund. This new injection brings the fund's capital commitment to a total of €4 million which will go towards helping IESE alumni finance their entrepreneurial initiatives as well as investing in companies run by the school's alumni. For its part, the Finaves board has admitted new members whose participation is expected to add a great deal of value to the fund.



You can find it at Sony Store Madrid and Barcelona

JANUARY 24 ON IESE'S BARCELONA CAMPUS

IESE-IPADE Committee Meeting

The IESE-IPADE Committee has met every two years since IPADE's establishment to promote the development of projects of mutual interest, exchange points of view on business management and analyze research topics together. Representing IPADE at the meeting were Rafel Gómez Nava, dean; Martha Rivera, general secretary; Julian Sánchez, academic director; and Alfonso Bolio, president of Universidad Panamericana. Participating on behalf of IESE were Jordi Canals, dean; Eric Weber, associate dean; Franz Heukamp, secretary general; Frederic Sabrià, dean of faculty; Mireia Rius, director of the Alumni Association; and Prof. Eduardo Martínez Abascal.

This year's agenda covered numerous topics such as the economic panorama, international expansion of the two schools, the role of alumni associations and faculty development, among other topics.



WomenMaking Strides

Women still make up a very small percentage of CEOs at blue-chip companies around the world. But the number of female entrepreneurs and those who hold positions with purchasing power is on the rise around the globe, which is a far more telling trend in the business world, said Irene Natividad, president of the Global Summit of Women, at the Legacies



Prof. Nuria Chinchilla.

of Women Forum held at IESE Business School.

Natividad moderated the forum, which featured a panel of senior women excutives woho fielded questions on a range of issues such as how the made it to the top, how they were educated by their parents and how they balance a demanding career with family five.

Participants in the forum were Núria Cabutí, CEO of Random House Mondadori S.A.; Macarena Cassinello, vice-president of Case New Holland; Ana Maria Llopis, chair of the board of Dia Spain and board director at Société Generale, France; and Elizabeth Trallero, CEO of Congost Plastic. Mireia Rius, IESE's director of the Alumni Association and International Development, provided opening remarks. Prof. Nuria Chinchilla, director of IESE's International Center for Work and Family, moderated the Q&A session.

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TECHNOLOGY ENTREPRENEURS

IESE MBA Graduates Win Awards in wayraWeek

Games for smart phones, an online community for professionals in the food sector and on online PR network selected in technology award scheme.

IESE alumni Ignacio Arroyo (MBA'02), Alfonso Urien (MBA'06) and Christian Enestrom (MBA'11) have garnered prizes during wayraWeek in Spain, a Telefónicasponsored meeting for entrepreneurs that took place in Barcelona in February. The graduates' projects - Ludium Lab, Hermeneus and Speeb - were among the finalists selected as "accelerated projects."

According to **Arroyo**, Ludium Lab seeks to be "the Spotify of games for mobile phones and tab-

lets." The service allows users to play a series of video games developed for the PC on smart phones or tablets, with the advantage of not having to download the application. "The business model will be based on subscription and incorporated into a service offered through phone companies," said **Arroyo**, who credited IESE with giving him the necessary knowledge to create a business plan and to present it effectively to the public.

FOOD AND LOGISTICS

Also taking home an award was Hermeneus, led by Alfonso Urien. Hermeneus is an online community that puts professionals in the food and logistics sectors directly into contact with buyers, combining elements of ecommerce with social networking. Urien described the venture as "the digitalization of the town square,

with glocal power." The venture is not **Urien**'s first: "I did an MBA because I wanted to launch a project and IESE confirmed my idea and helped me to overcome my fears about being an entrepreneur that you sometimes have in Spain."

Similarly, **Christian Enestrom** said that IESE provided "networking and confidence." President of IESE's Entrepreneurship Club, he participated in the Venture Capital Investment Competition and, just after finishing his MBA, launched Speeb. Speeb is a PR network fed by sponsored content with the objective of optimally monetizing digital space.

Wayra is a program established by Telefónica to seek out talent and innovative technological projects. The initiative has been launched in Colombia, Mexico, Spain, Peru, Argentina, Brazil, Venezuela and Chile, with ten projects selected in each country.

Subscriber Model Is Paying Off for FT

After establishing itself as a leading Internet news site, the Financial Times is now seeking to consolidate its mobile and social media presence, **Rob Grimshaw**, managing director of FT.com, told a class of MBA students in March.

And its ambition is well on the way to being met: The FT already boasts 250,000 fans on Facebook and a million followers on Twitter - no small feat for a specialist newspaper whose century-old business model was turned upside down just a decade ago.

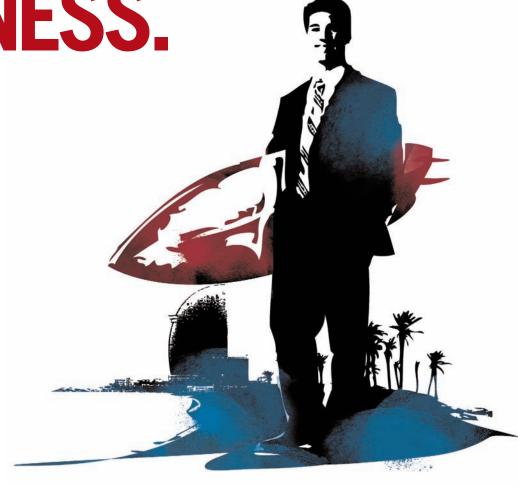
As the Internet began to replace the printed press, newspapers were faced with a much more fickle readership that was able to access and move between propositions with ever greater ease.

To make matters worse, most newspapers have banked on a business model – based primarily on advertising revenues – that is wholly ill-suited to the Internet. Just take the fact that news sites attract little more than one percent of total page views on the Web, compared to social sites' 53 percent.

The Financial Times was among the first to realize that it could no longer play the advertising game – its readership was too small and specialist. It instead opted for a pre-registration and subscription model, a decision that has paid clear dividends.

In 2011 alone the company increased its volume by 30 percent and its revenue by 60 percent, at a time when most newspapers were announcing major cash losses and job cuts.

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MBA Five Year Reunion

BARCELONA MAY 26

Once again, IESE alumni will gather on the Barcelona campus to mark another five years since their graduation. This year the classes of '72 to '07 are meeting.

Global Alumni Reunion

SÃO PAULO, NOVEMBER 1-3, 2012

Having met in Madrid last time around, this year the Global Alumni Reunion leaves Spain and will be held in São Paulo, once again reflecting the increasingly international profile of the alumni. As ever there will be a complete range of academic and social events with prestigious speakers. The meeting also provides alumni with an excellent opportunity to network in one of the world's most exciting new economies.

Family Affairs

61ST NETWORK OF PRIVATE INVESTORS AND FAMILY OFFICES FORUM BARCELONA-MADRID, APRIL 18TH

IESE's Network of Private Investors and Family Offices brings together investors and entrepreneurs at its 61st forum in Barcelona. As on previous occasions there will be a videoconference link with Madrid. The 62nd forum will be held on July 9.

Ethics, diversity and globalization

17TH INTERNATIONAL SYMPOSIUM ON ETHICS, BUSINESS AND SOCIETY BARCELONA, MAY 14 & 15

Held this year under the title "Universal Ethics, Cultural Diversity and Globalization," the symposium aims to promote conceptual and empirical research into how universal ethics are linked to cultural diversity and globalization.



Ramón Casas i Carbó, Tándem, 1901, Fundación Cultural Privada Rocamora.

Creative Luxury

14TH LUXURY GOODS INDUSTRY MEETING BARCELONA. APRIL 25

This year's meeting is being held under the title "Balancing Scale and Creativity" and looks at the sector's unstoppable rise despite the world economy's weak recovery and management challenges. It will also discuss the way that technology is changing retail sales and distribution.

CONTINUOUS EDUCATION

How to Build a Billion Dollar Company

Prof. Christoph Zott Olpe, April 25

Blinded By Growth

Prof. Javier Estrada Frankfurt, May 15

IESE AMP-SEP-PMD Reunion

Profs. Pedro Videla, Ahmad Rahnema, Hillel Maximon and Paddy Miller New York, June 1

MANAGEMENT PROGRAM

PMD Munich

The first module starts in Barcelona on May 9

AMP Santo Domingo

The program begins on June 13 at the headquarters of Barna Business School in Santo Domingo

AMP Brazil

The first module begins on June 18 & 19 at ISE in Brazil

PMD Brazil

The program begins on June 25 in São Paulo

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Franz Borgers (AMP-Munich '05)

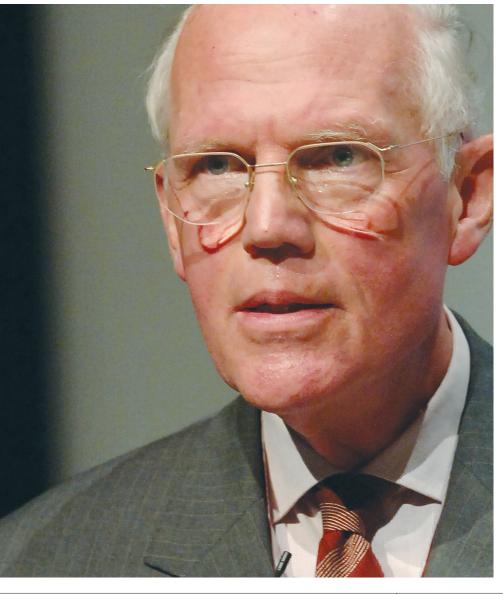
'A family business is a meeting place'

STEPHEN BURGEN

From wadding for horse-drawn coaches to sound insulation for luxury cars, Borgers has been in the mobility business for over 150 years. Franz Borgers, the company chairman, talks about the family business and the inspiration he received from participating in an AMP when he was already close to retirement.

ince its foundation in 1866, Borgers has had its headquarters in Westphalia but the family business now operates 22 plants in various countries. By growing steadily, Borgers – with its sites and co-operations – has developed into a worldwide operating supplier to the automotive industry, now supplying acoustically effective textile components. Borgers also uses its competence in the development of insulating materials for domestic appliances.

"Borgers has mostly been a supplier to the automotive industry, though then it was coaches which were fitted with wadding. It has been a family firm for five generations," said **Franz Borgers**, the company chairmen. "We cover the whole range of cars and trucks." The automotive market is international; effectively there is only one market. Borgers supplies the automotive industry with textile components from its plants in Europe and the United States. Today it has 5,000 employees and an annual turnover of approximately €500 million.



FOR THE FAMILY, THE BUSINESS IS MORE THAN JUST AN INVESTMENT WHERE THEY ONLY EXPECT DIVIDENDS.

The company has an ecological approach to the manufacture of its products. What does this mean in practice?

Borgers is one of the oldest recycling companies. Even the company founder **Johann Borgers** used raw material obtained from second-hand textiles and leftovers from the clothing industry. There are basically two kinds of fibers: virgin natural and synthetic ones, and recycled. We use recycled material from textiles, waste products from synthetic fiber production and from plastic bottles and other plastic items. The majority of our products are made from recycled materials.

How has the recession affected your company and what have you done to meet the challenge?

We have had a major downturn in our business and we have had to lay people off. It's hard to say what's going to happen in the automotive industry. Some people are optimistic, some are not. Fortunately we also have a machinery section that doesn't rely too much on the

automobile industry. As a medium-sized company, we cannot just diversify in any field.

Borgers has always been a family business. How does this affect the way it is run?

It's not black and white. There are publicly owned companies that are run like family businesses and viceversa. For the family, the business is more than just an investment where they only expect dividends. A family business is a meeting place, a piece of common ground. It's like an open fire in an old house, where the family gathered round in the evening. The fire doesn't just heat the house, it has a social function. Essentially, our mission is to keep this fire burning for the family, in good times and in bad, even if there are no dividends. Many employees have been with us for a long time, some are second or third generation. At present the senior executive posts are filled by members of the family, but this hasn't always been the case, and it's not mandatory.

P E O P L E

GERMANS HAVE A DEEP FEAR OF MONEY LOSING ITS VALUE. THE COUNTRY HAS BEEN ROCKED BY TWO BIG INFLATIONARY PERIODS IN THE PAST CENTURY AND PEOPLE HERE KNOW WHAT IT MEANS TO HAVE MONEY THAT IS OF NO VALUE.

Regarding the euro crisis, there's a widespread feeling in Europe that Germany has a special responsibility to bail out the euro. However, many Germans seem to resent the idea that they are being asked to pay for others' lack of financial rigor. What's your view on this?

Yes we have a certain responsibility, but every responsibility has its limits. You can't be responsible for something you can't handle. As an individual, you can't be responsible for people starving all over the world because you don't have the means. You can give money to a charity but as an individual you can't change conditions in the country. The task is too big for an individual. The same is true of countries. Germany can and should help. But it cannot solve the problems of other countries. There's a big difference between helping and solving the problem. Because Germany is reluctant it is accused of a lack of solidarity, but that's not the case.

Germans have a deep fear of money losing its value. This country has been rocked by two big inflationary periods in the past century and people here know what it means to have money that it of no value. So people feel that the stability of the currency, first the Deutschemark and now the euro, is vital. This outlook is not shared by all the other member states. So the first question is: are we up to the task of "saving" countries such as Greece? And secondly, what is going to happen to the European currency's value?

Are you confident about the future of the euro?

I don't know. What I'm confident about is that Germany will be in a position to create value. We have a strong industrial base and we are well placed to satisfy global demand. That is the basis of the wealth of a country. If there are no raw materials, such as oil and coal, you must have something else to sell. I think it's safe to say that Germany will always have products that people will want to buy.

What does Europe need to do to remain competitive?

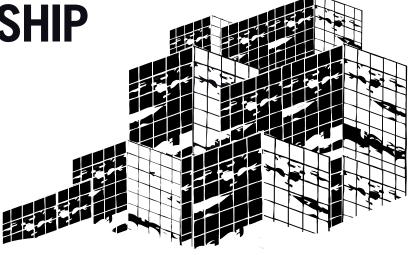
Well, first it needs to innovate. And it needs to keep costs down, and not just labor costs. Labor is just one cost factor. Costs include infrastructure, energy, taxes and interest. We pay high wages but we also pay high taxes. Part of the wages go straight back into the system. Wages are not always that important. In the end it's the price-performance ratio that counts. Foie gras is expensive, but if that's what you want, you'll pay for it. If you buy an expensive piece of machinery but it gives you better working conditions or higher productivity, then you'll buy it even though it's expensive.

Why did you choose to do the AMP and what do you feel you got out of it?

I'm a somewhat unusual AMP student as I did it when I was 64, at the end of my active career. My daughter graduated from IESE with an MBA. She told me about the AMP and it so happened that the first German-Spanish AMP was organized in 2005. I was familiar with IESE because I often attended the automotive meetings they hold every year. I did the AMP a little against my own judgment, because at 64 you think you know everything and what you don't know, you don't want to learn. I was amazed at how good it was for the brain, and as 'highlevel entertainment.'

It was like hearing an exceptionally good performance of a piece of music you know well. And there are a couple of things I didn't know at all, things that I was later able to introduce into the company. I am now the chairman of the board of directors and without IESE I don't think I would be so in touch with new developments in business. Anyone who wants to continue working in retirement, for charities or whatever, should do this course. It will make you better at your job and it will bring you much personal satisfaction.

DIFFERENT PERSPECTIVES WILL BROADEN YOUR LEADERSHIP VIEW



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Spring Edition

Understanding the Business Landscape

March 11-16, 2013

Getting Ready for What Lies Ahead May 6-10, 2013

Improving Business Performance June 17-21, 2013

Transforming Business Leaders September 16-20, 2013

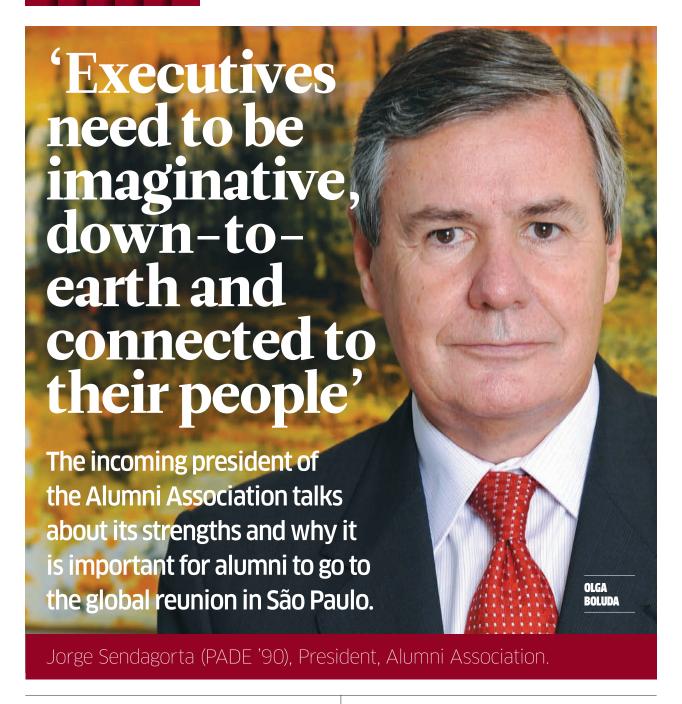
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he new president of the Alumni Association was elected unanimously on January 31 during the Management Committee meeting held on IESE's campus in Barcelona. Jorge Sendagorta is the chairman and CEO of the SENER group, a family engineering business. By training, a naval engineer with a PhD in hydrodynamics, Sendagorta joined SENER in 1986 and created one of the most important business groups in the Basque Country. During the past 20 years, he has upheld the business traditions that he inherited from his father, Enrique Sendagorta and his uncle, Manu Sendagorta. In recognition of this, in December 2011 he was named as the "Best Basque Businessman" by the Fundación Empresa Vasca y Sociedad.

You were part of the outgoing alumni administration as vice president of the executive committee since 2006 and also president of the Madrid Chapter. As you take over from Antonio González-Adalid as president, what aspects of the association do you to want to strengthen over the next three years?

We have to continue with the internationalization of the association's activities, in particular because IESE itself is rapidly internationalizing. Another key element is the Continuous Education program which is vital for keeping up to date and for staying in touch with professors and classmates. The fact that alumni can come and learn from a rigorous academic perspective, with all the facts and statistics, with the trends quantified, and that they have the opportunity

to come here to talk to professors, to take part in refresher courses - all of this is fundamental for the association. For this reason I believe that a Continuous Education program is an excellent thing and I want to give special attention to looking at ways of strengthening it. At the same time the SUCCEED platform has become one of the support services that is most in demand by members as it gives them the learning tools that help them to develop as leaders.

And of course we mustn't forget the next Global Alumni Reunion, which is a very important project. It is the first time that IESE has organized an alumni meeting in a rapidly developing country, which is one of the BRICS, and this is fundamental for all Spanish businesses at the moment. We have to open ourselves to all the possibilities that Brazil offers, a country to which IESE has committed itself with a complete range of programs (AMP and PMD) and with a new Executive MBA.

How do you plan to encourage alumni to go?

I will tell them that they have an obligation to go because business people have a responsibility. There are more than 5 million people unemployed in this country and Brazil is an economy that offers enormous possibilities. Business-people have to look beyond their borders, especially as the Spanish market is very small at the moment. And although there are interesting markets in the East, there is huge competition there and Spaniards do not have the same advantages that we have in Latin America, such as the language, the heritage, and the fact that we feel at home there. And the market in Brazil is thriving and we have to be there. Everyone else has to understand this opportunity, be open to the possibilities and understand that they are going there to improve their companies.

Can you tell us something else about the next Global Alumni Reunion?

The fact that we're going to have a meeting in São Paulo in the middle of the Spanish autumn is undoubtedly an attractive element, as well as what I've already said about Brazil being the focus of attention for all businesses, particularly Spanish ones. The theme we have chosen for the meeting is "Charting a Path in a Wider World," which is a phrase worth thinking about in these times of crisis and which can be interpreted in many ways.

In the current economic climate in which everyone's eyes are on new markets. how can the association help alumni?

The association, as with all of IESE, is an important vehicle. The financial and business world faces constant change. There are new paradigms and new ways of doing things, new markets that are opening up and gaining in importance and we need to understand how to deal with all of this. It's not enough just to read the newspapers. We have to put our trust in someone who can give us the numbers, point out the trends and offer us some management tools to deal with these changes. And IESE, through its Continuous Education program and all the mechanisms that the alumni association can

call upon, provides an extraordinary means for keeping ourselves up to date, thinking about the problems that we have to deal with and providing us with the necessary tools to do so.

As the chief executive of an important business how do you see the role of executives?

They have a crucial role because businesses are the ones who have to create jobs. This is our fundamental responsibility. The government can help by creating favorable conditions but is not going to create jobs which is a responsibility that we have to assume ourselves.

What values should an executive embrace in order to cope with the crisis?

They need several, some that are constant, such as transparency, honesty, rigor and coherence. The latter is essential if people are going to work towards the same goal. But there are other more aggressive values such as entrepreneurship, risk-taking. You have to be both imaginative and down-to-earth and you have to know how to connect with people.

Do you think that IESE's distinctive values are more important now than ever?

IESE has something unique and all of us have to work to develop it. IESE's values are fundamental, but we are now also at a point where we are not only competing with other Spanish schools but with schools throughout the world. This is why I believe that what makes IESE unique gives it a great advantage and we have to cherish this and make the most of it because it's what defines us in the long term as winners or losers. Another important characteristic is that everything goes through the professors. It's important that we continue to be able to count on the extraordinary talent of the IESE, their dedication, openness and willingness to remain in contact with students, because this is something that distinguishes us from other business schools.

How is it that the association continues to maintain its membership despite the economic situation, the diversity of the alumni and competition from other schools?

I believe that IESE is an enriching experience and as a result many students who pass through it realize that they don't want to break the link, that they want to maintain an IESE connection, with their classmates and professors. That's why they join the association; at least that's why I did.

You completed a PADE in 1990. What did IESE contribute to your professional career?

One of the declared objectives of IESE is to transform people who undertake an MBA or PADE and that was certainly the case with me. My career was very technical and very focused on research. My transformation towards management began before I came to IESE. It began when I took charge of SENER, a company that employed 500 people, at the age of 34. But IESE's contribution was very significant. It gave me the confidence and the necessary tools to manage, and the certainty that what you're doing you're doing reasonably well.

P E O P L E

SIGNPOSTS ALONG THE ROAD AHEAD

'The Economist' editor looks for flecks of light as another year of gloomy financial forecasts beckons.



or each of the past 25 years *The Economist* has published its annual predictions for the coming year. Daniel Franklin, *Economist* executive editor and editor of *The World in 2012*, presented this year's edition of the publication on Feb. 4 at IESE's Madrid campus at a session moderated by IESE Prof. **Juan José Toribio**. Before he delivered his talk, the *Alumni Magazine* caught up with him in Madrid and asked for his views on such issues as the ongoing financial crisis, the rise of state capitalism and Scotland's possible secession from the United Kingdom.

With hindsight, what could or should have been done over the past few years to minimize the effects of the crisis?

Of course it's easy with hindsight and one should be humble about the difficulties that policymakers have had to face. But there has been a lot of wishful thinking. At a European level there had to be a much more radical acceptance of the depth of the problem that Europe faced, in particular the Greek debt problem and the need to erect a serious firewall around other countries such as Spain. At a national level I think there was a reluctance to admit to the scale of the problem and to take the necessary measures. Spain is a good example. Spain was, in effect, in denial for a long time.

A short time ago there was a universal call for austerity. Now economists such as Joseph Stiglitz and some within the IMF are saying that austerity is in fact counterproductive. What's your view?

There is a real problem in that austerity has been enshrined in a treaty at the European level just at the time when growth is one of the problems facing the European area. There has been a fundamental misdiagnosis and by enshrining this in law we risk aggravating rather than solving the problem.

Will, as some people claim, the new treaty make it impossible for European governments to take Keynesian measures to stimulate growth?

It will certainly make it much harder. Some countries such as Germany will have more room to maneuver but certainly countries that are facing budget deficits beyond the accepted levels have no choice but to bring them down. In countries such as Spain, the question arises as to how fast it makes sense for this to happen.

How do you view the coexistence of state capitalism with market capitalism?

State capitalism is a model that has taken root in China and some other countries where big state-controlled enterprises borrow bits from the free market such as market mechanisms

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and best practices but still remain very much controlled by the state. The success of China and some other countries such as Brazil has made people think that state capitalism is an interesting model to look at and perhaps to emulate. You have an intriguing mix, with the crisis in traditional capitalism, a crisis of confidence, much soul-searching and a rise in the power and confidence of these new models of capitalism.

Does the fact that we do not have, and are not going to have, a United States of Europe lie at the heart of Europe and the euro's troubles?

The logic of the euro could lead you to conclude that one way for this to work would be to have a proper fiscal and political union. But Europe isn't ready for that, which raises the question of whether the euro can flourish without it. The usual European way there will be an attempt to muddle through with neither the pure model of a United States of Europe nor a retreat into the old way of separate currencies. It's an open question whether Europe will succeed in this.

How do you see Germany's role in taking a lead in this situation?

Germany has clearly emerged as a key player but there are many in Europe who question both Germany's analysis of the problem and its recipe for dealing with it. In



EUROPE ISN'T READY FOR FISCAL AND POLITICAL UNION. IT WILL MUDDLE THROUGH AS USUAL BUT IT'S AN OPEN QUESTION IF IT CAN SUCCEED."

essence, its policy is that it wants everyone to behave more like Germany, but there is a reluctance to recognize that for this to happen Germany would itself have to become less competitive.

The crisis has been the cause of much handwringing and calls for responsible capitalism. To what extent is this happening in reality?

At one level you see that companies are focused on the bottom line in a time of difficulty and the frothy end of corporate social responsibility has gone out the window somewhat. But if you look deeper at companies who are thinking about issues such as climate change and developing the sort of labor force they need, then you see them working in innovative ways with NGOs. So I think there is a twin track here of less superficial stuff and rather more fundamental stuff going on in the sustainability area.

Do we need a new kind of leadership?

I think leaders tend to emerge from their times and I don't think the people in charge today are any less capable than used to be the case. If you look at the U.S. system you can see that it's very hard to get anything done. The system is making it very hard for people to lead. If we look at the European Union, with 27 member states it's very hard to get agreement with such diverse interests. On the business level, you see businesses coming together and saying that if government isn't going to do something in areas such as labor policies and anticorruption practices then they will. There are areas where you see business exercising quite strong leadership.

Is Scotland going to vote yes to independence?

The Scottish issue will have reverberations far beyond Scotland and England, especially in Spain. If independence ever became a reality it would raise some serious questions, for example, if Scotland wanted to join the European Union as a separate nation. Would that be acceptable to Spain? The polls suggest they won't vote for a split but it could happen. After all, no one thought that Czechoslovakia would split up.

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ÓSCAR MACIÀ (EMBA '12) AND XAVIER BISBAL

SELLING POINT

New Application Revolutionizes Management of Sales Force

Tritium was launched to revolutionize sales management. "For the salesperson in the street, our management tool is essential," says **Óscar Macià**. He and **Xavier Bisbal** came up with the idea of ForceManager, a sales management tool that helps to save costs, increases sales and improves transparency, is more efficient and adds value to the sales relationship.

"A sales director wants their sales force to be out selling in the street as much as possible, but at the same time they need the best and most practical tools in order to add value to the business, and this is what ForceManager does," Óscar says.

Using a smartphone or a tablet and the Tritium app, the salesperson can see via GPS which clients are in the area and what business they have done with them. "All they have to do is make one phone call," says **Bisbal**. ForceManager is also a collaborative system that instantly updates all the activities of the sales team. This encourages the salesperson to be proactive and minimizes the time the sales manager spends on routine control of his or her team.

"It all began two years ago when I was the sales director of a small family business and I couldn't find a product that would liberate me from the supervisory role so that the sales force could stick to sales while I got on with planning," explains **Oscar**. At the time, **Xavier** was head of projects and a consultant at IBM. They met on a course and discovered they shared a passion for IT and new technology.



Óscar Macià and Xavier Bisbal.

They worked together on the idea for a product that went beyond what was already on the market for Customer Relation Management, all of which only offered partial solutions, and between them came up with the revolutionary new application. They set up a software company in late 2007 and got their first client a year later. After only three years, ForceManager can count on tens of adherents.

Óscar says a turning point came at the end of 2010 when he decided to undertake an EMBA at IESE. "It opened my mind," he says. Both emphasize the important role played by Jorge González, professor of sales management. "When we told Jorge about our new product and our ideas he advised us to focus 100 percent on the business," Óscar says. Jorge put them on to FINAVES in order to help them market their product. "It was a change of focus that made us take the business more seriously," Bisbal says.

"We knew that it was possible to grow quickly because we had a very solid product in our hands. We also knew that it was important to grow to position ourselves as leaders." **Óscar** admits that they had various offers for financing, but they chose FINAVES "because we thought about how much they could help us and also because of my connection to IESE."

Small and medium-sized businesses from all sectors have taken up the Tritium application. The business now has six partners and eight employees and entered the international market last March, focusing its efforts on the European market and Brazil. "We'll soon be operating in the United States as well," Óscar claims. Tritium is an evolving product and by the end of the year they expect to announce a major improvement to ForceManager based on artificial intelligence. "We caught the business virus at IESE. We're never going to stop being entrepreneurs," they say.



THE DRIVE TO CHANGE PEOPLE'S MINDS

THE SIEMENS LEADERSHIP STORY

Nicolas von Rosty tells the story of Siemens' renaissance.

One thing that marks out true leaders is that they strive to influence people and not just achieve things for themselves, Dr. Nicolas von Rosty, corporate vice president of Siemens AG told Executive MBA students at a Global Leadership Series session in Barcelona today.

Introduced by IESE Dean Jordi Canals, von Rosty began his talk, titled "The Siemens Leadership Story," with some background to the 160-year-old company that now employs 405,000 people in some 190 countries. The company is divided into four main sectors: energy, industry, infrastructure & cities and healthcare.

Siemens has transformed itself into a green company, **von Rosty** said, pointing to its work in reducing greenhouse gas emissions, its involvement in the giant solar power consortium Desertec, and Masdar City. Siemens has helped to create the city – located outside Abu Dhabi – which is entirely powered by renewable energy sources.

However, the company's very survival was threatened by a huge bribery scandal in 2007. The board avoided an Enron-style debacle by acting swiftly and firing a large share of the top management. They brought in **Peter Loescher** as CEO who, though relatively unknown, had impeccable ethical credentials.



Nicolas von Rosty.

Loescher, whose catchphrase is "never miss a good crisis" took this as an opportunity to preside over a huge management clear-out, as well as dealing with the compli-

ance case. He got rid of cash payments and slush funds and hired 650 compliance officers, not to police the place but to act as business facilitators. Within a year of cleaning up

the company's business practices, profit margins and turnover were both up. Part of the trick, **von Rosty** said, was that these changes were all executed very fast.

He pointed out that – according to several studies – the quality of leadership accounts for 15-20 percent of total variation of a company's performance. "Leadership is like swim-

ming," he said. "You can't learn it from a book." The received wisdom is so often wrong that good leaders are almost inevitably disruptive, he said. The key characteristics, aside from wanting

to influence people, are mobility, persistence, emotional intelligence, courage, cultural awareness and the willingness to empower people and build a high-performance team culture.

"Leadership is like swimming. You can't learn it from a book." RESEARCH EXCELLENCE AWARDS

PRIZE-WINNERS AT THE CUTTING EDGE

IESE Alumni Association Awards Help Generate High Quality Research



Prof. Elena Reutskaja.



Prof. Pankaj Ghemawat.



Prof. Marta Elvira.

The prizes were

awarded for work

carried out in the

2011-2012

academic year.



Prof. Carlos Rodríguez Lluesma.

Professors Elena Reutskaja, Pankaj Ghemawat, Marta Elvira and Carlos Rodríguez Lluesma were recipients of the Alumni Association's Research Excellence Awards, presented on Jan. 30 on the Barcelona campus. The awards ceremony took place during the association's Executive Committee meeting.

The awards were created by the association in the academic year 2001-2002 with the goal of helping IESE generate research and foster high quality management teaching.

This year, in the area of best academic article, Elena Reutskaja was awarded a prize for her article, "Search Dynamics in Consumer Choice Under Time Pressure:

An Eye-Tracking Study," published in the prestigious journal, American Economic Review.

PANKAJ GHEMAWAT

Received a prize in the category of best book for

World 3.0 Global Prosperity and How to Achieve It, published last year by Harvard Business Press Books. The jury noted the quality, prestige and dissemination of the work.

Finally, professors Marta Elvira

and Carlos Rodríguez Lluesma received awards for their course, "Capstone - Executive Career Leadership." The main criteria followed by the jury included useful-

ness for research and consultation activity, social impact and use of original and specific material.

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P E O P L E



ÁLVARO URIBE, FORMER PRESIDENT OF COLOMBIA

Winning the Small Battles

"During my time in office the economy grew, partly through achieving peace in the country which helped revive the sense of pride in being Colombian," Álvaro Uribe, the former Colombian president told a special Continuous Education session in Madrid. The session, titled "Colombia: the Transformation of a Country (2002-2010)" was moderated by IESE Prof. Francisco Iniesta. The ex-president said that when his government took office in 2002 it needed to generate confidence in three principal areas: security, investment and social policy. At the same time it had to fight corruption, drug trafficking and crime, which had permeated everyday life. Looking back over his presidency, Uribe said that "although we didn't create paradise, we put the country on the right track and we brought back hope because we looked for victories that were within our reach. We focused on small advances, such as making it safe for people to travel because tourism in the interior was non-existent."

APPOINTMENTS

STEVE

Has joined IESE as a science contributor in the department of Strategic Management. He has a B.S. in Economics from the Wharton School of Business at the University of Pennsylvania, an MBA from HBS and an MPA from Harvard's Kennedy School of Government.

PABLO FONCILLAS

Has joined IESE as a science contributor in the Sales Management department. He has a law degree from the Universidad de Barcelona and and an (MBA'00) from IESE.



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GLOBAL ENTREPRENEURSHIP WEEK

Royal Support

The Prince of Asturias, Don Felipe of Borbón and Greece, received representatives of Global Entrepreneurship Week at the Zarzuela Palace. The delegates were Francisco Iniesta, dean of IESE in Madrid, Yago de la Cierva, secretary-general of IESE, Mathieu Carenzo, of IESE's Center for Entrepreneurial Initiative and Marta González of the GEW.

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Anticipate: Building the Foundation

 $\mathsf{March}\ 5-10,\ 2012$

Prepare: Getting Ready for What Lies Ahead

April 23 - 27, 2012

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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NURTURING TEAM CREATIVITY

Lessons From the Movies



While creative products capture much of our attention, the creative process by which these products are brought to life is often overlooked or ignored.

To address this, IESE's **Kandarp Mehta** conducted research at 13 different motion picture shoots to observe the process by which teamwork leads to the expression of an idea. His findings form the basis of the book, *Conflict, Crisis and Creativity: A Study of Role Evolution in Creative Teams*.

As the title suggests, the book conceptualized the process of "role evolution." In other words, an individual's role within a team structure changes over a period of time, and this affects the fluency of generating ideas in one of four ways.

- 1. Gradually Increasing. Individuals' level of interest increases gradually, starting with being consulted and getting acquainted with other members of the team, then moving to making technical suggestions and eventually contributing their own original ideas.
- 2. Gradually Decreasing. Initially, individuals may be excited about the project and contribute lots of ideas from the outset. However, as the process progresses, if individuals see that their ideas are not being acted upon or are being dismissed entirely, they will



gradually lose interest and contribute fewer and fewer ideas, until they stop contributing ideas altogether.

- 3. Consistent. Some individuals never stop expressing ideas. In Mehta's study, the directors of a movie were most likely to show this tendency, owing to their vested interest in the project.
- 4. Abrupt Shifts. This often results from a crisis. Due to the loss of a crew member or funding, for example, someone with previously low creative input may suddenly step up and take on a leading role in creative terms. However, unless this newfound enthusiasm is encouraged, the competence levels of colleagues may gradually dampen that creativity.

Regardless of which path that role evolution takes, individuals go through four phases: identifying initial role boundaries; performing the initially identified role; changing the role based on team feedback and including or excluding activities

from the initial role space; and finally, performing the newly identified role.

STATES OF TEAM CREATIVITY

- Mehta's study also identified three main types of team creativity. This new taxonomy of team creativity addresses creativity from the perspective of creative potential and not creative outcome.
- 1. Null Creativity. This happens when most of the individuals in a team perceive their jobs as execution of given instructions and discard completely the expression of new ideas.
- 2. Nascent Creativity. This is a state when team members have expressed ideas but have not yet been captured by the system and put into practice. If the team does not accept or the organization is unable to make good use of the ideas expressed, individuals might lose interest and regard their job simply as decision making. When this happens, the team might regress to the previous stage.
- 3. Nurtured Creativity. Not every idea will necessarily lead to innovation, but it is important to at least have proper channels for individuals to express their ideas, so that they can be given the attention they deserve and possibly acted upon. In such a case, even the occasional rejection of an idea will not harm motivation levels.

The author notes that individuals will continually express new ideas, regardless of the eventual outcome, provided that they perceive the expression of new ideas as part of their roles.

Understanding this role evolution and the stages of team creativity is vital to fostering a creative process that results in more innovative products.

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CERRETAL EN ETT. DRIVING INNOVATION IN PHARMA

The *Wall Street Journal* Viewpoints Executive Breakfast Series Co-sponsored by IESE and BCG.

s more countries around the world push for equal pricing in the pharmaceutical sector, incentives for differential pricing are being threatened, warned Merck CEO Kenneth C. Frazier during a recent Wall Street Journal Executive Viewpoints event co-sponsored by IESE Business School and BCG in New York City.

This could force patients in developing countries to pay the same as those in developed ones, and consequently discourage the use of certain pharmaceuticals in the poorer countries.

"To me, that's not a moral position to take," he said.

The pharmaceutical industry remains one of the few net exporting sectors left in the United States, providing 300,000 jobs in the country, he said. But "getting to the cost side of things - that is the challenge," said **Frazier**, in the interview with the WSJ's **Alan Murray**.

Global price differentiation enhances innovation and ensures that doctors can make optimal choices of pharmaceuticals that are most appropriate for local patients, he said. "You can't have cheap prices in the most innovative industry in the world."

Frazier confirmed that the Obama administration's health care initiative has contributed to holding down stock prices, and many large investors are already restive about changes that are under way. Frazier, who met recently with President Obama, said the president

understands the need to maintain a strong and viable pharmaceutical industry, but believes the country has to identify "sensible ways" to keep health care costs down, without putting a cap on innovation.

DEFENDING INNOVATION

Frazier, who has held his position for about one year, said things have gone "relatively well" since he took over as CEO. "There have been a number of important challenges we have faced including a fundamental challenge around research and productivity," he said. "But on the whole I think things are going well for Merck."

He cited Merck's strong top-line performance of 5 percent growth and the introduction of new products, with 19 products currently in latestage development.



Addressing the recent legal case involving the painkiller VIOXX, Frazier said, "the defense of VIOXX was ultimately the defense of innovation at the end of the day. Many people saw it as a tactical war around courtrooms and lawyers and things of that nature. But when you're inside a company like Merck, a company that's very much committed to scientific excellence and research and integrity, defending how we handle VIOXX was critical to who we say we are as a company."

THE FUTURE OF THE BIG PHARMA MODEL

At Merck, decisions made at the highest level are aimed at creating long-term, sustainable value for shareholders rather than short-term profits, **Frazier** said. In this sense, the only way the company can be suc-

Ninety-eight percent of your products will fail. The question is can you make it ninety-eight and not ninety-nine."

cessful is through innovation, since the marketplace eventually seeks to commoditize goods and services.

He refuted the idea that the big pharma R&D model is broken. One of the fundamental problems with R&D in the industry is that it does not develop consistently and incrementally, unlike in other industries, he said.

"We have to reinvent ourselves every 10 years," he said. "We've

got to come up with a completely new molecule, a new compound that works against a different molecular target for a different patient population and provides some benefit in terms of medical need. That doesn't happen regularly, it happens stochastically."

Merck's strategy for the future includes narrowing the therapeutic areas where the company focuses its basic research dollars, hiring the best talent and working internally to make better decisions about when to "kill compounds early," in order to avoid wasting R&D expenditures.

"Ninety-eight percent of your projects are going to fail," he said. "The question is can you make it ninety-eight and not ninety-nine. So it's really important that if you fail, you fail early before you expend a lot of money."

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THE LATEST ON IESE'S ALUMNI CHAPTERS

CHAPTER NEWS

SHANGHAI

January 11

Prof. **Miguel Ángel Ariño** presented the session "Ten Principles for Effective Decision Making" in Shanghai. The effectiveness of companies and our own performance depends to a large extent on the quality of our decision making. This is especially important in times of uncertainty such as those we are experiencing. Prof. Ariño described the ten basic principles underlying good decision making based on his book, Iceberg Ahead: How to Make Good Decisions Without Drowning in the Attempt.

FRANKFURT

January 12

Car-makers are working on a variety of fronts to reduce CO2 emissions, Prof. Marc Sachon told a Continuous Education session in Frankfurt titled "E-Mobility." Among the various approaches are reducing vehicle weight, making cars more aerodynamic and improving fuel consumption. Prof. Sachon said governments can't force the car manufacturers to introduce electric and hybrid cars because of the damage it would do to the industry. The change has to be gradual and based on successful business models.

MIAMI

January 25

A large group of United States alumni met in Miami for the session "Innovative Culture: Values, Principles and Practices of Senior Executives in Highly Innovative Companies" given by Prof. Joaquim Vilà.

NEW YORK

February 2

Humantific, the consultancy cofounded by **Elisabeth Pastor**, is a company in which SenseMaking and ChangeMaking are important partners in the struggle to create a



more humane world. The session, moderated by Prof. **Joaquim Vilà** and at which **Pastor** spoke, examined the company in a session titled "SenseMaking for ChangeMaking."

WARSAW

February 9

The Polish capital hosted the Continuous Education session the "Global Economic Outlook" given by Prof. **Pedro Videla**. Hundreds of alumni attended the conference in which the professor analyzed the current economic situation.

MUNICH

February 10

Alumni from the Germany
Chapter gathered in Munich for a session given by Prof. Heinrich
Liechtenstein on "Impact Investing - the power of financial return and positive social impact."

PARIS

February 10

Prof. **Pedro Nueno** led a Continuous Education session in Paris titled "Entrepreneurial





1 and 2. Paris. 2 and 3. Warsaw.



L I F E

Speed." Speed is of the essence in entrepreneurial activity as opportunities demand a rapid transformation of business processes. Prof. **Nueno** talked about the role of speed and how to increase it.

HONG KONG

February 16

Prof. **Pedro Nueno** went on from Paris to give the session "Entrepreneurial Speed" to alumni in Hong Kong at which many new alumni had an opportunity to carry out some effective networking.

LONDON

February 23

London alumni were called on by Kristian Pedersen (G-EMBA '08) to celebrate the latest meeting of the Bar of the Month.

SAN FRANCISCO

February 23

The Continuous Education session "Dangerous Connections: Hedge Funds, Brokers and the Emergence of a Consensus Trade" was led by Prof. **Jan Simon**. Financial theory is based on the potential profits derived from investments but ignores the social and organizational aspects of decision making. Focusing on hedge funds, the professor examined the social structures and practices of the investment decision makers within these organizations.

DUBAI

February 28

Prof. Ahmad Rahnema presented the Continuous Education session "Global Financial Markets: Trends and Outlooks" in Dubai. He discussed the extreme changes that world financial markets have experienced in recent years as well as trends in the Dubai region.



4. Hong Kong.

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'88

The Spanish Council of Ministers has appointed **Fernando Martí** as secretary of state for energy.

EMBA'02

KPMG has named **Guillermo Padilla** as a new partner responsible for management consultancy in Spain.

PADE-A-04

Isabel Linares has joined Pricewaterhouse Coopers as senior advisor in the company's public sector department.

PDD-1-07

Víctor del Pozo, formerly with DHL Supply Chain, has joined Privalia as head of global logistics.

PDD-4-02

After more than 10 years working for leading sports clothing manufacturers such as Nike and Puma, **Joaquim Tomàs** has joined The North Face, the market leader in outdoor wear as country manager for Iberia.

PDD-C-03

The management of large estates department of Deutsche Bank has put **Nicolás Barquero** in charge of investments.

PDG-I-97

Albert Ros is the new director of Boehringer Ingelheim in Spain.

PDG-I-98

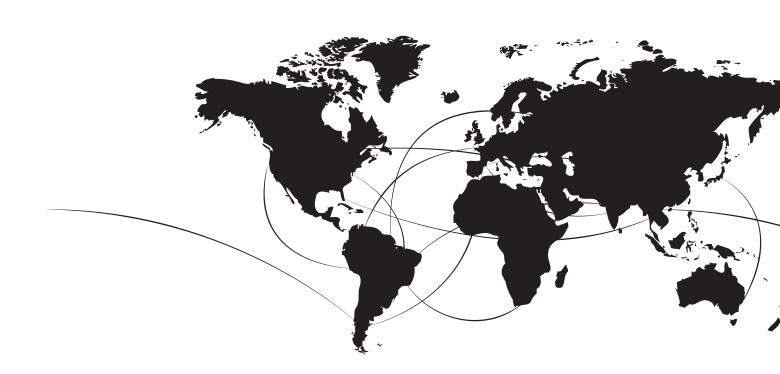
Osram has named **Cristóbal Ripoll** as director general, Spain.

IN MEMORIAM
MERCEDES PÁNIKER
(PADE '60)



Mercedes Pániker, the first woman to graduate from IESE, died on January 28 at the age of 91. She sat on the board of a large family chemical business and had a long involvement IESE's Alumni Association.

NEW IDEAS FOR NEW MARKETS









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For more information about the Global CEO Program, visit: www.iese.edu/gcp

A STEP FORWARD ON A CLEAR PATH

ntonio González-Adalid (MBA '75) opened the Executive Committee meeting of IESE's Alumni Association on January 30 on IESE's Barcelona campus. He provided an overview, for the last time, of activities and projects developed through th 2010-2011 academic year by the association. The meeting was also broadcast through video streaming to IESE's campus in Madrid. During the meeting, Jorge Sendagorta (PADE '90) took the reins as the new president, after being elected unanimously.

GOALS ACHIEVED

During the meeting, association divisions presented the annual report for the previous year and took stock of 2010-2011. The year marked continued growth for the association, a highly integrated community of business leaders and academics, with one of the highest affiliation rates in the sector. More than 38,000 graduates are now part of the community. Also during the year, the Continuous Education Program maintained a high level of activities and participation.

Worth noting is the growth in attendance at sessions taking place off the Barcelona and Madrid campuses. At these sessions, attendance grew by 25 percent as compared with the previous year.

Also during the meeting, the director of the Alumni Association, **Mireia Rius**, outlined the new goals set for 2012, such as the organization of the Global Alumni Reunion in Sao

Paulo. This edition marks the first time the event will take place in Latin America. It will include, as always, a compelling academic program "withthe participation of business leaders from the region and from around the globe, reflecting different sectors of the business world."

FULL 2012 AGENDA

Mireia Rius also presented projects planned for the coming year, which are grouped "once again around the key aims that define the character of the association: education and knowledge, professional development, communication and networking, expanding the portfolio of services offered and growth in the Alumni Association, with special emphasis on international and strategic markets for IESE, given the strong growth in international profiles due to the increasing number of graduates from our programs."

RECOGNIZING OUTSTANDING WORK

Once again this year, the meeting included the presentation of the Research Excellence Awards, which were presented to the following IESE faculty members:

Pankaj Ghemawat was recognized for his book *World 3.0*; Elena Reutskaja received a prize for best academic article for her work, "Search Dynamics in Consumer Choice under Time Pressure: An Eye-Tracking Study"; and Marta Elvira and Carlos Rodríguez Lluesma shared the prize for their course, "Capstone - Executive Career Leadership."





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L A S T W O R D

The Oblique Nature of Public Leadership



Senior Lecturer, Strategic Management

here are two types of public leaders: first, those who are political appointments or career civil servants, and second, others who hold staff positions. It is in the nature of public administration that all executives have to know how to act gradually and obliquely. This means introducing changes and programs gradually and operating across the structure. Both are required for the continuity of programs in order to overcome the immediacy of the politics and the procedural rigidity.

We shall focus our attention on public leaders who are members of staff, whether political appointees or career civil servants. **Alexander Hamilton**, one of the fathers of the Union, said that "a government that does things badly, whatever it is in theory, will be in practice a bad government." Therefore, in order to carry out an electoral program, it is essential to win the support and respect of the political executives and senior civil servants.

Knowing how to select people is more difficult in public policy than in a company. It involves understanding many more nuances of more people in less time, both in regard to their specific merits and their political leanings. You need to be sure of where you stand with some 1,000 senior executives.

The public leader has to think in a broad context. They must understand the law, both administrative and sectorial, operate within a certain set of values, understand the history and

the culture and respect the institutional memory and political system of every place. It means going beyond the "normativism" and the "decisionism" – which is the field of a civil servant or a business executive – in order to bear in mind the actual institutional order. They need to handle questions of the common good that don't of themselves produce anything, because they're not a product or service, but which merely induce.

To achieve this it is not enough to be good technicians, executives or managers (and much less, philosophers, sociologists or economists, who don't need to change reality). They need to know how to govern in the strict sense, to serve, design and lead projects and programs, work within a budget, use financial control or non-monetary indicators, assess public policy, negotiate, choose partners, manage communication and to act within a strict order of priorities and with exceptional transparency.

Finally, to help with moral and intellectual leadership and to establish good human relationships, a greater capacity to think and reflect is needed than that required of a business leader. Mere personal ethics, the ethics of virtues and goals, is insufficient. What is also needed, according to Martin Rohnheimer, is "the virtue of institutional action," the ethics of the means, of the institutional frameworks, corporate procedures and systems of management and laws which of themselves induce ethical social behavior that goes beyond the politician's personal intentions and actions.

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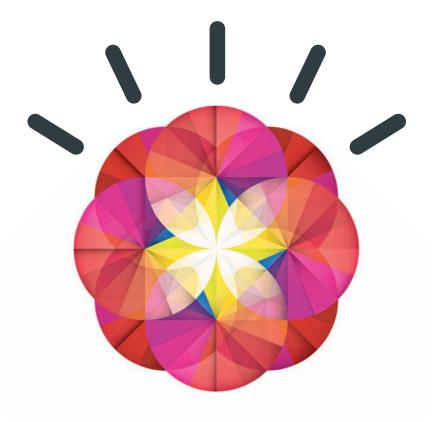






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Smarter computing builds a Smarter Planet: 1 in a Series

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

