

Antonio Argandoña
Business Leadership, Management
and Social Transformation

**Antonio Dávila and
Marc J. Epstein**
The Start-Up Corporation

**International Symposium on
Ethics, Business and Society**
Time for an Ethical Rewiring of Banking

THE IESE MBA: A WINDOW ON 50 YEARS OF HISTORY



CHANGING TACK

SHAPING EUROPE
AS A GLOBAL
REFERENCE

THE ECONOMY & EUROPE



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Lech Wałęsa
FORMER PRESIDENT
OF POLAND
NOBEL PEACE PRIZE LAUREATE



Juan Miguel Villar-Mir
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THE FIRST EMBA
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The story behind the cover

On May 31, 2014, the more than 500 alumni who came to the MBA Alumni Reunion formed the number 50 to celebrate the half-century of the MBA program.

Thanks for your help!

You can download the photo on

www.iese.edu/50MBApphoto

In future editions we will be looking back at the 50 years of the program with the help of alumni, professors and the program directors.



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IESE MBA: 50 YEARS OF ETHICAL LEADERSHIP



ANTONIO ARGANDOÑA

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“What have you been teaching in business schools?” I’m sometimes asked, in relation to the damaging effects of the financial, economic, social, political and moral crisis that continues to blight many countries. I don’t know what other schools have done but part of the explanation of what IESE has done can be found in this issue of the *Alumni Magazine*, the cover story of which focuses on the 50th anniversary of the MBA. Since the very beginning we set out to create a program that put the individual at the center of decision-making. It was made clear to the students, who initially had little previous experience, but increasingly have more, that they were not only responsible for their personal and business success but also their development as people, their role in the company, the market, the community and their relationship with colleagues, subordinates, clients and fellow citizens. We’ve spent half a century trying to achieve this. I don’t know if we’ve succeeded, but we continue to try each day. For those of us who taught that class that began in 1964, we are delighted to see that all the professors, whether veterans or newcomers, try to achieve it every year with the same spirit, commitment and eagerness.

Elsewhere in this issue the reader will discover other key areas of IESE’s work. The transformational role in business and society, for example, to mark the centennial of the chancellor of the University of Navarra, **Álvaro del Portillo**. The need for ethics in all decision-making, including financial and accounting, as discussed during the 18th International Symposium on Ethics, Business and Society. The role of innovation in business is covered in an article by **Antonio Dávila** and **Marc Epstein**. The responsibility of businesses to create jobs, above all for young people, which was the subject of the Alumni Day session in Madrid, as well as the study of today’s challenges, in the Fast Forward program. In the interview with **Francisco Reynés**, MBA ’89 and CEO of Abertis, he talks about what it means to be a leader and he says something that summarizes all the advice given in the MBA: “Business consists of common sense.” That is, perhaps, the best definition of what we try to achieve in all of IESE’s activities.

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IESE's MBA 50th Anniversary

Top: students of the first cohort of the IESE MBA, which began in September 1964, on their graduation day two years later, on the school campus.
Bottom: the class that is beginning its journey 50 years later and who will graduate in 2016.



MBA: **A WINDOW ON 50 YEARS OF HISTORY**

This is the story of the first half-century of the IESE MBA, educating and inspiring business leaders. September 2014 marked the 50TH anniversary of the launch of a program that has left its mark on thousands of executives from around the world. The MBA graduates are the real heroes of the story, because the transformational impact that they have every day on the people and the companies that surround them is the program's *raison d'être* and also its greatest success. Today the IESE MBA opens its doors to reveal 50 years of a thrilling history, based on hard work and enthusiasm, on rigor and on values.

The MBA Experience First Person Accounts

“IESE has imbued us with the spirit of doing things and not giving up, to be combative and to work with passion but always with a set of values.”

Alejandro Mingo Argentina (MBA '67)

“The MBA brought me face to face with a reality that I enjoyed enormously: business. Resolving case studies and specific situations was exciting. Without realizing it you are getting a magnificent education, a great capacity to analyze, which helps you to make decisions. The MBA made its mark on me and the way I act, and continues to do so.”

Baldomero Falcones Spain (MBA '72)

“IESE, like the University of Navarra itself, is about the pursuit of excellence. The master's changed me from being an engineer into a businessman. I learned that in this globalized world solidarity and, above all, empathy are an essential part of success.”

Anthony Onochie Nigeria (MBA '77)

“IESE is a unique institution, which for 50 years has demonstrated how business, education and community can work to promote a better global environment for all persons.”

Lorraine Merghart Ballard United States (MBA '84)

“At IESE you learn to think and act from a global perspective, which is fundamental to business success.”

Agnieszka Ziemia Poland (MBA '99)

New faces, filled with determination and expectation, are appearing on the IESE Barcelona campus. September is here and 291 students are ready to begin an MBA that they will follow full-time for almost two years and which will help them to advance professionally as company directors.

This year's MBA freshmen consist of men and women from 57 countries, who are embarking on an educational project that will affect them for the rest of their lives.

Some have come attracted by the school's rankings in international publications, while others have learned about it first-hand from an alumnus. Obviously, one of the best guarantees when it comes to choosing the program is the career and the example set by the 7,202 people from 103 countries who have so far graduated with an MBA from IESE.

Nowadays, the school has campuses in Barcelona, Madrid, New York and Munich, and IESE collaborates with other schools in Latin America, Africa and Asia. The faculty is made up of over 100 completely dedicated professors, all of whom have doctorates from prestigious universities.

All of this would have been hard to imagine back when the MBA was launched in 1964 with the support of Harvard Business School, offering a degree that was then practically unknown in Europe. At that time the school had been running courses for senior executives for six years and the program was taught in pre-fabricated buildings. Twenty-seven students graduated in the first year. The faculty was made up of 25 full-time professors, of whom five were still completing their studies in American universities, while others had just been employed and needed to be taught how to give classes of the caliber required by IESE. That first initiative has become a great project in a process comparable to a start-up that grows until it can rub shoulders with the global leaders in its sector.

THE LAUNCH OF A GOOD IDEA

Like any business initiative, everything begins with a good idea. Prof. **Carlos Cavallé** (director of the master's from 1964-66) studied at Harvard Business School in 1960-61 and was very enthusiastic about the Master's in

HARVARD BUSINESS SCHOOL-IESE

A Unique Relationship

These days there is nothing unusual about a company entering into a partnership with another, but in the world of business schools it's unique. The creation of the academic assessment committee between Harvard Business School and IESE was a novelty. Even now, IESE is the only European school that has such a close relationship with HBS.

In 1963, faced with the challenge of establishing an MBA, Prof. **Félix Huerta** suggested asking for the collaboration of Harvard professors in the creation of a committee that would offer IESE assessment on both academic and practical matters. The idea was very well received in both schools. That same year, several North American professors became involved with IESE, and in October that year the first meeting of the Advisory Committee of the Master's Program was convened in Boston.

The then dean **George P. Baker** named three professors to represent Harvard: **Franklin E. Folts**, **Ralph M. Hower**, and **Harry L. Hansen**, while IESE was represented by **Carlos Cavallé**, **Josep Faus** and **Félix Huerta**, who was president of the committee for twelve years. Since then the committee has met in alternate years in Boston and Barcelona (and, since 1997, in Madrid).

Antonio Valero, the school's first dean, was adamant that IESE should acquire its own personality, although it was inspired by other institutions.

Over time, the Committee has evolved to become a place for reflection in which IESE and HBS share experiences, exchange ideas and projects, discuss common problems and enrich each other with new ideas.

IESE has always been profoundly grateful to the Harvard professors who have participated in the Committee. "They have always given us their friendship, their understanding,

their encouragement and their best ideas without being asked for them and asking nothing in return. It has been a lesson in generosity that I'll never forget," says **Carlos Cavallé**. But "the benefit was mutual," says HBS professor **W. Carl Kester**. "Harvard learns a lot from IESE's innovations. It's a smaller school and therefore has a more flexible structure, but it shares our DNA," he says. Prof. **Pedro Nueno** says that "practically all of the IESE projects to expand and innovate have been discussed in the Committee."

As a gesture of gratitude, IESE proposed that the University of Navarra make Prof. **Ralph M. Hower** a doctor honoris causa, as well as **John MacArthur**, who in 1989 was dean of HBS. In his talk, **MacArthur** said that the IESE professors "have committed themselves to a mission to educate young men and women capable of imagining and creating a fairer society throughout the world. It's probably this commitment, above all, that has attracted the interest and the support of all of my colleagues at Harvard over these years. We at Harvard should be forgiven if we take a certain amount of pride in these achievements." IESE Dean **Jordi Canals** added that "IESE has learned much from this process and we have tried to put this learning at the service of our students and alumni."

This collaboration, which proved so useful in the early days of the MBA, continues to contribute to IESE's growth. **Nitin Nohria**, the HBS dean, was in Barcelona this year to commemorate the 50th anniversary of the Committee and recalled that "it's a relationship with very close ties. For us, it's important to be able to work with a school such as IESE, which is so thoroughly committed to principles that we also share." **Nohria** added that "more than our common interest in the case-study method, what we really share is our interest in upholding the same values."



Dean of Harvard, George P. Baker, hands a diploma to a member of the first IESE MBA class in 1966



HBS Dean Jay O. Light visited IESE to celebrate the school's 50th anniversary



The current dean, Nitin Nohria, at IESE at the celebration of the 50th anniversary of the IESE-HBS Committee

“I thought a two-year MBA would give me a deeper understanding... The case-study method helps you deal with the sort of problems a managing director faces. It puts you in his or her shoes and you immerse yourself in real and contemporary situations.”

Gaopeng Sun China (MBA '04)

“First of all, I learned that humility is perhaps the most powerful trait you can have. Secondly, I learned that hard work really does pay off. And thirdly, I learned that teamwork is the secret behind each individual achievement.”

Kartikeya Mehrotra India (MBA '14)

“The IESE master's gives you a global business outlook that helps you to quickly grasp the combination of factors that affect an organization.”

Jordi Mercader Spain (MBA '69)

“Above all, IESE offered us a guide as to how to act in our professional and personal lives, pointing out what to strive for and what to avoid.”

George Morgan United States (MBA '74)

Business Administration. Other professors would follow in his footsteps to study in the United States and the idea that IESE should offer a program then unknown in Europe gathered force. But the person that really gave impetus to the initiative was **Saint Josemaría Escrivá**, the founder of Opus Dei and Chancellor of the University of Navarra, who reoriented IESE so that it didn't just focus on educating business people and executives, but also on younger people.

In October 1963, the HBS-IESE Committee held its first meeting and committed itself to launching the master's in economics and business management.

They had only two and a half months to prepare everything: the organization, the degree, the objectives of each session and the material. Everything had to be in Barcelona ready for translation and editing by December 31. It was a lot of work. In the existing executive programs around 140 case studies were used while in the MBA there would be 800, and 400 of them in the first year. **Josep Faus** confirms that getting the master's going “wasn't easy, because it represented a significant increase in classes.” The program was going to consume more than half of IESE's teaching capacity.

Esteban Masifern (MBA director from 1966-67) had the job of coordinating the tasks of finding material, translating and editing it, and getting the facilities ready. “It was hard work but at the same time very gratifying, both because one was working with great colleagues and because we were doing something important,” he says. **Carlos Cavallé** recalls the frustrations, difficulties and tensions but, as in any new project, “enthusiasm triumphed.”

According to Prof. **Cavallé**, “we had to explain what it was, because there wasn't anything like it in Europe.” He added that in those days the term “swam against the tide” but “it was an historic opportunity to become part of the international mainstream.”



Students of IESE's first MBA class in a snowstorm in February 1965



MBA students during a teamwork session in the eighties

The first group of master's students began classes on September 21 1964, and graduated in June 1966. Perhaps because of the prestige that IESE had acquired with its executive programs, more and more people applied. During the first year there were 120 applicants for 31 places, during the second 220 for 40, and in the third 315 for 45. Prof. **Faus** says that companies competed to employ recent master's graduates. They did so even though the program led to an "unknown degree," says **Juan C. Vázquez-Dodero** (MBA '69 and later professor). During that period, all the students began directly after completing university.

In 1967 the Ford Foundation, which had given financial assistance to European schools, sent a group of experts to Spain. In its report it wrote that the IESE MBA "is notable for the profound influence that Harvard Business School had in setting it up to the point that, in a way, IESE is becoming a Spanish Harvard (...). IESE is the only business school in Spain and one of few in Europe that has full-time students (that is, both mornings and afternoons), and also professors who dedicate most of their time to their teaching activities at the school."

SEEKING THE BEST CANDIDATES

- IESE has always been determined to attract the best
- candidates for the MBA. Having the best people guarantees that the school's teaching results in a positive social impact.

To be admitted to the MBA it's not enough to have a good academic resumé or a high mark in the GMAT test. The school is interested in students who have the attributes to become good executives and who are at the right moment in their professional life to make the most of the MBA.

IESE also seeks to have as international a group of students as possible and looks for candidates who can work

in teams, who are concerned not only with financial goals but also with helping their colleagues and fellow workers in their professional and personal development. It seeks people who commit themselves to their organizations, who have leadership potential, good communication skills, initiative and are oriented towards the client.

To achieve this, the MBA admissions department makes more than 200 trips a year in order to attend sector fairs, information sessions and, above all, meetings organized by alumni around the world, which include a session given by an IESE professor. Each year more than 200 alumni collaborate in the processing of information of potential candidates and put them in contact with the admissions department.

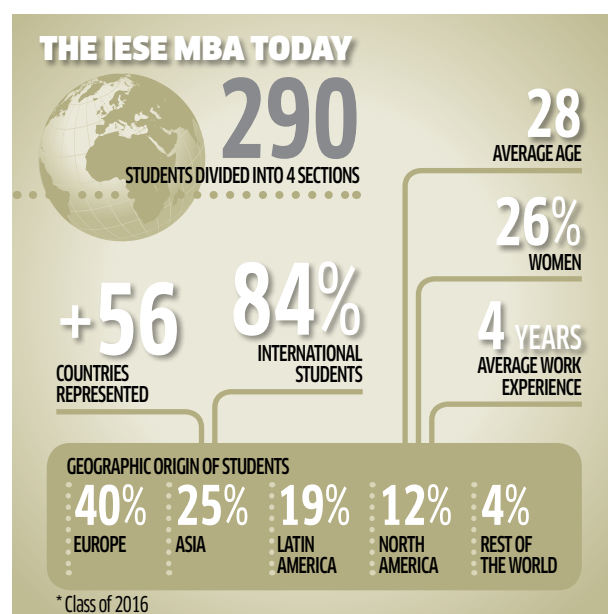
And why do students choose IESE for their MBA? "For me, IESE brought the best I could expect in terms of an MBA experience. I had the chance to live in such an amazing city as Barcelona, and establish lifelong friendships. I am part of one of the best business schools in the world and have studied with some of the most prominent professors," says Brazilian **Mauricio Monteiro da Rocha** (MBA '09).

The institution and the faculty's reputation is forged through its presence in the media, connections with companies and the position it occupies in the rankings. But above all, many candidates from around the world say that they heard about the excellence of the school through an alumnus, through current program participants, and through companies where graduates are employed.

Another attraction is the international nature of the IESE MBA, the opportunity to learn the language that is spoken throughout Spanish America and the two-year, full-time program. "I was attracted to a two-year MBA," says **Maksym Osavoliuk** (MBA '14, from Ukraine). "I thought it would give me more time to digest all the new knowledge and skills and learn them in greater depth."



IESE's MBA class is made up of more than 56 different nationalities





MBA Program Directors



Carlos Cavallé
(1964-1966)



Antoni Subirà
(1967-1974)



José Ocáriz
(1980-1984)



Josep M. Rosanas
(1986-1988)



José M. Pons
(1991-1994)



Esteban Masifern
(1966-1967)



Pere Agell
(1974-1980)



Juan A. Pérez López
(1984-1986)



Luis M. Huete
(1988-1991)



Eduardo Martínez Abascal
(1994-2000)



1964

IN THE CLASSROOM

● “It’s important that complex knowledge is absorbed”
● says Prof. **Pedro Nuño**. This is why the IESE MBA is one of the few in Europe that demands 19 months of complete dedication. Looking back, alumni say these were very demanding months. “On average, you don’t get much sleep and even when you do all your dreams are about financial

leverage and operational bottlenecks,” says **Anubhav Mehrotra** (MBA ’06, from India).

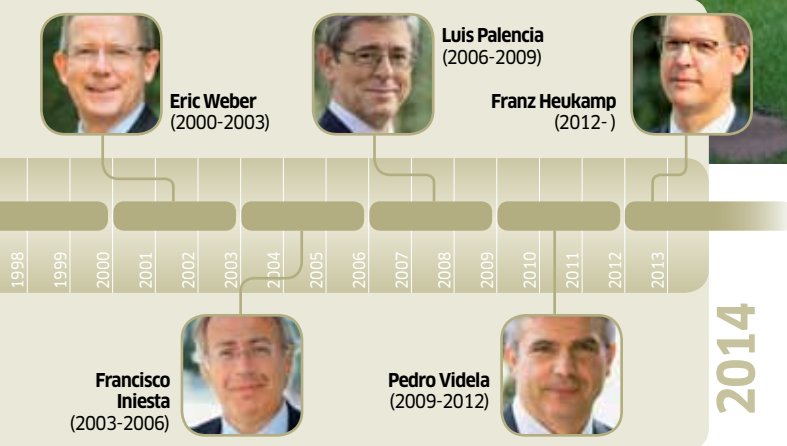
Exactitude is necessary if the school is to maintain its high standards, says Prof. **Antoni Subirà** (MBA director 1967-74). “You can’t get everyone to like you by being soft. At IESE we pursue excellence and so that’s not an option.” According to **Eduardo Martínez-Abascal** (MBA director



Standing, left to right:
Luis Palencia, Pedro Videla, Eric Weber, Eduardo
Martínez Abascal and Franz Heukamp

Seated:
Carlos Cavallé and José Ocariz

Photo taken during the faculty meeting of Sept 8, 2014



1994-2000) ,“The MBA students work intensely in a demanding environment, dealing with real situations that help them to know themselves.”

“From the very start we wanted to give the master’s an orientation that is 100 percent professional. We didn’t have students as such but rather other professionals who were in the first or second year of their working lives,” says

“ I think those two years were the hardest of my life. We had to interact with people from different origins and we had to reach agreement every day. It was done with an intensity you wouldn’t believe.”

Thomas Lilienfeld Austria (MBA '75)

“ IESE teaches you how to resolve problems from a global and very practical point of view. It teaches reality and how to analyze and resolve problems. It gives you vision and experience.”

Rosario Martín Spain (MBA '80)

“ When I graduated I had no idea how much this pressured atmosphere would benefit us as future executives. As time has passed I realize that it was great training.”

Alberto Garro Peru (MBA '88)

“ The program is definitely challenging. Our workload is rigorous and the cases we study are complex, I am working harder than I ever have and it is paying off. I knew I would benefit from the program, but I didn’t expect to experience so much intellectual and personal growth so quickly.”

Takayuki Doman Japan (MBA '07)

“ IESE gives you tremendous help in identifying career opportunities, especially in companies with programs for MBA graduates. The MBA program itself was an inspirational and transformational experience. It deepened my understanding of the business world and how to be an effective leader. Most importantly, it offered a supportive and friendly environment where I always felt at home.”

Valerie Steiner Switzerland (MBA '10)

“ I was very happy with IESE. It gives you so much. The more you give, the more you get. The IESE professors were always very helpful with industry contacts.”

Juha Koski Finland (MBA '07)

Prof. **Esteban Masifern**. In 1964 they had an average age of 24 and had just finished university. Later on it seemed advisable that they had some previous professional experience, which in 1993 was around 1.9 years, and in 2000 3.4, and in 2014 four years.

Today, the program is made up of more than 640 75-minute sessions and 250 hours of team meetings, four overseas modules in New York, Sao Paulo, Nairobi and Shanghai and 70 elective courses.

The MBA study plan, which has changed a lot, maintains a syllabus that covers the functional areas of a business: finance, marketing, production, operations and technology, human behavior and also business strategy and policy. Other aspects, such as accounting and control, macroeconomics and the quantitative analysis of decisions, are more instrumental.

During the second year it's important to have time for work interviews and for this reason in 2000 the trimesters were reduced to two during the second year. However, there is no lack of activity. According to **Jeremy Carson** (MBA '05, from the United Kingdom), during the second year "...the campus becomes a hive of activity. The students invite business leaders to talk at the school, present their business plans and organize conferences. By getting involved you learn a lot about yourself and you develop leadership aptitudes."

One of the conferences that has become particularly well known internationally is Doing Good and Doing Well, which focuses on social responsibility. This year it will be held for the 12th time and has seen personalities such as **Muhammad Yunus** and **Mark Goyder** take part.

Furthermore, the master's has more than 70 associated clubs, with professional, regional and social activities. Every year business people and executives are invited to the campus to give conferences on a particular sector or how to put into practice the knowledge acquired during

the MBA. These clubs also organize trips so that students can experience risk capital and high technology companies first-hand in places such as London and Silicon Valley, among others.

FINDING THE BEST PROFESSIONAL DEVELOPMENT

During their time at IESE, the students are preparing themselves to be as good as they can be in their next job, but also to draw up a career plan and find a job that suits their individual characteristics.

The Career Services division involves itself in all of this process and ensures that the school is a meeting point between students and recruiters. They help students to write a good resumé, develop interview techniques and understand their strengths and weaknesses better. Furthermore, they help them draw up an action plan to choose a company where they can do their practical studies during the summer holidays and possibly with a view to being employed there. The school is in contact with the recruiters of almost 1,000 companies where students may wish to work.

Since 1990 the school has held the Career Forum and, more recently introduced Career Days, and now there are three employment forums held on the Barcelona campus, four others in cities such as New York, London and Singapore, and eight career treks that give students direct contact with companies and the chance to explore specific sectors and geographical areas. Around 90 percent of MBA graduates are employed within three months of finishing the program.

At this point the MBAs begin a new stage in their careers, and have the opportunity to translate what they have learned at IESE into their business environments. After two years of intense work, the MBAs leave the campus but the awarding of diplomas doesn't mark the end of their relationship with IESE.



Career forums give students an opportunity to meet representatives from top companies around the world



Interview with Franz Heukamp, Director of the MBA Program

“The MBA Maintains its Essence and Adapts to Changing Times”

How has the MBA changed over these 50 years?

The essence remains the same: it's aimed at young professionals and offers intense study over two years so that they can become executives or entrepreneurs who make a positive social impact. In fact, it would be surprising if it changed because the school's mission is a constant.

However, it has adapted to changing times. Above all, the international character of students and faculty, which has always been an element, is much more prominent, enriching the learning process.

And other aspects?

The candidates are older. The average age is 28 because the program is now based more on the students' experience. Furthermore, in these 50 years the world of work has changed. At the beginning, most jobs were found locally and almost immediately, via personal contacts. But now our alumni seek and find work all around the world. This means that those candidates who prefer to develop professionally in other countries need more time to get the necessary information and find the right job. The program adapts to that by, for example, creating Career Forums and workshops.

The MBA's renovation also affects the teaching methodology. Of course, new case studies are continually developed, and there are courses such as entrepreneurship, which over the past decade have become compulsory. The same has happened with IT, which has been incorporated as a subject, as it becomes the basis for new forms of doing business.

Why do students say they have chosen to do the IESE MBA?

As well as the quality of the faculty, the candidates cite our humanist approach to the economy. Students highlight the school's international profile and the opportunities of finding work once they've completed the MBA. They are also attracted to the ecosystem that foment entrepreneurship initiatives within the MBA and the school. And finally, there is the level of personal attention, which can be only appreciated on campus. This is why we say that candidates should come and experience the school before choosing the program.

How is this personal touch achieved?

We make an effort to communicate this to new members of the faculty. Specifically, we ask that they act as mentors

to a group of students – the task forms an explicit part of their work as professors. They also have to know the students well in order to carry out a correct assessment. But ultimately, it's a culture that pervades IESE. It's the school's and the MBA's forte and we are aware that it's not easy to achieve. It demands time and effort from the professors.

What innovations have been introduced in the MBA's teaching methodology?

The case-study method, which is very valuable, remains central. But we complement it with other methods that also have a very practical focus. For example, we carry out executive simulation, in which the participant spends a week in a simulated situation of business management, and this brings excellent results. We also utilize fieldwork through the modules in Kenya and Sao Paulo. There, as well as attending class, students take part in a project in a local company. It's like a laboratory in which they also learn about a social and business world that is very different from their own. This practical focus is also found in the entrepreneurial initiative courses in which it is possible to develop a business plan for one's own company or work closely with a start-up.

Another innovation is the greater use of electronic aids and there is now content that isn't communicated directly by a professor. For example, part of the course about career development is offered online and each student can follow it whenever and at whatever speed suits them, and they can even start before classes begin.

What do you hope for in the future of the IESE MBA?

I believe that there will be an intensification of current trends. In teaching, there will be more practical elements. They will also be more emphasis on developing abilities such as communication and teamwork. We will continue to make the most of the dynamism involved in creating companies. Finally, there will be a well-thought-out use of new technologies, and content that now is delivered in class will take on new formats. However, the IESE MBA will continue to focus on interaction between the participants. The program is a school where one learns to function as an executive and what dealing with other people entails and, at the moment, none of this can be learned without personal contact.

What makes the MBA unique?
These are the values that distinguish the IESE MBA

KEY ASPECTS OF THE IESE MBA

Focus on People

● “I believed the important things were finance, sales plans, organization and production. I wasn’t conscious of the importance of an organization’s human resources. And now, year after year, I see that it’s true: brands and products have no value without the people behind them,” says **Joaquim Agut** (MBA ’80, from Spain).

This lesson, key to the MBA, is not limited to managing people, because IESE is imbued with ethical values. “This doesn’t mean that our graduates are more ethical than those from other business schools. What I can say is that

we’ve given them the opportunity to develop themselves in an ethical way,” says **Carlos Cavallé**.

When the HBS-IESE Committee met in 1966 it already emphasized that “...it’s very important that each professor is able to recognize ethical problems that present themselves during the course and adopts a positive attitude toward seeking them out and dealing with them.” Years later, in a document written for the faculty, Prof. **Antonio Argandoña** said that the “identification of ethical problems and the use of principles in order to resolve them must appear in every course. If not, students might arrive at the erroneous conclusion that ethics are

“I would highlight the concept and the focus on general management that I learned then and which over the years has been enormously valuable and useful. The human and ethical values that inform and distinguish an education at IESE are also very significant.”

Rafael Villaseca Spain (MBA ’76)

“As well as teaching us how to analyze and synthesize problems, IESE focuses on personal relationships and teaches better than anyone how to

understand your collaborators, supervisors and colleagues.”

Alois Linder Austria (MBA ’73)

“The MBA gave me the ability to work for the same company for 43 years with the same eagerness to serve every day.”

Enrique Buxeres Spain (MBA ’70)

“I learned that life is like a game of tennis: you have to learn how to serve well. They inculcate the desire to

not directly related to these problems, but are simply an extraneous way of looking at things. Whenever a course makes reference to decision-making, it should include the ethical dimension.”

But how can you teach ethical behavior? Prof. **Nuria Chinchilla** (MBA '84) says that the type of leader that IESE wants to produce is “someone who sets out to improve those whom they lead and serve and to seek to allow people to develop all of their potential.” Prof. **María Jesús Grandes** (MBA '80) says that whenever an executive draws up an action plan it must “consider how it will affect other people.” Prof. **Manuel Velilla** (MBA '71) says that the obligation to avoid doing evil – not robbing, not cheating the client or the supplier, not lying – is only the obvious starting point. But the MBA does not casuistically teach a list of what you can and cannot do. “The idea is that participants discover that, in relationships with people, one can always do better, aspire to a higher good: that’s ethics.”

The graduates are deeply affected by this model of conduct. **Alankar Joshi** (MBA '06, from India) says that during the master’s, “the most important lesson I learned was that people are at the center of any successful company.” Speaking at his class’s graduation, **Pedro Goenaga** (MBA '86, from Spain) said the best lesson he’d received was from **Juan A. Pérez López** (dean of IESE from 1979-84 and later MBA director until 1986), who threw into relief the fact that “organizations exist to help human beings to develop their ethical qualities,” because “ultimately that’s what their survival depends on.”

During the 2014 graduation ceremony, the MBA director **Franz Heukamp** said that IESE developed this program in 1964 “in order to produce leaders who are deeply conscious of their responsibilities as managers, as well as of their own strengths and weaknesses.” Addressing the recent graduates, he added a message that underlines

achieve, excellence at work, a spirit of service and magnanimity, at the service of the stakeholders.”

Benjamin Anzola Colombia (MBA '68)

“The full-time IESE MBA is much more than a good education about the business world. During our time there we grew as people and encountered marvelous human qualities, thanks to the example set by our professors and classmates.”

Philip Westcott United Kingdom (MBA '11)



IESE emphasizes the importance of good relationships with, and treatment of, other people.

“We have learned that it is not only about assets, liabilities, cash flows, marketing and operations, but that people, simple human beings, lie at the core of every issue; that values can be more important than profits and, when the time comes, we should not be afraid of following our hearts; that, regardless of whether the world is flat or round, it is changing fast and it's our duty to help make it a better place.”

José M^a. García-Soto Spain (MBA '12)

“The teamwork component of the IESE MBA, with its strong international flavor, was particularly good training for my work in hi-tech global marketing.”

Bill Layton United States (MBA '95)

“I've never encountered such a diverse group of people in such an enjoyable working environment.”

Obi Oguledo Nigeria (MBA '97)

“Expressing my ideas to colleagues of 40 nationalities has helped me to develop my powers of persuasion.”

Florin Rebic Romania (MBA '00)

“The extraordinary cultural and national diversity at IESE isn't some globalization gimmick. On the contrary, it's part of the MBA program's foundations.”

Amy Schlein Canada (MBA '11)

“The MBA has provided us with a unique opportunity to become more flexible, and more open-minded in our approach to integrating and communicating with our peers; in other words, more skilled and successful managers.”

Tina Terraciano United States (MBA '86)

the ultimate goal of the IESE MBA. “We ask you to set the example of responsible, humble and effective leadership that many graduates of this program have shown over the past 50 years. Make the communities, organizations and countries in which you work better places!”

Global Leadership

Today, no sooner do many businesses get off the ground, than they start looking beyond their frontiers. This is not how things were 50 years ago. But an international outlook has been a fundamental part of the IESE MBA since the beginning. So far, students from 103 different countries have graduated from IESE.

This students appreciate this extraordinary diversity. **Marcello Gambarini** (MBA '70, from Italy) says: “I was exposed to a really international environment which prepared me for working in a multicultural organization.” Diversity is a mark of quality in an MBA as it helps to overcome intellectual frontiers and stimulate understanding and appreciation of other cultures. Furthermore, it facilitates teamwork, the ability to take a job in any country and do business around the world.

Katalin Kárpáti (MBA '98, from Hungary) says they were always part of “a rich cultural variety. It's amazing when you sit down to eat and you share a table with a Korean, a German, a Slovak.” For **Anna Lobanova** (MBA '06, from Russia) “it's been a great international experience, more than I expected. Being in a team with people from seven different countries was really amazing.”

The internationalization of the IESE MBA has been a gradual process but it was something that was sought from the beginning. During the early years, the University



MBA students discussing a case during the 2012 Case Competition

of Navarra's international relationships were extremely helpful in attracting students from Africa, the Philippines and, above all, Latin America. The MBA has also become known internationally thanks to the business schools that IESE helped to establish in countries such as Mexico, Argentina, Peru, Portugal and Colombia.

In the 1970s a decision was taken to turn it into a global school, more open to Europe. As a result, it was decided that after September 1980 one of the first-year groups would be taught in English and the second year would be in English or Spanish. Prof. **Pedro Nuño**, the driving force behind the project, recalls that the reaction of the dean **Juan A. Pérez López** was to tell him: "Put me down for as many classes in English as necessary." Prof. **José M. Rodríguez Porras** says that the dean "pushed us, convinced us, persuaded us and he was right," because the bilingual MBA was a big step forward in the internationalization of IESE.

The most difficult part was attracting students. During the first year only 25 students signed up for the English course, 15 of them foreigners. In the second year there were 36 foreigners and 45 the following year. The United States soon became the most represented country. Students also started to arrive from many other places: Australia, Korea, Egypt, India, Iran, Jamaica, Japan, Lebanon, Poland, Trinidad and Tobago. Within six years of it being launched, the MBA in English had five applications for each place, compared to seven for each place in the Spanish course, making it comparatively very successful. Today the MBA attracts more than 50 nationalities and is taught in English.

These days, in order to develop an intercultural mentality, second-year MBA students can join the International Exchange Program and Overseas Modules. During

their first year, up to 100 participants can take their first semester in one of the almost 30 business schools with which IESE has an exchange agreement. In addition to this, the overseas modules make it possible to take courses of one or two weeks on the IESE campus in New York or one of the associate schools: ISE (Sao Paulo), CEIBS (Shanghai) and Strathmore (Nairobi). These modules include visits to companies and contacts with key people that give students an insight into the reality of these places.

The combination of journeys and multiculturalism in the classroom creates an international experience in a school that lives and breathes globalization, because IESE also has a multicultural faculty and staff.

Decision-making: The Case-Study Method

● The MBA is not a process of accumulating knowledge – "...for that there are libraries or, nowadays, the Internet. The need to understand how to interrelate knowledge, work with it and communicate it to others in the form of a contribution was made clear to us," says a member of the first cohort **Gerardo Salvador** (MBA '66, from Spain). "I learned quickly at IESE. Perhaps the teaching method helped me be able to synthesize complex situations in a way that was useful when it came to making decisions later on," adds **Manuel Casas** (MBA '71, from Spain).

The case method, academic rigor and a practical and applied orientation are fundamental to achieving these objectives. The students' active participation and their



Students of the 2014 MBA in the NASDAQ headquarters, as part of the New York module. There are also MBA modules in Shanghai, Sao Paulo and Nairobi



The active participation of the student and the support of his or her colleagues are essential to learning

colleagues' contributions are also an essential part of the learning process. Prof. **Francisco Iniesta** (MBA director 2003-06) emphasizes that, during the almost two years of the program, students learn to make decisions, engrossing themselves every day in real problems that need solutions and continue, through osmosis, to acquire skills. "The simple act of raising your hand in class signifies many things: analysis, synthesis, ability to express yourself, the ability to persuade and convince, teamwork, knowing how to listen, all of this comes into play. And 20 months working like this makes its mark."

IESE makes the most of the case method's potential. According to Prof. **África Ariño** (MBA '88) the method "leads you to question your own way of looking at issues and problems, to realize that we're not unique or better, to understand that there are other points of view which can be enriching." Furthermore, IESE teaches the executive to put the individual at the center of his or her decisions and this "implies thinking about the effect that the decision will have on third parties and also the effect it will

have on oneself," adds **Ariño**. **Luis M. Huete** (MBA '82, MBA director 1998-91) says that what is taught in class is above all how to think. "Through class discussion we would like to develop a conciliatory way of thinking about what appear to be conflicting elements, always from an ethical point of view, and intelligent in regard to results."

There is no doubt that the MBA serves to develop skills. **Luis Enrique Yarur** (MBA '75, from Chile) says that with the case method "I learned important things such as how to listen, argue and convince." For **Anna Wilkens** (MBA '07, from the United States) it helped her to "anticipate, plan and act rapidly. The program also teaches you critical analysis and how to identify a range of solutions to the same problem."

For **Mikel Iriberry**, (MBA '04, from Spain) the MBA "above all gives you criteria in order to analyze problems from a broader perspective, and teaches you to connect different aspects and their different implications." **Niccolò Cominacini** (MBA '06, from Italy) says: "I am more confident, and all of us have improved our ability to work

in teams, share responsibilities and teach and learn from one another.”

After completing the program, the graduates have a new perspective on life. **Miguel Fernández Hortelano** (MBA '07, from Spain) says “everything about IESE, from the curriculum to the professors and classmates, creates a learning dynamic that really opened my eyes to a world of knowledge and opportunities.” Speaking at the graduation ceremony in 2004, IESE Dean **Jordi Canals** said: “The IESE MBA is more than a degree or a series of previously defined pieces of knowledge. It has to do with a way of observing not only business problems, but also people and yourselves. It is a perspective that helps one to be generous and magnanimous with others and more demanding of oneself. We hope that during the IESE master’s program the seeds have been sown to help you develop new abilities, among them the ability to learn from mistakes and the determination to begin anew. It doesn’t matter how far you go or how fast you travel, but how much you learn in the process, what you enjoy about the journey and the impression you make on people you meet during the adventure.”

Cradle of Entrepreneurs

• While an entrepreneur may ask themselves how to acquire the skills that they need, for the IESE MBA the question has always been how to teach them. IESE is both a school and a breeding ground of entrepreneurs, and back in 1974 Prof. **Pedro Nuño** started a course on starting up new companies. Today the school continues to teach the course, in which students draw up a complete business plan for a project, and has since added new courses.

Since 1991, the best projects have been presented every year at the New Companies Forum, called NAVES. And since the turn of the millennium, IESE has also helped them make contact with investors interested in acquiring minority shareholdings in their projects through the risk capital society FINAVES. Since it was founded, FINAVES has contributed to the setting up of 35 companies in five continents, creating more than 2,500 jobs.

To give further impetus to entrepreneurs, this year the Summer Entrepreneurship Bootcamp was launched for MBA students who want to spend the summer developing a business plan instead of taking a corporate internship in a company.

The numbers speak for themselves about the entrepreneurial spirit of the school. Within 10 years of graduating, more than 35 percent of MBAs have founded a company.

But entrepreneurship is about more than just getting an idea off the ground, because “today companies are looking for ways to grow profitably and intrapreneurship is an excellent way of achieving this,” says Prof. **M. Julia**

“It broadens your outlook, your ability to analyze and teaches you how to make fast decisions.”

Enric Crous Spain (MBA '73)

“IESE helps you to confront problems every day, knowing that you’ve been able to work and make decisions under pressure – even though the situations were fictitious, through the case-study method.”

Antonio González-Adalid Spain (MBA '75)

“The best advice I was given was to never tire of trying again.”

Vinay Kothari India (MBA '92)

“We left IESE with the idea that a wise person is not one that knows how to answer, but how to ask questions. It has taught us how to question and accept the corresponding responsibility.”

Cornelis van der Bom Netherlands (MBA '95)

“The MBA helped me to lose my fear, to be bolder and much more entrepreneurial than I was before.”

Beatriz Oñate Spain (MBA '97)

“I know myself better. It’s a new kind of humility that goes with the confidence of having been able to rub shoulders with people I admire, and discovering that you can’t do anything on your own.”

Klaus Poulsen Denmark (MBA '99)

“It is a truly inspiring and transformational experience. Above all, I valued the entrepreneurial spirit, which helped me start my own business together with two classmates directly after the MBA.”

Thomas Roggendorf Germany (MBA '12)

“People there were very welcoming and hospitable. I was very impressed by the quality of the professors at IESE and the spirit of hard work and companionship.”

Florencio Cecilio Reyes Philippines (MBA '66)

“IESE gave me the opportunity to take part in a program where the quality of the participants, both professors and students, is exceptional. Excellence is part of the air that you breathe at IESE and is communicated to anyone receptive to it.”

María del Pino Velázquez Spain (MBA '91)

“I was exposed to many different points of view. As a result, I gained a more holistic and global view on life and business. The IESE faculty impressed me with its dedication to its work and students.”

Tony Dunaif United States (MBA '93)

“IESE is a fantastic example of how to respect friends and colleagues and treat them with patience and dignity. It was a privilege to be part of such a friendly environment.”

Jan Levy United Kingdom (MBA '01)

Prats. And this is covered both in the MBA classrooms with case studies and courses to promote innovation and entrepreneurial initiative from within the company, as well as within the MBA entrepreneurs club.

The program is also supported by all of the numerous platforms and activities related to entrepreneurial initiatives that are promoted by the school, such as the Center for Entrepreneurial Initiative and Innovation, the Fundación Bertrán Chair of Business Initiative, the Social Entrepreneurship Platform, Global Entrepreneurship Week and the alumni Entrepreneurship Platform.

Faculty That Gives 200 Percent

• That which some companies offer only at the end of a telephone line, under the label ‘customer service,’ is offered as part of the MBA at IESE in the shape of personalized attention to each and every student, face to face, for anything they might require.

Víctor Pou (MBA '66, and later professor) said that one aspect that surprised him the most was the personalized treatment given by the teachers. “While in the university faculties that we have just left you are just another number, here the treatment is completely personalized.” Prof. **Masifern** says that “from the very start IESE has done its teaching in the classroom but also in the office.” **Andrea Klette Christenson** (MBA '83, from Austria) talks about the “incomparable attention that we received from our teachers.”

Prof. **Juan Manuel de Toro** (MBA '88, and later professor) was amazed that when he went to the office of

some professors they attended to him “as if they didn’t have anything else to do with their lives.” And he adds: “With this example they showed me that at IESE this student comes first, not as a student but as a person. It’s something that we professors have learned from the older ones.”

Marilyn Luna (MBA '02, from Peru) asks: “I’d like to know how many professors in the world give you their home telephone number so that you can call them when you have questions about something, which is what some at IESE do.” She doesn’t give names, but this will remind many of professors such as **Pere Agell** (MBA director 1974-80). On the first day of classes, after presenting himself, Prof. **Agell** wrote his phone number on the blackboard and said: “You can call me up until midnight.”

Prof. **Eric Weber** (MBA '87, MBA director 2000-03) says that if a student asks for advice on something that’s not strictly academic, the professor is available to deal with it. “I don’t know if this happens in other schools, but at IESE everyone involved with the program throws themselves into it, it’s a matter of policy. There’s a culture of making the extra effort in favor of the student.”

Luis Palencia (MBA '89, MBA director 2006-09) says: “We are aware that, given our limitations, not everything always turns out well. But when students have a problem they understand that we will help them out. And they see in practice the truth that we care about people.” In this respect, **Pedro Videla** (MBA director 2009-12) says that one of the reasons that IESE is among the leading schools is “for the intangibles. What has made us great is that we lead by example. This is our core, our essence.”

The personal and professional transformation that IESE aims for often happens through friendship, says Prof. **José A. Segarra** (MBA '80). “What makes a rela-

“IESE was a special place for us because it was there that we also began the adventure of marriage in a fantastic student environment. It’s a place where, whenever you return, you feel part of an alma mater and not only because they say so but because they show it and you feel it with pride.”

Jaime and Mónica Zunzunegui Mexico (MBA '02)

“IESE is a school with the best team and the best team spirit. Furthermore, there is a really good relationship between students and teachers.”

Norbert Rauh Germany (MBA '02)

“One thing I really like about IESE is the mixture of professionalism with friendliness and positive attitude.”

Luka Podlogar Slovenia (MBA '06)

“The professors at IESE are second to none. Yes, grades matter; however, professors find it more important to ensure that their students truly comprehend the ins and outs of a subject. They guide you through the material in such a way that sometimes you do not even know you are learning.”

Erin McCloy United States (MBA '06)

relationship move beyond respect or even admiration is the personal touch, which leads to mutual understanding and creates trust,” he says.

The way people are treated at IESE goes beyond the faculty and includes personnel from the non-teaching staff, who are in direct contact with the program’s participants.

There are various professional teams whose job is to support MBA students. As well as admissions, career services, the exchange program and the Spanish language unit, there is the Student Affairs Office (SAO). The office is a crossroads for students, professors and the rest of IESE, all of whom can be overwhelmed with work, and the office is there to serve the students. The SAO has taken on the challenge of making sure students receive personalized attention and that they leave IESE with a smile.

“I’d like to thank those people at IESE who don’t have a direct relation with our classes,” **Maite Piera** (MBA '03, from Spain) said at her graduation. “Have you thought about the security guard, always at his post, when you enter or leave? And those who work in the bar who know what your tastes are? The person working in the self-service, the gardeners, the lovely woman in the bookshop, the library staff, the women from MBA Student Affairs, always there with a smile for us. So many people!”

The fact is that at IESE there isn’t customer service but rather service to people. When he graduated, **Luis Unceta** (MBA '02, from Spain) said: “We have known individuals who are concerned for others, who want to know what difficulties we are encountering. Thank you, IESE, for having communicated to us through your professors and all of the professionals who work here, these values of dedication, comradeship, and integrity, which we will carry with us in our professional and personal lives wherever we go.”



Prof. Javier Estrada giving a class to MBA students.

The Alumni: IESE at Their Side

● Once they have completed the program, students go on to form part of the alumni community and begin a new journey, during which IESE is always at their side. The Alumni Association helps them to maintain and strengthen this link. Being a member of the Association means continuing with the education, inspiration, support and advice that the school offers. **Mireia Rius**, director of the Alumni Association, says that “we accompany alumni throughout their careers, and we accompany them as they develop as executives, so that they continue to make a positive social impact.” Professors and other alumni offer their support so that the IESE experience can continue.

Each graduate benefits professionally from the network of contacts that they establish, not only with their classmates but with the community of IESE alumni, whichever program they have undertaken. **Chris Daniels** (MBA '00, from the United Kingdom) says that from his first day as a student he realized that “I was joining a professional network of thousands of alumni in more than 90 countries.”

With 42,000 alumni, the networking potential of the Alumni Association is beyond question. The Association is organized in local, regional and national chapters and, although they receive support from the school, the majority are initiated by the graduates themselves. For example, **Robert Markus Feldmann** (MBA '89, from Austria) says

that “As part of my thanks and because of the kind of initiating person I am, together with colleagues I started the IAACE – the IESE Alumni Association of Central Europe – in 1990, and organized and drove the initial six annual events. Currently this work is being handed on to the younger generation.” In 2006, the then president of the Chile Chapter, **Patricio Jottar** (MBA '88), remarked upon “the extent and solidity of the network that we have created, which reaches into all corners of the globe and across all industries.”

It is now a global network linked by new technologies, but which maintains face-to-face encounters. As well as the Global Alumni Reunion, the Association annually organizes meetings of the various MBA cohorts.

The full-time MBAs are the ones most fully represented in the IESE Alumni Association, and more than half of MBA graduates are members. **Damián Frontera** (MBA '73, from Spain) says that, from the start, he intended to continue his relationship with IESE “because of the strength of the links created during the MBA and the need to maintain and extend everything I had learned.”

The continuous and high-level education that the Alumni Association offers is a response to alumni's desire to continue learning through IESE. **Myra Yu** (MBA '99, from China) says that through the Continuous Education program she has the chance “to be up to date with the latest business thinking and to learn from some of the most expert and well-informed professors. It has been of incalculable help to performing well in my job and staying ahead of the game.”



Sources: Canals, C. M.: *Sabiduría práctica: 50 años del IESE*, Barcelona, Planeta, 2009 / IESE Archive.

“At the end of the journey the travelers found that the trail had bonded friendships that would last a lifetime.”

Chris Osborne United States (MBA '85)

“Thanks to the spirit of the people who work and study here – a spirit of openness, friendship and mutual support – I realized that at IESE I would acquire much more than a simple network of business contacts.”

Oliviere Decuyper Belgium (MBA '06)

“As well as knowledge, I acquired certain values at IESE, which were essential for my professional life. These included dedication to the role, determination, objectivity and an ethical approach to business.”

Núria Cabutí Spain (MBA '92)

“IESE taught me how to lead while serving other people and working hard, in an orderly way. I feel as I do with my family, loved and valued. I knew and worked with people of great human and professional stature and made very good friends.”

Víctor Martínez Spain (MBA '78)

“We struggled, we had fun and we made lifelong friends.”

José M. Hernández Puértolas Spain (MBA '68)

“IESE, with its unique blend of a highly qualified faculty (...) and the truly international group of students, opens up various worlds to its participants.”

Jan Oosterveld Netherlands (MBA '72)



Meetings organized by the Alumni Association bring together MBA classmates.

Gratitude that Bears Fruit

Alumni Offer Grants to MBA Students

“IESE has been a key factor in my success. It wouldn't have been possible to study at the school had it not been for the MBA grant, for which I will always be grateful. The grant was fundamental in changing my life,” says **Gautam Bhagra** (MBA '09, from India), who is in charge of Google Cloud partnerships in the EMEA area. Since 2006, more than 50 MBA students have been able to take advantage of this assistance, which has enabled them to join the program.

It's an opportunity offered by IESE alumni through their contributions to the Alumni and Members Association, which also contributes towards financing the school's development and expansion. This support is often an expression of gratitude that alumni feel towards IESE and which comes in many forms. **Baldomero Falcones** (MBA '72, from Spain, a member of the Executive Committee of the Alumni Association), when asked why

he dedicated time to the Association, replied that “the education I received from IESE has formed the basis of my professional development. I think that it's my obligation to help to maintain and consolidate this project.”

But as well as contributing in a disinterested way to the Association's activities, the alumni are also the school's best ambassadors. Their comments and the professional example they set spread the word about the programs' quality and the sense of ethics with which they are imbued, and thus attract new students. Furthermore, alumni offer jobs to the school's graduates in a contractual dynamic that allows them to employ talent while supporting the institution.

The MBA alumni, after two intense years at the school, maintain strong links with IESE which, in a circle of gratitude, allows the school to continue to carry out its mission day by day.

ÁLVARO DEL PORTILLO'S CENTENNIAL

BUSINESS
LEADERSHIP,
MANAGEMENT
AND SOCIAL
TRANSFORMATION**ANTONIO ARGANDOÑA**Professor Emeritus of
Economics, and Business
Ethics, IESE

Thoughts about the Chancellor of the University of Navarra (1975-1994) and his views on business and financial activities. The article below is taken from a talk given by Prof. Argandoña at a Continuous Education session held to mark Álvaro del Portillo's centennial.

PEOPLE MANAGEMENT • ETHICS • SOCIO-ECONOMICS

Álvaro del Portillo, bishop prelate of Opus Dei and chancellor of the University of Navarra (1975-1994), made a profound impression on the university and on many people who work at IESE or have attended programs and activities there. "Never lose sight of the fact that you're involved in a thrilling task destined to influence human history," he said – a fair description of the role of leadership.

We should highlight some of **Álvaro del Portillo's** work in management and governance, as well as the other attributes that one could apply to business leadership – faith in the power of truth; his ability to help people rise above themselves, inspire them and demand their commitment, with diligence and affection; his endeavours to make key social institutions that had lost their sense of mission – the family, school and business – strong again; his optimism; his sense of freedom based on commitment. **Álvaro** lived in difficult times but he never hid be-

hind these difficulties to escape his responsibilities and he encouraged us to always be happy with the times that we are born into: good advice in these times of crisis.

A POSITIVE VIEW OF THE WORLD AND PEOPLE

● This is how he taught us to love the world with a passion, in the words of **Saint Josemaría Escrivá**. He was always open to new ideas and taught us how to distinguish between what is permanent and what is merely transitory. He always had a positive view of the world, of circumstances and people. He promoted the truth but sought dialogue yet without falling into indifference or false ideological neutrality. He recognized that there are no single interpretations or solutions in human affairs. For him, pluralism was both desirable and to be enjoyed.

He always defended religious, cultural, economic, political and educational freedom, as well as freedom of expression, for everyone, but with a responsibility to the truth and to doing good. He did this by encouraging us to focus on the basics: a

life based on faith, a solid Christian life, the sanctification of work as the place where people can realize their vocation in the world, service to everyone, and love.

VIEWS ON SOCIO-ECONOMIC ACTIVITY

● **Álvaro del Portillo's** words are still relevant and useful in our professional activities as business people and managers involved in socio-economic activities. His diagnosis of society in crisis, principally in the West and in "old Europe," was not based so much on social science as in the religious dimension. What lay behind the crisis was a misguided concept of human beings as people "drugged by the desire for material goods and easy pleasures"¹.

Man had forgotten his truth, which is that he is God's creature, he has lost the basis of his dignity, human rights have been put at risk and reason has given way to sentiment. And an erroneous and incomplete idea of the person brings with it a mistaken idea about society, its institutions and businesses.

Once the root causes of the crisis have been identified, the next step is to solve these fundamental problems. **Álvaro del Portillo** proposed encouraging people to assume responsibility and to act, and to do so with optimism and humility, something that can be applied even in the sphere of business. "We cannot be passive spectators who see evil and think that this attitude is sufficient"².

IDENTIFYING AND MEETING NECESSITIES

● Returning to the transformational role that business can have on society, it's worth recording one of his pastoral letters in which he recalled the parable of the Good Samaritan, a man who, when walking along a road came across another man injured by some thieves, and cared for him where he lay and later took him to an inn to be looked after there.

Álvaro del Portillo said that that man, while going about his daily life, had come upon a person in need, identified his need and, "stopped his journey, changed his plans, given his time and used the means at his disposal"³; and he also took him to an inn. But the following day he had to continue on his route so "producing a couple of dinars, he gave them to the innkeeper and said: look after him and anything more you spend, I will give you when I return"⁴. "He continued on his journey because he had other duties to perform that he couldn't neglect. It isn't an excuse, it isn't evasion, it wouldn't have done any good if he stayed any longer. The same charity that had led him to stop moved him to continue on his journey"⁵.

We also learn in our work as leaders to identify other people's needs and attend to them, without neglecting our own.

But he also had a word for the innkeeper "who passed unnoticed, did most of the work and acted professionally. Contemplating his conduct, understand that you should all behave like him in the course of your work (in this case, as someone working in the hotel business), because any professional task offers an opportunity to help people in need in one way or another"⁶. In other words, he urged us to look beyond the narrow, short-term interests of the business.

EXPERTS IN HUMANITY

● Talking about the work of Christians in our society today, **Álvaro** cited Pope John Paul II: "What are needed are evangelists who are experts in humanity, who have a deep understanding of what lies in the hearts of men today, who can join with them in their pleasures and hopes, their anxieties and sorrows, and at the same time be contemplative and in love with God. For this we need new saints"⁷.

There's no doubt that **Álvaro del Portillo** taught us how to turn our work and our business into a place for human, professional and Christian transformation.

ANY PROFESSIONAL TASK OFFERS AN OPPORTUNITY TO HELP PEOPLE IN NEED ONE WAY OR ANOTHER

1. Pastoral letter, May 31, 1987, no. 14.

2. Pastoral letter, March 1, 1990.

3. Pastoral letter, January 9, 1993, no. 19.

4. Ibid., no. 19, citing Luke X, 35.

5. Ibid., no. 19.

6. Ibid., no. 21.

7. Pastoral letter, December 25, 1985, no. 6. Quoted from Pope John Paul II, Discourse, October 11, 1985, no. 13.

THE INNOVATION PARADOX AND HOW TO OVERCOME IT

THE START-UP CORPORATION



ANTONIO DÁVILA

Professor, Entrepreneurship,
Accounting and Control,
IESE Business School



MARC J. EPSTEIN

Research professor of
management at Jones
Graduate School of Business at
Rice University

Many companies are hidebound by fear of major change, and while incremental innovation is both advantageous and essential, to really get ahead it's often necessary to implement dramatic transformation. Managers must learn to make courageous decisions if they are to take the company into the future.

INNOVATION • ENTREPRENEURSHIP •
DECISION ANALYSIS

In the absence of industry revolutions, execution and the ability to manage incremental innovation decide winners and losers, and it is in these areas that business units excel. Being more efficient, more attentive to shifts in customers' needs, and more creative than competitors when it comes to meeting those needs ultimately pays off, and the widespread use of business units as part of organizational structure speaks to their success.

While it is exceedingly hard to argue against smooth, efficient, and low-cost operations, the better a company becomes at executing existing business models, the less attention it often pays to developing breakthrough innovations. This is, essentially, the innovation paradox – the way relentless pursuit of incremental innovation can crowd out the possibility of breakthrough innovation. Managers tend to favor ideas that reinforce existing strategies over those that challenge it.

Take, for example, the rise of the refrigerator. Before refrigerators existed, people kept things cold

with ice. From growing ice in lakes, to harvesting ice, to transporting and storing ice, the ice-harvesting industry constantly improved each stage of its value chain. The invention of the refrigerator posed a serious threat to what was a well-established and largely unchallenged industry.

At first, the refrigerator was dismissed as a noisy, expensive, and ultimately inferior technology. Eventually, the idea of the refrigerator grew on customers, and its performance proved to be a real hazard for ice-makers. Rather than shift strategy, the ice-harvesting industry essentially put its blinders on and kept improving the efficiency of existing processes – it got better at making, harvesting, storing and transporting ice. In fact, the most significant improvement in ice-harvesting actually happened when the refrigerator had already shown its dominant position – long after it would have made any difference.

When customers no longer needed ice to keep their food cold, the ice industry largely went the way of the dinosaur. This scenario has played out countless times in numerous in-



BREAKTHROUGH INNOVATION DOES NOT PLAN IN THE TRADITIONAL SENSE BUT EMPHASIZE EXPLORING DIVERSE ENVIRONMENTS, AND IT DOES ENCOURAGE EXPERIMENTATION.

dustries: a once leading incumbent, rather than work to develop products and services outside its space of traditional dominance, focuses its energies on what has worked in the past, only to lose relevance in a new market landscape.

Of course, none of this is to say that business units aren't innovative – they are, and they need to be to remain competitive. However, the types of innovation that they often support are largely incremental, advancing existing technologies and business models in an attempt to grow a lead over competitors – they improve their ice-harvesting abilities, so to speak. As companies push the business unit model because they bring incremental ideas forward, they often block themselves from the possibility of breakthrough innovation – the potential refrigerators yet to be developed.

Breakthrough innovation utilizes a management model quite different from the traditional business unit. Rather than value efficiency and short-term financial goals seemingly above all else, breakthrough innovation requires a model that encourages discovery and vision. It does not plan in the traditional sense – with specific numbers

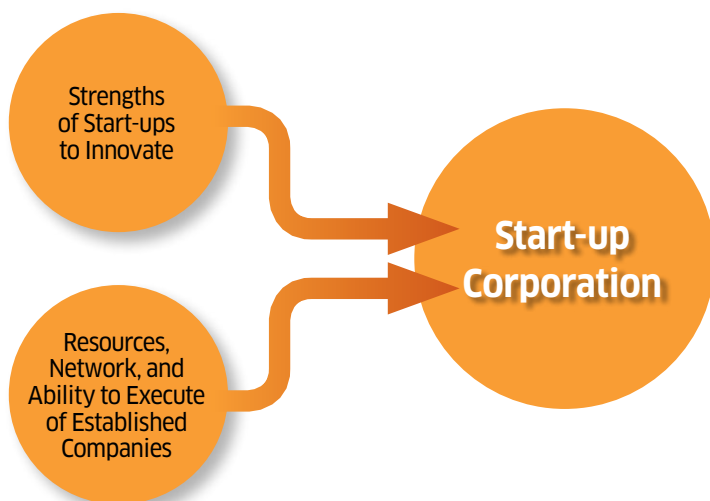
and metrics to be met by specific dates – but it does emphasize exploring diverse environments, and it does encourage experimentation in both technology and business models. This philosophy is at odds with the methods that make business units and incremental innovation successful, and the frustration of established companies to come up with breakthroughs is often the result of this tension. Business units innovate, and business units ultimately want breakthroughs, but how does a company get breakthroughs from processes designed to deliver incremental innovation?

ENTER THE START-UP CORPORATION

Some companies perceived as highly innovative have charismatic and visionary CEOs – the **Steve Jobs** and **Elon Musks** of the world. While visionary CEOs can sometimes deliver market-changing breakthroughs, the drawback of this kind of top-down breakthrough innovation is that it seldom succeeds more than once – they can be “one-hit wonders,” so to speak. If the first vision is right, but the second vision is wrong, this sort of management model can put the company between a rock and a hard place.

Bottom-up breakthrough innovations, on the other hand, are about harvesting ideas from the brainpower that exists within the company and its networks, and then leveraging the resources of the established company behind them. Whether an organization has 30 or 30,000 employees, going after strategic discoveries – bottom-up breakthrough innovation – requires a management approach that brings the diverse resources available to an established company together with the ingenuity of start-up companies. In our new book, *The Innovation Paradox: Why Good Businesses Kill Breakthroughs and How They Can Change* (Berrett-Koehler 2014), we describe the Start-up Corporation – a set of tools that allows established organizations to leverage

Figure 1
THE START-UP CORPORATION



their resources behind a management approach inspired by the way start-up ecosystems are designed for exploration and discovery. In other words, the Start-up Corporation is an approach to innovation that emphasizes both the strengths of start-ups when it comes to developing breakthroughs, and the strengths of established organizations when it comes to scaling and execution (see Figure 1).

The unique characteristics of the Start-up Corporation give it certain, distinct advantages when it comes to avoiding the pitfalls of the innovation paradox. First, where once-dominant companies have seen their markets vanish with the advent of new ones – the metaphorical ice-makers in the land of the refrigerator, or the flip phone producers in the smartphone world – the Start-up Corporation allows for adapting management to the needs of breakthrough innovation. For instance, it allows a portion of the time, resources, and energy of employees (or a certain group of employees) to be focused on diving into markets perhaps only in their infancy, without the sort of high-pressure, short-term metrics required of incremental innovation. In other words, it sees the value of exploring “not yet” markets with the gusto of a start up, while still allowing the larger organization to focus on the incremental innovations that make and have made it a continued success.

On the opposite side of the coin, once the Start-up Corporation begins to close in on a viable product or service, it can leverage the parent company’s resources, networks, and ability to execute. Rather than have to search for specific knowledge, networks, or support activities, the Start-up Corporation has the backing (and resources) of its parent company. Once a viable and promising breakthrough is identified and developed, the Start-up Corporation allows for an easy transition to the kind of execution mentality that has made the larger organiza-

tion successful – where operational excellence and incremental innovation will determine long-term success. While a strong offense often revolves around breakthroughs, defense is about incremental innovation, and established companies know how to manage it. Companies need to be good at operational excellence and incremental innovation, because without it, survival is at stake. Every year, companies need to incrementally push the boundaries of today’s technologies and business models; they need to come up with new products for their customers, reduce their costs, improve their processes, know their customers better, and gain that incremental margin and growth that gives them a lead over competitors – or at least keeps them in the game.

The innovation paradox is sticky, and it can be tempting, as an established organization or a leader, to want to hold on to what is working and forego the kind of costly and uncertain risks that can produce breakthrough innovations. But incremental innovation isn’t and can’t be everything. Markets can change drastically – and even disappear. The truth is, incremental innovation and breakthrough innovation are both immensely important in their own ways. For an organization to really thrive in the long run, it needs to be able to leverage and capitalize on breakthrough innovations when they occur, while also being able to innovate incrementally and build competitive advantage everyday.

The greatest strength of established companies is ultimately their ability to manage complexity. Where business units get themselves into trouble is when they focus on incremental innovation to the neglect of everything else – they keep ice at the forefront, while refrigerators are flying off the shelves. With the Start-up Corporation, established companies can encourage the development of breakthroughs, and put the full weight of their resources, networks, and management ability behind scaling them.

THE START-UP CORPORATION IS AN APPROACH TO INNOVATION THAT EMPHASIZES BOTH THE STRENGTHS OF START-UPS WHEN IT COMES TO DEVELOPING BREAKTHROUGHS, AND THE STRENGTHS OF ESTABLISHED ORGANIZATIONS WHEN IT COMES TO SCALING AND EXECUTION.

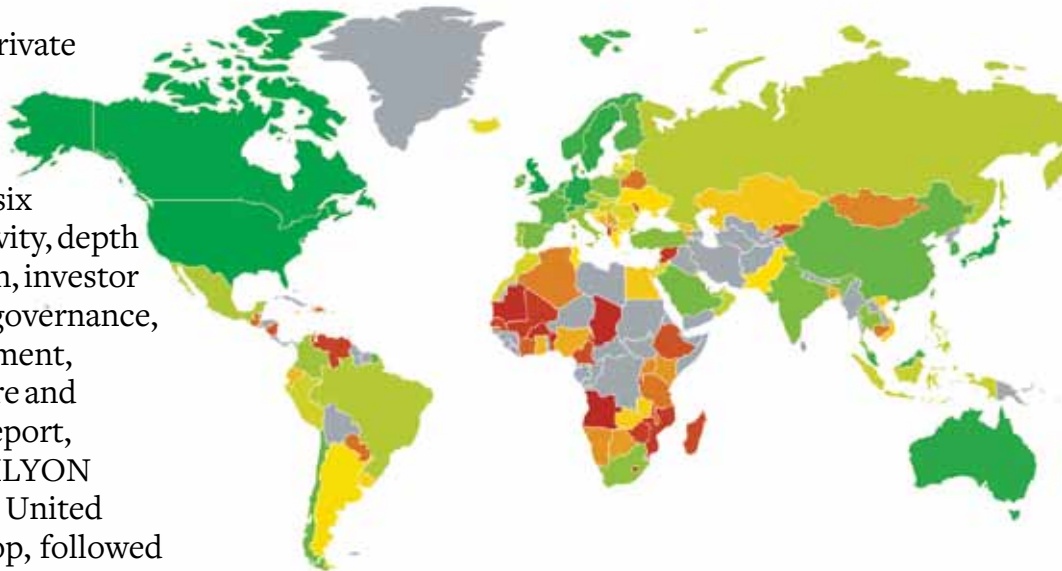
MORE INFORMATION:

This article draws from *The Innovation Paradox: Why Good Businesses Kill Breakthroughs and How They Can Change* (Berrett-Koehler 2014) by Antonio Davila and Marc J. Epstein.

The Best Opportunities for Investors

HEINRICH LIECHTENSTEIN, ALEXANDER GROH,
KARSTEN LIESER & MARKUS BIESINGER

The Venture Capital and Private Equity Investor Index ranks countries according to their attractiveness to investors, as measured by six key drivers: economic activity, depth of capital markets, taxation, investor protection and corporate governance, human and social environment, and entrepreneurial culture and opportunities. The 2014 report, compiled by IESE with EMLYON Business School, ranks the United States and Canada at the top, followed by Singapore, the United Kingdom, Hong Kong and Japan.



The Venture Capital &
Private Equity Country Attractiveness Index

More
attractive

Less
attractive

No data
available

MORE INFORMATION:
IESE Insight / Finance

IESE Insight Entrepreneurial Solutions

The fall of the Berlin Wall – whose 25th anniversary is marked in November – offers the perfect occasion to reflect on the role of entrepreneurship in times of transition. This is the theme of the latest *IESE Insight*, guest-edited by IESE's **M. Julia Prats**. In



it she shares the stories of business pioneers who launched companies in Central and Eastern Europe after the fall of Communism. These are featured in her new book, *Entrepreneurial Icebreakers*.

Meanwhile, IESE's **Antonio Dávila** reveals how established compa-

nies can play to their strengths to launch breakthrough innovation in the style of start-ups, as discussed in his new book, *The Innovation Paradox*.

INSEAD's **Filipe Santos**, an expert in the field of social entrepreneurship, shows how entrepreneurship that is motivated by a deep regard for others is challenging mainstream economic theories and business models.

All this requires moving out of your comfort zone, says Singapore politician-turned-businessman **George Yeo** in an exclusive interview. The magazine also features inspiring advice from **Lech Walesa**, Nobel Laureate and former president of Poland: "Rather than bemoan the state of the world today, enlarge your vision. Commit yourself to engage. And never let anyone tell you it's impossible."

Alumni members can access the content for free.

MORE INFORMATION:
www.ieseinsight.com/subscription

RESOLVING ETHICAL AND CULTURAL CONFLICTS IN GLOBAL COMPANIES

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

● In their article for the *Journal of Business Ethics*, the authors observe that most managers' discussions of ethical conflicts in global business are currently explored through personal experiences and random examples. There is an absence of a systematic understanding of ethics and cultural values, compounded by an overreliance on Western models and viewpoints. The article explores three main sources of conflict: (1) differing tastes and preferences, (2) relative importance of moral imperatives compared to legal requirements and (3) people's level of tolerance for different values. With these three areas outlined, the authors turn to how conflicts can be facilitated through different levels of understanding.

For example, the authors recount the experiences of a Chinese HR

manager working in Shanghai for a Latin American multinational. More than once, Latin American employees asked for vacation days that their Chinese managers deemed inappropriate due to work schedules. But while the Latin American employees would have received a simple "no" in their home countries, in China the practice is to spare embarrassment with an outright rejection. Hence the Chinese HR manager generally answered something along the lines of "I will have to think about it and get back to you." The Latin American took the statement at its face value and when the Chinese manager never got back to them, the Latin American employees considered themselves cheated and their managers liars.

MORE INFORMATION:
IESE Insight / Leadership and people management

CASE STUDY

Is Constant Innovation Viable?

PADDY MILLER & THOMAS WEDELL-WEDELLSBORG

Some years ago Samsung changed its strategy and decided to stop following the competition and created innovation teams in its principal markets. But should these teams be answerable to head office while setting up projects? What sense is there in proposing radical projects if in the end the company opts for incremental innovation?

GO TO THIS CASE STUDY'S FORUM:
www.ieseinsight.com/review

How Hard Is It to Negotiate a Contract When There Is a Prior Relationship?

ÁFRICA ARIÑO, JEFFREY J. REUER, KYLE J. MAYER & JOAN JANÉ



Do long-term partnerships result in speedier contract negotiations? In their article published in the *Journal of Management Studies*, the authors found that the length of partners' prior relationships initially lowers negotiation time and then increases it. For one thing, if partners have worked together for a while, they are more likely to come across problems they did not anticipate and try to include them in future negotiations. Second, the increased trust built up between partners over time is a valuable resource and companies put more time into drafting future contracts to protect it. Third, as partners become more comfortable working together, they often decide to expand the scope of their partnership, increasing the complexity of new contracts.

MORE INFORMATION:
IESE Insight / Strategy

GLOBAL ALUMNI REUNION 2014

SHAPING A NEW FUTURE FOR EUROPE

Europe once again needs to set itself on the path to growth if it wants to be seen as a world player. To achieve this, what is needed is a change of focus. Europe has to set itself on a new course and the coordinates of this change of direction will be presented at the Global Alumni Reunion 2014.

In Madrid on October 30-31, prestigious international speakers will discuss the changes needed for economic growth to recover in Europe, as well as the implications this will have for companies. The program will be opened by two outstanding speakers: **Lech Walesa**, the former Polish president, and **Juan-Miguel Villar Mir**, managing director of Grupo Villar Mir. The academic directors **Philip G. Moscoso** and **Juan Manuel de Toro**, along with the president and director of the Alumni Association, respectively **Jorge Sendagorta** (PADE '90) and **Mireia Rius**, have designed a program that seeks to answer five key questions that are on the agenda of executives whose companies have operations in Europe.

More than 2,500 people have already registered for the Global Alumni Reunion, which is being held under the slogan, "Changing Tack. Shaping Europe as a global reference." If you haven't registered yet, what are you waiting for?

WHAT ARE THE PRIORITIES FOR THE WORLD ECONOMY IN 2015?

The outlook for the global economy is "cautiously optimistic," according to financial analysts attending the most recent annual meeting of the World Economic Forum. However, they warn that there are still underlying risks and that next year could prove volatile. Prof. **Kenneth Rogoff** of Harvard Business School believes it is time to put political stagnation behind us and re-establish growth. He will present his proposals on how to achieve this in the session "Europe and the Global Economy." Together with **José Viñals**, director of the IMF's Monetary and Capital Markets department, and IESE Prof. **Juan J. Toribio**, they will discuss whether advanced economies face long-term stagnation or are still suffering the consequences of the financial crisis. The session will be moderated by IESE Prof. **Núria Mas**.

WHAT SHOULD BE DONE TO ADAPT THE BUSINESS MODEL TO CONSUMERS AND DIGITIZATION?

Two trends stand out in the current situation: the vertiginous advances in technology and the speed at which consumer habits are changing. If they are to remain competitive, businesses need to take a hard look at their value propositions and even at their business models. **Thomas Rabe**, chairman and CEO of Bertelsmann; **Ferdinando "Nani" Beccalli-Falco**, CEO of GE Europe and **Steve Capus**, executive editor of CBS News, will, coordinated by Prof. **Philip Moscoso**, discuss what the main European

CHANGING TACK SHAPING EUROPE AS A GLOBAL REFERENCE
GLOBAL ALUMNI REUNION MADRID 30-31 OCTOBER 2014



René Aubertin

"Nani" Beccalli-Falco

Luis Cantarell

Steve Capus

Aymar de Lencquesaing

Ana Maiques

David Mills

Amparo Moraleda

Thomas Rabe

companies are doing in this respect in the session titled “Consumers, digitization and technology driven business models.”

HOW CAN INNOVATION DRIVE COMPETITIVENESS?

Innovation in products and services continues to be a key component of competitive advantage. Although many companies have improved their R&D, creativity and talent must still play a fundamental role if these businesses are to be among the best. **Ana Maiques**, cofounder of Starlab, **Aymar de Lencquesaing**, senior vice president of Lenovo and president for the EMEA region, and **Luis Cantarell**, president and CEO of Nestlé Health Science and CEO of Nestlé Nutrition, will lead the session “Innovation Driven Competitiveness” on how European companies are focusing on innovation. The debate will be moderated by **Adrian Wooldridge**, senior editor of the *Economist*.

WHAT ARE THE PRINCIPAL LEVERS OF GROWTH TODAY?

Many companies have proved capable of maintaining stable growth, even during periods of intense crisis. Understanding how they have successfully overcome adverse circumstances makes them useful role models that might inspire other organizations. This is the subject of the round-table discussion “Levers taking business growth to the next era,” in which **Fernando Ruiz**, CEO of Deloitte in Spain; **Julio Rodríguez** (PDG ‘97), executive vice president of global operations and member of the executive committee of Schneider Electric; **Amparo Moraleda** (PDG ‘95), non-executive director for companies such as CaixaBank, and **Francisco Reynés** (MBA ‘89), CEO of Abertis, will share their experiences. The session will be moderated by Prof. **Juan Manuel de Toro**.

IS GLOBALIZATION THE KEY TO THE FUTURE?

The received wisdom is that the market is global and that companies that hope to compete in the long term must also operate on a global scale. However, there are those who be-

lieve we are undergoing a process in which each market is becoming regionalized and specialized. **David Mills**, CEO of Ricoh in Europe; **Rene Aubertin**, CEO of Haier in Europe and **Jürgen Stackmann**, chairman of Seat’s executive committee, will discuss this phenomenon and will debate whether multinationals see Europe as a market with growth potential in which to invest in the session “Opportunities from a Global Company Perspective” moderated by Prof. **Marta Elvira**.

FURTHER INFORMATION:
www.iese.edu/GAR

LEARNING, NETWORKING AND A NEW APP

In addition to the academic sessions a variety of cultural activities have been organized so that alumni attending the Global Alumni Reunion can get to know each other and make the most of networking. The welcome reception will be held at the Madrid Stock Exchange on October 30 at 7pm.

On the morning of Saturday November 1, alumni can choose between a tour of the streets and monuments that date from Madrid’s Habsburg period, which lasted from the 16th to the 18th century; a guided visit to the Museo Reina Sofía or a trip to the Naval Museum. Those who want to perfect their swing can take part in the golf tournament that will be held at the Golf Santander course in Boadilla del Monte. This year smartphones will serve as a new meeting place. This is why the mobile app IESEGAR has been created so that alumni attending the meeting will have their own profile. This will allow them to contact each other in advance, share photographs, ideas and comments, as well consulting the program for the event. The app is offered in Android and iPhone versions and is available for other devices, such as HTML5.



Julio Rodríguez



Kenneth Rogoff



Fernando Ruiz



Jürgen Stackmann



Juan-Miguel Villar Mir



José Viñals



Lech Walesa



Adrian Wooldridge



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18TH INTERNATIONAL SYMPOSIUM
ON ETHICS, BUSINESS AND SOCIETY

TIME FOR AN ETHICAL REWIRING OF BANKING AND FINANCE

Much has been written about the ethical causes of the latest financial crisis. Now it's time to learn from it, and build foundations for banking and the financial system that will prevent a repeat. With a major focus on the need for an ethical approach, the 18th International Symposium on Ethics, Business and Society, organized by the Chair of Business Ethics at IESE, also gave center stage to the need for transparency in accounting, and responsible investment.

“Was the collapse of Lehman Brothers really a mere technical fault with no ethical element?” IESE professor **Domènec Melé** asked during the symposium's introduction. “It would be absurd to think so. There is always an ethical dimension to any human activity,” he said. Ethics, as many speakers were to agree, is the ‘softer’ side to the technical collapse of the banking system.

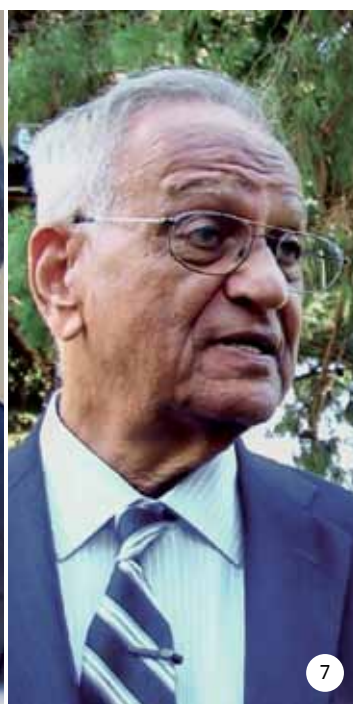
When talking about the stability of the banking system, the topic of competition often arises. Competition can be both good and bad for economic stability. But is competition in banking good for society? **Xavier Vives** thinks it can be, so long as the necessary regulation is in place. According to the IESE professor of Economics and Financial Management, banks used to be highly regulated but when



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1. Xavier Vives, IESE professor
2. Colin Mayer, professor at the Saïd Business School at the University of Oxford
3. Paul H. Dembinski, professor at the University of Fribourg
4. Josep Maria Rosanas, IESE professor
5. John R. Boatright, professor at Loyola University of Chicago
6. Oriol Amat, professor at the Universitat Pompeu Fabra
7. S. Prakash Sethi, professor of Baruch College at the City University of New York

they were liberalized, adequate regulation should have been put into place at the same time. Good regulation, he said, could be a positive force in the realigning of social and private incentives.

Colin Mayer, Peter Moores Professor of Management Studies at the Saïd Business School at the University of Oxford, was one of several speakers who offered an alternative view on the importance of regulation. “It’s not about regulation,” he said. “Regulation is ‘all we know’ in terms of ethical control of banks. But compliance departments are just ‘avoidance departments.’ The more we regulate, the more we promote instrumental avoidance,” he added.

Prof. **Mayer** also expressed frustration with one-size-fits-all models of regulation which disregarded differences in the size and nature of companies. “The European Commission is too intent on harmonizing a model,” he says. “Worse still, the model they have come up with is based on that of the United Kingdom, which makes no sense for the wider picture.”

The topic of risk, which is closely linked to banking, was also tackled. As Prof. **Vives** warned, banks take excessive risk because they operate in an opaque sector and so the incentives to do so are high.

Paul H. Dembinski, director of the Foundation of the Observatoire de la Finance and professor at the University of Fribourg, Switzerland, said that ethics, and more specifically concern for others, could actually be used to the financial system’s advantage in order to mitigate risk. The system is so complex that risk is high, but Prof. **Dembinski** said that those working in it could reduce the risk factor by being broad-minded and working as a team. If they do the opposite by working to destroy competitors, they will destroy the market as a mechanism.



THE MORE WE REGULATE, THE MORE WE PROMOTE INSTRUMENTAL AVOIDANCE”

Colin Mayer, professor at the Saïd Business School at the University of Oxford

COMPANIES: A CONFLICT OF INTERESTS

Where companies are concerned, Prof. **Mayer** said the main ethical problem was that firms exist to serve shareholder interests. “The corporation is a veritable Alice in Wonderland but over time it has become a Frankenstein,” he said, and this was because it had been captured by many short-term shareholders, owing to the increasingly quick nature of trading and also the trend for dispersed ownership of companies. “The company is in no single person’s interest and so management runs riot,” he said. “We need to promote the interests of all stakeholders and to address conflict within stakeholders,” he said, adding that firms we can rely on, so called “trust firms,” tended to be those with long-standing shareholders, such as the Nordic companies.

In his presentation, **Josep M. Rosanas**, IESE Professor of Accounting and Control, showed that taking share-

holder value as the objective of the firm is an inversion of values: profit (or value) maximization is considered to be “good” because with the usual assumptions of microeconomics it is a sufficient condition for economic efficiency. But if the usual assumptions don’t hold (and they typically don’t), then profit or value maximization is a guarantee of nothing: in fact, it may lead to many people being hurt, and therefore to not being efficient. In contrast, the idea of mission, as an attempt to satisfy the real needs of customers (external mission) and employees (internal mission), typically leads to good results both for the firm and for society.

Indeed, **John R. Boatright**, Professor of Business Ethics at Loyola University of Chicago, made an even bolder claim about mission-driven organizations, saying that, with the right attention, they were as capable as not-for-profit companies of incorporating social benefits into their business model.

Oriol Amat, Professor of Accounting at the Universitat Pompeu Fabra and Member of the Spanish National Securities Market Commission, exposed some of the legal and illegal practices in the manipulation of company accounts and the financial and ethical implications of lying – or not. When companies are in financial trouble, they try to prevent a sudden drop in share price. They may lie, or bend the truth, in order to present a stable financial performance. There is some research suggesting that if they owned up to the facts and took appropriate measures, share prices might not be adversely affected.

TURNING CHALLENGES INTO SOLUTIONS

Two types of solutions to the ethical problem were voiced, applicable across the banking and corporate domains: first, solutions to measure ethical behavior and second, those that try to foster it.

Senior fellow at the Weissman Center for International Business and University Distinguished Professor of Baruch College at the City University of New York **S. Prakash Sethi**, has devised a novel system to compare Corporate Social Responsibility (CSR) reports in order

to make the reports more objective and therefore useful. He does not believe that these reports, which companies currently produce on a voluntary basis, should become obligatory. It is the very freedom that companies currently have to show how much better they are than their competition that pushes them in a more ethical direction, he said. Professor **Sethi** has created a special scoring methodology that has led to findings such as how finance companies score lowest on all CSR criteria, with the exceptions of philanthropy and the environment, in which they excel. Prof. **Sethi** argued that companies would be more ethical if given more, not less, freedom and therefore incentives should be created for their self-governance.

Not all speakers stressed the importance of report-based social and ethical measures. **Robert B. Atwell**, chairman and CEO of Nicolet National Bank in Wisconsin, USA – a community bank which he defined as a “for profit” co-op – said that the inherent difficulty to measuring social responsibility should be tackled by going back to basics. Regulators need to have a personal understanding of a company and to ascertain whether the company is doing what it is supposed to do.

For Prof. **Atwell**, one of the greatest areas of ethical misconduct in companies is the exploitation of the average Joe by the knowledgeable expert. Mortgage lenders took advantage of the one-time buyer’s lack of understanding of the market and such behavior was at the heart of the financial crisis. To curb it, transparency needs to be encouraged by the Consumer Protection Agency, said Prof. **Vives**.

Several speakers revisited the idea of fostering ethical behavior through leveraging taxation. “Corporation tax is a fantastically effective way of ensuring asset values are promoted by companies,” Prof. **Mayer** said of the strategy. Compliant companies would be subsidized and those that didn’t comply would feel the tax burden. “It’s down to the Board of Trustees,” he added. “We need to ensure that companies under them uphold traditional values and take responsibility for companies not doing so.”

1. Domènec Melé, IESE professor
2. Robert B. Atwell, chairman and CEO of Nicolet National Bank
3. Luis Palencia, IESE professor





Prof. Fabrizio Ferraro, Jaume Iglésies, Harry Hummels and Prof. Joan Fontrodona

INVESTING WITH A RESPONSIBLE CONSCIENCE

Jaume Iglésies, Head of Values-Based Investing at UBS AG in Zürich, spoke about the motives for the sustainable investment portfolio offered by UBS, the largest wealth manager in the world. Getting their clients to invest in the community is a way of unlocking capital. "If we could get them to spend just 0.1 percent of our assets, that would amount to a trillion euros in a decade," he said. He emphasized how such investments needed to be part of an attractive package for UBS clients, adding: "It's all very well to talk about climate change, but how do you incorporate that into a portfolio?"

Harry Hummels, Professor of Ethics, Organizations and Society at Maastricht University's School of Business and Economics and managing director of SNS Impact Investing, talked about impact investing, in which capital is placed in businesses, not-for-profit organizations and funds that work to improve society. It provides an opportunity for investors to align their social and financial objectives.

The term 'impact investing' should not be waved about for effect, Prof. **Hummels** cautioned. "[Those claiming to invest in such a way] need a framework to measure the ethical value added." Intentions, financial and other returns are important. Ironically, sometimes it is through fears over their reputation that some, such as pension funds, are involved in impact investing. JP Morgan is a serious player in the field and this year revealed a total of \$46 billion in impact investments under management, he said, with a growth rate of 25 percent yearly.

He admits that there are serious ethical concerns regarding some areas of impact investing. Indeed these investments are "very prone to unethical sides."

Over-indebtedness, excessive interest rates and bad conditions in tea plantations are all negative realities. But, on the flip side, moral value is added and Medical Credit Fund in Africa is one very positive case. The impact investing sector, Prof. **Hummels** stressed, needed to be seen to be "moral but not moralistic"; that is to say, open-minded regarding the personal and cultural frame of reference of the people being helped. One unresolved issue was at which end of the chain the responsibility lay; with the investor or the people being helped?

Fabrizio Ferraro, Professor of Strategic Management at IESE, presented his research on how to encourage shareholders to be responsible. His fieldwork study of the New York-based value-driven coalition of investors Interfaith Center on Corporate Responsibility (ICCR) looked at the ways in which it had promoted social change in organizations through private dialogue at firms such as Walmart, Merck and Ford.

He observed that in successful cases, the shareholders had created coalitions inside the firm. Change had happened because ICCR was able to meet with the firm's management over time. Prof. **Ferraro** pointed out how shareholders are not usually experts on the technicalities of the issues they raise, so they really do have to engage with management.

ICCR comprises many faith-based institutions, and projects a moral voice. However, it was most successful when it could reframe issues in business terms. ICCR's engagement with Ford is ongoing. Decades-long commitment creates a channel whereby the shareholders, with one foot in the door, can shift their efforts from one ethical issue to the next.

In the current **IESE**insight

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Enterprising Solutions in Times of Transition

- Learning From the Entrepreneurial Icebreakers
- Want to Innovate? Then Act Like a Start-up
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- To increase sales, change the way you sell
- Family offices: Paths to keep wealth in family hands
- Samsung: How much innovation risk to take?
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George Yeo,
Singapore Government Minister
turned Chairman of Kerry Logistics

**“Get out of your
comfort zone.”**



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TEN RECOMMENDATIONS FOR MORAL RENEWAL IN BANKING

PROF. DOMÈNEC MELÉ

Symposium director and holder of the Chair of Business Ethics
Follow his blog: blog.iese.edu/eticaempresarial/en

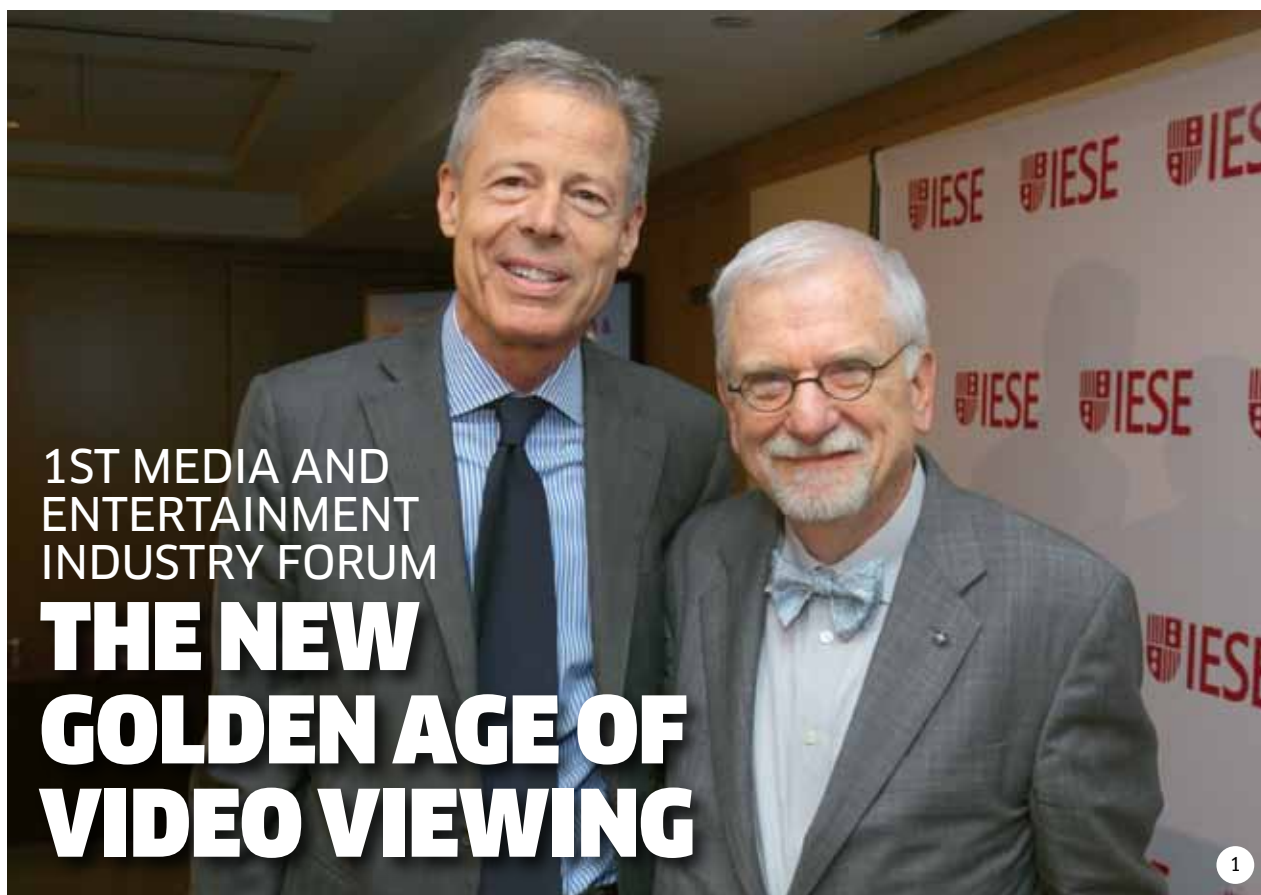
The image of banking has been damaged, and it urgently needs to improve in order to regain trust. What the bank needs is moral renewal, but how? There are complex situations and it would be simplistic to try to resolve them without looking into each one thoroughly. However, it is possible to make some basic recommendations that are easy to understand and that can help bring about this much-needed moral rearmament. Some of these are already covered by law, others are not, but in any case morality doesn't reside in the letter of the law but in the justice that it represents. We propose the following recommendations:

- 1 Create a responsible business culture** in which the dominant ethos is not to maximize profits whatever the cost, but the ethical and social functioning of banking with reasonable financial and social benefits. The social function of banks is the prudent use of the capital that saves deposit and supplying credit to families and businesses that need it in order to grow, create employment and, as a result, wealth. It's precisely this social function that justified the bailout of the banks. It may not be popular, but the collapse of the financial system would have had devastating effects, not only on specific institutions but on all economic activity and could have led to social paralysis.
- 2 Operate transparently, explaining the necessary information**, even when not required to by law. Neither the securitization of mortgages or the existence of preferential shares are intrinsically bad, but they need to be explained and shouldn't be offered to people who find them extremely difficult to understand.
- 3 Administer funds prudently and transparently.** There are banks that have gone bankrupt through carelessness and negligence in their administration of funds, often accompanied by a lack of transparency. For example, the banks saw in real estate an enormous seam in which they could manage huge volumes of money and through this volume make profits. But the available funds do not just belong to the board of management, which often only controls a small percentage. There are hundreds of thousands of small shareholders and savers who have lost out.
- 4 Offer credit from the standpoint of ethical and social responsibility**, taking into consideration the activity that is being funded and its social value. Banking responsibility doesn't begin and end with profitability and solvency. There is also an ethical and social responsibility regarding the role of credit in creating employment and wealth in ethical conditions. Similarly, responsibility in offering credit means that it should be denied to unethical activities or sectors.
- 5 Don't use a position of power to take advantage of others in need.** Power may mean having more information or more negotiating power. Inserting abusive clauses into

mortgages or taking advantage of a saver's ignorance are among the abuses that can occur in banking.

- 6 Avoid incentives or perverse pressures in investment decisions.** Clients need to feel that they can trust the bank's employees and receive the information they deserve. A corporate policy driven by the bank's top management that recklessly puts pressure on employees can lead them to sell financial products without offering complete and clear information to clients or without offering them products better suited to their profile as an investor. It's important to avoid situations in which the trust invested in banking employees is abused.
- 7 Behave with moral imagination and a social conscience.** Moral imagination leads to finding creative and ethically superior solutions. The lack of flexibility in solving a problem, such as house evictions, that directly affects the basic necessities of thousands of families points to a lack of social conscience. Perhaps it wasn't seen as the bank's problem, but the problem was there and in many cases the financial bodies have shown an excessive rigidity and the lack of imagination or ability to react.
- 8 Don't turn a blind eye to bad behavior.** This includes giving technical help to money launderers or tax evaders. It's well known that money in tax havens is not taxed, or is taxed at a very low rate, and is also protected by banking secrecy. Banks should not be complicit in the bad behavior of their clients, however important they are.
- 9 Behave like a good citizen.** This means the bank has to behave and be seen as a social force that doesn't ignore social problems even though they're not directly part of its mission. Many banks donate some of their profits to social projects, many of which have problems raising funds. Naturally this can be used to cover up bad practices, but it is laudable all the same. This is not just a way of giving something back to the society that helped you get it in the first place, beyond just paying tax. It's also a way in which the bank can act with a sense of community that will also usually be appreciated by people at large.
- 10 Ensure compliance but opt for integrity.** Having well-established and applied codes of conduct and other means of self-regulation can help, but it's necessary to aim for a shared mentality of integrity that goes beyond compliance. It would thus be possible to avoid activities that comply with the letter of the law but lack real moral integrity.

Business schools such as IESE want to help banks to work well, professionally and ethically, to offer a good service in a competitive market and, as a result, be profitable and contribute to progress and the humanization of society. But this begs the question: is it possible? Are being competitive and ethical compatible? It's a challenge that demands imagination and effort but honor and integrity, along with the trust they bring, are also important competitive elements.



1ST MEDIA AND ENTERTAINMENT INDUSTRY FORUM THE NEW GOLDEN AGE OF VIDEO VIEWING

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The passive viewer is a thing of the past, and increasingly audiences are becoming influencers. The 1st Media & Entertainment Industry Forum analyzed the future of audiences and media content.

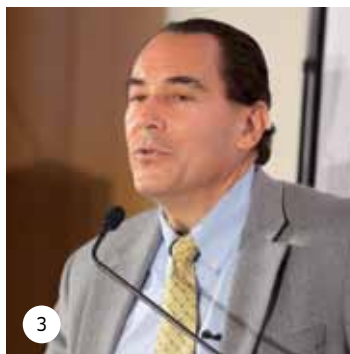
Securing audience loyalty and advertising investment is a constant challenge for the media industry, and has been made more complicated by today's digital reality – a viewer is able to access seemingly endless content, at any time, on a number of devices. Finding opportunity in this rapidly shifting media landscape was the subject of the 1st Media & Entertainment Industry Forum, a conference held on July 1st at IESE's New York Center.

The meeting featured insights and forecasts from top level media executives. Their thoughts were prompted by **William F. Baker**, president emeritus at Thirteen/WNET and an IESE professor, and **Gerry Byrne**, vice chairman of Penske Media Corporation (PMC).

1. Jeff Bewkes, chairman and CEO of Time Warner, and Prof. William F. Baker
2. Gerry Byrne, vice chairman of PMC
3. Tom Rogers, CEO of TiVo
4. Paul Marcum, global head of digital video for Bloomberg
5. Juan Pujadas, global vice chairman of advisory services at PwC International
6. David Poltrack, president of CBS Vision



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David Poltrack, chief research officer at CBS Corporation and president of CBS Vision, was optimistic about the future of television and the “tremendous expansion of opportunity.” For example, viewers now have 100 percent access to programs through on demand and streaming, he said, and two thirds of the viewing population is connected through a device other than a TV, so – although live television viewing declined from 89 percent to 80 percent between 2011 and 2014 – overall television viewing increased by 2 percent.

Advertising also benefits from this trend. **Tom Rogers**, CEO of TiVo, said that a survey of users of streaming services revealed that 90 percent admitted to “binge viewing.” He sees an advertiser benefit in the opportunity to craft a relationship with that audience that “doesn’t get in the middle but takes advantage of eyeballs fixated.”

The 24 percent of television viewers known as “media trendsetters” are the ones to target because of their social influence and 33 percent higher spending than the rest of the population, said **Poltrack**. You could call them ‘trendsetters’ because of how they drive industry innovation by sharing their opinions online and through word of mouth. To inspire viewers to talk about your programming, the focus must be on the emotional element the audience is seeking. Social media influencers, including these trendsetters, ‘program passionates’ and ‘engaged streamers,’ represent tremendous opportunities for advertising revenue both today and in the future, he added.

According to Time Warner Inc.’s chairman and CEO, **Jeff Bewkes**, we are experiencing the “golden age of video programming.” He claims viewership is going up around the world: “online viewing IS television,” he said. **Bewkes** attributes the increase to the quality of the programming and appreciation for on-demand viewing. Budgets are also increasing, as is network profitability. With one third of the company’s revenues generated overseas, **Bewkes** keeps an eye on the enormous growth of the film business in China and Russia. **Poltrack** believes there has been “more change in the past two years than in the previous 20,” and views this in a positive light. “The landscape has changed but the audience is still there,” concluded **Byrne**.

MORE INFORMATION:
<http://goo.gl/yehUzl>



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A PUBLIC SECTOR SPACE ON THE NET

PROF. WILLIAM F. BAKER

President Emeritus of Thirteen/WNET

Until recently, most Americans felt assured of “Net Neutrality,” even if they’d never heard the term before. Under Net Neutrality, all data traffic flowing over the Internet would be treated equally, like calls over the telephone system. When entering a Web address, data would be delivered to your computer as fast as the infrastructure of the Internet allows. That’s basically how the Internet in America has been functioning. But on May 15, 2014 the Federal Communications Commission (FCC) proposed new rules that will allow Internet service providers (ISPs) to slow down or speed up data delivery to and from certain Web sites, effectively creating a two-speed Internet, one with a fast lane for those who can afford it and a slow lane for everybody else.

Net Neutrality’s defenders worry that in a two-speed Internet, the Web’s crucial smaller players like public media, the not-for-profit sector and start-ups would be unable to buy their way out of the slow lane, thus impoverishing American commerce and culture. The ISPs counter that they are within their rights to charge more in exchange for delivering faster service. The struggle between the two sides is heating up, and it’s a signal of how colossally important the Internet has become to American life.

It’s not unlike 1934, when Congress passed the Telecommunications Act, in an attempt to agree on a set of rules for an already thriving, but chaotic and rapidly expanding new technology: the radio. But the 1934 act effectively failed to carve out any territory for the public interest in the new broadcasting landscape. It wouldn’t be until 1971, 50 years after the start of commercial radio and nearly 30 years after the start of commercial TV, that PBS and NPR would be on the air. In contrast, the BBC had been established as a public interest corporation way back in 1922.

We can’t afford to fall so far behind again in creating a durable public interest equivalent for the Internet, especially when Internet access in the rest of the developed world is on average faster, less expensive, more widely available, and almost universally “Net Neutral.”

Since it looks like we’re heading toward a two-speed American Internet, why not take some of what the big players will be paying to ISPs for a fast track and use the money to make sure public media, not-for-profits and tech innovators get bailed out of the slow lane? There is strong precedent for this sort of provision. Residential telephone service, especially in rural areas, has long been subsidized in the US by the higher phone bills charged to businesses and by small charges tacked on to everybody’s phone bill. The Connect America Fund already exists to help build out Internet connections to schools and rural areas. But as of 2012, 25.2 percent of American homes still don’t have access to the Internet.

At this key moment in deciding the rules of play for the American Internet, it is essential to demand that education, culture and innovation don’t get left behind, as they did in TV and radio. What’s at stake is whether the Internet’s full potential will be realized for all Americans, now and in the future. As **Edward R. Murrow** said of television, “This instrument can teach, it can illuminate; yes, and it can even inspire. But it can only do so to the extent that humans are determined to use it to those ends.”

FOLLOW HIS BLOG:
<http://blog.iese.edu/baker/>

FAST FORWARD PROGRAM

THE KEYS TO PLANNING FOR THE FUTURE

Being aware of today's trends is the best way to identify tomorrow's opportunities.

That insight is offered to senior managers in the Fast Forward Program.

Global rebalancing of exports, stunted recovery in advanced economies, risk of deflation within the EU and economic slowdown in China are the red flags to be aware of in years to come, according to professor **Núria Mas**. The Fast Forward Program, which was held on IESE's campus in Barcelona between June 2 and June 6, 2014, analyzed these trends and their long-term impact on global business.

Lech Walesa, former Polish president and Nobel Peace Prize winner; **Sheila Heen**, founder of Triad Consulting Group; **Herman Daems**, chairman of the Board BNP Paribas Fortis; and **Steve Capus**, executive editor of CBS News and executive in residence at IESE, were among the keynote speakers. Along with 14 members of IESE's faculty, they shared insights on the major trends and global forces that are setting the stage for businesses in years to come.

Lech Walesa recognized that not everything in the current system works well, but he said that "We don't need revolutions, only some corrective measures." **Walesa** shared his conviction of the need for a united Europe. "If we dismantle the European Union today, we would have to begin reintegration tomorrow," he said.

Walesa founded the Solidarity union, which opened a breach in the communist system, which in turn led to the fall of the Iron Curtain. "Nothing is impossible," he said

enthusiastically. He encouraged young people to commit themselves, to participate in this globalized and connected world, which he sees as a unique opportunity to establish something new from a broader perspective and for the common good.

FROM MACRO TO MICRO

Even once it becomes clear what the right measures are that will allow companies to thrive, applying them in the current ambiguous landscape isn't an easy task. For example, many top executives are bewildered by how to manage strategy and the transformation that digitalization demands.

Prof. **Evgeny Káganer** provided a framework to help executives envision the impact of digitalization on their industry and identified the key capabilities needed to make this vision a reality. He urged participants to see beyond the trends. There is no magic formula, since each sector and business has its own unique potential synergies with digitalization. What all businesses must do, however, is "be able to understand the scope and timing of the impact of digital on your industries," **Káganer** advised.

Business leaders also face the challenge of managing talent, which is closely related to performance management systems, according to **Sheila Heen**. **Heen** distinguished between three types of feedback: appreciation,

IF WE DISMANTLE
THE EU TODAY, WE
WOULD HAVE TO BEGIN
THE REINTEGRATION
TOMORROW”

Lech Walesa, former Polish
president and Nobel Peace Prize
winner



coaching and performance evaluation. She said that feedback givers should know which kind is needed at each time. For instance, sometimes when people say that they want to receive more feedback at work, what they really mean is that they want to be sure that someone notices the value that they are creating. When receiving feedback, the attitude of the receiver is really important, as well as his or her opinion of the person giving the feedback. However, **Heen** said that “Some of the most valuable feedback can come from the people with whom you find it most difficult to work.”

Steve Capus talked about staying ahead of the curve in a context defined by a continuous state of flux and fast-paced change. “I like people who are energized by these times, and not discouraged by all the competition,” he said. “The companies that stay ahead are the ones where the leaders have a real desire to compete, and to stay relevant,” he concluded.

MORE INFORMATION:
Lech Walesa Interview at *IESE Insight* magazine, no. 22.

ACHIEVING A SOLID VISION OF MANAGEMENT IN RECORD TIME

To help business leaders with little time to explore the most pressing economic and business trends, the Fast Forward program brought 94 senior managers and executives from 22 countries to IESE's campus in Barcelona. Participants gained insights on a range of topics, including global economics, innovation and intrapreneurship, digitalization, risk in emerging markets, commercialization in Latin America, service co-creation, shareholder activism and corporate transparency. “Fast Forward is a fantastic executive education option for senior managers and executives to expand their network, tap into new opportunities and understand how to best leverage new technologies and social networks to support their goals,” said Prof. **Josep Valor**, the program's academic director.

www.iese.edu/fast-forward

JOBS FOR YOUNG PEOPLE: SKILL DEVELOPMENT

Ideas for Job Creation

Low unemployment and part-time working are characteristic of the Dutch job market, which is one of the models that IESE Prof. **Sandalio Gómez** has analyzed, along with German labor reform. On Alumni Day, which was held on IESE's Madrid campus on July 2, business people, academics and members of the Spanish government discussed best practices for creating jobs in Europe.

Prof. **Gómez** argued that, in order to introduce effective measures, what is needed is a social accord between trade unions, business people and the government, of the kind seen in Germany, Denmark, the Netherlands and Austria. "We should all work towards creating a broad agreement on employment because that's what Spanish society demands," he said.

A decade ago those countries adopted a series of measures that meant they were better equipped to deal with the crisis than Spain, where unemployment is at 25 percent, and 55 percent among young people. The professor put forward a number of proposals for creating jobs, especially among the young. These included dual training plans, developing training and internship contracts, and reducing companies' social security contributions without reducing the social elements, with a commitment

to maintain an agreed percentage of this type of contract over a period of three years.

Among the measures he put forward was a proposal that companies should receive subsidies to employ over-fifties and people with special family responsibilities. He wanted to see reductions in the social security quotas paid by entrepreneurs, who also need help with finance. He also proposed an increase in part-time work as a way of creating jobs while striking a balance between work and family commitments.

TRAINING FOR THE 21ST CENTURY

"The 21st century is a world of possibility and brings a need for new jobs. To rise to this challenge, we need companies to support training, which is key to personal and professional development not only of workers, but of society" **Jordi Canals**, the dean of IESE, said.

Several speakers agreed on the need for a system of dual professional training of the type that exists in Germany. This model of professional training involves a combination of theoretical education, acquired in the classroom, with practical experience in a company over a period of two to three-and-a-half years. At the end of this period, the student is already trained in their chosen trade

and is available to join the workforce, with preference given to the company where they received their practical training.

"Dual professional training is key to reducing youth unemployment," said **Fernando Carro**, chairman and CEO of Bertelsmann Spain. **Francisco Belil**, vice president of the Bertelsmann Foundation, went even further. In his opinion, Germany's post-war economic miracle derived from the fact that learning a trade is in the German people's DNA. "Professional training doesn't close doors, it opens them," he insisted.

Ramón Paredes, vice president of SEAT, said that training isn't a cost but an investment that brings rapid returns. For this reason it's vital that companies involve themselves in training schemes that open professional opportunities to young apprentices. "We have to develop technical and social skills, abilities and competencies," he said. He underlined the importance of values and emphasized that receiving training increases employees' loyalty to the company.

Juan Rosell, president of the CEOE, the Spanish business federation, said that training, along with investment in innovation and internationalization, are the challenges the Spanish economy faces.



Prof. Sandalio Gómez



Fernando Carro, chairman and CEO of Bertelsmann Spain



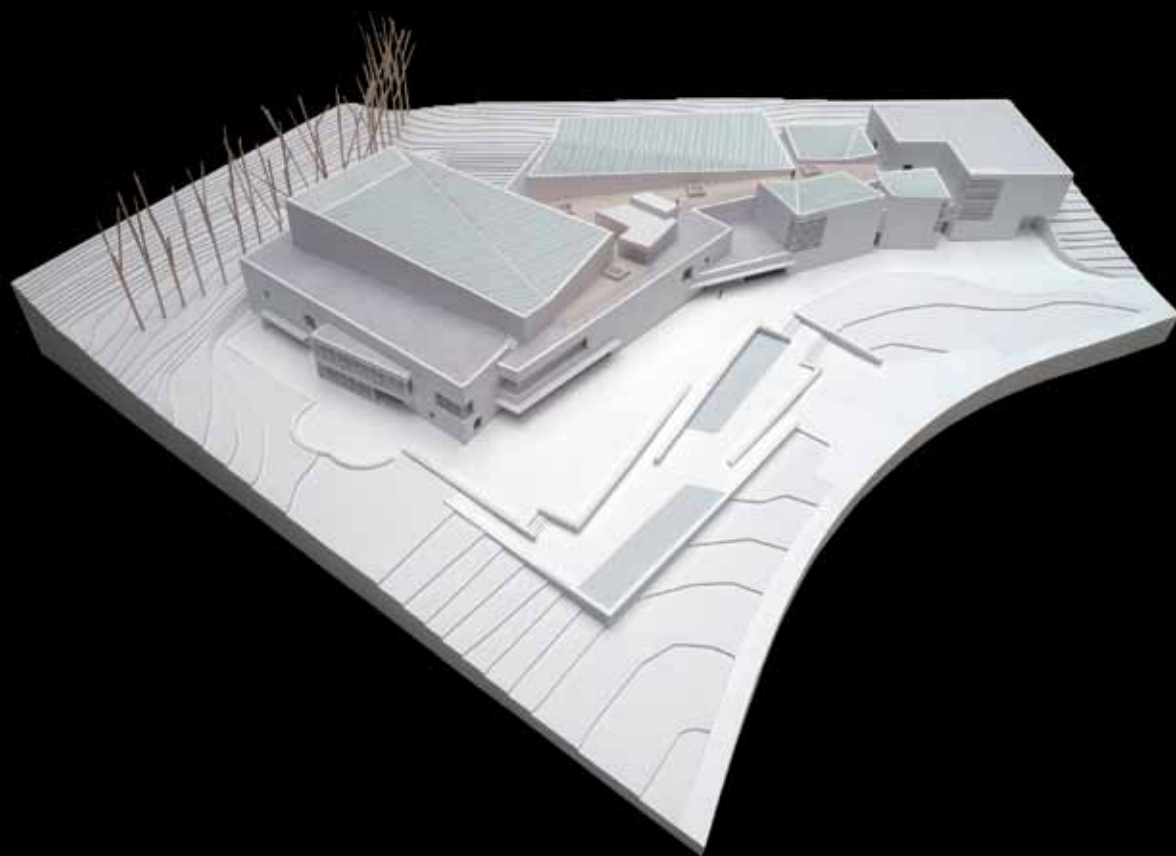
Francisco Belil, vice president of the Bertelsmann Foundation



Ramón Paredes, vice president of SEAT

ART WITHIN THE CAMPUS. MUSEUM UNIVERSITY OF NAVARRA

www.museumuniversityofnavarra.com



20TH TELECOM, DIGITAL MEDIA & INFORMATION SOCIETY INDUSTRY MEETING

Creating Value in Times of Digital 'Tsunami'

No sector is exempt from digital disruption, and every company needs to adapt its strategies and business models to the new reality in order to survive.

The digital 'tsunami' has washed away sectorial barriers. Faced with this new paradigm, telecommunication companies, digital media firms, technology suppliers and other businesses are competing to capture some of the enormous value that is being generated. This was made clear at the 20th Telecom, Digital Media and Information Society Industry Meeting held on June 17 and 18 at IESE's campus in Madrid, under the academic direction of IESE professors **Joan E. Ricart** and **Josep Valor**, as well as **Santiago Miralles**.

In the 'IT ecosystem,' new agents and players with different functions have a shared objective: to create and capture value, said **Pere Rosell**, Standards and IT director of AECOC-GS1 Spain. Airlines are a clear example of this trend. **Samuel Lacarta**, CIO at Vueling, said that all new strategies are developed with the Internet in mind: "We have a lot of information about how our travelers and users surf our web page. This data is very useful because it allows us to segment and personalize messages and offers."

Big data was the focus of the comments made by **Fuencisla Clemares**, sales director of Google Spain. "Data is essential for optimizing business and having a better understanding of the consumer. Companies that don't know how to interpret this information are lost causes," she said.



Steve Capus, executive editor of CBS News and IESE executive in residence

"In Europe, we are not yet capable of generating digital ecosystems that suit all of the value chain levels," lamented **Benigno Lacort**, managing director of AMETIC, who warned that the value is moving towards the US and Asian markets. **Alberto Moreno** (PDG '08), head of regulation at Telefónica Spain, agreed and said the European telecommunications sector needs to be transformed if it is not to miss the leadership train.

"Value is being destroyed in the mobile phone sector," said **Gabriel Míguez** (EMBA '89), chief of public affairs & strategic business development officer at Yoigo. **Pedro Peña**, legal, regulatory and corporate security director at Vodafone, said the solution was to establish a dialogue between all of the operators and other players involved within a regulatory framework that establishes equal norms for everyone.

Professor **Valor** said that the Internet has already consolidated itself

as the second medium by volume of advertising investment. Printed newspapers are at the opposite end of the spectrum. The executive editor of CBS News and IESE executive in residence, **Steve Capus**, said it is fundamental for media companies to employ professionals who are "capable of generating business."

Facebook's head of Vertical Auto, Tech & Telco and Travel, **Arturo Marín**, emphasized the importance of mobility. "In the United States smartphones have reached a bigger audience than television for the first time, with all that implies for brands," he pointed out.

"An advanced economy needs a robust and innovative sector," said the Spanish secretary of state for telecommunications and the information society, **Víctor Calvo-Sotelo**, at the closing of the meeting.

MORE INFORMATION:
<http://goo.gl/b2vw7F>

Global Vision, Local Application

● The most internationalized companies of the food industry have a global vision and a local insight. Most agree that the great challenge is to understand the local culture and adapt the business model, not only to the habits and preferences of consumers in each country (flavors, formats, labeling, and so on), but also trying to act like a local in everything else: from the design of marketing and advertising campaigns to hiring local employees and opting for domestic production.

“To come out on top, you need to deal with local partners,” said **Nuno Abrantes** during the 18th Food & Beverage Industry Meeting, organized by IESE and Deloitte on June 4 at the Barcelona campus. **Abrantes** is chief strategy & innovation officer at Jerónimo Martins Group, the first Portuguese food distributor in the Polish market. Its strategy has been well received by Polish consumers, who like to shop frequently and patronize nearby establishments.

Haluk Dortluoğlu, CFO of the Turkish chain BİM Birleşik Mağazalar, also underlined the “importance of local partners to integrate and adapt to the local culture.” With a hard-discount business model created in the image and likeness of the German chain Aldi, it started its operations in 1995 with 21 locations in Turkey. Currently there are more than 4,000, and for several years now it has appeared on the list of the world’s fastest-growing retailers published by Deloitte Consulting.

In order to internationalize, you have to assess the external factors that affect the company. You need to

understand the markets, the socio-economic and demographic trends and the political picture. Emphasizing the latter, **Ira Kalish**, Chief Global Economist at Deloitte, said: “In China, the real question isn’t just economic, but political.”

ONGOING INNOVATION

● Innovation was another key subject of the meeting, which was attended by Prof. **Jaume Llopis** as the academic director and **Fernando Pasamón** (PDG ’02), partner and Consumer Business Leader in Spain at Deloitte.

Companies are called upon to make a concerted push for innovation. But statistics can be frustrating, given the huge percentage of innovations that fail in the market,

according to **Pablo Aguilar** (MBA ’92), director of strategy and innovation at Calidad Pascual Group, which opted for finding ways to make innovation more sustainable. The recent development of DiaBalance, born out of the partnership with the pharmaceutical company Esteve, offers products and services for the needs of people with diabetes. “We saw a business opportunity midway between the pharmacist and the consumer sector,” he said.

Along with internationalization and innovation, integration and implication are also becoming the levers of growth for the food and beverage industry.

MORE INFORMATION:
<http://goo.gl/UTQUBt>

FOOD & BEVERAGE GLOBAL AWARD 2014

During the event, the Food & Beverage Global Award 2014 was given to **José Antônio do Prado Fay** for his achievements at the helm of companies such as BRF-Brazil Foods, S.A., Bunge Group and Perdigão. “Exporting means overcoming obstacles,” he said.



Miguel de Haro, José Antônio do Prado Fay, Prof. Jaume Llopis and Fernando Pasamón

THE SUPPLY CHAIN AND FINANCE 4TH ANNUAL SYMPOSIUM

Calculating Financial Risks in the Supply Chain

What are the main financial risks and repercussions of managing supply chains? Renowned international experts, both academics and industry professionals, gathered to discuss this issue at the Supply Chain and Finance 4th Annual Symposium that was held on July 7 and 8 at IESE's Barcelona campus.

The conference academic committee was made up of IESE professors **Víctor Martínez de Albéniz**, **Wei Luo** and **Alejandro Serrano**, director of the master's in Supply Chain Management at Zaragoza Logistics Center and Research Associate at the MIT Center for Transportation and Logistics. The symposium analyzed the supply chain from a business perspective, with a focus on dealing with risk and financial challenges.

Bankruptcy risk was the first topic analyzed, with a study carried out by professor **Vlad Babich** of George-



Prof. Víctor Martínez de Albéniz



Prof. Wei Luo

town University. Commodities and hedging were also discussed, and there was a session on this issue by **Nicola Secomandi**, professor at the Carnegie Mellon University.

Another key subject was the impact of financial risk on operational decisions. Empirical research about operation management finance in-

terface was presented by **John Birge**, professor at Chicago University and **Sridhar Seshadri**, professor at the Indian School of Business. Financial contracts in operations management was also a topic on the symposium, which closed with a session about industrial perspectives on supply chain and finance.

XXIII INTERNATIONAL FACULTY PROGRAM

IESE: the Global Crucible of Management Professors

"Master the case-study teaching method" was the aim of **Ebenezer Adaku**, professor at the Ghana Institute of Management and Public Administration, to participate in the International Faculty Program



Professors from the 2104 edition of the International Faculty Program.

(IFP). He was one of the of 27 professors of economics and business management from 17 countries in Africa, Asia, Europe and Latin America that took part in the last edition of the program, which was held from June 2 to 21 on IESE's Barcelona campus.

Over the course of three weeks, the IFP, led by Prof. **Javier Santomá**,

explored business management teaching methodology, introduced professors to the case-study method and help them draw up study plans for the preparation of new case studies.

IESE has been offering this program for 23 years, during which time around 500 economics and business management professors from more than 70 countries have participated.



Participants in the 2014 Global CEO for China program at IESE's campus in Barcelona.

GLOBAL CEO FOR CHINA MODULE HELD IN BARCELONA

Stepping Out of China For a Better Look In

When you think China you probably still think of low-cost manufacturing. However, the Chinese economy is evolving beyond the cheap labor that originally boosted its growth several decades ago. Now, just as developed economies look east to improve their bottom line, today Chinese companies in industries like health management and agriculture are looking west to secure their market positions.

Loni Wang, chairwoman of Shenzhen Catic Wellness, started her business – now China's top health management company – in 1995 with a little seed of inspiration from her experience in the UK. While she was completing her master's at Cambridge, a 70-year-old professor held a meeting with her while running on a treadmill. Wang saw a sharp contrast between how westerners of all ages were striving to incorporate exercise into their lives and the state of affairs at the time in China. "I decided that

keeping people healthy was going to be my mission," said **Wang** during her stay in Barcelona as a participant of the Global CEO for China program.

Today she runs 32 health clubs that focus on medical care, fitness, anti-aging and Chinese traditional medicine for their 170,000 members. She now envisions taking her company to the next level, especially considering the great potential for China's growing health and fitness market, which the BCG predicts will reach \$70 billion by 2020.

She feels the Global CEO for China program has been crucial for her. Together with 61 classmates, **Wang** has been gaining insights into the major social, cultural, political and economic factors that impact business while exploring and working together with other participants to resolve an array of business cases. "Our industry is very different from IT and manufacturing," she explained. "I needed to get an international view for the business,

identify the gaps to overcome in order to take the company to the international level."

The Global CEO for China Program offers a really international experience through its modules in Boston, Barcelona and Shanghai. In order to deliver the program, now in its 10th edition, IESE has teamed up with Harvard Business School and China Europe International Business School (CEIBS).

For **Wang's** classmate **Liu Zijie**, chairman of Shandong Goodfarmer Fruits and Vegetables, participating in the program has been a strategic career move in order "to learn from cases about other international company expansions, like Tata and Puig, and to gain an international view from the world-class faculties of three schools." Stepping out of their day-to-day to spend time with other executives who face similar challenges is helping **Wang** and **Zijie** look at their industries with a fresh perspective.



IESE GLOBAL HR THINK TANK

Building Learning Organizations

● Rapid change, uncertainty and complexity – this is the business context that demands HR step up to two new challenges: a need to create agile learning organizations and assume new roles, such as recruiting and developing talent for risk management. These were some of the central ideas that drew directors and international experts from around the world to IESE's Global HR Think Tank in Barcelona on June 5 and 6.

"HR is seeing a positive, transformational opportunity," declared **Edward Hess**, Darden Business School professor and author of *Learn or Die*. He is convinced that the role of HR will be ever more important because it will be necessary to develop a workforce not to compete with technology, but to complement it.

A recent U.S. government report predicts that technology will displace 47 percent of jobs. Looking at this future landscape, one wonders what is left for companies and HR professionals. "The speed and quality of

organizational adaptation (i.e., learning) will be, for the most part, the only sustainable competitive advantage," **Hess** explained.

Learning underpins operational excellence and innovation. HR leaders need to have a good grasp of when and how learning occurs and the internal obstacles that keep it from taking hold. A company culture that allows employees up and down the hierarchy to freely express ideas is one characteristic of a good learning organization.

FROM DREAD AND DRUDGERY TO PASSION AND PURPOSE

● The latest research in neuroscience supports Hess's recommendations for building work environments that are more conducive to learning. **Nigel Paine**, former head of training and development at the BBC

said that if we know that mental exercise and emotional engagement are crucial to productivity and cognitive abilities, even on the aging brain, then why is the worker-tethered-to-desk model not obsolete?

Paine labels these traditional work environments as tending toward "Alzheimer's in the body corporate. This is what happens when employees are doing repetitive, mind-numbing work." It is not surprising then that 30 percent of workers feel demotivated and 10 percent would go so far as to badmouth their own company. He proposed that managers assume a central role in making workers consciously willing to learn.

He emphasized that rather than dread and drudgery, it really has to be about passion and purpose. Organizations need to watch out for toxic leadership because it destroys learning. In contrast, he pointed out, "A CEO with passion and purpose can translate that down the hierarchy of the organization."

A culture of learning and engagement will be key in organizations that are facing growing risks in a changing environment. In that sense, HR will need to step up and assume a new role in risk management. IESE's **Markus Maedler**, Assistant Professor of Accounting and Control, discussed how in the aftermath of the Lehman Brothers debacle, "risk is now everybody's business."

Maedler says that compared to natural disasters, man-made risks are most significant because, ironically, companies are least prepared to manage them. Risk management therefore

cannot be delegated to a specialized department; HR's role here is key in selection and training in order to attract the kind of people to manage all the possible variations of risk. Moving forward, "the focus might be on risk knowledge and the development of a strategic attitude and thinking where the culture of failure is actually a possibility," suggested **Maedler**.

Why is the worker-tethered-to-desk model not obsolete?

AGENDA



Global Alumni Reunion

MADRID, OCTOBER 30 AND 31

With the theme “Changing Tack. Shaping Europe as a Global Reference,” this year’s reunion will include a discussion of the role of Europe, with prominent speakers such as former president of Poland **Lech Walesa**; leaders of companies operating in Europe, and professors.

www.iese.edu/GlobalAlumniReunion



FOCUSED PROGRAMS

Finance and Accounting for Non-Financial Managers

Barcelona, October 6-10

Making it Work: A Power Approach to Strategy Execution

New York, October 6-8

Developing Leadership Competencies

Barcelona, November 4-7

Advanced Digital Media Strategies: Embracing the Digital Future

New York, November 19-21

Doing Business Globally: Leading in a Matrix Organization

New York, December 2-5

Program dates are subject to change.
For the latest information see:
www.iese.edu/agenda

Industry Meetings

21ST HEALTHCARE INDUSTRY MEETING

October 15

29TH AUTOMOTIVE INDUSTRY MEETING

November 11-12

11TH RETAIL INDUSTRY MEETING

November 24

6TH CHEMICAL INDUSTRY MEETING

November 25

10TH BANKING INDUSTRY MEETING

December 10

8TH SALES AND MARKETING OFFICERS MEETING

January 21 2015

1ST IESE-IPADE FOOD & BEVERAGE MEETING

February 5 2015

12TH ENERGY INDUSTRY MEETING

February 11 2015



CONTINUOUS EDUCATION PROGRAM

NEW YORK, OCTOBER 2

“Responsible Investing Takes Root: Exploring Recent Trends in the Field in Conversation with **James Gifford**” is a session on responsible investment, delivered by IESE’s professor of Strategic Management **Fabrizio Ferraro** and **James Gifford**, Senior Research Fellow at the Initiative for Responsible Investment at the Harvard Kennedy School and Senior Strategic Adviser for Tau Investment Management.

MUNICH, OCTOBER 7

A session on “Industrial 3D Printing – A Driver for Sustainability,” will bring together Dr. **Hans Langer**, EOS Founder & CEO and **Marc Sachon**, IESE Professor of Production, Technology and Operations Management.

LONDON, OCTOBER 7

This session title is “Solving Intractable Problems and Learning at the Same Time: Experiencing the Power of Action Learning.” The World Institute of Action Learning (WIAL) approach to learning is a way to address the challenges that organizations face. In this session, alumni will learn about Microsoft’s innovative practice with Action Learning, with **Matthew Farmer** (MBA ’03), managing director of the consultancy Emerging World and director of the WIAL in the UK, **Frank McCosker**, general manager of Affordable Access & Smart Financing at Microsoft and **Ed Williams**, executive coach and director of WIAL-UK.

SAO PAULO, OCTOBER 9

“A World in Transformation: How the Use of Digital Technology Is Affecting Business” is the session delivered by **Rubens Migliaccio**, IESE lecturer of Marketing and **Agenor Leão**, vice president of Tecnologia Digital da Natura.

COLOGNE, OCTOBER 13

Alumni from Cologne will have the opportunity to attend the session “The Organizational Challenges of Differentiation,” which will be delivered by **Carlos García Pont**, marketing professor at IESE.

Francisco Reynés (MBA '89),
CEO of Abertis

“If you’re not
consistent you lose
your authority”

Francisco Reynés (Palma de Mallorca, 1963) has been CEO of Abertis Infraestructuras since 2010. Before that he held top management positions in companies in a range of sectors. In this interview he talks about the group’s strategy and what he believes are the key aspects of leadership.

Abertis is the world leader in managing highway concessions, with operations in 12 countries. The investments made in Italy and Portugal didn’t turn out as well as expected and the company ended up getting rid of them. What lessons were learned from this?

In recent years we have carried out many corporate operations, the majority of which have been fruitful. But even in the case of those that haven’t turned out exactly as we had hoped we have tried to extract something positive in order to generate value for Abertis shareholders.

To begin with, the operations with Brisa and Atlantia were seen as industrial-type agreements, joint operations with a solid and studied basis. In the case of Italy,



this agreement turned into a common project with the merger of both companies, with the aim of creating what would have been the biggest highway operator in the world. The project did not prosper for reasons that were not connected to either company but, just as we did several years later in the case of Brisa, we transformed this financial participation into additional income for Abertis, with significant added value, which in turn we reinvested in new projects and markets with better returns.

By the end of 2009, 48 percent of Abertis' income came from abroad; in 2013 it had a presence in 11 countries which accounted for 62 percent, compared to 38 percent in Spain. To what extent do you expect to continue increasing your presence in other countries?

We intend to continue this process in the future, both in the highway business and in telecommunications. Abertis has a large investment capacity. The nature of Abertis' business as a company that works in concessions demands long-term relationships with administrations and the society where it operates. For this reason we prioritize countries where there is a secure and clear legal and regulatory framework. Many countries in the Americas – such as the United States, Mexico, Chile and Brazil – have these characteristics. These are countries that are undergoing significant economic growth, while at the same time needing to modernize their infrastructures. It's there, along with Australia and Western Europe, that we have focused our attention and our future growth strategy.



When you became CEO in 2010, along with telecommunications and highways, the group operated in airports, car parks and logistics, sectors in which it has since decided to disinvest. What was the thinking behind this change in strategy? How did it affect employees?

The main reason for this change of strategy was to ensure something that is fundamental to the nature of the concessions business: the capacity for growth. The aim has been to create conditions to allow each of the businesses in the group to have the organization, teams, focus and size that will allow them to consolidate the development of those projects that are in an early stage of maturity and to initiate a new phase of growth and expansion in others. In our business value is intimately related to the generation of stable and predictable cash flows, in a sense that they are very capital intensive businesses, as well as the lifespan of the concessions.

For this reason we prefer to focus on geographical diversification, with greater internationalization, rather than sectorial diversification, which has been one of Abertis' assets in handling the crisis. It has never involved a process of downsizing, on the contrary. During these years the company has increased its balance sheet and

doubled the assets it manages. What's more, the process has not led to significant job losses in that the people involved in these business units from which we have disinvested have remained in their respective companies.

Abertis operates in very distinct sectors. In these circumstances, how do you create a corporate culture?

Although highways and telecommunications may appear to be very different sectors, they're both based on infrastructures and have much in common in management terms. They both operate in regulated sectors, which demands a continuous and fluid relationship with the public sector. At the same time, they are both in sectors that are difficult to enter and which makes specialization an indispensable condition for finding new opportunities.

What are your views on leadership? What are the most important values and virtues?

All groups of people need leadership in order to achieve objectives that can't be reached on an individual level. A company needs a leader to grow and achieve certain goals, and not just economic ones, someone who pushes, pulls together and brings out the best in each member of the team so that it's the group that progresses.

➤ A LEADER WHO STEPS UP AND ACCEPTS RESPONSABILITY WHEN THE GROUP SUFFERS A SETBACK IS A BETTER LEADER FOR IT

A leader has to have power and authority. Power is needed in order to redirect the team at any given moment and to have the final say when it's difficult to reach consensus. Authority is the most important aspect of leadership. It allows the leader to be recognized – and not questioned – by the group thanks to the knowledge, information and relationship he or she has.

How do you achieve moral authority? Above all, you need to act with a consistent set of values and objectives. If you're not consistent, you lose your authority. Furthermore, you shouldn't personally capitalize on success, but involve the team in it, while taking responsibility for failure – something the team really appreciates. A leader who steps up and accepts responsibility when the group suffers a setback is a better leader for it.

You did an MBA at IESE and graduated in 1989. What stands out from that experience?

Various factors, including a highly qualified and experienced faculty and a study and working method with a practical focus; the case-study method is a really useful way of formulating real-world situations. I really enjoyed having classmates with a wide range of education and experience. You appreciate diversity in ways of being, in personality and the perception of business problems. I would also highlight the emphasis on the human factor.

Your group is an IESE partner company. In 2006 it funded the Abertis Chair of Regulation, Competition and Public Policy. How important is this to the company?

Abertis funds chairs in collaboration with recognized international universities and academic institutions. The Abertis Chair of Regulation, Competition and Public Policy at IESE is part of Abertis' international network of Chairs, whose aim is to develop research, generate ideas and spread knowledge in fields that are fundamental to the company, such as regulation and the effectiveness of public policy. The aim of research in this field is to disseminate new knowledge and to give business people and executives a good education. There is no doubt that the exchange of information between companies and academic institutions is the driver of social progress.

It's widely accepted that a lack of individual and corporate ethics was an underlying cause of the economic crisis? Have lessons been learned? Are the regulatory measures adequate?

I take the view that memory is selective and fleeting. Regarding the causes, I would emphasize that companies took risks that were greater than they imagined and they did so mainly through a lack of fundamental values such as honesty, respect for others and truthfulness.

Regulations have been shown to be ineffective because they focused more on an accounting analysis than on global risk. Regulation has to take into consideration the impact of all of the sector's problems, which go beyond the business's financial problems. They have failed to include adequate measures to assess the commercial dimension, the social impact and the social stability necessary for growth.

What's the best advice anyone has given you in your career?

I've had the good fortune to always have great bosses, all of whom have inculcated in me the idea of taking responsibility for a job well done. **Isidre Fainé** (PDG-I-74), who is both a friend and the president of CaixaBank, repeatedly gave me a piece of advice which I have put into practice and which is particularly applicable to those setting out on their career: "A person who works without seeking to win medals has no limits." I've also found the Chinese proverb "If there's something you don't want found out, don't do it in the first place" helpful.

What advice would you give to MBA graduates who are starting a new stage in their career?

First of all that business – regardless of sophisticated techniques or tools – is based on common sense: find the easiest solution. Then, be a leader right from the start, getting the best from each team member. Surround yourself with a team that's better than you. Aspire to excellence based on self-criticism and perseverance. It's a mistake to become obsessed with your career – there are many influential external factors over which one has no control.

SHIP2B DRIVES INNOVATIVE PROJECTS
WITH HIGH SOCIAL IMPACT

Do You Want to Find a Profitable Way to Change the World?



Xavier Pont (MBA '02)

● A meeting place. A nexus for exchange. A strategic base where you can go if you have ideas but lack resources, or if you want to invest but you're looking for viable projects that are not just based on making profits. This defines Ship2B, the launchpad for social innovation founded by entrepreneurs **Xavier Pont** (MBA '02), **Clara Navarro** and **Maite Fibla** in April 2013. They had one fundamental objective: to give their careers new meaning and to make sense of entrepreneurial initiatives in today's Spain.

"We believe it's time to turn social entrepreneurship around in this country," says **Pont**. "It's primarily been based in very traditional sectors and on structures that are heavily dependent on public administration, volunteers and donations. Today there is a lot of interest in high impact projects and this has permeated to business people and investors. To make the most of this new interest, we are less interested in a solely philanthropic contribution, because we want to launch initiatives that offer a financial return for the investor as well as a social one", he add.

Clara Navarro says that Ship2B is interested in any company or line of business that has a social focus and an approach that is financially sustainable. "We work with ideas at their early stages and help to give them form, taking on the risk that goes with it."

In its first year, Ship2B has received more than 200 proposals, of which it has selected five that it is in the process of developing and consolidating. Among them is Disismore, a professional network for people with disabilities, and a project called CiviClub that is designed to encourage civic action in return for points.

THE ENTREPRENEURIAL PHASES

● Based on these five experiences, ● the company has initiated a new process to help more social entrepreneurs in their early stages. To achieve this they have implemented a three-stage process: B-Challenge, B-Come and B-Ready. "B-Challenge is a way of encouraging new ideas," says **Pont**. "Each year we will focus on a specific challenge, find out what

initiatives have already been taken around it and we will try to generate 20 projects, five of which will become companies. This year the challenge we have chosen is technology and education." "The B-Come program is intended to turn the ideas into businesses, assisting entrepreneurs in creating pilot projects and helping them to access finance. Finally, B-Ready involves giving a decisive push to 10 selected start-ups through training, mentoring and financing over a 10-month period, in order to increase their sales by 50 percent over a year," he says.

However, Ship2B will only really make sense if it is able to bring together both the entrepreneurial and the financial spheres. For this reason, a key challenge over the coming months is the consolidation of a community of impact investors in order to attract talent, resources and excellence. Developing a culture in which changing the world is twice as profitable.

MORE INFORMATION:
www.ship2b.org

5TH UAM-ACCENTURE AWARD

Miguel Antón Awarded for Study of CDS

❖ Prof. Miguel Antón, together with Sergio Mayordomo and María Rodríguez of the University of Navarra have been awarded the UAM-Accenture Chair in Economics and Innovation Management prize for the article “Dealing with Dealers: Sovereign CDS Comovements in Europe.” According to their study, Credit Default Swaps (CDS) do not always reflect a country’s financial health, given the influence of financial intermediaries on the price of premiums.



Prof. Miguel Antón

MICHAEL KLEIN, IN THE AMEC FORUM

“THE WORLD ECONOMY HAS NOT STOPPED GROWING”

● “In spite of the crisis, the world economy hasn’t stopped growing. Between 2005 and 2013 it grew by 4% while during the years before the crisis the figure was 3.7%,” the former vice president of the World Bank, **Michael U. Klein**, told the 250 participants at the first AMEC Forum on Industrial Internationalization, which was held at IESE on July 1. According to **Klein**, “Latin America is the region that offers the best future to investors.”



ROMANO PRODI, EX ITALIAN PRIME MINISTER

Moving Towards a Common European Economic Policy

Until Europe develops a common economic policy, growth will continue to be sluggish and we won’t be able to tackle the issue of unemployment, **Romano Prodi** told a press conference at IESE in Barcelona. The former Italian prime minister, who also presided over the introduction of the euro when he was president of the European Commission, is now a professor at the China Europe International Business School (CEIBS), with which IESE is closely associated.

According to **Prodi**, short-term policies have rendered Europe incapable of facing up to major problems such as slow growth and high unemployment. “The real problem is that Europe is half-baked,” he said. “The British government says things are going badly because of Europe but I think it’s because of a lack of Europe.”

In response to criticisms of the European Central Bank, **Prodi** said that the problem isn’t the ECB but the European Commission and the Council of Europe. The bank is the only body that has done something about the crisis, he said.

MORE INFORMATION:

IESE video: “Europe: Building a Brighter Future”: <http://goo.gl/j133Sk>

APPOINTMENTS

New IESE Professors



Christian Eufinger



Raphael Silberzahn



Echo Yuan Liao

• This academic year three new professors join the Financial Management and Managing People in Organizations departments at IESE. These new appointments reinforce the international nature of IESE's faculty, which now includes 104 full-time professors representing 31 different nationalities.

Christian Eufinger joins the school as an Assistant Professor in the Financial Management Department. **Eufinger** is from Germany and holds a PhD in finance from Goethe University Frankfurt and he was a visiting research scholar at the Wharton School of the University of Pennsylvania in 2013.

Eufinger's academic interests include financial intermediation, corporate finance, corporate governance and applied microeconomics. His research is specifically focused on the microeconomic foundations of interbank markets, the interac-

tion of banks' capital structure and investment choices, the corporate governance of banks, banking regulation, and the channels through which financial intermediaries exert an influence on the real economy.

The Managing People in Organizations Department also welcomes two new professors this term with the appointment of **Echo Yuan Liao**, who is Chinese, and **Raphael Silberzahn** from Germany.

Echo Yuan Liao holds a PhD in international business from Beedie School of Business, Simon Fraser University and an MPhil in Psychology from the Chinese University of Hong Kong.

Before joining IESE, **Liao** held the post of postdoctoral research fellow in the School of Management at University of New South Wales Business School in Sydney. She has taught at Simon Fraser University

and Justice Institute of British Columbia in Vancouver. **Liao's** academic interests lie in cross-cultural management, cultural intelligence, and multiculturalism. Her primary research focuses on how to improve the way people work with others in culturally diverse workplace.

Raphael Silberzahn obtained his PhD in Business Administration from Judge Business School at the University of Cambridge. He also holds a MPhil degree in Innovation, Strategy & Organization from the University of Cambridge.

He has worked for a multinational enterprise as executive consultant to the CEO of a global business unit and as manager of global IT projects in Germany and India.

His research interests lie at the intersection of psychology, management and culture and focus on how implicit cognitive factors affect people's interactions.

APPOINTMENTS



Luis Arias Hormaechea (PDG '03)
DIRECTOR OF CORPORATE DEVELOPMENT AT THE MADRID CAMPUS
• Joined IESE in 2003 as director of Executive Education Programs in Madrid. In 2006, he was appointed Open Programs Director, Executive Education Madrid. From September 2008 to September 2012, he was also responsible for Custom Programs in Madrid. He is a marine engineer.



Pedro Gato (EMBA '01)
DIRECTOR OF EXECUTIVE EDUCATION, OPEN PROGRAMS, MADRID CAMPUS
• Joined IESE in 2012 as director of Executive Education Programs in Madrid. He has extensive professional experience in companies such as Dragados, Ferrovial, FCC and Hilti, where he was sales director and a member of the executive committee. He is a civil engineer.

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IESE ENTREPRENEURSHIP PLATFORM



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THE CHAIRMAN OF BRADESCO GAVE A FORMAL ADDRESS

THE FIRST EMBA BRAZIL CLASS GRADUATES

“Only those who have dared to begin get to celebrate at the end.” This was how **Luiz Carlos Trabuco**, chairman of Bradesco, one of the biggest financial bodies in Latin America, began his talk to the 30 IESE Executive MBA graduates in Brazil on June 7. It was an emotional talk from someone whose journey has been marked by passion and determination.

“Coming from the sort of school that I attended, there were few opportunities to make a career in banking. I come from a humble, working-class family, with all the difficulties that implies, without upward mobility and in a country where the future never arrived,” said **Trabuco**, a sociologist by training. It was a mixture of passion and determination that took him to the presidency of the bank. Last year he was voted one of the 50 most influential people in Brazil. Now he has 103,000 people working under him and assets of 908.1 billion reais (\$408 billion) and net wealth of 70.9 billion reais (\$32 billion). “You need to use your talent with passion, will and determination because without that, talent is worthless.”

Trabuco recalled how, in his first job as road manager for a band, he learned that when the most talented musicians stopped following the sheet music, the band began to play out of tune. Later, when he worked for a textile firm, he read newspapers at least three days after they were published and only when the managers no longer wanted them. “It was there that I learned the importance of having information and seeking knowledge,” he explained. He said it was the tireless pursuit of knowledge that was going to make the difference for each of the alumni in their daily struggle in both their professional and personal lives. “Modernity demands that we continually seek to improve. We have to be good professionally as well as in our personal lives,” he added.

FAITH AND HARD WORK

● The chairman of Bradesco also referred to the football World Cup that started in Brazil a few days after the event. “There’s no doubt that all of the players from each country are going to play every match as though it were the last one of their lives. If we give our very best in life we will make a difference. If we’re not giving the best of ourselves



now, we will never know if we can make a difference in the coming decades,” **Trabuco** said.

Speaking to an audience of graduates made up of 25 men and five women from Mexico, Chile, Spain, Portugal and Peru, the guest speaker said that education doesn’t change the world. “Education changes people and it’s people who can change the world.”

He then handed the podium over to **Jordi Canals**, dean of IESE, who told the 30 alumni they would always be remembered as the first graduates of the IESE and ISE Business School EMBA program in Brazil. He said this was a source of honor and pride for everyone.

Prof. **Canals** warned that mediocrity, superficiality and conformity are very deeply embedded in our society and shouldn’t influence the attitudes of a good businessperson or executive. “The combination of personal and professional excellence with the spirit of service is the best treatment for this illness and helps us in our desire to make our lives into a small work of art for others to enjoy.”

Jordi Canals reminded his audience of the South African leader **Nelson Mandela**, who died last December. “**Mandela** did many things but it was opting for reconcili-

ation as the basis of living together that was the hallmark of his presidency, teaching us how to exercise power with nobility and humanity and bringing hope to Africa.”

“Today more than ever society needs excellent professionals who don’t only pursue tangible success but who want to make a positive impact on those who share their professional projects with them, in order to serve as the foundations for future generations,” added Prof. **Canals**. He reminded the alumni that IESE and ISE are their home, a place they can always return to and where they will be welcomed with respect and affection. “And we want to count on you, on your ideas and your support so that we don’t become complacent but instead strive to improve every day so that IESE and ISE can continue carrying out their mission of service to people, companies and society.”

Cristiano José Carvalho, president of the EMBA Class of 2014, spoke on behalf of the alumni. He exhorted his colleagues to keep learning, to seek knowledge and to progress. “We are the first EMBA generation in Brazil. We are contributing to the start of the road of success for IESE and ISE in this country, a road that will lead many leaders to knowledge, ethics and dignity.”



Paris

JUNE 2

- Paris alumni celebrated the latest Dîner du Premier Lundi.

JULY 3

- **Fatih Birol**, chief economist at the International Energy Agency, gave a comprehensive talk to Paris alumni about the changing energy environment. He talked about the future role of shale gas and oil, the energy mix and the necessary political positions that need to be adopted if we are to meet the growing demand for energy in a sustainable manner. The Alumni Association

thanks **Gloria Perrier-Châtelain** (AMP-10), President of the France Alumni Chapter, and **Cristina Latorre** (PADE-A-11) for helping to make this meeting possible.

Vienna

JUNE 4

- Prof. **Antonio Argandoña** talked to alumni about the lessons of the crisis and the need to rebuild the European economy on ethical foundations.

Geneva

JUNE 5

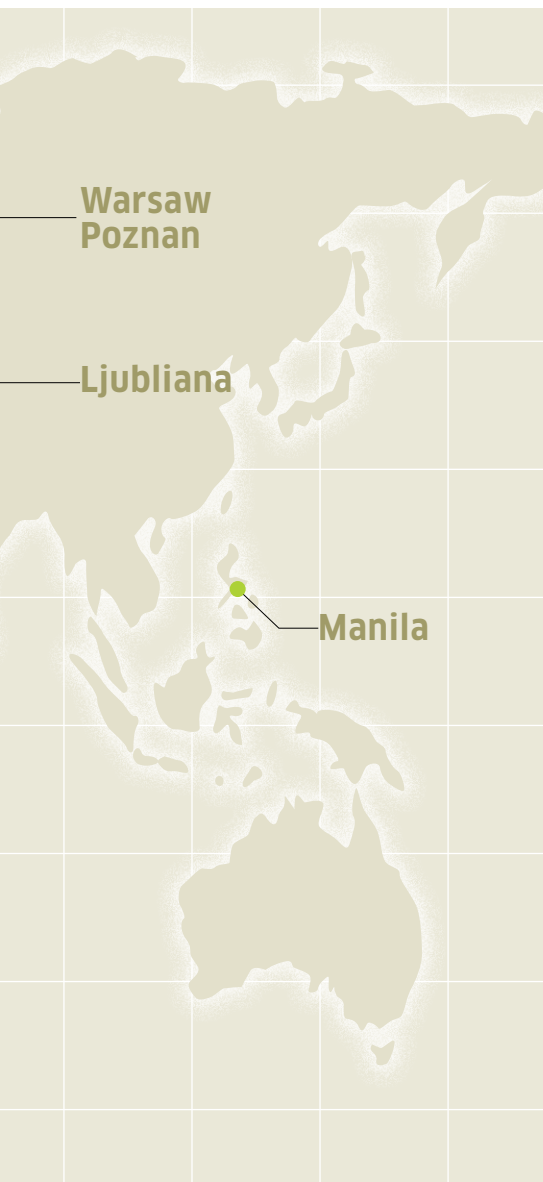
- Switzerland alumni celebrated their traditional "Bar of the

Month" in Geneva, brought together by their president **Ariel Kestens** (GEMBA '09).

Lima

JUNE 6

- Leadership is one of the most highly valued executive competencies. Many companies develop their executives following the traditional leader-subordinate model, which only works for top executives. Developing leadership throughout the organization requires a new leader-leader model in which all executives share responsibility for the firm's mission. This was the



theme of the talk “The choreography of leadership,” given by professor **Carlos Rodríguez-Lluesma**.

JUNE 13

- Prof. **Josep Tàpies** talked to
- alumni about “Sustainability and revitalizing the company,” explaining that an organization’s sustainability is based on being aware of the threats and opportunities present in the competitive environment. He said the numbers are important but are not the essence, and that what is key are the strategic concepts behind the numbers, and how they can be revitalized to remain competitive.

Sao Paulo

JUNE 6

- IESE Dean **Jordi Canals**
- met alumni at the headquarters of ISE in Sao Paulo, where he gave the conference “Excellence in Business Leadership and Governance.” **Canals** talked to alumni about how to manage businesses with a long-term perspective, how good governance helps their development and how to define the role of the CEO and the executive committee to ensure they carry this out.



Sao Paulo

AUGUST 28

- Few business people or company
- executives are willing to admit that their firm doesn’t have a strategy. Many companies have a strategic plan but up to what point is this plan useful? A good strategy need not be complex, in fact, the simpler it is, the easier it is to communicate it clearly and achieve results. IEEM Prof. **Carlos Folle** explored the fundamentals of good strategy with Brazil alumni.

Mexico City

JUNE 11

- Mexico alumni enjoyed a dinner
- and talk with **Claude Heller**, Mexico’s ambassador to Japan. The event was held again on September 18, this time with **Javier H. Estrada**, director general of planning and energy information in the Mexican energy secretariat, who gave the conference “Energy reform: challenges, new models, key topics and investments.”

London

JUNE 12

- IESE lecturer **Mathieu Carenzo**
- gave a session in London on entrepreneurial initiative titled “From the idea to a growing business. How a start-up project developed during the MBA can become a world class venture: MBA&CO case.”

JUNE 25

- Information is power, but only if
- you know what to do with it. We are now in the era of big data, which goes far beyond the transactional data for which most companies’ IT systems were designed.

Prof. **Javier Zamora** talked about big data’s possibilities and implications in the conference “Connecting the Dots with Big Data - Leading the digital transformation of your organization.” The session was organized by **Chris Daniels** (MBA ’00), the president of the U.K. Alumni Chapter, and with help from Infosys, which provided its facilities for the event.

SEPTEMBER 18

- The new London office of the
- Coca-Cola Company hosted a session by **Javier Sánchez-Lamelas** (MBA ’88), Europe Group Marketing Director of the Coca-Cola Company, on “Marketing Beliefs,” with the participation of IESE professor **Íñigo Gallo**. The alumni association thanks the company and **Sánchez-Lamelas** for their assistance in organizing this event.

New York

JUNE 12

- Professor **Philip Moscoso** talked
- to alumni about how to make the



Ljubljana

MAY 31

● **Miha Novak** and **Tomaž Lah** (both AMP-Munich-12) organized the first IESF event in Slovenia on May 31, bringing together 20 executives for the conference "The Challenge of Leadership." This was followed by presentations on Executive Education in central Europe and the main management challenges that Slovenia faces, as well as reviewing a case study with Prof. **Yih-teen Lee**.



1



2



3

1. Alumni meet for dinner in Paris 2. Trip to Namur 3. Meeting of the Portugal Chapter in Lisbon

most of lean manufacturing 2.0 in a session titled "Lasting Value from LEAN 2.0: make your improvements stick and your customer happy."

Warsaw

JUNE 16

● Risk management has become one of the hottest topics in the world of general management. Company chairmen play a key role in this process, as they are the ones who formulate risk strategy and make critical decisions about its implementation. Prof. **Markus**

Maedler talked about the issues that can arise during this process in the conference "Corporate Risk Management - A General Manager's Perspective."

SEPTEMBER 4

● Prof. **Antonino Vaccaro** talked about criminal networks, the sectors where they are most active, the income they generate and how to confront and prevent them, in a session titled "'Glocal' criminal networks in the global economy: how can we fight them?"

Poznan

JUNE 17

● After the session in Warsaw, Prof. **Markus Maedler** talked in Poznan about risk management.

Zurich

JUNE 17

● Swiss alumni enjoyed the session "Entrepreneurship: making the leap from corporate to start-up," led by **Caspar Coppetti**, co-founder of On, **Klaus Biermann**, owner of Biermann Partners and **Chetan Damani**, managing director of the company TVguide.co.uk.

Buenos Aires

JUNE 26

● The Argentina-Uruguay Alumni Chapter, presided over by **Martin Agramonte** (MBA '99), organized a session on the current and future energy situation in Argentina, led by the economist, public accountant and lawyer **Daniel Gustavo Montamat**. Among other positions, the speaker has been head of the State Gas company, chairman of YPF and secretary of state for energy.

JULY 30

● The session began with the case of **Dodot**, which is trying to combat the process of commodification and a price war. After a discussion of the case study, IESE lecturer **Mario Capizzani** analyzed the rise of white-label goods in Europe and the U.S. compared to Latin America.

AUGUST 13

● The headquarters of IAE hosted a meeting in which Prof. **Pedro Videla** gave the talk "Some hot topics of the world macro-economy." At the same time the first "IESE Groups" session was held to examine the case study on the Grupo Young, a sanitary and cosmetic products company with a range of brands. It was presented by **Diego Jurado** (PDD-2-06), a partner in the company, with IAE prof. **José Luis Gómez López-Egea** acting as moderator.

Namur

JUNE 28

● The capital of the Belgian region of Wallonia hosted a meeting of alumni organized by **Fernanda Rodríguez** (GEMBA '03). The group shared a lunch and then visited the citadel's catacombs.

Bloemendaal

JUNE 29

● Dutch alumni met for their traditional summer barbecue.

Lisbon

JULY 10

● The annual alumni meeting of the Portugal chapter saw the country's "post-troika" situation discussed in a session led by **Francisco de Lacerda**, president and

CEO of CTT (the Portuguese postal service); **Fernando Ulrich**, CEO and vice president of the executive committee of BPI; and Prof. **Juan J. Toribio**, with **Camilo Lourenço**, a financial journalist, acting as moderator. Portugal's finance minister **António Pires de Lima** (MBA '86) gave the closing address.

Santiago de Chile

AUGUST 5

● Prof. **Pedro Videla** led the session
● "Some hot topics of the world macro-economy."

Dubai

SEPTEMBER 16

● "What Do Global Leaders Really Need?" was the question asked by Prof. **Sebastian Reiche** in a session organized at the

headquarters of Emirates NBD in Dubai. He presented various examples of global leadership and discussed the main competencies and characteristics of a global leader.

Manila

SEPTEMBER 16

● Filipino alumni met in Manila for the session "After emotional intelligence - what next?" given by Prof. **Alberto Ribera**.

Brussels

SEPTEMBER 22

● **Daniel Couvreur**, a member of the executive committee of the Rainforest Alliance, talked to alumni about the mission of the Alliance, a key organization in the certification of agricultural products, tourism and forestry practices.

YOU'RE IN THE NEWS

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AMP '10

Gloria Perrier-Châtelain organized a meeting with former classmates in Paris on May 1 and 2. They visited La Défense, the French capital's business district, and the Musée d'Orsay.

EMBA '97

Juan Saborido is now managing director of Coface for the United States and deputy managing director for North America and Canada.

MBA '78



The Deoleo executive committee has named **José María Vilas** as company president.

MBA '95

Jaime Lobera, corporate director of Marketing and Sales at Campofrío Food Group, has been elected president of the Spanish advertising association. (AEA).

MBA '96



Belén Regojo, alias Rita Balboa, has published *Volver a empezar – Guía para orientar tu vida* (Begin Again – A Guide to Reorienting

Your Life, Plataforma, 2014), in which she shows how to establish your road map, reassess values and think about the meaning of life.

MBA '97

Tous has hired **Javier Relats**, former owner and chief executive of the brand Aïta, as head of accessories business.

MBA '98



José Luis Guillén has been named managing director of the Fundación Universitaria

San Pablo CEU.

MBA '00

Pascal Bourbon has been chosen as the French consulate counselor for Catalonia, Aragón and the Balearic Isles for the universal suffrage of French citizens residing in these communi-

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ties. He will work with French consular authorities in Spain and deal with the day-to-day needs of French citizens, such as education, social needs, work and security.

MBA '01



Amor – Poesía amorosa contemporánea, an anthology in which **Juan Francisco Dávila** features among 24

contemporary Spanish poets, is now available.

MBA '02



Luis Unceta, partner at Industrias San Isidro (ISI) and Kimbo, has been awarded the 11TH Young Navarra Business Person Award, organized by the AJE Navarra association.

MBA '03



Filiberto Amati is the author of *Co-creazione: Mistero Risolto! (Co-creation: Mystery Solved!)*, Lulu Press, 2014), a guide to the

phenomenon of co-creation by consumers and experts.

MBA '06



Correos, the Spanish postal service, has named **Todd Hooper** as deputy director of

operations.

PADE-A-06



Román Escolano is the new vice president of the European Investment Bank.

PDD-2-11

Marc Gascon has been named as purchasing director of SDI

La Farga, the U.S. affiliate of La Farga Group.

PDD-D-02



César Cernuda, president of Microsoft Asia-Pacific, was recognized by the Spanish ambassador to Singapore Federico Palomera Gúez as one of the top 100 Spaniards in successfully developing his professional activity abroad.

PDG-B-11

Xavier Martínez Motos is head of Onmobile for southern Europe.

PLD '13



Noèlia Romero held a meeting with classmates on May 23.

ENTREPRENEURS

PDD-D-11



find garments and accessories with just a photo of the desired product.

Shot & Shop, founded by **Sira Pérez de la Coba**, has won IESE's Venture Capital Investment Competition for an innovative application that acts like a visual search engine, helping the user to

MBA '13



Classmates **Martin Axnick** and **Take-mune Iwasa** have founded Eikyu, a top-of-the-

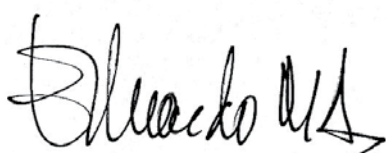
range men's clothing brand, which distributes mainly via its website and a selection of associated shops worldwide. "Eikyu offers clients a unique product and a very practical online shopping experience," says **Axnick**.

WELCOME TO THE ALUMNI ASSOCIATION EXECUTIVE EDUCATION GRADUATIONS



- 1. PLD Barcelona 2014 - Spring Edition.**
P: Jesús Aragón Hidalgo • V: Nita Jha and Federico Minichilli
- 2. PLD-NY-2014.**
P: Daniella Lopez
- 3. AMP Media 2014.**
P: Martin Breidsprecher
- 4. PMD-Munich-2014.**
P: Sunitha Gunawardena • V: Tim Ross
- 5. GCP-2014.**
P: Rafi Fattal
P: President • V: Vice President

We Need a New Financial Theory



EDUARDO MARTÍNEZ ABASCAL

Professor of Financial Management, IESE

Theoretical financial research has played an important role in developing markets and companies, but I believe that this research suffers from a series of significant shortcomings and errors.

Academics use mathematical models with which to describe reality, or at least a part of it, but which are not reality. They seek fixed and binding laws, as in other sciences.

The reality is that business management doesn't work like that. It's a social science in which laws are only applicable to certain groups and during a particular time. There are no universal rules, since people's behavior is inconsistent. And yet a large amount of financial research is based on mathematical models with binding laws.

All research is based on hypothesis and starting points that cannot be demonstrated and which are taken as certainties. Modern financial theory is based on a single hypothesis: the investor is a rational (intelligent) being who is trying to maximize profits (to become wealthy). Starting with this premise, we arrive at extremely individualistic systems.

In fact, almost all financial texts use the investor and not the company as their point of reference. The aim is not for the company to obtain finance, develop good projects,

products, create jobs, and so on, the aim is to "maximize shareholder value." There is a striking unanimity in this regard. But the company has other participants with a stake: employees, clients, suppliers, the community and so on. What about them?

The inevitable consequence of this hypothesis is that the markets and stock exchanges are completely dominant. If the aim is to maximize shareholder value, what is sought is for the price of the share to grow up and this price is fixed by the stock exchange. Therefore, the stock exchange drives the company's decisions.

As a result, the majority of financial texts deal with very large, listed companies which, in overall numbers, represent only 0.1% of the world's businesses. What about the remaining 99.9%?

The big crises have produced new financial theories, each of which persists for a while. This is what happened with Keynes and the Great Depression in the 1930s and with Friedman and inflation in the 1970s. I believe the time has come to tackle a new economic system, perhaps rectifying an existing one, a system geared more to the service of people and the common good.

Follow the professor's blog:
www.economiaparatodos.es



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executives.
That goal was
achieved.



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