

Graduations 2010:

S. Alemany, F. Belil, J. Ellena,
B. Falcones and K. Rorsted

J. Santomá and F. Prior

A Blue Ocean Strategy
to Catch Market Minnows

P. Cardona and C. Rey

The Organization
of Leadership

D. Melé

Seven Steps to
Business Ethics

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THINK AHEAD
TO STAY AHEAD OF THE
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ISAK ANDIC

MANGO FASHIONS RETAIL TEXTILE REVOLUTION



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How to effectively manage your company's infrastructure.

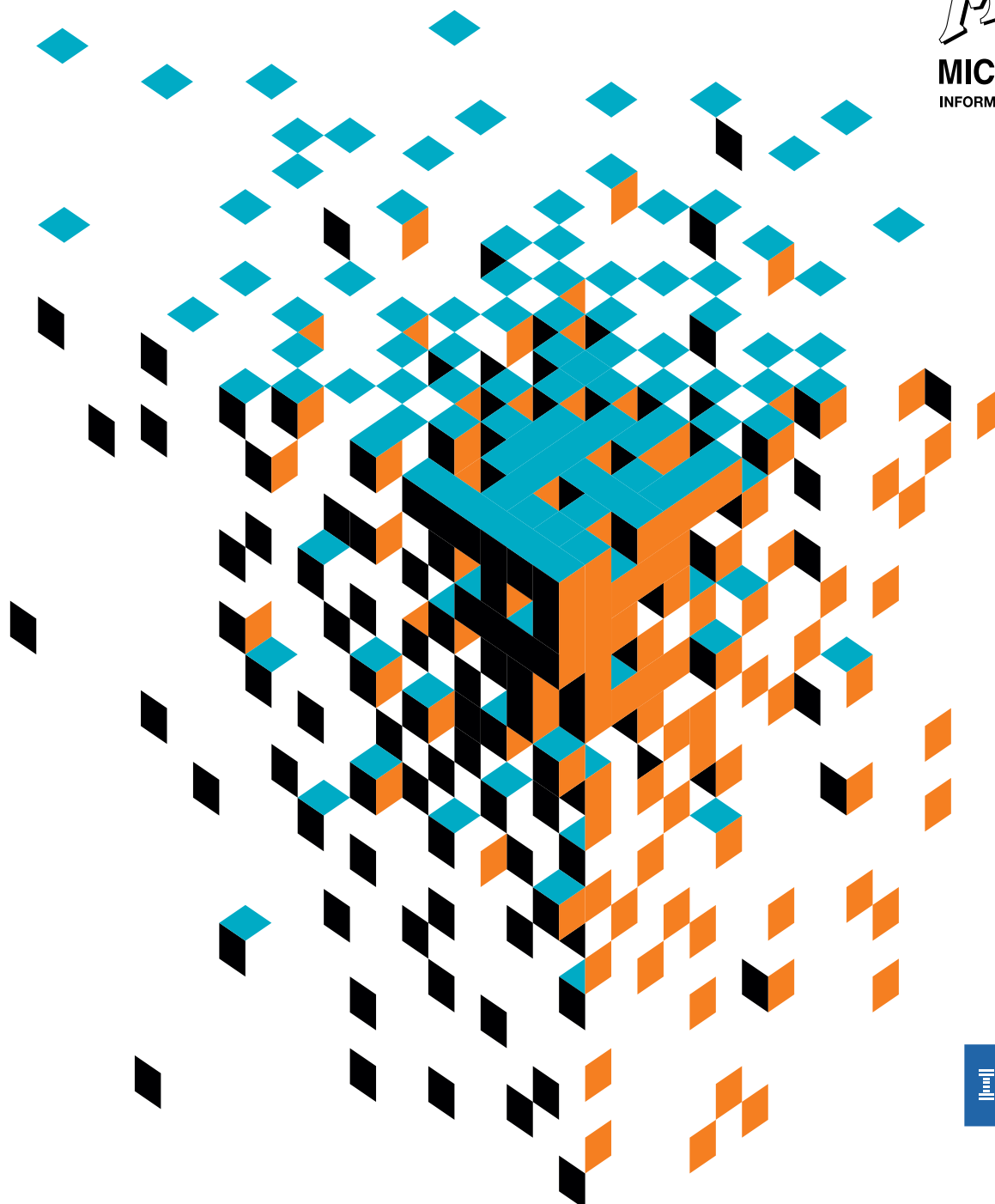
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THE ESSENTIALS OF RESPONSIBILITY



ANTONIO ARGANDOÑA

Editor of
the *Alumni Magazine*
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The task – or rather, the art – of running an organization is not easy, but it is possible to learn. This conviction is reflected in all of our programs. And among IESE’s objectives, one of the most important is to help those taking part to become conscious of their responsibilities. Without understanding and assuming these responsibilities it is impossible to be a good executive. These include responsibilities towards oneself, because the way you live influences the way you manage, as well as responsibilities towards others, including the proprietors, other managers, employees, clients, suppliers and society in general.

The belief that responsibility must have a key role in our programs was reinforced when I looked at the cover of the latest issue of the Alumni Magazine, because competitiveness is not just desirable, it is absolutely essential. A business must offer society a service – the production of goods and services to meet people’s needs – and it must do it efficiently while remaining aware of the needs of everyone involved in the enterprise so that they all work toward the same goal. And to achieve this you need competition, not only for businesses but for “human” organizations, whether they be non-profit making, public sector organizations, a political party, a trade union or a poker club. The form that competitiveness takes will vary in each case but it is always necessary because it encourages people to work with maximum efficiency. And while we’re on the subject, responsibility was an important theme in the life of **Rafael Pich-Aguilera**, to whom this Magazine pays homage.

I also recommend the articles by **Javier Santomá** and **Francesc Prior** on the opportunities that micro-finance offers, the piece by **Pablo Cardona** and **Carlos Rey** on the organization of leadership and the seven principles of business ethics, as spelled out by **Domènec Melé**. The magazine also reports on some of the events that have recently taken place at IESE such as the meeting of the International Advisory Board and the Harvard-IESE Committee, as well as a variety of conferences and sessions in the Continuous Education Program. In each case we report on news and key ideas that have emerged because these events, above all, generate information and create opportunities for our students. And we must also mention the graduation ceremonies which, as well as their festive atmosphere, included many words of wisdom from the speakers.

So, we offer this magazine filled with news and ideas as a farewell gift at the end of the 2009-2010 academic year. A happy summer to you all – if you live in the northern hemisphere, that is.



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In the early 1990s, unemployment in Denmark had risen to 10 percent, so business leaders, government and trade unions worked together to change the labor market and succeeded in halving the number of people out of work. Mango and Apple have reinvented themselves in order to be more competitive, while Easyjet has revolutionized the air travel business. Each case shows that innovation is vital in order to maintain competitiveness. IESE professors consider the many different ways of achieving competitive advantage.

STEPHEN
BURGEN

A photograph of a sailboat on the ocean with a small island in the foreground. The sailboat has a white hull and a blue and orange sail. The island is small and rocky, with a few white birds on it. The water is a deep blue color.

**THINK AHEAD TO
STAY AHEAD OF THE
COMPETITION**





Competition and innovation go hand in hand. Being competitive means doing what everyone else does better or, better still, doing something new. This holds true across the board, whether the innovation is in products, operations, business models, new technology or employment practices. At the end of the 1990s, unemployment was running at 10 percent in Denmark but, after employers and unions agreed on changes to the labor market, it fell by a half. Companies such as Mango have used innovative business models to gain competitive edge, while with Zara and Dell, it was innovation in operations that put them ahead. At Apple, a lucrative new income stream was created simply by offering users an application: iTunes. As IESE professors and other experts explain, when it comes to being competitive, everyone – employees, businesses and government – has a role to play.

Michael Porter, director of the Center for Competitiveness at Harvard University and a contributor to IESE's Center for Globalization and Strategy, says that almost everything, from schools to transport to customer sophistication, contributes to competitiveness. There is no single policy or grand step that can create competitiveness, he says. "Improving competitiveness is a marathon, not a sprint." He adds that the intuitive view of competitiveness is flawed and that the need for low wages reveals a lack of competitiveness. "Exports based on low wages and cheap currency do not support an attractive standard of living," he says.

Competitiveness can be viewed at the level of the state and at the level of businesses. A country's competitiveness is the sum of the competitiveness of its businesses, which is in part determined by the impact of government policy on the business environment. The overall economic environment is also a determining factor, and in good times there is less pressure to innovate. "When business is good, companies generally don't change that much," says

Christoph Zott, a professor in IESE's Department of Entrepreneurship. "One of the problems successful companies have is that they become complacent and are less prone to question their business model because they're doing well and there's no need to question anything. There's a term for it – core rigidity. Companies have core competencies but also core rigidities. Why change a winning formula?"

However, necessity is the mother of invention, and the crisis is forcing companies to innovate. "In the short term in a crisis you have more capacity than you need and that means you are free to do things you weren't able to do

when you were running at capacity,” says **Jaume Ribera**, an IESE Professor of Operations Management. “You have spare capacity and if you were smart and saved some buffer during the good times, now you can do those things. It’s not only a good thing to do, it’s necessary. Now is the time to improve efficiency.”

To many, efficiency means cutting costs and that means cutting staff, but this may not be the solution. “The worst thing you can do is to say you want to cut 30 percent of your staff across the board,” says **Ribera**. “It doesn’t make any sense, because in some departments you may need some spare capacity to achieve more flexibility. First, you need to define how you want to compete and then redesign the capacity inside your system.”

MARKS & SPENCER SLUMPS

● Although lean times encourage innovation, this doesn’t mean that when times are good you can live off the fat of the land without innovating. As the saying goes, while the grass grows, the horse starves. Take the case of Marks & Spencer. In the late 1990s, when there was still plenty of money around, the 117-year-old retailer, a bastion of the British clothing trade, went into a nosedive. Its share price fell and it had to close its 38 European stores and cut back at home. Meanwhile, its competitors – notably the Spanish firms Mango and Zara – were growing by double-digit figures.

“Their decline can largely be explained through the business model they had implemented,” says **Zott**. “It relied on an established value chain, and the sequential flow of goods through that chain, with a significant chunk of that chain being outsourced and offshored, so that the time it took for a new design to get into a shop was one year. Zara managed to do it in five days. Even if you’re not catering to the most fashion-conscious part of the market, it still matters whether you’re producing the right color for the season or not. To change anything would have involved changing the whole system that had been in place for decades. They became captives of their one successful business model which no longer allowed them to respond to changes in the market.”

ZARA TAKES OFF

● Meanwhile, Zara was revolutionizing the fashion industry by applying the supply chain vision to its business model, says IESE’s **Philip Moscoso**. “While many of its competitors have outsourced their production to countries with low labor costs, Zara is still assigning a significant share of its production to local suppliers,” **Moscoso** says. “This enables it to provide a higher degree of agility when the time and need comes to respond quickly to new market trends.”

“One of the things that Zara does very well is capture real-time feedback from their stores,” says **Zott**. “They have people in the stores with hand-held computers asking customers what they need, what they like, what they don’t like and they feed all this information back from hundreds

THE WORST THING YOU CAN DO IS SAY YOU WANT TO CUT 30 PERCENT OF YOUR STAFF ACROSS THE BOARD. IT DOESN’T MAKE ANY SENSE BECAUSE IN SOME DEPARTMENTS YOU MAY NEED SOME SPARE CAPACITY TO ACHIEVE MORE FLEXIBILITY.

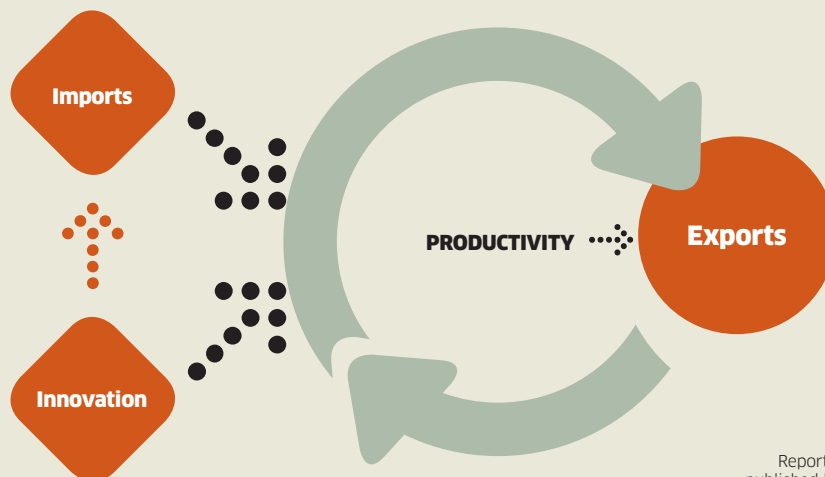
of stores. That’s powerful information. Zara can respond and five days later these products are in the shops. It’s linking the activities that matters. You have one activity, retail, and another, design, but how are these linked? In Marks & Spencer it goes from design to retail, but it’s a one-way street, there’s no loop. In Zara, the ingenuity of the business model is engineering this loop back from the store into the design department and then having a system of activities in place that allows for rapid production.”

The first question you have to ask yourself is what the customer needs, today and tomorrow, because customers change, habits change, tastes change. Which part of the market do you want to cater to? Do you have all the activities in place to serve that market? Should you do everything yourselves or should other people do some of it? “These are the questions you need to ask to figure out what business model you need,” says **Zott**. “It’s like a key to a lock.”

It was through thinking about what the client wants that low-cost airlines introduced competition into a market that up until then had been carved up between de facto cartels. It began in 1971 in the United States with Southwest Airlines, now the world’s biggest airline in terms of passengers carried. The model was adapted for the European market by Ryanair and Easyjet. **Stelios Haji-Ioannou**, Easyjet’s founder, based his model on two premises. Firstly, that the airline business was oriented towards people who were buying their tickets with someone else’s money. Secondly, that for many people, flights were a means of getting away from country “A” to the more desirable destination “B”, and that country “B” was where they wanted to spend their money, not on frills such as in-flight meals. “Consumers

THE VIRTUOUS CIRCLE OF INNOVATION

FIGURE 1



SOURCE:
Report "Competitividad en Cataluña",
published by the Public-Private Research
Center (SP-SP) of IESE
and Foment del Treball Nacional.

behave in a rational way when confronted with a value judgment," he says. "Give them a product at the right price and they will take it. Business-to-business people and people spending the company's money don't work in the same way." However, when traditional airlines have copied the low-cost model and tried to incorporate it into their operations, it hasn't always worked out. It didn't work for British Airways, whose Go! operation was swallowed up by Easyjet, and it doesn't seem to be working for Iberia either.

"When I fly to Brussels, for example, I can't fly business," says Ribera. "Iberia forces me to fly low-cost even though I could pay them more. Of course, they should have low-cost seats. There may be only four or five who want to fly business, but they can probably get more revenue out of them than out of 50 low-cost passengers."

COPIES VS. ORIGINALS

● According to Moscoso, one reason why it is hard to copy successful operational models is that operational innovation implies major changes in the company's DNA, such as giving more decision-making power to the lower levels or changing the way suppliers are dealt with. Without a change in attitude, attempts to implement operational changes are destined to fail. However, he adds that, compared to other ways of increasing efficiency, operational innovation is relatively cheap, reliable and carries little risk. But what is new today will not be tomorrow, and innovation must be a continuous process.

"Attempting to encourage innovation in the business model is the same as encouraging entrepreneurship," says Joan E. Ricart, head of IESE's Strategic Management Department. "The two are related, because if people aren't

prepared to try new ways of doing things, there's not much you can do. That's why any encouragement for entrepreneurs (meaning the individual entrepreneur as well as those within the company itself) can help to change the business model."

THE VIRTUOUS CIRCLE

● The best companies are the ones that tend to innovate.
● And the ones that innovate, export and continue exporting longer. It's a virtuous circle that begins with creating new products. Sometimes creating new products involves thinking a long way outside the box. This is what Apple did, first with the iPod, which, almost overnight, consigned the portable CD player to the museum of technological history, and then with iTunes. No sooner had the illegal Napster music downloading site been shut down by a U.S. judge in 2001 than Apple launched iTunes. This not only boosted sales of the iPod, already a "must have" accessory, but created a whole new income stream out of a relatively minuscule capital investment.

"Apple iTunes was not an incremental change," says Zott. "It didn't require a huge up-front commitment or a huge change in the original model. It's an add-on that's so complementary that it lifted Apple several orders of magnitude. Their share price rose by over 1,000 percent I think."

The iTunes Store opened in 2003 and iTunes now accounts for 25 percent of music sales in the U.S. and 70 percent of worldwide digital music sales. In February they reached 10 billion downloads and, while iTunes revenues do not appear separately in Apple's accounts, music-related income adds up to \$1 billion per quarter. The launch of the iPad tablet earlier this year may lead to a similar revolution in the book and newspaper industries. The model,

however, will inevitably be different from iTunes. People are willing to pay for songs that they will listen to tens or hundreds of times, while few will read a book or a newspaper article more than once.

Businesses are only just beginning to exploit the opportunities for greater competitiveness offered by Web 2.0, says **Sandra Sieber** of IESE's information systems department. "Web 2.0 can change the way of carrying out R+D and is very useful for so-called crowdsourcing (third party services on a massive scale, where problems are presented with an offer of recompense to whoever comes up with a solution), which can lower costs."

One example of applying crowdsourcing as a way of developing systems is TopCoder, an online platform where businesses can post their IT needs so that suppliers – usually freelancers or small businesses – can compete for the contract.

FLEXIBLE WORKING

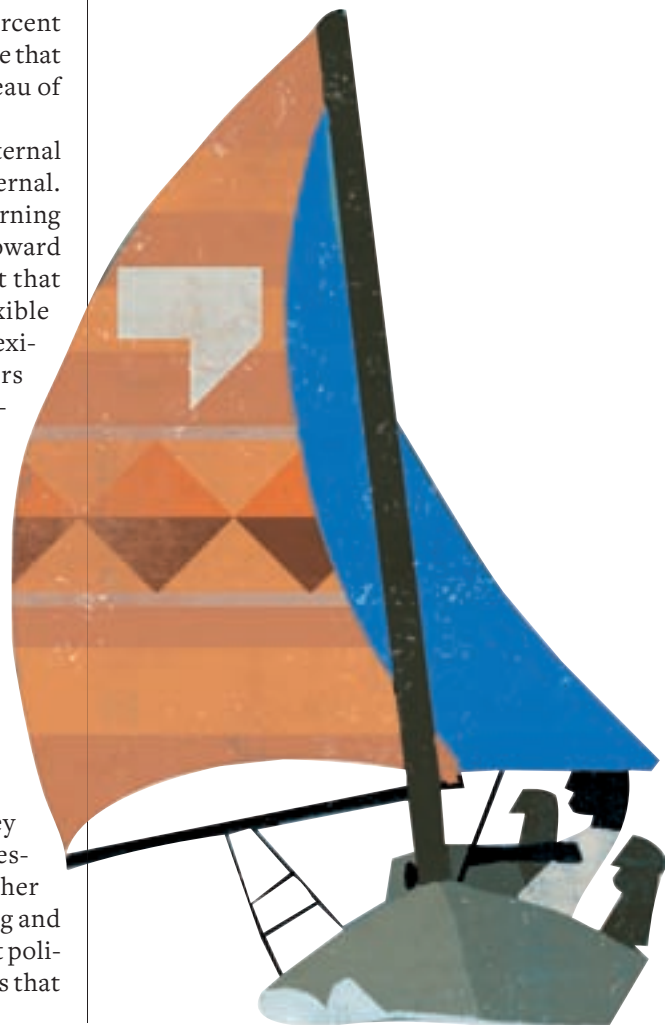
● If a nation's ability to compete is the sum of the ● competitiveness of its companies, it is also a direct expression of its approach to work and its willingness to adapt its practices. The will to change must exist at all levels: business, trade unions, government and, of course, the individual. It was just such a social pact that allowed Denmark to cut unemployment by 50 percent in the 1990s by introducing an employment regime that has become known as "flexicurity," a portmanteau of "flexible" and "security."

Flexicurity comprises two dimensions: the internal (which is the domain of businesses) and the external. Businesses can adopt policies of continuous learning to improve their workers' professional skills, upward mobility and employability. It is also important that businesses promote multi-skilling through flexible policies. Some businesses have also adopted "flexicurity measures" such as sabbaticals for workers with the right to return to their former job, occupational training, teleworking, flexible working days and shorter weeks. All of these measures improve productivity and therefore have repercussions on competitiveness.

"Flexicurity is Europe's new employment strategy that is designed to encourage competitiveness by getting workers and employers to adapt to the new economic realities," says IESE's **Esperanza Suárez Ruz**. "It aims to facilitate the transition from one job to another in secure conditions and to create a flexible environment that helps people find work."

Flexicurity gives employers the flexibility they need but also answers the needs of people's professional careers. It focuses on "employment" rather than "a job" and emphasizes continuous learning and active employment policies. "Active employment policies and continuous apprenticeship are measures that encourage competitiveness," says **Suárez**.

IF A NATION'S ABILITY TO COMPETE IS THE SUM OF ITS COMPANIES, IT IS ALSO A DIRECT EXPRESSION OF ITS APPROACH TO WORK AND ITS WILLINGNESS TO ADAPT ITS PRACTICES.



FINANCIAL SERVICES

A BLUE OCEAN STRATEGY TO CATCH MARKET MINNOWS



JAVIER SANTOMÁ
Professor of Financial Management,
IESE Business School



FRANCESC PRIOR
Research Associate,
IESE Business School

IESE Prof. Javier Santomá and research associate Francesc Prior look at how financial institutions can overcome the lack of basic financial services in developing countries, a subject the authors analyze in their book, *Los nuevos océanos azules para productos financieros: oportunidades para negocio* (New Blue Oceans for Financial Products: Business Opportunities).

FINANCIAL SERVICES • WIRELESS TECHNOLOGY • DEVELOPING NATIONS

The development of the financial system and the economic development of the country are closely linked. Thus it is important to ensure that a large part of the population has access to financial services in order to boost economic development. Finding an economic and sustainable way of offering financial products to people who are outside the banking system is one of the main challenges facing financial institutions today.

The main problem facing developing countries is the lack of access to basic financial services. In spite of what might be expected, this is not because of a lack of demand but through the lack of micro-financial services. Micro-financial services are too expensive for low income groups, they are not distributed via sufficiently extensive networks, they don't use the appropriate mechanisms to analyze risk and are regulated under unsuitable regimes.

As a result, the low-income sector's demand for integrated financial services is not met, which means that this sector has to resort to unofficial services which are much more expensive and inefficient and which

prevent borrowers from improving their financial circumstances. This is frequently the case in Latin America (Colombia, Ecuador and Peru); in the Maghreb (Algeria, Morocco, Tunisia and Egypt); and in sub-Saharan Africa (Kenya, Malawi, Tanzania and Uganda).

PUBLIC AND PRIVATE INITIATIVES

- In order to address this problem, initiatives to promote access to micro-financial services have generally been the province of non-governmental organizations, which have tried to expand available financial services by transforming themselves into regulated micro-financial organizations, a process known as "upscaling." However, traditional banking has also involved itself in the micro-finance sector by developing specific strategies to meet the demands of this market. This type of organization, the market leader in micro-finances in many developing countries, uses strategies known as "downscaling," meaning, optimizing existing infrastructures in order to apply new banking technologies in the development of alternative models for distributing low-cost financial services.

Another banking model that has recently been developed in the mi-



cro-finance industry is the “green-field bank”, banks established specifically to offer micro-finances which employ a business model that exploits technologies in order to distribute micro-financial services at a low cost.

As well as these private initiatives, there are also public policies to promote access to financial ser-

vices. These policies fall into four broad categories. The first type attempts to resolve the problems inherent in the socioeconomic environment that inhibit the demand for financial services on the part of a large part of the population. The second type focuses on institutional, legal and governmental problems related that limit access to financial services by low-income

MOBILES HAVE HIGH LEVELS OF PENETRATION IN COUNTRIES WHERE ACCESS TO FINANCIAL SERVICES IS VERY LOW.

groups in the countries of the region. The third type of policy tries to resolve the regulatory problems that distort the provision of financial services in Latin America. Finally, a fourth type looks at the problems related to ways in which the financial system operates that impede financial development.

Faced with this, we believe it is necessary to develop financial services for the lowest income groups that resolve the problems that we have described. We propose a low-cost model for the distribution of financial services that would take advantage of existing solutions in the financial industry in order to resolve the problem of the inadequate supply of services for low-income groups. This proposal is largely based on a business model that

uses electronic payment methods and wireless technology. Although electronic payment systems were originally designed for high-income groups, especially for executives on the move, products have recently been developed that could form the basis of a business model that is more efficient at offering financial services to low-income groups, not only in developing countries and Latin America in particular, but also in many parts of the developed world.

A NEW MODEL OF FINANCIAL SERVICES

- The business model
- that we propose offers solutions to the concrete problems that give rise to the low level of banking among certain sectors, such as the extent of the distribu-

tion network, the cost of financial products, ways of analyzing risk and the tools for commercial segmentation. Furthermore, the proposal includes three additional elements.

EXPLOITING EXISTING ELECTRONIC AND WIRELESS TECHNOLOGIES

- The first of these is to optimize
- the effect of remittances. We propose exploiting the synergies that exist between the money-transfer industry and the financial sector in a way that would not only reduce operating costs but also boost the system's income. These synergies would make the proposed model more efficient and, therefore, able to offer financial services to people with lower incomes while maintaining the profitability and sustainability of the system.

The second element is about economies of scale. Since the beginning, the electronic banking industry has had to opt for common, networked operating systems in order to guarantee sufficient levels of business. Savings banks and other important institutions traditionally involved in the general savings and credit market have also used these systems in order to achieve economies of scale. However, implementing these systems requires a legal framework that allows for this collaboration and the generation of economies of scale in savings and costs.

The third element consists in using wireless technology as the catalyst for massive development of the proposed model. Mobile telephones have reached high levels of penetration in many developing countries where access to financial services is still very low. The mobile telephone could be the catalyst that helps to increase access to banking services among those sectors of the population that do not have bank accounts. Different business models exist that can promote banking using the existing mobile telephone network.



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COMPETITIVE ADVANTAGE

THE ORGANIZATION OF LEADERSHIP



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REY**

Partner-Director,
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The development of leadership skills across all levels of an enterprise is as much a source of competitive advantage as the organization of work or power.

More and more businesses are organizing courses, coaching and training programs to develop leadership. Both in recent theoretical work and business practice, there is a growing drive to develop leadership skills among employees in all spheres and at all levels of the organization. Some might see this as an isolated trend or just a fad. However, this tendency is part of an evolving process that is directly related to generating competitive advantage, that is to say, to the success, failure and survival of a business. Understanding this is important because the role of leadership, which has been increasing over recent decades, will almost certainly continue to grow in the future.

The importance of leadership today is a consequence of an evolving process that we could call the four basic *organizational dimensions of a company*: work, power, knowledge and leadership. Work involves functions and tasks; power, the ability to take decisions; knowledge, the management of information and talent; and leadership, the ability to influence beliefs, attitudes and behavior. These four dimensions can be structured according to the sphere in which they occur – people or processes – and according to the organizational level at which they develop – formal or informal (see matrix page 20).

At an individual level, each of these dimensions provides a certain capacity for action and a greater capacity to create competitive advantage. However, the greatest potential of these dimensions as a source of competitive advantage lies in their collective and coordinated development across complex organizations involving tens, hundreds or thousands of people.

COMPETITIVE ADVANTAGE AND ORGANIZATIONAL DIMENSIONS

- Expanding the individual dimension to the collective dimension of the organization is part of an evolving process that covers, sequentially, the dimensions of work, power, knowledge and leadership. This transformation from the individual sphere to the organizational sphere implies, in fact, a break with the artisanal model of production in which these four dimensions are embodied in the artisan. Applying these four dimensions in the collective sphere creates different forms of organization that at the same time produce four sources of competitive advantage.

The organization of work consists of the division and distribution of work in complex pyramidal organizations. Its application on a large scale began with the idea of “scientific management” at the beginning of the 20th Century and evolved through methodologies such as job descriptions and organization by process. The organization of work involved a break

with the artisanal model of work and has shown itself to be more productive and efficient. In general terms, its ability to deliver competitive advantage has decreased progressively over time although, in certain sectors, for example, among lawyers or certain medical specialists – where the organization of work is not as developed – it still represents a certain margin of competitive advantage.

The organization of power is the distribution of the ability to take decisions and influence results across a pyramidal organization. This process, known as empowerment, also implies a break with the artisanal concept of power, in which some give the orders and the rest obey. This source of competitive advantage, commonly structured into targeted management systems or Total Quality Management systems, seeks to find more effective ways of delegating and improving employee performance. During the second half of the 20th Century, in industrial sectors such as the automotive industry where competitive advantage in the organization of labor began to lose differentiating force, the organization of power has been essential to success. This has been the case, for example, with Toyota and its system of organization (“think global, act local”) which encouraged initiative and the involvement of all employees.

The organization of knowledge involves the generation and management of knowledge in all spheres of the organization, what Peter Drucker defined as “putting knowledge at the center of productive activity.” This involves a break with the artisanal concept of knowledge, which sees innovation and learning as an individual process practiced by “some

members” of the organization and applied to “other members.” In the new paradigm, everyone in the organization is learning (“learning organization”). In looking for a source of competitiveness, businesses try to identify, capture and retain talent – where knowledge is generated – at all levels of the organization. Over the past two decades, the popularity of the organization of knowledge, helped by management and information systems, has continued to grow.

This source of

“THERE ARE MORE OPPORTUNITIES FOR ORDINARY PEOPLE TO BECOME LEADERS.”



competitive advantage, for example, is the principal explanation for the rise and fall of technology businesses, although there still isn't enough accumulated evidence to explain this effect on a global scale.

The organization of leadership consists of spreading leadership throughout the organization. It involves a break with what we could call the artisanal concept of leadership – characterized by the

leader-follower model – and a move to forming “communities” of leaders along the command chain. In this mode of organization, all of the employees are called upon to exercise a positive and coordinated influence on the people they work with. Up to a point, this source of competitiveness

has been exploited by businesses that we would describe as examples of excellence. Many of these businesses have learned how to create leaders at different levels of the organization, thus managing to influence beliefs, attitudes and behavior in a collective manner. However, these first fruits, where leadership is generated in “some” members of the organization, represent only a part of the real potential of this dimension.

THE ERA OF LEADERSHIP

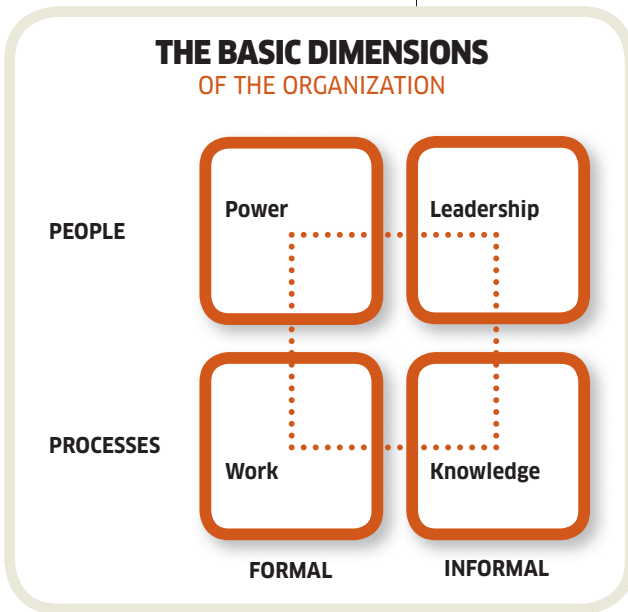
● Of the four basic organizational dimensions, the organization of work, power and knowledge is a reality in the majority of businesses today. But the fact is that, especially in highly developed competitive sectors, these three forms of competitiveness offer less and less potential. In fact, beyond the business sphere, the social transformations that have

accompanied the development of these three models of organization – the Industrial Revolution, the democratization of power and the rise of the knowledge society – are well established and prominent in modern-day society.

We are perhaps less conscious how the organization of leadership constitutes the beginning of a new transformation which, in the social sphere, is driven by what we might call the *leadership society*. This is a society in which great leaders are both fewer and more ephemeral, while there are more opportunities for ordinary people to become leaders. This new society is characterized by the “democratization” of leadership and the increasing development of skills, means and capabilities to communicate and exert influence at the global level.

The organization of leadership is a new forum for the evolving process of organizations that is accompanied by new social changes that have occurred in recent decades. It is the beginning of a change driven by the same forces, and probably on the same scale, as the changes in the organization of work, power and knowledge. The fundamentals are already there in the majority of organizations but the development on a global scale has yet to occur. At this point, its main competitive advantage and its main attraction is that it can give organizations something different that is difficult for competitors to imitate.

Furthermore, alongside the capacity to differentiate, there is another factor that drives the development of this transformation. Just like work, power and knowledge, leadership is a capacity inherent in people and realizing it allows them to feel more fulfilled. It is not just a question of social and organizational evolution. The organization of leadership also implies a transformation on a personal level that liberates people's potential and makes them feel more realized.



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THE HUMAN DIMENSION

SEVEN STEPS TO
BUSINESS ETHICSDOMÈNEC
MELÉChair of Business Ethics,
IESE Business School

There is not one set of ethics for private life and another for business, but a single set of ethics whose point of reference is individual and human development in general. This article briefly touches on the ideas that the professor has developed in his book *Business Ethics in Action*.

It is the view of many business people and executives that ethics - the lack of them - have played a key role in the crisis. As in the financial field or in operations, in the sphere of ethics we need to go back to basics to develop a broad ethical vision rather than reducing the issue to a list of regulations which have proved to be ineffective.

01 *Business ethics concerns human excellence within the business environment. The main points of reference are human virtues and achieving the common good.*

Ethics is about the morality of human actions, that is to say, their evaluation in terms of good and bad from the perspective of the whole person. Ethics means doing things in a way that makes us better people and encourages human excellence in organizations and communities. This involves the idea of “the common good.”

There is no such thing as “double ethics,” one for private life and the other for business life, but a single set of ethics concerned with people and overall human development, although with different modalities. Business ethics is the application of ethics in the business environment. It serves as a guide to evaluating individual actions in business, decisions made by directors and managers that affect other people (managerial ethics), organizational aspects, that en-

courage or hinder human development (organizational ethics) and the ethics of the business’s relationship with its overall social context and its environmental impact (social and environmental ethics).

02 *There is an ethical dimension to every business decision.*

Business decisions entail an ethical dimension because they affect people, and first of all they affect the person making the decision, in so far as in deciding they not only decide what to do but what sort of person they want to be (dishonest or truthful, just or unjust, generous or selfish etc.). In other words, when making decisions, in the process we either become better people or we compromise our humanity.

Ethics cannot be limited to a set of prohibitions or to resolving conflicts, but must involve the search for the best solution. Therefore, the ethical dimension must be considered along with the economical and relational dimensions that every decision entails.

03 *Human virtues lead people to act with practical wisdom, self-control and courage, and to treat other people fairly in the broadest sense of the word. Virtues act to strengthen character and control our instincts, to behave and decide well. All virtues are contained within the four traditional cardinal virtues.*



AN ETHICAL VIEW OF BUSINESS HAS REQUIREMENTS ROOTED IN THE RESPECT ALL INDIVIDUALS DESERVE.

- Practical wisdom acts as a guide to the human excellence of the decisions we take, helping us to realize what is good and appropriate at any moment.
- Self-control and courage are forms of self-discipline. Self-control, or restraint, saves us from becoming involved in situations or activities that are attractive from one point of view, but which prevent the higher good. It helps us overcome, for example, laziness and greed or the unfettered pursuit of pleasure. Courage urges us to do what we know is right.
- Justice consists of treating people the way they deserve to be treated, respecting their legitimate rights. Treating people with care goes beyond the strict interpretation of justice.

These virtues are interconnected and each encourages the others. For example, to behave with fairness requires an understanding of what is just (practical wisdom). Likewise, we overcome our attraction to something that might prevent us from behaving with fairness (self-control) by being brave enough to do what is right (courage). The unity and harmonization of these virtues is the basis of integrity.

04 *Every human being is endowed with dignity and has human rights, and must be respected. But as well as respect, people should be treated with benevolence and solidarity.*

Being just consists primarily of recognizing and respecting the dignity and rights, whether innate or acquired, of every person. Justice rejects abusive behavior that takes advantage of ignorance, good faith or the vulnerability of others. On the contrary, justice seeks reciprocity for the benefit of both parties.

Justice involves seeking reciprocity in such a way that favors both parties.

05 *A good end cannot justify bad means.*

The ethical dimension of a decision depends primarily on the intention of the person taking it (the desired end) and the morality of the option selected (the chosen means). The circumstances and the probable consequences are also elements that should be taken into account, although the priority should lie in ethical principles themselves, such as the unacceptability of certain actions (manipulation, fraud, bribes and defamation) regardless of the circumstances and the possible consequences.

06 *The company should not be seen merely as an instrument for making money, nor just a system of mutual interests, but a community of people who find fulfillment in producing goods and services.*

Nor should the business be a battleground for power struggles, nor the arena for a class struggle between the exploited and exploiters.

Conflicts must be resolved on the basis of the common good.

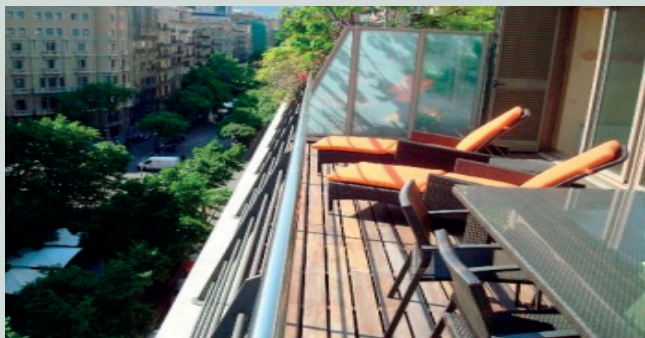
07 *Business has an inherent obligation to be socially responsible and accountable.*

The social responsibility of business is based on it being a community of people within a larger community and within society, be it national, international or global. Like any other community, business must act like a good citizen and for the common good. Businesses have responsibilities that are laid out in laws and other regulations, but external regulations rarely include business responsibilities. The primary responsibilities are the commitment to fairness inherent in the business's mission and its activities, as well as those that derive from the interdependence of groups that affect or are affected by the business (stakeholders). Businesses also have a responsibility to engage in social action, to contribute to solving social problems according to their capacity to do so without this impinging on their specific mission.

MORE INFORMATION

D. MELÉ, *Business Ethics in Action. Seeking Human Excellence in Organizations*. Palgrave-MacMillan, New York, 2009.

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BANKING ON THE COMPETITION

XAVIER VIVES

Did unfettered, unregulated competition lead to the collapse of the banking system? Perhaps, but on the other hand, excessive regulation concentrates power in the hands of the few. In his paper, "Competition and Stability in Banking," IESE Prof. **Xavier Vives** reviews existing literature to make recommendations for regulators and policy makers. He argues that before deregulation there was inefficiency, collusion and high entry barriers for new banks, while liberalization had negative consequences, among them a greater incentive to take risks. The inherent problems that arise when the actions of depositors and investors don't match, are exacerbated by competition, but competition should not be completely curbed, Vives says, and regulation should be fine-tuned with competition in mind.

MORE INFO: *IESE Insight/Finance*

What Makes Consumers Tick?

PABLO G. RUIZ, CARLOS R. LLUESMA

When the strength of your company's brand is the key factor in its market position, understanding the way consumers think and behave is absolutely crucial. But such a task is easier said than done. In their book chapter, "Reflexive Consumers: A Relational Approach to Consumption as a Social Practice," IESE Prof. **Carlos R. Lluésma** and University of Navarra Prof. **Pablo G. Ruiz** critique the existing models, concluding that, on the whole, they adopt too narrow a focus to provide a truly representative picture of modern consumer behavior. Modern consumers, they say, appropriate the meanings of objects so as to build a *modus vivendi* – a lifestyle – that is meaningful for themselves and for their social context. The authors outline four models of "reflexive consumers."

- **Fractured Consumers** are so overwhelmed by the influence of their social environment that they

can hardly organize and pursue plans for themselves.

- **Communicative Consumers** seek to carry out their deliberations with the approval of others.
- **Autonomous Consumers** tend to seek in their consumption the same social success they pursue in their occupations.
- **Meta-Reflexive Consumers** frequently assess their own conduct and tend to adopt a more critical stance toward certain types of consumption.

MORE INFO: *IESE Insight/Leadership and People Management*



Spain Tourism Model

ANTONIO ARGANDOÑA



Tourism has been a major source of income for the Spanish economy, and the Spanish "sun, sea and beach"

model has been imitated around the world. However, a fall in numbers, accompanied by a drop in tourists' per capita expenditure in 2009, suggests the model needs reworking if Spain is not to lose out to cheaper competitors

offering a similar or better product. In his article "Corporate Social Responsibility in the Tourism Industry: Some Lessons from the Spanish Experience," IESE Prof. **Antonio Argandoña** suggests that a model based on corporate social responsibility would be more sustainable. Given the uncontrolled despoliation of Spain's coasts, **Argandoña** says that a responsible approach at both a personal and corporate level could rescue the industry from decline.

MORE INFO: *IESE Insight/Business Ethics and Corporate Social Responsibility*

Pile ‘em High, Sell ‘em Cheap

MARC SACHON

The first Aldi store opened 40 years ago. Now there are 8,000 stores in 18 countries, and Aldi, along with Lidl, the other German retail chain, dominate the discount market, with each grossing more than \$60 billion. In “The Hard Discount in Retailing,” IESE Prof. **Marc Sachon** says the model is based on four fundamental policies: stocking a limited range of products, a high percentage of cheap, private-label products, offering high quality at low prices and efficient operations.

MORE INFO: *IESE Insight/Service and Operational Management*

THEY SHOPPED TILL THEY DROPPED

JOSÉ L. NUENO, EVA VILA
& VICTOR CAZORLA

● In their study “Key Factors for
● the Large Consumption Sector as it Faces a Third Year of Recession,” the authors assess what the sector must do to win back consumers who

are saving more and buying less. The sector faces intense competition in the global economy and also suffers from overcapacity. The authors say the sector needs to innovate and to invest more in advertising. **Nueno** emphasizes that consumers will soon forget about a product that is neither visible on the shelf nor in advertising.

HOW TO RAISE YOUR CULTURAL IQ

MIREIA LAS HERAS, LAURA SANTANA
& JINA MAO

● To be truly effective, today’s
● leaders need to cultivate “cultural intelligence,” say **Mireia las Heras** (IESE), **Laura Santana** and **Jina Mao** in “Developing Leaders With Cultural Intelligence: Exploring the Cultural Dimension of Leadership,” a chapter in the book *Extraordinary Leadership: Addressing the Gaps in Senior Executive Development*. Cultural intelligence refers to the ability to stand outside one’s own beliefs and examine them. The authors say the need to manage culturally different groups has increased over the past 20 years owing to an influx of highly educated women and immigrants. Individuals, teams and companies who build on similarities and resist focusing on differences between people will be the winners at managing today’s interdependent and multicultural world, they say.

MORE INFO: *IESE Insight/Leadership and People Management*

MADE IN EUROPE

JOSÉ LUIS NUENO

● In his study “International
● Competitiveness and EU Brands,” IESE Prof. **José L. Nueno** looks at how to strengthen brands, especially in the European context. The study was presented at the Leading EU Brands Meeting in Madrid and **Nueno** discussed the value of “Made in X” or “country of origin” branding, brands that comprise a variety of reputations. European countries share a cultural heritage and in some contexts have a collective reputation. For this reason, he said that the brand “Made in the EU” might prove attractive to some countries as it represented “added reputation.” On the other hand, there are countries within the EU that, for a variety of reasons, prefer to keep their national, rather than a pan-national, brand.

MORE INFO: *IESE Insight/Marketing*

IESE INSIGHT CONFRONTS THE CHALLENGE OF TAKING A GLOBAL PERSPECTIVE

IESE INSIGHT ISSUE Nº 5

This dossier includes articles on motivation and behavior, how to get the best out of your employees and how to tailor strategy to the local culture. There are also reflections on dealing with the ethical questions involved in working in countries where standards leave much to be desired and on valuing other cultures.

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CONTINUOUS EDUCATION PROGRAM,
APRIL 16, BARCELONA

BUSINESS LUMINARIES LIGHT THE PATH AHEAD

An enlightening and often light-hearted session on the post-crisis challenges revealed the wide range of opinions and sensibilities among the members of IESE's International Advisory Board.

The diverse viewpoints of IESE's International Advisory Board shone through in a lively discussion - punctuated with various off-the-cuff remarks - held to discuss corporate challenges and economic policy after the crisis. The board, which is both mixed and illustrious, includes the foreign minister of Singapore, a publisher, an engineer and the head of family haute-couture firm Ermenegildo Zegna.

On a day where the emphasis was on a return to traditional business values such as solvency, balanced books and not spending money you don't have, the word "responsibility" consolidated its overdue return from the financial wilderness.

"Cash is king" was the meeting's catchphrase. One of the most memorable comments came from **Johan**

Schröder of the Schröder Foundation - "The IT bubble taught me not to invest in something I don't understand" - while **Hans-Jacob Bonnier**, CEO of the Bonnier Group, stated that "entrepreneurs built the Ark, but professionals built the Titanic."

On a more somber note, **Toyoo Gyohten** of the Institute for International Monetary Affairs in Japan said that, as neither surplus nor deficit countries can control their model quickly, we must resign ourselves to slow growth. This was echoed by **George Yeo**, the Singapore Foreign Minister, who said that changing policies and governments would make little difference if things didn't change "at the molecular level."

The recovery, he said, "requires moral fiber."

The U.S. was very present as the elephant in the room, with a general consensus that until the country changed its spendthrift ways, confidence would continue to be a problem.

A wide range of issues were touched on, including climate change, which **Franklin P. Johnson** of the Asset Management Company saw as a symptom of how we consume, rather than a problem itself.

Stanley Motta, of Motta International, summed up the mood of the event when he said that "the old rules are the good rules," while **Siegfried Russwurm** of Siemens read the last rites over the "greed is good" era with the comment that running a business well "shouldn't be a question of money or incentives, it should be a question of honor."

Other participants included **Rolf-E. Breuer** of Deutsche Bank, **Patricia Francis** of the International Trade Center in Geneva, **Hans Ulrich Maerki** of ABB and **Andrea Christenson** of Käthe-Kruse Puppen.

E-CONFERENCE

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RUNNING A BUSINESS
WELL SHOULDN'T BE A
QUESTION OF MONEY OR
INCENTIVES, IT SHOULD BE
A QUESTION OF HONOR.”

Siegfried Russwurm, Siemens



1



2



3



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1. Rolf-E. Breuer, Patricia Francis, Toyoo Gyohten, George Yeo and Prof. Pedro Videla.
2. Hans-Jacob Bonnier and Andrea Christenson.
3. A session during the meeting.
4. Hans Ulrich Maerki and Prof. Jordi Canals.



INTERNATIONAL ADVISORY BOARD

TAKING THE LONG VIEW

The annual meeting of IESE's International Advisory Board was held in April on the Barcelona campus. The meeting began by welcoming two new members, **Patricia Francis** and **George Yeo**. **Patricia Francis**, executive director of the International Trade Center in Switzerland, has worked with multilateral agencies and has been involved in both the private and public sectors. **George Yeo** is the Foreign Affairs Minister of Singapore and also serves on the Harvard supervisory board. IESE's Dean **Jordi Canals** reviewed the past year and

examined the current situation and the way ahead. He said that at this point in time it is more important than ever to have a mission and long-term views. In a general atmosphere of cutbacks and falling applications in business schools, the top schools, IESE among them, had seen applications rise. The school had also taken on seven new faculty members. IESE had also opened its new center in New York and the organization had met its overall budget. Among points raised by board members was the falling number of women attracted to business

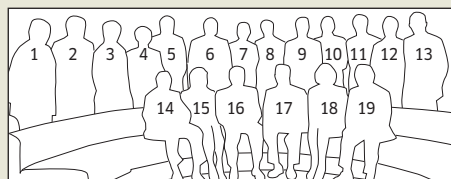
careers, with many more drawn to fields such as medicine and biotechnology. There was some discussion about how this might be addressed. The benefits of the Global Executive MBA course were also discussed. Prof. **Juan Roure**, the other board member representing IESE, said that the school benefited in different ways from this program. IESE has acquired the image of being a pioneer in such programs and professors have benefited from the diversity, background of participants and distributed learning format. Also the Global EMBA alumni are those with the highest level of IESE alumni affiliation. The New York Center was presented, along with its mission, aligned with the vision and mission of IESE.

The objectives and the level of development of different activities at the New York center were also discussed. The meeting heard that the school is attracting experts in fields where it wants to increase its focus, such as Wall Street, retail and media. Among other suggestions was the idea that students should be taught why organizations fail, and also the importance of teaching about moral failure in business individuals. It was also suggested that professors should spend a significant amount of time working with companies as consultants or advisers. Prof. **Canals** concluded that many challenges lay ahead and that the goal was to combine efficiency with humanism.



IN A GENERAL
ATMOSPHERE OF
CUTBACKS AND FALLING
APPLICATIONS IN BUSINESS
SCHOOLS, IESE HAS SEEN
APPLICATIONS RISE.”

1. George Yeo and Prof. Juan Roure.
2. Prof. Jordi Canals and Nicholas Shreiber.
3. Rolf-E. Breuer and Franklin P. Johnson.
4. The members of the IAB during the meeting.
5. Ermenegildo Zegna and Isak Andic.
6. Kees J. Storm and Stanley Motta.
7. Kees J. Storm, George Yeo and Patricia Francis.
8. Mariano Puig and Andrea Christenson.



- | | | |
|------------------------------------|------------------------|------------------------|
| 1. Prof. Juan Roure | 8. Prof. Jordi Canals | 15. Andrea Christenson |
| 2. Franklin P. Johnson | 9. Johan Schröder | 16. Stanley Motta |
| 3. M ^a del Mar Raventós | 10. Kees J. Storm | 17. George Yeo |
| 4. Hans-Jacob Bonnier | 11. Hans Ulrich Maerki | 18. Patricia Francis |
| 5. Siegfried Russwurm | 12. Nicholas Shreiber | 19. Toyoo Gyohten |
| 6. Rolf-E. Breuer | 13. Ermenegildo Zegna | |
| 7. Isak Andic | 14. Mariano Puig | |

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making is more critical than ever

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HARVARD-IESE
COMMITTEE MEETING

FACING UP TO THE CHALLENGES OF EXECUTIVE EDUCATION

Every year since 1963, the Harvard-IESE Management Committee has met to discuss the challenges business schools face. In acknowledgement of the close links between the two institutions and to celebrate Harvard's centenary, IESE commissioned a painting that now hangs in the school's Burdem Auditorium in Boston.

The Harvard-IESE Management Committee held its 47th annual meeting on June 9 to discuss the challenges that lie ahead. Among other items, professors from the two schools discussed the growing importance of emerging economies in the MBA programs, and concluded that their importance implied significant structural changes and new strategies. **Jordi Canals**, the dean of IESE, emphasised the close relationship between the two schools. "We have always looked to the future," he said. "Much of the time spent in the Harvard-IESE Committee is devoted to discussing the future of teaching and research in business management, the continuing education of former alumni, and above all how to improve the impact of business on society through educational projects and how to help other countries."

The committee first met in 1963. The objective was for Harvard to help IESE to devise what was to become the first two-year MBA in Europe. Those early meetings were so satisfying and stimulating that it was decided to continue with them. A number of initiatives have emerged

from the meetings, including in 1995 the joint executive education programs such as "Achieving breakthrough service" and "Transforming multi-business corporations." Other projects that illustrate the close collaboration between Harvard and IESE include the help given to INALDE in Colombia, the Lagos Business School in Nigeria and the IDE in Ecuador. Those taking part in this year's meeting included, from Harvard, the Deputy Dean for Academic affairs, **W. Carl Kester**, and the Senior Associate Deans, **Srikant Datar** and **Richard H. K. Vietor**, and for IESE, professors **Jordi Canals**, **José L. Nueno**, **Joan E. Ricart** and **Eric Weber**.

MAPPA MUNDI

- In recognition of the close links between the schools
- and to celebrate Harvard's centenary, IESE commissioned a painting from the Barcelona artist **Nacho Amor**. The work, *Mappa Mundi*, which is mixed media on canvas, was officially unveiled by the artist at IESE on September 15, 2009, in the presence of Harvard dean **Jay O. Light** and **Jordi Canals**, dean of IESE. The painting now hangs in the school's Burden Auditorium.

The painting symbolizes the links between Europe and the Americas, and also between the two schools. It depicts the five continents without marking any national borders, with only a few lines of latitude and longitude to suggest the curvature of the earth. The artist opted for the earth's real colors as they appear in satellite images. The various schools that are the fruit of HBS-IESE collaboration are shown with dots and are captioned with their name and nationality.

The Wind Rose, which up until the end of the 19th century had been a feature of navigational charts, appears in the lower left-hand corner of the painting. The earliest documented Wind Rose dates back to 1504, when it appeared on the charts used by the Portuguese navigator **Pedro Reinel**. The rose's 32 points indicate wind directions. In keeping with tradition, Amor has crowned the rose with a fleur-de-



lys, a stylized representation of the lily and also a symbol of the Virgin Mary.

Josep Espot, director of Flamicell, the artists agency that represents **Amor** says: “**Nacho Amor** is a contemporary realist. The *Mappa Mundi* reflects the role of Harvard in the world and the association that has existed over many years between Harvard and IESE. This classical concept allowed us to play with this idea, and it is modern because it is also reminiscent of the photographs of Earth taken from space.”



THE MAPPA MUNDI
REFLECTS THE STRONG
LINKS THAT HAVE EXISTED
FOR YEARS BETWEEN
HARVARD AND IESE.”

1. Harvard-IESE Committee Meeting: Profs. Joan E. Ricart (IESE), W. Carl Kester (HBS), José L. Nuño (IESE), Richard H.K. Vietor (HBS), Eric Weber (IESE), Srikant M. Datar (HBS) and Jordi Canals (IESE).

2. Nacho Amor at work on the painting.

3. Mappa Mundi hangs in the Burden Auditorium at Harvard.

BUSINESS, ETHICS AND SOCIETY

CHARTING AN ETHICAL PATH OUT OF CRISIS

Greed, as well as unfairness, imprudence and arrogance on the part of powerful people have all contributed towards creating the crisis.



Prof. Jordi Canals and Prof. Robert G. Kennedy

In May, IESE hosted the 16th annual International Symposium on Ethics, Business and Society. The event brought together 130 experts from universities in 20 countries to debate ethical principles and how they should be adopted in distinct business sectors. Participants also addressed the question of how to integrate a human-centered view into business management. Among the participants were **Rakesh Khurana** of Harvard Business School, **Paul H. Dembinski** of the Universität Fribourg and founder and director of Observatoire de la Finance in Geneva, Switzerland and **Antonio Argandoña** of IESE. The Symposium was chaired by Prof. **Domènec Melé**.

The conference was titled “Facing the Crisis: Towards a New Humanistic Synthesis.”

“Our purpose for the Symposium is not primarily to enter into the discussion of ethical issues and responsibili-

ties of this crisis,” **Melé** said in his introduction. “Instead, our aim is to face up to the crisis. This is what we intend to do in this symposium: to confront the current crisis through thoughts, ideas and proposals or, if you prefer, the contribution that a humanistic and ethical perspective of economics and business can make in the face of the crisis, and what lies beyond.”

“It would appear that this crisis arose not only through insufficient and inadequate structures but also because of faulty human behavior and moral character,” **Melé** said. Greed, unfairness, imprudence and arrogance on the part of powerful people have all played a part in the crisis. But what about the role of virtues such as justice, practical wisdom, honesty, transparency, humility, moderation in the face of money and power, and consideration for others?

In the process of determining the topics of this symposium, the publica-

tion of the Encyclical-Letter *Caritas in veritate* by Pope **Benedict XVI**, on June 29, 2009, played an important role. The Encyclical sees the current crisis as an opportunity to rethink current concepts. A line from the document provided the definitive theme for the symposium:

“The different aspects of the crisis, its solutions, and any new development that the future may bring, are increasingly interconnected, they involve one another, they require new efforts of holistic understanding and a new humanistic synthesis.”

Introducing a holistic understanding of economics and business and, above all, developing a new humanistic synthesis for business is a real challenge, **Melé** said. It is still quite common to base arguments on the so-called “Separation Thesis,” which leads one to consider only economic facts and to leave aside the human and ethical dimension of business, or



Prof. Domènec Melé, Prof. Carlos Sánchez-Runde and Prof. Stefano Zamagni

The crisis cannot be viewed separately from a set of theories based on the idea of man as a strictly financial entity.

at most to add ethical judgments as a mere constraint on business decision-making, but not as something at the core of a decision. A different perspective involves seeing ethics as an inherent dimension of human action and consequently, of economic activity; and considering the role of habits, good and bad, in decision-making and in the building of organizational cultures and structures.

On the second day of the symposium, **Rakesh Khurana** sketched out the history of business schools. After

WWII in the United States, he said, when further education was free under the GI Bill, one in seven students opted for business studies. The result was a rapid and poorly regulated growth of schools with little common agreement about core content. Economics dominated, and continues to dominate, and schools have tended to produce students who see their role in business as representing the shareholders' interests and nothing else. "The crisis has been met with a deafening silence from business leaders, which reflects on the sort of people they are," he said.

Paul H. Dembinski said that an obsession with transactions had been pushed so far that it had undermined and fractured human relationships. He said there was "no room for ethics because there was no room for sense," adding that it was not enough to address the "ethics issue" on the corporate level and that it has to be "embedded in everyday life and culture."

ON RECIPROCITY

The Idea of Love as a Gift

In his talk on reciprocity and humanistic management at the symposium "Society, economics and values" held on May 20 at IESE's Madrid campus, Prof. **Stefano Zamagni** of the Università di Bologna said "we are living through a cultural as well as a financial crisis." He described reciprocity as being based on the idea of "love as a gift" and counterposed it to exchange equivalence, which is based on interest. **Zamagni** said the reciprocity principle had been excluded from mainstream economics and was seen as being the province of social scientists. The ethic of virtue must play role within economics, he said.

The challenges humanistic management faces in emerging countries was the theme of the talk given by **Enase Okonedo**, dean of Lagos Business School. She said there was a lack of attention given to shared values in management. "If we want to provide a holistic education, then we have to talk about humanistic management and corporate social responsibility in all contexts, not just a few," she said. Emerging countries were fertile ground for humanistic thinking because there was still a strong emphasis on community rather than the individual, she said, adding that in Africa people believe they are who they are through others. She cited the concept of *ubuntu*, the idea that you can't be yourself alone but only in the context of your inter-connectedness with others, a word that originated in southern Africa but has become a pan-African concept. At the Lagos Business School, students do a preliminary course about the nature of human beings so that they start out with a humanistic approach to their studies.

CIIF

The Governance of Financial Institutions

On June 16 IESE's Madrid campus hosted the conference "The Governance and Regulation of Financial Institutions. Lessons from the Crisis."

● The conference, organized by ● the European Corporate Governance Institute and The Centre for Economic Policy Research, the Spanish presidency of the European Union and IESE, via the CIIF, was divided into four sessions and brought together numerous people from the financial and academic spheres to discuss corporate governance and financial institutions.

"The corporate governance system has failed and requires a series of reforms," said **Peter Mülbert** of the University of Mainz during a session moderated by **Marc Hetgen**, an EU commissioner. Oxford University's **Paul Davies** said that it was important to change objectives. "The company's interests must be aligned with those of the shareholders and this must be done by creating new systems of remuneration and new internal systems to control against risk," he said.

Domenico Giannone of the Université Libre de Bruxelles said that this recession will be much deeper in richer countries, while **Xavier Freixas** of the Universitat Pompeu Fabra, said that the market needed tougher regulations.

Stéphane Rottier, a director of the Bank of Belgium, moderated the second panel, among whose members was **Daniel Ferreira** of the London School of Economics, who said that each country's particular char-



José M. Campa, the Spanish Secretary of State for the Economy, and Prof. Juan J. Toribio

acteristics were a factor in the independence and the administration of the bank and its directors.

"Around 75 percent of the directors of financial bodies in the United States are independent, compared to other countries where the percentage is more like 40 percent," said **María Gutiérrez** of the Universidad Carlos III in Madrid.

Katherine Pistor, of Columbia University, said that the global crisis provided an opportunity to conduct research into different ways of managing finance. Continuing this theme, **Alessio Paces** of the Erasmus School of Law listed the key points in banking regulation within the European Union.

THE ROLE OF THE CEO

● Regarding the role of the CEO, ● **Rüdiger Fahlenbrach** of the Ecolé Polytechnique Fédérale de Lausanne, commented during a ses-

sion moderated by **Marco Becht** of the Université Libre de Bruxelles, that "there is no evidence that increased incentives for executives would have led to a better response to the crisis on the part of banks." And **Holger Spamann** of Harvard University pointed out that executive salaries were being regulated and said that the regulating bodies were working on this process.

CLOSING COMMENTS FROM THE SECRETARY OF STATE FOR THE ECONOMY

● Finally, IESE Prof. **Xavier Vives** ● focused his talk on the political regulation of banks and markets. "Regulation must be based on norms and the alignment of the supposed incentives and the supervision and discipline of the market," he said. **José M. Campa**, Spain's Secretary of State for the Economy, gave the closing speech.

Health Reform Debate

IESE's New York Center recently hosted an international workshop on one of the United States' most polarizing issues: health care reform.

On June 11, IESE's Academic Director (US) and Professor of Economics **Luis Cabral** hosted a group of academic and industry leaders to discuss various approaches to solving the crisis.

Participants included Prof. **David Cutler**, the Otto Eckstein Professor of Applied Economics at Harvard University. He also served as a senior advisor for Barack Obama's Presidential campaign, and played a major role in shaping the health care reform legislation just passed in the U.S.



Prof. Luis Cabral

Prof. **Regina Herzlinger**, a professor of business administration at Harvard Business School, also gave a presentation in which she advocated for a more consumer-oriented health care system, ar-

guing that free market principles would decrease costs and encourage innovation.

Prof. **Nuria Mas** of IESE's Economics Department gave a brief presentation in response to Prof. **Herzlinger's** suggestions. Prof. **Karine Lamiraud**, Assistant Professor of Economics ESSEC Business School, provided a comprehensive analysis of a European approach to healthcare with her analysis of Switzerland, and Associate Professor of Economics at Columbia University, **Katherine Ho**, responded to Prof. **Lamiraud's** presentation. The workshop concluded with a panel discussion moderated by **Shirley Wang** of *The Wall Street Journal*. Panelists included **James Capretta** from the Ethics and Public Policy Center and Dr. **Joseph Feczko**, former Senior Vice President and Chief Medical Officer of Pfizer.

The Management of Diversity ICWF Symposium

"Managing diversity must extend throughout the organization and must be demonstrated by the commitment of everyone involved in the mission of the business, all of which implies a high level of motivation," **Nuria Chinchilla**, the director of the International Center for Work and Family (ICWF), told the symposium. "We mustn't forget that the individual is the focus of the management of diversity. Neither personal qualities that set people apart, nor the most visible should ever be the basis for selection or promotion. External and internal differences enrich the organization,

but the management of this diversity will only be effective if we bear in mind all of the elements of the business. It is vital that the people who work with us are inspired and driven by higher motives and that managers develop their capacity for leadership."

Blanca González, human resources manager for Coca-Cola Spain & Portugal, listed the five principles adopted by her company. "Revise our strategy; management styles; what is our real personnel structure; what we want to show our clients, suppliers and employees; and what are our values. Now we know what resources we have."



Prof. Nuria Chinchilla

NEW PROGRAMS IN PUBLIC SECTOR MANAGEMENT

“Managing the Public Sector Is Like Playing Jazz”

If public agencies and institutions are to improve their performance they must develop systems to assess the effectiveness of their programs to see if they are achieving the desired results

“Managing the public sector is like playing jazz: you have to learn certain principles and then improvise while sticking to those principles,” said Prof. **Bob Behn** of the John F. Kennedy School of Government of Harvard University during the Driving Government Performance program which was held on IESE’s Madrid campus in May, and was attended by 40 top executives from 12 countries. According to **Behn**, leaders in public life must have a purpose and should be assessed in terms of that purpose.

Antonio Núñez, the executive director of IESE’s Public Management programs, said that “a good assessment can help us to identify which programs are working well, and spot programs that aren’t achieving the desired results.”

The goal of the course is to help public agencies and jurisdictions’ managers to significantly improve the outcomes of their institutions. This program is included among four other IESE initiatives on Public Management, including the Program of Leadership in Public

“A good assessment can help us to identify which aspects of programs are working well.”



Prof. Dan Levy addresses the meeting

Administration, the Program of Strategic Management and Social Leadership, and two other IESE/Harvard special courses on strategy implementation and evaluation to be held in June and July 2010.

The Driving Government Performance outline is based on both case study sessions and theoretical approaches. Public administration aspects covered in several case studies included public safety, urban planning, health, the military and environmental services. From a theoretical point of view, applications to public management of Kaplan

and Norton’s Balanced Scorecard are analyzed.

Dan Levy, faculty chair for the MBA programs at the Kennedy School of Government at Harvard and professor of the “Evaluation of Public Policies” at IESE, said that evaluating social programs was important to determine their impact. He cited the case of Kenya, where a program was launched to rid children of intestinal worms. As a result, school attendance rose significantly. The program was very influential and the initiative “Deworm the World” was launched in several countries.

FOR MORE INFORMATION
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GOVERNMENT REFORM

THE FUTURE ROLE OF THE STATE

“The economic crisis has put the State under increasing pressure. What does the future hold? What reforms are needed?” IESE Prof. **Juan J. Toribio** said at the conference, “Government reform in the new environment: reflections on the role of the State”, held on the Madrid campus. Among the speakers were **François Bouvard**, director of McKinsey’s Paris office, and **Jordi Sevilla**, the Spain’s former Minister of Public Administration and currently a senior director at PricewaterhouseCoopers.

Bouvard talked about the situation in France and the measures the government was taking to cope with it. “When we talk about reform in France, we focus on central government, on cuts in staff and services,” he said. “But what we need to do is motivate people to be more productive.”

He added that it was necessary to take measures in sectors such as health and pensions, because otherwise nothing would be done to tackle the €100 billion that needed to be lopped off public debt. “But if the President is not prepared to take these steps, nothing will happen.”

“It feels like the end of the world but we went through this in the 1990s and we managed to get out of it,” **Sevilla** said. “It’s just as well we have governments that think differently from private enterprise and are willing to take measures to rescue private business.”

The former minister said the State was key to Spain’s recovery, but that the problem was primarily one of efficiency. “We need to think of what people will need in 20 years, not what they needed 20 years ago.”

The Audiovisual Revolution Opens New Horizons

Internet neutrality, the role of the state and new business models were among the topics discussed at the 16th Telecommunications Sector Meeting, which was held under the title “The Impact of the Audiovisual Revolution” on IESE’s Madrid campus in May.

Marcel Coderch, the vice president of the Spanish Telecommunications Commission, said there were two schools of thought regarding the Internet. There are those who believe it should be neutral and the de-regulators who want a multi-service network offering quality.

IESE Profs. **Sandra Sieber** and **Josep Valor** discussed the different ways in which smartphones have evolved.

14TH FOOD & DRINK SECTOR MEETING

The Brands Strike Back

Leaders from the food and drink sector met on IESE’s Barcelona campus for their 14th annual meeting under the heading, “Food Wars, the Brands Strike Back.” The slogan reflects the struggle branded goods face from the growing competition from cheaper “white label” products. The sector’s value fell by 3.4 percent in 2009, more as a result of price wars than from a fall in demand. It was the first drop in 15 years.

José I. Caballero, director of high-volume products at El Corte Inglés, said: “It’s an indisputable fact: the same volume, less value. How long are we going to continue like this? We’re crazy.” **Javier Robles** (PDG ‘90), the

president of Danone, said: “The paradox of making branded products is that our best clients are also our biggest competitors.”

Without brands, there is no quality innovation or internationalization,” said **José L. Bonet**, the president of cava-maker Freixenet, adding that these were precisely the factors needed to drive growth and boost the sector during a recession.

This echoed the comments of **Bernard Meunier**, the managing director of Nestlé Spain, who said that “a price war is not the way to maximize added value. What is required is to protect brands and promote innovation.”

THE CRISIS AND SOCIAL CHALLENGES

Winning Back Confidence

“We have to put the emphasis on behavior,” Prof. **Carlos Cavallé** told a meeting held on the IESE Barcelona campus in June to discuss the social challenges thrown up by the crisis. Business has lost credibility, he said. **Juan J. López Burniol**, a notary public, said that it was “impossible to control the markets if people conduct themselves badly.” He added that he believed education in our society was not doing a good job in regard to instilling ideas of acceptable behavior. As for the crisis of confidence, he said, “it’s not just confidence that’s been lost, it’s a sense of shame.”

12TH ANNUAL PRESTIGE BRANDS MEETING

PRESTIGE TAKES

on a Global Buzz

Over the years, the Prestige Brands Meeting has gone through many changes. Fifteen years ago it was about the nature of the brands themselves, but at this year's meeting held on IESE's Barcelona campus the buzzword was "global," according to **Prof. Pedro Nuño**, the meeting's co-director. The 12th Annual Prestige Brands Meeting, co-organized by the China Europe International Business School (CEIBS) and the Fondazione Italia Cina, focused its attention on management issues, such as globalization, technology, marketing and the role of the capital markets in the sector, with particular emphasis on productivity and innovation.

The meeting was addressed by a number of speakers holding key management positions in the sector. At the very high end of prestigious brands is Kiton, the Neapolitan tailor founded in 1968 that specializes in hand-made suits made from the finest materials. **Antonio De Matteis**, the CEO, commented: "We have no competition. We are the most expensive company in the world." The company only produces 100 suits a day, each of which takes 25 hours to make and passes through the hands of 45 separate tailors. They retail for from \$5,000 to \$50,000 each. "We dress the most prestigious and beautiful people in the world but we never say who they are," **De Matteis** said.

We have lost the surrealist painter Salvador Dalí, but his brand remains patently alive, thanks in part to the foundation he himself created in 1983. In a session on "Art and Prestige," the general manager of the Fundación Gala-Salvador Dalí, **Joan M. Sevillano**, described the complex challenge of



Prof. Pedro Nuño

strengthening the brand of Dalí as artist, icon and symbol. In recent years, the foundation has developed into a diverse cultural institution boasting four museums, ongoing international exhibitions and diverse educational offerings, **Sevillanos** said. The non-profit foundation, which receives some 6,000 visitors each day, is completely private and receives no public funding.

Raffaella Cornaggia, marketing director EMEA for Estée Lauder, provided an overview of the cosmetic giant's brand portfolio, which includes such well-known names as Clinique, Bobby Brown and Flirt!, and described the

firm's "high touch" service model. The approach reflects the philosophy of the company's American founder, who placed an emphasis on close, personal contact with customers.

Today, Estée Lauder is seeking to tap into the "collective knowledge" of its 32,000 employees around the globe in order to be a strong global company, she said.

"We have no competition. We are the most expensive company in the world."

CSBM INTERNATIONAL FORUM

The Champions League: A Successful Model

IESE Prof. **Sandalio Gómez**, the president of CSBM (Center for Sport Business Management), said at the center's 6th International Forum in May that it was essential to invest in particular areas of sport to ensure success. Echoing this sentiment, **Jaime Lissavetzky**, the Spanish Secretary of State for Sports, said that we shouldn't overlook the financial and social aspect of sport, citing the success of the UEFA Champions League football tournament. "UEFA has understood how to change, reinventing and commercializing the brand, offering a bigger and better spectacle, introducing efficiency and helping European clubs to restructure and adapt their strategies to a global world without losing their local spirit." The forum was presented with the CSBM's study "UEFA - Champions League. A strategic business and sporting success."

CONTINUOUS EDUCATION

Can Social Entrepreneurship Be Profitable?

Can a social enterprise make money? Yes, if you prepare a good business plan in advance, said **Elena Correas**, director of the Ashoka Program for Social Entrepreneurs, **Cristóbal Colón (PDG '98)**, president of La Fageda, and **José Francisco de Conrado**, president of MicroBank in a session moderated by **Prof. Antonio Argandoña**. The speakers emphasized the importance of developing social enterprise using business criteria. Like any other, social initiatives need to be based on effectiveness, service, quality and sustainability, with people as the focus of the enterprise.

2ND COMMERCIAL MANAGEMENT MEETING, JUNE 1, MADRID

Value Before Price

Branding matters because products are not protected by copyright, but it's value that really counts because you can't beat the competition on price alone.

“I don't believe in prices,” **Javier Letamendía** (PDG '06), commercial director of Kellogg's, told the meeting. Kellogg's is the market leader in cereals and cereal bars, with 41 percent of the Spanish market, but **Letamendía** said you can't beat the competition just on price. “Either you offer value or you're finished,” he said. “If we can innovate, offer value and find a market niche and back this up with a good commercial program, then we can make something,” he said.

The managing director of Oracle Ibérica, **Félix del Barrio** (PDD '00), said that in his opinion the fundamental principle was to define the optimum value, meaning that in each case it is necessary to know how much you need to invest in order to demonstrate the optimum value, not the total value.

Antonio Jiménez, director general of AXA Health, said that differ-



Javier Letamendía of Kellogg's

entiating your product is essential if you are to survive in the insurance world. “Unlike competitors in other sectors, we don't have copyright,” he said. “That's what makes the brand so important and that's what you have to invest in.”

IESE professors **Cosimo Chiesa** and **Julián Villanueva** presented the report “Estudio sobre la gestión de las redes comerciales en España 2010” (A Study of the Management of Commercial Networks in Spain 2010).

conomic hub. The Expo is expected to attract some 70 million visitors. The school will sponsor a number of activities and events during the six-month festival and many of IESE's China-based alumni are expected to participate.

IESE, which has close ties with China - particularly through its relationship with CEIBS in Shanghai - is spearheading various activities in Spain's pavilion. The school is also lending its support to various projects spotlighting the cities of Barcelona and Madrid.

IESE Goes to Shanghai Expo

IESE has installed itself in Shanghai for the World Expo, which began on May and runs until October 31. The theme of the event is “Better City - Better Life,” and is meant to reflect Shanghai's emergence as a global cultural and eco-

16TH BUSINESS CONFERENCE

Looking Ahead for Opportunities

“Businesses have to think of the future, invest in people, be innovative and develop brands if they are to get ahead,” IESE Dean **Jordi Canals** told IESE's 16th Business Conference in Madrid. **Canals** added that we face a period of slow growth with an aging European population and a restructuring of the public sector. “Governments face the challenge of balancing their books and taking measures to increase public confidence.”

Prof. Juan J. Toribio highlighted some of the main obstacles to recovery, such as uncertainty regarding the financial system, while **Prof. Philip Moscoso** said that the crisis was a time of opportunity. “It's easier to overtake the competition when they've got their foot on the brake,” he said.

DECISION MAKING MEETING

Certainties in Uncertain Times

“Making decisions is a director's fundamental task,” said IESE **Prof. Miguel Ángel Ariño** during the “Effective Decision Making During Uncertain Times” conference organized in Madrid by IESE-IRCO and Adecco Professional. **Ariño**, along with **Prof. Pablo Maella**, expounded on the principles of decision making described in their recent book *Principios para tomar decisiones sin hundirse (How to Make Decisions Without Going to Pieces)*. The talk was followed by a round-table discussion involving **Ana García** (PDD-E-08), director of development and internal communications at NH Hotels; **María J. Esteban**, director of human capital at Pelayo Seguros; **Joaquín Torres**, director of human resources at Gearbox Grupo Seat, and **Eduardo López**, director of human resources at TNT Express.

AGENDA 2010-2011

EVERYTHING
THAT'S HAPPENING
www.iese.edu/agenda

September 2010

Wall Street Journal Breakfast Series with Sam Palmisano, CEO of IBM	NEW YORK, 14
Entrepreneurial Tech Fair	BARCELONA, 21

IESE Latin America Alumni Meeting
Panama, 9

October 2010

AMP Munich. Module 1	MUNICH, 4, 5, 6, 7 and 8
AMP in Santo Domingo. Module 1	SANTO DOMINGO, 6, 7, 8 and 9
Senior Executive Program for Latin America. Module 1	MIAMI, 25, 26, 27, 28 and 30

Global Alumni Meeting 2010
Barcelona, 28 and 29

November 2010

Wall Street Journal Breakfast Series with Ken Chenault, CEO of American Express	NEW YORK, 3
Health sector meeting	BARCELONA, 3 and 4
World Business Forum	NEW YORK, 7 and 8
Developing Leadership Competencies	BARCELONA, 9, 10, 11 and 12
AMP in Santo Domingo. Module 2	BARCELONA, 8, 9, 10, 11, 12 and 13
AMP Munich. Module 2	MUNICH, 11, 12 and 13
Senior Executive Program for Latin America. Module 2	NEW YORK, 29 and 30, and December, 4
Advanced Digital Media Strategies	NEW YORK, 30 and December, 1 and 2

25th Automotive Sector Meeting
Barcelona, 23 and 24

December 2010

AMP Munich. Module 3	MUNICH, 2, 3 and 4
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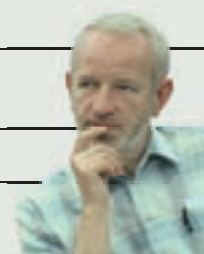
January 2011

AMP Munich. Module 4	MUNICH, 13, 14 and 15
High-Performance Negotiator NEW	BARCELONA, 18, 19 and 20
AMP in Media and Entertainment. Module 1	NEW YORK, 31, February, 1, 2, 3, 4 and 5

February 2011

AMP Munich. Module 5	MUNICH, 3, 4 and 5
Achieving Operational Excellence and Strategic Coherence	BARCELONA, 22, 23, 24 and 25

Senior Executive Program for Latin America. Module 3	MIAMI, 7, 8, 9, 10, 11 and 12
AMP in Santo Domingo. Module 3	MADRID, 7, 8 and 9 BARCELONA, 10, 11 and 12
The Innovation Architect: Creating Breakthrough Companies	NEW YORK, 28 and March, 1
March 2011	
AMP Munich. Module 6	BARCELONA, 7, 8, 9, 10 and 11
AMP in Media and Entertainment. Module 2	NEW YORK, 14, 15, 16, 17, 18 and 19
The Innovation Architect: Creating Breakthrough Companies	BARCELONA, 16 and 17
Global CEO Program for China. Module 1	SHANGHAI, 27, 28, 29, 31 and April 1
Develop your Communication Skills: It's How You Tell Them!	BARCELONA, 22, 23 and 24
April 2011	
Create Effective Virtual Teams NEW	BARCELONA, 6 and 7
Global CEO Program for Emerging Markets. Module 1	BARCELONA, 10, 11, 12, 13, 14 and 15 NEW YORK, Spring
Global Business: Making the Matrix Work NEW	
May 2011	
AMP in Media and Entertainment. Module 3	LOS ANGELES, 9, 10, 11, 12, 13 and 14
Getting Things Done	BARCELONA, 17, 18, 19 and 20
Global CEO Program for Emerging Markets. Module 2	PHILADELPHIA, 23, 24, 25, 26 and 27
Advanced Digital Media Strategies	NEW YORK, 24, 25 and 26
Food and Drink Sector Meeting	BARCELONA, 26
June 2011	
Optimizing Your Retail Business: Best-in-Class Operations and Customer Service NEW	BARCELONA, 1 and 2
Global CEO Program for China. Module 2	BARCELONA, 5, 6, 7, 8, 9 y 10
AMP in Media and Entertainment. Module 4	NEW YORK, 13, 14, 15, 16, 17 and 18
Leading Digital Strategies in a Changing Business Landscape NEW	BARCELONA, 14, 15, 16 and 17
Driving Government Performance	MADRID, 27, 28, 29 and 30
July 2011	
Making Social Responsibility Work: The Cornerstone of Sustainable Business NEW	BARCELONA, 4, 5, 6, 7 and 8
Global CEO Program for China. Module 3	BOSTON, 24, 25, 26, 27, 28 and 29
Global CEO Program for Emerging Markets. Module 3	SHANGHAI, 26, 27, 28, 29, 30, 31 and July, 1



Graduations 2011

Barcelona & Madrid

13th Prestige Brands Meeting

Barcelona, 10

2nd Innovation in Management Meeting

Barcelona, 16

MANGO FASHIONS RETAIL TEXTILE REVOLUTION

When Mango opened its first store in 1984 it signaled a revolution in the textile industry. IESE Prof. Marc Sachon talks to the company's founder and president Isak Andic about Mango's success and the looming threat from China.

A quarter of a century ago, in 1984, when the Spanish textile industry was in the doldrums, **Isak Andic** opened the first Mango shop in Passeig de Gràcia, Barcelona's up-market shopping street. A year later the number of stores had grown to six. It was a winning formula – fashionable women's clothes at affordable prices – and a business model that cut overheads through an imaginative use of IT and human resources. Now Mango has more than 1,300 shops around the world, with up to 300 new outlets opening every year.

To meet the logistical needs of this huge operation, Mango has tailor-made its logistics with a state-of-the-art distribution centre in Barcelona. Every night the data from all the shops is collated and by the following morning everything that has been sold will have been restocked and new lines are sent out.

Mango manufactures wherever it can get the best work done for the best price, **Andic** says. Its products are made in India, China, north Africa, Turkey or eastern Europe, depending on the speed, quality and fabrics each country is able to deliver. The company maintains close control over distribution, with each partner taking responsibility for a part of the business, which they run between them.

“What we can't do is turn our backs on the business. All the partners work in the 'kitchen'. In fact, we have a very good cook so all the partners can eat together every day, which means we have excellent communication. Each partner is responsible for a part of the business; we run it between us. At lunchtime we share information and that way we can wage a war rather than a series of battles.”

Mango revolutionized the sector and since it appeared on the scene, many others have sought to copy its business model. **Andic** says that the industry in general conforms to a limited range of models. “In textiles there are three basic

MANGO IN NUMBERS:

Mango has more than 1,300 stores in 100 countries.
Turnover in 2009: €1,48 billion.
Isak Andic is a member of IESE's International Advisory Board.



Prof. Marc Sachon and Isak Andic

business models. In the first, you distribute your products via multi-brand outlets, in the second you have your own shops and the third is a mix of the two. You have to have flexibility in distribution as well as in production. If you can combine these two efficiently, the battle is won.”

The financial crisis and the rapid rise in unemployment have hit the retail sector hard, and yet Mango has gone on expanding. “We were prepared and we weren’t caught napping by the crisis,” **Andic** says. “In the past five years we’ve expanded even further. Before we were in 50 countries, now we’re in 100. Before we sold 60

percent of our product abroad, now we sell 80 percent. We’ve got behind the brand and set up the Botón-Mango prize, which at €300,000 is the biggest in the world, and which designers such as **Óscar de la Renta** and **Valentino** have presented.”

Mango has brought in famous faces such as **Scarlett Johansson**, **Penélope Cruz**, **Elisabeth Hurley** and **Milla Jovovich**, who have shared their design ideas with the company. All of this has enhanced the brand’s image. The company has also invested heavily in logistics and IT (it employs 250 IT staff). It has set up a new advisory

A LEADER IN FAMILY BUSINESS

In October, Isak Andic will take over as president of Spain's Family Business Institute, which brings together over 100 of the country's largest family businesses which account for 17 percent of GDP.

MANGO

CHRONOLOGY

1984

Opens **FIRST SHOP IN THE PASSEIG DE GRÀCIA** in Barcelona.

1985

Opens first shop in **VALENCIA**. Begins **NATIONAL EXPANSION**.

1992

Beginning of international expansion with 2 shops in Portugal. 100th shop opens in Spain.

1994

Establishes the management structure still in place today which is based on **SPECIALIZED AND COORDINATED TEAMS**

1997

International sales exceed for the first time sales in Spain.

1998

Mango becomes Spain's second biggest clothing exporter.

2002

With 630 shops in 70 countries, expansion into new markets such as Australia, Bulgaria, China, Italy and Tunisia continues.

2003

New markets: Honduras, Serbia and Montenegro.

2004

Has a presence in 75 countries with openings in Azerbaijan, Estonia, El Salvador, Macao and Vietnam.

2005

Mango Touch, dedicated exclusively to accessories, is established

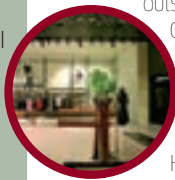
2006

Opens in North America with shops in Costa Mesa, **CHICAGO, DALLAS, LOS ANGELES**, McLean, Orlando, San Francisco and Santa Mónica.

THE BOTÓN-MANGO FASHION AWARDS for emerging designers are launched.

2007

'THE HANGAR DESIGN CENTER', Europe's biggest design center opens and Mango begins working with outside designers. Celebrities such as Penélope Cruz, Scarlett Johansson, Elisabeth Hurley and Milla Jovovich contribute design ideas.



2008

HE, Homini Emerito, aimed at fashion-conscious young men, is launched.



2009

Continues to work with outside designers such as the New Yorker Adam Lippes and the Belgian Sandrina Fasoli.



2010

Moisés de la Renta creates a collection of T-shirts exclusively for Mango and Lee Jean Youn designs a limited edition for Mango.

council and the executive councilors have become partners. At the same time, Mango has opted to open shops in better locations - more expensive - but which give the brand greater visibility.

"Really, the crisis hasn't affected us," **Andic** says. "We have used it as an opportunity to cut costs and be more efficient. Our objective is to open a shop every day, and that's why all of the partners are going to China, where some businesses are opening 500 outlets a year. We're going to learn how they do it in order to speed up our growth in China, not to 500, but 200 or 300 outlets a year. It's a logistical roller-coaster ride, but we're used to that."

China, of course, is the proverbial elephant in the room, a competitor that could change the face of the industry and wipe many businesses off the map. **Andic** agrees that the threat is real, though not insurmountable. "They're learning, like everyone else. At the moment they only make clothes, but soon they'll be designing them, just like what happened in Japan. In Japan there is brand, image, design and quality, and China is following in their footsteps. The difference is the Chinese market is so vast that, before they start exporting, they will have to meet domestic demand. So we hope this will take them a few years, but they will export because the Chinese are very ambitious and work better than Europeans and Americans and they are more efficient than us." He adds, phlegmatically: "There will be a bit of a clear-out, there always is. The textile business used to be based in Manchester, then it was Sabadell (near Barcelona), then Morocco, and now it's China. It's inevitable, evolution doesn't stop. But our shopping decisions aren't only governed by price, there are a lot of other factors involved. And if you can maintain a good image, good quality, good prices and good distribution then you'll stay in business, even when the Chinese arrive."

From the outside, it appears that Mango hit the ground running, with a clear idea of where it was going and how it planned to get there. But was this really the case?

"When you start out you don't know where you're going to end up," **Andic** says. "It's all very well being educated in schools like IESE, completing your studies and becoming a good director in a multinational, but I would encourage all your students to try to go out and do business, because it's a great thing to do. Of course you suffer a bit more at the beginning and you feel insecure, but there's just as much or more insecurity working for a firm, and no one's going to sack you if the business doesn't work out. My advice is to try to be business people, rather than directors. You can't make the excuse that 'it's too late because there's nothing new anymore.' There are many examples of business people who emerged in the past four or five years who are now in the top world rankings. There are loads of niches left to fill."

Andic clearly relishes a challenge. "I believe that - like competition - crises are necessary. Painful as it is for many people, this crisis will make us better. We will learn from our errors and develop new, leaner and more flexible business strategies."



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multi-language?
multi-country?
multi-channel?
multi-...?

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WISE WORDS FOR THE CLASS OF 2010

Leaders from industries as diverse as pharmaceuticals and engineering share their ideas and experience with graduates.

FOR MORE ABOUT
IESE GRADUATIONS
SEE PAGES 70-76



Throughout May and early June, graduation ceremonies were held for MBA, Executive MBA and Global Executive MBA students. In the midst of the excitement of the graduates and their families, a variety of invited speakers offered advice and the benefit of their experience to the students, who ranged from young people just beginning their careers to experienced executives who had come to IESE to hone their skills and broaden their knowledge.

● **Salvador Alemany** (PDD '74), the chairman of Abertis, which runs thousands of miles of highways across Europe as well as dozens of airports, told MBA graduates: "Learning puts us to the test. It defines a fundamental attitude to life, the capacity to question ourselves and, one way or another, to constantly recreate ourselves. In the end our lives are a composite – or a collage – of the many lives that have been entwined with ours and with whom we have created projects."

He described the crisis as "creative destruction." "We must understand where we stand, what are our competitive advantages and how to exploit them," he said. "What do we want to do and, above all, what attitude are we going to take to it?"

● This sentiment was echoed by **Kasper Rorsted**, the CEO of Henkel, the German-based laundry, cosmetics and adhesives company, who told those assembled

for the MBA ceremony "you could be known as the crisis class or, in American terms, the sub-prime class." He quoted **Benjamin Franklin** by saying "an investment in knowledge always pays the best interest," but reminded his audience that they should be conscious of their privileged position.

"Having become part of an elite you have certain responsibilities, the first of which is to repay all those who have helped you," he said. "As a member of an elite, people will interpret everything you do: how you walk, how you talk and how you behave. You will become role models whether you want to or not and you will set the tone for other people growing up with the same ambitions as you. Moving up the ladder means carrying more, not less, responsibility. It means behaving better, not worse. It means having fewer privileges, not more.

"The easy solutions are easy because they're easy, but they're not necessarily good," he said, adding that he believed the crisis was not caused by a lack of legislation, but that it occurred because of a lack of values, because people put greed before values. Who is responsible for values? he asked: the leaders of society. Values are always important, not just in a crisis.

"You need to ask yourself throughout your career: Do I believe in what I stand for? Have I kept my integrity? And do I know what I want?"

Alemany said it was time to turn our backs on short-term thinking, pointing out that Abertis invested in projects that had a life cycle of 20 to 50 years. He said that from



NEVER BE AFRAID TO CHANGE AND ALWAYS APPRECIATE A BOSS WHO VALUES YOUR IDEAS.”

Francisco Belil
CEO, Southwest European Region
of Siemens



AS PART OF AN ELITE YOU HAVE RESPONSIBILITIES, THE FIRST OF WHICH IS TO REPAY ALL THOSE WHO HAVE HELPED YOU.”

Kasper Rorsted
CEO, Henkel

PEOPLE

2004 to 2009 the company had invested €10bn without having to ask shareholders for money and without selling off parts of the business. He said that companies need to use more of their own resources and lower their expectations of return. He made a point of distinguishing between resilience, which is positive, and resistance, which is passive. We need to feel that we are a part of the solution, he said, quoting **Schopenhauer**: “Destiny deals us the hand but we play the cards.”

● **Javier Ellena**, executive vice president Europe of the pharmaceutical company, Lilly, told Executive MBA students: “Leaders need to be able to dream, they need to have vision.” He said it is an error to think that these times of change that we’re living through are something unusual. “When you look back, you can see that change is what we live with. It’s a constant,” he said. “The question is, are we in the middle of a change or has it already passed?”

● **Baldomero Falcones** (MBA ‘72), the CEO of the Spanish construction giant FCC, told the EMBA graduates that the crisis posed tests of leadership. “In a crisis things change fast. Being a leader in times of change is a real test. You have to communicate, get people to participate. Above all, the team is important.” He said it was essential to have a sense of responsibility towards your colleagues, your employees, your suppliers and your clients. “Ethics have to come from above, from leadership,” he said.

Ellena echoed this sentiment, saying that whatever the problem is, the solution always lies in people. We must be responsible and responsive to those around us. He pointed out that 90 percent of people who quit their jobs quit because they don’t like their boss. “It’s more important to listen than to talk – that’s the best way to learn,” he said.

● Speaking at the graduation ceremony for the Global Executive MBAs, **Francisco Belil**, CEO of the South-west European Region of Siemens, told students that innovation in technology is fundamental in any organization. “Never be afraid to change things and always appreciate a boss who values your ideas. Not all CEOs are open to constructive criticism. I have been fortunate at Siemens in that the CEO is open to new ideas and proposals. I always refer to a famous quote by **Gandhi**: ‘You must be the change that you see in the world.’ You are the future leaders.”

The revolution in the business world over the past few years has not just been in technology but also in people and their ability to be creative, he said. Talent management has become increasingly important over the last few years, as has investing in each employee’s creative potential.

In conclusion, he quoted what **Darwin** wrote in *The Origin of the Species*, something **Belil** said that he had always thought to be one of the great human truths: “Not only do the strongest and the healthiest survive, but also the happiest.”

“Enjoy today, a happy day for you and your families, and good luck in your future careers,” he said.



“**WHEN YOU LOOK BACK, YOU CAN SEE THAT CHANGE IS WHAT WE LIVE WITH. IT’S A CONSTANT.**”

Javier Ellena
Executive Vice President Europe, Lilly



IN A CRISIS THINGS CHANGE FAST. BEING A LEADER IN TIMES OF CHANGE IS A REAL TEST.”

Baldomero Falcones
CEO, FCC



LEARNING PUTS US TO THE TEST. IT DEFINES A FUNDAMENTAL ATTITUDE TO LIFE: THE CAPACITY TO QUESTION OURSELVES.”

Salvador Alemany
Chairman, Abertis

EMBA IN AFRICA

“TO GET A GOOD DEGREE YOU HAD TO LEAVE GHANA”

The first EMBA cohort has begun its studies in Accra, Ghana as part of a venture set up under the auspices of the China Europe International Business School.



In early spring, the first cohort of students from the EMBA program in Accra, Ghana visited IESE’s Barcelona campus to study one of their course modules. The two-year program has 42 students, 30 from Ghana and the rest from Nigeria, and has been established under the aegis of CEIBS, the China Europe International Business School, which was established in 1994 as a joint venture between the Shanghai government and the European Union.

IESE Prof. **Pedro Nueno**, who has been involved with CEIBS since its inception, says that one criticism leveled at China’s operations in Africa is that it tends to import

its management without adapting them to the country’s specific need, hence the need for the school. “We discussed this at a high level in China and they backed the idea,” **Nueno** says. “We chose Ghana on the advice of many people because it’s a peaceful democracy, it is not corrupt and its Anglo-Saxon heritage in things like the legal system makes it an easier environment to operate in. Education is also valued.”

Africa is an opportunity, **Nueno** says, and it is much easier for the Chinese to get involved there than in developed markets such as Europe. They are interested in everything: construction, infrastructure, mining, utilities.



The Chinese have been welcomed in Africa, **Nueno** says. **Kwaku Atuahene-Gima**, head of the Accra program, says: "Previously, if you wanted to get a good degree you had to leave the country to study abroad and most people never returned."

Among the first intake of students is **Lukman Adebayo**, a Nigerian with a background in banking but who wants to be an entrepreneur, who says: "Any nation that wants to grow needs financial empowerment. In Africa, there is still a lot of dependence on the government and we haven't really tapped into doing business on our own. In Africa, government accounts for 60 percent of investment." He adds:



MY DREAM IS TO PUT AFRICA ON THE WORLD MAP. I WANT PEOPLE TO SEE SOMETHING ABOUT AFRICA THAT MAKES THEM WANT TO COME."

"This course gives us an insight into what we need to do in order to grow and to achieve stability. My dream is to put Africa on the world map. I want people to see something about Africa that makes them want to come."

Nana Yaw Obeng, a Ghanaian, runs Agrimat, an agricultural machinery and materials business he built from scratch 20 years ago. "I come from an agricultural training background and they don't teach you anything about the business side," he says. He says he finds the cases especially helpful.

"These are things that are relevant to our situation, with some modifications," he says. He has already applied things he has learned on the course to his business. "We have a lot of potential to grow, in Ghana and in new markets in countries that have come out of war situations, such as Liberia and Sierra Leone."

Fellow Ghanaian **Shirley-Ann Fiagome** is one of the few public-sector workers on the course. She works in the parliament's administration. Her family runs a pharmaceuticals business. She is doing the course during her holidays as she can't get time off from work. "I wanted to improve my skills and so I decided to do an MBA."

She says that what she has learned is also applicable to the public sector. "I've learned things I had no idea about and it's made me see how I can change the way we do business," she says. "I've learned a lot about how to improve your business practice so that your customers come back to you."



CONTINUOUS EDUCATION PROGRAM

Selling the Future

Jerry Wind shared some early results of the Future of Advertising project he is involved with in his role as Lauder Professor of Marketing at Wharton, University of Pennsylvania. The FOA project is trying to identify which new business models will best serve the emerging media landscape. “Advertising as we know it is in crisis and its mental model has to be challenged,” **Wind** told a roomful of advertising executives who gathered at IESE in Barcelona to hear his presentation. As there is no agreed theory anymore as to what is the optimal strategy, **Wind** urged advertisers to experiment with a variety of approaches: try different mixes of messages and media to see what works best and then measure their impact.

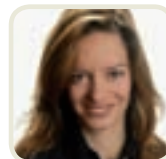
CONTINUOUS EDUCATION

Power to the People



Power is essential for getting things done, but how do you get power and why do some people have it and others don't? This was the question raised by Prof. **Jeffrey Pfeffer**, a professor of organizational behavior at Stanford University, at a session in the Continuous Education program held on IESE's Barcelona campus. **Pfeffer**, who has published extensively on the subject, said that being good at your job played a small part in career advancement, and that other factors, such as networking and having a good relationship with bosses, were more important.

IESE PROFESSORS
WIN PRAISE FOR
RESEARCH PAPERS



PINAR OZCAN

● **Pinar Ozcan** and **Kathleen Eisenhardt** have been picked as finalists of the AMJ Best Paper Award 2009 for “Origin of Alliance

Portfolios: Entrepreneurs, Network Strategies and Firm Performance,” published by the *Academy of Management Journal* in April, 2009. **Ozcan** is Assistant Professor in the Strategic Management Department specializing in entrepreneurial growth and new technology markets. The awards will be presented at the forthcoming AMJ conference in August.



JOHANNA MAIR

● **Johanna Mair**, an associate professor in IESE's Strategic Management Department, and **Lisa Hehenberger**, a recent IESE Ph.D

graduate, received an honorable mention at the recent EGOS conference for their joint paper “Not a Field, Not an Industry ... What Then? Using the Community as a Level of Analysis to Study the Genesis of Field Formation.”

THE NEXT ISSUE
OF THE MAGAZINE WILL
FEATURE AN IN-DEPTH
REPORT ON MUHAMMAD
YUNUS' SPEECH DURING
HIS VISIT TO IESE



QUEEN AND CROWN PRINCE ATTEND IESE MEETING

Nobel Laureate Shows How Social Business Is Done

“I did the opposite of conventional wisdom and it worked. Conventional banks go for the richest, we go for the poorest. The poorest are our starting point, the person who has nothing,” said **Muhammad Yunus**, speaking at a special session of the Continuous Education Program held on IESE’s Barcelona campus in the presence of Queen

Sofia of Spain and Crown Prince Felipe. Yunus who, with his Grameen Bank in Bangladesh, more or less invented the concept of micro-credits, said: “Economists built a whole theory on selfishness: everything is for me. Why not create a business on the basis of selflessness, where everything is for others and nothing for me?”

CONTINUOUS
EDUCATION PROGRAM

IN THE SHADOW OF GIANTS

● The discourse on the rapid rise of China and India as economic powers tends to focus on the possible impact on the West, but what effect is it having on people in those countries? This was the question addressed by **Pranab Bardhan** in his talk titled “Awakening Giants, Feet of Clay: Assessing the Economic Rise of China and India” which he delivered as part of the Continuous Education program on IESE’s Barcelona campus.

Bardhan, Professor of Economics at the University of California, Berkeley, said the impact of growth on poverty has been marked in both countries, but much more so in China. In 1971, 73 percent of Chinese lived below the poverty line. This had fallen to 9 percent by 2005 (the figures for India are 43 percent and 23 percent over the same period). More than half of these 600 million Chinese were lifted above the poverty line by 1987 thanks to agricultural reforms that accompanied the end of collectivization and which created hundreds of thousands of small landowners. This improvement in living standards, he pointed out, occurred before China became a global player.

In India, however, a significant percentage of the rural population remains landless. Life expectancy in India is what it was in China in the 1970s, while income inequality in China is now at the same level as the United States. In highly stratified Indian society, income inequality is higher still.

In conclusion, he said that China was a curious hybrid - a capitalist economy within a communist state - and that it was often difficult to see the joins between the public and private sectors. He felt that Indian democracy, for all its rifts, would give it the edge in the long run over China’s heavy-handedness and cronyism.

MAGNANIMOUS ENTREPRENEUR

In Memoriam to the Alumnus Rafael Pich-Aguilera

ALBERTO
DE OLANO

It's nearly two years since **Rafael Pich-Aguilera** died. There's little danger of him being forgotten, and we will recall his professional career and personal life because he was a natural businessman, genuine, an exemplary father and grandfather and a true friend. People who didn't know him might ask: Why do you say he was a genuine businessman?

Rafael Pich-Aguilera Girona was born in Barcelona in 1928, the third of six children. Like many 20th century Catalan businessmen, he studied industrial engineering in the textile department of the school in Terrassa, near Barcelona, and joined the Pich-Aguilera family business, founded in 1887, where he worked throughout his life.

He married "his angel" **Carmina Roca** in 1954. "She was in every sense a unique woman," **Rafael** once said. "Kind, happy, with an incredible and inexhaustible capacity to devote herself to everyone and everything." They began what turned out to be a very large family. **Carmina** was also very genuine, but we're here to talk about **Rafael** the businessman.

TENACITY

- From Monday to Saturday, work, work and more work.
- He really liked working. He studied first thing in the morning, then went around the factory, interested in everything, asking everybody questions. He was a hard worker, always looking for ways to improve quality, raise production and expand sales. He was always asking how to optimize, how to improve, how to grow.

He was a round-the-clock businessman. He didn't have fixed working hours. If he was called up for any sort of problem, whatever the day and at whatever hour, whether on Sunday or early in the morning, he went right away and rolled up his sleeves, crawling under the machine – he was an engineer, after all – to try to fix some breakdown.

He traveled, looking for new techniques and new markets and he learned much from his journeys. He watched with

great attention to detail and discovered trends. He knew how to keep up with social change and had a nose for business and for discovering opportunities.

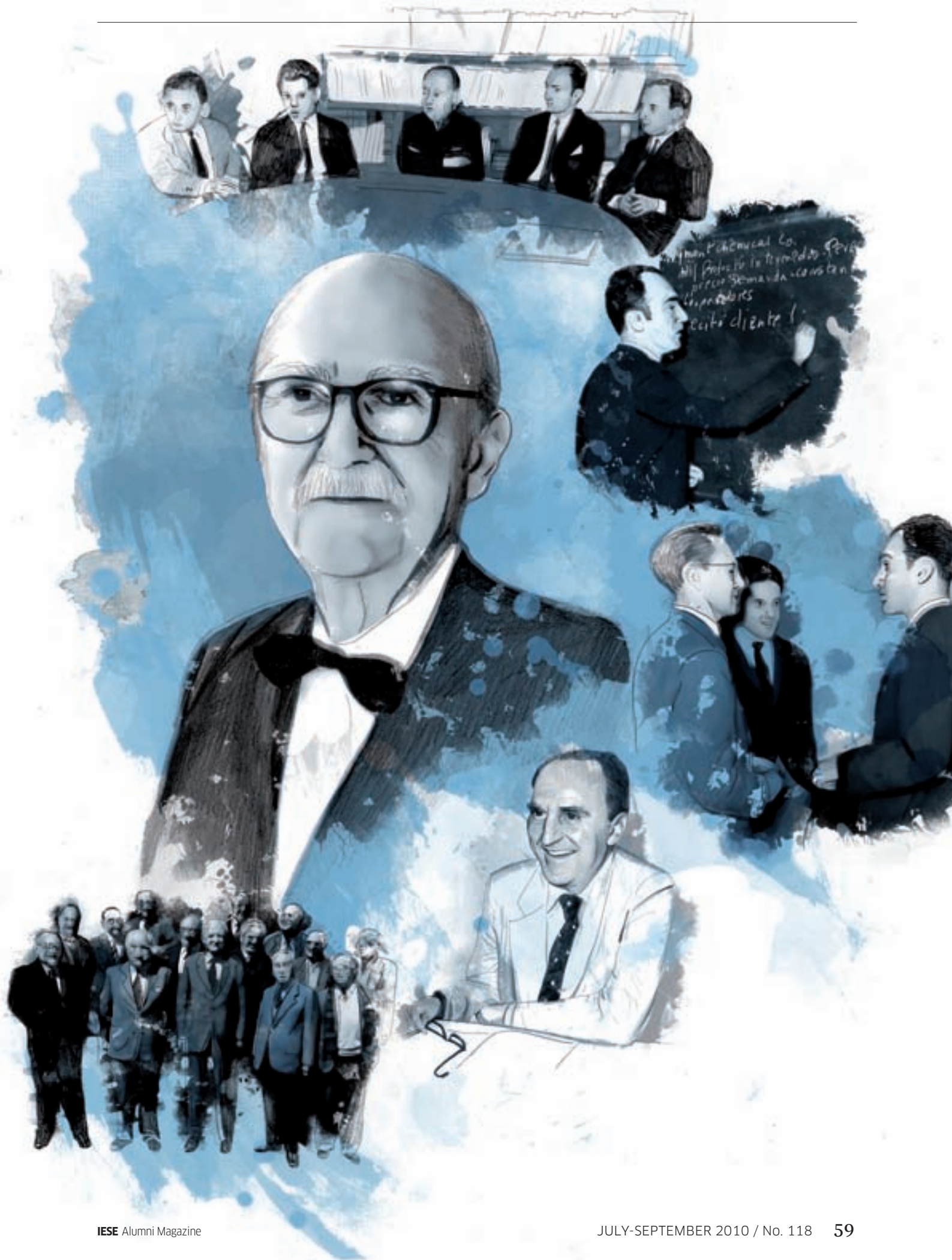
And after a transatlantic trip, there was no time for jet lag. He went directly from the airport to the factory to make sure that everything was working well, to solve any problems and to find out if anything new had arisen. He was a constant worker, tenacious and unstoppable. He passed on to his children and grandchildren the value of hard work and the satisfaction of a job well done.

A DECISIVE MAN

- He lived through periods of intense competition. Textile businesses that had been around for centuries were obliged to close and staying in business seemed almost reckless. Nevertheless, the Pich-Aguilera firm extended its business, thanks to teamwork and audacity.

"**Rafael Pich-Aguilera** was an outstanding director in the family industry," said Prof. **Carlos Cavallé**, the dean of IESE between 1984 and 2001. With his restless and creative approach to business he made his group a pioneer in the unwoven fabric industry. **Rafael** saw clearly the possibilities of this new field and didn't let up until he had convinced his brothers and opened the first such factory in Europe, which for years was the continental leader.

He also encouraged his brothers to set up both a real estate and a finance business, which they developed enthusiastically. In business, he was a man of vision, something that he shared with others, always developing business within the family group along with his brothers. He wasn't interested in doing business on his own account, or in accumulating properties, but only in developing the family business and taking good care of the workers, their families and the factories. He was an external director of Roca, where he took part in board meetings energetically, pushing forward, among other aspects, the rate of internationalization. Today, Roca is the world leader in bathrooms and its com-



Man Chemical Co.
Mi Profesor le preguntó por
el precio de la demanda constante
de productores
costo cliente!



HE WAS MODEST AND SOBER. HE NEVER SPENT MONEY ON HIMSELF AND WAS INVOLVED IN MANY SOCIAL INITIATIVES THAT HELPED MANY PEOPLE.”

mercial network extends to 135 countries in four continents. He also served for several years on the boards of Banco Atlántico and other businesses.

Pich-Aguilera was one of Barcelona’s leading businessmen but was almost unknown in “society.” He was modest and sober. He never spent money on himself and was involved in many social initiatives and helped many people. He worked without cease and never wasted a minute. He always had “a lot to do,” whether it was with his businesses, his family or helping other people. He always gave his time generously to anyone who needed it.

He cared for his employees to the point that he would send them to the doctor, pay for surgical operations, help their families and help their children get into decent schools. His door was always open to his employees and their families.

A born entrepreneur, a pioneer, a patient man but with a strong personality, “he controlled a lot,” his fellow directors recall. He was tremendously active and had unlimited magnanimity. “He always thought big,” recalls **Cavallé**. “His projects were always magnanimous and audacious.” Some of these big projects arose from his relationship with IESE.

STUDENT, TEACHER AND SUPPORTER OF IESE

● After a decade as a director, in 1958 he accepted an invitation from **Antonio Valero** to take part in IESE’s first PADE - Programa de Alta Dirección de Empresas (Advanced Management Program - AMP). He convinced his father-in-law, **José Roca**, founder of the Roca Corporation, to join him on the course. After completing the PADE, **Rafael** joined IESE as a part-time teacher. He was awarded a doctorate in Textile Engineering and in 1967 was named as an associate member of the Real Academia de Doctores de Cataluña.

Cavallé and **Jordi Canals**, the current IESE dean, recalled the personality of **Pich-Aguilera** and what he

brought to the school, the world of business and society in a homage held on the Barcelona campus on February 18 of this year. He took an active part in alumni activities. He helped to develop projects that the organization was working on. Right from the beginning, his businesses have been sponsors of IESE. In 1995 he financed the Chair of Family Businesses, the first in Europe, on the condition that neither his name nor the name of any of his businesses be associated with it. IESE played such an important role in his life that he decided to donate his own family house to the school as well as the adjoining land on Avenida Pearson, only a few meters away from the campus.

He often encouraged IESE to take on new projects. “More than 30 years ago, he wanted us to have a base in the United States,” said **Cavallé**. “He continued to present new challenges: Brazil, India, China and Russia when no one was even talking about these countries. ‘IESE must be there,’ he insisted.” In due course, executive programs for managers were developed in all the emerging markets. He was always on hand for whatever IESE needed.

SOCIAL ENTREPRENEUR

● **Pich-Aguilera** was conscious of the fact that businesses have a responsibility and of the important role that they play in people’s lives and in social development. His desire to serve others, especially families, led him start up new businesses.

“He knew how to combine his capacity for developing important businesses with his concern for making a contribution to society through the numerous international educational initiatives that he launched,” says **Canals**. Along with other married friends, he started colleges, youth associations and social projects, encouraged others to do the same and, when they asked, also made a financial contributions. Drive, modesty and magnanimity. “He was young at heart and was continually excited at the prospect of learning and undertaking new projects,” says **Canals**.

But of all his initiatives, Family Development was the apple of his eye. In 1968 he organized, with other couples, the first family development course to compare notes on the experience of raising children. From then until his death in 2008, he worked tirelessly to promote improved family life and better education. The International Federation for Family Development, which he and others founded, is represented in 59 countries all over the world.

Struggling with illness, on April 16, 2008 he received an Honorary Degree from the Universitat Internacional de Catalunya, which he had also helped to found. On July 26 he died, surrounded by his children and 37 grandchildren. **Carmina** had died a few years earlier. He left behind many people who were grateful for the family spirit he imparted, and many families who had benefited from his help.

He was an industrial entrepreneur, property developer and financier, business teacher and director, and social entrepreneur, and also a father and grandfather of a Christian family, a good and magnanimous friend, with a clear mind, decisive, energy and tenacity: incombustible, genuine.



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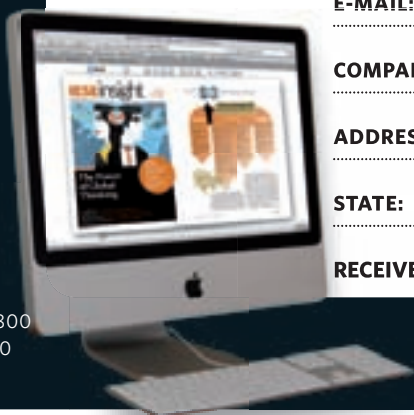
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EMBA '06



Gerhard Sturm has been named director general of Sony Ericsson Iberia, where he began working in 2006 as marketing director for Spain and Portugal.

G-EMBA

A group of 21 IESE G-EMBA students and teachers who are walking various stages of the Camino de Santiago, accompanied by **Maria Puig**, the program's director, visited the main building of the University of Navarra. The pilgrims come from 11 different countries.

MBA '88



Francisco Pérez-Salinas has joined Volkswagen-Audi Spain as director of the after-sales division.

MBA '90

Henk Vrijheid has joined GE Healthcare Life Sciences as general manager commercial operations EMEA.

PADE-I '06

Xavier Mayol has been named director-general of the Banco Madrid, acquired by the Banca Privada d'Andorra where he was director general.

PDD-1 '09

Benito Cerrillo has joined SDG Con-



PDD-5 '09. Class members and their families visited the La Fageda facilities, where they were later invited by classmates **Mercè Cuesta** and **Moritz Carretta** to dine at a restaurant in Olot. There were accompanied by Prof. **Alberto Fernández Terricabras**.

sulting Spain as associate director of business intelligence.

PDD-4 '07

José Sitjes has joined Technogym Trading as commercial marketing director.

PDD-4 '09



Manel Vivas Quintana and his wife, **Begoña Ibáñez**, are happy to announce the birth of Greta, their third child.

PDD-III '91

Joan Carles Alayo has been awarded the Prat de la Riba prize as part of the Sant Jordi 2010 prizes given by the Institut d'Estudis Catalans for his book *L'electricitat a Catalunya: de 1875 a 1935*, which was published in 2007. The book is the first complete history of the early days of the introduction of electricity and is the fruit of the author's extensive research.

PDD-C '09

Jesús Bustamante has joined Élogos as product director, having previously worked at Telefónica and Ono where he held posts in sales and marketing.

PDD-E '06

Elena Ibáñez has joined Shackleton Buzz & Press as brand manager to manage the on- and offline reputation of various clients.

PDG-1 '09

The class held a reunion organized by **Josep Crusellas** and **Diana Corominas** in a spring gathering attended by 30 classmates. The dinner was held at Club Nàutic de Barcelona and was attended by the well-known yachtsman **Alex Pella**, who beat the New York-Barcelona sailing record. **Pella** talked about his experiences at sea and the hard work and ambition needed to achieve success.

IN MEMORIAM

JUAN ANTONIO SAMARANCH

Master of Diplomacy

● In November 1961, a young professor of operations, recently arrived from Harvard, entered an IESE classroom. There were 50 PADE students in the room. Among them were **Juan Antonio Samaranch** and other outstanding businessmen such as brothers **Juan** and **Luis Cantarell**, **Ignacio Macaya**, **Juan Molins**, **Paco Platón** and **Pepón Vilá**. I remember what was said as if it were yesterday, perhaps because it was one of my first classes. And I recall, with a wry smile, that during the sort of lively debate you would expect among young businessmen, **Juan Antonio** already knew how to focus the discussion with a vision that was both alert and inclusive. And if ever the young teacher found himself in a tight spot with the class, **Juan Antonio** would mediate and restore his confidence. **José Felipe Beltrán** used to say that he never knew anyone who could say as much with so few words as **Juan Antonio**. I would add that I never knew anyone who could do more in less time. As a student, he could have been a teacher, and almost unconsciously he knew how to bring together different interests and achieve complex objectives, a gift that would later bring him international recognition.

In his long and very professional life, he continued to be someone who listened with interest to other people's opinions and thus continued to learn. I recall with admiration conversations we had in his office in Lausanne about how to promote the Olympic movement more effectively, from the professional training of sports managers to that of the national and international federations.



Juan Antonio was a firm believer in the importance of the sort of training that he himself received. At the same time, his sense of realism made him a master in the difficult art of diplomacy, enabling him to boost the Olympic movement in difficult circumstances, such as the Spanish transition to democracy or the Cold War climate that led to the boycott of the Moscow Games and those in Los Angeles. His performance and his personal conduct within this sociopolitical environment are a lesson in leadership, and on how to adapt to prevailing conditions and to improve them from within, both in the name of efficiency and for worthy ends. In the case of **Juan Antonio**, this worthy end was the recognition, through sport, of the equality and dignity of all countries and all sports people, regardless of their political religious or ethnic background, in order to bring together people from all countries of the world. And that, in two

simple brush strokes, is a portrait of **Juan Antonio**, student and teacher.

I want to add something about his friendship. **Juan Antonio** was a loyal friend who worked to strengthen the bonds of friendship, offering his help whenever it was within his power to do so. His friendship and loyalty as an alumnus was manifest on many occasions. I recall that when the school was in the middle of the process of becoming international and he was President of the IOC, he accepted unconditionally the invitation to be one of the first members of the International Board, along with **Carlos March**, **Carlos Ferrer** and **Rafael del Pino**, and invited other international executives such as **Gerhard Heiberg** and **Martin Sorrell**, among many others.

Juan Antonio's friendship and loyalty were entirely natural and unforced. He was not a fair-weather friend, but generous and spontaneous and always available when he was needed. His friendship was something comfortable, as though he felt at home. It was within the context of this friendship that IESE wanted to pay public tribute to his professional career. In January 2003, homage was paid to him in his old classrooms. In his speech, **Juan Antonio** reminded us that sport contributes to peace, humility and solidarity between people. It was a masterful speech and heartfelt, because he had lived it himself, not stridently, but with characteristic intensity. May he rest in peace.

CARLOS CAVALLÉ

Dean Emeritus of IESE
(1984-2001)

Alexander Mettenheimer (AMP Munich '05)

A balanced view in days of turmoil

STEPHEN
BURGEN

There is much popular discontent among Germans who feel they are being called upon to bail out what they see as their profligate southern European partners, but, despite some nostalgia for the Deutschmark, German bankers still feel stronger within rather than without the euro, says Alexander Mettenheimer, former CEO of Merk Fink and member of the Supervisory Board of Bayerische Landesbank.

How has the crisis affected private banking in general and in Germany in particular, and how has it changed / should it change as a result?

We have to distinguish between the balance sheet of a bank and the activities of its clients. The balance sheet of our bank has remained entirely intact during the crisis. In a crisis, what we have to maintain is the same balance sheet with less client activity. Calling clients and discussing what to do is the most important thing we had to do. In particular clients have understood that risk management is more important than playing this game of "I have my money with three banks and none of them knows what the other does," because in a crisis, if they find out that each bank has bought the same shares, there was no diversification and more risk.

We now have a mandatory protocol for every piece of advice given, which has to be tested for the suitability of the client with full risk disclosure. We did this anyway, but it now needs to be formalized.

In general, how strong is the German banking sector and how badly has it been affected?

The Landesbank sector suffered tremendously. Here we have a system consisting of savings banks, co-ops and



➤ “IF SOMEONE HAD SAID IN 2006 OR 2007 THAT ALL BIG BANKS WOULD BE BANKRUPT WITHIN 12 MONTHS, YOU WOULD HAVE QUESTIONED THEIR SANITY.”

private banks. Some private banks have suffered but up till now the co-ops and savings banks have come through pretty much unscathed.

In your opinion, has the Merkel government done a good job of handling the crisis?

I think the Merkel government has done an excellent job dealing with the immediate consequences of the crisis in 2008 and is struggling to find an appropriate role and model for the future. It's easy to say it's the banks' fault, but if somebody had said in 2006 or 2007 that all big banks would be bankrupt within 12 months, you would have questioned their sanity. And yet that's what happened.

There seems to be growing resentment among Germans about bailing out “fiscally irresponsible” countries such as Greece. What is your view?

One article claimed that half of the EU's subsidy to Germany went directly to Greece and it was disappointing to see how little of this money was being used to restructure Greek society so as to avoid such a crisis. Resentment is too strong a word, but a lot of doubts were raised about why that money wasn't used more wisely.

Is there growing dissatisfaction with the euro and nostalgia for the D-Mark?

Yes and no. I think we all know that Europe would not have come through the crisis as well as it has if it had its various different currencies. Smaller countries like Spain and Portugal and Greece would have been hit by huge speculation against their currencies. The Deutschmark would have remained stable and so there is a belief that we wouldn't have been harmed by carrying the burden for the others as well. But I think this is wrong. Only as a large European area can we survive such a crisis.

Some German ministers have called for the establishment of a European Monetary Fund. What are your thoughts on this?

There is a structural problem involved in using a European Monetary Fund, but using the IMF means that you are giving the United States a say in European affairs. So you have to balance those two components.

To a large extent, Germany appears to have side-stepped the crisis. How has this been achieved?

I wouldn't say that it's side-stepped the crisis. We have a strong social welfare system which has increased our

➤ “THE PARTICIPATORY CULTURE IN GERMAN COMPANIES, WHERE YOU ASK YOUR EMPLOYEES THEIR OPINION, IS MUCH STRONGER THAN THE ANGLO-SAXON OR FRENCH MODEL.”

debt tremendously and now the question is whether all these unemployed people who have been carried through the crisis can be absorbed by a natural revival of the business cycle. The unemployment rate is a lagging indicator of the crisis and the question is, is it going down or not? This situation where factories pay only 60 percent of salaries and the government subsidizes the rest was used for 12 months, then it was 18 and now they are talking about another six months. The rigidity of the German labor system does not allow for the flexibility you need in the economy as the more Anglo-Saxon economies have.

Germany enjoys unusually harmonious industrial relations. Are these now coming under strain?

I wouldn't call it harmonious. Over the past 50 years, Germany has enjoyed unprecedented growth and wealth and so the feeling has been we are on the right track, and that we can't spend more than we earn. And that has been understood by the labor force and that has led to what may be perceived from the outside as a more harmonious existence. Here, if you want to retrench, you have to go through a strict process where the eldest are protected and the young less so, and people with dependents are better protected than others. This is all well-meant, but for society as whole, I believe employment would be higher if there was more flexibility in the labor laws.

Some predict that the trade surplus will become a problem. Do you agree, and does Germany need to find new sources of growth?

I don't see the surplus as a problem. I think it shows we have so much productivity that we have more exports than imports and that is a good thing. When a French minister complained about the competitiveness of German companies, it seemed to me a first-rate compliment.

Much is said about the “German model,” but what does it consist of? Is it becoming more like the “Anglo-Saxon” model, that is, increasingly based on finance rather than manufacturing?

I don't know if there is such a thing as the German model. The participatory culture in German companies, where you ask your employees their opinion, is much stronger than the Anglo-Saxon or French model, where you have a more top-down rather than bottom-up decision-making process. Germany may take a bit longer, but when you make a decision you usually have the support of all your labor force. And that brings more coherence in times of trouble.

The strength of the German economy has been based in manufacturing, but is there a shift towards finance?

In Germany the regulators prevent much growth in the financial sector. It is ridiculous that a small country like Luxembourg is the world's second largest fund market and that the country produces 33 percent of its GDP through the financial sector. In Switzerland it's 11 percent and in Germany it's 4 percent.

And finally, IESE. Why did you choose to do an AMP at IESE?

I chose it because I knew some of the people, because it was available in Munich and because it takes a value-based, human approach that I appreciate very much.

What were the most positive experiences of your time at IESE?

The most positive experiences come from the discussions of the case studies because you see how even a small group of 20 people can have such widely diverging views. The discussion does not center around your own position in the company, it centers around what is the best solution, not what is the best solution for my company or for me.

How has the MBA affected your vision and the way you operate?

It has certainly helped me to introduce other topics into our strategy, and that centers very much around asking how I can engage every individual to work for the same goal. At root there is a deep Judeo-Christian tradition of appreciating the value of each individual.

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THE FIRST AMERICAN MBAS WHO CAN GO BACK TO IESE ... IN NEW YORK

GRADUATES' HOME AWAY FROM HOME

Homeward bound after completing their MBAs, graduates from the United States talk about the experience of taking the course in mid-financial crisis, the ways in which IESE has broadened their international horizons and how the newly opened New York center will help them to stay in touch.



MARISSA MULLER
SAN FRANCISCO
BACKGROUND IN JOURNALISM

➤ IT'S WORTH TAKING A PAY CUT TO DO SOMETHING YOU REALLY CARE ABOUT.

The inauguration of IESE's New York center, the first time a European business school has established a base in the United States, will strengthen the already close ties between the two regions. It will also serve as a point of reference for the many homecoming Americans who have studied abroad with IESE. We spoke to three American students from the 2010 MBA cohort about the experience of studying in Barcelona and their thoughts about returning home.

Marissa Muller is from San Francisco and studied communications and journalism at Berkeley. She went on to study German in Germany and then worked for CNN in New York. After a spell at CNN's headquarters in Atlanta, Georgia, she was awarded a fellowship to study journalism as an intern in Germany. "I moved to Berlin and worked for Reuters television. They asked me to follow up any story that interested me and that's when I realized that I was re-

ally interested in solar power. Later, when I went back to CNN, I realized that I wanted to be in clean technology, and I needed an MBA for that.”

She says she chose IESE because she wanted an international education. “I wanted to step overseas again because I feel that when I’m out of my element, out of my comfort zone, I really learn a lot. I applied and IESE was a perfect fit, and learning Spanish is relevant because Spanish is important in California. And I like the international dynamic, the ratio of students from all over the world. I came here blind, without knowing what the school was like, but I’d do it all over again.”

The economic picture has changed dramatically since she started the MBA. “Things have definitely changed, particularly in terms of job desire. People realize that you have to do something you’re passionate about. You can’t just rely on working for a big company or bank because who knows what may happen to them in the future. People are really conscious that it’s worth taking a pay cut to do something you really care about.”

She is delighted that IESE has opened a U.S. center. “I think it will not only bring brand awareness, but it will be a great meeting spot and hub for alumni and prospective students,” she says.



NARESH H. TANNA
NEW JERSEY
BACKGROUND IN ENGINEERING

➤ **BEING AT IESE HAS OPENED MY EYES TO WHAT IT MEANS TO BE A GOOD AND RESPONSIBLE CORPORATE CITIZEN.**

After studying engineering in New Jersey, **Naresh H. Tanna** worked in Washington as a staff assistant for a Congressman. “Being in Washington, you really get to be where the action is, you’re at the center of things,” he says. “It was a great experience, I got to meet a lot of people and really learned how to network.” He went on to work in pharmaceuticals in North Carolina, Puerto Rico and São Paulo. “Working in other countries, you’re always pushing an American viewpoint and then taking back to America the cultural experience of different countries. Americans think things should be done a certain way and you have to go back the U.S. headquarters and explain that things aren’t done that way there, things move a lot slower.”

A major attraction of IESE was the bilingual MBA, as he was already learning Spanish and Portuguese on his own. “First and foremost, what I’ve got out of being here is a great global network. Our class is close. You have a strong sense of community. It’s a good base to build on and I think

you could take it in any direction you want. There’s a global viewpoint, which is a continuation of the way I was working before. There are people here from Taiwan and Nigeria, and you get to see the way they see things.”

He, too, welcomes IESE’s presence in the United States. “During our graduation ceremony, the dean spoke about how IESE will always be a ‘home’ that we can return to in the future,” he said. “Now that I will be living in Boston, I am thrilled to know that I can find this new home of mine on the IESE NYC campus instead of going all the way to Barcelona.”



NEAL PERLMUTTER
CALIFORNIA
BACKGROUND IN REAL ESTATE

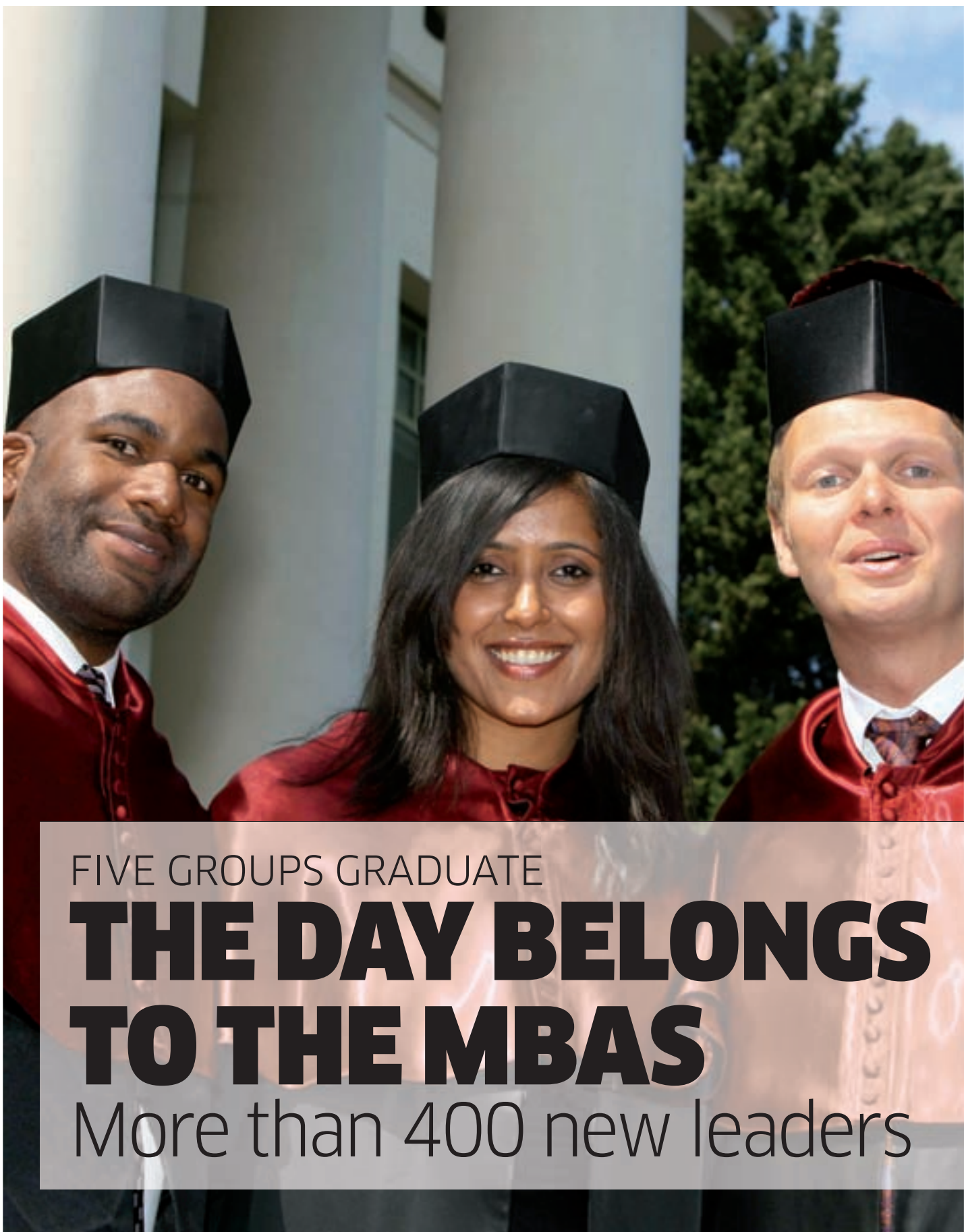
➤ **THE NEW YORK CAMPUS ENABLES US TO MAKE CONNECTIONS IN THE WORLD’S MOST DYNAMIC MARKET.**

Neal Perlmutter is from southern California. He worked in real estate as a consultant and then decided to travel the world. He spent nine months in Europe and the Middle East, but it was Latin America that really called to him.

“When I got back to California I decided I wanted to do an international MBA,” he says. “In the U.S., the classes are typically 70 percent American and 30 percent international, but here it’s the reverse, with only 20-30 percent Spanish. You get a much less U.S-centric education, which is an advantage as business becomes more globalized.”

On his return to the United States he wants to work with companies that want to set up in Latin America. “I’ve got more of a global perspective from being here with people from different countries,” he says. Having IESE more or less on his doorstep will help, too. “The New York campus is another big step in spreading the IESE reputation in the United States and will provide students with the opportunity to connect in the world’s most dynamic market.”

“IESE emphasizes business ethics,” he says. “The professors always want us to solve cases both from a business perspective but also in a way that is responsible. IESE has opened my eyes to what it means to be a good corporate citizen.” He says that coming here in the midst of the financial crisis was a good opportunity to learn what not to do. “It gave us an opportunity to learn about the poor decisions that were made and the focus on short-term results and not enough on sustainability. I think in the future, if we’re running our companies, we will have learned to do what’s best for the shareholders and not just for our wallets.”



FIVE GROUPS GRADUATE
**THE DAY BELONGS
TO THE MBAS**
More than 400 new leaders

GRADUATIONS*

2010

*TO READ WHAT THE INVITED SPEAKERS SAID
SEE PAGES 50-53



This spring five classes graduated from IESE: the EMBA-Q-10, EMBA-S-10, EMBA-BCN-10, MBA '10 and G-EMBA '10. Altogether, 400 new leaders from almost every corner of the world began their new careers, determined to make their mark and a positive impression.

MBA '10

● **Pedro Videla**, the director of the MBA program, greeted the MBA graduates who he said represented a total of 41 countries. He began by saying that, while there were those who blamed the current situation on capitalism, he believed – in common with **Adam Smith** the father of modern economics –

L I F E



Optimism and professionalism inspire hope and confidence in others. It is up to you to encourage others to give the best of themselves.”
PROF. JORDI CANALS



MADRID,
 April 29, 2010



that the market system had to be grounded in personal virtues. He said that over the past 200 years, market capitalism had raised millions of people out of poverty and that since 1820 per capita income had increased by a factor of nine.

However, as **Smith** argued, a market system that isn't based on moral principles cannot function. **Smith** said the goal of education was to be character-forming and that, said Videla, was the essence of the MBA program. "I hope that wherever you go, you will make a positive and lasting impression on others," he said.

The Dean of IESE, **Jordi Canals**, told graduates that they face the challenge of creating more sustainable businesses. "In a climate of uncertainty, an entrepreneurial spirit and the optimism this requires are the

qualities executives need. Optimism and professionalism inspire hope and confidence in others. It is up to you to encourage others to give the best of themselves."

The *raison d'être* of work is not just to achieve success but comes from the conviction that the work is worthwhile, independently of the results, he said. "Financial performance is important," he said. "But we should bear in mind that the main impact of work isn't financial but exists in the almost invisible but important threads that we weave into others' lives as we create the tapestry of life."

Canals was followed by Prof. **Ángel J. Gómez Montoro**, the rector of the University of Navarra, who cited the writings of **Hippocrates** as a "vaccine against individualism in any walk of life. **Hippocrates**, writing



EMBA 2010

BARCELONA,
May 4, 2010



It's time for responsibility, for giving back and for making a contribution."
PROF. EDUARDO MARTÍNEZ- ABASCAL

in the 5th century BC, said: "Life is short, and art long; opportunity fleeting; experience perilous, and decision difficult. The physician must not only be prepared to do what is right himself, but also to include the patient, the attendants, and external circumstances."

With this text as his reference point, he said it was clear that the first responsibility of a director is to understand that the key to the success of an organization are the people they work with and, therefore, they must invest the necessary time and effort in them.

EMBA-BCN-10

A week later it was the turn of the Executive MBA graduates. The ceremony was opened by Prof. **Eduardo Martínez Abascal**, director of the EMBA program, said





BARCELONA,
May 7, 2010

If management is about action, leadership is about service and actively pushing the world forward.”
PROF. SANDRA SIEBER

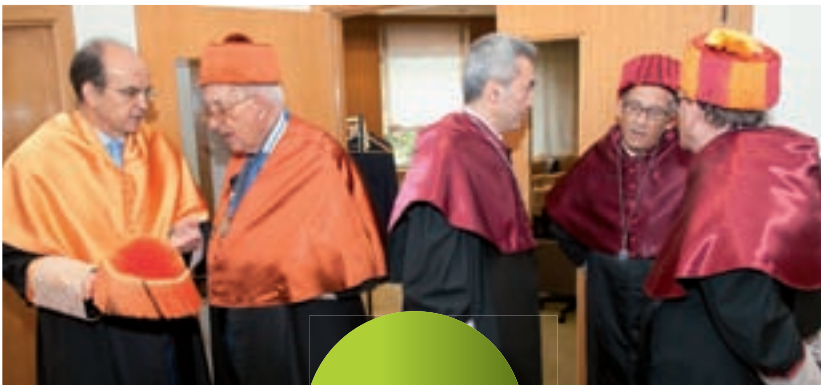


that the greatest benefit the students would have acquired was “a wealth of experience and friends,” an asset that would stand them in good stead for years. He said that now they had completed the course it was time for “responsibility, for giving back and for making a contribution.” He asked students not to lose their perspective, saying the EMBA was just another stage in their careers and that their career was only one component of their lives.

“Giving your best will make you tolerant, understanding and the spirit of service will make you constructive,”

he said. In the final analysis, “what matters in life is who loves you and whom you love.”

On behalf of the graduates, **Daniel Visa** said they felt changed both personally and professionally by the EMBA experience and “by those values that make this school different.” He added that they were under an obligation to repay in some way all that they had gained from the experience. **Teresa Rodón**, the group’s secretary, thanked her fellow students for their commitment. “People who have jobs and a family, who decide to



MADRID,
May 27, 2010

Every leader is a poet, offering a vision of a beautiful and exciting future, while at the same time being realistic.”
PROF. JOSÉ R. PIN



undertake an EMBA and who still find time to socialize, this really is the definition of people who are willing to work hard in order to find a different way of doing things without dying in the attempt.”

EMBA-S/Q-10

Speaking at the EMBA graduation in Madrid, Prof. **José R. Pin**, said the fact that candidates needed to have at least five years of working experience as well as a recommendation from their companies and the com-

mitment required on the part of the candidates guaranteed the quality of the intake. He said the pace was frenetic, with some 565 hours of classroom time, 100 hours working in a team and 1,350 hours of individual study, as well as five weeks of intensive study.

Prof. **Pin** said that the real agents of social change weren't politicians, scientists or business people, but poets. Societies are moved by beauty and excitement and to sing of one and create the other, that is the function of poetry. “Every leader is a poet, offering a vision



The first responsibility of a director is to understand that the key to the success of an organization are the people who work there.”
PROF. ÁNGEL J. GÓMEZ MONTORO



BARCELONA,
JUNE 11, 2010



of a beautiful and exciting future, while at the same time being realistic. If you want to be leaders, develop your poetic side,” he said.

G-EMBA ‘10

● Speaking at the ceremony for Global EMBA graduates, Prof. **Sandra Sieber**, the program’s academic director and head of IESE’s Department of Information Systems, “if management is about action, leadership is about service.” She encouraged the class of 2010 to

“take an active role to push the world forward.” **Manuel Lapeira**, the class president, said of his classmates that they were “the sort of people who will cheer you up and make your approach to life better. These people will help an old lady to cross the street, give up their seat on the subway, bring you a glass of water when you are thirsty or run to save your life on the street. These people are winners in feelings before anything else. And they are also the most incredible entrepreneurs and out-of-the-box thinkers.”



ALICIA WANTED TO GET THERE,
AND SHE DID SO.

SCHOLARSHIPS AND GRANTS PROGRAMME



Alicia wanted to study Audiovisual Communication at Universidad de Navarra. She succeeded thanks to the scholarships and grants programme. If you want to achieve your goal too, find out more at www.unav.es/futurosalmunos or contact the **Admissions Service** for more customised advice. Find out about Alicia's university experience at www.unav.es/blogs



Universidad
de Navarra





ANNUAL SPONSORS MEETING

A JOINT VENTURE in Leadership Education

In May, IESE hosted the 23rd annual meeting of IESE sponsoring companies at the Barcelona campus, where their representatives were told about the initiatives IESE has taken over the past year as well as measures taken to rein in costs.

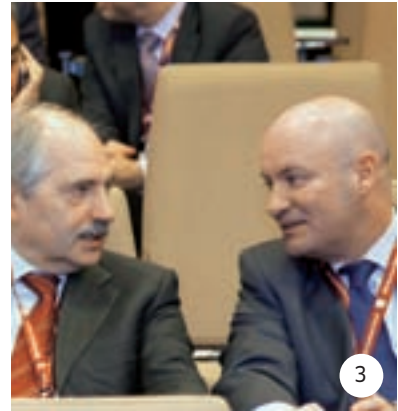
Dean **Jordi Canals** discussed the overall economic situation and the prospects for recovery following and welcomed five new sponsors: Criteria Caixacorp, Foster Wheeler Iberia, Fundación Horizonte XXII, ICL Iberia and Philip Morris Spain. They join an impressive roster of national and international companies that includes Siemens, Vodafone, Zurich, Hewlett Packard, Accenture, Barclays and Deloitte. These companies play a vital role in supporting IESE and it is thanks to them that the school can embark on new projects such as the recently completed New York center. In addition to the New York venture, **Canals** highlighted the continu-

ing collaborations with Harvard; the Miami program for Latin America; a project to coordinate all of IESE's African initiatives, and *IESE Insight*, an online magazine available through the IESE web page.

The school's income had fallen over the year and IESE made some spending cuts and rationalized processes, which led to some savings, he said.

Prof. **Santiago Álvarez de Mon** talked about managing uncertainty and said the first duty of executives was to stay in touch with reality. Life is uncertain, he said, comparing it to sport: one day you win, the next you lose. Businesses should learn not to confuse error with failure; error is an inevitable part of life. He added that education levels left a lot to be desired.

In his contribution, Prof. **Juan J. Toribio** commented that growth was faster than expected and that the IMF believed the situation would continue to improve. The recovery in Spain, however, was both slower and much more uncertain, and unemployment is extremely high. Public spending was being cut and this could lead to further contraction of the economy, but there was no other option. The important thing, he said, was to create confidence.



**NEW SPONSORS
IN 2010 INCLUDE:
CRITERIA CAIXACORP.
FOSTER WHEELER
AND PROSEGUR**

1. The sponsors gather after the meeting.
2. Manuel Valle Lopera, Chairman of Seur; **Fernando Rodríguez Sousa**, Vice Chairman of Institutional Relations at Seur, and **Ángel Lozano**, Chairman of Redur. **3. Erwin Rauhe**, Vice Chairman and Managing Director of Basf and **Luis Javier García de Rozas**, Director of Corporate Integration and Development at General Electric. **4. Juan Carlos García Centeno**, Managing Director of the Sigrun Corporación, and **Fernando Francés**, Chairman of Everis.
5. Ramón Agenjo Bosch, Director and Secretary of the Damm Group and **Joan Lionch Andreu**, Vice Chairman of Banco Sabadell.
6. M^a del Mar Raventós, Chairwoman of Codorníu; **Felipe Silveira**, General Secretary of ArteOliva, and **Carlos Mata**, Executive Chairman of Negocenter. **7. José Luis Manzanares**, Chairman of Ayesa; **Antonio Gallego García**, Commercial Director of Migasa Group, and **Antonio Gallego Jurado**, Vice Chairman of the Migasa Group.



WILLIAM CLAY FORD

FREEWHEELING FORD
HITS THE HIGHWAY



When the United States government bailed out General Motors and Chrysler, **Ford** decided to go it alone even though the government appeared to have handed its competitors an advantage. What happened, however, was that **Ford** received sackfuls of letters from the public congratulating them on their stand. This in turn translated into a growth in sales.

Initially, the company thought people would buy from their competitors, as it was their tax dollars that were supporting them. **Ford** adds that the company supported the bailout of GM because if it had gone bankrupt it would have had a disastrous effect on the supply base that would have hurt everybody. **Ford** wouldn't commit

THERE'S A DAWNING REALIZATION THAT A COUNTRY THAT DOESN'T MAKE THINGS CAN'T HAVE A STRONG ECONOMY.

himself on whether government was getting too involved in business or not, but he doesn't think it will last. "As a global company you learn to operate in almost every possible environment," he says, from the most anarchic to the most highly regulated.

He says that, compared to other countries, the United States has undervalued industry. "Until you value something, you're not going to save it. In almost every other country where

Ford operates, the government will do everything it can to protect its industrial base. If anything good has come out of this country over the last couple of years, it's that there's a dawning realization that industry matters and that a country that doesn't make things is not going to have a strong economy."

Ford says they have taken big steps towards making a truly global car. Regionalization meant that the different companies had grown up with their own ideas and with different customer desires. "We were in the worst of all worlds. We were a global company that had no economy of scale. Over the past three years we've finally globalized our product development. The same car will now be available in Europe, Asia and everywhere else. When you do that, your quality gets better and your costs come down."



THE LATEST ON
IESE'S ALUMNI
CHAPTERS

CHAPTER NEWS

PARIS

April 6

● French alumni met in the capital, where IESE's **Fabrizio Ferraro** opened the conference titled "Socially Responsible Investing: What it Means for Business," during which he analyzed the growing trend towards investing in socially responsible funds. The Chapter thanked L'Association France-Amériques for providing their premises for the event.

May 6

● The success of the Dîner du Premier Lundi (First Monday Dinner) continued with a dinner at

the SAP headquarters. The speaker was **Shirley Xiao**, vice president of Vanke, who talked about doing business with China. The Chapter thanks **Gloria Perrier-Chatelain** (EMBA '93/AMP '10) for helping to organize the event.

May 20

● **Bruno Herlicq**, a former Assistant Professor of Entrepreneurship at IESE and founder of Bradeni, led the Entrepreneurship Lunch Initiative, which aims to support alumni involved in new venture creation.

June 10

● The French Chapter met again in June to hear a talk by Prof.

Frederic Sabrià titled "Comdipunt: Zara's Foreign Legion," about one of the Inditex Group's main suppliers. The Chapter thanks SAP and **Gloria Perrier-Chatelain** (EMBA '93/AMP '10) for helping to organize the event.

REYKJAVIK

April 9

● IESE Prof. **Marc Sachon** visited Iceland alumni to give a talk about the case of Porsche titled "The Wiedeking Years at Porsche," which traced the company's path from near bankruptcy to becoming one of the most profitable in the world. The Chapter thanks Reykjavik University for helping to organize the event.

SHANGHAI

April 10

Members of the China Chapter met at the CEIBS headquarters to hear IESE Prof. **Jaume Ribera** present a session based on the Netafim case. The case concerns the company's transition from sales to sales solutions, and the session centered on the prerequisites for making such a transition. The Chapter thanks CEIBS for helping to organize the event.

June 9

Prof. **Julia Prats** led a session for Shanghai alumni on "Innovation & Creativity: the El Bulli Case," about the success of **Ferran Adrià's** restaurant. The Chapter thanks **Ignacio Garin** (MBA '94) and Azko Nobel for helping organize the event.

FRANKFURT

April 15

Alumni met in Frankfurt to hear a talk by Prof. **Sandra Sieber** titled "The Impact of Social Media on Collaborative Innovation," about the impact of social media on businesses. The Chapter thanks **Markus Feldmann** (MBA '99) and Deloitte & Touche Corporate Finance for helping organize the event.

AMSTERDAM

April 22

In spite of the problems caused by the volcanic ash, Dutch alumni managed to meet at the Van Loon museum, where they were given a guided tour by the museum's director. Later, on June 10, when air traffic had returned to normal, IESE Prof. **Carlos Cavallé** was able to come to speak about "The Financial Crisis, Its Causes, Its Outcome and Its Lessons." The Chapter thanks **Pía Gutiérrez** (MBA '03) and the ING Bank NV for their help organizing the event.



TORONTO

April 22

IESE Prof. **Luís Cabral** addressed alumni on the impact of new technologies on the media in a talk titled "The Evolving Business Model of the Media and Entertainment Industries."

BRUSSELS

April 26

Belgian alumni held a meeting that was addressed by IESE Prof. **Herman Daems**, who spoke about the challenges the crisis has thrown up for corporate governance. The Chapter thanks **Giovanni A. Colucci**



1. A moment during the Sao Paulo Chapter meeting

2. A moment during the session in Mexico in May

3. Alumni listen during the session in Mexico



1



2

1. Prof. Eduardo Martínez-Abascal addresses alumni in the Balearic Islands

2. A moment during the Paris Chapter meeting

(G-EMBA '08) and BNP Paribas Fortis for helping organize the event.

LONDON

April 29

- The BBC's chief economics correspondent, **Hugh Pym**, spoke to IESE alumni at the Century Club in London, where he discussed the significance of the forthcoming British general election.

June 11

- Some London alumni have set up the London Entrepreneur Breakfast where alumni gather and listen to a specialist in their field or discuss a specific theme. They contacted other MBAs and Wharton, LBS and Kellogg joined in. On June 11, about 35 people attended the breakfast to listen to **Yashish Dahiya**, CEO of Policy Bazaar, and **Sabie Valner**, the CEO of RTL Ventures.

MEXICO CITY

April 29

- The Coca-Cola Company's vice president of marketing

for Latin America, **Javier Sánchez** (MBA '88) played host to the Mexican Chapter at the Coca Cola headquarters, where he talked about marketing.

June 24

- The Mexican Chapter heard Prof. **Javier Estrada** talk about how to invest during difficult times.

QUITO

May 4

- The Ecuador Chapter met in the capital where IESE Prof. **Paulo Rocha** spoke about "Marketing Experiences," marketing which takes into account the client's behavior during and after the service to determine the product or service's viability.

GUAYAQUIL

May 5

- After visiting the capital, Prof. **Paulo Rocha** gave his talk on "Marketing Experiences," to alumni in Guayaquil, Ecuador's largest city.

MIAMI

May 10

- The United States Alumni Chapter met at the Miami headquarters of PricewaterhouseCoopers for a session by IESE Prof. **Alejandro Lago** titled "Put Your Customer to Work: Innovation in Services Through Customer Value Co-creation."

June 22

- United States alumni met at the Santander headquarters in Miami where **Álvaro Morales**, the managing director of Santander in Miami, and human resources director and senior vice president **Fernando Ortiz** were among those who listened to Prof. **Javier Estrada** talk about investing in emerging markets. The Chapter thanks **Carlos de Lemos** (G-EMBA '07) and Banco Santander for their help organizing the event.

CHICAGO

May 18

- United States alumni met for a dinner with IESE Prof. **Steven**

Poelmans, who gave a brief talk about “Inspirational Leadership.” The professor asked the participants to think about their own style of leadership and introduced the concept of quiet leadership, saying that quiet leaders aren’t interested in their own fame or glory but know how to listen and instill calm.

MUNICH

May 19

● Prof. **Jan Simon** addressed German alumni on the theme “Volkswagen, Porsche and Hedge Funds, or: The Good, The Good-looking and the Naughty,” on the role of hedge funds in revaluing Volkswagen in 2008, which made it briefly the most expensive company in the world, worth more than all the IBEX-35 companies put together. The Chapter thanks **Alexander Riedel** (AMP-Munich-07) and KMPG for helping organize the event.

SÃO PAULO

June 1

● More than 50 alumni and invited guests gathered at the Santander offices in São Paulo to hear alumnus **Paul Witsiers** (MBA ‘89) discuss investment opportunities in Brazil and Barcelona over the next two years. The meeting, titled “Business Bridge,” included contributions from **Carlos Pacheco**, director of operations at Newmark Knight Frank in Brazil, and **Ramón García**, deputy mayor with responsibility for urban development in the Barcelona City Council. After the contributions, there was an hour-long debate moderated by **Adriano Amaral** (MBA ‘94 / AMP-Brazil-07) president of the Brazil IESE Alumni Chapter.

NEW YORK

June 3

● IESE alumni had an informal get-together at the New York

center, when 120 of them gathered for a piano recital by the young Spanish virtuoso **José Menor**. As well as all the IESE staff, Fernando Villalonga, the Spanish consul general, also attended, as did Margarita Oliva, the president of the Spanish-American Chamber of Commerce.

BALEARIC ISLANDS

June 8

● Eighty alumni met at the Hotel Club de Golf Santa Ponsa de Calvià where they were greeted by **Raúl González** (MBA ‘86) of the regional government. IESE Prof. **Eduardo Martínez-Abascal** talked about ways of regenerating the economy while Prof. **Antonio Dávila** discussed how innovation was now more than ever the key to being competitive.

SWITZERLAND

June 8, 11 & 18

● Swiss alumni got together at three informal lunches held in Geneva, Zurich and Basel.

VIENNA

June 14

● The Austria Chapter received Prof. **Rama Velamuri** who led a session titled “Toehold Artisans Collaborative: Building Entrepreneurial Capabilities to Tackle Poverty.” Toehold Artisans Collaborative (TAC) is a project established by the Asian Center for Entrepreneurship Initiatives (ASCENT), a non-profit organization based in Bangalore aimed at encouraging entrepreneurship among shoemakers in Athani, a small city in southern India. The Chapter thanks Egon Zehnder International and **Markus Schwartz** (MBA ‘96) for helping to organize the event.

COLOGNE

June 22

● Alumni met in Cologne where IESE Prof. **Franz Heukamp** talked about the challenges of decision making, in particular during uncertain times, in a very interactive class titled “Decision Making Under Uncertainty.” The Chapter thanks Capgemini Deutschland for their help organizing the event.

COPENHAGEN

June 22

● The Nordic Chapter gathered for a continuous education program given by IESE Prof. **Jaume Ribera** who talked about relational leadership. It was the first alumni event in Denmark for nearly a decade but was attended by close to 100 percent of the alumni. The session was opened by the Alumni **Martin Nordestgaard Knudsen** (MBA ‘05). The Chapter thanks Egon Zehnder International for their help organizing the event.

WARSAW

June 22

● Prof. **Antonio Dávila** addressed Polish alumni on “Making Innovation Work: How to Design Innovative Companies.” The Chapter thanks **Alexander Konopka** (AMP-Warsaw-10) and Gras Savoye for their help organizing the event.

DÜSSELDORF

June 26 & 27

● German alumni spent an enjoyable and relaxing weekend at the charming Hotel Haus Litzbrück on the outskirts of Düsseldorf where, accompanied by their partners and children, they took a boat trip along the Rhine.



5-YEAR ANNIVERSARY CELEBRATIONS

MBA ALUMNI from 34 Countries Return to IESE

In one of the most international editions of the MBA 5-Year Anniversary Celebrations, which are held every year in Barcelona, almost 300 alumni from the classes of '75 to '05 recently returned to campus to savor their time at IESE.

Many took the opportunity to enjoy the sunny weekend in Barcelona with their families, making for some impressive numbers at the reunion: 57 partners and over 40 children attended.

In his welcome speech, Dean **Jordi Canals** described IESE's international growth and thanked all those who had traveled from abroad for the occasion. Far-flung origins included South Africa, Australia, Costa Rica and Peru, but the bulk of attendance was generated by alumni from Spain, Britain, Germany and the United States.

"To maintain the high standards and development of IESE, we need to focus on four main strategic areas: internationalization, ideas and research, innovation and having a positive impact on society," said Dean **Canals**. The Dean thanked all MBA class presidents and vice presidents for their much-appreciated efforts in encouraging their classmates to attend.

Mireia Rius, the director of the Alumni Division, reminded all attendees that "the real protagonists of the day" were the 48 children who attended and were cared for in the babysitting service provided for all parents. She called on MBA alumni to start preparing future generations, that is, "the next MBA class of 2030!" **Mireia Rius** also reminded participants of the upcoming Global Alumni Reunion in Barcelona to be held October 28-29.



IESE professors **Juan C. Vázquez-Dodero, Antonio Dávila, Vicente Font, Frederic Sabrià, Miguel Á. Ariño, Akan Eren** and **Eduardo Martínez-Abascal** participated in academic sessions, which took alumni back to their MBA student days. The jovial atmosphere at the celebratory lunch was further helped by the sunshine and warm weather.



We need to focus on strategic areas: internationalization, ideas and research, innovation and making a positive impact on society."



MBA '85 25 YEARS ON

MORE THAN 100 ALUMNI CELEBRATE THE 25TH ANNIVERSARY OF THEIR GRADUATION

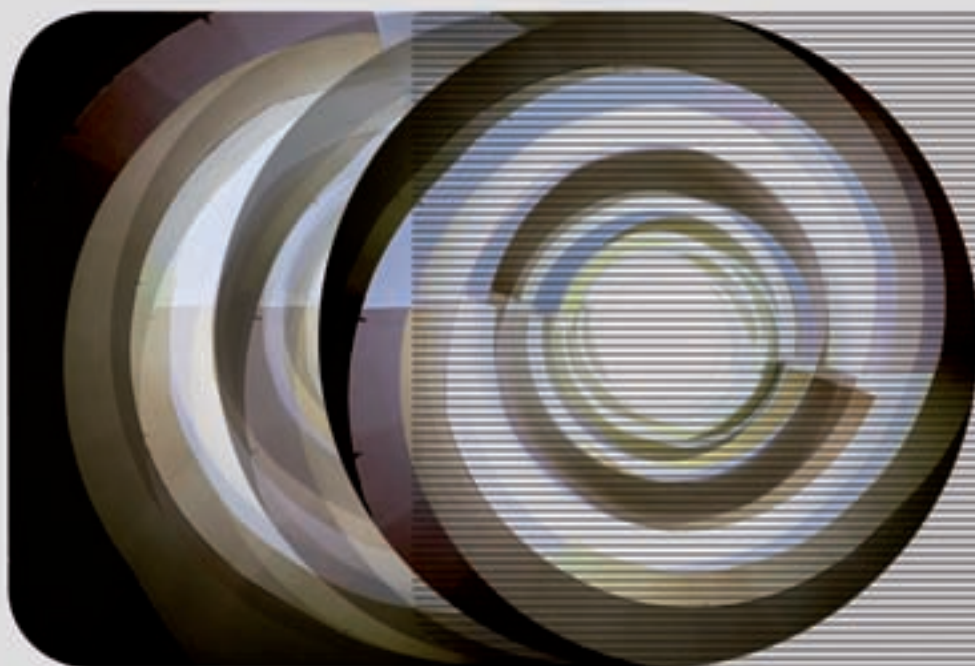
More than 100 alumni gathered on IESE's Barcelona campus to celebrate the 25th anniversary of their graduation. Accompanied by their partners, they arrived from every corner of Spain and from a number of other countries. **Alberto Dubois** and **Jorge Lucaya** organized a day of intensive celebrations. Good humor and the pleasure at meeting up with old friends were the order of the day. On June 12, **Jordi Canals**, the dean of IESE, talked to them about the projects the school has planned while Prof. **Juan C. Vázquez-Dodero** acted as moderator for an intense discus-

sion. The debate was both personal and professional. At the end of the day, the alumni visited the new school facilities, some of which had not been built when they were students.

The alumni, accompanied by their partners, came from every corner of Spain and from a number of other countries.



Shifting Paradigms



Global Alumni Reunion 2010
BARCELONA October 28-29th
Save the date!





AMP/PMD ALUMNI MEETING

A DAY BRIMMING WITH ACTIVITIES

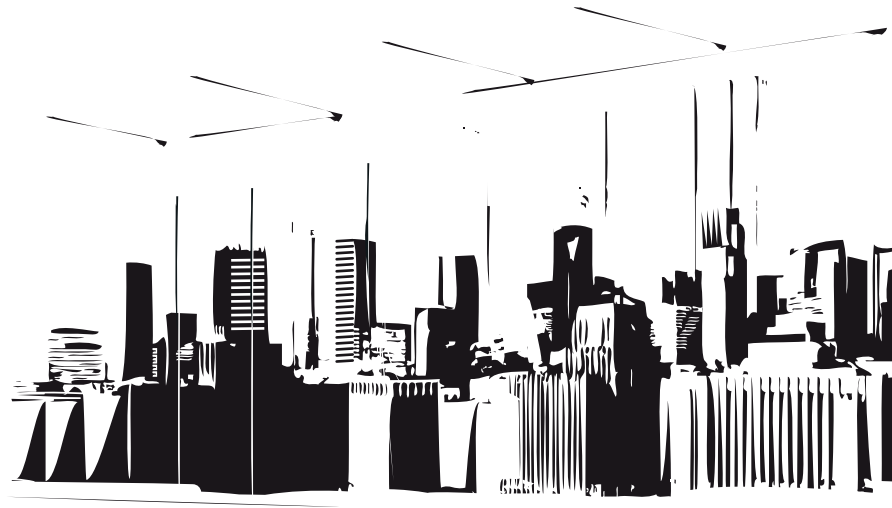
● On May 28, alumni from the AMP and PMD programs gathered at IESE's Barcelona campus to spend a busy and stimulating day together. They were greeted by **Jordi Canals**, the dean, **Mireia Rius**, the director of the alumni association and **Idunn Jónsdóttir**, the director of the International Open Programs.

The day was divided into four academic sessions. In the first, **Prof. Pedro Videla** talked about the current economic situation. He was followed by **Prof. Joan E. Ricart** who led a session titled "The New Look of Strategy". After an excellent lunch, **Prof. Jorge González**

talked about how the recession is changing consumers' attitudes. The day ended with a session from **Prof. Steven Poelmans** titled "Crisis, Resilience and Renaissance. Strategies for Profiting From a Downturn."

Prof. Jorge González led a discussion on how the current recession is changing consumers' attitudes.

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1,999 & YOU: GLOBAL ALUMNI REUNION “SHIFTING PARADIGMS”

Barcelona is preparing itself to play host to around 2,000 alumni and guests from as many as 50 different countries at the Global Alumni Meeting on October 28 and 29. The theme of the 2010 conference is: “Shifting Paradigms: Opportunities Lie in the Challenge.” The aim of the 2-day conference, combining academic and cultural activities, is to offer the perfect excuse to enjoy a long weekend in Barcelona.

The academic directors of the 49th annual reunion, IESE professors **Jaume Ribera** and **Antonio Dávila** have designed an insightful academic program, attracting a diverse range of speakers for this year’s theme. With the aim of drawing on recent shake-ups and lessons learned in the world economy over the past 18 months, **Ribera** and **Dávila** hope to bring a positive outlook to what has been a rather gloomy financial period in developed world economies.

Ribera says: “We wanted the theme to have a more positive outlook this year. The word challenge in itself implies facing something difficult from which you emerge stronger and more resilient. It is an opportunity to renew oneself and try new projects or ideas.”

DISTINGUISHED SPEAKERS

The academic program includes sessions by distinguished speakers and top business people such as **Esko Aho**, Executive Vice President of Corporate Relations and Responsibility for Nokia, who became Finland’s youngest minister at 36 years of age and supported his country’s entry into the EU. Also speaking will be **Bertrand Piccard**, President of Solar Impulse, the first person to circle the world non-stop in a hot air balloon. Other speakers include **Isak Andic**, CEO of Mango, **Charles Petrucci**, President of Global Travel Services for American Express, **Eric Li**, founder of Chengwei Ventures, **José Viñals**, Financial Counselor and Director of the IMF, and **Ozires Silva**, founder of EMBRAER, and **Francesco Vanni d’Archirafi**, CEO of Citi’s Global Transaction Services, among others.

“The reunion program is focused on people who,

despite the current situation, are capable of continuing to fight to improve the society we live in,” says **Dávila**. “They are capable of perceiving new ways of contemplating reality. Opportunities don’t emerge on their own, it is people who create opportunities and who know how to capitalize on them.”

The conference will aim to show that there are always opportunities to implement socially responsible policies and practices.

When discussing new paradigms in the economic landscape, **Ribera** highlights lack of trust as a key issue: “We need something to happen or an important change in order to raise public trust, in order to raise public trust and give people renewed hope in the economic situation,” he says. “And it takes more than a World Cup, something less transient.” **Dávila**, who specializes in marketing, reiterates that this Global Alumni Reunion signifies a “call to optimism” and innovation and should serve as both an educationally and socially fulfilling experience.

MAKING HISTORY

Mireia Rius, director of the Alumni Association, is determined that this should be the case: “Given that the reunion will be held in Barcelona this year and the level of keynote speakers who will be attending, I have no doubt that we will once again make history. Last year, we held the reunion outside Europe for the first time and had excellent participation levels, given last year’s economic difficulties. This year we hope for a record turnout,” she says. To further promote this goal, this year the Alumni Association recorded a video urging all alumni to “Save the date!” Both academic directors and 36 alumni from various countries including Iceland, Syria, USA



[www.iese.edu/
GlobalAlumniReunion/2010](http://www.iese.edu/GlobalAlumniReunion/2010)

and Spain participated in the making of the video which was filmed over the course of 13 hours, threatened intermittently by the looming prospect of rain.

The yearly conference is hoping to smash previous attendance records and attract up to 2,000 alumni and their guests. So far, initial reactions to the “Save the Date” video and the website launches have been promising: within 12 hours of opening for registration, over 430 alumni had already signed up. The new interactive interface allows participants to view multimedia content from past conferences, keep abreast of the latest developments and confirmed speakers, manage their reservation and, above all, register. As **Rius** explains, the new website offers alumni the freedom to manage their attendance and that of their guests with more autonomy than ever before.

GREATER INTERACTION

The new online platform, which includes social media elements and a “newsroom”, offers alumni greater interaction. “The academic program and prestigious line-up of speakers is the main focus of the conference. But we should not forget the true protagonists of the event: our alumni. This year we wanted to involve them right from the very first stages of organizing the reunion,” **Rius** says. The Alumni Association left decision making over cultural activities in the hands of the alumni. An online voting system was launched in April and distributed among the entire community of 35,000 alumni who were able to vote for their favorite cultural activity ranging from a tour of the Boqueria market and a cookery course to paint-balling.

The intense program allows alumni to enjoy academic and networking activities both before and after the academic conference on Friday 29. On Thursday 28 October, a cocktail reception will be held in the Royal Shipyards of Barcelona in Drassanes, a gothic masterpiece built at the end of the 13th century. “We have increased the number of parallel cultural activities this year,” says **Rius**. “The formula seems to work as it allows people to come with their families or reunite with their classmates. We want it to be a memorable weekend for alumni, during which they reconnect with IESE again.”



SESSIONS GO OUT ON TWITTER

Two sessions with technological themes from the Continuous Education program made history when they were broadcast live on Twitter. “IT Decisions on the CEO’s Agenda in Times of Crisis”, delivered in Barcelona by Prof. **Josep Valor** and “The Impact on Business of Web 2.0” by Prof. **Sandra Sieber** in Madrid were the two sessions chosen for this pioneering experience.



The main points of both sessions were accessible to anyone connected to Twitter via the IESE Alumni channel <http://twitter.com/iesealumni> or <http://www.twitter.com/iesebs>, among others.

Later, an extraordinary session entitled “Building Business with Social Impact” given by the 2006 Nobel Peace Prize winner **Muhammad Yunus** was broadcast in English on the same channels. The experiment is



likely to be repeated regularly in the coming months.

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Dispelling the Myths About Family Businesses



JOSEP TÀPIES
 Profesor Josep Tapiés,
 Chair of Family-Owned Business at IESE

According to the Institute of Family Businesses, 85 percent of Spanish enterprises are family-owned. Most people will automatically associate this statistic with small and medium-sized businesses. However, if we were to say that 80 percent of U.S. businesses were family-run, we wouldn't immediately make the same association. Why? Numerically speaking, the majority of Spanish businesses are small or medium-sized and certainly the majority are family-owned, but this doesn't mean that family-owned and small and medium-sized are synonymous.

The fact is that in 2005, Spain's 100 largest family businesses had turnovers of between €350 million and €15 billion, according to a study carried out by IESE's Family-Owned Business Chair which analyzed more than 2,200 companies, both family-run and not. These facts should definitively put to rest the myth that family businesses are necessarily small or medium-sized.

Take two examples: the Bertelsmann publishing house, founded in 1835, and the Ford group, established in 1903, are large family businesses which, furthermore, have a very long history. This is another myth the study dispelled: family businesses are not condemned, *per se*, to a brief existence. Although it is true that many family firms don't survive beyond the first generation,

there are others that have been around for more than two centuries, something that no non-family business in Spain can boast. Codorníu, Miquel Costas & Miquel and the Osborne group, to name just a few, were established before the 19th century and remain successful today.

In fact, this research found that the average age of family businesses was greater than that of non-family enterprises. What is the reason for this longevity? The answer lies in three factors: vision, mission and values. A company that wants to stay in business must have a clear idea of these three concepts, which are the foundations on which it stands.

The family has to think about why it is in business (its mission), what sort of business it wants to pass on to the next generation (vision) and what values it wants its heirs to uphold. These considerations, common (and basically natural) in family businesses, are not so readily made in other types of companies.

With the aim of putting an end to these erroneous beliefs about the size and age of family businesses, we decided to carry out an ambitious research project which has led to the publication of a book that demonstrates that family businesses are neither so small nor so young (this is, in fact, the book's title) as is usually thought.

Tapiés, J. *Empresa familiar: ni tan pequeña, ni tan joven*. Fundación Jesús Serra, 2009.



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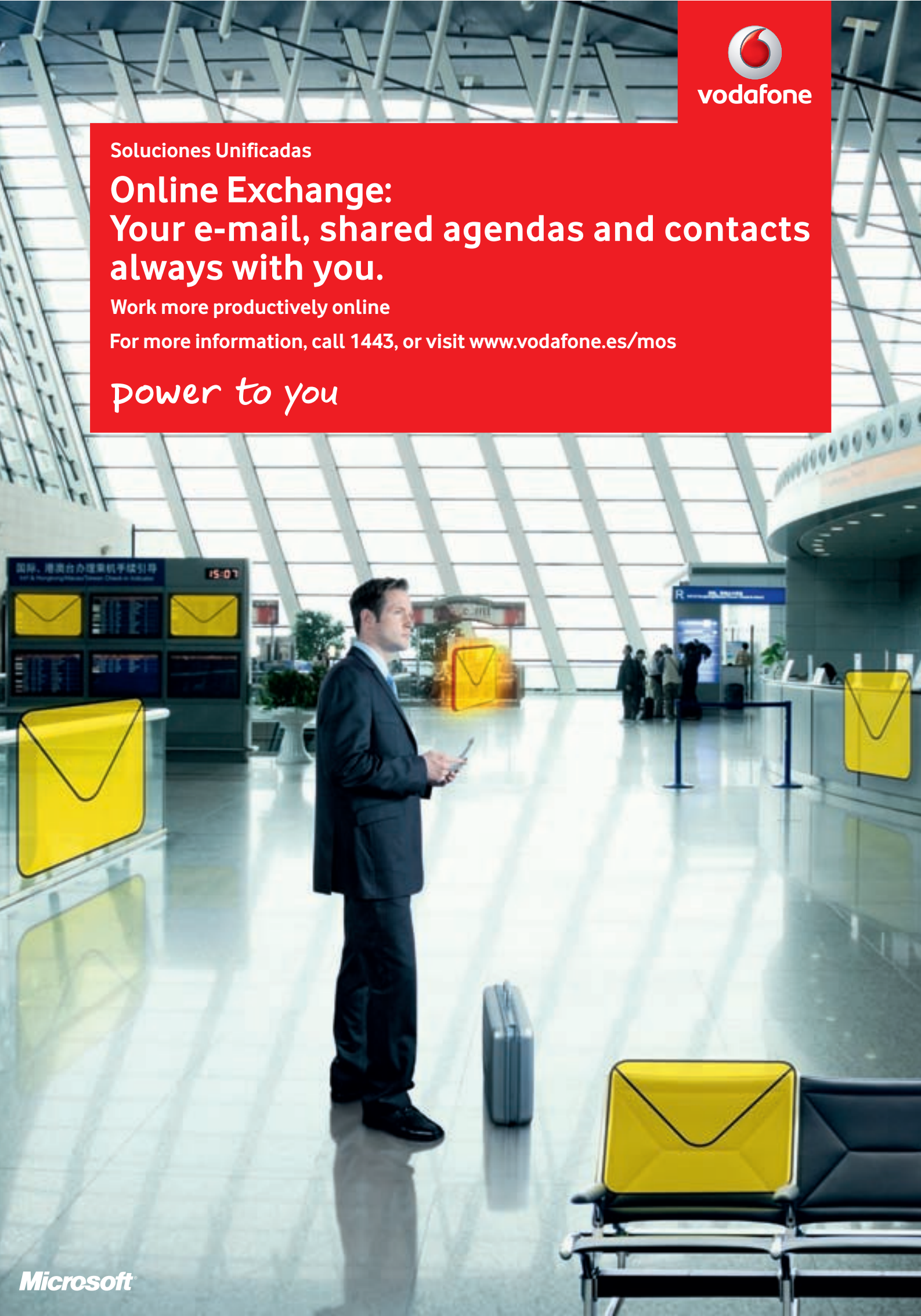
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1. McKinsey study: <http://www.datacenterknowledge.com/archives/2009/04/15/mckinsey-data-centers-cheaper-than-cloud/>. 2. Comparison of IBM System x3850 X5 + MAX5 with total 96 DIMMs x 16 GB for total 1.5 TB of memory vs. IBM System x3850 M2 with 32 DIMMs x 8 GB = 256 GB. Comparison of processor-based licensing fees on current Generation 4 processor systems with 64 DIMMs vs. the IBM System x3690 + MAX5. IBM eXFlash technology would eliminate the need for a client to purchase two entry-level servers and 80 JBODs to support a 240,000 IOPs database environment, saving up to 97% in server and storage acquisition costs. IBM, the IBM logo, ibm.com, X-Architecture, Smarter Planet and the planet icon are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. A current list of IBM trademarks is available on the Web at www.ibm.com/legal/copytrade.shtml. Intel, the Intel logo, Xeon and Xeon Inside are trademarks or registered trademarks of Intel Corporation in the United States and other countries. © International Business Machines Corporation 2010.