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The IESE Endowment

The IESE Endowment is an investment fund that seeks to support research activities and scholarship programs as well as the overall general institutional development of IESE.

The IESE’s mission is to develop leaders who can make a positive, deep and lasting impact on people, companies and society through their professionalism, integrity and spirit of service.

To carry out its mission, IESE offers programs and other educational activities, which are self-supporting from an economic standpoint, because they are financed through academic tuition fees. To ensure that resources are not an obstacle to completing a program at IESE, the school also offers scholarships and financial aid to students with outstanding academic credential and limited financial means.

Research is an essential part of IESE's academic activities; it is indispensable for making a deep, global impact in the academic world, as well as in society as a whole. Research is financed by IESE and, as in other academic institutions, only partially through public funds available to research groups. In many cases, public funding is not sufficient.

IESE is the school of management of the University of Navarra. It is a not-for-profit institution that, since its establishment in 1958, has relied on the generous help of people –in many cases Alumni-, Sponsoring Companies and Institutions. This has allowed the school to strengthen its teaching and research activities and offer more support to students and doctoral candidates.

In order to provide continuity over time and avoid the negative effects of volatility in the economy on the stability of scholarship programs and research projects, IESE receives donations that are secured and invested in financial products, thus maintaining the purchasing power of the initial capital, and funding initiatives with the returns on the investments, always in accordance with the wishes of the donors.

The Endowment allows IESE to undertake future projects, in many cases of an innovative and long-term nature, by providing a stable source of income that can be devoted to strategic projects.

The Endowment grows mainly through new donations, some of which may be restricted as to their designation. Therefore, the Endowment consists of various sub-funds with different purposes: general research grants, support for a particular Chair or Research Center, a scholarship fund for a specific program, etc.

The Endowment is managed so that future generations will have at least the same capacity for action as the present generation (intergenerational equity).

To this end, part of the return (interest, dividends, capital gains, etc.) is reinvested back into the fund itself, so that purchasing power is not lost due to the effects of inflation. Therefore the impact of a donation is permanent, allowing IESE to undertake more ambitious and long-term projects.
The endowment is managed so that future generations will have at least the same capacity for action as the present generation (intergenerational equity).
Evolution of the Endowment

At the close of the fiscal year that ended on 31 August 2021 the value of the endowment was €45.4M. Of the major funds that comprise it, the largest is the Endowed Chairs Fund, made up of the endowments for the distinct IESE Chairs and other permanent Research Center Funds.

Main funds of the endowment (on 31 August 2021)

- €29.9M (66%) Endowed Chairs Fund
- €5.7M (13%) Research and Scholarships Fund
- €9.8M (21%) Quasi-Endowment
The endowment has ‘distributed’ more than €12M since its inception, which has been dedicated to research projects and Scholarship programs. In 2020-21, the endowment distributed €1.65M, doubling the quantity distributed eight years ago.

### Annual distribution

(Millions of euros)
The endowment was established in 2011-12, and since then has almost doubled its market value to €45.4M. This increase over nine years (+7.3% annually) has been possible thanks to a combination of new gifts from Alumni and sponsoring companies and returns on investments. In 2020-21 the endowment grew by €9.3M, the net result of new gifts: €2.4M (6.7%); distribution: €1.6M (4.6%); and returns on investments €8.5M (24%).
€45.4M
Value of the endowment on 31 August 2021

+€12M
Destined to research and scholarships since its establishment

7.3%
Net annual growth since its establishment
Activities Supported by the Endowment

In 2020-21 the Endowment distributed an amount of €1.65M, representing an increase of 3% on the amount distributed the previous year. Since its inception in 2011-12 the endowment has contributed with more than €12M to finance scholarships and research projects.

The Endowment makes investments while taking a very long-term perspective, determining the return and risk parameters so as to meet the desired goals. It aims to balance the needs of current and future beneficiaries in order to obtain a steady and sustainable flow of funds to finance grants and long-term projects, while increasing its capital in line with inflation.

In some cases, the donor specifies where investment returns should be placed. Thus, the endowment comprises diverse funds, a part of which have specific aim (restricted), while the rest goes towards activities and projects considered appropriate at the time (unrestricted), always within the established objectives.

The goal is to distribute annually (for activities) 4.4% of the average value of the endowment during the three previous academic years.

The Endowment continues to grow through new donations. Many are received by the IESE International Foundation, whose mission it is to support the development of teaching and research activities, and which collaborates with IESE. A part of the endowment is entered in IESE’s accounts, while the rest goes through the Foundation’s, this report presents the endowment as a whole.

Endowment distribution in 2020-21: €1.65M
(Thousand of Euros)
The management of the fund is based on financial portfolio investment theory. Through analysis that takes the objective of the investment into account, a very long-term investment horizon and the capacity of the fund to withstand losses for a particular period, a portfolio that optimizes returns is designed, always within an acceptable risk exposure.

IESE’s Executive Committee and the Board of the IESE International Foundation are ultimately responsible for the management of the endowment. These bodies, in order to receive guidance on issues related to financial investments, created the Investment Committee. This group carries out its functions following the general directives approved in the IESE endowment Investment Policy Statement.

The IESE endowment Investment Policy Statement establishes three investment objectives:

- Maintain the purchasing power of the fund, after spending, inflation and expenses (intergenerational equity)
- Reliably finance activities each year with a percentage of the fund
- Having achieved the above, maximize the total long term returns, adjusted for the risk assumed

### Long-term Strategic Asset Allocation (SAA)

<table>
<thead>
<tr>
<th>Asset class</th>
<th>SAA</th>
<th>Range</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>55%</td>
<td>(±1.000 bp)</td>
<td>MSCI Index (50% ACWI + 50% Eu)</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>15%</td>
<td>(±1.000 bp)</td>
<td>Barclays Ag. Bond Ind. (50% Gl. + 50% Eu)</td>
</tr>
<tr>
<td>Cash or Equivalent</td>
<td>5%</td>
<td>(±400 bp)</td>
<td>Spanish Treasury Bills 6-months</td>
</tr>
<tr>
<td>Alternative Strategies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute Return HF.</td>
<td>11%</td>
<td>(±500 bp)</td>
<td>HRFI-I Liquid Alternative UCITS Macro Index</td>
</tr>
<tr>
<td>Real Estate / Infrastructure</td>
<td>4%</td>
<td>(±300 bp)</td>
<td>Euronext IEIF REIT Europe</td>
</tr>
<tr>
<td>Commodities / Natural Res.</td>
<td>6%</td>
<td>(±300 bp)</td>
<td>DB Liquid Commodity Balanced Index</td>
</tr>
<tr>
<td>Other classes</td>
<td>4%</td>
<td>(±300 bp)</td>
<td>MSCI All Country World Index</td>
</tr>
</tbody>
</table>

The need to generate sufficient returns to finance endowment spending por expenses and, at the same time maintain purchasing power, justifies a equity bias in the Strategic Asset Allocation, in the area of equities or classes with similar returns. The desire to provide the portfolio with a level of protection from sharp falls explains the presence of fixed income and also some of the alternative strategies, thanks to the low correlation that exists between these asset classes. Finally, the need for annual liquidity justifies maintaining a percentage in cash & equivalents.
The Investment Policy establishes the benchmarks against which the returns obtained for each asset class and for the endowment as a whole are measured in the medium to long term. The Benchmark of the portfolio for the endowment as a whole is made up of the benchmarks for each asset class with the specific weight established for that class by the strategic asset allocation.

Investments are made with the external managers through collective financial vehicles (funds), thereby keeping the internal management team to a minimum. Passive products such as ETF (Exchange Traded Funds) are used as default, unless the Investment Committee believes that there is an active product, with a trusted management team, that can beat the market.

Return, asset allocation and diversification are determined from a strategic perspective. Investments are diversified and managed with high standards of accountability and in compliance with all applicable laws and regulations. Management of the fund is based on annual income generation, the increase in the value of assets and donations obtained. Thus, income and donation stability are key to the management of illiquidity risk to comply with the annual distribution policy.

**Investment committee**

Jaime Alonso Stuyck  
Committee Chairman  
Director of the IESE International Foundation

León Bartolomé - MBA ‘84  
Managing Director of Alcarama

Eusebio Díaz-Morera - MBA ‘69  
President of EDM

Pablo Fernández  
Professor of Financial Management, IESE

Francisco García Paramés - MBA ‘89  
President of Cobas AM

Pablo González - MBA ‘90  
Managing Director of Abaco Capital

Christopher Ivey - MBA ‘01  
Head of European Private Client Practice, Cambridge Associates

Markus Stadlmann  
Investor, Speaker and Author

Juan José Toribio  
Emeritus Professor of Economics, IESE
ESG and Responsible Investing

In deciding on how and where to invest, the endowment aims to remain consistent with IESE mission and values.

IESE endowment has an entirely social character in that all the returns are destined for research projects and scholarships, and thus favor academic and social development. It is this social impact and the non-for-profit character of the institutions that allows the endowment to enjoy the fiscal benefits that the law reserves for these kinds of funds. The endowment is principally made up of Alumni and Sponsor Companies donations: it has an open-ended commitment to the donors of perpetual funds (Endowed Chairs and other research and scholarship funds) not just to maintain de purchasing power, but also to invest in a prudent and responsible manner and to use the returns in the most affective way possible.

In order to better fulfil its social purpose, the endowment seeks to maximize the return in its financial investments, but this is achieved not only without prejudicing any of the ethical and institutional values of the institutions, but in a way consistent with the principles of Responsible Investing (RI).

IESE Executive Committee and IESE International Foundation Board are aware that Environmental, Social and Governance (ESG) risks stem from issues as varied as human rights, discriminatory practices, child labor, bribery, corruption, environmental issues, etc. They also understand the ethical implications of some investment decisions, related not only to investment practices but also to the main activity of some companies and their impact on society. In cases of direct investment, the Investment Committee avoids investing in companies whose mission or practices are misaligned with IESE values, such as companies promoting abortion practices, euthanasia, controversial weapons, or committing serious or systematic human rights violations, such as murder, torture, deprivation of liberty, corruption, forced labor and the worst forms of child labor, etc.

In very few cases the endowment investments are made by direct participation in the share capital of companies, or through debt issued by companies, while the great majority of investments are channeled through collective investment vehicles. For this reason, IESE Investment Policy does not establish a list of companies to exclude (negative screening) on the basis of SRI criteria. However, in the selection of external managers, efforts are made by the Investment Committee to comply with the most appropriate criteria in these matters (ESG), and the manager’s own policy and capabilities in ESG and on responsible investment are important selection criteria. Thus, the Policy includes an exhaustive list of sample questions to use in the screening of managers.

Active ownership. The Boards expect the managers to engage with companies through the judicious and transparent use of voting rights and informal dialogue to encourage ethical behavior and better management of ESG risks and opportunities.

IESE is a member of the United Nations Global Compact, and signatory to the Principles for Responsible Management Education.
Since its inception in 2011-12, the net return obtained by the IESE endowment has been 5.2%, vs. a 4.6% return for the Benchmark Portfolio over the same period.

Influencing this result is the positive performance achieved by the IESE endowment in the period from 1 September 2020 to 31 August 2021, which was 24.0%, vs. a performance of the Benchmark Portfolio of 21.5%.

This 2020-21 net return has been possible mainly due to the good performance of the Equities portfolio (33.1% vs. 29.8% for the asset class benchmark), the Commodities portfolio (27% vs. 33% for the asset class benchmark) and the Fixed Income portfolio (22.0% vs -0.3% for the asset class benchmark).

The absolute and relative distribution of the endowment among the four major classes

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Sit. on 31 August 2021</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>25,496</td>
<td>56%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>6,078</td>
<td>13%</td>
</tr>
<tr>
<td>Alternative Strategies</td>
<td>12,025</td>
<td>27%</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>1,816</td>
<td>4%</td>
</tr>
</tbody>
</table>

(The Thousands of Euros)

Asset allocation sit. on 31 August 2021

The distribution of assets by class was reached after a careful analysis that considered the scenario of very low interest rates and even negative returns in sovereign bonds, which suggested searching for opportunities in equities and alternative strategies to achieve the desired returns.

The alternatives strategies in detail

<table>
<thead>
<tr>
<th>Alternative Strategy</th>
<th>Sit. on 31 August 2021</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute return</td>
<td>6,530</td>
<td>14%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1,169</td>
<td>3%</td>
</tr>
<tr>
<td>Commodities</td>
<td>3,942</td>
<td>9%</td>
</tr>
<tr>
<td>Other classes</td>
<td>384</td>
<td>1%</td>
</tr>
</tbody>
</table>

(The Thousands of Euros)
**Investment distribution by currency**

The spending of the endowment is done in euros, so a major part of the investments (65%) is kept in this currency.

**Geographical distribution of investments**

From a geographic standpoint, the currency distribution and a greater knowledge of the region influences the fact that 43% is focused in Europe, to which must be added the investment in Spain (6%).

**Management costs**

Currently, a little over half of the endowment is invested in active management products, with the rest in passive management products (ETF’s). The average management fee of the portfolio, already discounted in the results presented in this report, and calculated by adding up the management fees for each fund, represents 0.69% of the value of the Endowment. Including all other relevant cost (deposit, success fee, etc) the average management cost of the portfolio is 0.9%

As far as internal management costs are concerned, these can be considered as virtually nil, since external advisors are not used.
Results by Asset Class

Below are details on investments made in each asset class, including average annual returns obtained since the inception of the Endowment in 2010-11 and the comparison with the Benchmark over the same period.

Equities

This class provides revaluations in stock price and, in some cases, dividends. Traditionally, this type of asset has achieved greater returns in the long term than fixed income, at the cost of assuming higher levels of volatility.

In 2020-21 equity positions slightly exceeded the allocation established in the SAA, ending up at 56%, compared to the target of 55%. After the great recovery of equity-market from the Covid-19 selloffs of 2019-20, the Investment Committee decided to rebalance the portfolio to neutral more regularly, thus mitigating part of the risk.

A portion of the investment in equities is made through passive investment. Another part, particularly on a European level, was made through ten active management funds, with a relative weight ranging from 2% to 5% of the total value of the Endowment.

The return on the equity portfolio in 2020-21 was 33.1%, compared to 29.8% for the asset class benchmark, which is calculated taking equal parts of the MSCI All Country World Index and the MSCI Europe Index. The average return since the inception of this class in 2013-14 has been 8.3%, compared to 9.8% for the asset class benchmark.

Fixed income

Bonds and similar instruments generate interest up until the maturity of the securities. They can be kept until then or sold on the secondary market before maturity, if the price or other factors make that advisable. Investments in bonds theoretically have a low correlation with equities, and therefore serve to protect against sharp falls in the market, or periods of deflation.

Extremely low interest rates, influenced by massive debt purchases by the central banks, reduce the attractiveness of this asset class. For this reason, the target was reduced four years ago from 20% to the current 15%, pending the normalization of monetary policies.

A part of the fixed income investment are made either through shares in Fixed Income and Mix Funds, or through ETFs (predominantly in emerging countries); while on occasions direct investments are made in corporate bonds.

The return on the Fixed Income portfolio in 2020-21 was 22.0%, compared to -0.3% for the asset class benchmark, which is calculated taking equal parts of the Global and European versions of the Barclays Aggregate Bond Index. The average return since the inception of the class in 2010-11 has been 5.1%, compared to 2.2% of the asset class benchmark.
Average annual returns by asset class vs Benchmark since inception
(2010 for Fixed Income, 2013 for Equities, 2015 for other classes)

- Endowment: 5.2%
- Equities: 4.6% (ISEE), 8.3% (Benchmark)
- Fixed Income: 5.1% (ISEE), 9.8% (Benchmark)
- Absolute return: 2.2% (ISEE), 0.1% (Benchmark)
- Real Estate: 2.0% (ISEE), 4.6% (Benchmark)
- Commodities: 1.7% (ISEE), -3.1% (Benchmark)
**Alternative Strategies**

The use of such investment strategies seeks to find opportunities with high returns adjusted to the risk assumed, while trying to look for low correlation with equities. These can help improve the risk - return characteristics of a portfolio. Within these strategies, in addition to a small share in a Search Fund, it has been decided to use the following:

**Absolute Return**

Designed to look for low correlation with equity markets, Absolute Return Hedge Funds aim to generate attractive returns in every market environment, taking advantage of its inefficiencies.

With this asset class, the Investment Committee seeks to protect the portfolio in the event of downturns in equity markets. Effectively, while this was traditionally the role of the Fixed Income portfolio, nowadays only a very few government bonds offer these diversifying characteristics, and in any case, at the expense of assuming negative real returns. For this reason, it was decided to take moderate positions (2%-3%) in six Hedge Funds aimed at using different strategies to protect the portfolio (Market Neutral, Global Macro, Managed Futures, L/S precious metals, etc.)

These Hedge Funds are expected to perform well principally when equities fall. The performance of the Absolute Return portfolio in 2020-21, a period in which equities performed very well, was -4.2%. The average return since the inception of the class in 2015 has been 0.1%, compared to -0.2% for the asset class benchmark, the HRFI-I Liquid Alternative UCITS Macro Index.

**Real Estate**

Real estate investments can be an attractive alternative to traditional strategies and can add value not only through the revaluation of assets, but also through the effect of the continuous flow of rental income. They also tend to have low correlation with other investment classes.

In 2014, it was considered that the sector offered opportunities in Spain with income securities at record lows. A portfolio was established through REITs, which in recent years has been partially liquidated.

The return on the Real Estate portfolio in 2020-21 was 8.2%, compared to 34.3% for the asset class benchmark, the REIT Europe Index. The average return since the inception of the class in 2015 has been 2.0%, compared to -3.1% for the asset class benchmark.

**Commodities**

Commodities are non-made physical goods such as those produced in the mining sector (precious or industrial metals, etc.), whose prices basically depend on supply and demand, and are affected by geo-political factors and the weather.

Although subject to a certain price volatility, which can at times be high, investment in commodities may provide low or even negative correlation with the stock and debt markets, protecting against unexpected inflation hikes, which is considered one of the clearest risks faced by the endowment.

For these reasons, a position in commodities was established several years ago that has grown over three million euros (9% of the endowment), through an ETF that invests in Energy (42%), Agriculture (26%), Industrial metals (16%) and Precious metals (16%), and an investment fund that invests in mining companies, and a position on physical gold.

Together with the Real Estate portfolio, the Commodities portfolio is meant to provide some protection from hikes in inflation. However, in view of the uncertainty of the business models of some of the real estate sectors, such as retail or offices, the Investment Committee has decided to rely more on Commodities, reaching 9% of the endowment, vs. the 6% established by the SAA.

The return on the Commodities portfolio in 2020-21 was 26.8%, compared to 33.1% for the asset class benchmark, the DB Liquid Commodity Index. The average return since the inception of the class in 2015 has been 4.6%, compared to 1.7% for the asset class benchmark.
The returns on the IESE endowment, in accordance with the distribution regulations approved in the Investment Policy, are wholly put towards financing study grants and research programs.

The scholarships enable Doctoral Program (Ph.D.) MBA and MIM students to finance their post-graduate studies. They are awarded to students with excellent academic records and preferably with limited economic resources, or from countries eligible for development aid. There are also grant programs that foment diversity, equity and inclusion.

In many cases, Doctoral Program graduates begin their academic career as professors in business management schools around the world, so these grants have a strong multiplier effect, typical of trainer training programs. Scholarships for the MBA and MIM also have a significant social impact thanks to the actions of managers with a high degree of professional training, aware of the social problems faced by the company and modern society.

A part of these projects is carried out under the wings of the Research Chair, working groups directed by an IESE professor, whose objective is to further research in a particular area of interest, publishing the results of this activity for the academic and business communities. The Chairs currently endowed represent the materialization of the generous collaboration of Alumni, companies and foundations that are highly committed to the development of knowledge in the world of business management.

Presented in the next pages are some testimonies from students awarded grants, as well as a selection of the many research projects that have been undertaken by the IESE Research Chairs, Investigation Centers and Academic Departments.

Another part of the returns goes towards financing research projects directed by the IESE faculty, who, as part of their academic task, conduct rigorous research projects that are at the same time relevant to business reality.
The current IESE Endowed Chairs are:
Franz Heukamp.
IESE Dean.
“The Endowment is a tool for academic excellence: it allows us to strengthen research and to attract the best talent.”
“Students from economically disadvantaged backgrounds should not be shut out from pursuing their dreams and contributing to building a better world.”
Amaka Ndubisi
Enugu (Nigeria) MBA

After first setting her sights on a top-notch MBA degree, it took Amaka Ndubisi several years to apply to a program. “I felt it was impossible,” said Amaka, who hails from Enugu, Nigeria. Each time she looked at the costs, she felt her dream was out of reach. “It discouraged me severely.”

At the time, Amaka held a position at one of the world’s top companies in the energy industry in Nigeria, but her income was still not enough to cover the costs of an MBA program. Plus, she needed to contribute financially to her family. She had worked as a telecommunications engineer and an oilfield engineer before becoming a petrophysicist – jobs that took her to diverse countries all over Africa and other parts of the world like Abu Dhabi, the US and the UK.

“I had a really good job, but by the time you change Nigerian naira to euros, it loses a lot of value,” notes Amaka, who earned an undergraduate degree in computer engineering and graduated at the top her class.

Then a friend suggested that she apply to IESE “just to see what would happen.” Two years later, she has completed the program and has now embarked on an entrepreneurial journey in Barcelona. During the interview process, she was very honest about the fact that she didn’t have the financial resources to fund the program, she said. To her surprise, the school offered the assistance she would need.

IESE’s multi-cultural and multi-professional diversity was a key benefit of the program, she says, as well as the school’s highly interactive approach to teaching. “I am a people person,” says Amaka, noting that the case-method approach was ideal for her as it offered the opportunity to learn directly from classmates’ professional experiences.

Most importantly, however, she appreciated IESE’s mission and values, particularly its focus on forming ethical leaders. “In a world increasingly focused on profits, I felt it was very important to choose the school that focused on the human side of business while maintaining a high level of excellence.”

One motto from the World Bank particularly resonates with her: “Poverty has no borders, and neither does excellence.”

She commends IESE for the financial assistance it provides. “Students from economically disadvantaged backgrounds and with academic potential should not be shut out from pursuing their dreams and contributing to building a better world, just because they cannot afford it,” she says.
“By offering scholarships to talented students in diverse countries, the IESE International Foundation is magnifying the school’s global impact.”
Pham Quoc Dat
Hanoi (Vietnam) MBA

Without the scholarship he received from the IESE International Foundation, Pham Quoc Dat would not have pursued the MBA program due to the financial investment required.

“The GDP per capita in Vietnam is lower than in many countries,” Dat explains. “I don’t come from a background of wealth. The prospect of pursuing the MBA became possible for me only with the scholarship.”

Dat applied to the IESE MBA program after completing an undergraduate degree at Foreign Trade University in Hanoi, and a six-year stint as an entrepreneur, founding and leading two companies in Vietnam, including a communication agency and a start-up accelerator.

“There are a lot of MBA programs focusing on preparing people for investment banking and consulting careers; but, as an entrepreneur, IESE shared more of my values.”

Thanks to the financial assistance he received from the IESE International Foundation, he was able to carry out the program. Reflecting back on his life-changing MBA experience, a major highlight was interacting with other enthusiastic and helpful IESE graduates around the world, explains Dat, who also carried out an IESE-organized exchange program at the University of Chicago Booth School of Business.

“What I love is that IESE is diverse. The attending students from many countries bring new ways of thinking, new ideas all the time. I enjoyed the peer learning process. I now enjoy many new friendships; people I met at IESE remain super supportive.” Thus, along with a transformational experience, he has acquired an invaluable network of contacts.

Seeking employment in the midst of an emerging pandemic was a major cause for concern; but since Vietnam appeared to be remarkably resilient in the face of things, Dat chose to return home. He immediately landed a job as Head of Growth and Strategy in a technology subsidiary of one of Vietnam’s top performing public companies. While he’s happy to apply his IESE know-how in a new corporate setting, he still envisions himself as an entrepreneur once again in the future.

“By offering scholarships to talented students in diverse countries, the IESE International Foundation is magnifying the school’s global impact,” he says.

Through the financial support the foundation provides, IESE can become an “incubator of talented leaders who are going to make an impact in the world,” Dat added.
“Working with my team for one year on three cases a day has really shaped my thinking. It’s amazing how much you can learn in that setting.”
Anita Sharma

New Delhi (India) MBA

Throughout her childhood, Anita Sharma changed schools many times due to her father’s career in the army – an experience that critically shaped her personality. Thanks to the scholarship she received from the IESE International Foundation, she was able to participate in a life-defining program that opened her up to an even broader global perspective.

After studying electronics and telecom engineering in the south of India, she joined a consulting firm right away. This first professional stint gave her “a window for me to see the world outside of India” and also impetus for taking her next step – towards a career in social impact.

She realized an MBA would provide the best preparation and set her sights on an international destination.

Anita chose IESE after being “amazed” by the rankings and reviews of the school, and due to the funding provided by the IESE International Foundation. However, it was the case-based teaching method, and diversity of the students and faculty that cemented her decision to come.

“For example, my MBA team was comprised of nine different nationalities and backgrounds. Working with that team for one year on three cases a day has really shaped my thinking. I don’t just think like an engineer and consultant from India; I can also think like a marketer from Britain or a fintech analyst from Brazil. It’s amazing how much you can learn in that setting. This is one aspect of IESE I completely cherish,” she explains.

The financial support she received from the IESE International Foundation “tremendously reduced my loan burden,” she says. “Coming from a modest family background from India, it made a huge difference – both financially and psychologically.” It also made the task of explaining her choice of pursuing an MBA at IESE to her parents easier, she notes.

On a personal level, having the scholarship offered by the foundation gave her more confidence to pursue her dream of a career in the field of social impact. She is joining a consulting firm in London and is hoping to join the public and social sector practice in the office. In the longer term, she hopes to establish or head a social enterprise in emerging economies. “Many people don’t pursue a career in this area because they worry that they might not get a well-paying job after the program, and they will have a big MBA loan to pay off.”

Anita’s overarching goals include contributing toward reducing poverty among minorities and making basic healthcare a human right in developing nations. Thanks to the scholarship she received from the IESE International Foundation, the path toward fulfilling these aspirations has been made significantly smoother.
“Individuals who receive this commitment go back to their home countries and apply what they’ve learned. This is line with IESE’s mission and goals of improving decision making all over the world.”
Clinton Ofoedu grew up in Lagos, Nigeria, the oldest of six children in a middle-class family. His father is the owner of an import company, while his mom is a teacher at a school for young girls. Both of his parents were “very enthusiastic” about his aspiration to pursue a PhD at IESE thanks to initial support from the IESE International Foundation.

“In Nigeria, it’s quite hard to find people who choose an academic career because it requires a big financial commitment and the economy is not so strong. So you find a lot of people who finish university and then go into industry, because they have to support their families,” he explains.

After wrapping up the MRM last year, Clinton has embarked on his PhD thesis overseen within IESE’s Department of Entrepreneurship.

“I chose the Department of Entrepreneurship because I felt it would give me a lot of skills for offering solutions to problems and crises that a lot of small businesses in Nigeria, and all over Africa, face,” he notes.

Some 70% of businesses in Africa are informal businesses, which confront steep hurdles in terms of infrastructure and institutional challenges. His goal is to become deeply informed of the solutions needed to address these problems to help companies transition into the formal economy.

“So my focus is really on innovation and how to introduce competitive advantage,” he says, adding that he plans to return to Nigeria after the program to help African managers and business owners improve their firms.

“It would have been impossible for me to come to IESE without financial support from the IESE International Foundation, due to the time the program demands and the financial commitment,” Clinton says. “I was really grateful to the foundation for investing in me in that sense. First of all, because it helps me to be comfortable in Barcelona and focus on what is important, which is doing research that is publishable in top journals. If you don’t have that financial support, you’ll be struggling, and that will distract you from your goal. You won’t be able to focus on why you are here.”

By providing financial support to future scholars, the IESE International Foundation is extending the school’s impact in places where IESE does not have a physical presence, Clinton reflects. “Individuals who receive this commitment go back to their home countries and apply what they’ve learned. This is line with IESE’s mission and goals of improving decision making all over the world.”
“I am really grateful that I was admitted to IESE and to be given such a generous scholarship.”
Nancy Shiyao Bao – who completed her bachelor’s degree last year – had never been outside her home country of China before coming to IESE through support from the IESE International Foundation. The scholarship she received was instrumental in pursuing her dream of becoming a university professor.

Raised in a small town, Nancy’s father worked for the government in tax administration and her mother worked in a library. During the final year of undergraduate studies in Hong Kong, she made the decision to pursue an academic career and a PhD in management.

The scholarship offered by the IESE International Foundation to pursue the Master’s degree in Research Management – the first step toward the PhD – was central to her decision to apply to the school. “My parents supported me in my studies in Hong Kong and that was already a huge investment for my family. So when I decided to do a PhD, economic assistance was one of the most important factors.”

Having financial aid means that PhD candidates don’t have to go through the stress of paying for living expenses or juggle part-time jobs to fund their studies, she says. Instead, they can assign more time to research and becoming scholars and focus completely on their future careers.

For Nancy, this involves research targeted on moral behavior, responsibility and leadership. Specifically, she is interested in public perception of corporate scandals and under what circumstances people will judge corporate behavior to be negative. Her interest was sparked by the recent case of Luckin Coffee, which was accused of inflating profits and hiding losses, and the variance in views surrounding the company’s behavior. She is now running an experiment that tests the notion of whether harming outgroup members results in a positive reaction among some stakeholders.

As a future professor, Nancy says she seeks to inspire people to improve themselves. “Business professors can inspire business leaders, who can further inspire others – their employees – and create more advantage for the whole society.”

“I am really grateful that I was admitted to IESE and to be given such a generous scholarship,” she says of her support from the IESE International Foundation. “It has released my family’s burden and provided an opportunity to open up my mind and pursue my future career,” she says.
“The scholarship gave me a buffer to really have the full experience, to be able to travel when time permitted.”
Tomasz Watras
Gliwice (Poland) MBA

After spending most of his life in one place, Tomasz Watras visited some 16 new countries while carrying out the MBA program at Iese. Funding he received from the Iese International Foundation was indispensable in his quest to gain global experience, along with valuable management knowledge and skills.

“To be honest, when I was an undergraduate student, I didn’t think I would ever have a chance to move outside my country,” he says, speaking from Poland. “All of my friends are from around here and just moving to a different city seemed a bit challenging, not to mention moving abroad.”

Before the MBA, he had studied economics at the University of Economics in Katowice, earning a master’s degree in banking and finance. He next moved to Warsaw to work for a brokerage house as a junior trader. It was in Warsaw that, for the very first time, he met people with international careers and who had attended MBA programs abroad. “I started talking to them and doing my own research and I realized actually I could also give it a try at a top program. Why not?”

After more research, he realized that a one-year program would not be a good fit. Instead, he targeted a two-year program, plus he wanted to go to a top school. He discovered Iese during an MBA fair in Warsaw and decided to apply. Along with acceptance to Iese, he received funding from the Iese International Foundation.

The scholarship he received from the foundation was “crucial,” he confirms, and without it, he would not have pursued the program. “It gave me a buffer to really have the full experience, to be able to travel when time permitted, because all of that was covered by me.”

Iese’s global approach to management education was further enhanced by his many travels during breaks. In addition to visiting countries such as Hong Kong, India, Vietnam and Jordan, he completed overseas MBA modules in Rio de Janeiro and Shanghai, and had a summer internship that took him to Germany and the UK.

With the MBA and significant international experience now under his belt, Tomasz has set his sights on a career in private equity. Along his academic journey, he has also acquired his securities broker license, as well as earned his CFA (chartered financial analyst) credential.

“In terms of geographic location, I would like to move later on to Asia, preferably Singapore or Hong Kong. For now, I’m focusing on Europe. I may have to stay a year or two, but let’s see how it goes from here.”
“Funding from the IESE International Foundation ensures that everyone who really wants to be here can come.”
Student Scholarships

Lucas Saurin
Rio de Janeiro (Brazil) Master of Research in Management

The son of two accountants, Lucas Saurin was the first person in his family to study outside of Brazil and the first to pursue an academic career. After completing his bachelor’s degree in civil engineering, he participated in a business case competition at ISE in Sao Paulo, which triggered a major shift in his career goals.

Thanks to support received from the IESE International Foundation, he is now on the path to becoming a scholar and gaining the knowledge and skills he needs to fulfill this mission.

“I realized I wanted to be a professor at a business school and do research,” he explains. “I wanted to help the future generations of managers and influence them in thinking about their roles as managers in society.”

Managers “have a lot of power in their hands,” he says. “That’s why I wanted to come here. IESE’s PhD has the intention, through its program, to inform researchers about ethics and humanism and these influence our research.”

Now in the second year of the MRM degree, with funding provided by the foundation, Lucas is focusing on the topic of governance relations in public-private partnerships, which encompasses strategic alliances and inter-organizational cooperation.

“Public-private partnerships are an instrument for the social development in loads of countries, especially in developing countries such as my home country Brazil. A lot of infrastructure works happen through public-private partnerships. These have been very much studied from the angle of public administration and economics, but not much has been done from a corporate management perspective and that’s what I’m looking for,” he says.

Lucas, who is married and with a six-month-old child born in Barcelona during the pandemic lockdown, said the economic assistance he received from the IESE International Foundation was “absolutely essential” in pursuing a doctorate degree.

By offering scholarships, the foundation is opening the doors that otherwise might be closed to highly motivated scholars with families. “There might be people with families, with children, who wouldn’t be able to participate in the program in spite of their motivation. You might have people with better financial circumstances, but without such motivation. Funding from the IESE International Foundation ensures that everyone who really wants to be here can come, independent of their financial circumstances.”
Understanding how artificial intelligence (AI), big data and machine learning amplify the advantages of popular platforms is crucial in an age when the world’s most valuable companies (i.e., Apple, Google, Microsoft and Facebook) are doing just that.

A novel line of research is focusing on “data network effects,” whereby value keeps growing as more people get on board at the same time advanced technologies are being employed to amplify advantages. “The Role of Artificial Intelligence and Data Network Effects for Creating User Value,” by professor Harris Kyriakou (coauthored with former IESE colleagues Robert Wayne Gregory and Evgeny Kaganer), published in the prestigious Academy of Management Review in March 2020, lays out the concepts in play and why understanding and managing data network effects is increasingly important for competing in the digital age.

The research explains that data network effects are blurring previously well-defined industries. As a side effect, “winner takes all” conditions are more likely to arise. For example, Facebook and Google are constantly changing their underlying algorithms, while more users and suppliers are joining their platforms. As a result, they have platforms that are learning more as their data grows, making it harder for upstart competitors to keep up.

Professor Kyriakou explains three practical implications of his research that leaders keep in mind:

- First, many companies that traditionally had nothing to do with data or AI are now facing the stark challenge of developing capabilities pertinent to data processing, predicting, and making recommendations in order to stay competitive. As such, industries that were once well defined are becoming more fluid.

- Second, instead of exclusively focusing on structured data (e.g., transaction data), top management should pay more attention to the unstructured data coming from social media, crowds, open-innovation communities, photos, videos, etc. Because relatively few companies are now making use of unstructured data, those that are can gain a competitive advantage.

- Third, managers can look to data network effects to prolong the competitive advantages of traditional platform businesses, making their businesses more sustainable and less prone to disruption, as they can help them become more customer-centric by being better at anticipating needs through predictions, personalizations, and through the deployment of recommendation systems.

By way of example, we present results from three research projects supported by the Endowment that have been published during the 2019-20 academic year.

Artificial intelligence and data network effects

Outstanding Projects

By way of example, we present results from three research projects supported by the Endowment that have been published during the 2019-20 academic year.
The economic effects of COVID-19 on the world economy

In the first quarter of 2020, when the novel coronavirus outbreak was still novel, professor Nuno Fernandes looked at GDP predictions for the coming months with disbelief. The economic crisis caused by the pandemic would likely be much more profound (and asymmetrical) than most realized. Global recession already seemed “inevitable,” in his view.

In March 2020, Fernandes published the first version of his working paper, “Economic Effects of Coronavirus Outbreak (COVID-19) on the World Economy,” a paper that has been downloaded tens of thousands of times and was cited in media reports around the world (Dow Jones, Handelsblatt, etc.)

In the report, Fernandes showed that COVID-9’s blow to both supply and demand, its global reach and its origin in economic powerhouse China meant that historical comparisons with SARS or the 2008-09 financial crisis were not apt.

He noted that the depth and duration of the economic downturn would depend upon many factors, including the length of lockdowns. Other important factors included the success of measures to prevent the spread of COVID-19 as well as the government policies to alleviate liquidity problems in SMEs, to support families under financial distress, and to secure jobs.

“There is still time for global policymakers to have a coordinated policy response to the virus and its economic impacts,” Fernandes wrote in March. “However, time is running out.” He calculated that every extra month of shutdowns would wipe out approximately 2% to 2.5% of global GDP growth.

Fernandes joined IESE in September 2019 as a full professor in the Finance Department. He is also the Chairman of the Board of Auditors of the Portuguese Central Bank (Banco de Portugal), the author of several books, and was previously dean of the Católica Lisbon School of Business and Economics.
The bank business model in the post-COVID-19 world

With the COVID-19 pandemic inducing a deep global economic crisis, the second report in the Future of Banking series (published June 2020) took a close look at the bank business model under duress. The ongoing series is being produced by IESE and the Centre for Economic Policy Research (CEPR).

While so far banks have shown their resilience, partly thanks to major reforms after the crisis of 2007-2009, the crisis will put them under stress, the report concludes. Moreover, the traditional banking model was already being challenged pre-COVID by three trends: persistently low interest rates, enhanced regulation, and increased competition from shadow banks and digital entrants.

A central finding of the report is that the pandemic will accelerate these pre-crisis tendencies of the banking sector, as digitalization advances at a more rapid rate, interest rates remain low and growth stalls. The report also analyzes the policy and regulatory issues associated with the digital world, and suggests future policy options for reform.

Its key findings include:

- In the short term, banks may enjoy a revitalization of relationship lending as they channel funds to customers over the crisis and are protected by the safety net and access to deposit financing.

- While banks may be granted temporary regulatory and supervisory relief, digitalization will receive a large impetus, with new entrants challenging banks.

- Digitalization will further reduce barriers to entry and exit for the financial services market, but its long-term impact will depend on the market structure that prevails. The result may be that a few dominant platforms, which include both transformed incumbents and Big Tech firms, control the access to a fragmented customer base.

- Medium-sized banks will suffer since they cannot manage the cost efficiencies and IT investment crucial in the new environment. Consolidation could be an escape route for stressed banks but, in the post-COVID-19 world, political obstacles to cross-border mergers may resurface as states become more protective of their national banking systems.
The “Education for Jobs” (ExJ) initiative is a multidisciplinary project that aims to understand the professional skills that companies which require in the coming years.

Following up on its first (2019) report on the future of work and the professional competencies that will be needed by Spanish companies, the ExJ initiative launched its second report in mid-2020, offering “an action plan for youth unemployment post-COVID-19.”

This second report found that, despite high and rising unemployment, companies in Spain find it surprisingly difficult to hire the talent they need locally. In fact, 83% of the companies surveyed said they were having a hard time filling certain positions—11 percentage points higher than in 2019. Moreover, 77% of companies said there was a mismatch between the skills they need and what the university system provides.

Prepared by IESE’s María Luisa Blázquez, Roger Masclans and professor Jordi Canals, the report highlights that new business models and ways of working require a change in the required skills and attitudes. The report was featured in the national press (Expansion, La Vanguardia, Cinco Dias, El Economista).

The authors include a section with recommendations to promote the employability of young people by developing the right professional skills. They emphasize that companies are asking for more emphasis on dual vocational training and work placements. And jobs requiring knowledge of big data, artificial intelligence, robotics and digital marketing are currently the hardest to fill.