IESE

Alumni Magazine
No. 111 / October-December 2008

IESE Business School
University of Navarra

The 50th Anniversary: Lessons from History

50th ANNIVERSARY IESE


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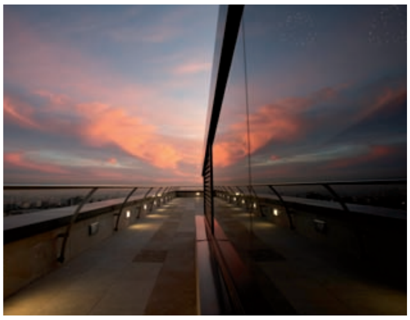

Features

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IESE in the Past, Present and Future Tense

IESE Business School is committed to the development of leaders who can have a deep, positive and lasting impact on people, firms and society through professionalism, integrity and a spirit of service. This is the school's mission statement taken from IESE's website. Though it may not be the most eloquent of phrases it is, we believe, a worthy aspiration. So let's continue putting it into practice, as IESE has been doing for the last 50 years, as those of you that have passed through our classrooms will no doubt attest.

In this issue of the Alumni Magazine, we discuss what makes up the essence of IESE. What better way to find out than by asking some of the school's veteran professors to describe how it all began and how they believe IESE should evolve? Each offers a personal vision grounded in insights they have gained during their extensive careers here at IESE. The outcome is an outstanding presentation of what differentiates IESE from other business schools.

That is, what is truly unique about IESE's perspective of management and how best to help business leaders develop in accordance with the key tenets of our mission: namely, to be better executives; to make their companies grow; to develop the full potential of their employees and to contribute to the creation of a better society.

Clearly, the future will be different as a new generation of professors and managers take the helm. It will also be shaped by the new crop of business leaders that come through our classrooms, along with societal changes. In any case, the future will be built on the solid foundations laid down during the school's first 50 years, the highlights of which are captured in the following pages.

Given that this special collection of articles forms the lion's share of this issue, we have had to alter the magazine's layout. However, you will also find news about recent events at IESE to mark our golden anniversary, along and other activities.

We senior members of faculty have enjoyed preparing this review of IESE's origins enormously. But life must go on and we need your support to continue making IESE a great institution serving business leaders, companies and society. In the meantime, thank you for all your help so far.

Antonio Argandoña
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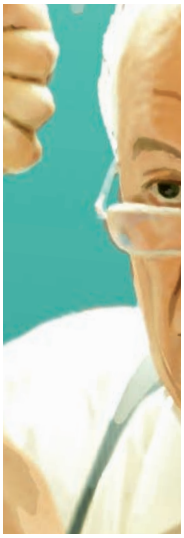
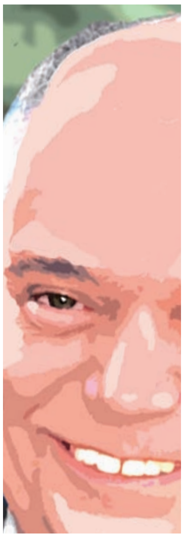




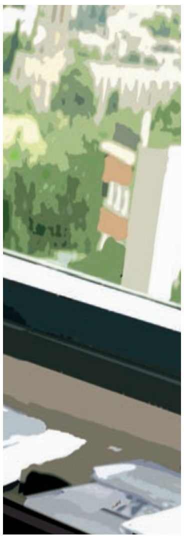
IESE IN THE BUSINESS ADMINISTRATION WORLD

Josep M. Rosanas, Professor of Accounting and Control and coordinator of this special issue of IESE's Alumni Magazine

This is a special issue of the IESE Alumni Magazine. It contains articles written by senior faculty, in celebration of IESE’s 50th anniversary. Collectively, we add up several centuries of service. Our experience equips us to maintain the spirit that propelled the school from the very beginning. And we hope to also somehow update its message. In some cases we focus on the school's aim and its evolution. In others, on its history. And sometimes we discuss both issues at once. My belief as coordinator of this issue is that we haven’t done that badly. Readers will find plenty of what IESE has preached through the years, what it still preaches today. We inevitably end up also delving a bit into the memory chest with our readers.

Articles in this special issue don’t get close to sharing a common theme, focus or development. They are instead reflections of the personalities of our contributors. But there is an underlying cohesion: we have shared and continue to share concerns and aspirations related to education and research, and we have tried to channel those ideas here. As coordinator of this issue, I am infinitely grateful to my colleagues for the enthusiasm they have poured into this project. This has simplified the process and made it fast and enjoyable. I deserve no

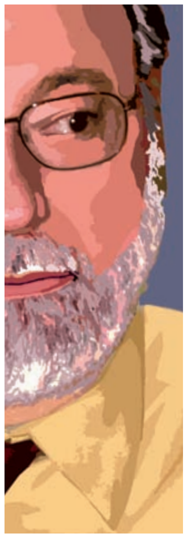












credit for this, then. The truth is that the project has pretty much coordinated itself. I would have been entirely superfluous, were it not for my role as proofreader, which makes me solely responsible for any mistakes that might have slipped through.

In this introduction I would like to first focus on how admirable it was to launch IESE at a time when management was so unfashionable that no one knew what the word meant. Conventional economics circles in Spanish universities even expressed a degree of disdain toward what we taught here. A renowned professor labeled what IESE taught as a "watered-down version of basic concepts for the semi-literate."

ECONOMICS AND MANAGEMENT

Antonio Valero, the first dean of IESE, formerly economics professor at the Engineering School in Barcelona, always stressed that what we were teaching at IESE was completely different to traditional economics taught in other schools. We tried to get a grip on real-life problems and give executives the tools to solve them. Economics, considered by many the king of social sciences, was a structured discipline with a substantial body of theory. In some subfields it was very well established and elegantly developed.

Management was more modest and less structured. But it had a much greater impact on the lives of millions of people and was the motor behind all economic activity. Spain's evolution cannot be understood independently from the development of management, in which IESE can claim a significant role. If any discipline has enjoyed success in recent years, in theory as well as in practice, it is doubtlessly management.

In fact, shortly after it was founded, IESE was already making a clear impact on the practice of management in its immediate surroundings, which back then was essentially Barcelona. Some of us veterans have observed how, in the late 60s and early 70s, when we went to a company for research or consulting work, it was obvious if someone in the company had studied at IESE. For starters, they would communicate in a common language. The task of creating this common language is much more important than we normally admit. Without a common language we cannot communicate. They would also analyze problems in a certain way and would demonstrate specific knowledge.

The school's impact extended beyond Spain, even in the early days. The school has had an international outlook from day one. It collaborated in the creation of various schools, first in Latin America and later in other countries. The following






"IT IS A WELL-KNOWN FACT THAT IESE ALIGNED ITSELF MUCH CLOSER TO HBS THAN TO CHICAGO, BUT RETAINED SOME UNIQUE PERSONALITY TRAITS."

institutions are proof of IESE's international commitment: **IPADE** in Mexico, **IAE** in Argentina, **PAD** in Peru, **IEEM** in Uruguay, **IDE** in Ecuador, **INALDE** in Colombia, **ISE** in Brazil, **ESE** in Chile, **Lagos Business School**, **Strathmore Business School** in Kenya, **TAYASAL** in Guatemala and the **School of Management** of the University of Asia and the Pacific.

A basic problem in management has to do with content. There are plenty of opinions about it, and some of them are incompatible. Some differences are ideological, while others center on what it is exactly. Other differences focus on the concept of human personhood and its practical implications. And yet others have to do with the types of analysis and solutions applied. It is therefore all the more remarkable that management has been so wildly successful, as confirmed by the number of students applying to study management at Spanish universities.

HOW IT ALL BEGAN

If we take a stroll down memory lane in Spain, modern management was introduced through IESE and another Barcelona-based business school, ESADE. It is commendable that what both schools did has led to a frenzy of interest in the discipline on the part of dozens of public and private institutions. It is true that previously, schools of commerce had gained ground in many areas such as accounting, for example. Their efforts helped improve management in Spain. But what was taught at these schools did not bear much resemblance to what was gaining in popularity around the world back then, what we could consider "the American concept."

In the mid-1950s there were no American-style business schools in Europe, let alone Spain. A widely known author of the period, Jean-Jacques Servan-Schreiber, in his book *Le défi americain*, claimed that the U.S.A.'s economic superiority was due to the existence of business schools there. This is where IESE entered the stage 50 years ago, an anniversary we are now celebrating.

Nevertheless, the American concept was not standardized and cohesive. Various schools had different starting points, and at times their teaching was considerably different. Some traits, however, were shared by all the major schools, such as pragmatism, perfectionism and the work ethic, attributes often regarded as quintessentially American. But there were also substantial differences in content, methods and conceptions. For the **Harvard Business School (HBS)**, the largest and best known school, the case study method was its program's cornerstone, in research as well as teaching, although experts at **HBS** are quick to point out that classroom cases and research cases are two very different things. On the other extreme, for the **University of Chicago School of Business**, the bedrock course was economics, which gave an entirely different focus to its approach. The next article will explore various concepts of this discipline in the context of some current debates.

It is a well-known fact that **IESE** aligned itself much closer to **HBS** than to **Chicago**, but retained some unique personality traits which are the main focus of this special issue of the magazine. It would be great if many of those initial traits — which are still valid today — would continue to exert the influence they had in their day.

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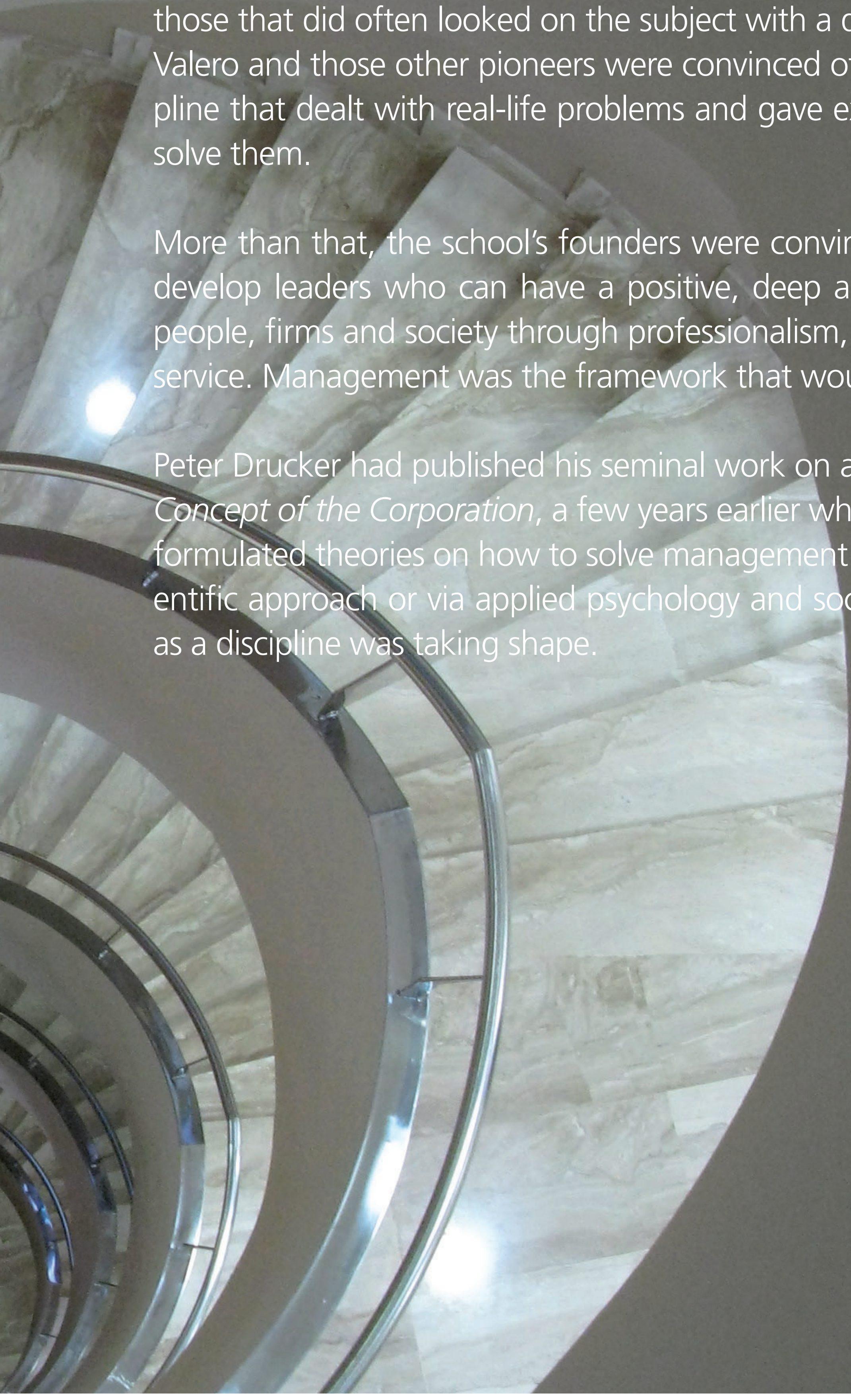
THE FOUNDATIONS

Half a century ago IESE's first dean, Antonio Valero, founded the school at a time when few in Spain knew what "management" meant and those that did often looked on the subject with a degree of disdain. But Valero and those other pioneers were convinced of the need for a discipline that dealt with real-life problems and gave executives the tools to solve them.

More than that, the school's founders were convinced that IESE should develop leaders who can have a positive, deep and lasting impact on people, firms and society through professionalism, integrity and spirit of service. Management was the framework that would facilitate this.

Peter Drucker had published his seminal work on applied management: *Concept of the Corporation*, a few years earlier while other scholars had formulated theories on how to solve management problems using a scientific approach or via applied psychology and sociology. Management as a discipline was taking shape.



The Evolution of Management

WHAT IS MANAGEMENT?

Josep M. Rosanas, Professor of Accounting and Control, IESE

This article examines the birth and evolution of the concept of management and analyzes what has underpinned IESE's vision of management from the outset.

The "American" vision of management that IESE has embraced since its foundation was far from uniform, as different schools had different points of departure. Right from the very start, one well-known author[1] described management theory as a "jungle" difficult to find your way in.

This was primarily because the early theories stressed one aspect of management, or one situation type in isolation from other variables within a company. Yet it was also because there were different schools of thought within the same field.

Therefore, it's worthwhile trying to clarify the essence of this American vision of management. In fact, today this clarification may be more important than ever as in recent years, management has undergone a new and powerful intellectual invasion from economics that has shifted things in the opposite direction, which some of us believe is the wrong path.

The original vision was based on four basic points that we will revist here, not for historical interest but because they are all valid today.

First we examine the definition of management found in Wikipedia: "in simple terms (management) means the act of getting people together to accomplish desired goals."[2]

We note that this definition does not even mention economics.[3] A classic author, Chester I. Barnard,[4] expressed it more roundly in one of the most often-cited excerpts from his work:

> *"Next to the question of authority as a cause for confusion concerning organization, I would place the course of the development of economic thought in the last century and a half and the exaggeration of the economic phases of human behavior which the early formulation of economic theory made far too convenient. (...) Adam Smith and his successors depressed the interest in the specific social processes within which economic factors are merely one phase, and greatly overemphasized economic interests (...) All of this meant, and still means in the current thought of many, that man is an "economic man" carrying a few non-economic appendages."*
>
> *"At least this I can assert: though I early found out how to behave effectively in organizations, not until I had much later relegated economic theory and economic interests to a secondary - though indispensable - place did I begin to understand organizations or human behavior in them. I do not mean merely that non-economic organizations - such as the political, the educational, the religious – are also to be found and are of primary importance; I mean specifically with reference to business organizations that non-economic motives, interests and processes, as well as the economic, are fundamental in behavior from the boards of directors to the last man."*

The classic concept of management, then, refers to ways to meet human needs, economic and otherwise, and getting people to cooperate in the process of meeting these needs. This is the first point.

LEARNING FROM PRACTICE

Secondly, the concept of management that IESE embraced from its inception includes the idea that it should contribute to resolving real, complete problems in all their dimensions, as opposed to theoretical, technical or simplified problems.

The case study method is clearly a good tool for putting this idea into practice. This methodology should not solely consist of teaching how a theory is applied, nor illustrating a good example, nor providing prefabricated solutions. Rather it should be a tool for teaching students how to resolve non-operational problems, that is, teaching executives to reason through whole problems that cannot be resolved via a pat theory or routine.

The argument that IESE Prof. Juan A. Pérez López used to employ, and that many of his successors have continued to subscribe to, was that although the best source of learning is real experience, you can also learn from simulated experience.

True, simulated learning has several disadvantages compared to real experience, which is always preferable. However, it also has several major advantages, such as the number of different situations that one can examine via case studies, which is much higher than the number of experiences one can actually have.

It is wise, therefore, to avoid two types of frequent mistakes: thinking that the case study method can replace theory, and thinking that theory can replace the case study method. When there are structured theories that are useful for resolving case studies (such as financial theory, which, it has been said on occasion, is like the physics of management), participants must have a grounding in them before sitting down to resolve cases. However, these theories cannot replace the case studies if we

1 Ver Koontz, H. "The Management Theory Jungle", *Academy of Management Journal*, December 1961.

2 This is the definition found on July 17, 2008, on Wikipedia. The Spanish version does not contain the word "management", and the definition for "economics and business management" (economía y dirección de empresas), which would be the closest equivalent, already has a much more pronounced economic bent than the English version.

3 It is interesting that even today the Spanish version of Wikipedia provides a much more economics-focused definition.

4 Chester I. Barnard, *The Functions of the Executive*, Cambridge, Mass, Harvard University Press, 1938, pp. 30-31.

"IESE DID NOT CONTENT ITSELF TO JUST OBSERVE WHAT THE ACADEMIC INSTITUTIONS WERE DOING BACK THEN. INSTEAD IT BROUGHT BUSINESS LEADERS ON BOARD TO EXAMINE THEIR PROBLEMS TOGETHER AND HELP THEM TO RESOLVE THEM IN A STRUCTURED FASHION."

are talking about resolving real problems, which in the business world are largely non-operational. There is no comprehensive theory that can resolve them.

Thirdly, an additional factor, which is almost a consequence of the two previous ones, is that IESE, similar to many of the American business schools, did not content itself to just observe what the influential academic institutions were doing back then. Instead, it brought business leaders on board to examine their problems together and help resolve them in a structured fashion.

Finally, the classic management embraced by IESE from the start originated from the standpoint of general management, which requires a broader analysis, as we shall discuss in the next section.

DRUCKER AND THE GLOBAL CONCEPT OF MANAGEMENT

Back at IESE's foundation, there was one author who was widely respected and accepted almost as the defining standard in the discipline: Peter Drucker. Drucker wrote what could rightfully be considered the seminal work on management: "The Practice of Management." In the prologue to the 1986[5] edition, he wrote:

> *"Management books, though only few of them, had been written and published before The Practice of Management appeared in 1954. (...) Still, The Practice of Management was the first true "management" book. It was the first to look at management as a whole (...) The Practice of Management thus created some thirty years ago what we now refer to as the "discipline of management. and this was no accident or good luck – it was the book's mission and intent (...) The Practice of Management has remained the one book which students of management, young people aspiring to become managers and mature managers still consider the foundation book. "*

Although it seems a bit boastful coming from the author himself, Drucker is largely right. In "The Practice of Management," Drucker presented an overall scheme of management that included almost everything that was later considered fundamental, but he presented it all together as opposed to merely component-by-component as most authors had done before. Curiously many of today's authors still do this, in this sense reverting to the pre-Druckerian lack of structure, as we shall discuss further on. That is, this broadly shared approach was the general management approach.

Let's get specific. Even though some of us may think that the books published prior to Drucker (the ones by Chester Barnard for example) lay down a solid foundation for academic development, they did not use the general management approach, or the global approach, as we may have called it years ago back when it simply meant seeing things as a whole. Before Drucker, no management book had begun by talking about business analysis as the basis of companies. Many of the previous books of the time took this issue for granted before starting. Business was what it was, and the idea was to administer or manage it, and to accomplish this you had to do things this way or that. In contrast, Drucker made business a variable worth analyzing and determining.

Drucker immediately went on to proclaim the need for managers, but not just any kind of managers. He called for independent managers with decision-making authority rather than decorative figureheads or managers limited to executing the behests and whims of the boss. And they had to be answerable, meaning that management had to be based on objectives.

Drucker then went on to talk about structure, workers and social responsibility. In the space we have here we cannot even begin to briefly summarize his ideas, but suffice it to say that he tried to integrate the notion of business with the notion of management, with workers and with the rest of society.

During the years following the publication of the book, talking about management meant talking Drucker. Obviously there were specific considerations that escaped the Druckerian approach, such as in the realm of accounting, production or even sales (in short, in any functional area). But as a general way of seeing things it was the only widely accepted theory, and it was also the common point of reference for the various opinions that might exist on specific issues. Additionally, since it had been so successful, it did not seem wise to oppose what Drucker had written, under the penalty of being viewed as someone outside the mainstream of modern thinking.

The truth of the matter is that it is difficult to take issue with Drucker on most of the basic issues for two reasons. First, because they are elaborated with a great deal of common sense. And secondly, because he gives relatively few specifics (although he does explain examples in substantial detail), meaning that if he is interpreted mistakenly it just serves to justify almost any position we might want to defend. Perhaps this is his greatest weakness, although if you try to capture the spirit rather than the letter of what he proposes, he leaves little room for doubt.

THE CURRENT LIMBO

In recent years, a split has emerged within the world of management. Nobody knows exactly what management means today. I mentioned above that from the very start the theory

5 Harper & Row, New York, pp. 7-12.

"THE PREVAILING FOCUS ON ECONOMICS HAS PLACED A GREAT DEAL OF EMPHASIS ON THE ECONOMIC VARIABLES OF 'BUSINESS' (OFTEN TO THE EXCLUSION OF ANY OTHER VARIABLE)."

of management was a "jungle" in which it was difficult to find one's bearings. But back then, "Drucker-style management" could serve as the glue that bound all the different techniques or ways of seeing it together.

However, the situation today is quite different. First, there is a certain ideological division, and "Drucker-style management" is no longer the standard. Secondly, the different specialties are virtually isolated from one another, hindering mutual understanding.

Finally, there are no major differences within each specialty because they are being ironed-out by the uniformity that current research has induced. Among other things, so-called "institutional theory" [the theory that organizations must conform to the prevailing rules and belief systems to survive] must have acted as the cause or consequence, but today it is difficult to find any differences in the realm of research in different specialties.

Very rarely are there original points of view that "break" with what is commonly accepted. There is more imitation than anything else, with a handful of exceptions. To some extent, **Harvard Business School** and **Stanford** still retain their own personality. Perhaps we could cite a few other examples. The rest are mere copies of what they and others do without original ideas or any attempt to question "conventional wisdom", which should, after all, be the main goal of any scientific investigation.

Today's most widespread consensus is based on the predominance of economics, of its assumptions and its methods. This is a serious mistake that departs from the American tradition and is curiously linked to the Spanish tradition in the faculties of economics, where the course called "Business Economics" was a minor, unimportant specialization within economics.

The prevailing focus on economics has placed a great deal of emphasis on the economic variables of "business" (often to the exclusion of any other variable. It has a purported "realism" in human issues, which consists of viewing humans as solely seeking their own interests, or *homo economicus*. It has bounded rationality and must maximize the value of the firm so that it produces a socially efficient result.

Clearly, there is an ideology underpinning this school of thought: a pessimistic view of human nature which sees humans as simultaneously selfish, limited in their value systems and capable of calculating everything that can be calculated.

The alternative approach, which easily dovetails with "Drucker-style management" revolves around any organization's (not necessarily a business) need for good management. Therefore, it does not aim to maximize anyone's value but to satisfy the various participants in the organization so that they remain a motivated part of the web that makes up any organization.

It views people as a fundamental element in this management and as the recipients of what organizations produce. In contrast, the more economics-oriented vision sees people as mere instruments that should be manipulated in order to achieve the organization's goals (to maximize value), which come above everything else. More operationally, management decides how to achieve this maximization of value and imposes this approach on the human instruments that will put it into practice.

The first vision has of *homo economicus* been described as "cynical" and postmodern[6] while the second is much more "humanistic." Curiously, if you ask a representative of either of these camps about Drucker, you will normally be regaled with eloquent praise that, at times, misses important parts of his thinking.

It is a shame that Drucker has lost ground as an authoritative source. If you quote Drucker to members of the younger generation, they tend to shrug their shoulders or let a smile creep over their faces, as if they were hinting that the Jurassic Period ended eons ago. However, most of Drucker remains valid today in spite of some vagueness and ambiguity. But he has to be studied in his entirety, not just in bits and pieces or random sentences that omit what he views as important. Business is important, true, but only with managers operating with autonomy and self-control, and with motivated, involved workers.

But the main risk to our society is not the humanistic stance but the theory of *homo economicus*, principally when it is taken to its extreme consequences, as seen in the matter of financial incentives, which were at the root of the financial scandals in recent years. Drucker, in contrast, proposed that we take certain non-profit organizations as our model, for example the Girl Scouts, as institutions in which there is the idea of a mission, outstanding transmission of it to everyone in the organization, and direct motivation by the members to fulfill the purposes of the organization. We would be much better off listening to him.

6 That is how it was described by the organizers of the conference on Management and Humanism that was held in Venice in September 2003.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KNOWLEDGE, LEARNING AND COMPETITIVE ADVANTAGE

WHAT KIND OF MANAGEMENT EDUCATION DO WE NEED?

Rafael Andreu, Professor of Strategic Management and Information Systems, IESE

In today´s knowledge economies, companies increasingly differentiate themselves by their employees´ expertise and know-how. This article examines the competitive advantage of managing human capital and its implication for the organization in terms of staff commitment and development.

"TODAY'S COMPANIES MUST RELY MORE ON INNOVATION BECAUSE PHYSICAL ASSETS ARE RARELY A DIFFERENTIATING FACTOR, THUS ENHANCING THE IMPORTANCE OF HUMAN CAPITAL AND KNOWLEDGE."

Developing and effectively using a company's own knowledge, or idiosyncratic knowledge[1], is increasingly vital in developing sustainable competitive advantages in today's "knowledge economies." We have moved away from the "traditional" manufacturing company, which was focused on tangible assets and the consequent importance of scale, vertical integration and a high degree of control over employees.

In this type of company, the separation between owners and executives gave rise to the "agency problem," approached from the hypothesis that people (owners, executives and employees) are selfish beings driven by a desire to maximize their material benefit (*homo economicus*)[2].

In contrast, today's companies must rely more on innovation because physical assets are less of a differentiating factor, thus enhancing the importance of human capital and knowledge. It is also commonly accepted that when this knowledge is specific and rooted in the corporate culture and values, its potential to generate differentiation, results and "inimitability" is even higher. This knowledge exists naturally only in the company that has cultivated it and its value is not transferable.

KNOWLEDGE AND LEARNING

Developing and using knowledge, however, always entails learning, especially *individual learning* and therefore *individual effort*[3]. Committing effort to learning involves a decision that each person must make. Within an organization, this also involves basic factors in business management, such as compensation and motivation. Today, for the reasons mentioned above, this is increasingly prominent on managers' agenda. We view this as a fortunate circumstance because, as we shall see below, it requires us to (re)consider the essence of the profession and effective practice of management.

From the *homo economicus* perspective, we can deduce that in reaching a decision about making the effort to learn, employees would do well to "protect themselves" from the companies' likely opportunistic behavior. Furthermore, companies should try to "convince" employees that they are not going to engage in such behavior. Eventually, some employees will be willing to personally invest in acquiring knowledge, accepting the risk of not leveraging its full potential.

In any event, management is responsible for designing its competitive position and for "making it work" in order to get "superior sustainable results." In today's competitive setting, this means making sure employees learn so that they can develop idiosyncratic knowledge. Since the nature of this knowledge means it cannot be "bought on the open market," this responsibility affects a series of basic considerations, such as how the company's goals fit in with its employees' values and rights. The question is not detached from the personal and professional development of those who work with the company at all levels. And, as we shall argue below, it requires the company to go one step further than the concept of *homo economicus*.

THE EFFORT OF LEARNING AND ITS COMPENSATION

Why should employees be willing to contribute to the development of their companies' idiosyncratic knowledge? Some use the "employability" argument. In other words, "this will give you more chances in the job market should things go badly." Generally speaking, this argument is not very logical because in fact it prepares the employee to leave the company after it has invested resources in the employee's training. And it is particularly inappropriate in the case of idiosyncratic knowledge.

In short, if the knowledge to be acquired is important because it will help the company develop competitive advantages, for these advantages to become a reality, employees must *remain* in the organization. This leads to the issue of compensation in the broad sense. What can be done to compensate employees to do their part in the learning process and remain in the organization?

There are several problems with an exclusively monetary compensation in keeping with the *homo economicus* hypothesis. This thesis implies, for instance, that the "level of investment" in idiosyncratic assets that an employee decides to make depends exclusively on the income they expect to "appropriate" in exchange, which brings us to the realm of incentives. According to this hypothesis, any incentive designed to encourage an employee to invest in this type of asset must be in line with what the employee perceives to be the risk of the expected result of the investment. The outcome is that rewards designed to compensate the employee for this risk are:

1 For our purposes, the "peculiar character and temperament of an individual "(Casares), or "features, temperament, character, etc. distinctive and inherent in an individual or group (RALE Dictionary).

2 To the extreme that suggesting this perspective, as it became widespread in both the professional setting and in academia, might have also been the cause of this selfish behavior, thus reinforcing a self-fulfilling prophecy (Ferraro, Pfeffer and Sutton 2005) in which considerations of honesty, veracity or equity were solely used to achieve the ultimate goal of material gain, manipulating personal interactions and forcing them on the side of whomever had the most power.

3 As a result, in order to analyze the phenomenon we are concerned with we must consider specific individuals and their interactions in the setting of the organization, understood as "the formal and informal allocation of decision (or property) rights and the mechanisms that enforce such rights" (Jones 1983). This is impossible when undertaken from the perspective of "market transactions", which are anonymous by nature, as is customary in most executive action theories.

"MOTIVATING AND COMPENSATING THE LEARNING OF IDIOSYNCRATIC KNOWLEDGE SOLELY VIA MONETARY INCENTIVES IS NOT SUFFICIENT. THE CULTURE AND VALUES OF THE COMPANY MUST BE EXPLICITLY TAKEN INTO ACCOUNT."

a) difficult to implement, because it is virtually impossible to quantify the associated risk;[4] and

b) a source of additional cost for the company which rises with the risk; this can deter companies from assuming this cost and thus being unsuccessful in getting employees to assume the risk.

Exclusively monetary compensations also have more fundamental difficulties. One is that adopting them implies accepting that everything can be reduced to monetary terms. But when investing in idiosyncratic knowledge, employees will end up comparing their values with the "essence" of the company. Reducing this to monetary terms is not very realistic. In fact, we recognize this when we use "compensation packages" that try to "reward talent" by including aspects that cannot be converted into an "equivalent" monetary value[5].

That is, if we talk about developing idiosyncratic knowledge, we cannot compensate the associated learning effort simply through a monetary bonus, precisely because the learning target is not neutral or bias-free but something strongly aligned with the essence of the company. For this reason, the employee's values and principles are relevant. Because, as Hartman says, "One way to choose to be a certain sort of person is to choose to be in a certain sort of community", indicating that people decide to join certain communities (in particular, a company) partly because they want to develop certain personal values. And they are willing to incur opportunity costs to achieve this ("honesty entails opportunity costs," in Hartman's words). Or to put it differently, an employee will decide whether or not to incur these personal costs based not just on a monetary bonus. Depending on their personal circumstances, they will try to ensure that at least part of the knowledge acquisition is consistent with their values, regardless of the size of the bonus[6].

Therefore, we can conclude that motivating and compensating the learning of idiosyncratic knowledge via monetary incentives is not sufficient. The culture and values of the company must be explicitly taken into account, because they at least partially determine the decisions that employees will take. As a consequence, this issue becomes a truly genuine responsibility of the management profession.

Below we propose an incentive scheme that makes it easier to reconcile the organization's values with those of the employees. The result yields a virtuous circle, increasing commitment and trust, which in turn can increase the company's performance in the long term through its enhanced knowledge-based potential.

The scheme also suggests a way of reconciling the employees' interests and those of the organization. Naturally, this shifts the traditional, economics-oriented conception of the company to a more humanistic vision that is consistent with the ideas of Prof. Juan A. Pérez López.

THINKING ABOUT SOLUTIONS

If exclusively economic incentives are not enough, what do we need?

One obvious way of tackling the problem consists of trying to attract, hire and develop employees whose values are consistent with those of the company (and vice versa, as will tend to occur). This has implications for the hiring process, for professional development and for career planning.

An alternative consists of explicitly recognizing a richer motivational scheme, and to link the incentives to learn with the results derived from exploiting the resulting idiosyncratic knowledge, *before turning them into financial results*[7]. Thus, an employee might have access to the results "at origin," check their consistency with their own principles and values, evaluate their "quality," and therefore reinforce (or not) their willingness to continue being a member of the organization and continue to learn because "they perceive that it helps them progress and become 'the type of person' they want to be.[8]" From the operational standpoint, this idea might be implemented in several ways, with the common feature of contributing to improve what could be called employees' "quality of corporate life."

An example might help clarify what we mean. Imagine an incentive to improve the company's relations with its suppliers. In this case, we could allow certain employees to develop these relationship from a *personal* perspective ("delegating" them, in other words, yet not just for reasons of short-term efficiency but also to develop the quality of long-term relationship). Or, if the improvement consists of saving time in a process, we could compensate the employees involved with part of this time for them to use as they wish, thus improving (via access to the results "at origin") what we call their "quality of corporate life."

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4 Especially if one tries to do so by drawing up specific, detailed contracts, which at least partly contradicts one of the basic reasons for "getting people on board a company project as members of the organization" instead of searching in the market and getting their knowledge based on standard transactions, something intrinsically impossible with idiosyncratic knowledge.

5 Dimensions, it is understood, different from the ones that are justified simply because they enable one to have a higher purchasing power based on aggregating the employees' individual needs, or benefiting from some type of tax perk which is by nature artificial and arbitrary. We are referring to "interdependent components of a compensation package via the motivational and preferential structure of each individual".

6 Obviously assuming that they do not have a an overwhelming need for the bonus; that is, that the company does not have them "enslaved".

"A GENUINE RESPONSIBILITY OF THE MANAGEMENT PROFESSION IS TO DEVELOP THE ORGANIZATION'S MEMBERS LEARNING IN THE BROADEST SENSE, INCLUDING THE INTERACTION BETWEEN THEIR VALUES AND THE COMPANY'S, ESPECIALLY WHEN DEALING WITH IDIOSYNCRATIC KNOWLEDGE."

This approach has another consistent property. In order to benefit from this type of incentive, employees must *remain* in the company, which then closes the circle. Employees join a company because they anticipate a good fit with its values, and by participating in activities that reinforce this fit, they realize that they can improve it if they remain in the organization and persevere with the associated learning process. The result, then improves

a) the development and use of the corresponding idiosyncratic knowledge, yielding as a result competitive advantages based on this very knowledge, and

b) the company's appeal to employees, thus closing the circle.

IMPLICATIONS AND CONCLUSIONS

We can glean at least two implications from the above discussion. One is well known but important. A genuine responsibility of the management profession is to develop the organization's members learning in the broadest sense, including the interaction between their values and the company's, especially when dealing with idiosyncratic knowledge.

The second is perhaps even more basic. Unless the knowledge attained is coherent with the employees' values (and even more so in the case of idiosyncratic knowledge), generally speaking we cannot assume that they will be willing to even consider making the personal investment to learn. However, if it is coherent with their values, they will most certainly make the investment. And the result will be better for everyone than if we "force" the investment by power, coercion, manipulation, trickery or other means.

Furthermore, it is clear that we are not talking about *operational* learning but the kind that develops commitment and trust, which has a great deal to do with the value fit that we have discussed and with the employees' resulting personal development and growth. (Without this personal growth, employees will probably leave the organization and seek better alternatives). Within Prof. Pérez López's conceptual framework, this is congruent with the idea of "developing the unity of the organization," and it underscores managers' responsibility for their employees' development in terms of the values that make the entire system develop in the same direction.[9]

To sum up, let us once again consider the reason for developing idiosyncratic knowledge. It lays the foundations for sustainable competitive advantages. Behind this goal is a fundamental issue of the personal development of those who invest the effort to gain this knowledge. When this development is consistent with the values of the people involved, a virtuous cycle is started that increases commitment and trust, thus making the company even more competitive and enhances its potential for achieving results in the long term.

This argument is not new. But taking into account the competitive pressures of today's companies, which must increasingly seek differentiation through its knowledge base, we reach the interesting conclusion that we must recover the essence of the *management profession* and what it means to exercise it effectively and responsibly. It is also wise to do this because it is actually consubstantial with the quality of the management process, necessary for working as a manager in the best way possible with the goal of achieving these results.

WHAT ABOUT BUSINESS SCHOOLS AND IESE IN PARTICULAR?

The above, of course, has implications for those of us with the vocation of educating future business leaders. IESE has always taken this approach into account in its mission. Today, many are moving in the same direction. Leavitt, for example, underscores this in a recent article:

> "*Currently, our business schools encourage students – implicitly and sometimes quite explicitly – to envision the treasury troves of wealth, status, and "success" that await them out beyond their degrees. But shouldn't we teachers and trainers also be forewarning them of the enervating, often disillusioning psychological traps that lie out there? Shouldn't we be pointing out, too,* ***the perhaps irreconcilable conflict between those organizations' values and the ones our parents taught us? Our universities purport, after all, to be truth-seeking institutions, not pre-recruiters for corporations.*** *Sooner or later, our students will surely encounter a host of organizational situations that will try their souls and test the depth of their decency – unless our systemizing*

7 The most common scenario when talking about incentives is linking them to financial results (which, tellingly, are simply called "results", as if they were the only ones). If we consider another type of result, we are acknowledging that a company might have goals that are not strictly economic or "on the short-term profit-and-loss account". By setting goals in terms of, for example, the development of idiosyncratic knowledge on which future competitive advantages can be based, one can think about getting long-term economic results (otherwise, the very concept of strategy would be meaningless).

8 A fundamental issue underlies this, even though it falls outside the scope of this article: It has to do with how human beings develop moral virtues, which includes the discovery of how good (or bad) an action is after doing it and experiencing its consequences, in the sense of "giving rise to a 'better person'" according to each individual's values.

9 There is another underlying core issue here related to the "quality" of these values which falls outside the scope of this article. However, it is closely related to what "improve as a person" means to each individual, which ultimately and inevitably leads to ethical and moral considerations, as mentioned above.


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"TODAY'S COMPANIES MUST INCREASINGLY SEEK DIFFERENTIATION THROUGH THEIR KNOWLEDGE BASE."

educational efforts will already have erased their rectitude. They will encounter cruel and incompetent bosses, arbitrary and unjustified punishments, overly competitive peers, hurtful family/ organization stresses, and wrenching decisions that seriously affect the lives of their "subordinates." (Author's emphasis added)

In today's demanding environment, we can only hope that IESE's humanistic mission, with the contribution of the conceptual framework set forth by Prof. Pérez López (our own idiosyncratic knowledge) will continue to provide us with both a foundation for distinguishing ourselves as a school and an appealing field of endeavor in which we can all, both scholars and professionals, continue to develop. This will require effort, just like it has all these years, because it is hard work. But it is still worth it.

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THE EVOLUTION

As IESE went forward, the school's professors continued to work side-by-side with business people, identifying their needs and responding to them. Faculty developed tools on how to make better decisions; how to manage people in organizations; understand the role of economics in business, and how to facilitate the production process.

Faculty's close contact with the programs' participants allowed them to hone their offer in response to their constant feedback. But always in accordance with the school's guiding principle of seeking to transmit a spirit of service, placing a special emphasis on human, ethical and social aspects of business management

PEOPLE-ORIENTED MANAGEMENT STYLE

SOME KEYS ON PEOPLE MANAGEMENT

Prof. Sandalio Gómez, Managing People in Organizations, IESE

The job of managing people is one of business leaders' most difficult and complex tasks. How has this discipline evolved over the past half-century? And how can a company become people-oriented?

"PEOPLE DO NOT DEPEND ON THEIR MANAGERS, BUT RATHER MANAGERS DEPEND ON THEM."

In 1965, Profs. Josep Faus and José M. Rodríguez hired me as a research assistant in IESE's human resources department. Since then, I have worked in two other departments before returning to my first department, which is now called Managing People in Organizations. During my absence, something occurred to the department transforming its approach and content: Professor of Accountancy and Control, Juan A. Pérez López, came on board. He turned out to be much more than just a professor. Simply put, he was an "educator" in the fullest sense of the word. I had the chance to first learn and then to work with him for many years, and I take this opportunity to express my most heartfelt gratitude for everything he did for IESE, and specifically for what I learned from him.

In 1977 I moved to the new Department of Social and Economic Analysis for Management that included Profs. Ocariz, Argandoña, Toribio and Domínguez del Brío. Our aim was to respond to the numerous economic, social, political and labour challenges arising during the period of transition to democracy in Spain. Then in 1985, Dean Carlos Cavallé asked me to create a new department from scratch, the Department of Personnel Management and Labor Relations. Over time, this department was reinforced by Profs. Carlos Sánchez Runde and Javier Quintanilla.

Throughout my career at IESE, I have reflected on the subject of managing people. Almost without realizing it, I ended up by identifying so much myself with this exciting field that it forms part of who I am now. Hereby, I briefly present some of the ideas that I consider the most relevant ones.

There is almost an universal agreement that companies are made up of a team of people: some provide the business idea, others the capital, others the management. Everyone contributes to the teamwork spirit with enthusiasm and a desire to provide society with worthwhile products or services. During this process, these same individuals seek to earn a living (material realm), and to do a job fitting in with their abilities and enabling them to develop (professional realm) and feel truly useful and valuable (values realm). Thus the individual constitutes the core of the business activity and its most valuable capital/asset.

Is it really so difficult to understand this palpable reality? Conceptually not, but when putting this into practice, we can see it is complicated. Some internal mechanism fails when putting these ideas into practice. Why? The causes may be related to the intrinsic difficulty of the manager's job, a lack of personal consistency, a lack of leadership, excessive pressure from the balance sheet or the absence of a real sensitivity to human issues.

KNOWING HOW TO LEAD

Managers are often the least prepared in terms of leadership skills. All too often, the managers's technical ability or the need to reward, promote or compensate are given more weight than their real ability to lead people. It is easier to think that people should just act as they are asked without acknowledging that people have free will and do not respond like robots. The key lies in the "direct boss" being aware that you have to win people's allegiance. Only then they will open themselves up to others and act in line with this conviction.

"Leading," said the Spanish philosopher José Ortega y Gasset, "is not simply convincing or simply forcing. Rather it is a delicate mixture of both." In our jargon, we could say that it is a synthesis of authority and power, a balance between the informal and the formal aspect, between what is spontaneously earned and what is formally granted. Underestimating either of these two facets will lead sooner or later to failure.

There are some classic cases studies that we teach at IESE's programs illustrating this. For example, "Tony Roderick," who considered himself a brilliant executive, was a disaster as a person and as a manager. To his surprise he was incapable of empowering others and instead imposed his standards. In short, he just thought about himself and was an unknown entity to his own family as well. He realized that he spent his days repeating a mantra: "love yourself with all your heart and put others at your service." Or the case of "Bob Knowlton," which reveals the weakness and insecurity of a technician when he has to lead a group of people. This insecurity creates phantoms that he is not only unable to control but even that he amplifies until he "beats a hasty retreat," brimming with complexes and transferring them to his team.

Executives can only transmit what they are as a person to the people managed. Self-assurance tempered with realism and trust in others tempered with due caution are the characteristics that should stand out in a manager. Reflexive strength enables one to know himself, while transitive strength makes possible to know others and what you can ask and demand of them. It is a blend of realism and idealism, of objectivity and magnanimity. "Keep your nose to the grindstone but reach for the stars." Objectivity in what we are and magnanimity about what we can become. Talking about the importance of trust as the indispensable personality trait of a leader, U.S. General Norman Schwarzkopf said: "Commanding is a vigorous mix between strategy and trust. If you have to just keep one of them, give up strategy." Holding on too tightly must give way to trust others, which is a necessary step for delegating and a surefire source of success and learning. Control without trust is not efficient.

We forget that there are factors that the manager cannot empower. What the direct supervisor doesn't do, nobody will do for him. He is the only one who is able to listen to and motivate the staff. To do this, first of all he has to avoid introspection and open up to others, respecting and valuing

"THE JOB OF MANAGING PEOPLE IN COMPANIES IS UNQUESTIONABLY THE MOST DIFFICULT AND COMPLEX OF ALL TASKS THAT THE MANAGER MUST ASSUME."

people so that they can feel being a crucial part of the mission. We get this point when we consider that people do not depend on their manager, but rather managers depend on them. With this conviction, the management's perspective changes. Training, professional development and motivation rise to the top of the manager's list of concerns. The better the team and the more involved it is, the easier it will be to reach goals.

THE HUMAN RESOURCES DEPARTMENT

Managers cannot outsource this responsability to the "Human Resources" (HR) department. It is often thought that when the company has a strong HR department, staff issues are dealt with appropriately. It seems more like the managers' desire to offload an uncomfortable responsibility. However, a people-centered management style needs support, a framework for action and policies that give consistency to managers' actions and helps them successfully perform their jobs. The opposite would mean falling into chaos and incessant arbitrariness. This, then, is where the HR department should emerge and act as the administrator, without taking over the managers' responsibilities.

All the media hubris around the human resources department, or whatever it is called, is devoted to promoting trendy techniques, invented by experts and consultants in need of new business. The human resources department must be part of the company and its mission, and it must simultaneously guide and give "human" support to business decisions. As long as they help and complement the key aspects of the managerial mission, techniques are welcome, as long as one is aware that they are not a cure-all for resolving problems.

It is essential that the right atmosphere is created from the top of the company downward, an atmosphere which enhances the job of managing people and encourages the "human factor" in the company to truly be taken seriously. Short-term needs, a lack of mastery and balance among management and a poor use of the HR department will undermine this opportunity time and time again. In these cases, people will be dispensed with according to the profit-and-loss statement, training plans by the need to cut costs, with the risk of losing years of knowledge in a matter of minutes. In short, this is when the company's "culture" is truly put to the test, not in times of economic windfalls but when problems accumulate and management has to deal with conflicts.

CLOSING REFLECTIONS

A final note: a people-centered management style is much harder to acheive than a task-based style. It is easy to fall into the trap of thinking that concern for people leads to a soft style that tries to please everyone so that the positive atmosphere is not destroyed, that remember us the former human relations approach. Nothing could be further from the truth. Listening to people requires a major effort that very few people manage to do successfully; getting to know them, motivating them and getting them to give their all is a hard job, and often quite an uncomfortable one. Saying things at the right time, respectfully but clearly, is much more difficult than letting yourself be carried by events. And, to top things off, practicing what you preach requires constant discipline and effort that tests maturity and personal balance. In short, the job of managing people in companies is unquestionably the most difficult and complex of all the tasks that the manager must perform.

Through our general management programs, participants ponder each of these issues. They do not often expect to gain such profound insight into managing people. They instead come in seeking to expand their technical knowledge and learn different ways to boost their profit-and-loss statement. They often express their surprise and gratitude for how helpful this knowledge is from a practical standpoint, both professionally and personally. This contribution is one of the most characteristic features of IESE and will remain so in the future.

DECISION ANALYSIS

BETTER DECISION MAKING

Prof. Juan C. Vázquez-Dodero, Accounting, Control and Business Ethics, IESE

Professional managers are constantly making decisions. Therefore a sound analysis of the situation at hand is crucial before taking action. This article offers an overview of the genesis and content of one of IESE's main tools for developing the habit of creative and organized thinking.

"JUAN ANTONIO TAUGHT US HOW TO NAVIGATE IN THE MIDST OF THE UNCERTAINTY OF THE WHYS, OF SOMETHING THAT MIGHT BE ONE WAY OR THE OPPOSITE, OF UNDERSTANDING IF SOMETHING IS HEADS OR TAILS, FRONT OR BACK."

Case Analysis (CA) or Business Situations Analysis/Business Problems Analysis (BSA/BPA) was a course invented by Professor Juan A. Pérez López. While engrossed in his Action Theory, Pérez López decided to adapt certain concepts of the General Systems Theory to the common practice of confronting problems he referred to as "non-structural" or non-operative, i.e. those problems which are not technical.

In all fields there are knowledge professionals, whom we call academics, who are dedicated to research and teaching. There are also action professionals who are dedicated to improving reality by "doing". A medical professional might be a studious doctor who teaches, or he/she might be what we call a "clinician". Likewise, politics has knowledge professionals as well as action professionals, and the world of business management is also full of academics, executives, entrepreneurs and others.

Management professionals endeavor to transform reality. To achieve this, they must do things, and this requires decision-making. However, reality is one thing, while the degree of understanding we have of that reality can be partial and/or limited.

A distinction has long been drawn between "technical" or structured problems and "prudential" or non-structured problems. A technical problem is one in which knowledge is so formalized and mechanical that it is likely to be resolved by the corresponding expert in such a way that both the solution and its process are a “given”. For example, in this day and age an appendectomy is an entirely technical problem. Similarly, if a car's engine does not start, two good mechanics will make a series of virtually identical checks. Once the problem is identified, they will both implement the same specific solution in order to make the motor function properly.

Unfortunately, not all problems have a tried-and-tested solution. Despite advances in techniques for solving many problems, knowledge about the true nature of these problems remains confusing, uncertain and partial at best. Such problems, which we call "discretional" or "prudential", require definition, study, and resolution processes that are fundamentally different in terms of the circumstances that shape and surround them. They also vary according to the decision-maker, whose chief interest is implementing the most appropriate and feasible action plan possible.

Decision-making in an uncertain environment with limited knowledge requires specific training. It is precisely this senior management content and training that IESE strives to deliver, not because all decisions require it but because all decisions should at least be approached as such.

PROFESSOR PÉREZ LÓPEZ AND THE BSA/BPA "TEACHING UNIT"

Prof. Pérez López developed a course that was initially designed for the MBA program but which made clear references to what Harvard considered the "Administrative Point of View". However, Pérez Lopez's ABP course differed substantially by shifting from something more or less conceptual to something that was entirely practical and methodological. His course explored the art of thinking in an organized fashion to produce actions with breadth, depth and scope. Specifically, this meant thinking more broadly as a product of illuminating and considering the problem’s most relevant features, thinking more deeply as a product of a detailed, accurate breakdown of the problem’s meaning and of each of its relevant factors, and thinking with greater scope as a product of anticipating the consequences that each of those factors might have on a future action. Therefore, in a way the BSA/BPA course content provides pure methodology and training in the dialectic on how best to understand “the way it is” and develop possible ways for improvement. This proves particularly useful for graduates with limited experience, although it can also be beneficial for executives with years of experience.

At IESE, this subject is "administered" by a team of professors that, though not actually a department in and of itself, was established more than 25 years ago as a "teaching unit" composed of professors from the entire faculty. The Department of Accounting and Control is particularly well represented, as it is here that the concept began. The Strategic Management Department and the Marketing Department are also well represented, although the unit is open to any business school professor who wishes to participate.

The unit’s objectives are to cover IESE’s programs as stipulated by its directors and serve as a "testing and training ground" for instructors (perhaps more apt here than “professors”) in the case study method. The unit also publishes technical notes and case studies that naturally encompass the widest possible variety of business and real-life situations.

The BSA/BPA has had a major impact on all of IESE's sister schools. It is a highly successful and popular course featuring an expert teaching community of no fewer than 40 professors.

In short, what Pérez López contributed was the well-known problem consideration scheme used to improve the quality of decisions on non-structured problems, which I will summarize below.

WHAT IS THE PROBLEM?

By "problem" we mean any undesirable or improvable situation that requires a decision. Non-structured decisions are characterized by their habitually erratic diagnoses due to the fact that not all symptoms are clearly and precisely identified. The common denominator of these decisions is that their content is "murky”. This requires a certain effort when trying to "define the problem" because we are usually seeing just the tip of the iceberg. For example, a small demonstration on a bottling company’s loading dock during a peak production month, which could be seen as the formal or explicit problem, might actually point to a more entrenched problem. This

"MANY OF US WHO HAVE BEEN FORTUNATE ENOUGH TO TAKE THE ABP COURSE HAVE EXPERIENCED A PROFOUND CHANGE INSIDE OUR UNIVERSITY MINDS IN TERMS OF OUR ABILITY TO CONTEMPLATE AND INTERPRET WHAT WE HAVE BEFORE US, BOTH PROFESSIONALLY AND PERSONALLY."

underlying problem might actually be a protest over a misunderstood or unfair decision or a first warning about the next round of collective bargaining. Here, it is essential not to misdiagnose the problem, for different diagnoses will lead to different courses of action. If we get the diagnosis wrong, not only will matters not improve, they might even get worse.

"Technical" decisions are characterized by a particular set of symptoms that precisely defines a particular problem, which in turn has a specific solution in a given manual. However, in non-structured problems that require discretional or prudential decisions, identifying the problem is a tentative step by nature. As such, once all the criteria and circumstances defining the problem have been considered, we must then decide to construct a given course of action that, as long as it is perceived as correct and effective, will be pursued. The moment it is perceived as ineffectual or misguided, it must be reviewed. In short, technical action is conclusive, while political action is always tentative.

This is what Pérez López tried to encompass and teach us. With the support of some of his works, and also those already published by the Dean of IPADE, Carlos Llano, Pérez López prepared us to navigate amidst the uncertainty of the "whys", of those things that be can interpreted one way or the other, and to understand whether something is heads or tails, or should be tackled frontward or backwards.

WHAT ABOUT THE CRITERIA?

Identifying and considering a decision's "criteria" or attributes is particularly important, as it sheds light on the hidden side of the problem and determines each alternative's desirability factor.

The exercise of outlining the conditions that an alterative action must fulfill in order to be considered the most reasonable provides an extremely valuable threefold mental exercise. "Listing" the criteria helps us realize the complexity of each decision in terms of the conditions it must fulfill. It expands our mental reference points, reveals what "had never occurred to us" and opens our field of vision to reality. Considering each of the criteria also provides what we could call "depth" and "scope". Analyzing one aspect of reality means contemplating it in depth, understanding it, quantifying it to the extent possible and estimating its impact. Yet the analysis must also help establish the relative importance and duration of a decision's effects when considering this criterion or not.

In fact, many of us who have been fortunate enough to take a BSA or BPA course have experienced a profound change inside our "university trained" minds regarding our ability to contemplate and interpret what we have before us, both professionally and personally. And those of us who have had the privilege of teaching this course often receive - perhaps on an airplane, perhaps in a restaurant, hotel or alumni meeting - the undeserved recognition that "your course was the one that impacted me the most during the MBA". This praise is actually undeserved because Pérez López was the one who pioneered the course, and therefore any such recognition is owed to him.

Obviously, explaining for explanation's sake or analyzing for analysis' sake is a senseless endeavor. Instead, we must use these processes as means for choosing an "alternative" through which we can come to a decision. In the end, the goal of this kind of thinking is not to gain more and better knowledge but to do things more effectively and correctly.

THE ALTERNATIVES

By "alternative" or "option" we mean any course of action that improves the status of the problem or unwanted situation. Action alternatives give rise to possible paths to follow, and again, discovering them reinforces the ability to create. Considering or analyzing them is nothing more than examining the different criteria for each alternative.

It should come as no surprise that there is a noticeable difference between recent university graduates, who are not yet hardened in the arts of practical action, and the more seasoned executives who participate in our programs. This is not only true when observing their consideration of criteria but also especially evident when observing the degree of realism they employ in generating or choosing alternatives. It is worth stating here that "you learn to do by doing" and that action reinforces practical intelligence. For this reason, just as when we consider the criteria, when we analyze the alternatives, the "instructor" is always on the counterattack, playing devil's advocate, questioning and casting doubt on everything. The reason for this is clear: in order to reach a "reasonable" decision, you have to have passed each alternative through the filter of "But what if...?".

FINALLY... THE DECISION

All of this lacks meaning if it is not aimed at making a decision, at choosing an alternative that is practically viable and the best of all those considered given the criteria. After reaching a decision, an action plan has to be established in order to turn the idea into reality.

The act of decision-making is truly fun. It is where we learn to recognize the "Hamlets" who are always suffering because they lack some piece of data or information. It is where we discover the pure "Othellos", who shoot first and aim later. These people may hit the target, but later they are unable to explain how, thus reflecting a less explicit learning experience. Decision-making is fun because it exposes some people's haste, others' anxiety, and most people's insecurities. This is especially true with the youngest ones, who reveal their beginner's naiveté by projecting an air of security and self-assuredness that only time can cure.

"EDUCATION IN THE 'ADMINISTRATIVE POINT OF VIEW', PURE ORDERLY DIALECTIC, HELPS US TO GRASP SITUATIONS A LITTLE BETTER IN ALL THEIR BREADTH, DEPTH AND SCOPE AND TRAINS US FOR SOMETHING AS IMPORTANT AS THE VISION OF SENIOR MANAGEMENT."

AND THE ACTION PLAN

Having an action plan still means "thinking". Executing it means "doing". This is difficult to simulate in the classroom, with the exception of certain role-play exercises that we resort to as instructors. These are amusing because 90 percent of the time MBA students shy away, unable to withstand the test. This is highly illustrative, especially when compared to the same exercise done with executive participants who find it easier to give in than to argue against another participant who expresses a different opinion.

It is common for participants to feel they need more "session closures" by the professor, complete with decision and action plan. In truth, the majority of instructors are convinced of the usefulness of a pure analysis of criteria and alternatives, which quite frequently "redefines" the problem. In doing so, we reemphasize that what truly matters to us is a student's or participant's self-discovery. That's all. The "solution" must be absolutely personal and, therefore, only relatively relevant to others, except as a means for comparison.

We tend to encourage students and participants to adopt a proactive attitude in class. Ideally, they enter a session looking for a fight, willing to argue in order to comprehend and persuade us, through participating and exerting themselves. At the end of the class these students are the ones who tend to say, "Wow, was I ever wrong about this or that!" as opposed to those who entered the classroom relaxed, with their hands in their pockets, resigned to listen carefully to everything. Naturally, at the end of the session, the latter's conclusion will sound something like "That's just what I thought."

It is certainly no coincidence that Juan A. Pérez López ended his sessions (the course was then titled Case Analysis) by saying, "Well, that's as far as we got today; more tomorrow." This is precisely the type of training for the "Administrative Point of View" we are talking about; pure orderly dialectics that help us better understand situations in all their breadth, depth and scope thanks to the input of others. It is precisely this that prepares us for something as important as business leadership.


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From General to Strategic

THE GENERAL MANAGEMENT FOCUS

Eduardo Ballarín, Professor of Strategic Management, Nissan Chair for Corporate Strategy and International Business, and Director of the International Center for Competitiveness, IESE

Fifty years ago, strategic management was known as general management. What are the reasons behind this name change? And more importantly, what are its implications?

"THE FIELD OF MANAGEMENT RECEIVED A COPERNICAN CHANGE IN 1980, WITH THE PUBLICATION OF THE BOOK 'COMPETITIVE STRATEGY' BY PROF. MICHAEL E. PORTER."

One of the goals of IESE's mission is to provide a general management view of business. At times it is argued that this goal should pervade the teaching of all the disciplines covered at IESE. Without entering into this debate, it is clear that the Department of Strategic Management plays a crucial role in IESE's mission. This article aims to summarize the evolution of this department since its creation in 1958.

GENERAL MANAGEMENT

The department has had several monikers: General Management, Business Policy, General Management again, and finally Strategic Management. These changes are not accidental. They reflect various professors' different approaches over the years.

The department was created in 1958 under the name of General Management at the explicit wish of IESE's first dean, Prof. Antonio Valero. Back then, it was envisioned as an area of synthesis for the second half of the PADE program (the first management program taught in 1958) that aimed to integrate all the different functional areas (marketing, finances, production, control) from the standpoint of putting people at the heart of the organization.

BUSINESS POLICY

The department was then renamed Business Policy in 1964, coinciding with the launch of the MBA program. The main reason for adopting this new term was that the department was also called Business Policy at **Harvard Business School (HBS)**.

An explanation of why **HBS** adopted this expression would require another article. Suffice it to say that the original discipline was called Administrative Practices and that at some point in the 1950s it branched off into two different disciplines, Business Policy and Organizational Behavior, according to whether the professors preferred to stress the business or human aspects.

Dean Antonio Valero adopted the Spanish translation of Business Policy without hesitation, and this department came to be called the Department of Business Policy, which developed its own distinctive conceptual schema – summarized in the work by Profs. Valero and Lucas (*Política de Empresa: El Gobierno de la Empresa de Negocios* [*Business Policy: The Governance of the Business Enterprise*]), the seventh edition of which was published in 2007.

This schema owes a certain intellectual debt to Kenneth Andrews, yet it has its own distinctive features. The Valero-Lucas approach has given rise to its own school of thought which boasts quite a few followers. At IESE, for example, we have Luis M. Calleja, Senior Lecturer in the department. Another outstanding disciple is Dean Antonio García de Castro of the **Instituto San Telmo**. All told, around 15 professors all over the world follow this school of thought.

COMPETITIVE STRATEGY

The field of General Management experienced a Copernican change in 1980, with the publication of the book *Competitive Strategy* by Prof. Michael E. Porter. Skillfully combining the concepts of industrial economics with the best tradition of strategic formulation following the perspective of C. Roland Christensen, Kenneth Andrews and others, Porter developed a conceptual framework that conferred academic legitimacy on the literature of business strategy.

There was no dearth of criticism of the position, which was quite biased towards the influence of the industry in which the company was competing – which was viewed as a sort of "black box". Porter himself rose to respond to this attack by publishing *Competitive Advantage* in 1984, a book in which he developed the concept of the value chain and its cost drivers. Thus emerged strategic cost analysis – based on which Robert Kaplan later created the ABC (Activity-Based Costing) system.

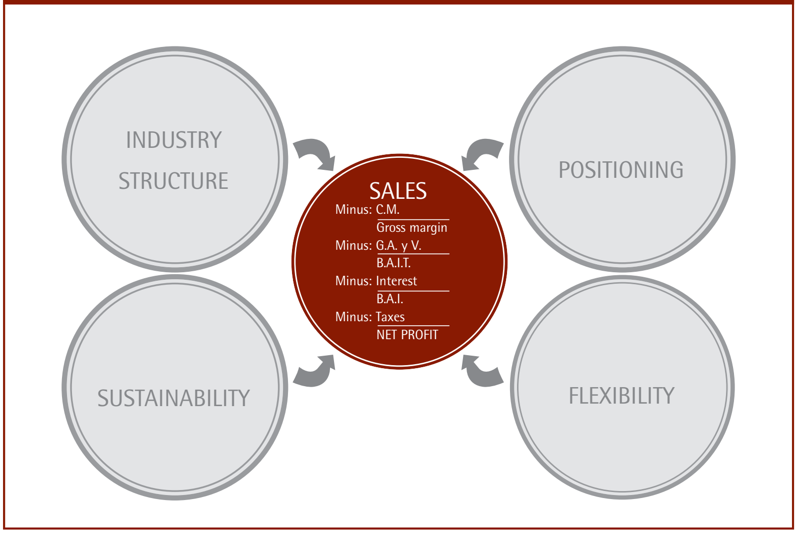
Prof. Pankaj Ghemawat complemented Porter's schema with an in-depth study of the notion of sustainability in his book, *Commitment*. Later, Adam Brandenburger helped us to grasp that complementors are also a force worth taking into account, and that a company's position depends not just on costs, but also on its customers' willingness to pay.

In the programs I am responsible for in the General Management course (primarily the PADE and PDGs at the Madrid campus), I try to synthesize these concepts into what I call the Underlying Profit and Loss Statement. This is understood as a company's potential to achieve higher and more sustainable results. See Graph 1, which will be familiar to students I have had the pleasure of teaching in my General Management course.

STRATEGIC INTENT AND BLUE OCEANS

Two prominent scholars and critics of Porter are C.K. Prahalad and Gary Hamel, who stress what they call "strategic intent," which might more accurately be considered "corporate vision". In short, their goal is to recognize that a strategy should appeal not just to the minds of the people at the top but also the hearts of their subordinates. With this in mind, a good strategy must propose values for which the people making up the organization are willing to go beyond what they consider a fair retribution for their salary at the end of the month.

UNDERLYING PROFIT AND LOSS STATEMENT



Two other high-profile members of the anti-Porter trend are Profs. W. Chan Kim and Renée Mauborgne of **INSEAD**. In their book *Blue Ocean Strategy* they issue a call for thinking more about transforming the industry than about understanding it. They also introduce the "strategic canvas" technique – which I called the "value proposition" – and whose usefulness has been demonstrated for positioning analyses on both benefits for customers and the relative distance from competitors in terms of cost.

GLOBALIZATION AND CORPORATE STRATEGY

One phenomenon that has not escaped the scrutiny of scholars is the increasing globalization of the markets. In my opinion, the recent book *Redefining Global Strategy* by Prof. Ghemawat on the issue is a major contribution to the field. His AAA concept (Adaptation-Aggregation-Arbitrage) captures the essence of the most important knowledge for a world of semi-globalization – to use one of Ghemawat's favorite terms.

Likewise, the concept of strategy is not limited to business or a competitive dimension. In my courses, I tend to ask students how many of them consider themselves to be part of a group of companies. In the general management programs taught in Madrid, around three quarters tend to raise their hands. This requires us to pay attention to corporate strategy, meaning the way corporations choose the entire set of companies they want to be involved in, and especially, how they manage the interactions among these businesses for the whole to be greater than the sum of its parts. In other words, they create synergies.

In recent years, Prof. Herman Daems has often been a visiting professor at IESE. To my mind, he is one of the most outstanding scholars on this subject, especially taking into account the particularities of corporations in the European Union, which do not always follow the same patterns as those in the United States.

GENERAL MANAGEMENT

During the 1993-94 academic year, the name Business Policy was changed back to General Management – in some ways, a return to the department's historical roots.

Simultaneously, there were significant new advances in the field of formulating strategy. Jan Rivkin, of **HBS**, stressed that besides having external and internal consistency, strategy should also have a dynamic one (a fit with the future environment). He thus applied the notion of transforming the sector that Kim and Mauborgne had made the core of their approach. In recent years, Profs. Ramón Casadesús-Masanell of **HBS** and Joan E. Ricart of IESE have rigorously formalized the concept of "business models," understood as; (i) a set of choices and (ii) the set of consequences derived from these choices. Casadesús-Masanell's second year elective MBA class on "Competing on Business Models" has two groups of 90 students and a waiting list.

STRATEGIC MANAGEMENT

It is unquestionable that in the past 30 years, the tool box for formulating competitive and corporate strategies has grown considerably. This has led the most junior members of the department to call for a name change, replacing General Management with Strategic Management. The change was implemented at the start of the 2007-08 academic year after a majority vote by the members of the department. I expressed my opposition to the proposal due to the reductionism involved in limiting the job of the general manager to formulating and implementing the company's strategy. The day-to-day job of going from knowledge to knowledge in action remains a crucial element for the person at the top. Yet once again, as my dear friend Josep M. Rosanas — the coordinator of this issue of the *IESE Alumni Magazine* — tends to remind me, I remain an indefatigable fighter of losing battles.

EPILOGUE

It is not easy to summarize in just a couple of pages the 50 years of collective learning that the professors in the Department of Strategic Management have accumulated. Just like any process of its kind, we have gotten sidetracked, and we have had our ups and down. Sometimes we've gotten it right; other times we haven't. But we have never lost sight of the fact that our discipline has the vast responsibility to convey a core element of IESE's mission, which is to communicate the experiences and responsibilities involved in the position of General Manager in an organization.

Decision Making

BUILDING BETTER DECISIONS

Rafael Andreu, Professor of Strategic Management and Information Systems, IESE

Josep M. Rosanas, Professor of Accounting and Control, IESE

Managerial activities include much more than merely technical decision making. They are related to developing business opportunities, to preparing for the future and also to motivating the members of the organization.

"THE RATIONAL FACTORS ARE IMPORTANT, BUT SO ARE THE IRRATIONAL ONES. THE IRRATIONAL ONES SHOULD NOT CONSIST OF MERE WHIMS, BLINDLY FOLLOWING WHAT OTHERS ARE DOING, OR AUTOMATIC ANIMAL RESPONSES."

Business management arose as the science of administration. Frederick Taylor is usually cited as the father of management, but all you have to do is read two lines from his books to realize that he is worlds apart from any modern concept of this discipline. He limited himself to focusing on how mechanical jobs could be performed more efficiently, which has nothing to do with decision-making or strategy. It was actually France´s Henry Fayol who first considered how to tackle business administration at a time when the technical terms of the trade (administration, governance, direction, management, etc.) might have had meanings that are substantially different than what they are attributed today, despite the fact that the meanings we might assign them now are by no means shared across the board by everyone in the profession. In any event, we could say that administration, as Fayol called it in French, included a set of functions, principles and procedures with an admirable degree of common sense. Unfortunately, this this has been forgotten although we could learn a lot if it were revived. Yet nowhere in his work, as in the majority of the early works on management, did decision making appear as something crucial in anything more than an extremely implicit way.

In fact, this was a widespread idea in countries like Spain in the relatively recent past, and one that IESE came to stave off in the late 1950s and early 1960s. The implicit idea was that businesses could be considered as something given, they were the way they were and simply had to be "administered." "Decisions," if there were any, were relatively low-grade, almost bureaucratic or meant to sustain an elementary concept of efficiency, such as in the case of Taylor's techniques. This is a concept that inevitably leads to business decline. No product or business lasts indefinitely. It is necessary to "make decisions," and serious ones at that, which affect the very nature of the business.

"RATIONAL" AND "IRRATIONAL" DECISION MAKING

Chester Barnard was probably the first person to explicitly introduce decision making as a crucial issue in management. He billed it as the result of "deliberation, calculation, thought", in contrast to other processes that are "unconscious, automatic, responses to past or present internal or external conditions"[1].

Later, management literature stressed analyzing decisions, at times neglecting this second part we have just cited, which is less conscious and rational than decision making itself. This has been rightfully criticized, yet often with arguments that are not well-founded or that exaggerate the role of the irrational in relation to the rational.

Going back to the previous point, it is crucial to put everything into perspective. The rational factors are important, but so are the irrational ones. The irrational ones should not consist of mere whims, blindly following what others are doing, or automatic animal responses. This type of response might arise, but it would not be sensible to consider it "good management". We would consider it the management of someone who is incapable of thinking for themselves, who only follows their urges or viscerally responds to changes in their environment instead of using their heads. The reasonable irrational factors include intuition, routines created in the minds of decision-makers about what works and what doesn't, mental shortcuts that an experienced person might take without the need to profoundly reflect each time they come upon a similar problem because they already know (sense) the conclusion they would reach if they did so. Herbert Simon, 1978 Nobel laureate, stated this clearly in a famous article published in *Academy of Management Executive*, and we recommend it for readers interested in pursuing this issue further[2].

MANAGERIAL ACTIONS

Yet "strict" decision making is not enough to describe and analyze the manager's job, and it is even more inadequate for giving managers recommendations. And management schools' colonization by bad economic theory in recent decades has only stepped up this process. Economic theory takes for granted that the important thing is decision making in an almost totally mechanical way. In other words, once the decision-maker defines a specific useful function, the problem of decision making is merely a problem of calculation. Implicitly or explicitly, business opportunities are out there somewhere, visible and free for the taking. This is an extension of the traditional position mentioned above of regarding a business as a "given". Now, instead of this, we consider the external factors as "given" and deem that calculations will lead us to the right decision.

The sophistication of the analysis improves the situation less than marginally. Recent years have shown that we need a more powerful plan for understanding the dynamics of industries and business strategy. This has led to all types of analyses on designing strategy, yet something that was already in the conventional wisdom of good management in the 1950s is often overlooked: that you have to create business opportunities, that to put them into practice you have to push, and that to do this you have to have a team of people that want to do it and are willing to learn if necessary.

These last three statements are part of what IESE has preached almost right from the start. They are part of the core of what has always been taught at our institution. The philosophy that implementation follows a decision, which is at least as important (and

1 See Chester I. Barnard, The Functions of the Executive, Harvard Business School Press, Boston, Massachusetts, 1937

2 See Herbert Simon, "Making Management Decisions: the Role of Intuition and Emotion", Academy of Management Executive, February 1987.

"IMPLEMENTATION FOLLOWS A DECISION, WHICH IS AT LEAST AS IMPORTANT (AND OFTEN MORE IMPORTANT) THAN THE DECISION ITSELF."

often more important) than the decision itself. For this reason, some of us would rather talk about "managerial acts" than decision making. Because we believe, in the best traditional spirit of the institution in which we work, that the managerial act encompasses much more than a mere decision. Below we would like to identify this way of seeing things with three proper names that have played a key role in this approach throughout IESE's history.

BUSINESS OPPORTUNITIES

The first proper name is Antonio Valero, who used to say that business opportunities are not something that are out there, like roses in a garden waiting to be plucked. They are more like truffles, buried under the earth, which only a connoisseur knows how to sniff out. If you pushed him a bit more, he would tell you that you often had to go much further, that not even the truffles simile was enough. Opportunities had to be created from scratch, detecting the type of social needs that were waiting to be met, but that to do this you had to give shape to them without having pre-established formulas at your disposal. The founding of IESE might be a fine example of what he had in mind, but put into practice.

Yet there is more. Antonio Valero used to vehemently claim that "you have to love your objectives badly enough to want them!" He used the Spanish word "querer", which can mean both want and love, and he was playing with this double meaning of having both the desire and the passion to achieve your goals. It is not enough to set them; you also have to be convinced that they are worthwhile and achievable, and you have to seek them in a day-to-day struggle that will require sacrificing things that might also be worthwhile (including, most likely, short-term profits). You have to be tenacious when going after what you want and not get distracted by a supposed opportunity that sidetracks you from your set course.

Right now it might be valuable to recall what the Stoics preached: to achieve happiness in this world you have to work hard to change the things you can, accept the things you can't, and have the wisdom to know the difference.

In management, we should add that if we take a wrong turn, it won't be for a lack of effort. That is, in case of doubt, we have to assume that we're in the first case and work hard to achieve the goals we consider worthwhile. They should be difficult, so much so that at times they might even seem impossible. Some textbooks on goal-setting have even postulated the absurdity that goals should be slightly impossible. Proposing something impossible is never a good idea; and something "slightly impossible" is impossible. Difficult, almost impossible might be a good goal; utterly impossible isn't. And to achieve things that are almost impossible, you have to push. That is, once again, the first message.

Pere Agell, another legendary IESE professor, tended to say in a field that, on paper at least, seems much more technical or even aseptic, for a forecast to become a reality, first you have to believe in it, and then you have to "push it" to make it come true. This had to be done without the kind of "tricks" that are unfortunately all too common today; "spinning" information to make it say what it doesn't.

This in fact shows that it is erroneous to regard forecasts as something merely technical or mechanical, a common standpoint in other institutions, as a mere application of statistical-econometric principles. Forecasting skillfully is true management, and true management cannot do without it. It includes managerial acts, which are not mere weather forecasts, rather it contains what we regard as desirable for the organization, combined with reasonable estimates and serious considerations of what is possible.

MOTIVATION?

Finally, we have one factor remaining which, continuing along the lines of associating the concepts with historical names at IESE, we shall associate with Juan Antonio Pérez López. Goals, or the results of a decision, cannot be put into practice without the steadfast determination of the people who tend to be under the person who made the decision in the organizational chart. In other words, you have to motivate people in order for them to put the results of decisions into practice.

This way of saying it is perhaps less accurate for two reasons. The first is that in recent years, the prevailing school of economic thought has dictated that the prime means of motivating employees is via monetary incentives in any shape or form. This idea is false at the root, as we shall try to demonstrate below. The second is that sometimes people talk about motivation as if executives could plan the people who work with them at will, as if they had a series of little levers that, by slight adjustments, could always render the desired result. And this is even more erroneous.

But let's begin with the positive. It should be obvious to anyone with a minimum of common sense that for people to work in an organization they have to truly want to achieve the goals that have been set, and that, due to the reasons mentioned above, this is necessarily a difficult feat. They must (1) be very clear about what is being asked of them, and (2) have solid reasons for doing it. These are the essential problems of organizations, in addition to defining the goals, which we shall set aside for now. They are what Juan A. Pérez López called (1) "the structure of purpose" and (2) "the realization of purpose". For now we are not going to delve into the "formulation of the purpose", an expression that Juan used to refer to defining the goal, as it is a complex issue that would need an article all its own.

Neither of the two actions is trivial, nor was Pérez López choice of words; we are referring to the word "purpose". Structuring

"WHEN WHAT PREVAILS IS A REASON WITH MEANING, NOT A YACHT-WITH-THE-CEO-STYLE REASON OR A FANTASTIC BUILDING FOR SENIOR MANAGEMENT, THE TRANSCENDENT REASONS TAKE CENTER STAGE."

"tasks" or "specific activities" may not be difficult; however, structuring "purpose" is. Tasks and specific activities run out all by themselves. If we ask a person to perform a merely mechanical job, it is not difficult to measure their performance and design a remuneration system that adapts to this yardstick. But if we talk about the manager's job, or meeting a customer's needs, things get much more complex. Structuring the purpose means assembling a team of people in which each one has to do different things, specialize in a given task or set or tasks.

And this is where the different motives people might have come into play. The prevailing school of economic thought, assumes that a system of material incentives resolves the problem, given that this approach takes no other motives into account. If, however, we realize that there are other types of motives, the ones that Pérez López called intrinsic (the satisfaction of a job well done) or transcendent (the desire to contribute to resolving others' problems), the "structure of the purpose" (that is, "divvying up the work") is a much more complex undertaking. Viewing the positive side of this, as we said, the job will be divided so that each person does what they like, is paid suitably and contributes to resolving the problems of both the company and its customers. There is no doubt that this is not an easy job.

Taking into account people's various motivations makes things tricky, and even more so if we think about them not as mere instruments to execute our will but as whole people, with their own rights and responsibilities, and their capacity for initiative, decision making and learning. Thinking about them as mere instruments to execute our will inevitably leads one to manipulate people for the benefit of a specific person (or of a few).

The most popular theories on motivation run along these lines. Some of them only take economic factors into account, explicit monetary incentives to achieve the desired effect, which they rarely do. At the root of many of the scandals in recent years are the incentive systems with which certain companies have operated. Others try to influence other types of motives (mainly intrinsic ones, in Pérez López's nomenclature) in an effort to find the psychological lever that has to be pulled in order to achieve the desired behavior. Either case is manipulation, pure and simple.

Pérez López stressed the importance of transcendent motivations, yet he also stressed that they essentially consisted of giving work meaning, of showing employees to what extent they can contribute to resolving a customer's problem. Or even more close to home, to what extent they can help resolve their own company's problems. This obviously means the problems of everyone a person works with, in order to resolve the customer's problems, too. In short, to give employees a good reason for doing what they do. Pérez López used to paraphrase Archimedes, saying "give me a good reason and I'll move any person".

Obviously, the reason for moving the earth cannot be making shareholders wealthier, or sharing a yacht with the CEO. This cannot make any reasonable employee happy or motivate them to do anything. When the economics-only vision preaches that what you should do is increase shareholders' wealth, the first thing that occurs to the average person is that luckily slavery was abolished years ago. The reason has to lie in showing employees how it makes sense to resolve the customer's problems, how it makes sense to identify with the company by doing something that is worthwhile with opportunities for professional and personal development.

When what prevails is a reason with meaning, not a yacht-with-the-CEO-style reason, or a fantastic building for senior management, the transcendent reasons take center stage. The predominance of transcendent motives fully precludes manipulating people, and it is also an important feature of an honest, effective and long-term concept of management that contributes to social development beyond just the economic and financial variables.

In short, what takes place in organizations goes far beyond technical decision making. It has to do with imagination, with developing opportunities for both the company and the people working in it, and with implementing the decisions bearing in mind the motives that move people and their real interests. For this reason we believe that the expression "managerial actions" is more appropriate than simply "decision making" because it implies much more than choosing an alternative, like someone who chooses a structure so that a bridge does not collapse. It implies "assembling a human structure" with the intention of it reaching set goals, understanding them "wanting/loving" them, and being genuinely motivated by them. In other words, next to nothing! We also think that this is one of IESE's original values that is worth preserving.


Departures
2nd Floor

THE ETHICAL APPROACH

THE ETHICAL DIMENSION OF MANAGEMENT

Antonio Argandoña, Professor of Economics,
"la Caixa" Chair of Corporate Social Responsibility and Corporate Governance, IESE

IESE has been teaching ethics and corporate social responsibility long before they became fashionable. In fact, they are part of the school's DNA. Human and ethical values are essential to IESE's students' development.

"THE CENTRALITY OF THE PERSON, WHAT NOW WE CALL THE ETHICAL AND HUMANISTIC DIMENSION OF MANAGEMENT, WAS ALREADY PRESENT IN IESE'S FIRST BROCHURE PUBLISHED IN NOVEMBER 1958."

Professors from other business schools occasionally ask me since when IESE offers courses on ethics and social responsibility. I usually answer with a personal anecdote. More than 30 years ago, when IESE's first dean, Antonio Valero, was director of the business policy department, he asked me to teach a module in the executive education programs consisting of three case studies and a closing conference.

I still remember some of those cases, such as "Merck and Co. Inc." and "Peter Paul Inc. in the Philippines". They were cases of what we now label corporate social responsibility and business ethics. Back then, we did not use those terms, but the module formed part of the business policy course. In other words, rather than being an add-on, the ethical dimension was built into the heart of management studies as understood at IESE.

I did not come up with the content for that module. I inherited it from my colleagues who had been teaching it before I even came to IESE. Some years later Miguel Ángel Gallo summed up what we knew at the time in a book titled *Responsabilidades sociales de la empresa,* (*The Company's Social Responsibilities*) published in 1980 as part of the IESE collection.

Later, courses focused on ethics and corporate social responsibility were created, research flourished and publications multiplied. IESE established the Business Ethics Department, the Chair of Business Ethics, the "la Caixa" Chair of Corporate Social Responsibility and Corporate Governance and the Center for Business in Society. But the ethical dimension was already at the core of the school.

In fact, in its mission statement, IESE stresses that human and ethical values are essential to its students' development, for the sustainability of their organizations and for assuming their responsibility to society. This is a differentiating factor of our school and, as I indicated earlier, a component of its founding principles. St. Josemaria Escrivá's instruction, which led to IESE's birth, was to found an institution, which would offer business leaders management education with Christian values.

This implied a holistic approach that showed students how to reconcile their personal, family and professional obligations, as well as enhancing their organizations while contributing to a better society. Ethics and corporate social responsibility were not then separate elements, but a central aspect of IESE's educational mission.

The centrality of the person, what now we call the ethical and humanistic dimension of management, was already present in IESE's first brochure published in November 1958. It stated that all decisions made by executives "ultimately…should be made through a human organization. After all, the company is nothing but a team of people… IESE is determined, therefore, to develop in its students… the desire and ability to understand people. The school trains them to always take the human factor into account as a basic and fundamental constant in every business decision."

It is interesting to note that this defining element in IESE's mission is not independent from the rest. Senior management, for example, takes into consideration the dimensions of all short and long-term problems from an ethical point of view.

Using the case study method also contributed to the development of an ethical viewpoint. The discussion of real-life situations goes beyond the session's scientific content, forcing participants to take into account the multiplicity of dimensions involved in any decision, including the impact on people and responsibilities to society.

And the practical objective of education at IESE – the development of students' executive skills – forces the consideration of excellence as the objective of business leaders' education, with the related focus on moral values such as respect for people, a spirit of service and a sense of responsibility.

The content of management science in the 1950s was probably more compatible with this ethical approach than what emerged in the 1970s, due mostly to influence from Anglo-Saxon countries. However, the development of ethical management was never easy going, especially with rampant capitalism and other perspectives not much in line with this moral conception of business and the organization.

In any case, the ethical dimension of IESE's activity should go well beyond offering antidotes against these materialistic — relativistic or individualistic — business philosophies. It cannot even settle for a moralizing additive, a more or less aseptic technical education.

It was obviously not a matter of imposing a Christian philosophy of life on people who had nothing to do with it either. IESE wished to give its students, as we have noted earlier, a Christian education. But its curriculum should be based on a conception of persons, society and organizations compatible with the underlying truths from the best that economics, psychology, sociology, political science and the other disciplines that make up management had to offer. The Christian education offered at IESE could not consist merely of covering neutral subjects with a religious varnish, but neither could it offer a take on management shoehorned into an essentially religious ideology.

At IESE we knew that a Christian view of persons, business and society was compatible with effective management. There continue to be many social scientists committed to integrating management with ethics.

Many IESE professors have dedicated their efforts to this task throughout the years. Juan A. Pérez López, who passed away 12 years ago, deserves special mention. What we attempted

"ETHICS SHOULD BE CONSIDERED AN INTERNAL CONDITION FOR THE QUALITY OF DECISION-MAKING, THE CONTINUITY AND GROWTH OF ORGANIZATIONS AND THE DEVELOPMENT AND IMPROVEMENT OF THE PEOPLE WHO DIRECT THEM."

to develop was a way of understanding the company and the executive's role in such a way that ethics was not enforced as an external restriction, in other words, as a set of philosophical, religious, ideological, political or social prohibitions or rules, but rather as an additional aspect of the organization's management.

Pérez López went back to the theory of human action, which is that business decision-making is a good example of how people act. When an executive decides something, he tries to resolve a current problem or need by keeping in mind that he will have to resolve the same problem, or perhaps other problems, again in the future. It is therefore important that a decision made today does not interfere too much with future decisions. The wrong decision now can mean having to make less-than-satisfactory decisions, finding it harder to make decisions or facing resistance from collaborators in the future.

Prof. Pérez López therefore proposed evaluating organizational decisions in light of all their possible effects. This implied first considering the most obvious aspect of executives' actions, the effectiveness of decisions in terms of income, expenses, profits or productivity. This dimension, of course, added nothing new to the study of management.

Here we could only follow the path forged by so many prestigious scholars. Secondly, what is known as the decision's efficiency must be kept in mind. How satisfactory is it for those involved and how does it contribute to developing the corporation's distinctive capabilities? This component is not quite as frequent, although it has been thoroughly researched by academics.

The third dimension, consistency, turned out to be most innovative in its treatment of business decisions. Executives must bear in mind that every single decision they make affects others, making it easier or harder for people to relate to the organization's objectives and to address its needs.

An action which is highly effective, in terms of profitability, and efficient in terms of satisfaction and learning, in the short run could have disastrous effects for the organization if it turns out to be inconsistent. In other words, if it draws negative feedback from other people involved and especially if it forces the executive to make increasingly more inconsistent decisions.

This third dimension gives way to business ethics not as an external imposition but as an integral component in the executive's conduct. This is not a set of rules governing behavior but a requirement in the management process itself. An unethical decision is a bad decision, even though it may appear profitable in the short run.

An unethical executive is a bad executive, even though he may achieve high margins and his peers may sing his praises. And a company that does not take into account ethical criteria is a bad company, even if it is highly valued in the capital markets, for example. And, obviously, in a school dedicated to educating executives — fostering management excellence — the ethical dimension has to be pervasive.

The work of Juan A. Pérez López was cut short by his death in 1996. But others here at IESE — and beyond IESE — continue the task he began. That task is the development of a broader and more realistic understanding of business which takes ethics into consideration not as an external restriction ("too bad, I won't be able to make that decision because it's immoral"), or as the application of universal principles to boost profit ("being ethical is good business"), or for compensating its dehumanizing effects ("you have to add some ethics to management because, otherwise, working in business can be very unpleasant"). Instead, ethics should be considered an internal condition for the quality of decision-making, the continuity and growth of organizations and the development and improvement of the people who direct them.

That is what we are working on. We are not the only ones, and we are not sure that our line of work is the most adequate. But it is worth the effort, is it not? After all, this is what IESE has been working on for fifty years

ECONOMICS AND MANAGEMENT

WHY DOES A BUSINESS PERSON NEED ECONOMICS?

Juan J. Toribio, Professor of Economics
Chair of the International Center for Financial Research, IESE

How is economics relevant to management? Has the relationship between these two disciplines changed over the past half-century? This article analyzes the role of economics in the world of management.

"WE HAVE STILL NOT FOUND A FULL FIT BETWEEN MACROECONOMICS AND MANAGEMENT, BUT SENIORITY (WHAT A EUPHEMISM!) HAS PROBABLY MADE US A LITTLE LESS IMPATIENT AND – WHO KNOWS? – PERHAPS MARGINALLY WISER."

What was the business leader´s view of economics´ role in management 40 or 50 years ago? What has changed since then? I don't know if young people are interested in this type of question, but I can't pass up the chance to step back in time to 1963, when I joined IESE, adding my efforts to those of two other young economists (Bernie Villegas and Antonio Argandoña), who had also just joined.

Back then no one said that we worked in a "business school", or at least I never heard the expression. If someone had said it we might not have understood them properly, as this concept did not exist then with the same clarity as it does today. What is true is that "management" and "economics" were academic fields that were closely intertwined. "Business administration" was taught in economics departments as a specialization in the final year of the degree program. The first four years were identical for both students who aspired to work in economics and those planning to work in business.

People at IESE seemed to have slightly clearer ideas, although they must have also been products of their time, because in 1964 they were talking about launching a master's in economics and management, from which one could glean that they also regarded economics and management as closely related. We should also recall that the same year that IESE was founded a group of business leaders (not specialists in "macro") created an institution in Barcelona that was called the Circle of Economics, not of "management." This was the prevailing culture.

It is a fact that back then, using the term "economics" added a certain luster and prestige to everything related to business management, something that is very difficult to comprehend nowadays but that at that time seemed to make some sense. In my opinion, there were two reasons for this:

a) The economics departments had been created in Spain a few years earlier and, to give them a university aura, they had absorbed the former students from the higher vocational schools, where some of us had gotten our education.

b) Economics had suddenly come to the fore in the Spanish news, displacing politics. After a long period of international isolation, the West opened some of its doors to the Spanish dictatorship, yet this breath of fresh air – as slight as it was – led to a veritable pneumonia, economically speaking, in Spanish society. The state had been overspending, its intervention in the economy had been absolute, the private sector was barely breathing, the foreign deficit was constantly climbing, and the Bank of Spain had no currency reserves. This was the state of Spanish society at the time.

The Francoist government understood that the country's immediate future lay in the simple, tough, difficult, prosaic realm of economics.

Economists formed part of a group of "technocrats," or scientists and technical experts, that seized the reins, forcing Spanish society into an abrupt about-face aimed at stabilizing and liberalizing the economy. Most business people guessed that new horizons would be opened, a true break with the past would be made with consequences that were not easy to predict, making it necessary to fully grasp the parameters of the new situation. And they welcomed the economists with open arms.

Yet neither they nor their disciples (that is, youngsters like Profs. Argandoña, Villegas and myself) fully grasped what concepts like national accounting, balance of payments or input-output tables, which was what they had taught us in the economics department, could contribute to sound business management (IESE´s mission). Since I must have been the most naïve of the three, I dared to publicly pose this question to the first dean of IESE, Antonio Valero, during the faculty assembly held in a hotel on the coast. I remember being floored by his response, delivered in an outpour of categorical reasons, declarations and statements.

I understood very little of it. I only guessed that the elements of economics were one of the basic ingredients in business policy (see Prof. Eduardo Ballarín's article), and that strategic planning had to seek decisive guidelines in an appropriate economic prospective. Still, I could not see my way clearly through the issue, and only one senior professor (Rafael Termes) admitted that he shared my doubts and that he, too, was unable to find a convincing academic link.

In the quest for better guidance, I started a doctorate in the department of economics at the **University of Chicago**. Professors who would later win Nobel Prizes for Economics (five of them) dazzled us students with their efforts to test our work ethic and the logical consistency of our reasoning. One of them (the unforgettable Milton Friedman) signed me up for a seminar on "Money and Banking," which I joined in the hope of finding a close relationship with the world of corporate finance. Instead, the seminar led me to write a doctoral dissertation on something as apparently esoteric as "*The Demand for Money in a Context of Repressed Inflation*." Friedman congratulated me for capturing the true scope of the Keynesian "liquidity trap," reducing it to a particular case, and everyone knows that the loftiest intellectual objective for any good Friedmanite was to pour cold water on Keynes.

That obviously pleased me as an economist, but I knew that I had to go back to IESE, and who there might be interested

"I STILL DON'T KNOW WHAT THE INTELLECTUAL NEXUS IS BETWEEN ECONOMISTS' MENTAL FRAMEWORKS AND MANAGERS' DAY-TO-DAY JOB, BUT IF HEARING OUR OPINIONS HELPS THEM, WHAT DOES IT MATTER IF WE WAIT ANOTHER 45 YEARS TO FIND IT OUT?"

in something as theoretical as the Keynesian "liquidity trap"? Obviously, no one was, except for a handful of economist colleagues from the department of business policy, who were, by the way, as lost as I was. Nevertheless, the participants in IESE's programs wanted to know how the economy worked, the foundations of economic thinking, the techniques for properly assessing the economic environment and the foundations of applicable policies.

To my mind, it was never clear how all that fit into either business planning or business policy. In fact, my economics colleagues and I went from leading case studies in general management or corporate social responsibility (which had a different name back then, too) to outlining the elements of short-term economic indicators, or the errors of Marxist economic thinking. All of this lacked a common thread that might tie it all together.

MACRO VS. MICRO

And yet, it seemed to work perfectly, according to the feedback. Sometimes we were tempted to replace the sessions in the MBA on macro with "the principles of microeconomics," taking advantage of the fact that at the time Michael Porter and his followers were already drawing up an academic course on "competitive strategy" that would draw heavily from microeconomic analysis. Yet we did not dare get rid of the sessions on macroeconomics that were so popular (among other reasons, because the situation changed every year), and the head of the program couldn't find a gap in the curriculum. Only very recently have we managed to include a few sessions on microeconomics in the MBA.

And so years and decades have gone by. In my opinion, we have still not found a full fit between macroeconomics and management, but seniority (what a euphemism!) has probably made us a little less impatient and – who knows? – perhaps marginally wiser. For reasons beyond me, business leaders are keen to learn about economists' discoveries, errors, successes and failures. Perhaps they would like to understand what the specialist media is talking about, or perhaps macroeconomics fascinates them.

And so we march onward. Since 1963, the global economy has undergone decisive changes. After four decades of cumulative global growth at four percent per year, the world today is made up of much more prosperous societies with business opportunities that weren't even dreamed of back in 1963. It is true that along the way almost 80 percent of the large companies that existed 40 and 50 years ago have disappeared and surely many of those still standing today will follow in their footsteps in the decades to come. But it is also true that those companies that disappeared were replaced by others that are better suited to the new circumstances.

As for the rest, today many economies are much more open, technological innovations spread much quicker than in the past, information networks are much more complete and complex, international capital movements are much more widespread, and cultural interactions are much closer. I do not know how successfully we manage to convey these circumstances in our program. All I know is that they clamour to know more.

Even now, 45 years after I joined IESE, I continue to wonder about the relevance of economics – as a field of knowledge – for management. Last August the subprime crisis surfaced, causing upheaval in international finances, most likely with irreversible effects on much of the world economy. I once again saw good business managers´ faces clouded with looks of concern, just like at the low points of the economic cycle back in 1974, seven years later (1981), 12 years later (1993), five years after that (1998) and in another similar recent relapse (2001-02). They once again asked me – and my economics colleagues – the same questions: "*Tell us your opinion about the economic crisis, its effects and how long it might last*". I still don't know what the intellectual nexus is between economists' mental frameworks and managers' day-to-day job, but if hearing our opinions helps them, what does it matter if we wait another 45 years to find out?

DAY-TO-DAY MANAGEMENT VERSUS STRATEGIC MANAGEMENT

TECHNIQUES IN TEACHING MANAGEMENT

Manuel Velilla, Professor of Accounting and Control, IESE

Day-to-day management and strategic management are not the same, and to equate them leads to a mechanistic approach. IESE was created as a business school with the goal of serving companies and their executives. Here, we examine the underlying principles of strategic management.

"MANAGERS TEND TO BE AVID CONSUMERS OF ALL NEW MANAGEMENT TOOLS. THEY ARE NOT OVERLY INTERESTED IN THE WHAT OR THE WHY, BUT RATHER, IN THE HOW."

IESE was created as a management school focused on developing business leaders, with the mission of serving business people and companies. Under this institutional system, it was quite clear that the professors weren't just professors of accounting, sales management, production or any other discipline. Rather, that they were professors of management.

This did not mean that they all had to know everything, or even that they had to be familiar with the contents of the Department of General Management. It referred to how they had to focus their teaching within their own disciplines, to optimize their usefulness for managers in their process of leading, decision-making and performance.

ACADEMIA ABANDONS STRATEGIC MANAGEMENT FOR A TECHNICAL APPROACH

In recent years, very little has been written on management. It could almost be said, with just a few exceptions, that the scientific (or perhaps pseudo-scientific) world has neglected the study of management. There are also rafts of books that are closer to the sub-genre of self-help guides than to strategic management *per se*.

By contrast, more and more is being written about day-to-day management and the tools used to manage. The word "management" tends to be used for everything related to doing things effectively. Therefore, a person who has shown skill in a job is said to have a sound profile as a manager.

A good manager is one who is familiar with and has mastered the "tools" and analytical techniques of management and knows how to combine them with enough acumen and practical drive to "get things done". This is the definition of a good technician. With all due respect to technicians, two comments are worth making: (1) companies need good technicians, and (2) all business leaders must master and skillfully make use of techniques and technicians in their executive duties.

FROM LEADERSHIP TO MANAGEMENT: THE DANGER OF A MECHANISTIC APPROACH

In practice, the concept of strategic management has been reduced to a concept of day-to-day management. A mechanistic view means interpreting people as behaving in a predictable fashion, with motives that are essentially related to economic variables, and viewing them like a prolongation of machines.

Sometimes people erroneously think that this mechanistic vision is a thing of the past, that it belongs to the time of the Industrial Revolution or the age of "Taylorism" (F. W. Taylor, the father of scientific management, was less mechanistic than he is often accused of). The unfortunate fact is that the temptation of falling into the mechanistic approach is omnipresent. It appears whenever action problems are viewed as merely technical problems. In this view, the job of diagnosing basically comes from the results of analytical techniques. Criteria are reduced to maximum efficacy, and action plans are predetermined by other techniques.

All other variables – including people – are treated as residual, as factors whose effect on the action plan, when they pose a certain resistance, is equivalent to the effect of friction in physics.

To eliminate this "friction," incentive systems are established whereby the degree of incentive needed is the amount that makes this type of resistance or "friction" vanish. Colloquially, this way of viewing incentives is often called "greasing the wheel".

This type of paradigm seems to be around even today. What else can we glean when both the practical and scholarly world proclaim in unison that the purpose and mission of a company is to "maximize shareholder value"?

MANAGEMENT AS A TOOLBOX

Under this mechanistic vision, business leadership is not a function but a toolbox. Therefore, executives, as opposed to managers, are focused on short term results. If they're good, their CV tends to contain a string of "success stories" all of them acheived in spectacularly brief periods of time (two or three years at most).

They tend to mould the company's mission in their own image, undermine their employees' trust and destroy the competitive advantages in areas of opportunistic strategies. Then they are off their mark with their stock options intact.

Managers tend to be avid consumers of all new management tools. They are not overly interested in the what or the why, but rather, in the how.

RETURNING TO BUSINESS LEADERSHIP

In order to provide further knowledge in the job of managing a business, you primarily have to talk about management as a function, and especially as a process. And more than anything else, management means managing people.

Therefore, the so-called "business model" – a key to efficiency – has to consist of discovering people's real needs (what Prof. Juan A. Pérez López called the company's external mission), innovating to meet these needs, and determining how to cover these needs in the best way possible given the changes they undergo. Consumer-oriented marketing is in no way the same thing as people-oriented marketing.

Another substantial part of business leadership is setting up the individual and collective conditions to ensure high rates of operational learning by those in the company. This learning is a source of satisfaction, intrinsic learning on an individual level and the root of competitive advantage (which Pérez López called the internal mission).

"PROBLEMS INVOLVING THE EVALUATION OF PEOPLE OR INSTITUTIONS ARE NOT TECHNICAL AND FORMULAS CANNOT PROPERLY SOLVE THEM."

Finally, another basic factor in management is laying the groundwork so that evaluating learning can freely take place both extensively (to evaluate more aspects of reality) and intensively (to live with greater depth and intensity according to those evaluations).

THE TECHNICAL ASPECTS OF EDUCATING A BUSINESS LEADER

The first major issue is that techniques play an important role in the process of leadership, especially when:

1. Diagnosing a situation that requires the executive's attention;
2. Evaluating the possible courses of action, especially bearing in mind the criterion of efficacy.

However, there are also two caveats:

1. For the leadership process, techniques are a means.
2. For the leadership process, technical aspects may help to pose questions more than find answers.

An example might help illustrate. In the process of managing a company, indicators (data from an information system that should be of interest) tend to be useful – and at times indispensable.

An executive's sound use of a system of indicators – such as a balanced scorecard – consists of taking the information given in order to ask the relevant questions and diagnose the situation. This is because the indicator or set of indicators tells about the goals that they wish to achieve, although they are not – except in rare cases of highly operational goals – the goals themselves. Taking the information that a balanced scorecard gives as the diagnosis of a situation is tantamount to reducing the goals to mere indicators. Falling into this trap would mean in practice falling into the mechanistic paradigm.

Let this example serve as a cautionary tale about the care that every executive must take when using the indicator system. In order to understand it, we have to think about the consequences that might result from employees taking the indicator as a goal. Unfortunately, this error – a serious one – does occur, even frequently at times. For example, not too long ago an executive in an organization whose mission is to foster technological innovation told me that in order to assess innovation, they applied an indicator that measured the number of spin-offs in various institutions.

This information seems relevant. However, by introducing it into the assessment system, the result was that the number of spin-offs created had a brief lifespan and faced problems as start-ups, due to a lack of substance and maturity.

This type of action would once again be coherent with a mechanistic paradigm, about which there are several quite widespread myths in business practice:

- That the use of a formula is objective (which many people absurdly translate as fair or equitable) as compared to subjective analyses (which many people absurdly translate as arbitrary and unfair).
- That the use of formulas makes the evaluation process more equitable in terms of distributive fairness.

These two myths are false from a good executive practice point of view because:

1. Use of either type of formula is totally arbitrary.
2. What distinguishes an executive's judgment is commitment and personal and personalized assessment.

Where did the error lie in our example? Not in having information about how many spin-offs were generated but in introducing this factor into the assessment system for granting subsidies. This effect tends to be especially damaging when the figure yielded by the indicator is assigned a given weight for another assessment

THE MYTH OF FORMULAS IN EVALUATION SYSTEMS

Problems involving the evaluation of people or institutions are not technical and formulas cannot properly solve them. These problems are not operational (there is no pre-existing algorithm that can solve the problem). Nevertheless, how often are formulas used in companies with the purpose of evaluating employees and giving them incentives? For proper executive action we need information, analysis and personal commitment. It is easier to take refuge in the "apparent" fairness of a formula, but this runs wholly counter to the goal of generating personal trust.

AND WHAT ABOUT EDUCATION?

Ever since IESE started focusing on technical fields, its programs have educated in line with its mission as a school that forms strategic leaders, not mere managers. First, the various techniques have been studied rigorously and in depth. And secondly, we must keep the following in mind:

- Techniques are a means for either diagnosing or analyzing alternatives in terms of their operational efficiency in economic, financial and business terms.
- Students must be steered away from the notion that they are going to be given a "vademecum" that classifies problems and their prescribed solutions. To do that, we examine case studies in order to learn how to harness technical knowledge in situations that facilitate a more global analysis of reality, as opposed to an analysis that only hones in on the technical facts studied.

Therefore, from its very inception IESE has taught not accounting but accounting for business managers (the difference between the two is noticeable, as students themselves have said over these 30 years). The same holds true for the economic analysis of decisions, or the various courses on finances, operations and decision analysis.

Throughout the years, and thanks to the spearheading efforts of the first professors, learning has been generated among IESE's faculty about how to best fulfill its external mission: serving companies and their leaders.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FROM PRODUCTION TO OPERATIONS

HOW WE HAVE CHANGED

Josep Riverola, Professor of Production, Technology and Operations Management, IESE

When IESE was founded, the Department of Operations was called Production. How has this discipline changed since then? What is the difference between "doing" and "producing"? And even more important, what is the new style of operations management and what is worth keeping in mind?

"NO ONE WAS THINKING ABOUT STRATEGY (WHAT'S THAT?) BACK THEN. NOT EVEN IN HUMAN RESOURCES, WHICH HAD NOT YET APPEARED ON THE MANAGEMENT LANDSCAPE."

Good grief! A lot has changed since the first operations professor entered an IESE classroom 50 years ago to lead a case on time and motion studies, followed by another on quality control charts. Many of my readers will have no idea what I'm talking about: better to rewind to the beginning.

THE FIRST STEPS

The year was 1958. Antonio Valero and other courageous pioneers had just founded IESE. At that time, "implementing productivity" was a fashionable topic in Spain. The country had spent many years recovering from a civil war which prevented it (save a few honorable exceptions) from adopting the latest management trends. And it had just rediscovered the ideas of F. W. Taylor (1856-1915) about the scientific study of work. One of the first management consultants and fathers of scientific management, Taylor advocated measuring work, assigning it to the most skillful person, relating performance with compensation and many other factors that attracted the attention of an antiquated industry.

No one was thinking about strategy (what was that?) back them. Not even in human resources, which had not yet appeared on the management landscape as a discipline. Productivity seemed to be the way to get the best results. And "implementing productivity" was claimed to be putting the basic ideas of Taylorism into practice. Many consultants were performing time and motion studies (now we would call them process studies) and implementing bonus systems.

IESE included some of these ideas in its basic course, today's PADE general management program. I still have several of the original mimeographed class notes, which are very revealing. Of course, the lexicon is antiquated, but the principles are all there. Principles of motion economy like, "you should always work in favor of gravity," or on organizing jobs: "a place for everything and everything in its place." Principles on details still valid today, which were the philosopher's stone on which the renaissance of the industry should rest.

The notes are titled "Managing Production." N.B., "production" pure and simple. Production as the art of doing things as efficiently as possible. A core subject in IESE's new programs enabling companies to perform better.

"Production." It's an old word that evokes dirty, noisy factories where thousands of workers move to the beat of a drum, with no voice and even less ability to change.

Right from the start, IESE focused on the role of people in production. People are not just labor. People are individuals that work with the company in a desire to serve society. And people must be managed as such in order to get the best out of them. The world had already discovered all this years ago, but it did not know quite what to do with the discovery, how to put it into practice. At IESE, this had been a core concern from the start. An underlying principle that transcends the current approach to human resources.

The reader may not be aware that, curiously, the study of production spawned the school of human resources. Seduced by Taylor's ideas, a group of experts in General Electric (GE) experimented to determine the effects of working conditions on productivity.

To do this it subjected a group of workers to all types of environmental changes and then compared the results with those of a control group. They painted the walls different colors, first bright then aggressive tones, they changed the lighting, played music at different volumes and any number of dirty tricks. The result was that the workers in the experimental group always produced more. Despite the difficult conditions, productivity was constantly on the rise.

GE's findings drew the attention of a group of Harvard professors. And when scholars are called on to explain a phenomenon, they create a theory. And the theory of motivation stormed onto the scene, like Venus emerging from the sea. Production, like the ugly old Chronos, had engendered a lovely young woman: Motivation. Unfortunately, the girl was immediately dressed up in party clothes and painted with makeup, and her natural beauty began to fade. People realized that changing the name of things did not mean progress, and that the young girl was simply something old with a snappy new name.

Production, pure and simple, was not a very appealing subject for general managers, who did not understand what was happening inside their factories. Why get your hands dirty if you could continue to manage the production plant from within the manager's office? That's what engineers were for!

With this underlying concern, IESE's then Department of Production began to disseminate ideas about productivity in services in order to apply them away from their noisy, dirty industrial settings. New themes like innovation, technology, reliability, total quality and others joined the IESE programs. The world of operations still followed its slow but sure evolution, and people realized that things like hospitals and insurance companies were also "production plants" to which notions about productivity could be applied.

THE WORLD TAKES A LEAP FORWARD

We have to admit that for some years, managers were somewhat disoriented about the art of production. Perhaps this is partly due to the computer also storming onto the scene. No similar machine had previously existed. For the first time in history, a machine was capable of processing information at high

"WITH THE PROLIFERATION OF NEW IDEAS THAT WERE INCREASINGLY TECHNICAL, IT BECAME NECESSARY FOR IESE TO ELEVATE THE TEACHING OF PRODUCTION BEYOND THE DETAILED KNOWLEDGE OF THE FACTORY."

speeds. We discovered with amazement that we had a way of handling the difficult task of processing the massive amounts of information pulsing through factories.

I recall that many companies were making "production plans" in the 1960s. This, in the jargon, was a Gantt chart for the manufacturing sequence. If a factory had 30 machines, the diagram consisted of a detailed specification of what product to make and on which machine for the next, say, 10 days. And it was physically awkward to handle these plans. In fact, a multitude of ways to easily prepare and maintain the plans were designed and sold. There were all sorts of these "plannings" products: some with roll-up bands, others with little colored cards.

Perhaps their main virtue was showing the feasibility of painstakingly planning production, which would avoid last-minute surprises. I remember I once visited a textile company. The general manager told me, "here is where we prepare the highly-detailed production plans; we plan production two weeks in advance. You'll see, I'm going to show you the planning room where everything happens." I loitered in the waiting room for a while, until the manager came back to tell me, "Sorry, I can't show it to you because I can't find the key to the room."

The truth is that it was not easy to handle the complexity. It has always been like that, and this has kept many people out of production, for fear of the prolific volume of data it entails. But here came the computer, and that was a giant step forward.

This machine had two secondary effects. First, it made the idea that we could finally feasibly create a science of production, a science that would draw from the hard sciences to improve productivity and service. During World War I, the foundations for something that was called "operational research," or "operations research" (OR to friends), had been successfully laid. This science (art?) tried to scientifically analyze the operations phenomena.

You will notice the subtle presence of the term, "operations," borrowed from military terminology. "Operations," not "production". Much more general. Not only does it include the way something is "produced," it also includes the way something is "done," something that it not necessarily associated with a product. Doing, not producing. Transport is done, not produced.

This is a subtle yet important distinction. The scope of OR had to include all types of systems, either social or business, that provided services. Transport networks, public and private services, banks… the entire spectrum of human activity! At IESE, with the support of the Production Department, the Department of Decision Analysis was assigned to house these new disciplines. Production embraced the new ideas, but delegated them to a specialized group.

The computer's second secondary effect was the systematization of the production information process, especially in companies that assembled parts. Ready-made software systems began to appear, the famous MRP (Material Requirements Planning), which made calculations on the materials required to fulfill a master production plan. Of course, people could immediately get that the process could be extended to other areas, so MRPs appeared that included cost accounting, staffing and many other features. In short, the forerunners of today's ERP (Enterprise Resource Planning).

With the proliferation of new technical ideas, it became necessary for IESE to value the teaching of production well beyond the detailed knowledge of the factory's machinations in abstract and general terms.

The production departments of some leading business schools had to grapple with the crucial problem: how could these new ideas be addressed from the standpoint of senior management? There were too many things on the scene, with too much technical detail, to try to present all of them, even if you just limited yourself to the most important ones. What was needed was a clear understanding of what was vital, what a company's general management had to know in order for the company to operate efficiently.

At one point it seemed like a problem that solved itself. Japan came to our aid. A profound revolution in production came from the Japanese automotive industries. There were perhaps two core ideas. First, waste-free production, and secondly the possibility of working with defects through progressive learning that led to constant process improvement. These simple ideas launched the revolution, which was christened JIT (Just-in-Time).

Pilgrims to Japan, to the *sancta santorum* of JIT, **Toyota**, arrived from all over the world. IESE went, too. Several generations of business people went there to see up close what seemed to be the definitive solution to the problem of industrial efficiency. Japan's solutions worked for a time. But after the fervor of the first few years, the harsh reality of the problem reared its ugly head once again.

OPERATIONS FOR GENERAL MANAGEMENT

It is important to emphasize that, at that time, IESE began to distance itself from the majority of the world's business schools in its approach to production. Most schools, especially in the United States, decided that the field of manufacturing was so extensive that specialized courses focusing on the details of the field were needed. And a host of courses were created that honed in on the details of how production works, such as how to implement JIT or how to achieve zero defects.

Needless to say, the prescriptions that were given were anything but infallible, but the thesis upheld: it was necessary to

"WHAT DIFFERENTIATES IESE FROM THE MAJORITY OF BUSINESS SCHOOLS IS ITS CONCERN FOR OPERATIONS FROM THE STANDPOINT OF GENERAL MANAGEMENT."

understand the production details in order to manage it. This probably was because the clients of these universities were production experts, not general managers.

At IESE, however, we have been fortunate in that we have always had direct contact with the general management of companies. Few U.S. professors have worked elbow-to-elbow with a general manager of a medium-sized company. What is more, in most cases getting a company to share data or experiences with them is a feat in itself. Of course, under these circumstances, interaction with the senior management of companies is practically nonexistent.

IESE resolutely rose to this challenge. The first move was something apparently trivial, but it indicates the nature of the approach. It was a name change. The Department of Production came to be called the Department of Production, Technology and Operations, shortened to the Department of Operations. And sessions on "Managing Operations" appeared on our programs' curricula.

The focus had shifted. It was no longer production. Now it included everything that needs to be done to enable the company to serve its customers and thrive. Some of these words are very important. The emphasis is on "service," not "profit". From an operations view, a company is competitive when it is the best at providing a service to its customers. Competitiveness is thus an operating concept. It is not a question of earning the most profit; rather, it is a question of surviving indefinitely, which obviously implies earning money because without it, you cannot compensate the company's stakeholders.

All of this extends to operations, everything ranging from an idea to a satisfied customer. And it includes perhaps 90 percent of the people in the company. Strategists design the strategy and operations implements it to take the company where management wants it. Thus, operations implements strategy. To operations, strategies are not discussed. They are accepted and implemented.

Generality comes with a price. With generalities you run the risk of proposing grandiose ideas that later on end up being either vacuous or impossible to implement. No one would dispute that the best business strategy is "doing good and avoiding bad". But this is such a general strategy that its usefulness is virtually zero. No, operations is the art of implementing, of making things happen, and it is difficult to do anything with too much generality. How can a company's general management navigate in the sea of operations without getting lost in the generalities or mired in the details? Of course, it is clear that motivational slogans ("Let's go for it!") are not enough.

The key lies in having a series of paradigms, ways of viewing what happens in operations, which are simultaneously compact and powerful. Issues that make a framework in which operations experts, the kings of details, move gracefully to serve the strategy. Because operations experts are the ones that have to implement the strategy!

At IESE we use six key variables for this purpose: capacities, flows, processes, human resources, information systems and operating systems. These are the keys that general management must push in order to ensure that operations plays the score that the company wants.

This philosophy permeates IESE's approach to operations. What differentiates IESE from the majority of schools in the world, then, is its concern for operations from the standpoint of general management, which is highly unusual, yet one of the key pillars in our approach.

THE 21ST CENTURY

Beware! Something new is afoot in the world! And it's not globalization, or China, or other hot issues of the day. No, it's something more serious and important.

The roots to this shift date back to the events surrounding May 1968. The most important part of this movement that has remained, perhaps the only thing that has endured, is the questioning of absolute authority, of the type of authority that many companies still insist on brandishing. There are still companies in which the managers tremble before the CEO. And some people think that CEOs who make his managers tremble is a CEO who is very unsure of himself.

The fall of the Berlin Wall is another event that has profoundly marked the transformation. The author believes that some of its consequences have been negative, since an alternative economic model has vanished, leaving the field wide open for economic liberalism at its extreme. And this, coupled with the absence of a moderating world power (produced by unbridled globalization?) has given rise to a feeling that anything goes to earn money. Just as an example, look at the sub-prime crisis that arose from the questionable financing maneuverings.

In some sessions that I have led with over 500 students with degrees in a variety of disciplines and a high level of performance, their negative attitudes toward companies is palpable. They have a systematic doubt about companies' good intentions and their desire to provide a service, and the conviction that the purpose of many companies, especially the larger ones, is to enrich their leaders.

Banks, real estate companies, financial services, transports and others: they are not free from the suspicion of manipulating their customers for their own bottom line. Is the rebellion of customers drawing near? Well, perhaps we shouldn't go that

"A NEW STYLE OF MANAGING OPERATIONS IS JUST AROUND THE CORNER. IT IS ALREADY BEING IMPLEMENTED IN SOME COMPANIES."

far. But we believe that everything points to the dawning of the third Industrial Revolution, the third revolution that will mark our future in operations.

We have already experienced the first Industrial Revolution, the revolution of the working class, the creation of a new social class, which leveraged machines to enhance production and create more wealth for the company or its owners. The second is the revolution of humans, of the "heart of the workforce," the discovery that workers have hands but also a heart, which must be cared for.

Departments, first personnel and then human resources, were created to handle this revolution and channel its effects, albeit at times negatively. Many human resources departments are dysfunctional, as they insidiously propound the idea that people can be managed by a service department. And this is not true. Managing human resources should be the job of the people who lead them, of their managers and bosses. They are the ones responsible for tending to the "heart force."

So what is the third revolution? It is taking place with the influx into the job market of people that are increasingly highly educated, people who do not blindly accept authority and need reasons for obeying. An increasing number of university graduates are joining (or trying to join) the job market. We have taught them to think and to question. And they question, thank God they question! And they're right. The reaction to "you have to do this" is increasingly the logical "why?" They obey, they do what they are told, only when they are sure that this is what should be done. Now does the reader understand why we said that May '68 was a historic milestone?

This type of talented person, what we call the "brain force," does not operate according to the same rules as their predecessors. And this creates the need for a new style of managing operations. If we want things to be done, we can't issue orders, we have to convince.

The result is the need to create a new culture that makes the most of "the brain force." Because this brain must be challenged; it likes challenges because that is how it learns. And it highly values what it knows and what it learns.

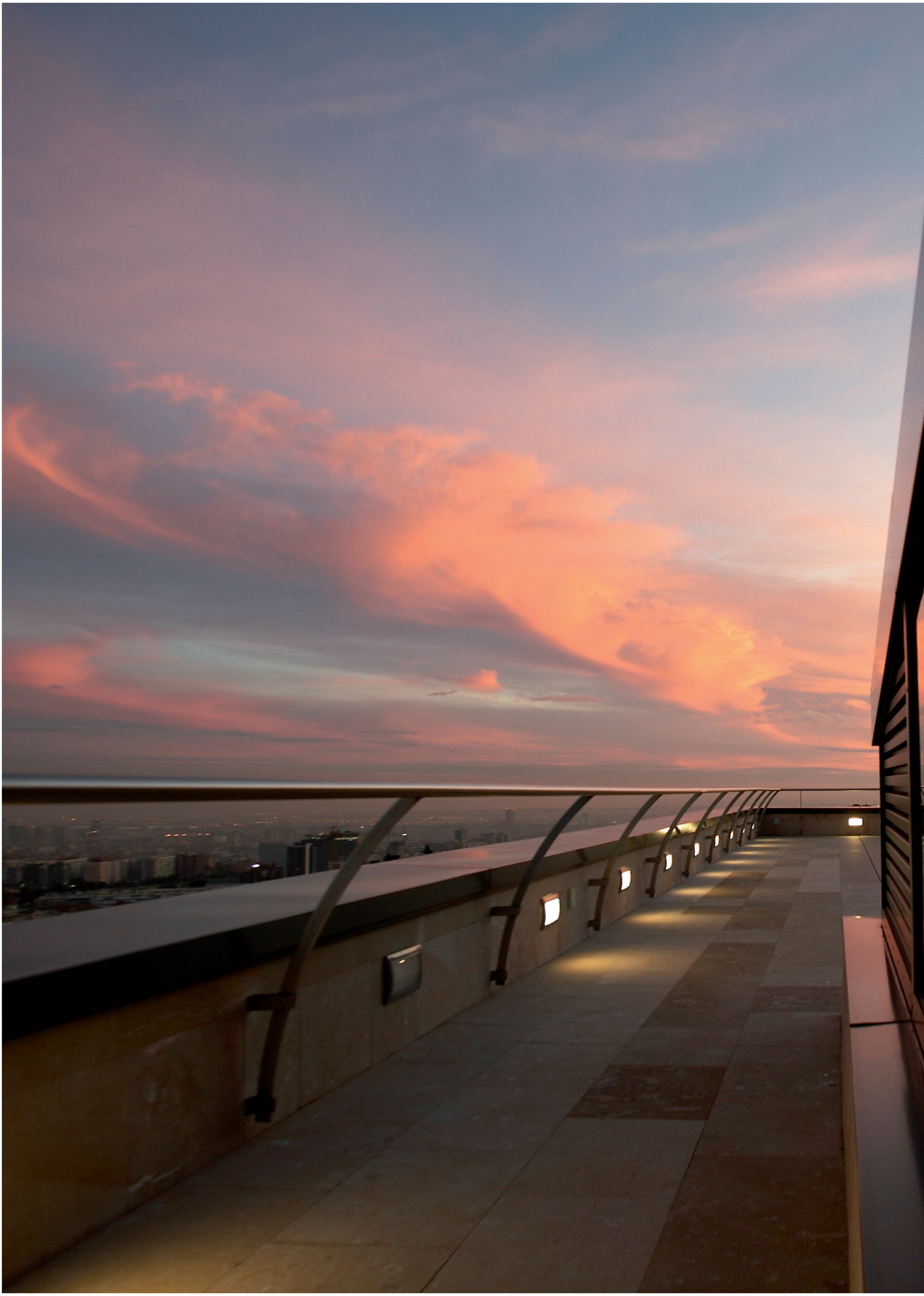
A new style of managing operations is just around the corner. It is already being implemented in some companies. One example, perhaps a bit esoteric but highly illustrative, comes from the world of theater, which we have documented in our book "Opera and Operations." In the theater, we have seen a worker-service integration that we have not witnessed anywhere else. And it is not for simplistic reasons like "of course, they're artists." It is the mutual recognition of qualities in favor of collective work with rules that are part of a new operative culture. One example: a mantra often heard at the Teatro Real is "don't worry, get busy." Can the reader imagine what happens when people truly believe in an idea like this one? All you have to do is watch a rehearsal to get an idea.

And this is the challenge of operations from the standpoint of general management. The goal is not managing human resources, because what we are concerned with is "doing it better," providing a five-star service. The new culture is an operative culture, a culture of doing, progressing and learning.

Implementing these ideas, which we have done in some companies, leads to magnificent results in terms of efficiency, attractiveness and unity. Efficiency in achieving the results. Attractiveness, as the agents' satisfaction with their job. And unity, as integration with the company's goals. And this "golden triad" has to be the key to achieving outstanding business results based on the talent of the brain force, and which additionally fends off the skepticism of our potential clients.

EPILOGUE

IESE's evolution that I have recounted is the result of many people's efforts. All that is left for me to do is acknowledge the accomplishments of our forebearers in the department who were capable of adapting and differentiating our vision of the world of operations on our road to the 21st century. Profs. Antonio Valero, Carlos Cavallé, Lorenzo Dionis, Pedro Nueno, Miguel Ángel Gallo, Pepe Ocáriz, Fernando Serra, Juan Roure, Luis Huete, Beatriz Muñoz-Seca, Jaume Ribera and many others all deserve special mention, as do many other people, too many to mention here that I have had the honor and pleasure of working with. And more than anyone else, even though he is not a member of the Department of Operations (his loss!) my mentor, Josep Faus.



THE FUTURE

From a small campus in Barcelona, IESE today is a world-class business school with campuses in Madrid, Munich and New York, as well as the expanded facility in Barcelona. And in contrast to the largely male, Spanish student body of 50 years ago, 80 percent of IESE's MBA class of 2010 comes from overseas, and almost a third are women.

But wherever the campus or whoever the student, the school's core values - such as respect for others - remain the same. They are based on the belief that firms are, above all, communities of people who work better in an atmosphere of trust. Those values highlight the aspiration to excellence that any professional in the business world should aim at. And those values are what continue to drive IESE forward today.

THE SCIENCE OF MANAGEMENT

WHAT ARE GENERAL MANAGEMENT PROGRAMS GOOD FOR?

Antoni Subirà, Professor of Financial Management, IESE

What influence have the general management programs for executives had on IESE and its evolution? The answer to this question is closely linked to the debate on whether or not the science of management exists.

I believe we can better analyze executive education's contribution to IESE's development if we examine the running debate in academic institutions devoted to management over the past 50 years. I will focus on general management programs for business leaders in terms of content and approaches

In this assessment of IESE's first 50 years, I believe we must undertake a brief analysis of what the general management programs for executives have meant to the school's development and evolution. Just a quick glance at the statistics shows its impact on our business environment.

In the Spanish region of Catalonia alone, there are fewer than 1,000 companies with more than 100 employees, so it is no stretch to infer that the participants in our executive programs work in almost all companies with more than 100 workers.

Therefore, the influence that this has had on our business environment is clear. My intention is in no way to try to measure this impact. That would be a difficult undertaking riddled with methodological difficulties. Still, I am convinced that it has truly been a positive impact. To corroborate this claim, we have the participants' assessments of their IESE experience, as well as our own personal observations when, as in my case, we have had the chance to interact with the business world beyond IESE.

Having said this, I primarily want to discuss another aspect of the issue. What influence have the general management programs for executives had on IESE and its evolution? Is the fact that our first program was the PADE general management program in any way decisive? Has the interaction between professors and participants influenced the faculty and their evolution as educators? If so, how?

My answer to these questions is overall extremely positive. I will try to reason through the motives for this claim, not only to look back with satisfaction and a certain degree of pride over these 50 years, but primarily to extract from all this certain lessons that I believe are crucial for IESE to continue making a positive contribution to society.

I think that the contribution of executive programs to IESE's development in terms of its contents and approaches can be better analyzed if we examine the debate that has been present in academic institutions devoted to management for the past 50 years (as long as IESE has been around).

Prior to this half-century, it was generally understood that a management school had to teach a set of established techniques on accounting, finance and production as well as to equip students with "clinical" knowledge about companies and best practices. The most prestigious schools emphasized this approach. That led to the development of learning methods facilitating the transmission of the best skills in the "practical art" of leading organizations.

The case study method reaped the most success. It is still the preeminent method in both executive education and MBA programs at the top schools. If it is used properly, it has vast potential for teaching and research

THE SCIENCE OF MANAGEMENT

Back in the 1950s, a series of concerns began to emerge related to the fundamental issue of whether it was possible to construct a science of management. Naturally, the reasons behind the emergence of these concerns were abundant, and many of them still linger today.

First, some scholars from other fields saw management schools as a sort of vocational school that had snuck into "scientific" academic institutions through the back door. Naturally, they forgot that medicine had been "scientific" for just a short time, yet it had been taught as a university subject for centuries. But that was not the main issue; the main one was that this criticism left its mark by creating a kind of inferiority complex in many scholars in the field of management.

Also, some scholars at management schools thought that it was worthwhile to rise to the challenge of constructing a science of management to win the enormous social benefits that this might produce. Look at the benefits earned in the process of converting the art of mechanics and metallurgists into the science of physics, for example.

Finally, for some, too, the determining factor was unquestionably an intellectual need, that is, the drive that leads one to search for coherent formulations to explain the connection between what one decides to do and what actually happens. In other words, formulating explicative theories or, better yet, predictive theories, which could be disproved and therefore would lead to the gradual construction of a truly scientific body of knowledge.

The mission is unquestionably noble and potentially momentous. But the reality is that the debate on constructing a science of management has been present throughout IESE's entire 50-year period and remains alive today.

As way of an example I shall transcribe parts of a lecture delivered on May 21 at IESE by Prof. Scott Armstrong of **The Wharton School**, entitled "Barriers to the Advancement of Science."

"Adam Smith asked why a small number of under-funded Scottish researchers were able to discover so many useful

"IN ORDER TO MAKE HEADWAY IN THE SCIENCE OF MANAGEMENT, YOU HAVE TO BE IN DIRECT CONTACT WITH ITS PRACTITIONERS, THEIR PROBLEMS, THEIR CONCERNS AND THEIR SOLUTIONS."

things while a large number of well-funded English researchers discovered so little. The increasingly bureaucratic approach to research had retarded the advancement of science.

I describe some of the barriers such as test of statistical significance; improper citations; the failure to replicate important studies; the focus on trivial but safe topics; a concern over "fairness" in hiring, promotion and peer review; and a lack of concern for communicating important findings –especially when they contradict commonly held beliefs...."

It is clear that the criticisms listed in Mr. Armstrong's abstract are applicable to poor academic practice in any discipline, but it is also clear that the most classic fields are more immune to their pernicious effects, while the newer ones – such as the vocationally-oriented disciplines including management – are much more vulnerable. There is no doubt that my fellow faculty members are aware of examples that would fit perfectly on Armstrong's list, ranging from the statistics used to claim cause-effect relationships to trivialities all dolled up to look like science.

In fact, there are only two attitudes towards this problem. The first one is to deny the possibility of a science of management, rendering the management of human organizations a "practical art" that would naturally draw from the knowledge available in other disciplines. This art would essentially be transmitted through apprenticeships, and the management schools would be what we called vocational schools.

I believe that today this approach, which was valid in the past and produced considerable results, is impossible, among other reasons because the vast majority of scholars working in the field (and I include myself) believe that it is possible to construct a science of management. The objection that we've been at this for 50 years and not yet made decisive steps forward could be deflected by pointing out that it took centuries to scientifically formulate many other fields. For example, geometry existed as a body of practical knowledge for centuries before architecture became an academic discipline.

The second option, then, is none other than rising to the challenge of building a science of management, and here – simplifying a great deal – two further options arise. First, one could ingenuously try to apply the methods that have been successful in developing other sciences. This leads to borrowing mathematical and experimental approaches that are still important in natural sciences such as chemistry or biology.

This relatively comfortable approach has had disastrous consequences; it has led to a kind of divorce between scholars' efforts and results and the needs and concerns of practitioners of the "practical art" of management, that is, managers. The scholars who have fallen into this trap are increasingly isolated from the real world of business leaders. Then the debate arises as to the pseudo-problem of "relevance". The academics wonder, "Why are we irrelevant to executives?" or even worse, they think from their ivory towers, "Why are executives so backwards that they don't realize the huge implications of our results?"

To my mind this is a pseudo-problem because the real problem is that these scholars do not know what managers need or care about. They are not aware of the real problems they face and their criteria of relevancy, which are just waiting to be noticed. In other words, in order to make headway in the science of management, you have to be in direct, close contact with its practitioners, their problems, their concerns and their "solutions."

The second option is to develop a science of management from the area of leading human organizations, by the careful observation of best practices, and especially by identifying its essential features.

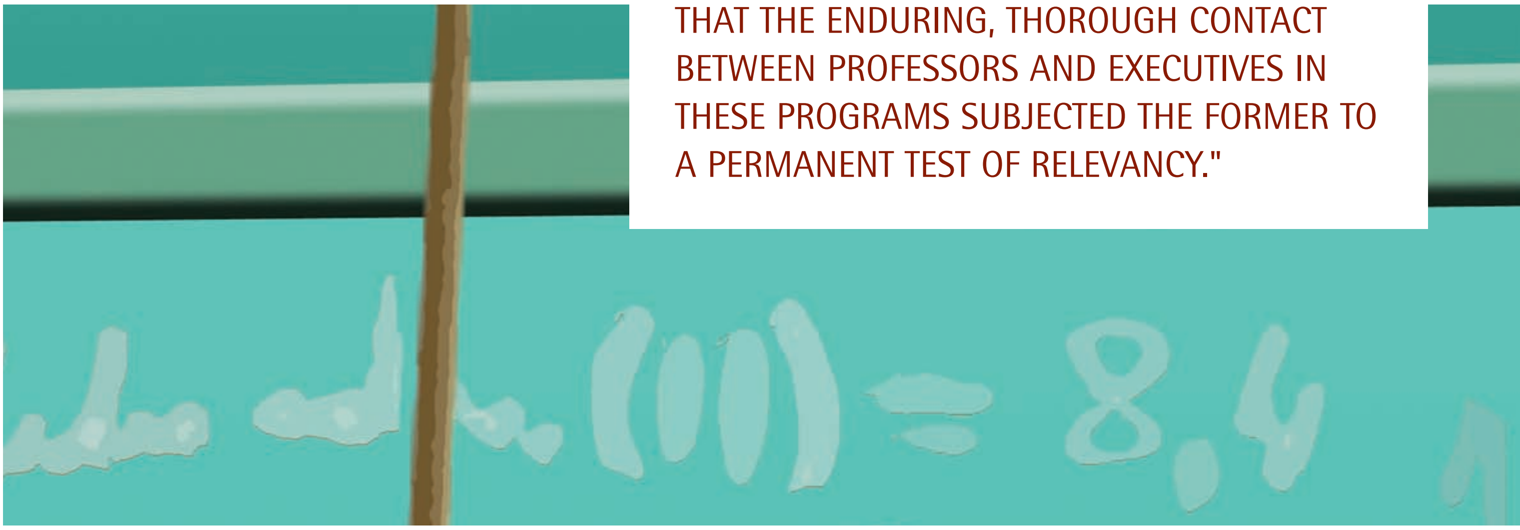
I will cite just one of these features – to me the most important one. The scientific methods that some people try to import to management have been spectacularly successful in developing sciences that deal with inanimate objects or the physical-chemical properties of living beings. However, in the world of managing human organizations, the real subjects are people with intelligence, freedom of choice and vastly complex value systems and goals. Developing our science therefore hinges on accepting a baseline hypothesis about people, that is, anthropology.

Refusing to acknowledge this explicitly leads to disaster. Likewise, starting with an ultra-simplified model of human beings, which is inevitably erroneous, also leads to disaster. For example: assuming that the building blocks (people) of a human organization are nothing more than black boxes limited to maximizing a utility function over the monetary domain leads to scientific disaster. Moreover, if managers were actually convinced of this, it would lead to even greater disasters for those affected.

So what is the antidote – or one of the antidotes – to these problems? I believe that intense, frequent and mindful contact with managers and executives is one of the antidotes because they know that people in their organizations are complex and the results in the short, middle and long term are different depending on the motivational rewards they use as executives.

They know that simplifications are dangerous, that people learn and forget, that you can't preach one thing and practice another. In short, they at least implicitly know that the essential components of the organization are people in all their complexity. They learn that the organization's stability, dynamism and efficacy depends on things such as what motivations are

"THERE HAS BEEN A CONSTANT PERCEPTION THAT THE ENDURING, THOROUGH CONTACT BETWEEN PROFESSORS AND EXECUTIVES IN THESE PROGRAMS SUBJECTED THE FORMER TO A PERMANENT TEST OF RELEVANCY."



applied and what hypotheses are made about their personal behavior in the organization.

As the reader might have figured out by now, to me there are two necessary conditions to successfully rise to the challenge of creating a science of management worthy of its name, taking into account all its human and societal consequences.

First, we must start from a sufficiently rich anthropology to properly represent human complexity, at the very least with regard to human behavior in society.

Secondly, a new science cannot be created by imitating other models, especially if the nature of the subjects studied is essentially different (physical vs. social sciences). The first useful and consequential formulations of the science of management will have to emerge from an up-close, mindful observation of the ways that managers and executives act.

The first steps must consist of – and partly already consist of – developing a sound articulation of the "practical art" of managing organizations, expressed in a language that – though not strictly formal – the practitioners of the profession find useful for conveying their knowledge and experience. The formal languages and theories will be constructed – in fact are already being constructed – over these foundations and anthropological hypotheses, the more explicit the better.

The two necessary conditions I just outlined have been at the forefront in IESE throughout these first 50 years. IESE's initial PADE program is powerful evidence that the activity of general management programs for executives was not, nor has been in its later development, an accident or coincidence. There has been a constant perception that the enduring, thorough contact between professors and executives in these programs subjected the former to a permanent test of relevancy, making it impossible for them -professors- to fall into "trivial but safe topics" or take refuge in those "tests of statistical significance" that lead nowhere.

Likewise, we have to acknowledge that the pressure to produce research and to publish in the most important journals requires a certain type of faculty that does not exactly fit with what was needed to successfully convey the "practical art" of management. The evolution required for this situation is taking place, but I think that we would be mistaken if we did not try to achieve the synthesis that the contribution to the new science requires. We cannot settle for teaching the pseudo-science that would not even get a pass from participants in the PADE program classroom.

I believe we are one of the few institutions in the academic field that is poised to advance in the right direction, and ultimately to make a decisive contribution to the new science of managing human organizations. This is our challenge for the next 50 years.

A PRACTICAL CASE STUDY: WHAT IS IESE'S SECRET?

50 YEARS OF GRATITUDE

Pedro Nueno, Professor of Entrepreneurship, IESE

If you achieve something difficult, it is only fair to thank those who made it possible. There are hundreds of people who have generously contributed their efforts and enthusiasm to help build the outstanding institution that IESE is today. This article is a small tribute to all of them.

"WE ALSO MANAGED TO FORGE ALLIANCES WITH INSEAD, LBS AND OTHER LEADING BUSINESS SCHOOLS IN EUROPE TO JOINTLY ORGANIZE PROMOTIONAL EVENTS UNDER THE SLOGAN 'YOUR MBA IN EUROPE'."

My first contact with IESE was back in 1968, ten years after its foundation. Everyone I have taught in recent years will have heard me say "nostalgia devaluates us as people." We should focus on the future instead. But if there is anything of value in looking to the past, it is gratitude. If you achieve a difficult goal, it is fair to thank those who made it possible. And this sort of gratitude is not exactly a dime a dozen. IESE's outstanding success is the fruit of many people's ideas and their capacity to turn them into reality, and I would like to offer a few words of gratitude to some of them here.

On my first visit to IESE, Prof. Lorenzo Dionis showed me the small campus and told me, among other things: "One day we'll be teaching the MBA program in English." I couldn't speak English, and that really impressed me. I was hired as a research assistant to Prof. Miguel Á. Gallo. I could become a professor if I earned a doctorate degree in the United States. I left a better-paying job to try and make that dream come true.

A few days after I was hired, Prof. Dionis introduced me to Prof. Félix Huerta, whose office was next door. He insisted on the issue of English and the U.S. doctorate as prerequisites for my making it at the school. Years later, with a Ph.D. from Harvard under my belt and prematurely appointed associate dean by that incredible boss, Prof. Fernando Pereira, I submitted a proposal to the board that IESE offer the MBA program in English, the goal shared by Profs. Dionis and Huerta.

Prof. Harald Burmeister was even more enthusiastic than I was and spurred me on. The Harvard-IESE Committee was in stitches at the idea, though. "IESE should be the leading Spanish-speaking school in the world; you don't need to dabble in English." I naively pointed out that if we managed to be the leading school in the English-speaking world, we would also be the leading school in the Spanish-speaking world.

Profs. Pereira, Pérez López, Faus and Sanllehí, all board members, gave the green light. There would be two tracks, one in English and the other in Spanish, because some of the professors with clout were not about to learn English. In 1980, IESE began offering the world's premier bilingual MBA program.

IESE's dean at that time, Prof. Juan A. Pérez López, told me, "Now, you will be in charge of selling this because we cannot afford to fail. I'll teach all the classes I have to in English." We hired Nicola Hijlkema, an Estonian who left the **London Business School (LBS)** to help IESE in that reckless venture.

We also managed to forge alliances with **INSEAD, LBS** and other leading business schools in Europe to jointly organize promotional events under the slogan "Your MBA in Europe." We drew audiences of 300 or 400 candidates in cities including London, Paris, Munich, Brussels, Madrid, New York and San Francisco. Each school took a speaker, an alum and a senior manager, to sell the idea of "Your MBA in Europe" (and indirectly their own school).

In Paris I convinced Jaume Llopis, then managing director of Moulinex, one of France's most famous companies, to come with me. I chose Llopis, now professor in the Department of Strategic Management, because I thought that he was a good salesman and everyone knew Moulinex. Llopis sold me a microwave oven on the way there and another on the way back. I don't know how he did it. The one that works really well still survives in my country house.

When MBA alumni sit next to me on a plane, I ask them what they sell and when they're coming back. But I want to avoid falling into the same trap I fell into with Llopis. My affection for our alumni and their skill as salespeople does not convince me to buy, say, a truck on the way there and another on the way back!

From those promotional trips, portable stand in hand, I fondly remember a pregnant Andrea Christensen (MBA '83) helping out with her enterprising energy in Munich. Christensen, CEO and president of the doll, toy and children's fashion company, **Käthe Kruse Puppen**, is now a member of IESE's International Advisory Board.

I remember another early IESE alumna, Teresa Gener (MBA '86) enthusiastically manning the booth at an event in Brussels. Gener is now the school's director of human resources. And another graduate of the MBA class of '86, Pedro Goenaga, came to help us sell the program in San Francisco while on exchange at **The Wharton School** in Pennsylvania. Goenaga is now partner in **Russell Reynolds Associates** and head of its Spain office.

Our first courageous MBA graduates deserve our gratitude for placing their trust in IESE. Then the time came to "sell" them to the market. Pérez López reminded me bluntly: "We have to place our products." I decided to go to Wall Street. Why not start at the top? I don't know what I must have said to some **Harvard** colleague to open the door to **JPMorgan**, but there I went, and I didn't have to fake my enthusiasm.

This leads me to express another debt of gratitude, this time to Cynthia Muller (today with **Morgan Stanley** in London), who took the bait. I couldn't believe it. Job offers for our MBA graduates in New York, on Wall Street. Today it's common, of course. But what happened next is truly worth remembering.

In 1978, Deng Xiaoping, then leader of China's communist party, decided to open up the country's economy. So, in 1979, Prof. Dionis went there and again in 1980 to organize the first

"IESE HAS TO BE ONE OF THE SCHOOLS WITH THE GREATEST AFFECTION FOR ITS ALUMNI. YOU COULD ALREADY TELL THIS JUST BY WALKING INTO THE SCHOOL ALMOST 40 YEARS AGO. PEOPLE ALWAYS COMMENTED ON IT."

program in China for IESE alumni. Profs. Roig and Dionis identified the opportunity that China is today 30 years ahead of time (see page 12 of the first issue of IESE's Alumni Magazine, 1980). If there are gurus today stating that the world isn't flat, what must it have been like back then?

ONE OF THE FAMILY

IESE has to be one of the schools with the greatest affection for its alumni. You could already tell this just by walking around the school almost 40 years ago. People always commented on it. But Prof. Pereira was the one who organized it, like so many other things, when he had to bring order to that orgy of entrepreneurship that was IESE.

In 1977, Catalonia's regional government, the Generalitat de Catalunya, was reestablished with Josep Tarradellas at the helm. "You're Catalan, so go there and tell this gentleman what IESE is," Pereira ordered me. And of course I went, but I took three alumni along with me: Francisco Sanllehí, a great businessman who was our general secretary and helped in admissions, along with Alberto Parera and Luis M. Roger, president and vice president of the Alumni Association respectively. Parera, Roger and Sanllehí were always willing to help any way they could.

We went to the Palau de la Generalitat, the seat of the Catalan government, and explained IESE's mission to President Tarradellas in Catalan and invited him to the Alumni Assembly a few weeks later. President Tarradellas came to the assembly and was seated at the head table next to Profs. Pereira, Sanllehí, Parera, Roger and myself.

He took in the atmosphere and whispered to me, "I was going to say a few words, but this is an extremely moving event and they want to listen to Mr. Pereira." He limited himself to congratulating the participants, telling them that he was proud that there was an institution like IESE in Catalonia, and then gave the floor to Prof. Pereira.

He was rewarded with a robust round of applause from an audience with many people from other regions in Spain. Economics Professor Juan J. Toribio, now at IESE's Madrid campus had brought Enrique Fuentes Quintana, the intellectual author of the Spanish tax reforms of 1978, to tell us about the Moncloa Pacts. The Moncloa Pacts were agreements made between the government, political parties and trade unions that were intended to create the conditions necessary for the consolidation of democracy.

FACULTY SUPPORT

The day I was named associate dean of IESE in 1978 I got two surprises: one worrisome and the other encouraging. The troublesome one was the school's financial situation. There were times when money was so tight at IESE that it needed bridging loans to cover payroll for a few months until the tuition fees from the next graduating class came in.

Some banks and savings and loans institutions believed in IESE, like the Caja de Barcelona, which had not yet merged into **"la Caixa."** We owe Eusebio Díaz-Morera, head of Caja de Barcelona at that time, a huge debt of gratitude for trusting in IESE during those difficult times.

And the surprise that bolstered my spirits was finding out about the financial support that the professors gave IESE. During its first quarter century, the school's faculty contributed part of their salaries to ensure the institution's survival. That is momentous motivation.

We had a moral pact with IESE to donate 25 percent of our income from consultancy or membership on company's boards. There were professors like Leopoldo Abadía, Miguel Á. Gallo, Juan Farrán, José A. Mustienes and Lorenzo Dionis who donated the equivalent of their IESE salary or more.

Yet there were also young professors like Vázquez-Dodero, Velilla and Lucas who must have cheated and given more than 25 percent. Isn't that worth our gratitude? How can we repay such outstanding men including José M. Rodríguez, José Ocáriz, Pere Agell, Fernando Pereira and others like them for their generosity? Many people aren't even aware of their crucial contribution to the school today.

I have certainly failed to mention many people who deserve our gratitude, but what comes to mind are the many **Harvard** professors who generously supported both IESE and the international projects that IESE embarked on in Latin America from its earliest days. In 1971, three recent MBA graduates showed up at my house in Cambridge, Massachusetts, led by Manolo Casas (MBA '71), now with the **Santander** banking group in France.

I was a poor and fragile doctoral student at **Harvard** with dim chances of survival. "We've graduated from IESE and we've come to **Harvard** to get our degrees validated here. What office do we have to go to?" I was dumbfounded. For many **Harvard** professors, IESE meant nothing to them. But I went with them to the office of Frank Folts, a retiree but the man who launched **Harvard's** first executive education programs (until World War II, **Harvard** only offered an MBA).

Folts did know about IESE and was a big fan of the founders' work. He wrote them a letter on "Harvard letterhead", which carried far more weight than a validation of their degrees. Ralph Hower, Charles Christenson, Harry Hansen (who spent a year at IESE), Wickham Skinner, Richard Dooley, Robert Sto-

"THERE ARE HUNDREDS OF PEOPLE WHO GENEROUSLY CONTRIBUTED THEIR EFFORTS, ENTHUSIASM, IDEAS, INFLUENCE AND MONEY TO BUILD THE OUTSTANDING INSTITUTION THAT IESE IS TODAY."

baugh and so many other **Harvard** professors generously supported IESE, in contrast to the gurus of today who state their fees before they even let you talk.

Soon after he earned his MBA in 1977, Juan C. Grijelmo managed to launch a PADE general management program in Bilbao, and Juan M. Elorduy, who had been in the Spanish government during the 1950s, went to lead it. Those were difficult years in Spain's transition to democracy, and more than one of the program's participants in the Basque Country had received threats.

During those tumultuous years of Spain's transition to democracy, IESE launched its MBA in English, its Executive MBA in Madrid, many programs and schools in Latin America, **AESE** in Portugal, the **Instituto San Telmo** in Seville and a host of programs in cities around Spain. This was perhaps one of the most practical lessons in leadership.

There are hundreds of people who generously contributed their efforts, enthusiasm, ideas, influence and money to build the outstanding institution that IESE is today. Hopefully we will set the record straight in a book one day. And Prof. Josep M. Rosanas's idea of producing this special edition of the IESE Alumni Magazine, helps us to express our gratitude to some of those who made it possible for us to be celebrating 50 years of IESE.




highlights*

* *IESE's Alumni Magazine is also published in Spanish. To see this edition, visit www.iese.edu/revista**

Human Ecology at Work

"While family members often work to support companies, companies don't often work to support families," said IESE Prof. Nuria Chinchilla at the "Building Sustainable Societies" conference held at the school's Madrid campus in June. Spain's HRH Princess Letizia of Asturias inaugurated the event, which was organized by IESE's International Center for Work and Family.

In 2000, European Union leaders set out the Lisbon Strategy with the principal objective that the EU become the most competitive knowledge-based economy in the world by 2010. But according to **McKinsey & Company**, European businesses still do not do enough to attract and develop the female half of its talent pool.

This was one of the main conclusions of the **McKinsey** study "A Wake-Up Call for Female Leadership in Europe." Claudia Funke, director of the consultancy firm, presented its analysis of practices in 23 European countries at the conference.

European demand for specialists and managers is spiraling: Germany alone will have to find an additional two million graduates from tertiary education by 2020, according to **McKinsey**. The country will not be able to meet this demand unless the share of women in the workplace increases significantly.

The report identified three mechanisms to help ramp up the percentage of women in overall working hours. The first is more flexible working arrangements for both men and women. Secondly, more day care facilities should be provided. And thirdly, business leaders need to make targeted talent management for women a top priority for management.

Out of sight, out of mind

Funke said that flexible work models can be a career killer for women in the long term if only women take advantage of them. Employers rarely consider part-time female workers as fully-fledged staff members and pass them over for promotion. But in Bulgaria, men and women generally work the same hours and one in five leadership positions is held by a woman - almost double the figure in Germany.

Therefore, adaptable work arrangements need to go further than a shorter working day or week for new moms. Parents need greater independence in shaping their daily working lives and greater freedom in deciding whether they work remotely or in the office. "We need to put an end to the misconception that the remote worker lacks motivation," Amparo Moraleda, General Manager of **IBM** Spain, Portugal, Greece, Israel and Turkey, said.

Child warning: career risk ahead

In terms of leadership positions, the **McKinsey** study found that, the higher the share of women as a proportion of total hours worked, the better their chances of promotion to executive roles. In Norway, where women account for 43 percent of total working hours, they occupy one in three management positions. In comparison, German women make up only 38 percent of the total hours worked and fill only one leadership position in ten.

Funke also noted that better childcare provisions are a prerequisite for increasing this figure. Having children still represents a career risk for women, above all, in countries with poor childcare provisions. The **McKinsey** survey found that over half the European women in leadership positions had no children, compared to a third of men. In countries with a shortage of day care places such as Germany, mothers have to stay at home with their children. As a result, the choice between pursuing a career or having a family is significant.

Countries with low birth rates such as Germany are waking up to the consequences of failing to provide real alternatives for women. "Families produce the next generation, which will be key in companies' development," noted Patrick F. Fagan, senior fellow and director of the **Center for Family and Religion**. And "social pollution," which stems from the lack of support for family members working in corporate environments, can cause societal problems beyond the workplace.

Shaping the offer

Even if women do make it to management positions, they are three or four times more likely to leave, according to Krista Walochik, CEO of the executive search firm, **Norman Broadbent**, in Spain. Another study showed that companies that stem this flow could reap benefits. The 2007 study "Women Matter" found that companies with a higher share of women at the top achieved better financial results.

Walochik said that for women, a company's culture and values could be as much of a deal maker as money when it comes to taking a job. Women seek companies that allow them to maintain some balance with the rest of their lives and to develop their careers in a supportive environment, according to Walochik.

The headhunter said that male candidates were beginning to think this way, too. "When people are in a position to swap a high salary for a different set of values, they do it."

For Walochik, this is a clear indication that companies need to overhaul their human resource models and replace them with a new model that resolves the problem of long working hours and a balanced lifestyle.

Steven Poelmans, academic director of the International Center of Work and Family, agreed. "Companies gain competitive advantages through diversity in the workforce, so they should understand that they cannot apply a standardized package of conditions. They need to trust their employees and protect the family unit," he said.

One company that has taken the bespoke approach to people management is **Deloitte Consulting**. Brett Walsh, the firm's director of human capital, said that his company has benefited in that employees are more committed. "There has to be a consensus between the company and its workers; if an employee wants to reduce his or her workload we should respect that," Walsh said.

Norman Broadbent's Walochik proposed that companies mesh their values with those of their employees by connecting with them on an emotional as well as a practical level. "We need companies that are committed to their employees … employers need to convince staff that their objectives are the same," she said. "We need to create leaders that represent the companies values and for that to happen, they need to firmly believe in those values."

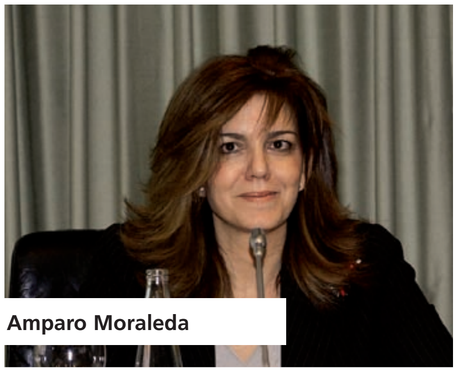
So, where is the road map for companies that want to make the change? Prof. Chinchilla reminded participants that the introduction of new certificates on the subject, as well as new research and benchmarking, have helped foster awareness among companies. One example is the "EFR" certificate of Fundación + Familia, which IESE has helped develop and launch worldwide.

HRH Princess Letizia of Asturias


Claudia Funke


Stephen Bevan


Krista Walochik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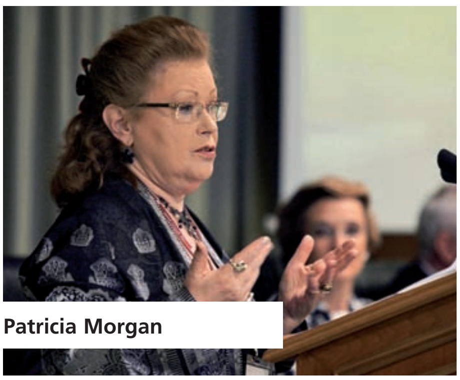

Patricia Morgan


Prof. Steven Poelmans

The Value of Family Values

Values and value creation are two of the central pillars of family businesses. While signs of the family's values are apparent at every level of the company's structure and activities, value creation is its *raison d'être*. The central aim of a family business is to create value for its stakeholders and society. This was one of the issues explored at the "4th International Family-Owned Business Conference" held at IESE's Barcelona campus in June.

Modern family firms fiercely guard their freedom and are no haven for nepotism, leaders of some of Europe's major family companies told the "4th International Family-Owned Business Conference", held at IESE's Barcelona campus in June.

Over 300 representatives of family businesses as well as leading scholars and business experts discussed topics under the theme of "Family Values and Value Creation: The Fostering of Enduring Values Within Family-Owned Businesses." The school's Family-Owned Business Chair hosted the conference.

For Hans-Jacob Bonnier, executive vice president of the Swedish family-controlled media conglomerate, the **Bonnier Group**, freedom of speech, responsibility and quality were the main values of his family and its group.

Bonnier, who is a member of IESE's Advisory Board, was speaking during the event's opening panel. He also said that while all family members were welcome to work in the group, they had to compete for a place based on competence. "So at market value, you might say," he said.

His comments were echoed by fellow panel member Franz Borgers, chairman of the **Borgers Group**, a supplier to the automotive and white goods industries. Borgers said that family members could not apply to work in the family company, they had to be invited to by the board.

The **Borgers** group has a turnover of €620 million and employs 4,800 staff. Mr. Borgers said that despite its size, the group put an emphasis on caring for its employees. "Whether it's family problems, divorce, drugs, etc., people find it normal to discuss these things with their bosses as they would with their friends," he said.

Rosario Martin de Cabiedes (MBA '80), chair of the board of **Europa Press**, said that similarly to the **Bonnier Group**, freedom, responsibility and the constant quest for excellence were key values for the media company, which employs 425 journalists. She said that family members could only join the company if first they gained experience elsewhere and even only then if they had something valuable to contribute.

Opening the conference, Dean Jordi Canals welcomed the growing recognition of the "economic, social and human importance of family businesses." IESE launched the first Family Business Chair in Europe in 1987. Prof. Josep Tàpies has held the chair since October 2003.

Innovation is also a key factor in the success of family businesses. Marian Puig, president of the **Puig Foundation**, said that the **Puig Beauty & Fashion Group**'s success had been built upon "its ability to create new products." As Puig pointed out, "a third of its currents sales are from products that did not even exist four years ago."

Handing down to the next generation

Inevitably, succession was a key topic at the family business conference. Succession represents "an opportunity for the

Marian Puig, Rosario Martin de Cabiedes, Prof. Nueno, Franz Borgers and Hans-Jacob Bonnier

To avoid some of the common pitfalls of succession, family business owners are advised to set clear boundaries between property, business and family, and to promote a merit-based culture, which helps avoid nepotism.

Prof. Josep Tàpies

Prof. John Ward

future," according to Guido Corbetta, of **Bocconi University**. However, Corbetta told participants that there are no infallible formulas for success as a whole host of factors determine the efficacy of any succession strategy.

Emotional aspects, for instance, play a key role in the management of a family business, according to Ludo Van der Heyden, of **INSEAD**. The professor said the "fairness process" is crucial in preventing despotic practices. This process consists of treating everyone with respect and taking their needs into account.

Meanwhile, Sabine Klein of the **European Business School** stressed the importance of establishing links within a family business, pointing out that the degree of family involvement is instrumental in "shaping the structure of a family enterprise."

Another key issue for family businesses, according to Prof. Nigel Nicholson of **London Business School**, is intellectual property, which is a completely separate concept to physical assets – and should be dealt with as such.

Among the business leaders that participated in the event's sessions were Roger Pedder, former chairman of the family-owned **Clark Shoes**, Josep Ros, a partner in **Roland Berger Consultants**; and **Antonio Gallardo**, vice-president of the advisory board of **Laboratorios Almirall**.

Numerous distinguished academics participated in the event, including John A. Davis and Belén Vilallonga of **Harvard Business School**; Raffi Amit of **Wharton School**; and Fernando Casado, director of the **Family Enterprise Institute**.

Julie Butler
Cristina Aced

FAMILY VALUES AND VALUE CREATION

"The study and research of the role of family values and their impact on the creation of values is relevant not only in terms of family-owned business, but the corporate world as a whole," states IESE Dean Jordi Canals in the prologue to the book *Family Values and Value Creation: The Fostering of Enduring Values Within Family-Owned Businesses*, which was launched at the conference.

The long-term vision of the family-owned company is in stark contrast with the short-term pressures that rule other kinds of businesses. Family-owned businesses are also characterized by a sound value system, whether implicit or explicit, which impacts all of its activities, its strategy and way of doing things, as Kellogg Prof. John L. Ward explains in the book's introduction. Prof. Josep Tàpies co-edited the book with Prof. Ward.

This is why, at a time when executives, investors and even public opinion bemoan the lack of values in the corporate world, family-owned businesses are shaping up to be the role models to watch. The book's 11 chapters review existing research in the field and then correlate it with real-life issues that family-business executives face every day.

For example, generational transition continues to be a major area of growing concern. Succession must be seen as an opportunity and part of an ongoing process, rather than a one-off event that must be done. To avoid some of the common pitfalls of succession, family business owners are advised to set clear boundaries between property, business and family, and to promote a merit-based culture, which helps avoid nepotism.

Yet the best tool in the family business kit is, without a doubt, its values, which "shape the culture of the family-owned business," states Ward.

An End to Rose-Tinted Hindsight

FUR XIII, A MAJOR CONFERENCE ON DECISION MAKING

Drazen Prelec, an economics and psychology expert, has good news for those of us who hate meetings. According to the **MIT Sloan School of Management** professor, Internet-based polling tapping the wisdom of many will replace decisions by committees and individual managers.

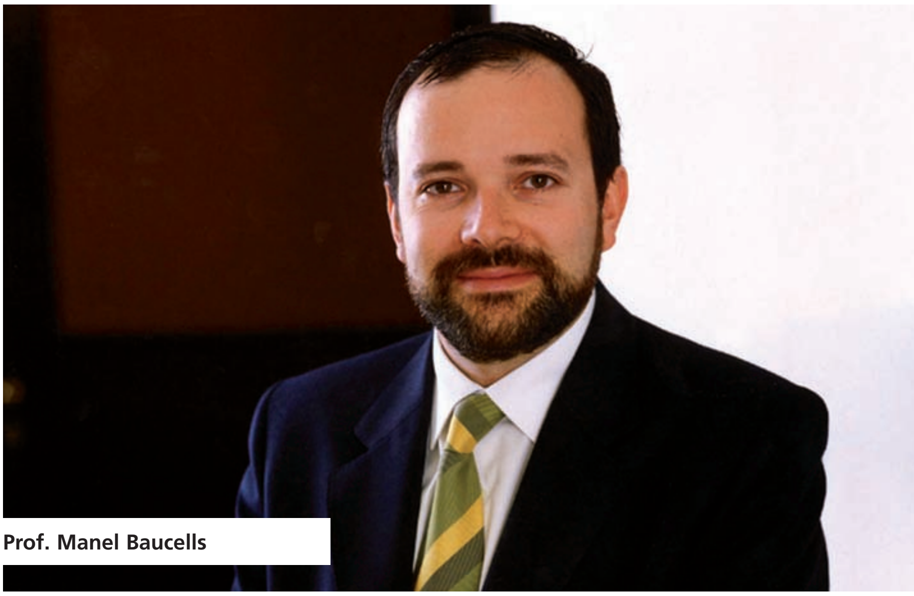
Prelec was one of many world-leading researchers presenting at the "Foundations and Applications of Risk, Utility and Decision Theory" conference (FUR XIII), held at IESE's Barcelona campus in July. IESE Prof. Manel Baucells coordinated the event.

The **MIT Sloan** professor explained his "truth serum," a scoring method involving pairs of questions. The methodology has a strong success rate in eliciting honest opinions from people on non-verifiable matters. This means the gray areas with no clear-cut "right" answer - such as subjective assessments of environmental risk, long-range business forecasts and a person's stated likelihood of buying a product.

In terms of commercial applications, Prelec said the system offers advantages over prediction markets, which are already used internally by companies such as **Hewlett Packard** and **Google**. He said prediction markets work only for judgments that ultimately can be publicly verified, such as whether a product will be shipped on time and whether sales targets will be reached.

One of the advantages of prediction markets over meetings is that people are more likely to be honest. Employees might not say publicly that they think a new product is lousy or sales forecasts are over optimistic but their insider knowledge and informed opinions will affect how they bet in this forum.

Another plus of Prelec's system is that it taps not only a person's own predictions, but their predictions of other people's predictions, and helps identify expertise. "What you really need are mechanisms that pluck out the experts," Prelec said. This ability to separate the wheat from the chaff makes these mechanisms an improvement on traditional voting systems.



Prof. Manel Baucells

"Whether it's this algorithm or another, I'm pretty sure the Web is going to lead to alternative voting systems that will start to replace informal meetings and things of that kind," the expert said. "At some future point, decisions will be made not by committees, but by people interacting as they do in a prediction market or in some other structured way."

"The Internet has enabled a rapid collection and evaluation of people's predictions and opinions both in companies and outside them," he said, adding "These mechanisms will collect judgments … that are expected to be superior, more objective, than what a single manager or committee could produce."

When hindsight is a hindrance

In another session, Prof. Martin Weber of **Mannheim University** warned participants to be wary of unconscious biases. The finance professor's research shows that unconscious biases can affect the way we make decisions – with serious consequences.

One example is the over-confidence bias, which leads many of us to think we are better than average and to over-estimate our abilities. Weber referred to survey findings that the vast majority of people regard their driving skills as above average, a statistical impossibility.

Boundless over-confidence is useful for entrepreneurs launching new companies despite the high rate of startups that fail. But it is out of place in the stock market, where investors tend to over-estimate their abilities, trade too much and fail to diversify, ultimately paying a heavy price.

Weber also suggested that we be wary of hindsight bias, the phenomenon that tricks us into thinking we knew something all along. Hindsight bias causes us to forget or inaccurately recall what we thought beforehand when we receive fresh, additional information.

In an experiment with 85 highly paid investment bankers in London and Frankfurt, he found that they showed significant hindsight bias when asked questions on their field of expertise. The finance professor highlighted that the bankers with the lowest bias tended to be the higher earners, illustrating the cost of bias on their potential income.

"In financial markets the inability to be surprised, to learn from the past and to reject hypotheses can be very damaging. Hindsight-biased traders will fail to recognize that their view of the market was wrong. Hence they will fail to cut their losses when it is optimal," Weber explained.

Driving Government Performance

PIONEERING PROGRAM FOR PUBLIC EXECUTIVES

Former prosecutor Khaled Hamdy Attia is now in a very different role – he is heading the recently established Egyptian Competition Authority and wants to learn public policy management skills.

Piero Bonadeo, representative of the United Nations Office on Drugs and Crime (UNODC) Liaison Office to the European Union (EU), wants to keep his bureau tightly focused on countering drugs, crime, terrorism and human trafficking, and getting organizations to cooperate on such efforts.

Gdansk Deputy Mayor Marcin Szpak says Poland is undergoing rapid transformation and its public sector is still defining itself. Developing strategies is easy, according to Szpak. What he wants to learn is how to bring them alive.

And Carles Riviera Molins is director of **Diputació Barcelona**, which is setting up a system to monitor the performance of Barcelona's 311 municipalities. He wants to know how to capture the involvement of all employees.

All four uncovered strategies to achieving their objectives in Driving Government Performance, a four-day program held in association with the **Harvard Kennedy School** at IESE's Madrid campus in June.

It was the first time the four-day program had been offered for open enrolment in Europe and attracted a diverse group of top-tier public sector leaders keen to learn how to maximize effectiveness. Robert Behn, public policy lecturer at the **Kennedy School of Government** led the program.

Behn, a world-renowned guru on public sector management, told the class that they had an advantage over private sector executives. "Your organizations produce results that matter greatly to citizens."

He recounts that as part of Steve Jobs' successful bid to recruit **PepsiCo** President John Sculley to work for **Apple**. Jobs reportedly asked Sculley, "Do you want to spend the rest of your life selling sugared water or do you want a chance to change the world?"

"The nice part is you've already made that choice," Behn said. "That's an advantage and you should make use of it."

The secret of effective implementation

Behn said that when it comes to getting results, there is no silver bullet. The starting point is asking what needs to be accomplished, where an organization's main performance deficit lies and focusing efforts accordingly.

He used public sector case studies to illustrate key concepts. Among these is the importance of clearly and frequently articulating an organization's mission. Another is monitoring its progress often. "Publish the data so that every team knows that you know - and everyone else knows - how well every team is doing," he advised.

Work teams should be rewarded with "esteem opportunities" which provide recognition and motivation to ratchet up performance with little or no cost to the organization. And – very importantly – competition must be structured so that everyone can win; otherwise teams will not share the secrets of their success.

Beware of honest cheats

The risk with performance measures is that staff is motivated to deliver but will cut corners to do so. Behn calls this honest cheating and gave examples of fudging numbers or teachers focusing on students' exam pass rates rather than their fundamental understanding of concepts.

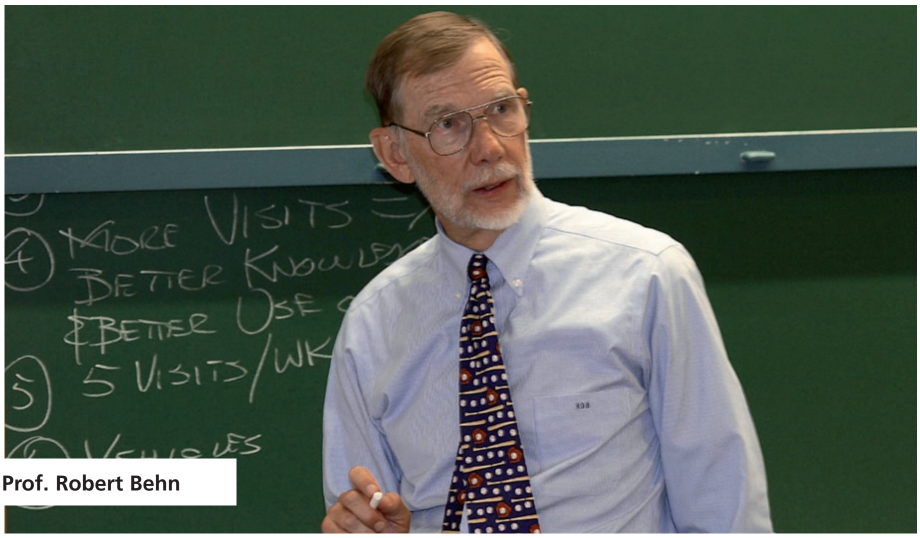
"Verify that people are achieving their targets in a way that furthers the mission, not in a way that fails to help or that actually undermines this effort," he warned.

Defining success

As he returned to Cairo, Attia said he planned to define targets to get some bite into Egypt's competition watchdog. "We have a mission and goals but they are not clear enough. I have realized that all staff and stakeholders need to know clearly what to focus on," he said. Gdansk's deputy mayor Szpak also plans to provide staff with clear definitions of what is expected of them.

Meanwhile, UNODC's Liason Officer to the EU, Piero Bonadeo, said he had learned how "to remind people of what we are working for, to refresh their minds and keep their commitment strong." And Riviera Molins said he had learned concrete ways to get the staff's buy-in and how ensure goals are accomplished.

Behn had one more tip for them once they had succeeded in making their organizations more effective – give their political leaders the glory. "Don't be dumb. They will respect you for letting them have the credit."



Prof. Robert Behn

IESE AND AFRICA

IESE Welcomes EMBAs from Kenya

Executive MBA students from Strathmore Business School in Nairobi, Kenya gathered at IESE's Barcelona campus for a weeklong global management course in July. The students attended sessions on cross-cultural management, transfer of HR practices, global strategy and finance. Participants also visited the automotive supplier, **Peguform** and the courier company, **MRW**.

Strathmore MBA Program Director Vincent Ogutu said the students were very impressed by IESE’s new North Campus and the key role played by alumni donations in funding the new facilities. Ogutu said they had since promised similar help to **Strathmore** for its new building project.

The course was part of IESE and **Strathmore**’s ongoing collaboration to develop leadership and managerial skills in Africa. IESE offers the Advanced Management Program (AMP) Kenya jointly with **Strathmore**. The general management program is aimed at senior managers with operations in the region.

IESE's continued commitment to business education in Africa also involves a number of joint projects with other African business schools including **Lagos Business School** in Nigeria and **Nile University** in Egypt.

IESE has also developed the Short Focused Program "Inside Africa" which is offered in Nairobi and Johannesburg. The program provides practical insight into how investors and companies are positioning themselves, and how companies can take part in the future economic development of the region.

Banker Criticizes Bankers

THE WALL STREET JOURNAL'S VIEWPOINTS SERIES

Bruce Wasserstein

Prof. Eric Weber and Les Hinton

A lack of ethics by some involved in the sale of subprime mortgages, as well as a complete failure of risk managers to understand the perils of these products, was one of the causes of the current financial crisis, according to Bruce Wasserstein, chairman and CEO of the investment bank **Lazard Ltd**. The mergers and acquisitions expert was speaking at the *Wall Street Journal* Viewpoints Executive Breakfast Series in New York earlier this year. IESE co-sponsored the event with **The Boston Consulting Group**.

According to Wasserstein, at least part of the cause of the mortgage crisis, and the resulting fallout, was that the creation of innovative financial products and models occurred faster than the market’s understanding of this new “technology.” Holders of doctorates in risk management did not adequately advise against risks that, according to Wasserstein, common sense and “a walk around the block” would have made clear.

Short-term benefits

This failure to recognize the obvious was exacerbated by pressures inherent in an industry where managers’ performance is measured on a very short-term basis. Wasserstein stated that this short-term focus, combined with a lack of long-term incentives for managers and the temptation to do what everyone else was doing (especially when they were making a lot of money doing it), was a major contributor to the financial crisis.

Referring to federal bailouts of some companies involved in the subprime mortgage crisis, Wasserstein noted that there are regulated and unregulated financial markets, and that if companies expect to be bailed out then they should, in turn, expect to be subject to regulation.

The upside

Not all was bad news, though. In the question and answer session, Wasserstein said the current troubles should allow for the markets’ institutional knowledge to catch up with the new technology. As a result, financial companies should be able to make a more reasoned assessment of the prudence of utilizing securities backed by subprime mortgages and other new products. In addition, he felt that the real estate bubble’s burst might end up being a good learning opportunity for the banks involved and the financial markets as a whole, with some financial companies being better capitalized and stronger.

Looking ahead, Wasserstein was confident that the markets would recover, though he felt that the recovery would be “U” and not “V” shaped, possibly taking the whole of 2009 to get back on track. He also saw the expected millions, perhaps billions, of people entering the middle class throughout the world as a sign that the commodity market would remain healthy, as the need for products and services will continue to grow.

IESE Participates in HBS's Centenary

IESE PROF. BALLARÍN IS PRESIDENT OF THE HARVARD CLUB OF SPAIN

IESE Prof. Ballarín addressed fellow Europe-based alumni at an event celebrating **Harvard Business School**'s 100-year anniversary at the Real Casa de Correos (Royal Post House) in Madrid's Plaza de Sol in September. The professor of strategic management is president of the Harvard Club of Spain. Leaders of 30 European Harvard Clubs and their members joined in the celebrations.

In his address, Prof. Ballarín recounted some of his experiences since graduating from the prestigious U.S. business school with a doctorate in business administration in 1976. **Harvard University** has close ties with Spain and Spanish institutions such as IESE. As evidence of this close relationship, Prof. Ballarín noted that "over the last 210 years, as many as 16 U.S. ambassadors to Spain have been Harvard graduates."

Attendees to the event included the President of the Community of Madrid, Esperanza Aguirre, **Harvard**'s Associate Provost, Prof. Jorge Domínguez, and the Director of Alumni Relations, Jack Reardon.

Harvard Business School and IESE commemorated its centenary and its 50th anniversary, respectively, together in Madrid back in January. The long and fruitful relationship between the two schools goes back to 1963, when the **Harvard**-IESE Committee was formed to help IESE launch one of Europe's first 2-year MBA program.

Identifying IT Advantages

INTERNATIONAL BUSINESS AND INFORMATION TECHNOLOGIES (BIT)

IESE hosted the 4th International Business and Information Technologies (BIT) Conference at its Barcelona campus in June. The BIT project is an ongoing collaboration by research teams based in nine countries focused on the impact of new information and communication technologies (ICT) on business. **UCLA Anderson School of Management** leads the project with support from IESE.

Appropriate management of ICT is a way to create competitive advantages. It is important, therefore, to know what criteria managers consider during the decision-making process regarding the adoption of technologies. These decisions may impact operations in different strategic areas of the company as well as its financial results.

Members of BIT research teams from Argentina, Chile, Colombia, Italy, Germany, South Korea, New Zealand, Spain and Taiwan presented their findings at the meeting in June. Discussions approached the topic from both an academic and an industry perspective. Prof. Uday Karmarkar, director of the BIT project, provided the keynote speech. Also at the conference, Prof. Rudy Hirschheim of the **E.J. Ourso College of Business** at Louisiana State University discussed the myths, economic realities, and future trends of IT outsourcing.

The BIT project will ultimately examine IT developments in 20-25 countries over the next few years. IESE will contribute the study's Spain chapter, with Profs. Sandra Sieber and Josep Valor spearheading the initiative.

Prof. Josep Valor

Women Outnumber Men in Latest PMD

Of the 27 high potential managers in this year's Program for Management Development (PMD), 14 were female - up from just five the year before. It is the first time that women have outnumbered men in an IESE open program. Was the high number of women in the PMD an anomaly or is the glass ceiling starting to crack?

Icelander Kristín Hulda Sverrisdóttir has worked for eight years at **Reykjavik University** where she is director of administration and services. In other words, she keeps the university running.

To the south in Barcelona, Adriana Rubio, is a business manager for **Roche Applied Science**, in the diagnostic wing of the pharmaceutical company. The microbiologist has worked for **Roche** for nine years, the first six in her native Colombia. She sells high-tech science to professionals.

Hulda and Rubio were two of fourteen female business leaders who completed PMD 2008 in June. Now in its fifth year, the program is designed to broaden the management and leadership skills of promising specialists being groomed for wider responsibility. The participants' average age is 39 and most have 8-10 years of management experience in international companies.

The program is structured into four one-week residential modules, three held at IESE's Madrid campus and one in Barcelona. The modules follow the themes of Laying the Foundations, Sustaining Competitive Advantage, Leadership in Action, and Reshaping the Future.

Women reshaping the future

PMD 2008 Class President Hulda said that **Reykjavik University** is headed by a woman and largely run by women. "Hence, for me, the gender balance of the PMD was not unusual. I would have been surprised if there were less women!

"All kinds of research will tell you that in the future, most global growth will not be created by India or China but by working women. And research predicts that by 2020 in the UK, there will be more women who are rich and more women in senior positions, than men.

"In our class, you could see that the women were just as strong as the men. That's what you need in a course like this, it's very healthy for the men to hear our views," she said.

Earning respect

Unlike Hulda, Rubio often attends meetings where she is the only woman in the room. The opportunity to do a management program was part of her relocation package for Spain and she had been keen to learn more about motivation and leadership.

"But when Pablo Cardona (Professor of Managing People in Organizations) started telling us about the difference between power and authority, and how to gain respect, in that moment I identified what I was desperately looking for.

"In my case I have three of the elements that he mentioned: I'm a woman, I'm

All kinds of research will tell you that in the future, most global growth will not be created by India or China but by working women.

under 40 and I'm a foreigner - not from Europe or the U.S.A. but Latin America. So you have these three things that play against you in building confidence and trust," Rubio said.

"The only way you can gain respect is by demonstrating your ability, which usually means you need to work twice as hard as the next person. Sometimes we are afraid to talk about issues of gender, age and ethnic background but it's important to recognize they exist."

Rubio says the situation for a woman in management is slowly improving but there is a long way to go.

What men think

And what about the men on the PMD program? For Ahmed Al Khaja, vice president of procurement and contracts at **Dubai World Trade Center**, said it exceeded his expectations. Not because of the healthy proportion of women (though this was positive for class dynamics) but the diversity of industries and nationalities.

For Heinz-Martin Pescke, a supply chain and procurement consultant for **Siemens** climbing the management ladder, PMD met the brief of providing a "helicopter view" on issues such as leadership and motivation.

For Ahmad Rahnema, IESE professor of financial management and a PMD faculty member, there are signs that women are moving up the management ladder. "Now it's at the general leadership level. The next stage will see more women as top executives or on boards."

PMD Director Fernando Clariana is also optimistic. He says the high participation rate of women in the latest program reflected an increase in applications from female managers who were high quality candidates.

"Hopefully it is a sign that more women will soon be walking into the board room," he said.

And there could be more female IESE MBAs walking into the board room in the future. The MBA class of 2010 has also seen a tangible increase in the number of female students. Of the 215 students beginning the 19-month program in fall 2008, almost a third are women.

The IESE MBA '10 has an average age of 27 years; speaks an average of three languages and comes from countries as far and wide as Brazil, Germany, India and Japan. Over a third of the students have a background in engineering; a quarter in business administration; 16 percent in economics and finance, while the remaining quarter have studied science, humanities or law.

SHORT FOCUSED PROGRAMS 08/09

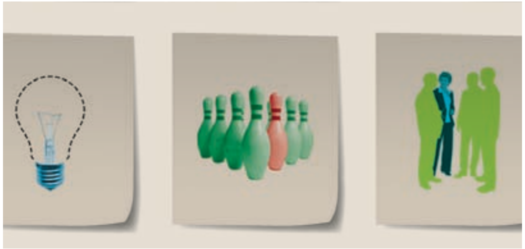
Strategy and Entrepreneurship

> Creative Cultures: Making Innovation Work [Barcelona, Nov. 18-21, 2008 / New York May 5-8, 2009 / Nov. 17-20, 2009] ***NEW**

> Getting Things Done [Barcelona, May 19-22, 2009 /New York Sept. 15-18, 2009]

> Getting Global Strategy Right [Barcelona, June 9-12, 2009]

> New Game Strategies: Business Models in Action [Barcelona, July 7-10 July 2009] ***NEW**



Operations and ICTs

> Strategic Management of Global Value Chains [Barcelona, Nov. 3-6, 2009]

> New Technology Playgrounds [Barcelona, Jan. 27-30, 2009]

> Global Sourcing of Services: Myths, Realities and Future Directions [Barcelona, March, 3-6, 2009] ***NEW**

Short Focused Programs

Infusing Organizations With Innovation

"Creative Cultures: Making Innovation Work" is just one of 18 new Short Focused Programs IESE is launching in the 08/09 academic year. In total, IESE is offering 50 opportunities for participants to gain insights and new skills.

Automation and Asia make up the two-headed monster threatening Western businesses' competitive advantage, according to Prof. Paddy Miller. "In the Western world, the minute a job can be automated it disappears onto a computer or to Asia," the professor said.

That makes the ability to innovate crucial for Western companies. "The only way we can build an advantage is by innovation, by being creative every day," Miller said. But if the future of our organizations hinges on innovation, how can we inspire our people to innovate? IESE's new Short Focused Program "Creative Cultures: Making Innovation Work" addresses this key question.

Prof. Miller is leading a team including Prof. Tony Davila, co-author of *Making Innovation Work*, and Erich Joachimsthaler, founder of Vivaldi Partners, an innovation strategy and marketing firm headquartered in New York. IESE Barcelona will host the first edition of the program on Nov. 17-20, 2008, with another edition kicking off at IESE's Big Apple campus on May 4-8, 2009.

Miller warned that the program shifted focus from new product development - the business realm traditionally associated with innovation. "Companies are already fairly good at that… the challenge now is that the whole organization needs to be thinking about innovation on a daily basis," he said.

The program provides a framework for participants to put their experience of innovation in their organizations under the microscope. "We are looking for people who have had some experience of innovation and struggled with it," Miller said.

Once participants have identified what works in terms of innovation in their firm, participants will learn how to get spores from that Petri dish to other parts of the company so that innovation mushrooms there. "Innovation is not necessarily driven from the top down," he pointed out.

The "Creative Cultures: Making Innovation Work" program has taken a

Management Competencies

> Develop Your Communication Skills. It´s How You Tell Them! [Barcelona, April 21-23, 2009]

> Developing High-Level Negotiation Skills

Industry Meetings

> IME: Branding in Media and Entertainment [New York, Nov. 17-19, 2008] *NEW

> IME: Business Strategy in the Digital Age [New York, June 8-10, 2009] *NEW

> IME: Finance and Accounting in Media and Entertainment [New York, March 10-12, 2009] *NEW

Globalization and Emerging Markets

> Inside New York [New York, Sept. 22-25 , 2008 Oct. 5-8, 2009] *NEW

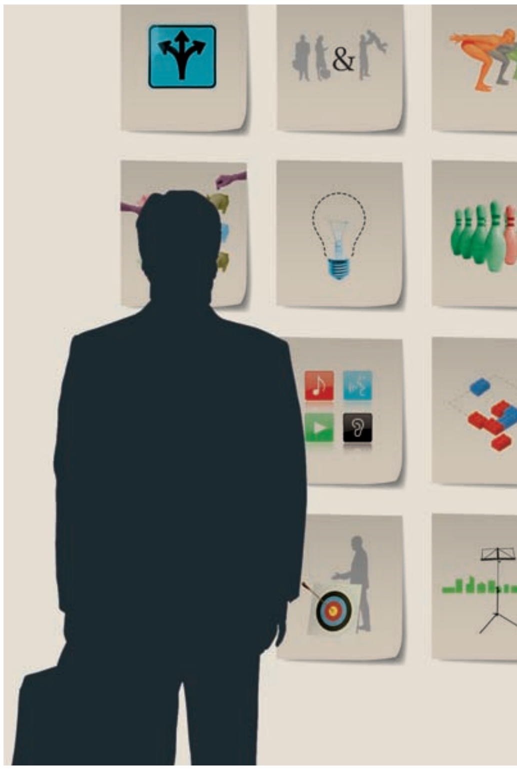
> Growth Prospects in Emerging Markets [New York, Dec. 8, 2009 Barcelona, Dec. 15, 2009]

> Inside Africa [2009]

> Inside India [location T.B.A. March 9-13, 2009]

> Inside China [location T.B.A. April 20-24, 2009]

> Inside Russia [location T.B.A. June 8-12, 2009] *NEW



practical approach to how to implement innovation rather than zealously enthusing about it. "It is very inspirational too," Miller said, adding "the course is about how do we tackle this problem and then leave the room with the ball already rolling."

Motivation motor

Motivation plays a big part in getting this going. "You need to find out how to get people to develop this, how to own it," the professor of Managing People in Organizations said. Miller noted that for A.G. Lafley, CEO of **Procter & Gamble**, people work because they believe they can make a difference, not just for their paycheck. Prof. Miller chaired *The Wall Street Journal*'s Viewpoints Executive Breakfast series with the **P&G** boss earlier this year.

One example is the pharmaceutical company, **Abbott**. The company brought patients reliant on its drugs into its plant in Ireland. Once staff saw that the company's products helped save, prolong or improve the quality of sick people's lives, they had a sense of mission beyond simply making pills. "That's what we want to understand," the professor said.

But people motivated by the opportunity to have only fun need not apply. Miller questioned the popular association between innovation and having "fun." "That's a kind of lame-brain motivational model; it's a completely crazy idea… the finest examples of innovations have come out of adversity," he said.

For more information on IESE's Short Focused Programs visit

www.iese.edu/SFP

Entrepreneurs Call for Less Red Tape

EUROPEAN GROWTH SUMMIT 2008

Removing bureaucratic barriers stifling innovation was one of the key measures called for at the "European Growth Summit 2008," held at IESE's Barcelona campus in June. Other moves advocated were improving university-industry knowledge transfer and reducing family business tax and succession burdens.

IESE organized the event in partnership with **Europe's 500**, an independent pan-European listing of high growth, job creating companies across all business sectors. The event attracted entrepreneurs, investors and business experts.

Petra Erler, special envoy of the European Commissioner for Enterprise and Industry Günter Verheugen, told the conference the **European Commission** (EC) was already increasing competitiveness on various fronts.

"We need to break down barriers and get rid of red tape to help entrepreneurs succeed," she said. "Europe's future will largely depend on our capability to transfer an entrepreneurial spirit and mindset."

The **EC** aims to increase investment in research and development and unlock the growth potential of small and medium-sized enterprises. "We also need to do more to promote the (knowledge) crossover from universities to the business community," Erler said.

In a discussion on "Entrepreneurial Suggestions for a More Competitive Europe", President of **Europe's 500**, Martin Schoeller, said Europe had to maintain its high standards but make growth easier for job-creating enterprises.

He called for measures including an EU-wide patent register, alternative funding sources to fill the void between bank loans and private equity, greater encouragement of part-time work opportunities and enhanced flow of intelligence and resources between universities and industry.

Schoeller also highlighted the Middle East's growing importance. "It is about to become a key hub in this triangle of Europe, Asia and Africa," he said.

Europe had a special role to play in promoting sustainable growth in this region because it had a "peaceful, friendly attitude and not a know-it-all approach," he said.

Erler said that the **EC** hoped to "integrate our partners to the east, such as the Ukraine, Morocco, Israel and Jordan, as much as possible into our market and perhaps even into economic and monetary union." The commissioner's envoy added that, under the EC's Neighborhood Policy, it hoped to create a free, single marketplace, "lasting from Vladivostok in the east but comprising eventually also the Middle East."

IESE Prof. Juan Roure, the summit's academic director, said that despite current Western financial turmoil, in the larger global community there were more opportunities for growth than ever before. The summit was an opportunity to learn how to take advantage of them, he said.

Among topics discussed at the conference were; "The Clean Energy Revolution," "The Rising Financial Powerhouse of the Middle East" and "Financing Growth Without Losing Control."

This is the third consecutive year that IESE has hosted the Europe's 500 summit, which provides an information-sharing and policy-influencing platform for the firms fueling Europe's growth engine.

Prof. Juan Roure

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IESE Business School
University of Navarra

NEW LOGO

IESE Gets New Look

IESE's has commenced the 2008-2009 academic year with a redesigned logo, reflecting the business school's commitment to the future. The fresh, new logo is no longer framed within a red box and has a greater focus on IESE, with a stronger and more visible font. The design is also more adaptable, and can be slightly modified according to marketing needs.

Although the new logo represents the school's forward thinking, it is still based on tradition. The four elements that made up the original logo (IESE, the words "Business School," the reference to the school's parent, the University of Navarra and the shield of Pedralbes) are still represented, as is the characteristic dark red color. The logo clearly achieves its aim: providing a cleaner, fresher look with immediate brand recognition, without losing sight of the school's values.

GLOBAL EXECUTIVE MBA

Global EMBA Goes Monthly

IESE's Global Executive MBA has launched a new monthly format, with its inaugural class beginning in Barcelona in September. Like the original bi-monthly format, the new program offers a blend of on and off-campus learning, but with a different layout. The monthly format consists of six three-month modules, alternating home-based learning via the Global Campus web platform with week-long residential periods every month.

Participants complete the residential portion of the program in Barcelona, Madrid, New York and Mumbai. This year's class includes 28 high calibre students representing 12 nationalities, with over 65% of the participant's hailing from outside of Spain. Half of the participants work abroad and 14 percent are women. The first monthly format class will graduate in June 2010.

Prof. Ghemawat Honored

WINS IRWIN OUTSTANDING EDUCATOR AWARD

Prof. Pankaj Ghemawat was awarded the Irwin Outstanding Educator Award by the business policy and strategy division of the **Academy of Management** at the academy's annual meeting in California earlier this year.

Ghemawat is the first professor from a European business school to receive this award and the Anselmo Rubiralta Professor of Global Strategy at IESE. The **Academy of Management** congratulated Ghemawat on his "exemplary record as an educator and extensive contributor to the teaching effectiveness of others through myriad teaching materials."

Winners of the Irwin Award demonstrated an outstanding teaching ability in business strategy over a long period of time; and have had an important impact on strategy pedagogy through expertise or new and different teaching methods or materials that were subsequently widely adopted by others.

Ghemawat has developed a 30-session MBA course on globalization and strategy, leads focused programs at IESE and **Harvard Business School** on "Getting Global Strategy Right," and has written more than 50 articles and case studies on the topic. Harvard Business School Press published Prof. Ghemawat's book "Redefining Global Strategy" in September 2007.

Right Under Your Nose

FORMER IESE PROFESSOR WINS MARKETING AWARD

According to the popular idiom, when someone can't see the wood for the trees, he or she is unable to understand what is important in a situation because they are giving too much attention to details. The same is true in marketing and innovation, according to Erich Joachimsthaler's book, *Hidden in Plain Sight: How to Find and Execute Your Company's Next Big Strategy*, winner of the American Marketing Association Foundation's 2008 AMA-Berry Book Award.

"The biggest, best, brightest and most successful opportunities for innovation and growth are right here, in front of us, and we often can't see them or don't act on them," the former IESE visiting professor said. Instead of focusing all their efforts into making a crispier pizza or a drier deodorant, companies need to understand how their products and services slot into their consumers' lives, their role in the "behavioral episodes" that make up their consumers day.

The nub of Joachimsthaler's book is that today's consumers are less motivated by simple wants or needs, and more driven to take care of pressing tasks and activities in the "episodes" that make up their daily lives. "Products or services are merely a means to get things done or to spend time their way, to enjoy and experience life, " he says.

Netflix co-founder and CEO Reed Hastings understood this. Consumers want to relax and watch a DVD but returning it to the store is yet another errand to run that could result in late fees. Netflix's customers receive DVDs in the mail along with pre-paid return envelopes and no late fees. The company took the hassle out of renting a movie, smoothing one more crease out of its clients' day.

This paradigm shift requires the marketing department to switch from categorizing customers by age, income or class and find out how they lead their lives instead.

10,000 WOMEN PROJECT

Opening Doors

IESE is one of twelve new business schools and non-profit organizations committed to providing management education to women in developing countries under **Goldman Sachs**' 10,000 Women project. The initiative supports partnerships with universities and development organizations to provide 10,000 under-privileged women with business education over the next five years.

The initiative is grounded in the belief that expanding the entrepreneurial and managerial pool in emerging economies – especially among women – is one of the most important spurs to economic growth. "As we know from long and indisputable experience, investing in women and girls has a multiplier effect on productivity and sustained economic growth. No measure is more important in advancing education and health," UN Secretary General, Ban Ki-moon, said.

Under the scheme, IESE will work with the **University of Asia and the Pacific (UA&P)** in the Philippines to develop a 150-hour certificate program targeting 450 Filipino women entrepreneurs who want to scale up their existing businesses.

The shorter-term certificate program opens the door to women whose circumstances might obstruct them from traditional business education and targets developing skills such as accounting, public speaking and marketing.

The initiative focuses on certificate programs, rather than formal MBAs, in order to unlock the potential in women from disadvantaged backgrounds with limited formal education who have a capacity to succeed in business. Demand for the programs is clear: 600 Rwandan women applied for 60 spaces in the new certificate program at the **School of Finance and Business** in Kigali.

As well as providing under-privileged women with practical management skills, 10,000 Women will bolster the quality of business education in developing countries through the training of local professors and the development of locally relevant case studies. IESE will provide **UA&P** faculty with case-study workshops and ongoing mentoring for case-study writing, as well as faculty training.

IESE Adds New Recruits

IESE WELCOMES NEW PROFESSORS

IESE has bolstered it reputation for teaching excellence with the addition of new faculty in departments such as economics, ethics, marketing and strategic management. Reflecting the school's commitment to diversity, the new faculty hails from countries including India, Belorussia and Chile, with women making up almost half of the new teaching staff. The economics department greets the new academic year with three new faculty members: Rolf Campos, Sanjay Peters and Javier Díaz-Giménez.

Assistant Professor Rolf Campos holds a Ph.D. in economics from the **University of California Los Angeles** and his areas of specialization include financial economics, banking and applied economic theory.

Associate Professor Sanjay Peters holds a doctorate in economics from **Cambridge University**. As well as teaching economics at Cambridge, Peters has served as a research advisor to the foreign office of the U.K. government and consultant to the World Bank.

Visiting Professor Javier Díaz-Giménez (Ph.D. in economics from the **University of Minnesota**) has also served as a government advisor to the Spanish government's ministry of industry. He is interested in dynamic macroeconomics and his most recent research has centered on fiscal reforms and changes to the pension system.

Natalia Yankovic, holder of a doctorate in decision, risk and operations from **Columbia Business School**, has joined IESE's production, technology and operations department as assistant professor. And Sophia Kusyk (Ph.D. in management from **ESADE**) is the new assistant professor in the department of business ethics.

The managing people in organizations department welcomes Visiting Professor Marta Elvira (Ph.D. in organizational behavior and industrial relations from **Haas School of Business at the University of California-Berkeley**). Elvira has co-edited two books on human relations in Latin America and has taught at **INSEAD** and the **University of California**, among other posts.

Over in the strategic management department, Govert Vroom (Ph.D. in management from **INSEAD**) has joined as assistant professor. Vroom comes to IESE from **Purdue University** in Indiana, U.S. Prior to studying for his doctorate, the Dane worked in the telecommunications industry.

Meanwhile, the financial management department welcomes Assistant Professor Carles Vergara (Ph.D. in business administration from **Haas School of Business at the University of California-Berkeley**). Vergara's principal areas of interest are price-fixing and financing in the real estate sector.

The marketing department has been reinforced with the addition of Assistant Professor Elena Reutskaja (Ph.D. economics, finance and management from the **Universitat Pompeu Fabra**). Reutskaja's areas of specialization include neuromarketing, public policy and consumer behavior.

Silvia Bellezza has also joined IESE's marketing depatment. Bellezza, who holds a degree in economics from **LUISS University**, is an alumna of IESE's MBA program ('08). Her research has centered on building consumer behavior models based on anticipation.

MBA Five-Year Anniversaries

A Day of Class Reunions

Almost 500 IESE MBA graduates returned to the school's Barcelona campus for their five-yearly reunion at the end of May.

Eight MBA classes gathered at IESE's Barcelona campus to celebrate their five-yearly graduation anniversaries on May 31. Alumni from the classes of 2003, 1998, 1993, 1988, 1983, 1978, 1973 and 1968 returned to the school to meet once again with former classmates, professors and staff.

IESE's Dean Jordi Canals welcomed more than 500 people representing 29 nationalities and 19 countries to the event. In his opening address, the dean presented some of the school's projects for the future.

Back to Barcelona

"The fifth anniversary of our graduation was the perfect opportunity to return to Barcelona and see our classmates again," said Blanca López, president of the MBA class of '03. Enric Crous, president of the MBA class of '73, agreed. "The five-yearly reunions remind us of how proud we are to form part of one of the world's leading business schools," he said.

Another veteran graduate, Francisco Freixa, president of the MBA class of '78, said the five-yearly reunions were a great opportunity to get to know more recent graduates. "Every five years, those of us from the early years of the MBA are delighted to welcome new generations of MBA graduates to the IESE family."

Back in the classroom

During the event, the MBA graduates gathered in their respective class groups to participate in academic sessions led by professors who helped them complete the two-year program. Almost 90 graduates from the MBA '03 class attended a session with Prof. Leggett, while Prof. Pedro Videla led 53 participants from MBA '98 through a session.

The MBA '93 graduates enjoyed a session given by Prof. Frederic Sabrià and 31 graduates from the MBA class of '88 participated in a session given by Prof. José Antonio Segarra. The class of '83, which was celebrating its silver anniversary, met with Prof. Antoni Subirà, while Prof. Juan C. Vázquez-Dodero joined graduates from the MBA classes of '68, '73 and '78.

Graduates then got together for commemorative class photos and lunch. López, president of the class of '03, encouraged her MBA colleagues to attend future reunions. "We hope to see those that could not make it today in future events.

And those that didn't make it to the five-yearly anniversaries need not need to wait another five years. IESE´s Alumni Association organizes a Global Alumni Reunion, in Spain and at overseas locations, every year. This year's edition took place in Madrid on October 23-24, where participants discussed "The New Dynamics of Global Business."

On top of that, IESE comes to where you in through its Continuous Education Program events and chapter meetings. For example, Dean Jordi Canals participated in a special Continuous Education event in Boston in October. Check out up-coming events at: www.iese.edu/en/Alumni/.

MBA'98

MBA'78

MBA'68

MBA'83

MBA'73

MBA'93

MBA'88

MBA'03


IESE




IESE









You're in the News

We are very interested in hearing from you. Send us your news at revista@iese.edu

EMBA '03

EMBA '03 celebrated the fifth anniversary of their graduation at a reunion at the Madrid campus on June 20, convened by fellow alumni **Adolfo Valderas** and **Ruth García Broto**. Prof. Jose R. Pin delivered the academic session titled "The Various Stages in an Executive's Career." The reunion, which was attended by 28 people, was a resounding success.

EMBA '07

Dario Vicario has informed us that he has moved to Stockholm, where he will take over as manager of the Nordic region for Goodyear Dunlop Tires Nordic.

MBA '85

José Manuel Nuñez-Lagos has been appointed general manager for the Iberian Peninsula of Imperial Tobacco, the world's fourth largest international tobacco company.

MBA '89 and PADE '03

Aurora Catá has joined the headhunting firm Seelinger and Conde as partner. Prior to this post, Catá was the director of business development in Latin America for RCS Mediagroup, publishers of the Spanish daily *El Mundo* and Spain's leading financial newspaper, *Expansión*.

MBA '90

Adrian Pryce has been appointed senior lecturer in Strategic Management & Marketing at Northampton Business School, part of the University of Northampton in the U.K. This part-time post will allow Adrian to continue his consultancy business in the food & drink sector. For the last six years, he has run his own Spanish food import & distribution company.

MBA '00

Juan Ignacio Echevarría has informed us that he and his business partner, **Ramis Zakarni** (MBA '97), have signed an agreement with prestigious chocolate confectionary chef and baker, Oriol Balaguer, that awards them exclusive distribution and promotion rights in the Middle East, India and North Africa.

MBA '05

Nick Gradel became a father to his first child, Isabella Sophia, on April 23, 2008. Isabella weighed in at 7lb 2 (3.2kg) and is a great sleeper.

MBA '05

Christian Kunsch has been appointed director of aviation at Hochtief Airport. Christian had previously worked as senior project manager for Roland Berger.

PADE '88

The PADE-II-88 class celebrated its 20th anniversary at IESE's campus in Madrid on June 19 at a meeting convened by **José M. Osorio** and **Carlos Puig**. Natalia Centeno and Prof. José R. Pin, who gave the academic session, joined the group. The reunion continued the following day when the 23 participants visited Expo Zaragoza.

PADE '01

On July 14, alumni of the PADE-1-01 class gathered at the Barcelona campus for a reunion organized by **María del Mar Raventos** and **Antoni Cano**. Prof. Juan C. Vázquez-Dodero gave the academic session.

PADE '03

Graduates of the PADE-1-03 class celebrated their 5th anniversary with a reunion on June 16 at IESE's campus in Barcelona. Thanks go to **Carlos Delgado** and **Marta Pou** for organizing the event. Prof. José L. Nueno delivered a presentation on hot issues such as the credit crunch and the economic downturn.

PADE '08

Ruth Aixemeno and **Conchita Gassó** organized a get-together for the PADE-1-08 class and their families in the seaside town of Cambrils, near Tarragona, on July 25. The event also included a sports tournament.

PDG '98

Isabel Aguilera has been made president of General Electric for Spain and Portugal. Aguilera was previously director of Google for the Iberian Peninsula. Aguilera's career includes spells at companies including Hewlett-Packard, Dell and NH Hotels.

Executive MBA '03

IESE Mourns Three Loyal Supporters

As IESE reaches its 50th anniversary, the school expresses its profound gratitude to Rafael Pich-Aguilera Girona, who participated in IESE's first general management program in 1958, along with his father-in-law Josep Roca, then-president of the bathroom supplier Roca.

Over the following half century, the textile industry executive's support for IESE was steadfast; as a part-time professor; as a driving force behind the creation of the Chair of Family Business and the school's family guidance courses; as well as a regular participant in IESE's Continuous Education Program.

His activities were by no means limited to the academic world. For many years, he served as a senior executive of his family's business, Sedatex, a leading company in the European non-woven textiles sector.

He and his wife Carmine were devoted to their 16 children, eight daughters and eight sons, many of whom followed in his footsteps to IESE including Catarina (MBA '03), Gabriel (PDD '02), Juan (PDG '95), Montserrat (PDG '92), Rosa María (PDD '04) and Teresa (PDD '03).

1928-2008
Rafael Pich-Aguilera Girona

In the early 1950s, Rafael del Pino, founder of the global infrastructure group, Ferrovial, traveled around Europe to investigate how railway lines were built in other countries. He bought a system in Germany to export to Spain for €6,000, a million pesetas at that time. With the new machinery, a Ph.D. in civil engineering, an office in an attic in Madrid, and a great deal of enthusiasm, he launched Ferrovial in 1952.

The company that del Pino founded in Spain over half a century ago now operates in over 40 countries and reported revenues of €14 billion in 2007. The company's first contract repairing track and sleeper fixing in the northern Spanish province of Burgos was followed by projects throughout Spain. Ferrovial expanded into building toll roads, construction, and infrastructure building and maintenance, both in Spain and overseas.

The business leader was guided by an urge to give back to society and to this end, he established the Rafael del Pino Foundation in 1999. The foundation aims to "enhance the knowledge of Spain's business leaders, foster individual initiatives and promote free market principles" by providing scholarships to study in leading universities overseas, as well as organizing forums and conferences.

Del Pino was a member of IESE's International Advisory Board and a tireless supporter of the school's mission. May he rest in peace.

1921-2008
Rafael del Pino y Moreno

Following a degree in pharmacy, Enrique Puig (PADE '83) devoted much of his career to leading the communication and PR department of the company founded by his father Antonio Puig Castelló.

Puig played a key role in boosting Puig Beauty and Fashion's worldwide presence. Talkative and personable, he was always the perfect host at the launch of Carolina Herrera, Paco Rabanne and Nina Ricci fragrances. In his later years, he presided over of the board of shareholders and acted as an advisor to Exea Corporation.

Puig will also be remembered as founder of the Copa del Rey sailing competition, the premier cruiser regatta in the Mediterranean. For almost 25 years the Puig cologne Agua Brava was the competition's official sponsor

A gifted sailing enthusiast himself, Enrique Puig oversaw the construction and development of the vessel Azur de Puig in the 1980s. For over fifteen years, with HRH the Infanta Cristina of Spain at the helm, the Azur de Puig figured prominently at many of the world's most prestigious sailing competitions.

1939-2008
Enrique Puig Planas

Regional Alumni Chapters

Chapter News

14 Meetings

13 Countries

470 Alumni

Buenos Aires

July 17

Prof. Javier Estrada met up with members of the Argentinean Alumni Chapter in the country's capital in July. The IESE professor delivered a session titled "Black Swans and Market Timing: How Not to Beat the Market."

Manila

July 22

Philippine Alumni held a meeting on June 22 at the home of alum **Jesús Zulueta** (IFDP '08). Prof. Bernardo Villegas of the University of Asia and the Pacific (UA&P) and IESE visiting professor discussed the school's plans to work with UA&P in the future.

Holland

May 31

The Dutch Alumni Chapter converged at IESE's Barcelona campus to attend a meeting convened by the chapter's president, **Philip Alberdingk Thijm** (MBA '89), celebrating IESE's 50th anniversary. Members of the Dutch Chapter and Dutch alumni living in Barcelona organized the event. Dean Jordi Canals welcomed the alumni and discussed IESE's plans for the future. Participants then enjoyed an academic session with Prof. Josep Valor on "Information Technologies That Reshape Industries."

Munich

June 6

Members of the Germany Chapter of IESE's Alumni Association gathered in Munich on June 6, where they enjoyed a session by Prof. Johanna Mair titled "Social Entrepreneurs as Partners in Global Markets." The event was sponsored by BSH Group. Thanks go to **Sophia Gisewski** (MBA '04).

Paris

July 7

The Alumni Association's France Chapter met up in Paris on July 7, where Prof. Baucells answered the eternal question, "Does More Money Buy You More Happiness?" in the academic session.

Sao Paulo

June 12

Members of Brazil's Alumni Chapter met in Sao Paulo on June 12. The event's guest speaker was Prof. Beatriz Muñoz-Seca, who delivered an academic session titled "Boosting Innovation: How to Achieve World-Class Operations."

Dubai

July 7

The Dubai Chapter of the IESE Alumni Association held its first official meeting on July 7. Profs. Albert Ribera and Pablo Cardona delivered academic sessions before a get-together meal. Prof. Ribera was the main driving force behind the event.

Sense Beaujeu

June 14

IESE Alumni and friends recently converged on Sense Beaujeu to attend a Continuous Education session led by Prof. Albert Ribera titled "Me Ltd.: The Business of Managing Oneself." **Tanguy de Pommereau** (MBA '04) welcomed participants to his castle where the event took place.

New York

May 29

July 16

IESE alumni and friends met up in New York at the end of May to participate in a session led by Prof. Paddy Miller on "Turning a Business into a Creative Culture."

Members of the Alumni Association's U.S. Chapter congregated in New York again on July 16. They were joined by Prof. Carlos Cavallé, president of the Social Trends Institute, and Prof. Kevin T. Jackson, of Fordham University, who discussed the role of ethics and human nature in business in an academic session titled, "Rethinking Business Management: Examining the Foundations of Business Education."

Warsaw

June 25

Prof. Albert Ribera was recently in Warsaw to deliver a session titled "Me Ltd.: The Business of Managing Oneself" to Poland-based alumni.

London

July 26

A special meeting in London brought together alumni from MBA '08 who have recently relocated to London and students from MBA '09 on summer internships in the city. The event included a boat trip along the Thames.

Tokyo

July 16

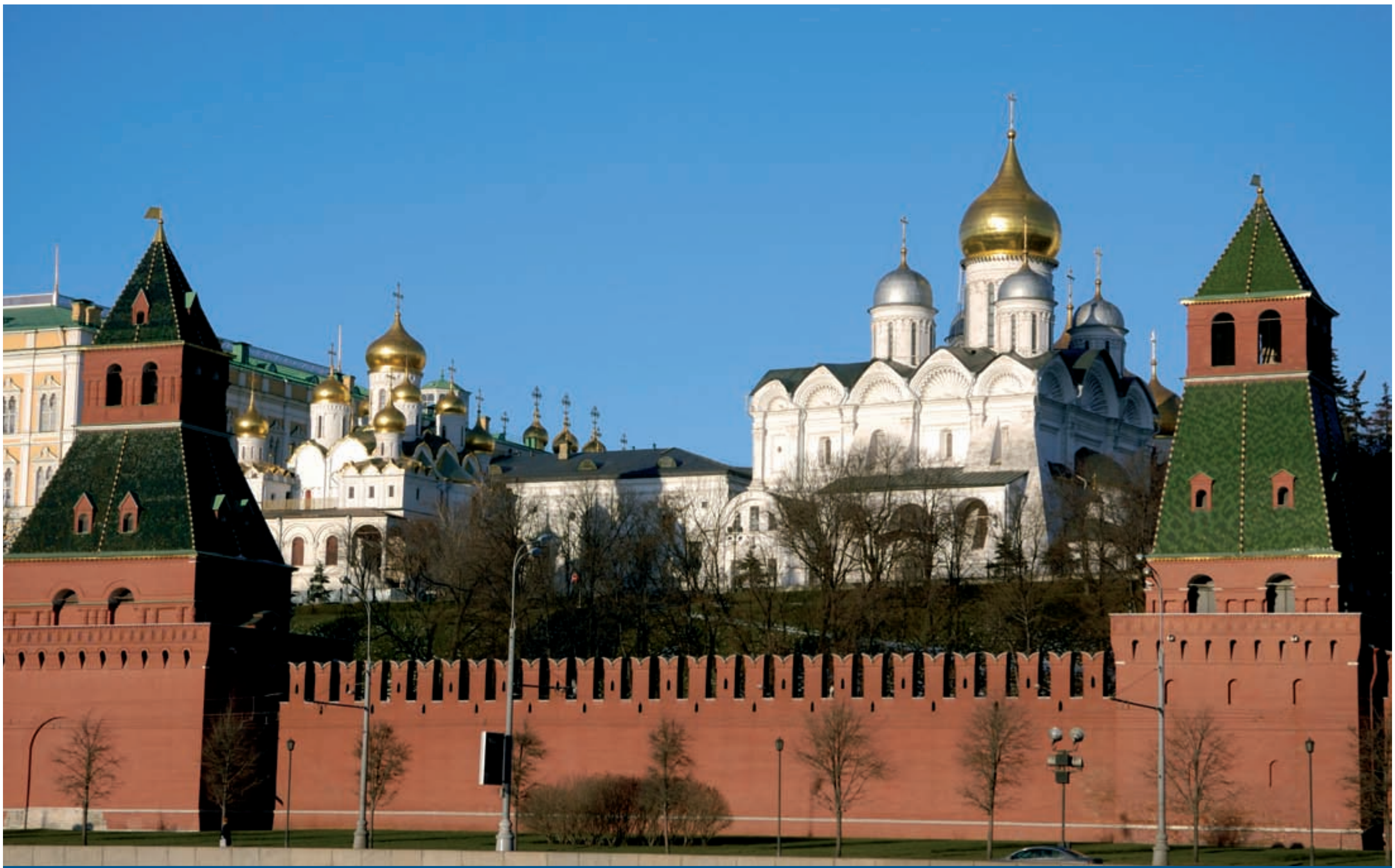
Japan-based alumni and friends met up in Tokyo in July to participate in an academic session titled "The Economic Outlook: a European View," led by Prof. Juan José Toribio. Alumni also enjoyed a session by Prof. Yukio Takagaki of Surugadai University titled "The Teaching of Strategy in Business Schools; A Comparison on the Basis of the Textbooks Used." The event was held at the Spanish Embassy in Tokyo where they were welcomed by Alfonso Carbajo, head of the Embassy's Commercial Office.

IESE CREATES

New Alumni Chapter in Russia

Russia

July 26



IESE has established a new Alumni Chapter in Russia to serve the school's 140 alumni. Most of them are senior executives or entrepreneurs based in Moscow or St. Petersburg, as well as a few sprinkled throughout the vast country.

Chapter President **Andrey Smirnov** (Global EMBA '07) said: "It is in our collective interest to maintain and strengthen our social and professional relationships across programs and graduate years to share experience and to exchange ideas," he said. He urged all IESE alumni to get involved.

The Global Executive MBA class of 2007 included five Russian students who have provided much of the impetus for the local alumni chapter. Smirnov's Moscow-based classmate, **Adam Blanco** (Global EMBA '07) said: "During the program, we all got along so well that when we finished, we knew that we needed to do something to cement our network."

Originally from the United States, Blanco is a 15-year veteran of the Russian business scene. He paints a promising portrait of the country's business climate. "It is very dynamic and still full of opportunities, particularly in banking, insurance, healthcare and property development," he said.

The new chapter aims to develop alumni events and activities in Russia such as Continuous Education sessions with IESE professors and guest speakers. Prof. Albert Ribera got the Continuous Education ball rolling with a session titled, "The Business of Managing Oneself." Ribera discussed topics such as emotional intelligence, stress management and interpersonal skills.

Smirnov and his team also plan to organize monthly social gatherings for IESE alumni and friends as well as networking events with the Russian chapters of other business schools. Once firmly established, the chapter's activities will include IESE faculty visits and seminars on Russian and global trends.

agenda

November

12-13, Barcelona / Industry Meeting
23rd Meeting of the Automotive Sector: The Automotive Industry in the 2010s: The Critical Decade?

Over the past few years, a host of predictions for the automotive industry in 2010-2020 have emerged such as new driveline technologies, global players from emerging countries, and further consolidation in the supply chain. Are automotive companies prepared? This industry meeting will address these challenges.

17-19, New York / Short Focused Program
Branding in Media and Entertainment

18-21, Barcelona / Short Focused Program
Creative Cultures: Making Innovation Work

"The only way we can build a competitive advantage is by innovation, by being creative every day," according to Prof. Paddy Miller, who leads this new Short Focused Program. But how can companies inspire their people to innovate? "Creative Cultures: Making Innovation Work" shows you how. (Read more on page 92-93)

December

8, New York - 15, Barcelona / Seminar
Growth Prospects in Emerging Markets

10-12, New York /Short Focused Program
Finance and Accounting in Media and Entertainment

January

12-16, Barcelona / Executive Education
Second module of the Advanced Management Program (AMP)

27-30 Barcelona / Short Focused Programs
New Technology Playgrounds

The ongoing revolution in information and communication technologies is changing the way we work and the environments we compete in. These evolving environments are the New Technology Playgrounds. In this program, MIT Prof. Thomas Malone (author of *The Future of Work*) will decipher the topic along with IESE Profs. Sandra Sieber and Josep Valor.

February

9-14, Madrid / Executive Education
First module of the Program for Management Development

March

3-6, Barcelona / Short Focused Programs
Global Sourcing of Services: Myths, Realities and Future Directions

9-13, Barcelona / Executive Education
Third module of the Advanced Management Program (AMP)

10-12, New York /Short Focused Program
Finance and Accounting in Media and Entertainment

23-27, Hyderabad and Mumbai / Short Focused Programs
Inside India

Inside India provides a close-up view of doing business in the country by covering critical topics such as off shoring, investment opportunities, consumer behavior, and the social and political environment.

23-27, Madrid / Executive Education
Second module of the Program for Management Development

In the next issue…

Learn more about IESE's 47th Global Alumni Reunion held in Madrid on October 23-24, "The New Dynamics of Global Business."

Alumni and experts will discuss the challenges, opportunities, trends and alternatives for business success in this changing environment from a macroeconomic perspective, as well as examining cultural, organizational and technological issues. The reunion is the concluding event in IESE's 50th anniversary celebrations.

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