

**Jordi Canals**  
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Generate Trust

**Pedro Nuevo**  
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Potential

**Josep Tàpies and María Fernández**  
How to Weather the Slings and  
Arrows of Fortune

**Javier Zamora**  
Big Data: How to Turn  
Information Into Value

## ENTREPRENEURSHIP: TURNING IDEAS INTO ACTION





BARCELONA  
IESE GLOBAL ALUMNI REUNION  
SAVE THE DATE: NOVEMBER 8





C O N T E N T S



COVER STORY

# ENTREPRENEURSHIP: TURNING IDEAS INTO ACTION

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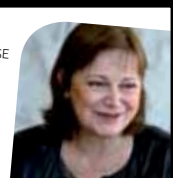
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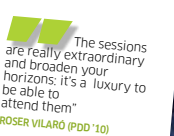
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**DYE-SUN DE SWAAN (MBA '08)**



For many of us the Association is a safe haven where we feel protected, a refuge that helps us to remain educated and informed"  
**GLORIA PERRIER-CHÂTELAIN (EMBA '93)**



The sessions are really extraordinary and broaden your horizons; it's a luxury to be able to attend them"  
**ROSER VILARÓ (PDD '10)**



The Association gives you the opportunity to discuss things with experts and has helped me to develop a framework for my professional career and to define clear aims and objectives"  
**MAYTE FORJAN (PDD '04)**





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# WORK, HAVE A GOOD TIME AND CREATE SOMETHING OF VALUE



**ANTONIO  
ARGANDOÑA**

Editor of  
the *Alumni Magazine*  
argandoña@iese.edu

To a large extent, this edition of the *Alumni Magazine* deals with entrepreneurship, innovation, getting things done or doing them in another way. It also discusses how to prepare oneself to take this step and to have the necessary support, both within and outside, who will ideally be close at hand and understand us. And, of course, how to enjoy oneself. I'm certain that you will love the phrase quoted from **Thomas Edison** at the beginning of the cover story: "I've never worked a day in my life, it's all been fun." Imagine if you said "I've never had a day's fun in my life, it's all been work"? You'd throw yourself out the window. But fortunately, at IESE we are surrounded by people like you who know how to work and have fun, and to connect with others, to make life enjoyable and serve the client and create value (of course!) and offer opportunities for personal and professional development to everyone associated with the company and have a positive impact on society. This last paragraph could serve as a summary of the article by **Jordi Canals**.

**Pedro Nueno** discusses how to get the most out of your board of directors. **Josep Tàpies** and **María Fernández Moya** examine the familiar but forever challenging subject of the survival and success of family businesses. And **Javier Zamora** looks at the opportunities presented by big data. We continue to talk about innovation and entrepreneurship because the way things are in the world, they have become fundamental to business success.

There are more interesting topics in this edition. The good news from the Doing Good and Doing Well conference about what really is possible, the international programs, the key sector meetings such as banking and energy, as well as the ideas of **Eggert Gudmundsson** about leadership and the new academic Chairs and awards for our researchers. And, as always, You're in the News, the part of the magazine that you produce yourselves. Thank you for that and your continued support of IESE and the *Alumni Magazine*.

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**“In globalization,  
you participate  
or become  
a victim.”**



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# ENTREPRENEURSHIP: TURNING IDEAS INTO ACTION

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**Entrepreneurship takes many forms, but whether it involves creating apps, financial instruments or investing in the social good, what entrepreneurs have in common is their role as a catalyst in turning possibilities into realities. Here IESE alumni reflect on the ups and downs of being an entrepreneur, demonstrating that it is as much a state of mind as it is a way of doing business.**



“I never worked a day in my life,” **Thomas Edison** said. “It was all fun.” This comment and **Edison’s** extraordinary career exemplify the spirit of entrepreneurship, a restless spirit that approaches life as an adventure, filled with opportunities, excitement, risk and, of course, failure. But then, to quote another great entrepreneur, **Henry Ford**, “Failure is simply the opportunity to begin again, this time more intelligently.”

#### MAKING THE POSSIBLE REAL

● Entrepreneurs come in many shapes and forms. **Edison** and **Ford** were both inventors and businessmen, men whose tinkering in workshops led to the founding of two colossi of American business: General Electric and the Ford Motor Company. Today, invention is more of a collective enterprise. **Steve Jobs** didn’t invent the iPhone, Apple did, but **Jobs** was undoubtedly the catalyst. And that is the true function of an entrepreneur, to be a catalyst: someone with the vision and determination to bring together the ideas, talent and finance to make the possible real.

Prof. **Pedro Nueno**, who holds the Fundación Bertrán Chair of Business Initiative at IESE, says “the key thing is to spot an opportunity and be able to turn it into a profitable business proposition: this is fundamental to all entrepreneurship.” Prof. **Juan Roure**, the founder of IESE’s Network of Private and Family Offices Investors, says “entrepreneurship involves spotting opportunities and seeing how they can be made viable.”

Entrepreneurship is in **Javier Cebrián’s** blood. **Cebrián** (MBA ’78) is an engineer who, before he became an investor, set up various national and international joint venture companies. He says that his entrepreneurial spirit comes from “a

JAVIER CEBRIÁN  
MBA ’78



SANTIAGO CORREDOIRA  
G-EMBA ’11



mixture of genes, education and circumstances.” His father passed on his taste for business adventures to his children. **Cebrián** also recognizes that Prof. **Pedro Nueno** nourished his enthusiasm for entrepreneurship. “Creating and developing a new business requires a lot of optimism and energy as well as a great capacity to survive in turbulent waters,” says **Antonio Dávila**, professor and director of Entrepreneurship at IESE.

**Cebrián** was one of the first investors in the IESE investment fund FINAVES, and he highlights the importance of what it brings to the entrepreneurial spirit. “Entrepreneurship is one of the things our society needs most,” says Prof. **Nueno**.

**Cebrián** is the president and founder of the Bonsai Enterprises group of companies, which for over more than 10 years has been investing in the Internet and new technology sectors from its risk capital wing Bonsai Venture Capital. “We try to bring together the standards and ambition of venture capital, the intimate involvement of the business angel and the passion that entrepreneurs have to help other entrepreneurs”, he says. He believes that risk capital in Spain is “predominantly financial in its focus and often forgets the importance of the individual.”

At the age of 50, **Cebrián** sees investment as “a way of continuing to work and learn” from new generations. “It’s a way of keeping yourself up-to-date,” says Prof. **Nueno**, holder of the Fundación Bertrán chair of Entrepreneurial Initiatives at IESE. He says that becoming an entrepreneur in later life is more and more common because life expectancy is greater and people are staying healthy longer. Increasingly, people with a couple of decades of corporate life under their belt are deciding that it’s time to do something on their own account. “If you take early retirement at 55, what are you going to do with the rest of your life?” **Nueno** asks.

Age is not only not a limitation, it can be an advantage. First of all, because of the accumulated experience which can be of enormous help in starting a project. Secondly, according to **Santiago Corredoira** (G-EMBA ’11), because “you know yourself better, you know what you’re worth and you know your limitations.”

**Corredoira** has reinvented himself several times over during his professional career. After studying law, he worked as a legal advisor for various companies. In 2001 he joined Lanetro, a project that was a victim of the dot.com bubble and he ended up with a job that extended far beyond his legal role. “They needed somebody versatile who was able to negotiate the commercial aspects of the contracts and at the same time oversee the legal side of the company’s development.” Far from feeling out of his depth, **Corredoira** says he felt “very comfortable.” Later he took on an executive position in a technology company, Zed, and from there went on to work in Silicon Valley where he now runs a small consultancy, StepOne, which gives advice to Spanish companies that want to set up in the United States.

Since then he has worked in various projects and says that now, at the age of 43, he really feels that he is the “founder” of his own project, adding that entrepreneur-

## THE KEYS TO ENTREPRENEURSHIP

- Be open-minded.
- Look for opportunities and turn them into business propositions.
- Be ambitious and dare to dream.
- Find finance.
- Be clear about the project’s mission.
- Get excited and be able to make others (investors, the team) excited about the idea.
- Put together a good team.
- Work hard.
- Enjoy what you do.

## WHAT DOES THE ENTREPRENEURS’ ASSOCIATION DO?

- Assessment by IESE’s faculty.
- Consultations with expert entrepreneurs.
- Opportunity for presentations and investor searches via FINAVES and the Private Investors and Family Offices Network.
- Special cycles within the Continuous Education Program: “Entrepreneur Initiative” and “FINAVES.”

[www.iese.edu/programacontinuidad](http://www.iese.edu/programacontinuidad)



## ADVICE ON HOW TO BE A GOOD BUSINESS ANGEL

- Analyze the project's viability and profitability.
- Assess the idea's originality and the quality of the people behind it.
- Share values and ideas about doing business with the entrepreneurs.
- Don't just look at the bottom line.
- Have an entrepreneurial spirit.
- Enjoy the day-to-day learning experience.
- Be prepared to share knowledge and experience.
- Face up to the risks: the project may turn out to be good, satisfactory or bad.
- Invest with other investors.
- Join a professional association such as FINAVES or IESE's Private Investors Network.
- Spread the diversity of your investments.
- Keep aside capital for the day-to-day running of the business.

ON JUNE 3 THE NETWORK OF PRIVATE AND FAMILY OFFICES INVESTORS CELEBRATES ITS 10TH ANNIVERSARY

ship came to him naturally. In San Francisco, where he managed the Spain Tech Center, an incubator run by the Spanish government to help technology start-ups get going, he met "two great professionals" with whom he shared interests and values and they very quickly decided that they wanted to work together on a project in the mobile entertainment sector. In fact, he says, it's the team that really makes entrepreneurship exciting. "Finding the right people isn't easy, especially when you're young."

**John Erceg** (MBA '96), founder of the reservation portal Budgetplaces.com, recommends launching a new project while maintaining your current job, whilst doing so in an ethical manner. "Establish your company in your free time, in the time that other people spend on their hobby, without neglecting your current job." **Erceg** worked in Hewlett Packard when he launched his first company, which, in fact, failed after a short period of time. "The two first business ideas I had failed, but I learned a lot from them," explains the Californian, who stresses that failure is a "tough but great teacher." In July 2011, after 10 years of bootstrapping, **Erceg** sold a majority holding in Budgetplaces.com to Palamon Capital Partners. The company, which has its headquarters in Barcelona, currently employs 100 people.

### INVESTING IN INNOVATION

● Many entrepreneurs are investors. "There can be no entrepreneurship without investment," says **Jürgen Rilling** (MBA '99), founder and managing director of MiraBlau, a German investment and consultancy group.

**Rilling** is an investor in FINAVES, IESE's seed capital fund created by Nueno in 2000. FINAVES "finances, with the help of private and institutional investors, business projects led by IESE alumni," said **Alberto Fernández Terrabras**, the FINAVES director.

**Rilling** worked for a variety of companies before becoming an investor. He says that, before backing a project, various factors have to be borne in mind, but the most important one is the people behind the enterprise. Prof. **Christoph Zott** says that "When it comes to attracting investors, successful entrepreneurs know that credibility is fundamental." The entrepreneurs involved have to be able to communicate the passion they feel for their idea. It's also important that they and the investor have a shared business outlook. And, of course, you need to see that the project is in some way different, original and something that people want and are prepared to pay for. **Rilling** says that in this exchange, the entrepreneurs acquire "a friend who goes along with them" and an experienced consultant who can advise them on setting up projects as well as investors who make the project a reality, who get to know new sectors and have the satisfaction of contributing to making a dream come true.

"Investing enriches you both as a person and professionally," says **Pere Botet** (PADE '94). Until 2001 he worked at the supermarket chain Caprabo, which he co-founded. He now administers Inderhabs Investment and also works with

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JOHN ERCEG  
MBA '96

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JÜRGEN RILLING  
MBA '99

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PERE BOTET  
PADE '94

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NÉSTOR FARIÁS BOUVIER  
MBA '68

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FINAVES. He believes that his previous experience has been essential to his ability to contribute to other people's projects. "Having been in charge of a large business means you can offer ideas and ways of doing things," **Botet** says. He views investment not just from a financial point of view, but also as "delivering and creating value with the entrepreneurs."

He warns future private investors that "it is highly possible that a project you back will fail" but adds that "the ones that turn out well compensate for the ones that don't and you get a lot more than just money out of it." In fact, if all you're looking for is financial returns, he counsels against private investment because there are other better options.

**Néstor Farías Bouvier** (MBA '68) became an entrepreneur at an early age. Once he had completed the MBA program at IESE he went back home to Argentina with a business idea. The then Dean of IESE, **Juan Ginebra**, suggested that he should open an Argentina branch of the SAPIN consultancy, which Prof. **Ginebra** worked for along with other business people. The idea was to build bridges

between Spain and Latin America. SAPIN Spain went out of business a year later but **Farías Bouvier** had already set up consultancies in Buenos Aires, Caracas and Rio de Janeiro. So, overnight, he became an entrepreneur in search of projects and vessels. He now runs his consultancy business, which also has an office in Brazil and partners in China and India.

Over the years he has worked on many projects in a range of sectors such as pioneering telecommunications in Latin America, land communications, construction and software. **Farías Bouvier** is a chemical engineer who, at IESE, acquired the knowledge he needed to put his ideas into practice. He describes investors as "innate explorers who are not afraid of setting off on business adventures to unknown destinations." He points out that those who risk their own money are much more committed to projects.

**Farías Bouvier** is part of IESE's Network of Private and Family Offices Investors which he describes as, "a framework for discussion in which best practices are shared and create useful synergies and in which you acquire knowledge



and experience to broaden your outlook.” He would like the network to operate in Latin America in order to continue building bridges between the two continents.

According to **Roure**, the Network of Private Investors not only minimizes risks but allows investors to learn from each other. The professor also recommends diversification because “new projects always involve a certain amount of risk.” Furthermore, it gives investors a “more varied and enriching experience.”

“These days firms want to grow profitably and intrapreneurship is an excellent way of achieving this,” says Prof. **M<sup>a</sup> Julia Prats**, professor of entrepreneurial initiative at IESE. In fact, profitable growth is the main aim of intrapreneurship.

**INTRAPRENEURSHIP**

● There are three different levels at which you can be an entrepreneur without leaving the company: through initiatives that help growth, the setting up of mould-breaking projects and strategic transformation. The key, explains Prof. **Prats**, is integrating entrepreneurial initiative inside the organization. This can be done through having a flexible organization capable of launching projects in a systematic manner to continue to regenerate the company, through acquisitions, as in the case of ISS; through joint ventures or corporate venture capital, or creating a project incubator. This is what Telefónica has done with Wayra, which was originally launched with the aim of speeding up innovative projects that emerged from within the company but which, for some time now, has driven external initiatives. Through the Wayra Academy and the organization of different events, the company looks for the best business ideas in the digital sphere to help them grow.

**Ariel Gringaus** (GCLA '10) was a member of the jury at WayraWeek Chile 2012. WayraWeek is an event carried out in diverse countries such as Spain, Germany and the UK. The goal is to select 10 entrepreneurial projects that later will receive support from Wayra. **Gringaus** is partner and founder of the Chile Entrepreneurs Association and of Endeavor, which gives recognition to entrepreneurs around the world. **Gringaus** has created various companies. His most recent venture was Colegium, which develops tools for managing schools. “The main schools in Latin America use this system for managing and communicating with families.” “We hope to be able to export it to Europe in the near future,” he says.

Another thing to bear in mind are the available resources and whether the company prefers to look for external financing or to use its own money. We shouldn't lose sight of the fact that “the aim is to achieve sustainable growth,” says **Prats**.

At PricewaterhouseCoopers, for example, they use intrapreneurship for internal development using their own funds. In the case of IBM, sometimes they use external finance, says **Phil Westcott** (MBA '11) who joined the company in 2011. When he looked at the list of services, he was surprised to discover that some wanted to create a better and more intelligent planet. However, there weren't any projects designed to reduce global inequality. As a result of this, Smarter Impact was born. **Westcott** set it up in conjunction with his work as a strategy consultant.



ARIEL GRINGAUS  
GCLA '10



PHIL WESTCOTT  
MBA '11



Smarter Impact is a new approach that seeks inclusive economic development, he says. It seeks to find solutions based on data that encourage economic development in the least developed areas. For example, only 50 percent of people in India have a bank account but 90 percent have a mobile phone. “This is a great opportunity because this connectivity is a source of useful data,” he says. He adds that the challenge is to take advantage of, consolidate and make sense of this data so that leaders in all of the sectors have the information necessary to achieve inclusive economic growth, a task that involves collaboration between business and governments.

Getting an intrapreneurial project up and running is neither a simple nor a linear process, warns **Prats**. “Executives need to be prepared to face the setbacks that will occur during the process.” Furthermore, you have to deal with the company’s structural limitations (changing processes and increasing flexibility without losing efficiency) and overcome internal resistance on the part of staff and management (change mentalities and customs and create incentives for new ways of doing things).

Nevertheless, there are mechanisms for incentivizing initiative within the company. According to **Westcott**, even when recruiting it is possible to detect the “entrepreneurial spark.” Furthermore, entrepreneurial initiatives need to be included in training programs and through mentoring. In this respect, it’s highly recommended that employees be allowed to dedicate some of their working week to their own projects and to reward such initiatives through bonuses and promotions, he says. Finally, he advises creating a platform to help seek finance because “in this way the employee will work on their idea with the conviction that it can be put into practice.”

### SOCIAL ENTREPRENEURSHIP

- **Mar Alarcón** (PDD '08) has always been motivated by
- the relationship between sustainability and maximizing resources. In 2005 she helped to set up Social Energy, a

renewable energy company. Later she worked with Grameen Bank in Bangladesh and after a few years working in China returned to Spain. On her return the first thing she did, almost without thinking, was to buy an apartment and a car. A year later she realized she’d only filled the gas tank once and said to herself that this was “neither normal nor acceptable.” She then learned about the growing global movement for shared consumption and various car-sharing schemes that existed in other countries and decided to import the idea to Spain. In July 2011 Social Car, a car-sharing scheme, was born.

In spite of initial difficulties, within a year there were 3,000 car owners willing to rent their cars and a community of 9,000 people interested in using them. **Alarcón** believes that clients “are so satisfied they return” and even create links among themselves.

**Eduardo Balarezo** (GCLA '09) is convinced that small decisions can lead to major change. With this philosophy, he created Lonesome George & Co. in 2006, which seeks to spark social change through education as an agent of change.

**Balarezo** was inspired by Lonesome George, the last known Pinta Island Tortoise that lived in the Galapagos Islands until his death in 2012. He warns that “in recent years, human activity has drastically altered ecosystems. We need a change, a new way of thinking and acting that is more responsible toward our environment.” He launched a project to prevent the



MAR ALARCÓN  
PDD '08



EDUARDO BALAREZO  
GCLA '09

## IESE'S SUPPORT FOR ENTREPRENEURS

The school has various bodies that deal with entrepreneurial initiative:

- **Entrepreneurship and Innovation Center (EIC)**  
www.iese.edu/eic
- **Global Entrepreneurship Week**  
www.gewspain.es
- **Risk Capital Society FINAVES**  
www.iese.edu/finaves
- **Private Investors and Family Offices Network**  
www.iese.edu/businessangels
- **Bertrán Foundation Chair of Entrepreneurship**  
www.iese.edu/es/claustro-investigacion/catedras/fundacion-bertran
- **Entrepreneurship Program in conjunction with charitable foundation "la Caixa":**  
obrasocial.lacaixa.es/ambitos/convocatorias/emprendimientosocial\_es.html
- **MBA and EMBA Entrepreneur Clubs**
  - MBA: www.iese.edu/es/mba
  - EMBA: www.ceemba.org
- **Social Entrepreneurship blog**  
blog.iese.edu/socialentrepreneurship
- **IESE Entrepreneurs & Venture Capital Hub on LinkedIn**  
www.linkedin.com/groups/IESE-Entrepreneurs-Venture-Capital-Hub-58496
- **IESE Insight Business Knowledge Portal**  
www.insight.iese.edu
- **IESE Publishing Case Studies Website**  
www.iesep.com

extinction of other species, because "there is always a Lonesome George to fight for, somewhere nearby."

Social Car and Lonesome George & Co. are examples of social businesses because its emphasis is on social rather than financial benefits. "Social entrepreneurs typically put their companies at the service of society. Creating companies with a clear social mission gives them an ethical and moral commitment to society," says **Lucio A. Muñoz** (PDD '09), the founder of Eurogroup Human Resources and author of the book *The New Socially Responsible Entrepreneur*. "Of course this doesn't mean you forget to be financially profitable given that both concepts are perfectly compatible."

"You can't just focus on the social aspect. If you want to guarantee sustainability, you have to keep an eye on the financial aspects too," says Prof. **Fernández Terricabras**. The product or the service being offered must be of good quality and sold at a reasonable price because "no one is going to buy products just because they are social if they're not any good," he says.

As in any other company, the aim is to create value for interest groups or stakeholders (shareholders, employees, clients and suppliers). The difference is in companies with a social mission "the social aim becomes another stakeholder," says **Sven Huber** (MBA '01). He is a partner and founder of boolino, a social network aimed at parents who want to encourage their children to read.

"Developing the reading habit early on affects cognitive development and learning ability in children, and so encouraging the habit extends their educational and professional options," he says. Although at the moment it only exists in Spain, boolino has an international outlook and in the course of 2014 is expected to begin operations in Latin America and Europe.

**Huber** encourages anyone who's thinking about launching a project with a social mission to do so because "professional satisfaction has much more to do with the content and the milieu of your work than with the economic aspect," as long as you can cover the basic necessities.

After a decade working for the Bertelsmann group, where he held various executive posts, **Huber** felt the need to set up his own project. He chose the book sector because it was one he knew well, having been director general of Librerías Bertrand. He says the key factors for establishing a project is the creation of the team, "learning to get a lot out of limited resources" and obtaining finance, which he describes as "not easy."

This is one of the main problems that entrepreneurs stumble upon when they try to establish their projects. Aware of this reality, **Fernanda Rodríguez** (G-EMBA '03), **Jaime Ferrer Dalmau** (G-EMBA '04) and **Pablo Turletti** (G-EMBA '07) have created the Hope Project, which aims to create a meeting point between entrepreneurs and social investors.

This digital platform initially had the support of **Victoria Velázquez** (G-EMBA '10), who as strategic advisor, turned it into a means of impact investment for social entrepreneurs, who, as well as getting financial support,

can find other types of support such as material resources (someone who lends some office space or computer time) and volunteers willing to lend a hand.

**Catalina Parra** (MBA '96) and **José Martín Gutiérrez de Cabiedes** (MBA '96) also discovered that the Internet is the perfect place to be an entrepreneur. In 1999 they created Canalsolidario.org, “the first vertical website in the world of social causes” says **Parra**. They later set up Hacesfalta.org, a website for volunteers which puts them in contact with NGOs. Since then they have launched various communal projects to encourage interaction and social participation in social causes using new technologies.

“Our function is to be catalysts between society, companies and NGOs so that good things can come of it,” **Parra** says. She adds that it’s essential that social businesses have a clear mission and know how to communicate it to their collaborators because this will be the main driver of their activity. Teamwork is fundamental. “Social entrepreneurs have to understand that they are not the key player in the initiative that they have set in motion but rather a part of the collective that succeeds in taking it forward.”

In spite of the crisis, **Parra** believes that “dozens of social entrepreneurs” are emerging and her new project, UEIA Generation, is aimed at these entrepreneurs. It is the first social entrepreneurship accelerator based on new technologies in Spain and one of the few that exist in the world. It has already received 100 proposals of which only 10 have reached the incubation phase, although they expect to seek out more. They don’t only offer finance but also training.

**Parra** and **Martín Gutiérrez** set out as a couple to be entrepreneurs. “There are even multinationals that have emerged out of marriages,” says **Nueno**. One example is Tous, the business founded by **Salvador Tous** and his wife **Rosa Oriol** (PADE '98) and which is currently run by the third generation of the family.

All of these examples show that the entrepreneurial spirit is not dependent on age or occupation, nor on personal or professional status. The first step towards being an entrepreneur is wanting to do it. After that you need to understand that success is not the key to happiness, but rather the other way round. As **Anita Roddick**, founder of The Body Shop put it: “Success to me is not about money or status or fame, it’s about finding a livelihood that brings me joy and self-sufficiency and a sense of contributing to the world.”

LUCIO A. MUÑOZ  
PDD '09



SVEN HUBER  
MBA '01



CATALINA PARRA  
MBA '96



JOSÉ MARTÍN  
GUTIÉRREZ DE  
CABIEDES  
MBA '96



FERNANDA RODRÍGUEZ, GEMBA '03  
SERGIO SÁNCHEZ  
JAIME FERRER DALMAU, G-EMBA '07  
VICTORIA VELÁZQUEZ, G-EMBA '10





# BUILDING COMPANIES THAT GENERATE TRUST



**JORDI CANALS**  
Dean, IESE

A reflection upon the need to rebuild the vision of the companies and leadership that directly contribute to the development of a dynamic society.

LEADERSHIP • STRATEGY • CORPORATE GOVERNANCE

The financial crisis that began in the summer of 2007 has escalated into a full-blown economic crisis without precedent in recent history, one that challenges the functioning of the economy and the political system in democratic societies.

This crisis has created a severe economic contraction attributable to the failure of governments to regulate the financial system; unsustainable public deficits; business misconduct; and a lack of corporate sensitivity toward unemployment and other social problems. As a result, the role of business and government, and their ability to build a prosperous and fair society, are in question.

In this context, governments appear to have succumbed to the lure of the short term, disregarding the longer-term interests of society. Their manifest failure to solve today's problems, coupled with systematic neglect of the long term, have fueled a growing distrust among citizens. Many voices call for civil society to play a stronger role; yet in times of crisis few social actors have the capacity to mobilize collective efforts. Despite these difficulties, now more than ever it is vital to rebuild the reputation of companies, entrepreneurs and

business leaders, not on the fragile foundation of public relations but through a renewed understanding of the firm's mission in a dynamic society.

Finance has become the dominant dimension of business. Finance is important, of course, but it is not the only relevant dimension of management. More specifically, the demand for an appropriate return on invested capital is fair, but a firm will only be able to generate good returns if it invests in the long term, gives customers good service, develops its employees appropriately, and so cements its reputation in society. The financial dimension of business is therefore not the only one to be considered. In fact, one of the lost values that needs to be recovered in listed companies is that of shareholder commitment, attracting shareholders who seek long-term value.

The dominance of finance has also led to an overemphasis on economic incentives that motivate top managers to achieve short-term financial results. Such incentives may have had a perverse effect. The subprime crisis in the United States, the mis-selling of bank products in Europe, or the recent LIBOR scandal are too important to be treated as isolated incidents.

While it is true that some incentive systems currently in use are not intrinsically perverse, the evidence



## A POSITIVE VIEW OF THE FIRM HIGHLIGHTS COMPANIES AS A GROUP OF PERSONS WHO SEEK CERTAIN GOALS

shows that business and society need leaders with ethical values that respect the long-term good of the firm, and are founded on truthfulness, justice, loyalty and diligence.

The modern company is one of the great social institutions of the 20th century. It has generated new investment, created jobs, stimulated innovation, helped solve many social problems, and driven unprecedented growth. It is true that a few firms in have had a negative impact in recent years; but most continue to be solid pillars of society. Against this background, companies will win back the credibility a reckless few have squandered if we redefine the notion of the firm, based on the value of its contribution to society.

### A POSITIVE NOTION OF THE FIRM

- In opposition to an exclusively
- financial view of the firm, companies are groups of people who seek certain goals. Companies offer goods or services to customers and create long-term economic value in a context that allows people to grow. A firm so conceived cannot but have a positive impact on society.

Several aspects of this definition are essential to a new view of the company. The first is that the firm is a human reality, i.e. it is made up of people with differing aspirations and motivations, which senior managers must take into account. The second is that these people coordinate their efforts in the firm in order to serve customers. The third is that, in serving customers, the company must also create economic value; in other words, it must earn more than it spends in satisfying its customers. Moreover, a company must create economic value in the long term, which makes it all the more important to ensure – through innovation, education, continuous improvement, and investment – that the company's results are sustainable.

The fourth aspect is that, in doing all this, the firm must be able to offer the people who work in it an opportunity to grow professionally and personally. Growth here means

not only opportunities for development (which are always welcome) but also opportunities to grow as a person, thanks to the positive learning that takes place in the context of professional relationships. Professional growth and development of human virtues help people improve, find meaning in their work, and realize their full potential.

The fifth is that a firm that operates in this way has a positive impact on society through the goods and services it offers, through the wealth it generates, and the personal development it stimulates. A firm that acts in this way will grow, create employment, invest, and pay taxes. It will not put itself above the law, but will pursue the common good.

Furthermore, a company that acts in such a way deserves the trust of society. If, in addition, such a company decides to undertake philanthropic activity related to its specific objectives that has an impact on society, its transformative power may increase. Yet the essence of a company's contribution is not the result of so-called corporate social responsibility policies. Any company that does all the things we have mentioned is already having a positive, transformational impact on society.

A few companies may occasionally lose sight of the substance of their contribution to society (encapsulated in the notion of the firm proposed here) and be content with the incidentals, i.e., a few social initiatives that may be good in themselves but that are not crucial to the company's mission. Such initiatives can sometimes be a good complement; other times, however, they merely serve to conceal unclear objectives, or else hide a lack of conviction regarding the company's real contribution to society.

Some exaggerated notions of social responsibility can be countered by emphasizing the positive impact a company can have on a society just by doing what it is set up to do. In other words, the true mission, or ultimate purpose, of a company can



no longer be misrepresented as being only to maximize shareholder value. The mission of the firm in society is to be an organization of people who work to achieve certain objectives, both economic and non-economic, and to afford those who participate in the process the opportunity to improve as professionals and as people.

This is a great attribute of the firm: it catalyzes a process by which customers' material needs are satisfied, while at the same time generating economic value for shareholders and providing a context in which people are able to grow as professionals and as human beings. This dimension implies an ethical view of the company: only on ethical foundations is it possible for a company to achieve sustainable human development, genuine customer service, and a positive impact on society.

A company that has this orientation may face more demanding challenges, but it will also have two extraordinary assets: the commitment of its people, and its reputation in the eyes of customers, shareholders, and society at large. The demands placed on a company that frames its task in this way are enormous. On the other hand, it will know that it has committed professionals and, also, the most valuable asset any organization can command, namely, a good reputation.

It is no exaggeration to say that the loss of reputation of certain companies has been due not only to alleged misconduct by some managers but also to their having reduced their mission to strictly financial goals. Companies that have a clear understanding of their true role in society are extraordinarily important today; they are in the best possible position to convey the message that a business firm is a long-term project, aimed not only at achieving economic results but also at having a positive social impact.

A notion of the firm such as the one outlined here also addresses an acute problem facing Western societ-

ies: the commercialization of social life, by turning economic value into the foremost guide for our behavior. A company that adopts a multidimensional view of its mission is also a model for society as a whole, insofar as it helps put economic objectives in proper perspective.

#### **THE ROLE OF ENTREPRENEURS AND SENIOR MANAGEMENT**

- According to **Peter Drucker**,
- the function of the manager is to set goals, implement policies to achieve those goals, and organize and mobilize people to work to that end. Though this definition remains valid, it is incomplete. A senior manager, or business leader, must do what **Drucker** suggests, but for one clear reason, namely, to accomplish the particular company's mission. This notion shifts attention away from the view of the CEO or senior manager as someone focused mainly on getting results. Results are important, but we must remember that there are many different dimensions of results to be considered, and also that it can never be a matter of getting results at any price. At the same time, this notion reminds us that a good manager must also achieve results; otherwise, the specific function of the manager would be neglected.

Once again, the company's mission helps us delineate more precisely the function and role of a senior manager. A senior manager's efforts will be directed to ensuring that the company's long-term mission is accomplished?????. The mission is not a constraint but a platform that gives stature to a senior manager's work.

This notion of the firm highlights that a company is first and foremost an organization made up of people. The human dimension becomes the core of the firm. Enabling the company's people to grow and improve must be an explicit goal of the work of any senior manager. People improve through the company's ordinary activity and through the exercise of their particular function

### **A FIRM**

- 1 ...is made up of people with aspirations and motivations.
- 2 ...is geared towards serving customers.
- 3 ...needs to create economic value not only in the short term, but also in the long term.
- 4 ...offers its employees an opportunity for personal and professional growth .
- 5 ...seeks to have a positive impact on society.

### KEY ROLES OF SENIOR MANAGEMENT

- \* Develop the mission that the company has in society.
- \* People development offer a long-term perspective.
- \* Professional excellence.
- \* Decisions based on ethical values.

in the company, i.e., serving customers, whether directly or indirectly, and thereby generating economic value. A positive idea of the person helps understand people's motives and use incentive systems that appeal to their better nature, so that they work in a cooperative way; induce them to commit to a project; correct them when their work is not up to standard; and deploy a whole range of core human virtues, from justice to prudence.

This view also stresses the need for professional competence in management. Without professional competence a person can neither serve customers well, nor generate economic value or manage a group of people effectively. Management competence is acquired through experience, and also through training and lifelong learning, in regular educational programs or in interaction with other senior managers in other companies and industries.

A senior manager with this view puts into practice a set of core ethical values: concern for each person who works in the company; a sense of justice in dealing with customers, employees, suppliers, and society at large; vision to propose forward-looking projects; strength to tackle complex tasks or acute problems; humility to admit mistakes and the possibility of personal fragility; prudence not to make hasty decisions or unnecessarily delay the solution to conflicts; and magnanimity to make decisions without being guided solely by personal preference but also by the common good.

Orientation to serving others is another key attitude. An entrepreneur or a senior manager needs to have a very clear service orientation. Just as a surgeon, with all the experience and knowledge that are vital for the exercise of the surgical profession, must still cultivate the dimension of service to the patient and the patient's health, so a senior manager, too, must cultivate this essential attitude. It has a considerable impact on the company's reputation and to the management profession.

### THE FIRM IS KEY TO BUILDING TRUST IN SOCIETY

● The current financial crisis of the Western world shows a crisis of ethical values, manifested in a lack of faith among citizens in the ability of governments and companies to solve the problems that beset us. The solution to this crisis will not come only from wise policies that get the economy back on its feet but also from the efforts and commitment of large numbers of individual companies and citizens who work to build a better society.

Firms must play a role in a dynamic society and are therefore key to rebuilding trust. At the same time, businesses today face the added difficulty of weak domestic markets in many countries, strong international competition, and credit constraints that prevent them from taking on new projects.

Entrepreneurs and senior managers need to be able to recognize the problems, but without being overwhelmed by them. They must prospect for new markets, invent and launch new products, and discover new ways of serving customers better and more effectively; and in the process develop magnificent professionals. Doing all this will help to build trust.

But it may not be enough. To bring about a sustainable recovery of trust, companies – especially those most in the public eye – must renew their commitment to a positive notion of the company, coupled with a desire to have a positive impact on the common good of society. This does not demand great economic resources; what it demands is a new management's mindset. Now more than ever, the well-being of citizens and the recovery of trust depend to a large extent on the performance of companies and the work of entrepreneurs and senior managers. The good news is that neither companies nor senior managers are called upon to do anything extraordinary, merely to perform in full their mission and role in society today.

#### MORE INFORMATION:

- *Building respected companies*, Jordi Canals. Cambridge University Press, 2010.
- *Towards a new theory of the firm*, Joan Enric Ricart and Josep Maria Rosanas, BBVA Foundation, 2012.

DEVELOPING LEADERS YOU CAN TRUST

# THE WORLD IS MOVING FAST BE FASTER



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BUSINESS GROWTH  
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THE FUTURE**



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## CORPORATE GOVERNANCE

## MAXIMIZE YOUR BOARD POTENTIAL



**PEDRO NUENO**  
Professor of  
Entrepreneurship,  
IESE Business School

For successful governance the board of directors should embrace a wide range of experience, abilities and outlooks that are unlikely to be found in a single board member.

Is the board an asset or a liability? Shareholders would like the board to be an asset. But this requires that it is established in the right way. The objective of a company is to create value in a sustained way. Shareholders have invested their resources in the company and expect the value of these resources to grow, and they would like to be able to recover the profits on their investment when they need them.

To create value a company needs continuous innovation, growth, correct investments, international deployment and to be able to benefit from opportunities that may appear (acquisitions, diversifications). All these things should happen within a solid financial framework that generates and uses cash while maintaining a solid financial structure. In turn, this means that the company has to be capable of making good use of all the options available in capital markets with all their alternatives (equity, venture capital, private equity, short-term debt, long-term debt, bonds, listing on the stock exchange).

The objective of a board is to make sure that all these things happen in the company in a sustained, balanced strategic way. The board may be under less day-to-day pressure than the management and can help to apply the necessary pressure on different areas at different times with a long-term perspective. The board can also

assess the extent to which the management performs well and if at some point there is a need to develop, add or improve specific management skills.

#### SHAREHOLDERS' VARIED PERSPECTIVES

There are different types of shareholders, however. The minority shareholders of listed companies, for instance, want total and immediate liquidity. If they need their money for another investment, for example, if they feel at a given moment that it may be better to invest in real estate, they want to be able to convert their shares into cash instantly. Other investors may have a longer-term perspective and may prefer to invest in funds that contain a basket of shares from listed companies. They trust the evolution of the basket in the medium term. But there are also shareholders of family-owned companies who may have a much longer time perspective, trusting in the accumulated value in the company that becomes the repository of the family's wealth.

The bigger the shareholder's commitment to the company, the greater the pressure on the company's board. The members of the board of family-owned companies may have to answer detailed questions from the family and may need to adapt their decisions to the specific regulations established by the family with regard to access of family members to the company; to its management or governance; their suc-



cession, and distributing the wealth created or accumulated versus using it for business diversification. Compliance with family-specific expectations is not easy and some outstanding board members of listed companies have not performed so ably in well-known family-owned companies, and have had to leave the board.

For successful governance the board should include people with a variety of perspectives (industrial, international, family-owned companies, listed companies, entrepreneurial ventures, financial markets, understanding of the economy). It's not necessary for all the board mem-

bers to know everything. What's important is the overall content of the board. As the company evolves, the board can be enriched as necessary through board member rotation. Experience has shown that a certain renovation of the board is required, but to carry this out may entail a regular professional assessment of the board and its members.

Fortunately, today we have a lot of knowledge about how to form a board, and its operation and assessment. The correct application of this knowledge can positively affect the board's performance and, as a result, that of the corporation.

## IN A FAMILY BUSINESS THE COMPANY IS THE REPOSITORY OF THE FAMILY'S WEALTH

**MORE INFORMATION:**  
Short Focused Program: "Maximize your Board's Potential", from June 4-7, Barcelona  
[www.iese.edu/MYBP](http://www.iese.edu/MYBP)

## FAMILY BUSINESSES

# HOW TO WEATHER THE SLINGS AND ARROWS OF FORTUNE

**JOSEP TÀPIES**

Professor Strategic  
Management, IESE  
Business School

**MARÍA FERNÁNDEZ MOYA**

IESE's Researcher to  
Chair of Family-Owned  
Business

Continuity and long-term strategic thinking contribute to making family businesses the lifeblood of society and the bedrock of sustainable economies.

FAMILY BUSINESS • OWNERSHIP • LEGACY  
& SUCCESSION • FOUNDATIONS • DECISION  
ANALYSIS • STRATEGY

Family businesses play a central role in the economic development and recovery of any country and family-owned businesses make up the majority of companies everywhere in the world. Their business models are always based on long-term thinking that allows them to face the vicissitudes of economic life more calmly than other businesses. As this long-term thinking has concrete results, in this article we look at some key aspects of what makes up a family business.

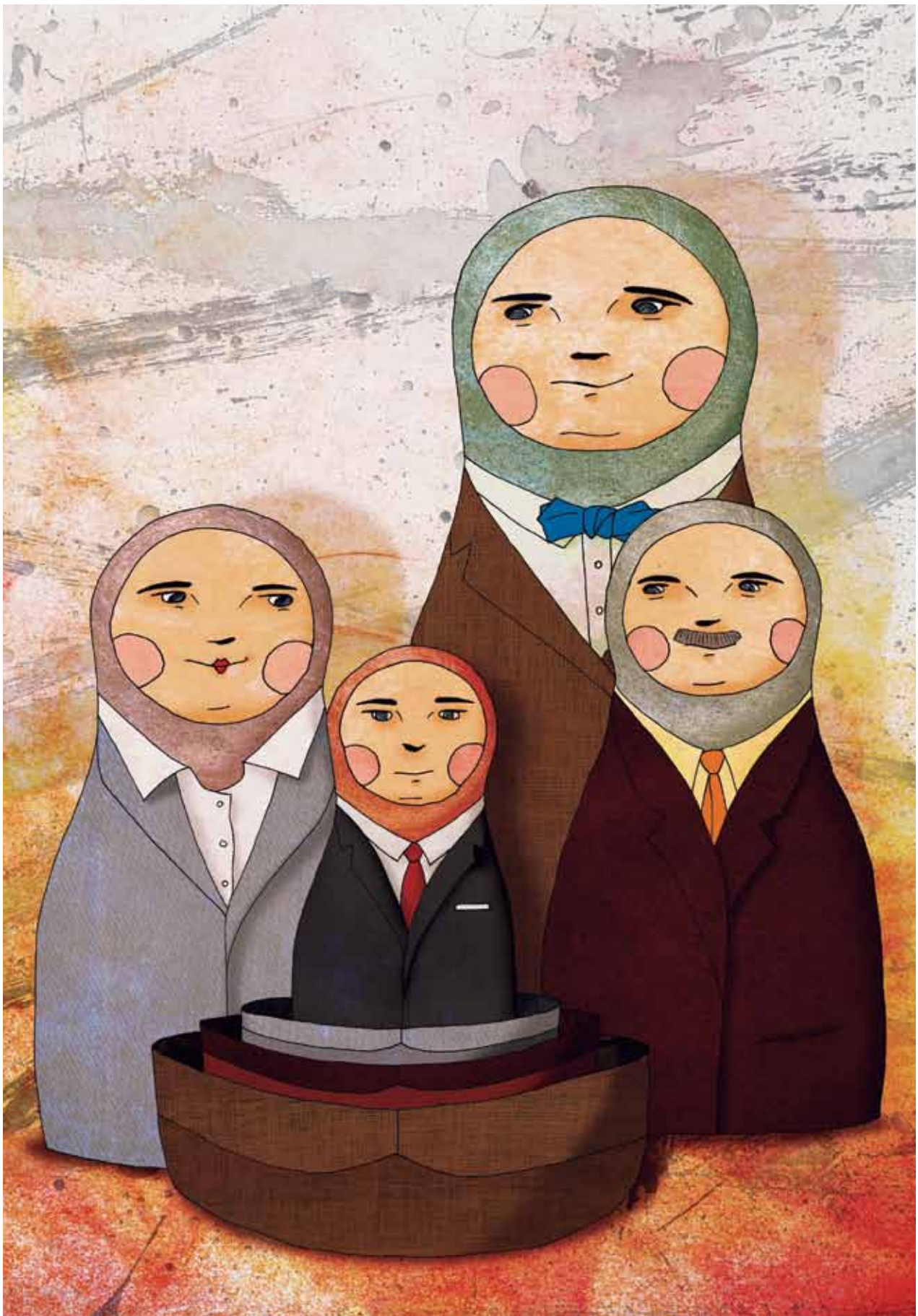
**OWNERSHIP STRUCTURES**

For a business to be defined as a family enterprise, the European Group of Owner Managed and Family Enterprises (better known by its French acronym GEEF) insists that the family must have a sufficiently large holding for them to influence important decisions about the company. This majority

holding may take a variety of forms. Ownership revolves around the twin axes of the needs of the company within the legal framework of the country where it operates and what the family wants.

There is a diverse international picture. For example, some companies such as IKEA and Bertelsmann are ultimately owned by a foundation. Swedish company IKEA, founded by **Ingvar Kamprad**, opened its first shop in 1958. In 1982, the founder decided that it should be owned by a foundation, the Stichting INGKA Foundation, as a way of guaranteeing the company's independence and long-term approach. Likewise, 80.9 percent of the German company Bertelsmann, the third biggest publisher in the world, is owned by a series of foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG Stiftung). The remaining 19.1 percent of Bertelsmann AG is in the hands of the **Mohn** family. However, 100 percent of the voting rights are held by another society, Bertelsmann Ver-





“IN MY VIEW, THE LONGEVITY OF OUR COMPANY IS DUE TO US TREATING THE FAMILY BUSINESS AS SOMETHING PRECIOUS AND VALUABLE. WE CARE FOR IT FOR YEARS AND THEN WE PASS IT ON TO OUR SUCCESSORS, HAVING IMPROVED IT AS MUCH AS POSSIBLE.”

**Bertrand Passot**, president of Revol Porcelaine, founded in 1789.

“TRADITION AND INDUSTRIAL HISTORY IS IN THE DNA OF OUR BUSINESS. THIS IS WHAT HELPS US TO RECOGNIZE WHAT NEW IDEAS OR CONCEPTS CAN PROMOTE LASTING DEVELOPMENT AND CREATE ADDED VALUE.”

**Federico Falck**, president of Gruppo Falck, an Italian company established 1906.

Source: [www.henokiens.com](http://www.henokiens.com)

waltungsgesellschaft (BVG) which aims to maintain the fundamental management style and corporate culture.<sup>1</sup> BVG has six shareholders: three **Mohn** family members and three external.

Once the ownership structure has been defined, family businesses need to ensure that they have a management structure that facilitates the governance of the company and the family.

#### MANAGEMENT STRUCTURE

- Governance structures are central to running any business. A single administrator or a management committee has to oversee the good management of the business. In family businesses we also have to take into account the management and organization of the family itself. This task is usually carried out by a Family Assembly or Council.

The Family Assembly is the body that represents the entire family, whether or not all the members are directly involved in the business. The Family Council comprises family members chosen by the family itself with the aim of maintaining the unity and commitment of the owning family, unifying positions within the family so that it speaks with a single voice. Sometimes, in addition to these governing bodies, the family may decide to create a company, known generically as a

family office, to manage *ex profeso* the family's assets, both material and human, and at the same time help to pass the legacy on from generation to generation.

#### THE SUCCESSION

- The succession is the keystone and *sine qua non* of the survival of a family business. When dealing with the issue of succession it's vital to bear in mind:

- The succession is anticipated and therefore can be planned for.
- The succession in terms of ownership and management need not occur simultaneously.
- Leadership succession is more complex than the above.

Planning the succession is a necessary – though not the only – condition for achieving an orderly transition from one generation to another. A badly planned or badly managed generational transition will lead to problems and could have catastrophic consequences for both the company and the family.

The family must decide what type of family business they feel most comfortable with. The family can be involved at various levels of management but what they can't renounce is ownership. Everything else can be sub-contracted, though that's not ideal. If the family wants to manage the business they need to design a framework for incorporating family members and establish what conditions - such as age, education and experience - family members must fulfill in order to occupy positions within the company. Family members should never be forced to join the company and the next generation's freedom must be respected.

Policies followed by family businesses include demanding the necessary levels of education to occupy posts, acquiring experience working in non-family businesses and designing a career path within the company so that the successors know the company well. For example, **François-Henri Pinault**, son of the founder of the company Fran-

çois Pinault and currently president and CEO of the multinational PPR<sup>2</sup> – which owns brands such as Alexander McQueen, Boucheron, Stella McCartney, Yves Saint Laurent, Fnac and Puma – began his career in the company in 1987 as a salesman in the import department and in retail sales for the Evreux brand within Pinault Distribution. From then on he rose through the group, holding the posts of president of Pinault Distribution, president and CEO of FNAC, co-director of Financière Pinault until 2005, when he was appointed president and CEO of PPR.<sup>2</sup>

#### BRINGING IN OUTSIDE TALENT

● Attracting and holding on to ● outside talent is useful and enriching and usually benefits family businesses. Some family business people forget that, while ownership is hereditary, a gift for management is not. Ignoring this has predictable consequences.

Once a company reaches a certain size it clearly needs to bring in outside professionals. There are moments in family businesses when the part played by outside professionals can be crucial. During the succession process, for example, a trusted professional can help to secure an orderly transition by acting as a bridge between generations.

Having professionals on the management committee or the board can enrich decision-making and make it more dynamic. Big multinational family businesses employ top-level advisors. Walmart, which began life as a single store when it was founded in Arkansas by **Sam Walton** in 1962, was by 2010 the biggest company in the world, according to *Fortune* magazine. Walmart is still a family business, now in its second generation, although only two family members, **Tim** and **Robson Walton**, sit on the board.<sup>3</sup> In the case of LVMH, a leader in the luxury sector, the president and CEO is its founder **Bernard Arnault** but two of his children, **Antoine Arnault** and **Delphine Arnault**, have seats on

the board, along with well-known personalities such as **Bernadette Chirac**, leading business figures from the luxury sector such as **Di-ego Della Valle**, as well as members of family businesses acquired by the conglomerate, such as **Gilles Hennessy**.<sup>4</sup>

#### THE LEGACY

● Long-term thinking is part of ● the essence of family businesses. The aim is to pass on the legacy of the business from generation to generation and this gives the owners a long-term outlook that helps them to avoid being blinded by the lure of short-term gains. Projects based on a long-term approach bring wealth and value to society as well as the family.

According to a recent study carried out by Credit Suisse based on 280 family enterprises in 33 countries, this long-term approach is the most important factor in the companies' success.<sup>5</sup> The pursuit of financial and social sustainability is the *leitmotiv* of family firms. As they are imbued with this mentality, family firms pay special attention to issues of social responsibility and philanthropy, whether on the part of the firm or the family.

It's not just a question of inheritance, but of receiving and accepting the legacy. As well as being a source of wealth, this legacy also embodies values, beliefs, principles and ways of doing things that are passed on through generations. Family members see themselves as custodians of this legacy, with a responsibility to pass it on to the next generation. The guiding idea is to maintain the tradition and the identity of the business and the family, without losing its capacity for renewal.

1. [www.bertelsmann.com/Bertelsmann/Shareholder-Structure.html](http://www.bertelsmann.com/Bertelsmann/Shareholder-Structure.html)

2. [www.ppr.com/en/press/biographies/board-directors/francois-henri-pinault](http://www.ppr.com/en/press/biographies/board-directors/francois-henri-pinault)

3. Walmart's board is made of 16 members. Source: <http://investors.walmartstores.com/phoenix.zhtml?c=112761&p=irol-govboard>

4. [www.lvmh.com/investor-relations/governance/board-of-directors](http://www.lvmh.com/investor-relations/governance/board-of-directors)

5. "Family businesses: Sustaining performance", Research Institute, Credit Suisse, September 2012.

## PASSING ON THE LEGACY OF THE BUSINESS TO THE NEXT GENERATION GIVES THE OWNERS A LONG-TERM OUTLOOK

#### MORE INFORMATION:

You can follow the professor on his blog or on Twitter: [@JosepTapies](http://blog.iese.edu/empresafamiliar)

Read his case studies at: [www.iese.com](http://www.iese.com)

Acquire teaching videos at: [www.empresafamiliar-iese.com](http://www.empresafamiliar-iese.com)



## BIG DATA

## HOW TO TURN INFORMATION INTO VALUE

**JAVIER ZAMORA**

Lecturer Information Systems, IESE Business School

We now have access to more data than our systems are designed to cope with. We can use this information to improve our decision making but only if we know what we're looking for and don't mistake correlation for causality.

Information is power, but only if you know what to do with it. We have now entered into the era of what is called "big data," data that goes far beyond the transactional data that most companies' information technology is designed to deal with. Now we have vast volumes of data coming from social media as well as a variety of sensors, because mobile phones emit a huge quantity of data. However, it's a process analogous to panning for gold, because this information is of little value unless we find ways to sift through it in order to translate it into meaningful information from which we can make meaningful decisions.

**UNSTRUCTURED DATA**

There are three main sources of big data. The first is structured, this is traditional data that companies hold or gather from customers' transactions. Then there's a lot of unstructured data, which includes the way customers behave when they're looking at a web page, as well as blogs and the tone and sentiment expressed in emails, and of course comments on social media about products and services. The third

source is the information from sensors. Anyone using a smartphone is generating huge amounts of information. A transaction carried out using a mobile provides a lot of interesting information. First there is information about your location, but there is also information prior to the transaction, such as who you called beforehand or what kind of apps you used. The question is: how can we use all this data to enhance our own decision-making process?

When we talk about the characteristics of big data we talk about the three Vs: volume, velocity and variety. The







## BIG DATA IS NOT A SUBSTITUTE FOR INTUITION BUT WE CAN USE BOTH GUT FEELING AND ANALYTICAL THINKING TO ARRIVE AT DECISIONS

fourth V would be how to get some value out of all this. Companies need to understand that it's not just an issue of technology. It involves changing the culture and the processes inside the company.

Traditionally, many business decisions are based on intuition. Big data is not a substitute for intuition but it can give us more insight. It's not a matter of either intuition or data, it's about using both. We can use gut feeling and analytical thinking. There's an interesting example of this in the recently released movie *Moneyball*. The film tells the true story of **Billy Beane**, owner of the Oakland Athletics baseball team, and his bid to build a winning team with a fraction of the budget of his competitors. Intuition – in the person of the talent scouts – says that the only way to win is to sign existing or rising stars, none of whom the club can afford.

### WINNING WITH NUMBERS

- Aided by the fact that baseball is
- a data-heavy sport, where every fan knows the players' batting averages, number of strike-outs and so on, a computer nerd in the team's office runs a statistical analysis on a string of second-rate players who are either near the end of their playing life or whose careers have been plagued by social problems and are therefore affordable. He convinces **Beane** that by aggregating their talents it is statistically possible to put together a winning team. Inevitably, the scouts dismiss the idea as preposterous, as does the manager, and almost as inevitably Oakland, after a disastrous start, go on to a record-breaking 20-match winning streak.

This is not to say that the intuition of the scouts was wrong, because it is equally true that great sports teams have been built around a few stars and a supporting cast of makeweights. However, the story is illustrative of how data can complement intuition and experience.

The volume of data that a computer can deal with also sometimes throws up correlations that we

could not otherwise have seen. For example, a study was carried out in the public high schools of Gwinnett County, Atlanta (the 14th biggest county in the USA), where pupils were achieving poor test scores. Various approaches were tried, including increasing the number of teachers and reducing class size, but the results did not improve. Then they analyzed data from the school district and they discovered that the most successful graduates were successful in Algebra 1. Then they found a correlation in that the students who were doing well in Algebra 1 were also doing well in creative writing. This is not an obvious correlation but when you have a lot of data you discover these sorts of connections and they open up new approaches to problem solving.

The pioneer in making these sorts of connections based on a large amount of data is Google. Google hired **Hal Varian**, an emeritus professor of economics from Berkeley, who is Google's chief economist. Google is using the enormous amount of data it has access to in order to improve prediction models. For example, using a product called Google Flu they mapped the spread of people who were searching for information about flu symptoms. If somebody is searching Google for flu symptoms it's very likely that they or someone close to them has got the flu. And if you study the spread of flu through these searches it's more accurate than the Centers for Disease Control epidemiology. The same thing applies to house prices. Instead of looking at how house prices have behaved in the previous quarter, you look at how people are searching for houses via Google in different regions, or through different estate agents. The prediction based on the searches is better than a prediction based on any other economic model, which uses past data instead of present data.

This is called "now casting" because with so much data you can make better predictions. Now casting exploits data series from a range of sources in order to predict



economic trends. For example, by extrapolating from unemployment figures, trade data and so forth, it is possible to make accurate predictions the about current quarter's GDP before the official GDP figures are published.

To give you an example of the scale of big data, Wal-Mart has one million consumer transactions every hour and this translates into 2.5 petabytes of information, which is equivalent to producing 167 times the information in the Library of Congress every hour. If they can analyze this data then they can optimize their supply chain and decide when and where to put which products in the shops. But this highlights one of the problems with big data: you have to know what you are looking for. If you don't know what you're looking for you can easily fall into the trap of mistaking correlation for causality.

The data explosion is exponential. Imagine a city with a population of 300,000 that is growing according to Moore's Law. That means that within 20 years it would have the population of the entire earth. But it's not only the way that computer power is growing, it's the way that the algorithms are improving. In the mid-to long-term this new data is going to generate more wealth. But right now I think we are at Year Zero as far as big data is concerned. We are in a sort of Wild West scenario, particularly in regard to copyright and privacy issues.

#### **DATA: A NEW ASSET**

- At the last meeting of the World Economic Forum in Davos, big data was considered as a new asset. They compared it to the new oil of the economy. But if big data is an asset and you want to establish a market then the first thing you have to do it is establish ownership. There will have to be legislation on what kind of data can be used and what kind companies can collect and use. What is needed is to create a market of big data but the issue of ownership remains complicated and controversial.

Big data will change the architecture of business just as the invention of the electric dynamo, which replaced the steam engine as the central power source, changed the layout of the factories from narrow high rise structures to low-rise horizontal ones and created different ways of working. It will change governance and process, but this requires thinking outside the box. It's like having an analog watch and saying you want it to become a digital watch. You can't do it, it's a completely different thing. With big data we are still thinking in analog terms and trying to reproduce an analog experience in this new digital world but it requires a new way of thinking. It also throws up important issues of privacy, security and risk.

#### **TIME FOR A NEW MODEL**

- Sony Music approached the digital revolution with an army of lawyers but the fact is this technology is here to stay and so things have to change. It's better to start thinking of a new business model from which you can extract value than fighting to defend the old one. The problem is the old business models are threatened at a higher speed than we are able to generate new ones. This is where the tension lies.

Things are moving so fast they are destroying layers of the economy faster than we can think about how to adapt them. We've seen this in how, since the slump in 2008, the U.S. economy is recovering but employment is not.

**Einstein** said information is not knowledge. This is more true now than ever, not just because we have so much information but because information is becoming a commodity. So the question is how to transform this information into knowledge and decisions. This is a reverse of the situation we have been experiencing up until now, where information was scarce. Experts were filtering in information and now the challenge is to filter it out in order to reach meaningful decisions.

IT'S BETTER  
TO START  
THINKING OF A  
NEW BUSINESS  
MODEL FROM  
WHICH YOU CAN  
EXTRACT VALUE  
THAN FIGHTING  
TO DEFEND THE  
OLD ONE

## Steps for Better eHealth

The eHealth market in the European Union offers a plethora of opportunities, but also challenges. Chief among these are the IT solutions needed to radically modernize health-care governance and management.

After surveying CEOs and examining case studies from some of Europe's best examples of eHealth, IESE's **Magda Rosenmöller** proposes the following steps that health-care providers can take to ensure optimal IT governance.

- ✓ Make IT a core part of the hospital's strategy or investment plan. The IT strategy should reflect the relevance and long-term importance of IT solutions. It should receive the strong support of the institution's CEO.
- ✓ Establish a link between technical and clinical operations. The chief medical information officer should be a member of the organization's board or executive committee, as is the case at the Geneva University Hospital in Switzerland.

- ✓ Set up an IT steering committee. This should bring together executives, stakeholders and users, ensuring that strategy and implementation are in line with users' needs.
- ✓ Establish monitoring and evaluation systems. These are essential to accurately measure the outcomes of IT-enabled business initiatives.
- ✓ Appoint an executive sponsor. This person should champion the IT projects, as well as monitor implementation and oversee project management.
- ✓ Encourage clinicians to take an active role in IT implementation and training. This training should foster ownership and uptake.
- ✓ Increase patients' involvement and offer simple access. A significant issue is the empowerment of patients to use the new IT possibilities in an appropriate way.

FOR MORE INFORMATION:  
[www.ieseinsight.com/review/es](http://www.ieseinsight.com/review/es)

## Media Markt Goes Online

MARC SACHON & ERIC LAUX

The online marketplace provides an opportunity that no company can afford to ignore, but if the multichannel strategy is not properly thought out, it can damage the business. When Media Markt moved to the Internet there was a conflict between channels that brought about the closure of the online store. After learning from the experience and buying Redcoon, the company is back in business, but the directors still have strategic aspects to resolve. How to keep shop managers sufficiently motivated? How to decide the online prices nationwide, while still allowing shop managers to pick their stock and price according to region? And how to compete with Amazon, the biggest online firm in the world?

TAKE PART IN THE CASE FORUM:  
[www.ieseinsight.com/review](http://www.ieseinsight.com/review)

## BLINDED BY GROWTH

JAVIER ESTRADA

● Economic growth has long been an attractive prospect for investors. Economies such as Brazil, China and India have been hailed for their rapid growth and seemingly limitless returns. Likewise, fast-growing companies such as Facebook, Google and LinkedIn excite investors with similar hopes. In the article *Blinded by Growth* published in the *Journal of Applied Corporate Finance*, IESE Prof. **Javier Estrada** warns that relying on growth can be an unwise decision where investors are concerned. Many investors assume that investing in fast-growing economies guarantees good equity returns. However, Estrada uses historical data to show that this is a fallacy. Over a 100-year period, a 42-year period and a 23-year period, there is no correlation between economic growth and equity return.

MORE INFORMATION:  
*IESE Insight/ Finance*



## WINGS CLIPPED

PAULO ROCHA, JUAN CARLOS FERRER  
& A. PARASURAMAN

● In their paper *The Behavioral Consequences of Flight Delay* the authors analyze the effects of flight delays on passengers' future purchasing behavior. They address the consequences of multiple delays, differentiating their effects on members and non-members of the airline's frequent flyer program. The results show that passengers who have experienced delays fly less than passengers who have not experienced any delay.

MORE INFORMATION:  
[IESE Insight/Marketing](#)

# The Human Cloud

EVGENY KÁGANER ET AL

Online crowdsourcing platforms are growing at double-digit rates and are starting to attract the attention of large companies. Just as cloud computing offers unconstrained access to processing capacity and storage, what the authors call the "human cloud" promises to connect businesses to millions of workers on tap, ready to perform tasks and solve problems that range from the simple to the complex. The authors of the journal article *Managing the Human Cloud* explore four new human cloud models: The Facilitator model, The Arbitrator, The Aggregator, The Governor.

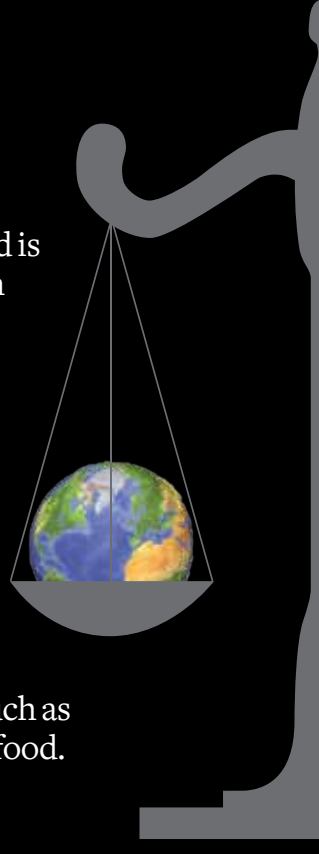
MORE INFORMATION:  
[IESE Insight/Information Technologies](#)

# Globalization and Obesity

NÚRIA MAS, JOAN COSTA-FONT  
& PATRICIA NAVARRO

Obesity is the fifth main cause of death in developed economies and is also a factor behind soaring health costs. Is there a relationship between obesity and increasing globalization? In the paper *Is Globalization a Pathway to Obesity* IESE Prof. Núria Mas and her colleagues suggest that globalization may indeed be a determining factor in weight gain. However, the effect of economic globalization on obesity is diluted when it is controlled for factors such as urbanization or the price of fresh food.

MORE INFORMATION:  
[www.empresafamiliar-iese.com](http://www.empresafamiliar-iese.com)



## BAD INFORMATION

GAIZKA ORMAZABAL ET AL

● Hewlett Packard's \$8.8 billion write-down of its fourth quarter 2012 financial results provoked uproar, triggering accusations that the company had misled investors. But what would make managers of equity portfolios misreport financial results? In the paper *The Relation Between Equity Incentives and Misreporting: The Role of Risk-Taking Incentives*, published in the *Journal of Financial Economics*, Chris Armstrong (Wharton), David F. Larcker (Stanford), Gaizka Ormazabal (IESE) and Daniel J. Taylor (Wharton) shed light on this crucial omission. The authors find that changes in risk, rather than changes in stock price, are a more significant driver in the decision to misreport. While the increase in value - the "reward effect" - can encourage misreporting, the corresponding increase in risk - the "risk effect" - can also discourage it, by potentially decreasing value.

MORE INFORMATION:  
[IESE Insight/Accounting and Control](#)





DOING GOOD & DOING WELL

# THE POWER OF WORKING TOGETHER

The need for collaboration among organizations was the central theme of the 10th annual DGDW conference organized by MBA students.

**S**ome 550 people gathered on IESE's Barcelona campus on February 22-23 for the 10th Doing Good & Doing Well conference. This is organized each year by IESE MBA students to generate debate on responsible business practices, social entrepreneurship and sustainability.

With the theme "The Power of Collaborative Advantage," the conference included some 104 speakers and 15 panel sessions, as well as a fashion competition and the Cleantech competition, in which entrepreneurs with proposals for clean technology pitch to venture capitalists. Caixa Bank, The Franklin and Catherine Johnson Foundation, ExponMobil and Agbar sponsored this year's event.

"A company cannot just be accountable to shareholders, but must also answer to society," said **Bernard Meunier**, managing director of Nestlé España, who underlined the need for organizations to collaborate.

Among the keynote speakers was **Laurent Freixe**, executive vice president of Nestlé Europe, who spoke via a video on "Water Scarcity: Paramount Problem for the Food Industry." He said that in recent years, "it has become commonplace to criticize the European Union for its slow economic growth, lagging competitiveness and bureaucracy. But this negative perception, without denying the challenging European environment, should not lead to a self-fulfilling prophecy."

"Every crisis is an invitation to fundamentally rethink our ways of working," said **Freixe**. EU members must agree on the long-term targets, objectives and reforms for creating economic and social development, he said. "In that sense, I strongly defend the Commission's "Europe 2020" vision for smart and sustainable growth as a starting point."

Another speaker was **Douglas Tompkins**, who made his name by creating the North Face outdoor clothing but is equally well known for his conservation work in wilder-



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1. From left to right Jordi Canals, Jo Confino, James Gifford, Sean Ansett, Jem Bendell and Magnus MacFarlane  
2. and 3. Two moments in this year's DGDW

4. The organizers, from left to right: Pablo Román Chiriboga, Lucy Hirota Takeuche, Candice Uy, Helena Rakosnik Tobeck, Melanie Ajero, Teresa Morenés Bertrán, James Winder, Melissa Quijano, Alan Snyder and Stephen Mannhard



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ness areas in Chile and Argentina. For **Tompkins**, economics and the environment are inseparable. “What is good for the world is good for us, not the other way round.”

He argued that beauty is intrinsic to the ecological paradigm and that aesthetics inform everything we do. “Beauty is the essential notion,” he said. He added that we must demystify the dogma that technology is our savior and we shouldn’t just welcome all technologies without considering their impact on culture. “It is impossible to determine what the carbon footprint of a mobile phone is,” he said.

Other speakers included **Mei Li Tan**, chief marketing officer of Citi Transaction Services, and **Marc Pfitzer**, director general of FSG.

#### PITCHING AN IDEA

● As part of the 6th Cleantech Venture Forum, 11 companies from around the world pitched their busi-

ness ideas in front of 10 of the biggest venture capitalist funds in Europe. The VCs gave first prize to Norwegian firm Graphene Batteries, with the Switzerland-based ActLight coming second. Venture capitalist funds represented on the jury manage more than €3 billion in investments and the Cleantech entrepreneurs were seeking a total of €14 million in funding.

In the social investment competition, sponsored by CaixaBank, teams from the Oxford, IESE, ESADE, HEC and INSEAD business schools and 10 venture capitalists judged the pitches made by five social entrepreneurs from Spain, Switzerland and the UK. The teams from Oxford and IESE were joint winners.

In the Collaborative Fashion Competition nine teams, including seven from IESE, competed for the chance to implement their project in collaboration with Intermon Oxfam and Hoss Intropia.





# 10 Years of Social Values

A review of some of the best moments and statements made by keynote speakers who have appeared during this decade.

**2004**  **Mark Albion**, founder of More Than Money Institute. "Is that it is more important to find your passion than to earn money and that if you find your passion money will come."

**2005**  **Muhammad Yunus**, founder of Grameen Bank and recipient of Nobel Peace Prize in 2006. "The model for social businesses is to change the world."

**2006**  **Mark Goyder**, director of Tomorrow's Company. "A business has to serve the needs of human beings and should have a series of its own values and should fulfill these."

**2007**  **William Paul Underwood**, founder and former director of the Business Committee of the United Nations. To turn an idea into a reality, you simply have to find the right leaders."

**2008**  **Daniel García Guelbenzu**, vice president of General Electric. "CSR is no longer the fig leaf that companies hide their shame, to become a fundamental strategic factor for a simple reason: they cannot continue ignoring people and the environment."

**2009**  **Anil Soni**, CEO of the Clinton Foundation's HIV/AIDS Initiative CHAI. "The private sector can play a decisive role in helping reduce human suffering all over the planet, through economic, educational, technological and financial contributions on a large scale..."

**2010**  **Michel Camdessus**, former managing director of the IMF and honorary governor of the Banque de France. "Responsibility will become an economic, environmental and social value and social values such as solidarity and citizenship have become an economic value themselves."

**2011**  **Pamela Hartigan**, director of the Skoll Center for Social Entrepreneurship of the Saïd Business School, University of Oxford. "The aim of a social entrepreneur is nothing but to seek innovative solutions..."

**2012**  **Gabin Neath**, vice president of sustainability, Unilever. "We are consuming the planet's resources much faster than they can be replaced."

**2013**  **Bernard Meunier**, CEO of Nestlé España. "One cannot lead a company and only be accountable to shareholders, you have to be accountable to society at large."

## More than an experience

The DGDW conference not only has an impact on those taking part, but leaves an indelible impression on the students who organize it. For **Elizabeth Curran** (MBA '09) "it was a turning point and I can proudly say I wouldn't be where I am today without it." **Katie Dusett** (MBA '05) says "it had been a dream of mine to have dinner with Yunus. But how do you do that? Easy, you organize a conference and you invite Yunus to keynote."

"We wanted to show our fellow students that there are other ways to look at the world than the short-term financial view and that social and environmental impact is linked to financial success," comments **Emma Coles** (MBA '04). "DGDW for me was one of my key experiences during the MBA, in particular seeing what a voluntary team of students can pull together with great commitment and energy," says Katharina **Elisabeth Lueth** (MBA '10) while for **Richa Pathak** (MBA '11) it showed that "we can run mainstream business while following principles of ethics and responsibility. Profitability is also important for the financial sustainability of any business, charity alone cannot bring about required change in the world." "It was a great learning experience for the entire team. I felt not only proud of the work, but also stronger intellectually and as a well-rounded manager," recalls **Devayani Pershad** (MBA '12). Finally, one of this year's organizers, **Teresa Morenés**, says "it has been a unique opportunity to explore my managerial capabilities within a team as well as giving me the chance to be in touch with entrepreneurs and visionaries whom I hope one day to work for."





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U.S. ADVISORY COUNCIL

# HIGH-LEVEL LESSONS FROM EXPERIENCE

**U.S. Advisory Council met on March 1 to discuss aspects of the school's activities in North America.**

**I**ESE Business School's U.S. Advisory Council, which comprises a diverse group of 23 senior business and civic leaders, held its annual meeting on March 1 on the school's Barcelona campus. The primary role of the council is to provide guidance to the school for its activities in the United States, which are led from its New York Center in Manhattan. In addition to its annual meeting, various members of the council met with MBA students in special sessions to share their views on topics relevant to the U.S. business and economic context.

#### ANALYSIS OF THE CURRENT CONTEXT

● Prof. **Eric Weber** introduced the session "Global Business Outlook: How Global Companies Look at the World" in which the panel was made up of **Bill Baker** from Channel Thirteen, **Sir Howard Stringer**, from Board of Sony and **Chris Vollmer**, from at Booz & Co. Much of the discussion focused on the global media industry.

In a parallel session, titled "U.S. Economic Policies with the New Obama Administration," council members reflected on how the president's second-term policies are affecting companies in the United States and then fielded questions from MBA students. The panel, which included council members **Edward T. Reilly**, from American Management Association (AMA); **Carmen DiRienzo**, from V-Me Network; and **John Sturm** of the University of Notre Dame, was introduced by IESE Prof. **Carlos García Pont**.

In another session, members of the council discussed the topic of technology and new media. Members taking part were **Gerry Byrne**, from the Penske Media Corporation; **Alan Glazen**, from Glazen Creative; **Tom Kane**, of the CBS Corporation and **Kate O'Sullivan**, from the Microsoft Corporation. The session was introduced by IESE Prof. **Alejandro Lago**.





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1. Eric Weber, Thomas Kane, Kate O'Sullivan, Jordi Canals and Sir Howard Stringer  
2. Alan Glazen and Gerry Byrne

3. Carmen DiRienzo and William F. Baker  
4. Edward T. Reilly, John Sturm and Mireia Rius  
5. Chris Vollmer



**US ADVISORY COUNCIL**

**William BAKER**  
Channel Thirteen

**Gerry BYRNE**  
PMC (Penske Media Corporation)

**Jordi CANALS**  
IESE Business School

**Tom CASTRO**  
El Dorado Capital and Time Warner Cable

**Carmen DI RIENZO**  
V-Me Network

**Alan GLAZEN**  
Glazen Creative

**Frank J. HAGER**  
Opp CAP

**Claire HUANG**  
JPMorgan Chase & Co.

**Jay IRELAND**  
GE Africa

**Tom KANE**  
CBS Corporation

**Katherine OLIVER**  
NYC Mayor's Office of  
Media & Entertainment

**Kate O'SULLIVAN**  
Microsoft Corporation

**Carlos PADULA**  
Stelac Advisory Services

**Juan PUJADAS**  
PriceWaterhouseCoopers

**Edward T. REILLY**  
American Management Assn.

**Tom ROGERS**  
TiVo Inc.

**John SCHMITZ**  
Bingham Consulting LLC

**Sir Howard STRINGER**  
Sony Corporation

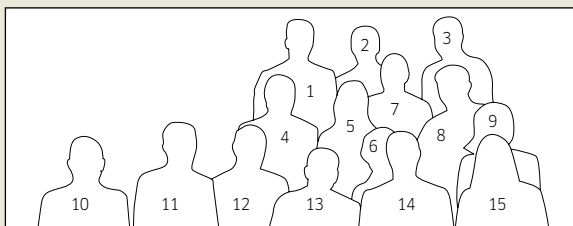
**John STURM**  
University of Notre Dame

**Chris VOLLMER**  
Booz & Co.

**Eric WEBER**  
IESE Business School

**Josh WESTON**  
Automatic Data Processing Inc. (ADP)

**Kathryn WYLDE**  
Partnership for New York City



- |                         |                         |
|-------------------------|-------------------------|
| 1. Chris Vollmer.       | 9. Mireia Rius.         |
| 2. Kip Meyer.           | 10. Prof. Eric Weber.   |
| 3. Sir Howard Stringer. | 11. Prof. Jordi Canals. |
| 4. John Sturm.          | 12. Thomas Kane.        |
| 5. Kate O'Sullivan.     | 13. William F. Baker.   |
| 6. Carmen DiRienzo.     | 14. Alan Glazen.        |
| 7. Gerry Byrne.         | 15. Sandra Sieber       |
| 8. Edward T. Rielly.    |                         |

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# SEARCHING FOR NEW TALENT

With a growing demand for executive talent, IESE alumni attend the newly biannual Career Forum both as jobseekers and recruiters.

“**W**e are at IESE because we’re looking for passionate people, those who would love to work with our products and our clients. We’re interested in those who aren’t content with merely being a number in the company, but who have ambition and their own ideas,” said **Manuel**

**Ehrensperger** (PDD ‘06), Senior Vice-President of Operations of Swarovski, at the MBA Career Forum. The crystal company took part in the event for the first time this year, and was joined by other companies such as Amazon, Almirall, Allianz, Altaïr, Accenture, Bertelsmann, Dupont, Ernst & Young, FCC, Gas Natural, King, Louis Vuitton, Mango, Madbid.com, Schneider Electric and Syngenta, all of whom were here to recruit IESE MBA students.





Manuel Ehrensperger



As a former student **Ehrensperger** knows the school very well, and says that one of the reasons his company relies on IESE is because of the international profile of its students, since they are looking for recruits for positions worldwide. What Swarovski is looking for is “young people from around the world with an open-minded, multicultural outlook. We look for people who are willing to move, people who want to move, to work in different parts of the world. This is very important because we operate in many countries where there are many different kinds of consumer behavior. We are looking for people for HR, finance, retail and sales.”

**Ehrensperger, Julio Rodríguez** (PDG '97), global vice-president of Schneider Electric, and other executives that attended the MBA Career Forum held an informative session in which they presented their corporate philosophy and interviewed various MBAs. In total more than 500 work interviews took place during the two-day forum, in which 470 MBA students took part.

#### WHERE THERE IS TALENT, THERE ARE OPPORTUNITIES

- This year the overwhelming interest from companies wanting to recruit meant IESE had to hold the event a second time in the same academic year. MBA Director of Career Services **Javier Muñoz** said that it was surprising that “at a time of recession in the labour market, the demand for executive talent from IESE continues to grow.

“This shows that where there is talent there are good opportunities although there is a lot of competition between people with this profile,” he says. Last year 90 percent of MBAs were employed within three months of finishing the program. Specifically, 65 percent took up posts in Europe, and the number of those recruited in the U.S. and Asia doubled.

The second time the event was held, on February 4 and 5 on IESE’s Barcelona campus, it was mainly focused on second-year MBA students, to whom companies were able to offer concrete positions that the students would be able to take up within a few months of graduating.

There has been a notable increase in the presence of representatives from the industrial sector, more so than from consultancy or finance, which until recently have been the worlds into which MBA students have traditionally moved. The other striking difference from previous years is that the number of contracts issued from the information technology sector has, for the first time, overtaken those from banking. For **Muñoz**, this type of company has realized that “the MBA profile fulfills their needs exactly.”

**MORE INFORMATION:**  
[www.iese.edu/CareerForum](http://www.iese.edu/CareerForum)

## 8TH BANKING SECTOR MEETING

# Optimism at Banking Industry Meeting

The event, organized by IESE's CIF (Center for International Finance) and Ernst & Young, looked ahead to the end of the recession.

A mood of cautious optimism prevailed at the 8th Banking Sector meeting held on IESE's Madrid campus on December 13. The event was directed by Prof. **Juan J. Toribio**, President of CIF, and brought together some 150 professionals to discuss "The Bank: Opportunities After the Crisis".

The general view was that the system is functioning better thanks to far-reaching reforms. "All the measures taken have been moves in the right direction," and "We now have a banking system that is more stable and will be better able to withstand risk," were some of the views expressed during the meeting.

## SLOW RECOVERY

**Jose M. Andrés**, president of Ernst & Young, said the Spanish banking system would be one of the best in the world. However, the immediate outlook for Spain itself is far from rosy, according to Prof. **José M. González-Páramo**. "Spain is in deep recession and there's not much prospect of the situation improving in the short term." Although risks in the eurozone have declined, he lamented the fact that the recovery is "too slow" and the markets remain "fragmented."

"Monetary union without financial integration threatens the proper nature of the euro: the fungibility of money," the professor said.



Prof. Juan J. Toribio



Jose M. Andrés



Prof. José M. González-Páramo



Jaime Caruana



Ángel Cano



Luis M. Linde

In the session on regulation and supervision **Jaime Caruana** of the Bank for International Settlements said that "regulation is one factor behind changes in the financial system but it's not the only one." He said the crisis had changed our perception of risk, adding that "only well-capitalized entities should offer credit."

## POSITIVE THINKING

In a discussion on the future of the sector **Ángel Cano**, CEO of BBVA, commented that the crisis had "dynamited the entire fi-

ancial system." However, other elements had contributed, he said, such as changes in the order of world growth, technology as a motor of change and consumer pressure.

In conclusion, **Luis M. Linde**, governor of the Bank of Spain, welcomed the decision reached by Ecofin over supervision. "It's very important. Two or three years ago no one believed an agreement could be reached in the short term. The crisis has speeded the initiative. It sends out a very positive message to the markets that there will be no going back on the euro," **Linde** said.

FT SURVEY SPOTLIGHTS LEADING PROGRAMS AROUND THE GLOBE

# IESE's MBA Ranked Among World's Top 10

IESE Business School climbed two spots in this year's *Financial Times* ranking of MBA programs, placing 7th in the world. In the ranking, which was published on January 28, the school came in third in Europe. The global list was headed by Harvard Business School, Stanford and Wharton.

In Europe, IESE followed London Business School and Insead. In the accompanying article, the FT noted the rise of business schools in the Asia-Pacific region and the dominance of U.S. schools, with six occupying spots in this year's top 10.

IESE's full-time MBA program was established in 1964 as Europe's first 2-year MBA. Since it was first offered, the program has been guided and assessed by the Harvard-IESE Advisory Committee. In 1980,



the program became the first bilingual MBA program of its kind in the world. Today, roughly 80 percent of IESE students are international,

reflecting diverse nationalities. In addition to the full-time program, IESE offers the Executive MBA and the Global Executive MBA.

## 18<sup>TH</sup> INTERNATIONAL CASE COMPETITION

### Competing and Sharing



“It's a weekend full of challenges, as well as new perspectives,” said **Robert Van Den Breemer**, one of the organizers of the 18th edition of the IESE-Roland Berger Case Competition, held February 14 to 16. Taking part

were teams from LBS, Tuck, Yale, Chicago Booth Business School, HKUST, CEIBS, INSEAD and IESE. In this year's edition, London Business School took home the top prize, with IESE coming in second place.

## CONTINUOUS EDUCATION

### Reflections of a parallel entrepreneur

“The joy is in making things happen and the more you do it, the more you learn about the pitfalls and how to avoid them,” **Magnus Melander**, CEO and founder of B3 Connect Computer, said in his talk “Parallel Entrepreneurship: A Firsthand Account” which formed part of the Entrepreneurial Initiative Cycle.

The meeting was moderated by Prof. **Anindya Ghosh**, assistant professor of entrepreneurship at IESE.



## SUMMER SCHOOL

# Future MBAs Are Already Studying at IESE

Alba Puig recently graduated in telecommunications and mathematics. She will join the Young Talent Program (YTP), preparing for an MBA.

● What does a recently graduated 23-year-old student seek from IESE? For **Alba Puig** the key is to broaden her professional outlook. “I’ve spent six years studying and acquiring what is basically technical knowledge and I need the tools to figure out why some projects are successful and others are not,” she says.

**Puig** is clearheaded and ambitious and insists that there’s no time like the present to continue her studies. “If you don’t learn from the outset how a company works, someone else will do it better than you and you’ll find it harder to advance within an organization,” she says. “Furthermore, I’ve studied for two difficult degrees simultaneously and so I need to take advantage of this habit and ability now. That’s why having access to these studies is invaluable.”



#### ‘NURTURING TALENT’

● **Puig** opted for IESE through the relationship that MBA courses maintain with universities. “I was clear that I wanted to study at one of the best schools in the world, but the fact that IESE came looking for us and asked about our abilities in our third year is something that I regard as unique.”

“They told us about the option of attending the Summer School and it seemed the best of way of finding out if I liked the business world and the methodology. The best thing about IESE is that it doesn’t matter whether or not you’ve studied finance. They

look for people with the potential to develop and you see this in the classes. After her experience at the Summer School she realized, “the next step was the YTP, to start working for a company and then take part in the Next Step Seminars for the next two summers,” after which she will stop work and join the 2016 MBA course. “I think I’ll find it hard to leave my job after 2 or 3 years, and I expect the YTP to maintain my thirst for knowledge and to progress in my career and come back to IESE.”

**MORE INFORMATION:**  
[www.iese.edu/summer-school](http://www.iese.edu/summer-school)

## Global Energy Day Conference

● IESE’s Energy Club held a one-day conference titled “Global Energy Day” on the Barcelona campus, during which a series of experts in the field analyzed the challenges and changes in the energy market.

After an introduction by **Nicolás Giordano**, **Iván Martén**, senior partner and managing director of

the Global Leader Energy Practice at the Boston Consulting Group, spoke about “The New Dynamics of Energy.”

“Energy will be the key issue of the 21st century,” **Martén** said. “We want sustainable energy from a security and environmental point of view but we also want it to be cheap and this combination is impossible, so there have to be trade-offs.”

A major problem, he said, is that the implications of energy use are measured in centuries and investment in

decades, while political decisions are made in a time frame of four years. Politics make self-sufficiency in energy supply – whether through renewables or shale gas – increasingly attractive, he added, and the demand for coal is growing. Coal is the most balanced fuel in terms of world distribution, whereas 70% of oil reserves are in Russia and the Middle East and 65% of gas is in five, mostly unstable countries.

**Martén’s** talk was followed by a panel on energy security and efficiency, moderated by **Alok Thakur**.



CORPORATE LEADERSHIP PROGRAM:  
**Shaping the Global Leaders of Tomorrow**

● After several years of rapid international expansion, Santander was in need of global leaders that possessed professional and personal skills to lead the bank's global growth. The corporate culture and strategy had to be embedded quickly and efficiently in those organizations that had been acquired. It was clear to Santander that, to get the job done, there was a need for a partner like IESE, with extensive experience in developing custom programs and promoting leadership within international organizations.

The Corporate Leadership Program (CLP), designed in partnership by IESE and Santander, was closely related with the bank's strategy of international and inorganic growth and development. It blended the core values of both organizations and consolidated a wide range of academic approaches combining lectures, business cases, team discussions, live projects, company vis-

its, workshops, online interactions, executive coaching and peer-to-peer coaching.

One of the most interesting aspects of the program is its evolution along with the expansion of the group. Given the clear need to offer a program that would provide participants with a global vision, in the first edition a module of the program was delivered in Shanghai, China. In 2009 the program was redesigned to incorporate one module in Sao Paulo, reflecting Santander's acquisition of a bank in Brazil. Later, the week in China was split in two different locations, Hong Kong and Shanghai. Finally, when the presence of the Bank in mainland China was more consolidated and its growth plans in this market were clear, the Hong Kong module was swapped with a module in Beijing.

The full support of Santander's top management for the program's objectives of developing high-potential managers into corporate

leaders into corporate leaders for the future of the group, was key for the program's success. Participants gained a better understanding of the bank's overall strategy; they developed a new approach to delivering value for customers; they created an extensive network amongst professionals from different countries, departments and functions; and they acquired additional tools to manage dispersed international teams in a more efficient and productive way.

The CLP is a testament of the decisive growth and internationalization. Santander has undergone in the last decade. The program demonstrates the group's clear focus on encouraging internal talent and developing their aptitudes and attitudes to lead the group in the new economic, geographical and strategic environment of the 21st century.

**MORE INFORMATION:**  
[www.iese.edu/custom](http://www.iese.edu/custom)

## 10TH ENERGY SECTOR MEETING IN MADRID

# Energy in the New Global Paradigm

Improved efficiency, smart systems, pricing and regulatory reforms dominate the discussion on the future of energy generation.

The 10th Energy Sector Meeting, jointly organized by IESE and Goldman Sachs, was held on the Madrid campus and brought together some 200 professionals from the sector. The title of this year's conference was "A New Energy Policy to Face up to the Urgency of the New Global Paradigm." Some 30 speakers discussed questions of competitiveness, regulatory reform and energy financing. The meeting was overseen by IESE professor **Juan Luis López Cardenete**.

**José Folgado**, the president of the Spanish grid, emphasized a number of key points if energy were to become a source of growth and development in Spain. Among them were greater use of electric power and less of hydrocarbons in transport, more



Prof. López Cardenete, José Folgado, Borja Prado, José Manuel Soria, Salvador Gabarró and Antonio Llardén

energy savings and efficiency, the development of smart grids and meters and the prioritization of national sources of energy such as nuclear and hydroelectric.

The president of Gas Natural Fenosa, **Salvador Gabarró**, said that "natural gas is an energy of the future," and that there are sufficient reserves for at least 230 years.

**José M. Soria**, the minister of industry, energy and tourism, defended

the use of nuclear energy as part of the energy mix and backed the continued use of nuclear power stations in Spain.

**Alastair Maxwell**, who has joint global responsibility for energy at Goldman Sachs, said that prices were a vital aspect of the sector's development. "The price rises in 2004 and 2007 have encouraged investment in new technologies. As a result of this investment, the sector has entered a new era," he said.

## Search Funds Looking for a Business to Buy and Improve

Although search funds are still at an embryonic stage in Europe, they are gaining ground as a way for motivated entrepreneurs to create value for companies and investors, said panelists during a special Con-

tinuous Education session held on IESE's Barcelona campus. Moderated by **Mathieu Carenzo**, director of IESE's Entrepreneurship & Innovation Center-EIC, the session spotlighted how search funds work and advice for aspiring search fund entrepreneurs. "Raising the fund is the easiest part," said panelist **Marc Bartomeus**, whose Spain-based fund includes investors from the United States, the U.K. and Spain. "Searching for a business is much more complex." In the search fund model,

entrepreneurs raise money from investors and seek out a company to acquire. There are three key stages of the search fund model: raising the fund, finding the right company and managing to grow the company in order to provide a return for investors. During the event, titled "The Search Fund: How to Obtain Funds through Entrepreneurship," the panelists also gave tips on how to identify potential small and medium-sized businesses for acquisition and how to approach current business owners.





**PAN AFRICAN AMP IN BARCELONA**

# Thinking Beyond Oil to the Future

Some 45 senior executives and government officials from Lagos Business School in Nigeria and Strathmore Business School in Nairobi, Kenya, gathered on IESE's Barcelona campus in October for the Pan African AMP module "Understanding the Business Landscape."

"I feel that by the time we realize our potential the world will have changed so much," says **Collin Mutambo**, from Uganda, who is general manager of the broadcasting company Radio Simba. "I think Africa needs to position itself strategically as a new kind of supplier of something, we just have to find out what – something that will take Africa out of poverty. Black gold – oil – is going to be a big catalyst for development. Africa could also become a food exporter."

**Uzoma Ezeoke**, executive director of Emzor Pharmaceuticals in Lagos, says she'd like to stop hearing about oil. "It has so much value and you really don't have to work for it. Once you've got it out of the ground there's a ready market. It makes you lazy. In Nigeria it's all we do. I think

it has stifled innovation. Agriculture is more exciting because of the potential it gives to small businesses. Maybe we should get into contract agriculture, growing products for specific markets."

**Mutambo** says "It's still a challenge for us to tap into our natural resources even with donor funding. One hydro dam in the Congo basin would produce enough power for east, central and southern Africa. There's a sense that

we haven't got a grip on what to do first and how to do it in a coordinated way, such as interconnecting rail systems across borders."

**Ezeoke** believes that much

of what attracts foreign investors to Nigeria is the size of the population and the emergent middle class. "Many of my peers we thought would stay in the U.K. or the U.S. have gone back since the financial collapse and are taking a renewed interest in Nigeria. We're going to regret it if we don't capitalize on ourselves," she says. "The answers aren't going to come from government and we need to look to the private sector."

**"Africa needs to position itself strategically as a supplier of something that will take Africa out of poverty"**

## Sessions on Controlling Costs and Leadership

On January 31 Prof. **Eric Weber** led a discussion at the New York Center titled "Strategies for controlling costs: A second look after some additional years of crisis." The professor, who is also the director of the New York Center, argued that there is no doubt that the crisis has only enhanced the need to maximize efficiency and reduce costs. In a time where revenue is under so much pressure, the world looks at what can be done on the cost side of things to save the day. So why is it that something apparently so simple, controlling costs, often seems to go so wrong just when we need it to work the most? The event was a follow-up to the successful lecture delivered in March 2010.

Meanwhile in San Francisco 74 participants, including 28 from the G-EMBA class of 2013, attended a session on entrepreneurial leadership led by IESE Prof. **Hakan Ener**. Other speakers included **Santiago Corredoira** (GEMBA '11), CEO of StepOne, a company that helps high-potential Spanish tech companies with their entry into the American market, and the Pier 2 Marketing co-founders: **Paul Hamel** (GEMBA '09) and **Gimena Peña**. Pier 2 Marketing is a marketing firm that creates a personalized strategy for each customer using a 360° model focused on the particular needs of the company, its customer's profile and insights.



**Prof. Eric Weber**



## SHORT FOCUSED PROGRAMS

### Convert Business Opportunities into Manageable Projects

Barcelona, April 16-18

### Develop Your Communication Skills: It's How You Tell Them

Barcelona, May 7-9

### Getting Things Done

Barcelona, May 21-24

### Maximize Your Board's Potential

Barcelona, June 4-7

### Managing People Across Cultures

Barcelona, June 18-20

### Optimizing your Retail Business

Barcelona, July 9-11

### High Performance Negotiator

Barcelona, July 22-24



# Alumni Meetings

**MBA ALUMNI REUNION BARCELONA, MAY 25**

**MBA AND G-EMBA FIVE-YEARLY MEETINGS BARCELONA, MAY 25**

The MBA Alumni Reunion and five-yearly MBA and G-EMBA meetings will take place on the Barcelona campus on May 25. Alumni can meet up with and share anecdotes with fellow students from their course and from other years, and relive their time in the classroom during special sessions organized by the school's professors.

## Industry Meetings

Between April and June leaders and experts from a range of sectors will address meetings on the IESE campuses.

### 10th Retail Industry Meeting

Madrid, April 10 & 11

### 6th. Sales and Marketing Officers Meeting: "Reinventing Yourself to Move Forward: Sales Management Innovation"

Madrid, April 17

### 3rd. Insurance Industry Meeting: "Key Times: An Industry in Transformation"

Madrid, April 24

### 3rd International Tourism Summit: "Emerging Trends in the Tourism Industry"

Barcelona, May 17

### 2nd Meeting on Innovation: "Innovation, + Health"

Barcelona, May 22

### 17th Food & Beverage Industry Meeting: "Selling Across 5 Continents"

Barcelona, June 4

### 19th Telecom, Digital Media & Information Society Industry Meeting: "A Whole New World: The Revolution of Big Data"

Madrid, June 11 & 12

## IESE International Advisory Board Meeting

**BARCELONA, APRIL 19**

Made up of prestigious business and society leaders from continental Europe, the United Kingdom, the Americas and Asia, IESE's International Advisory Board meets periodically to assess business management at a world level and to discuss challenges and opportunities.





# Market forces

**BARCELONA, MAY 27-31**

Leaders in highly competitive markets have little time to examine global trends or understand their possible long-term impact. This program allows you to develop a perspective and strategies in a dynamic and interactive environment. During five intensive days, participants learn to explore how new socio-economic tendencies and global trends could be relevant to their company.

## Global CEO Program for China

**SHANGHAI, BEGINS APRIL 7**

The Global CEO Program for China is an exceptional opportunity for executives in China to enhance their leadership skills and to gain new insights into the major social, cultural, political and economic factors that significantly impact business across the global marketplace.

## Healthcare Management Program

**BARCELONA, BEGINS APRIL 22**

There has never been a more pressing need for an approach to healthcare management education that is as reflective as it is pragmatic. This is the approach of the Healthcare Management Program (HMP), made unique by IESE's hallmark focus on the human aspects of leadership.

## Driving Government Performance

**MADRID, MAY 20-23**

This executive program, which is organized in association with Harvard Kennedy School, looks at ways in which political leaders can establish goals, revitalize bureaucracies, motivate people, create organizational capabilities, communicate ideas, measure results and enhance performance.

## Graduations

- EMBA**  
Barcelona, May 3
- MBA**  
Barcelona, May 10
- EMBA**  
Madrid, May 30
- G-EMBA**  
Barcelona, May 31
- AMP Warsaw**  
Closing ceremony April 26

- PMD Munich-Barcelona**  
Ends Barcelona, May 8
- Global CEO Program**  
Last module ends June 7
- PLD New York**  
Ends July 7
- AMP in Media and Entertainment**  
Fourth and final module ends June 15
- HMP**  
Closing ceremony June 21
- International Faculty Program**  
Graduation ceremony June 21





# Eggert Gudmundsson (MBA '97, AMP '12)

“We’d pay a high price if we joined the EU”

STEPHEN  
BURGEN

**Eggert Gudmundsson** trained as an engineer but shifted into marketing before becoming CEO of one of Iceland’s largest retailers and fuel suppliers. He talks to the magazine about leadership and why Iceland is steering clear of the European Union.

**E**ggert Gudmundsson is CEO of N1, one of biggest retail, service and distribution companies in Iceland. The company grew out of a chain of gas stations but now includes service stations and a range of retail services, as well as supplying fuel to airlines, the fishing industry and other big companies. He was until recently CEO of HB Grandi, one of the largest fishing companies in Iceland and a leader in its field. **Gudmundsson** is also vice-chairman of the Icelandic chamber of commerce.

**What made you change jobs?**

I’d been in the old job for about eight years. I was very happy there but when I got the call asking me to make the move I decided I wanted to take on new challenges. The retail aspect is new to me so it’s been a bit of a learn-



ing curve. I've been in the job for four months now and I spent a lot of time visiting all our locations around the country and talked to staff and then I spent time analysing the information to see what could be improved. We have started to reorganize the company to be more customer-focused. My background is in electrical engineering and I worked for five years as an engineer in Iceland. I was developing products and gradually moved towards marketing these products and, although an engineer, I migrated into marketing and then to the MBA at IESE and one thing led to another.

**Quite a few CEOs have engineering backgrounds. Why do you think that is?**

I think engineering is a good background for anyone who wants to run a company because you are trained to think systematically and not only with numbers but the inter-

relationship between numbers. It's goal-oriented. In engineering you deal with cause and effect and you are trying to achieve a certain result and that is very much what you do in business.

**Iceland has a population of some 320,000. What are the pros and cons of being a small country in an increasingly globalized world?**

There are benefits to being a small country in that you can be nimble - sometimes too nimble, which is partly what led to the banking crisis. And it's easier to link up with other companies and other countries. We have over capacity in many sectors. For example, we have far too many retail outlets to serve the local market. So to be more profitable you have to look at foreign markets. This is what both the fishing companies and the most advanced industrial companies are doing and in many cases Iceland is just a small

➤ TO BE A GOOD LEADER YOU NEED TO KNOW WHERE YOU'RE GOING. THEN YOU NEED TO FIND GOOD PEOPLE AND MAKE SURE THEY HAVE THE TOOLS THEY NEED. IF ALL THAT IS IN PLACE YOU SHOULD LEAVE THEM ALONE TO GET ON WITH THE JOB

fraction of their business, although they still have their headquarters here.

**Iceland was badly hit by the crisis and yet the nation has responded with what many see as admirable defiance.**

What happened here was the banking system had grown completely out of proportion. There was no way the country could take over the banking debt so at the end of 2008, when everything was crashing around us, we had to take some special measures. The authorities have handled the situation reasonably well. We had some emergency loans from the IMF and neighboring countries to help us get through the storm and the clean up act has gone quite well. Iceland didn't default, the banks defaulted. What the country refused to do was to take responsibility for all the banks' debts. The government said it would cover some but not all of it because otherwise both the government and our currency, the krone, would have to default. Many people who put money into Icelandic banks with the hope of high return lost out.

**Given the current situation, is it a good thing that Iceland is not in the euro?**

Yes. After the crash it's helped us that we have been outside the euro and, although it has meant a drop in living standards, unemployment hasn't risen like in some European countries. This has been achieved through devaluation of the Icelandic krone which means, in terms of foreign currencies, salaries have gone down. It would be beneficial to have a stronger currency because it's difficult to have such a small fluctuating currency when you only have a population of 30,000 people. To get the euro we would have to join the European Union and the Icelandic government does actually have an application pending to join but no one believes this is real, partly because only one of the two coalition parties supports the idea.

**What would Iceland gain from joining the EU?**

I think it's very clear what we would get out of it. We would be getting the stability of a stronger currency, but

this would be damaging to the fishing industry which is still backbone of the Icelandic economy. I don't think it's in our interests to join, especially not now with all the problems that the European Union has. A majority of people would like Iceland to have the euro but equally a majority is opposed to joining the EU. We'd like to join the euro but the price would be too high. So what people are looking at is the possibility of adopting a different currency such as the U.S. or Canadian dollar or the Norwegian krone.

**What have been the milestones in your career?**

The biggest change was when I was working in Iceland and wondering whether to go further into marketing. My wife saw an article about IESE which looked very interesting so I decided to apply. I also got accepted by Insead and IMD but decided to go to IESE. After the MBA I was hired by Philips in Belgium where I worked for three years and then a further four with Philips in the States.

**And then only last year you returned to do an AMP. Why was that?**

I graduated in 1997 and I hadn't done any significant courses since then. I needed some kind of refresher. IESE gives you a broader outlook and helps you to understand a wide range of industries. That makes it easier to make the sort of transition I've made. It's like taking on a big case study – although with a lot more exhibits.

**What are the most important qualities that contribute to good leadership?**

You need to know where things are going and where they should be going. You can call it mission, vision, strategy – all those fancy names – but basically you need to know where you're going. Then you have to make sure you have the right people and that they make a good team and they have the right tools. And finally you need to let them get on with the job. If all the other things are in place, you shouldn't be micro-managing them and disturbing them in their work.



COMPLEXITY ACCELERATING  
 DECENTRALIZATION • CONVERGENCE OF STANDARDS  
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 POLITICAL INSTABILITY • EUROZONE  
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**SUSTAINABLE ENERGY**  
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 SARBOX • US RECOVERY  
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 CURRENCY VOLATILITY  
**INDIA • CSF**  
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**GROWTH**  
 REPUTATIONAL RISK  
**SKILLS**



cutting through complexity

TWO NEW ACADEMIC CHAIRS

# DRIVING BUSINESS RESEARCH AND INNOVATION

Philip Moscoso, holder of the Eurest/Compass Group Chair of Excellence in Services and Pascual Berrone, who occupies the Schneider Electric Chair of Sustainability and Business Strategy, discuss the research they will be undertaking.

**A**t a time when the international economic situation is leading to a paralysis of initiatives and the closing down of companies or parts of them, and when many companies are freezing their educational budgets and forgetting that in times of recession education is all the more necessary, IESE is swimming against the tide. Once again it is putting its money on advancing and encouraging innovation and research in areas of interest for companies, society and the school itself. Two new academic chairs have been established in 2013: the Eurest/Compass Group Chair of Excellence in Services and the Schneider Electric Chair of Sustainability and Business Strategy, in addition to the 16 the school already has.

**TWO LONG-TERM PROJECTS**

- The chairs are funded by the companies that they are named after. It is a financial fund that will allow for the development research over the long-term, bearing

in mind that some types of knowledge are only acquired through continuity and over time. The aim of the Eurest/Compass Group Chair is, in the words of its holder, “to develop knowledge about how organizations can achieve service excellence, why they should target this, and how they can be innovative in this respect.” For his part, the focus of the chair held by Prof. **Pascual Berrone**, will be on “developing sustainable strategies for business that guarantee economic growth and social progress.”

**EVERYONE STANDS TO GAIN FROM THIS RESEARCH**

- A wide range of activities will be carried out, from applied research, research seminars with international experts, publications, congresses, debating forums between academics and business people, postgraduate courses, symposiums, books and bibliographies. All of this knowledge will be made available to the sponsoring companies, alumni and, to a large extent, to the entire academic and business community.

## INTERVIEW: PHILIP MOSCOSO

● The intense competition that businesses face and ● ever more demanding clients make service excellence a crucial source of competitive advantage. **Philip Moscoso** is professor of operations and holder of the Chair of Excellence in Services which aims to help executives understand how to develop models of service excellence for profitable growth.

**Most companies believe that it is necessary to offer excellent services. What are the main challenges they face?**

On the one hand, companies face design challenges and, on the other, difficulties in implementing their service models. In terms of design, companies typically try to improve a bit every aspect of the service they offer in order to charge a bit more for it. But the game isn't like that. What companies need to do is to understand how the service model is going to generate value for the company and its clients, and then adjust it accordingly.

Implementing a service model is also an important challenge. Excellence in services relies a great deal on people and, therefore, requires developing the corresponding company culture. Furthermore, rewards will take time to manifest and the executives need to develop a long term vision therefore.

**In your research you highlight the importance of adopting an integrated focus for establishing a services model. Can you develop this?**

We need to understand service as an experience through which a company's employees meet clients' needs and create value for them. It is important to think of service from strategy to execution. A successful service model must therefore touch upon all of the dimensions that form part of that experience: defining the target market and designing a value proposition based on that definition; creating an operational strategy that will allow you to sell this value proposition to the target market at a profit; and, finally, to put in place a delivery system that meets the needs of the proposed service. It is important that the service model is not only aligned with the target client. Employees and suppliers also need to be part of the value proposition and fit properly into the service model.

**Is there a perfect formula for a successful service model?**

No, but we can develop ever more personalized services



“MOBILE DEVICES WILL BE ESPECIALLY SIGNIFICANT IN THE DEVELOPMENT OF NEW SERVICES STRATEGIES”

thanks to the growing sophistication of information systems, while leveraging at the same time economies of scale through globalization. Technology also influences the context in which interactions take place. It's clear that in the future we will operate more with multi-channel formats, where companies and clients interact through different channels, both real and virtual. Mobile devices will be especially significant in the development of new service strategies. Finally, innovative service models will evolve as do the profit pools in an industry, and vice versa.



## EUREST/COMPASS GROUP CHAIR

The Chair was presented on the Madrid campus in January. During the presentation Prof **Philip Moscoso** discussed some of the areas of interest that he planned to focus on: the co-creation and collaboration between companies and clients, the development of concepts and tools for new service models, leveraging best the human and organizational factor, as well as new technologies. The presentation of the chair enjoyed the collaboration of **Andrew Martin**, Group COO for Europe and Japan of the Compass Group, and **Alfredo Ruiz-Plaza**, managing director of Compass Group Spain & Portugal.



Alfredo Ruiz-Plaza, Prof. Jordi Canals and Andrew Martin



# PEOPLE

## INTERVIEW: PASCUAL BERRONE

● “Companies have to be able to meet current demand without sacrificing or compromising the ability or the means of future generations to meet their own needs. And they even have to improve the tools that they have at their disposal,” said the holder of the new Schneider Electric Chair of Sustainability and Business Strategy, **Pascual Berrone**, professor of strategic management. Throughout his academic career, **Berrone** has initiated and contributed to the sphere of sustainable management. The central theme of his work is to understand the impact of sustainable strategies and the conditions that are necessary to guarantee their effectiveness.

### What is the aim of this new chair?

What we want to do is to generate deep and rigorous academic knowledge that will allow companies to make the most of these opportunities and in particular highlight not only the financial benefits but also the improvement in the quality of life of all citizens. To achieve this we are going to bring together theories and practices of sustainability in the sphere of business with the aim of creating value in the long term and, as a result, raising consciousness about topics such as sustainability in private and public life and in the academic sphere.

**Knowledge, technology and economic interests have fed off each other, creating a way of understanding the world that is governed by market interests. What strategies do companies need to employ to change this situation?**

We want to use this chair to develop frameworks and tools that facilitate strategic decisions and speed up the change towards sustainable development with the idea of promoting Corporate Social Responsibility and sustainable practices at the heart of business. Our research is going to be focused on these fields: how companies see innovation in terms of competitive advantage; how to identify business opportunities in the process of resolving social problems; assessing the impact of sustainable initiatives on the operation of the company; studying the processes through which we can resolve the challenges of global sustainability in urban areas (especially water conservation, energy management and sustainable mobility); identifying organizational structures and governance mechanisms that facilitate innovation and sustainable strategies, in order to measure the risks and benefits of the different sustainable initiatives in global markets and in society as a whole.

All of this is understood in the context that Corporate Social Responsibility and sustainable development must be at the center of business practice and not just something complementary or there as mere window dressing.



### Why is sustainability important?

Sustainability is an important topic for companies because during recent decades society in general has realized that it is suffering from a series of problems such as climate change, water shortages, poverty, inequality, illiteracy and pollution. The coming together of these elements has changed the circumstances in which companies compete. Faced with this change, companies, all of which have their existing models, strategies, methods and processes, need to review them and look for a way of converting these challenges into opportunities.

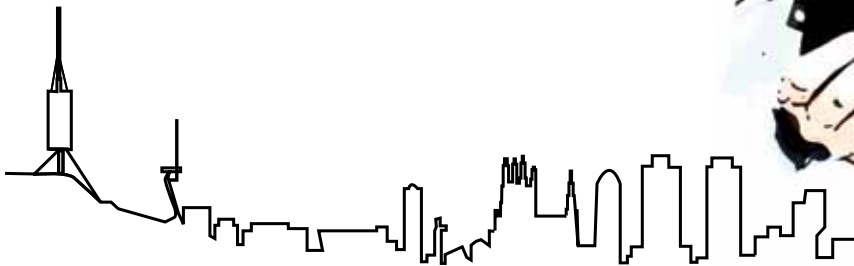


## SCHNEIDER ELECTRIC CHAIR

Prof. **Berrone** will present the Schneider Electric Chair of Sustainability and Business Strategy on April 4 at IESE's Barcelona campus.

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**#3** BUSINESS SCHOOL IN EUROPE FOR MBA  
*Financial Times* January 2013

**#7** BUSINESS SCHOOL IN THE WORLD FOR MBA  
*Financial Times* January 2013

LUIS I. COLLANTES (MBA '06)

# ALBYN MEDICAL

## A new FINAVES Healthcare Initiative

In 2002 **Luis I. Collantes** (EMBA '06) and **Hubert Thomassen** (MBA '99) presented their business plan for Albyn Medical, a company specializing in the production and supply of systems and equipment for urology, gynecology and gastroenterology. At the time, Both were working for Grupo Palex Medical, owner of Albyn Medical, and the board due to internal strategic considerations decided not to carry on investing in the company. **Collantes** and **Thomassen** thus decided to acquire the company on their own, establishing the Smart Medical Group as an acquisition vehicle for the company. Since its foundation in 2003, the company has achieved numerous accomplishments but has also faced challenges, including a failed first attempt to expand internationally, and financial problems, which have served as a learning experience and strengthened the project. In 2009 they decided it would be more efficient to merge the three companies then operating in Spain – the parent company Smart Medical Group, the sales arm Smart Medical and Albyn Spain – under one roof, Albyn Medical. “We’ve managed to turn the company around in only three years,” says **Collantes**. “And today, Albyn Medical is an innovative company in the healthcare sector with a prominent international profile.”

**Collantes** admits that it was difficult to establish financial stability while continuing to internationalize. “When we decided to buy the company we initially encountered difficulties raising financing for the operation, until we decided to present our project to FINAVES. After that everything happened very quickly. FINAVES offered us financial, and later, strategic support as a partner in the company.” Albyn Medical had



Luis I. Collantes

its headquarters in Barcelona. The business plan was integrally achieved within the first year but the decision to start operations the following year in France proved hasty. “We were obliged to retreat after a series of strategic mistakes,” says **Collantes**.

Meanwhile the Navarra Development Society (Sodena, the main investment arm of the Navarra government), which is also a partner of FINAVES, offered Albyn Medical financial and logistical backing. “In May 2006 Sodena decided to join the company – it currently has 42.6% of Albyn Medical and is our main shareholder – and we moved the headquarters to Pamplona which was the only condition that they requested.” There Albyn Medical has its main distribution center where it carries out its R&D program.

The results have been spectacular. The company is generating profits

with double-digit growth, and over 70% of its turnover is derived from international sales. The UK alone represents 40% of revenues, while the company is tripling its results in Germany, opening new markets in Mexico and Chile and will soon be starting operations in China, Korea and Russia. **Collantes** underlines the importance of the values he acquired at IESE, “such as ethics. Being ethical is not only good in itself, but in the long-term it is beneficial for the business. A lack of ethics can lead to terrible errors.” He also highlighted the “opportunity IESE gave me to build strong friendships. This is important because networking helps you meet a lot of people, but the best help comes from good friends. And at IESE you make very good friends.”

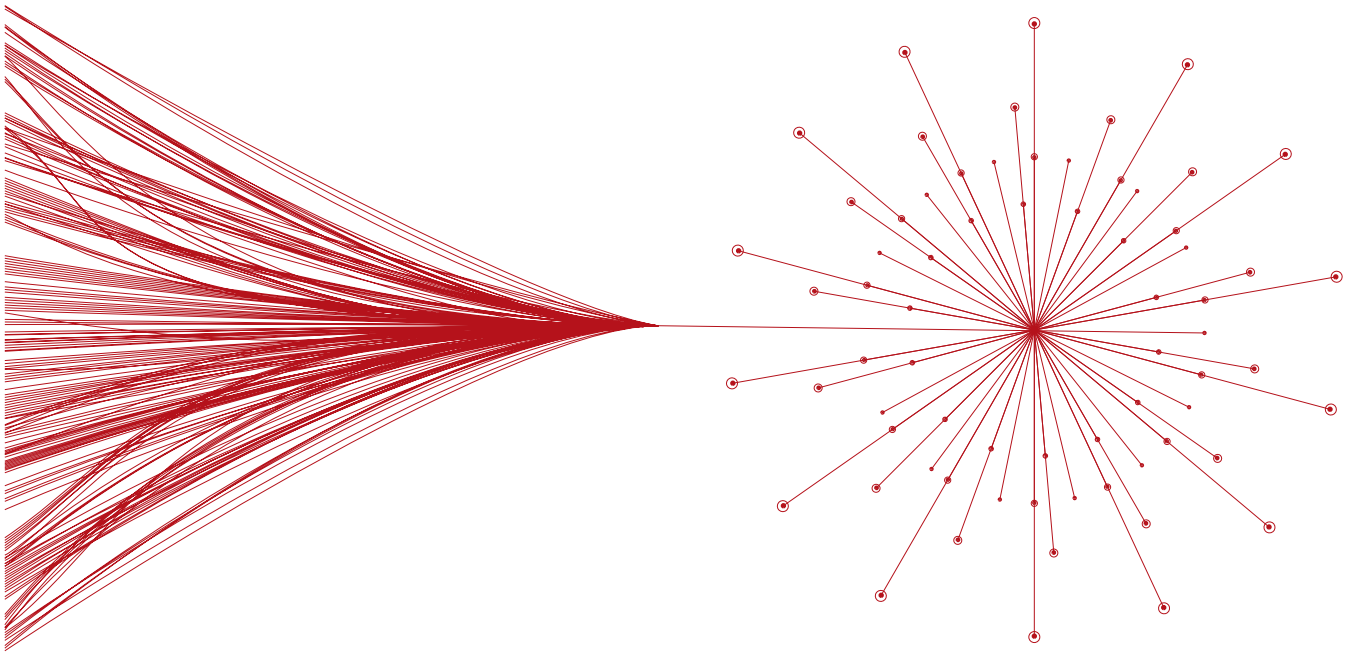
“Being ethical is not only good in itself, but in the long-term it is beneficial for the business”

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**MORE INFORMATION:**  
[www.albynmedical.com](http://www.albynmedical.com)



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MIGUEL LÓPEZ-REMIRO (EMBA '12), DIRECTOR OF THE UNIVERSITY OF NAVARRA MUSEUM

# CONNECTING ART AND ENTREPRENEURSHIP

The director of the University of Navarra Museum talks about his plans for the new museum and the close relationship between the apparently irreconcilable worlds of arts and business.

● Miguel López-Remiro, who has a degree in economics, also has a doctorate in aesthetics and art theory from the University of Navarra and EMBA '12. He is editor of the books on Mark Rothko with Yale University. He was appointed director of the University of Navarra Museum in 2010 after working at the Guggenheim in Bilbao, as assistant director. The project is set to revolutionize Pamplona's artistic and cultural life when it opens in the autumn of 2014. Another step in the internationalization of the university with a clear focus on making an impact on the world of culture.

While awaiting completion of the emblematic building designed by Rafael Moneo, López-Remiro advances with the definition of the museum and comments that it "has two unusual attributes. On the one hand, it has unusual governance structure: it is composed of 50 founding partners who provide capital for the construction of the building and its future sustainability, but who will also participate in the strategic management of the museum. The second distinctive feature is its "museum university" character. Not only because it is inside a campus surrounded by 10,000, but also because the museum will "generate knowledge focused on art in an interdisciplinary

way: a cultural institution that has artistic objects that will reflect art and put it in dialogue with other knowledge in a university context."

In this way the art serves as a crossroads for many disciplines.

He already imagines what the museum will be like: "the objective will be a cohesive center, like an artistic platform that promotes the role of art in university life, and that has impact on society. "We will be able to see a Rothko exhibition and invite an economics professor to the gallery to talk about the crash of 1929 in New York and how Rothko was living then, or invite a neuroscientist to talk about color in his work. We want a living museum.

## BETWEEN TWO WORLDS

● López-Remiro comfortably straddles two counterposed

worlds. He is an art lover and also an economist and manager of culture, so he understands the need to apply business criteria to move in the art world. "The world of cultural management needs efficient management with sustainable criteria with the aim of providing a service that has value for the end client, who is the spectator or the user. Moreover, he

argues that companies can learn a lot from the capacity for innovation that artists have. "I believe in the transformational capacity of art. Attention to art can build critical judgement,

empathy, help foster creativity and also, of course, entrepreneurship". He adds that an entrepreneur is "someone who has a special capacity to envision things, imagine and propose ideas, which an artist does constantly."

**"Art fosters critical judgement, empathy, creativity, and, of course, entrepreneurship"**



Miguel López-Remiro

# ART WITHIN THE CAMPUS. MUSEUM UNIVERSITY OF NAVARRA

[www.museumuniversityofnavarra.com](http://www.museumuniversityofnavarra.com)





“VOLTIUM, INC.” RECEIVES 2012 CASE WRITING COMPETITION PRIZE

# IESE Case Earns EFMD Award

The case “Voltium, Inc.,” written by IESE professors **José Ramón Pin, Guido Stein** and **Juan Carlos Vázquez-Dodero**, in collaboration with **Eloy del Potro**, has been recognized by the European Foundation for Management Development (EFMD) as the best publication in the 2012 Case Writing Competition in the category of “Responsible Leadership.” The winners were announced on February 21.

The case analyzes the influence of circumstantial and cultural factors in making certain types of business decisions. It is based on a real experience of a participant in IESE’s Executive MBA program who consulted his “Making Prudent Decisions” professor about the situation described in the case. After that consultation, professors **Pin, Stein** and **Vázquez-Dodero**, in collaboration with Prof. **Joan Fontrodona**, decided they should turn the story – highly instructive from a management point of view – into an IESE case.

According to Prof. **Vázquez-Dodero**, the most difficult aspect of writing the case was “reflecting on the African continent’s situation, which can only really be described by someone who has experienced it first-hand.”

In addition to questions of discretion, he said, perhaps the greatest challenge was to help the reader understand a scenario so fundamentally different from our own, in terms of values,



The professors José Ramón Pin, Guido Stein and Juan Carlos Vázquez-Dodero

points of reference and social organization - an environment in which global executives must nonetheless increasingly learn to move.

For Prof. **Pin**, “the knowledge accumulated by IESE over many years of studying business cases focused on ethics was fundamental in writing the case.” The story also has the freshness of the real experience of a student, “who knew how to see that a business venture is an educational path, if one has adequate moral cognizance and the courage to apply it.”

Prof. **Stein** stressed that the case “provides important insights on personal risks that are sometimes assumed without proper analysis,” when confronting financial, commercial, operative and even ethical challenges in business.

## THE WORK OF THE ENTIRE FACULTY

The three professors agreed that the EFMD prize underscores the efforts of IESE’s entire faculty to review a series of principles that place people and their real needs and dignity at the center of business activity. As Prof. **Vázquez-Dodero** explained, “it is not easy to renew concepts, many of which have been around for 2,500 years. The disorientation we have fallen into requires us to revive some essential fundamental conceptions of the human person, society and work.” Winners in the different categories of the prize now aspire to be awarded the “Best of the Best” prize, which will be announced at the end of April and will be presented at the 2013 EFMD Annual Conference, June 9-11 in Brussels.

J. KIRKPATRICK, CEO OF AEGON

## Lead Through Authenticity

Adapt, take risks and learn. These were the main ideas anchoring a talk given by Aegon’s general manager in Spain, Jaime Kirkpatrick, on March 1 on IESE’s Madrid campus.

During his presentation, which was part of IESE’s Global Leadership Series, Kirkpatrick encouraged participants in the Executive MBA to flee from conformity, to be courageous in facing risks and professional challenges and to confront leadership tasks with humility and credibility. “The inability to know how to overcome each stage of life amounts to a kind of intellectual death,” he said.

As an executive, he had to learn how to manage talent. “It’s basic to develop the human facet, be closer to the people around you, nurture interpersonal capacities,” he said. He also noted two keys for carrying out this task successfully: sincerity and clarity.

“You have to lead through authenticity. You should communicate continuously and always tell the truth, no matter how difficult it is.”



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\* Awarded by the University of Navarra



PEOPLE

ZHANG RUIMIN, HAIER CEO

## Keeping Up with the Times

“In its organizational structure, Haier has moved from the pyramid to an inverted triangle. The top managers are at the bottom of the triangle,” **Zhang Ruimin**, CEO of Haier Group, told a Continuous Education program session in Barcelona, moderated by Prof. **Carlos Sánchez-Runde**.

Dean **Jordi Canals** said that in 1984 **Zhang** had taken a small company and turned it into the world’s biggest supplier of domestic electrical appliances in the world.

“Companies must adapt to their times,” **Zhang** said. “The vitality of the organization is crucial and complacency is the enemy.” The company developed the idea of self-management where each employee is a self-managed unit and where remuneration is linked to performance. “Managers at Haier, instead of giving orders, provide support so that employees have what they need to do their jobs,” **Zhang** said.



CEO OF ING DIRECT

## Carina Szpilka: “The Client Has to Be Central”

**Carina Szpilka**, CEO of ING Direct, provided participants in IESE’s Executive MBA Program in Madrid with insights on leadership and the latest shifts in consumer behavior during a special session as part of the program’s Global Leadership Series.

She said that the current economic crisis has sparked important changes in the world and also in customers. “We live in an ‘experience’ economy, in which the client has to be central, things have to go well the first time and you need a team that is highly committed,” she said.



PROF. MIREIA GINÉ WINS BRATTLE GROUP PRIZE

## Praise for Paper on Corporate Governance

IESE Prof. Mireia Giné has been named as a recipient of the Brattle Group Prize 2012 for Corporate Finance, in the category of Distinguished Paper. Giné was awarded the prize for the paper, “The Vote Is Cast: The Effect of Corporate Governance on Shareholder Value,” which was co-authored with Vicente Cuñat, professor at the London School of Economics and María Guadalupe, professor at INSEAD. The prizes are funded through a grant from The

Brattle Group. They are presented at the American Finance Association’s Annual Meeting in San Diego, California, which was held in January. Winners of the prize are judged to be exceptional by the associate editors of *The Journal of Finance*. The AFA is an academic organization devoted to the study and promotion of knowledge about financial economics.

MORE INFORMATION:  
[www.iesep.com](http://www.iesep.com)



EMMANUEL SABONNADIÈRE, CEO DE GENERAL CABLE E&M

## High Wire Act

“The challenge is not to get to the summit, but to get down safe and sound,” said **Emmanuel Sabonnadière**, CEO and President of General Cable Europe and Mediterranean, explaining the key to being a good director. He added that the job goes



“beyond management, to transformation of a company,” and that a director must have “heart, courage and intelligence”. Sabonnadière took part in the EMBA Global Leadership Series on February 8 on IESE’s Barcelona campus, where he explained that his company sees Europe as a key market, despite the cost of different tax regimes.



SILVER MEDAL CEREMONY AT THE UNIVERSITY OF NAVARRA

## “Professionals With a Clear Sense of a Sprit of Service”

“IESE is what it is thanks to the people who are here, who were here and who will come here,” said Prof. **Eric Weber**, one of the recipients of the Silver Medal of the University of Navarra. The medals were presented in December in Barcelona. In a moving ceremony, presided over by the rector of the University of Navarra, **Alfonso Sánchez-Tabernero**, recipients took the stage to receive this special medal which recognizes 25 years of dedication to IESE. The school is “a house

where there are always new people,” which helps you stay young and where you feel very appreciated, **Weber** said. IESE’s Dean **Jordi Canals**, who also received an award, expressed similar thoughts: “Every good thing that in life has happened because there are many people around us who have helped us. What gives us cohesion is this sense that we have to try to change the world through business management, developing great professionals who have a clear sense of spirit of service.”

JOSÉ FOLGADO TAKES THE STAGE AT GLOBAL LEADERSHIP SERIES

## “Energy is the Key Factor in Economic Growth”

“What is really important in life is to be well-equipped with principles and values,” said **José Folgado**, president of Red Eléctrica Española (REE), during a recent presentation that formed part of the Global Leadership Series held on IESE’s campus in Madrid.

**Folgado** encouraged Executive MBA participants to “tackle risks with enthusiasm and responsibility. It is critical to set objectives and not despair if not all of them are achieved.

Happiness or unhappiness is cultivated inside each of us. If your values and principles are clear, things will likely go well. But you must always act with humility, the foundation of decision making and leadership.”

**Folgado** said he chose to study economics following a question that he has intrigued him all of his life: What leads to development in cities? “I wanted to know how to maximize well-being in a society, what affects people,” he said. “I was very interested in explaining how government and markets share tasks, and what roles the two entities played. The market, if it acts alone, disrupts society. That’s why politics is an art”.



A CHANGING WORLD CALLS FOR A NEW APPROACH TO MANAGEMENT

# Developing Global Leaders



● Globalization is changing the corporate context, which has given rise to new and complex challenges for business leaders. In *Leadership Development in a Global World: The Role of Companies and Business Schools*, IESE Dean **Jordi Canals**, who edited the book, along with deans and professors from other top business schools around the world, outlines ways to bring leadership development up to speed with the demands of this new era.

### NO LONGER BUSINESS AS USUAL

● If the 20th century was “the American Century,” then the 21st will be “the Global Century,” marked by the increasing influence of high-growth economies such as China, India and Brazil, says **Nitin Nohria**, dean of Harvard Business School.

These new growth markets urgently need to develop local talent with a global mindset, and develop leaders who are capable of managing across cultures and complex and uncertain environments, adds **Canals**.

How can we understand the greater scope of a global leader’s responsibilities and the competencies required to carry these responsibilities out successfully?

According to IESE Prof. **Pankaj Ghemawat**, it is first necessary to



Prof. Jordi Canals

grasp the real state of the world today: It is semi-globalized, neither borderless nor encumbered by national frontiers. As such, an effective business leader must understand both global forces and local contexts.

While a leader’s role is to provide meaning for the people working in a firm and to shape the direction of an organization, doing so in a global context brings an added twist.

A global leader should have the capacity to seize different kinds of opportunities and understand the global forces creating them, says **Nohria**, who highlights efficiency, local responsiveness and innovation as the keys to value creation.

### ONE STEP BEYOND

● To develop managers to work in an international context, it

is vital to ensure that the learning process involves immersion in such environments, says IESE’s **Pedro Nueno**.

Former INSEAD Dean **Dipak Jain**, writing with **Matt Golosinski**, believes business schools need to surpass conventional expectations in order to shape the next generation of global leaders.

Instead of traditional Western concepts of curriculum and success, they underscore the importance of entrepreneurialism and new value models that reflect a desire to make a wise social impact.

### MAKING HEADWAY

● Certain business schools are already implementing new programs that teach effective leadership in this complex, multi-societal world.

IESE incorporates the CAGE (Cultural, Administrative, Geographic and Economic) framework, along with globalization-related coursework such as GLOBE, into the core curriculum of its MBA and leadership development programs. Harvard’s Field Immersion Experience

for Leadership Development aims to develop the global leadership capacity of MBA students by giving them a firsthand experience of working on a field project in emerging markets.

As **Narayana Murthy**, founder and chairman of Infosys, notes, “Leadership development is critical to any corporation’s success.”

This book is a start in bridging the gap between the current state of leadership and the future demands of the globalized business context.

“Leadership development is critical to any corporation’s success”

CHARTING A NEW COURSE FOR MANAGEMENT

# The Human Touch That Will Revive the Firm

**JOAN E. RICART  
& JOSEP M.  
ROSANAS**



**Towards a  
New Theory  
of the Firm**

FUNDACIÓN BBVA,  
2012



Adopting human and social values as explicit criteria is the only way for the firm to regain credibility after the excesses that led us into the present crisis.

● Five years into the crisis, with the fall of corporate empires and a burst property bubble that has led to thousands of home foreclosures, we are still without an adequate map that will guide us out of the mess.

What is the role of the firm in society and how can we chart a new course that will prevent the management profession from ever again sinking to such depths?

In the book they have edited, *Towards a New Theory of the Firm: Humanizing the Firm and the Management Profession*, IESE professors **Joan E. Ricart** and **Josep M. Rosanas** attempt to answer these urgent questions with contributions from authors from top business schools around the world.

**Donald Hambrick** (Penn State University) and **Adam J. Wowak** (Notre Dame) point to the economic



Prof. Joan E. Ricart



Prof. Josep M. Rosanas

theories and trends that have come to dominate modern management practice over the past 30 years. Long before the crash, they argue, an entire corporate culture and society had started down a slippery slope in the 1980s though its adherence to agency theory.

The cult of the free market and the maximization of share value led to a situation where “we sought foxes as our CEOs and then set them loose in the henhouse,” the authors claim.

But it wasn’t just the CEO but whole companies that were reduced to a mere balance sheet operation, say IESE’s **Rafael Andreu** and **Rosanas**. Within such a culture, employees were reduced to self-interested inputs into the corporate machine.

However, the seeds of change are being planted and in some cases are already bearing fruit, says **Rosabeth Moss Kanter** (Harvard Business School). She points to well-performing companies that have stepped outside the short-term, profit-maximizing paradigm and placed people and

society at their core and that apply employee empowerment, emotional engagement and other related humanistic management methods. “These firms have created a framework for guiding decisions that make it legitimate to use social value or human values as explicit criteria,” she says.

**Andreu** and **Rosanas** renew the definition of good management, asserting that it is built on the concept of the human being as a whole person, with the organization designed to satisfy the extrinsic, intrinsic and transcendent motives of its members.

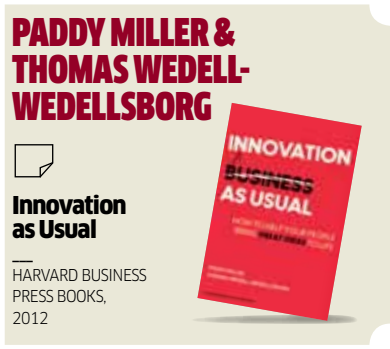
IESE’s **Antonio Argandoña** takes this a step farther, making the case for corporate social responsibility (CSR) becoming a managerial rather than organizational responsibility.

IESE Dean **Jordi Canals** says “the design of a more humanistic view of management is the determination to end the divide between the values we think are right and useful in our private lives as citizens, and the values that we may bring to the business world.”



INNOVATION ARCHITECTS

# Making the Unusual an Everyday Thing



Rather than treat innovation as an occasional and exotic off-site activity, companies need to teach their managers to become innovation architects

Organizations tend to approach innovation as if it were a sideline activity. Every so often employees are sent to what the authors call “Brainstorm Island”: an off-site location replete with trendy lectures, creative workshops and overenthusiastic facilitators. But once they return, it’s back to business as usual. IESE professor **Paddy Miller** and **Thomas Wedell-Wedellsborg** suggest that a better approach would be for managers to become what they call “innovation architects,” creating an ecosystem in which people engage in innovation as part of their daily work.

The book is aimed at managers rather than CEOs and the authors say the question is how to drive innovation right across the business. To do this, managers need to learn a new subset of competencies. One of the skills leaders need is to be an innova-



Prof. Paddy Miller

tion architect. People have good ideas but they have to feel their ideas are going to be welcomed by management. Often the message people get from the organization is that they’re paid to do a job, not to think. The challenge is to permeate the organization with a culture of innovation and to ask: how can we do this job better, faster, safer?

Instead of brainstorming sessions, leaders should encourage what the authors call the “5 + 1 keystone behaviors” of innovation: focus, connect, tweak, select and stealthstorm. The + 1 is: persist.

Many people think of the typical innovator as someone who fights the system; idealistic young firebrands

who abhor the very idea of playing politics. But companies are inherently political and this is where the concept of stealthstorming comes in. Stealthstormers don’t dismiss politics as being below them; they proactively deal with them from the start. Successful stealthstormers follow some simple, if counter-intuitive, rules when they make innovation happen. They embrace organizational politics; they seek mandates from the middle; they are skeptical of the spectacular; and sometimes, they avoid any mention of the word innovation.

Stealthstormers don’t use flamboyant techniques or methods that require special tools: they rely instead on small tweaks to procedure that can make a big difference. The authors cite Procter&Gamble, which implemented a simple rule in meetings: when discussing an issue, the most senior manager speaks last. This minimally disruptive idea made meetings much more innovative by

**People see the typical innovator as a firebrand who hates to play politics**

making sure that junior people with novel ideas were also heard.

As the authors point out, if you decide to foster a creative culture in your workplace, you must first take

the time to explore a key question: Why isn’t it happening already? What is stopping our people from being more creative? The answer, they say, lies not in seven-step programs but in training managers to become innovation architects.

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# Complex Questions

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## Understanding Organizations in Complex, Emergent and Uncertain Environments

Marta Elvira et al  
PALGRAVE MACMILLAN, 2012



• In Latin America, multinationals face growing populism and nationalization of resources. Against this backdrop, they must learn how to harness innovation to remain competitive, despite limited resources, while simultaneously retaining motivated workers who are increasingly moving toward knowledge- and project-based work.

In the book *Understanding Organizations in Complex, Emergent and Uncertain Environments*, IESE's **Marta M. Elvira**, together with coeditors **Anabella Davila**, **Jacobo Ramirez**

and **Laura Zapata-Cantu**, present new research from authors around the world to illustrate how some companies are surviving and even thriving in this new reality.

They also illustrate how the future workforce will need to become highly specialized and creative to meet the requirements of increasingly project-based organizations, resulting in a plethora of managerial and social challenges.

The task for management and society is to harness the potential that a highly flexible workforce offers for productivity. In this context, companies must address the increased workloads, greater stress and job insecurity that such developments bring.

The emergent landscape for corporations, boards, shareholders and other stakeholders raises numerous other questions: Can shareholder activism rectify the perceived failure of boards to adequately reflect their in-



Prof. Marta Elvira

terests? Will boards recover their lost confidence in the wake of the global financial crisis?

To ensure better governance outcomes, all players must work together, with the board taking the lead mediating role.

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# Better Than a Big Stick

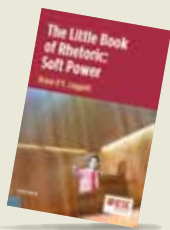
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## BRIAN O'C. LEGGETT



## The Little Book of Rhetoric: Soft Power

EUNSA, 2012



• *The Little Book of Rhetoric* is designed for all those people, whether in business or any of the professions, or indeed in the normal social milieu, who are either attracted to the theme of speaking in public, or find it essential for their social or business lives. The book covers three types of speeches: the presentation or the

forensic mode (as used in business), the ceremonial type of speech (as on many social occasions) and the deliberate or more political type of speech. In each case the book gives a model for the reader to copy as well as some well-known examples. The book also deals with the interrelated topic of "soft power," the ability to attract and co-opt rather than resort to force or coercion as a means of persuasion. Here its four key dimensions are discussed with clarity: empathy (of which listening is an essential part), vision, rhetoric and non-verbal communication. Most of us have, and have had, some successes but many disappointments in the area of persuasion. The book offers a



Prof. Brian O'C. Leggett

model for soft power which is within the reach of all of us to practice and to become reasonably proficient at.

# MOONVES & DONAHOE

## MEDIA AND RETAIL REVOLUTION

*The Wall Street Journal* Viewpoints Executive Breakfast Series,  
Organized by IESE and BCG

**L**eslie Moonves, CEO of CBS, and John Donahoe, CEO of eBay, were guests on the *Wall Street Journal* Viewpoints Executive Breakfast series. These took place on December 16 and January 30 and were sponsored by IESE and The Boston Consulting Group (BCG).

### LESLIE MOONVES

“The way people are watching television has changed drastically, with streaming and video on demand,” Moonves said. “The decline in ratings doesn’t mean that no one is watching television. It reflects a decline in normal viewing but the other viewers aren’t being counted. We are a

content company and every new form of technology enhances that.”

Moonves said that, while there is much talk about fragmentation, the fact remains that the only way you can reach 20 million people at once is through the networks. He believes that within 10 years the TV and the computer will be one and the same, but thinks there will still be a schedule and collective viewing.

He said that CBS doesn’t look to people like Amazon and Google to provide content but to help with social media. “But the walls are coming down and Google might well buy a Hollywood studio. They’re probably the only people who could afford to do that.”

Moonves added that he believes in local TV and thinks the system of local channels will continue for a long time, although the way channels are

packaged is constantly changing. “In any package we’re a part of it, and in some cases we may be a bigger part of a smaller package,” he said.

Sports is becoming a very competitive field and people have to decide how much money they are prepared to spend to watch it.

He concluded on an upbeat note. “I think everyone was waiting for the election and now I think we’re in for an extraordinary and positive economic time.”

### JOHN DONAHOE

On January 30 it was the turn of John Donahoe, CEO of eBay, to be interviewed. He began by saying that in the next three years we can expect to see more changes in the way people shop and pay than we’ve seen in the past 10 or 20.





Leslie Moonves



John Donahoe

He predicted that the smartphone would have the same transformative effect on consumer behavior that the iPad has had on how we consume media. “The line between retail and e-commerce has disappeared,” **Donahoe** said. “The consumer is in charge. The consumer feels they’re holding a shopping mall in their hand.”

He said that, having been ahead of the field, eBay had to catch up and today it is not just an auction space and offers some 70 percent fixed price items and only 30 percent auctions. He added that there are going to be many winners in the transformation of retail. “It’s not a zero sum game,” he said, adding that eBay tries to be open to disruptive innovators.

Offline retail knows how many people have bought what but they don’t know who those people are because

**“Big data gives the customer a personalized experience based on their retail history”**

**JOHN DONAHOE**

the credit card doesn’t give them that information. Online, however, knows a lot more about its customers. “Big data can be used to give the customer a more personalized experience based on their retail history, but we don’t share this data,” **Donahoe** said.

Continuing with the issue of privacy, he said that “we need to get ahead of the curve in order to have a com-

mon-sense dialogue about privacy so as to avoid reactive legislation.”

He said he hopes that “President Obama is going to get serious about the economy in this second term. And I hope the White House can reach out to business in an effective way so that together we can put pressure on Congress.”

**Donahoe** asserted that eBay’s core practice is to positively affect millions of people’s lives around the world through trade and particularly through cross-border trade. “The founder, Pierre Omidyar, believes that online platforms can contribute to world peace by connecting people,” he said. “Commerce can bring people together. We use local managers so when we have a global management meeting it’s like the United Nations.”



THE LATEST ON IESE'S ALUMNI CHAPTERS

# CHAPTER NEWS

## ZURICH

November 26

● Prof. **Marc Sachon** gave the session “The Tectonic Shifts in the Automotive Industry,” in which he discussed “tectonic movements” that are affecting the automobile industry.

## MIAMI

November 28

● Members of the Southern Atlantic Club met in Miami, where Prof. **Sandra Sieber** talked about the transformation of the “digital society” given that, in contrast to what happened in the past, many

technological innovations are taken up by society before business has had a chance to incorporate them into their working practices.

January 23

● IESE professors **Pedro Videla** and **Javier Estrada** talked to Miami alumni about the current economic and financial situation and future challenges.

## NEW YORK

November 29

● IESE's New York center hosted the session “Internal Entrepreneurship. What does it take? The Challenge Within,” delivered by Prof.

**Julia Prats**. The session examined the internal resources a company has and how to encourage innovation by taking care of talent and giving employees opportunities.

December 5

● In a new Continuous Education Program session Prof. **Mike Rosenberg** discussed the challenges of doing business in an ever more complex world and how to focus strategy and organization to overcome them.

## DUBAI

December 4

● Prof. **Ahmad Rahnema** delivered the session “How Wall Street

and Main Street see ‘Other People’s Money,’” based on a case study written by **Rahnema** that was inspired by the film *Other People’s Money*. He raised questions about finance, management and accounting that are covered in the film. The session was made possible by **Isaam Kazim** (AMP ‘12), **Mahir Abdulkarim Julfar** (AMP ‘12) and the World Trade Club of the Dubai World Trade Center.

## SINGAPORE

December 4

- Singapore alumni held a networking session between MBA students and local companies involved in Singapore Trek.

## MUNICH

December 5

- IESE Prof. **Jaume Ribera** used common errors to illustrate his lecture to alumni “Learning from Failures in Project Management.”

February 7

- In the session “Chinese Multinationals go Abroad: Haier in Japan and Beyond,” Prof. **Yih-teen Lee** used the example of the arrival of Haier in Japan to describe the process of Chinese companies’ international expansion to alumni and guests.

## LISBON

December 6

- The occasional dinner-discussion was titled “Personal Finances” and included a contribution from **Victor Barosa Carvalho**, director of the Banco Privado do Atlântico-Europa.

February 28

- **Francisco Vieira**, president of BP Portugal, was the invited speaker at the session “Os Desafios das Grandes Petrolíferas Mundiais.”



1



2



3

1. Zurich. 2. Munich. 3. Geneva.

The meeting was a dinner-discussion at which Vieira talked about the oil industry and the challenges posed by sustainability, renewable energy, distribution and the relationship with regulatory bodies.

## GENEVA

December 11

- The December Bar of the Month was held in Geneva.

January 31

- Prof. **Antonio Argandoña** looked down the road to recovery in the session “2013: crisis, recession, recovery, growth in the world economy,” analyzing key aspects of the decisive international markets.

February 27

- The February Bar of the Month was held in Geneva.





## LONDON

JANUARY 17

The most recent Entrepreneurs Breakfast Meeting in London brought together **Paul Campbell**, founder of Hill Capital Partners; **Dominic Lake** and **Patrick Clayton-Malone**, founders of Canteen; **Ronnie Truss**, a restless entrepreneur who has been involved in the restaurant scene with ventures such as Fish! and investments such as **Bincho Yakitori**; and **Gabriel** and **José Luis González**, cofounders, along with the celebrated Peruvian chef **Virgilio Martínez**, of the restaurant Lima.

## PARIS

December 11

IESE and Harvard are closely linked, and **Claire Mays**, president of the Harvard Club of France and its committee, invited IESE alumni to the Harvard Holiday Party in December.

February 4

The guest speaker at the Dîner du Premier Lundi in February was **Catherine Lanvers**, founder of The Living Springs, who talked about her experience as a social entrepreneur.

## BRUSSELS

December 12

**Thibaut van Hövell**, CEO of Blue Fount, and **Jean-Marie Delwart**, president of various boards and founder of the Jean-Marie Delwart Founda-

tion, were guest speakers at the Continuous Education Program session “Entrepreneurship, a destiny.” Thanks to **Alberto González de Riancho** (PDD ’94) and Solvay for their help.

## WARSAW

December 12

The Chapter held a pre-Christmas meeting of some 200 people with invited speaker Prof. **Pedro Videla**.

## LIMA

December 13 & 14

A breakfast was held for the visiting professor **Joan Fontrodona**. New members of the Peru Chapter and its president **Hugo Alegre** (MBA ’91) were also presented. The following day **Fontrodona** led the session “Ethics in Day-to-Day Business Decisions” at the PAD Business School.

## HONG KONG

January 10

Many executives say that the world has become less predictable and more complex. In the session “Decision Making in an Uncertain World”, Prof. **Franz Heukamp** reviewed some of the sources of increased (perceived) uncertainty and the related global trends; and asked which decision-making tools and habits can help us to navigate and manage this new world. **Martijn Hoogerwerf** (MBA ’06) and the Regus Group helped organize the session.

January 19

Alumni met in Hong Kong for an informal dinner.

## SINGAPORE

January 14

Prof. **Franz Heukamp** led the session “Decision Making in an Uncertain World” in Singapore.

## OSLO

January 17

Norway alumni met in Oslo for an informal dinner.

## SHANGHAI

January 22

Second-year MBA students used their visit to Shanghai in January to hold the MBA Networking Cocktail.

## TORUN

January 24

The Polish city of Torun hosted a new Continuous Education Program session led by Prof. **Evgeny Kaganer** entitled “Managing the Human Cloud: What Can Crowdsourcing Do For Your Company?”

## MOSCOW

January 29

● Prof. **Evgeny Káganer** led the session “Managing the Human Cloud: What Can Crowdsourcing Do For Your Company?” in Moscow, where alumni enjoyed the experience of visiting Google’s Russian headquarters, where the session was held.

## CAIRO

January 29

● The Spanish embassy in Cairo invited alumni to a dinner at the ambassador’s residence. They were accompanied by Prof. **Alberto Ribera**.

## NAIROBI

February 12

● Strathmore University hosted the session “Self-Leadership For Heightened Productivity” delivered by Prof. **Alberto Ribera**, who talked about the importance of self-leadership in order to disentangle oneself from the quotidian aspects of the business.

## REYKJAVIK

February 14

● Prof. **Eric Weber** went to Iceland to talk to alumni about strategies for controlling costs and maximizing efficiency during the crisis. The session was titled “Strategies for Controlling Costs: A Second Look After Some Additional Years of Crisis”.

## ANDORRA LA VELLA

February 12

● Alumni met in Andorra for the conference “Economic Keys to Understanding 2012 and the Outlook for the Future” led by professors **José Manuel González-Páramo** and **Josep M<sup>a</sup> Rosanas**.

## YOU’RE IN THE NEWS

### ARE YOU IN THE NEWS?

We are interested in all your latest news. Send your comments to revista@iese.edu

### AMP KENYA ’06

**James Mwangi**, CEO of Equity Bank, has been named “Personality of 2012” by Forbes magazine. He receives the honor in recognition of his work for Equity Bank, the biggest bank in east and central Africa, with more than seven million customers in Kenya alone. He also played a key role in ensuring that banking services, including loans, were within the reach of people on low incomes who previously had no access to them.

### IFP ’10

**Manuel Pereyra** has received a grant as Reviewer and Scholar One of the CRJ Journal of the North American Case Research Association.

### MBA ’86



The governing body of the Universidad de La Sabana, in agreement with the board of directors of INALDE Business School,

has appointed **Luis Fernando Jaramillo** as director of the business school.

### PDD-1-07

**Just Piferrer** has been appointed director of operations ParkHelp, a company that looks for technological solutions to problems of urban mobility.

### PMD ’11

The annual meeting of the PMD ’11 class was held in Dubai and was attended by dozens of participants from Europe and Middle East region. The first day was devoted to leisure activities and included a private visit to Burj al Arab. The second consisted of discovery meetings with two companies: Dubai WTC presented by **Hala Kotb**, senior manager of corporate communications, and HSBC MENA, comprising **Derek Lunt**, regional deputy head of commercial banking, **Ammar Shams**, regional head of corporate sustainability, **Francesca McDonagh**, regional head of retail banking and wealth management, **Georges Elhedery**, regional head of global markets and **Alexander MacDonald-Vitale**, regional head of investor relations. The gathering concluded with an academic session led by Prof. **Ahmad Rahnema** followed by a networking cocktail organized in the prestigious Dubai WTC club.

## ENTREPRENEUR

### AMP MEDIA ’12

**Arnaud Collery** has been chosen as resident entrepreneur at 88mph, soon to be the biggest technology incubator in Africa. He will be focused on helping start-ups from the headquarters in Cape Town, South Africa.

### PADE-I-01



**María del Mar Raventós**, president of Codornú, has been awarded the Entrepreneur of the Year Award 2012, organized jointly by Ernst & Young, IESE and BNP Paribas.

# CLOSING CEREMONY EXECUTIVE EDUCATION



**AMP-Brasil-2012** PRESIDENT: Sergio F. Teixeira de Barros • SECRETARY: Orlando Simões de Almeida



**PMD-Brasil-2012** PRESIDENT: Joaquim Paladio Duran • SECRETARY: Mário J. Nevares Cadengue

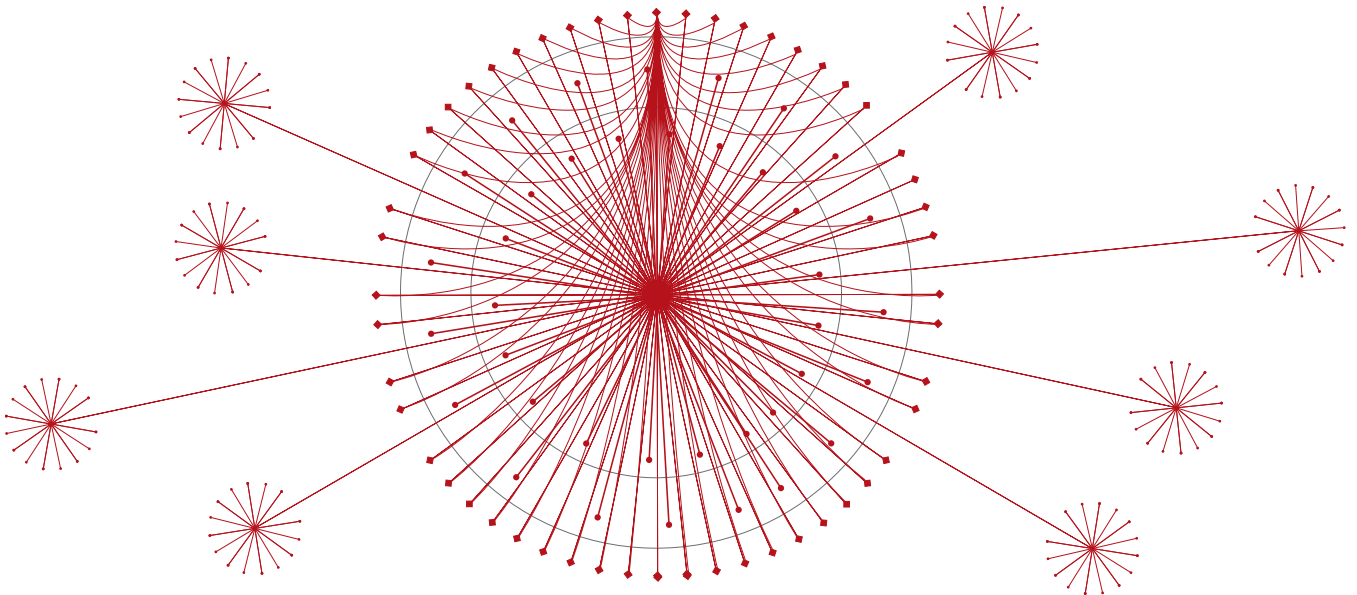


**PMD-SP-Brasil-2012** PRESIDENT: Pedro Mattosinho • SECRETARY: Virginia Ron Lozano



DEVELOPING LEADERS YOU CAN TRUST

# CHALLENGE YOURSELF, INSPIRE OTHERS



**JOIN IESE'S PLD AND  
MOVE FORWARD IN  
YOUR CAREER.**



**IESE's Program for Leadership Development (PLD)** is an interactive learning experience designed to provide a solid foundation in business.

Its unique holistic approach to enhancing business knowledge and leadership capabilities will improve performance and shape you into a well-rounded executive ready to move forward in your career.

You will collaborate with a pool of high-caliber participants and faculty to develop a personalized Executive Challenge and a take-home agenda to ensure continued development.

The PLD consists of three 1-week modules on IESE's Barcelona campus followed by a Short Focused Program in Barcelona or New York City.

EXECUTIVE COMMITTEE ANNUAL MEETING

# MORE EDUCATION, NETWORKING AND ENTREPRENEURSHIP FOR ALUMNI

“ Looking back, it’s especially surprising to see the constant enthusiasm and confidence, along with IESE’s reiterated insistence that we look beyond and take the initiative: to be entrepreneurial, to internationalize ourselves, to seek out new personal opportunities, to work, and to create better companies and therefore a better society,” **Jorge Sendagorta** (PADE ‘90), president of the Alumni Association, writes in the association’s annual report which has been approved by its management committee.

In an event held simultaneously on the Barcelona and Madrid campuses, **Sendagorta** reviewed the past year’s activities in which both the quality and quantity of the Continuous Education Program sessions (more than 300 around the world) has improved, as have the professional careers services offered to alumni. The event brought together class presidents and secretaries from around the world as well as representatives from regional chapters, for the presentation of the association’s 2013 budget.

**FUTURE PROJECTS**

- **Mireia Rius**, director of the alumni division, announced that in the coming year a new platform for career opportunities would be launched for IESE alumni

as well as a special alumni club for B2B, B2C and C2C made up of three separate sections to cover distinct areas in the context of the school’s ethical norms:

**Member Benefits:** a place where alumni can find special offers at more than 300 establishments. They can also suggest new outlets and can offer their products.

**Business Exchange:** members can establish business relationships, offer and find products and professional services such as marketing and financial advice.

**Members Exchange:** a place where members can carry out sales, purchases or rentals of everyday items.

**RECOGNITION OF RESEARCH WORK CARRIED OUT**

- **Jordi Canals**, the dean of IESE, thanked the members of the Association and invited those taking part to continue to act as a link between their classes and IESE, a community of more than 40,000 alumni around the world. The meeting closed, as it does every year, with the presentation of the Research Excellence Awards which were given to professors **Pascual Berrone**, **Domènec Melé** and **Pedro Videla**. These awards, which were established in 2002, are presented in recognition of IESE professors’ research work in three categories: best article, best book and best course.



**2,800**  
PARTICIPANTS AT THE  
GLOBAL ALUMNI REUNION

**2,768**  
PARTICIPANTS IN  
CLASS REUNIONS

**35,758**  
ALUMNI TOOK PART  
IN THE ASSOCIATION'S  
ACTIVITIES

**40,044**  
ALUMNI

**122**  
COUNTRIES REPRESENTED  
BY THE ASSOCIATION

**285**  
ALUMNI SESSIONS

**713**  
PARTICIPANTS IN  
E-CONFERENCES

**196**  
SESSIONS FOR  
ALUMNI IN SPAIN

**89**  
SESSIONS FOR ALUMNI



I joined the Association to support IESE and the Alumni Association's aims and I continue to be a member for the Continuous Education Program sessions and the opportunities that membership gives me to meet other alumni"

**DYE-SUN DE SWAAN (MBA '08)**



The sessions are really extraordinary and broaden your horizons: it's a luxury to be able to attend them"

**ROSER VILARÓ (PDD '10)**



For many of us the Association is a safe haven where we feel protected: a refuge that helps us to remain educated and informed"

**GLORIA PERRIER-CHÂTELAIN (EMBA '93)**



The Association gives you the opportunity to discuss things with experts and has helped me to develop a framework for my professional career and to define clear aims and objectives"

**MAYTE FORJAN (PDD '04)**



## Research excellence awards



### BEST ARTICLE

Professor **Pascual Berrone**, for his article "Corporate Governance and Environmental Performance: Is There Really a Link?" published in the Strategic Management Journal.



### BEST BOOK

Professor **Domènec Melé**, for his book Management Ethics, published by Palgrave MacMillan.



### BEST COURSE

Professor **Pedro Videla**, for the course "INTEC - Applied International Economics" for its consolidation, utility, social impact and generation of genuine course materials.



# Do We Need Economists?



**ALFREDO PASTOR**

Professor of Economics,  
IESE

**T**his question has been asked more frequently in recent years. The same question was almost certainly asked about doctors during the Black Death. The analogy between the economist and the doctor can serve as a starting point in the search for an answer.

How do we judge that a doctor is competent? We expect them to be capable of correctly diagnosing the disease and prescribing the correct treatment. Most doctors know how to do both. On the other hand, if we ask an economist to cure a sick economy we often see that, after six months or even two years, the economy is in just as bad shape or even worse. Naturally we will conclude that economists are worthless and don't know anything. Neither conclusion is correct.

To begin with, it is not difficult for a group of economists to diagnose an economy as sick because there is not a long list of illnesses. Nor would there be great differences between them when it comes to prescribing treatment. Certainly some economists, those of a naturopath persuasion, would say the best thing was to just let the patient rest and let it cure itself, while other more conventional ones would recommend some form of medicine. Some, of the homeopathic persuasion, would dare to recommend more public spending in order to cure the deficit. Others, however, would suggest more extreme measures such as amputation (this school is gaining followers in Spain). But if the economists put the patient's interests first they will arrive at a treatment that perhaps contains an element of each of these, each applied during different phases of the illness.

So how can it be that the patient simply gets sicker? This is the fundamental difference between medical practice and the economist's sad profession. The individual patient usually pays attention to

the doctor's recommendations and submits to the prescribed treatment even if it is unpleasant. They will swallow bitter pills, submit to injections and all form of physical manipulation. On the other hand, those responsible for a sick economy tend only to adopt those of the economist's recommendations that are painless or are in their own personal interests, and call all the other measures into question. While the patient may recognize that their illness is often the result of their bad habits and promises to mend their ways, those responsible for the economy tend to blame everything on the previous government, an international conspiracy, on the bad harvest and in general on everybody except themselves. Moreover, they will do it with such virulence that it is not uncommon for the economist who insists that the medicine they have prescribed is indispensable to end up in jail or exile. The difference between the effectiveness of the doctor and the economist therefore does not reside so much in differences of knowledge, although they exist, as in the disposition of the patient.

Can economic data and arguments be of any use to ordinary people in their daily life? Of course. Economics after all, is a term that derives from home management, and this continues to be a good guide. A family with good habits usually has a solid economy. Bad economic habits in the family context have the same bad consequences when they are extrapolated across the entire country. If the national accounts don't add up the same things happen as when the family budget doesn't (although the disaster may take a long time to emerge). Economists can offer ordinary people two pieces of advice: firstly that they don't let their government do what they wouldn't do at home and secondly that they won't let them make decisions that they don't understand. Isn't this useful advice?



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Extreme Brand  
Management

Global Web Content  
Management

Integrated Multi-Channel  
Publishing

Targeting, Profiling &  
Personalization

Successfully engage with your audiences through multiple websites,  
in multiple languages, across multiple channels, with multiple brands.

## Online Customer Experience Management



One day, RICOH  
imagined  
collaborating with  
the world's best  
business schools.  
It imagined that  
students from these  
schools could access  
to the right  
information, in the  
right place and at  
the right time.  
It imagined an  
excellent service  
for the future  
executives.  
That goal was  
achieved.

**RICOH**  
imagine. change.



One day  
RICOH  
imagined  
change.

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