INSIDE THE BOARDROOM

What role should the board of directors play? What makes a good board member? What relationship should the board have with the CEO?

OUR ALUMNI ANSWER THESE QUESTIONS
EXEMPLARY IMPACT
THE POWER OF EXCELLENCE IN BUSINESS

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OCTOBER 16-18, 2015 MUNICH
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IN BARCELONA WE LOVE TURNING IDEAS INTO REALITIES

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A COMMON PURPOSE

Businesses are communities of individuals, each with his or her own motives and interests, who work together toward a common purpose. This might not be the definition that management books tend to give, but it’s a more accurate one. In order to run a company, we select the best women and men for the job and ask them to perform what has been defined as a “miracle”: combine diverse interests, create a shared culture and develop sustainable competitive advantages. All of this in order to ensure that the business provides a valuable service to its clients and is able not only to survive, but to thrive.

This is the task of top management. But they often need the help of a team of people with very special qualities who can define the company’s mission, monitor and motivate managers, oversee strategy and maintain the culture of the organization. We are talking, of course, about the board of directors, to whom we dedicate the cover story of this issue of the Alumni Magazine. In it we share the expertise and opinions of experienced board members.

The work of IESE is driven by its mission, which is shared by staff, students and alumni. These are the people who participate in our common purpose, which miraculously becomes reality every day. IESE’s mission and purpose are those of the University of Navarra. That is why, in the People section, we interview the president of the university, Prof. Sánchez-Tabernero, on the occasion of the inauguration of the Museum University of Navarra, which took place on the Pamplona campus a few weeks ago.

In this issue you will also find articles by professors Rafael Andreu and Miguel Ángel Ariño highlighting essential aspects of management. In light of the 50th anniversary of the MBA, we offer the opinions of eight alumni who reflect on the impact that the program has made on their lives—its footprint as professor Andreu puts it in his article. And, as always, we share news about IESE activities, programs and projects and, most importantly, about its people, about all of you. Thank you once again for everything you do for IESE, and please let us know what we can do for you.
This summer let’s do business

MBA Summer School - Barcelona, July 6-10, 2015

Pass the Baton!

If you know any university students aged 18-23 years who would like to get a firsthand view of the MBA experience, why not tell them about IESE’s Summer School program. Led by acclaimed faculty, this 1-week program combines interactive academic sessions and fun social activities around Barcelona.

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We go to the heart of top management, the company’s board of directors, to get the inside story from 11 alumni who are presidents or members of boards, or experts in consultancy. Their experiences, combined with the views of members of...
the IESE faculty, reveal how the board is central to developing a firm’s strategy. Every company has to strive to get ahead and the board of directors acts as a navigator, mapping out the course the business needs to follow.
The responsibilities of a board member are very different these days compared with ten years ago. They are expected to make an impact on the management of the company,” says Aurora Catà (MBA ’89 and PADE ’03), who sits on the board of directors at Antena3-Grupo Atresmedia and Banco Sabadell and has been a member of the board of various companies over the past 15 years.

Catà says a board member now has a more strategic role. “This strategic role was rather blurred in the past but there’s more emphasis on it now.” “Board members spend more time on strategy and risk analysis,” says Francisco Gasset (MBA ’75), senior partner at Spencer Stuart in Spain, who adds that “more time is spent on discussion and less on pure information.”

But much remains to be done. “We should improve the strategic content of the board’s agenda,” says Prof. Josep Tàpies. He encourages these governing bodies to draw up the main strategy in order to later discuss and corroborate the proposals put forward by the management team, led by the CEO.

With the changes that are taking place, the board of directors is getting closer to its natural position at the heart of the company, given that the “the board of directors hold most of the responsibility for good governance,” points out Luis Enrique Yarur (MBA ’75), chairman of the Banco de Crédito e Inversiones (BCI) in Chile. However, good governance isn’t only in the hands of the board of directors and the company’s senior management because there are other factors in play. As IESE Dean Jordi Canals says, these factors include everyone who works for the company and the commitment, professionalism and trust that they invest in the project. “No corporate governance mechanism is a substitute for trust and ethical principles if the relationship between professionals is to be effective for the company’s long-term projection” he says.

Because of this, he puts forward a holistic view of corporate governance. This integrated proposal sees the board of directors as the custodian of the company’s mission and values and views the role of this governing body as decisive both for companies’ survival and the well-being of the society in which they exist.

The board needs to define and communicate the company’s mission and values “as clearly as possible,” says Tomás García Madrid (MBA ’88), CEO of the Grupo Villar Mir and board member of a number of non-listed companies. “And not only establish them but also be the first to comply with them. It has to be a role model and set an example for the entire organization,” he adds. This is why “it’s essential that board members behave in a way that is consistent with the company’s values,” says Yarur. Furthermore, these values should also guide the board’s activities. “The decisions taken should be based on these values,” says Catà.

Nevertheless, some board members believe it is “very difficult” for the board to reinforce values. Antonio González-Adalid (MBA ’75), CEO of Cartera Industrial Rea and board member of various companies, says that “the person who really stands for the company’s values is the CEO,” through his or her decisions and leadership style. The board can’t involve itself in day-to-day business. “It should lead the company at the highest level but it’s not its job to manage it,” says Catà.

The board of directors is responsible for deciding the future of the company, claims Nese Gök. Gök took part in the focused program “Value Creation Through Effective
“We’re all now really aware of the board’s increasing responsibility,” says González-Adalid. He says that when he was first involved in a board some 30 years ago it was as financial director and he was there to present the results. He recalls the impression he had of “the responsibility” that they held and also the professionalism of the board members, all of whom had long careers behind them.

**ONE BOARD MEMBER, MANY BOARDS**

Suggestions on how to improve corporate governance include limiting the age, the number of terms of office and the number of boards on which members can sit. However, sitting on various boards at the same time can be very positive for a company, according to those board members interviewed. González-Adalid believes that being a member of more than one board “brings value to the company,” as it gives you a wider knowledge of different sectors. He sees every board as a learning experience. “It gives you perspective,” he says.

Dedication is essential to belonging to several boards, according to García Madrid. “You have to be able to give each one of them the time they need.” Mercader says the time required depends on the company’s situation as, if the company is going through difficult times, more commitment is required.

For him, the key to bringing value is “the amount of knowledge you have about the company and how long you have been on the board.” This is why he is not in favor of rotating board members. “Training a board member takes time”, he says. “At least 12 months,” according to Amparo Moraleda (PDG ’95), a board member at CaixaBank, among others. It also demands that people make “a personal effort to learn and to visit and interview everybody involved in the company, both internally and externally,” she points out.

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**BOARD MEMBER WANTED (WITH INTEGRITY, ABILITY & VISION)**

In order for a board to correctly carry out its functions, its members need to meet certain requirements. “Honesty, loyalty, complete integrity, dedication, a lack of conflict of interests and, of course, a knowledge of the sector, the company and management,” says Tomás García Madrid (MBA ’88), CEO of the Grupo Villar Mir. It’s also essential “to know how to listen,” adds Carmen Becerril (PADE ’00), an Acciona board member.

As well as experience and professional competence, board members need to bring “the vision to anticipate the company’s future needs,” says Nese Gök, board member of Inci Holding, who took part in the IESE focused program “Value Creation Through Effective Boards.” Gök says the key thing is to be able to “work together in a synchronized manner in order to bring value to the organization.”
THE POWER OF THE INDEPENDENTS

It’s often said that increasing the number of independent board members improves the company’s governance. “The role of the independent is to broaden the board’s outlook,” says Catà, who is a partner at Seeliger & Conde. Furthermore, she adds, independents bring “distance, impartiality and objectivity.”

Sometimes the independent’s participation can be unsettling, but it’s a good counterpoint, says Mercader. García Madrid backs the use of this type of board member both in listed companies “where there are shareholders who are not represented on the board and whose interests the independents represent,” and in unlisted companies where all of the shareholders are usually represented.

However, it’s not easy to arrive at a consensus on what defines an independent, warns Gasset, who adds that “independence depends more on the person than on the title.” González-Adalid agrees that being independent isn’t “an administrative title” and believes the conditions for independence laid down in the legislation are “insufficient” to guarantee it. Nevertheless, there are measures that can reinforce independence, such as choosing board members with the help of an external assessor, shortening the term of office and the time members can be “independent,” and a limit on the board members’ remuneration. Yarur underlines the importance of boards members’ financial independence.

In a family business, independent board members should also have a greater say, according to Prof. Josep Tàpies, who holds the IESE Chair of Family-Owned Business. “You can achieve a better balance between tradition, innovation and global, multisectoral and multifunctional knowledge with a significant presence of independents who complement the non-executive external board members whom the family appoint,” he says. Yarur agrees that in family businesses independents bring a different point of view which is very useful for the family.

BOARD MEMBER AND CEO, A RELATIONSHIP BASED ON MUTUAL TRUST

The board of directors and the executive committee are the company’s two lungs, and as a result the organization cannot function well in the long term if one of these is underperforming, says Prof. Canals in the book Building Respected Companies. But what relationship should the board have with the CEO?

On the one hand, according to González-Adalid, it’s a relationship of support, as board members have experience and other points of view that can be very useful for the managing director. But at the same time, the board has a control function and “has to guarantee that what is being done is what the shareholders have been told is going to be done.”

Gasset believes that “the board should be supportive but also demanding of the CEO, who should have a relationship of trust with the board.” Board members can assess the CEO from their particular areas of expertise, says Mercader. But for this to happen “it has to be a perfect understanding between the CEO and his or her board,” claims García Madrid.

BEING A MEMBER OF MORE THAN ONE BOARD BRINGS VALUE TO THE COMPANY AND GIVES YOU A PERSPECTIVE”

Antonio González-Adalid (MBA ’75), CEO of Cartera Industrial Rea.
who says that the CEO is busy with the day-to-day business but “should always act as the board’s delegate.” As a member of the board, “his or her action is subject to the decisions of the same governing body,” he adds.

**THE REMUNERATION DEBATE**

Another controversial topic in the field of corporate governance is the remuneration of top directors, especially after the media published the astronomical sums that some CEOs were paid. “Nowadays society demands more transparency and responsibility from boards and CEOs, and shareholders are no exception,” says Prof. Mireia Giné. She adds that shareholder activism is a global trend that managers cannot ignore. “Shareholders are not only involving themselves more, they are also becoming more thorough with the companies in which they invest,” says Prof. Fabrizio Ferraro.

In recent years, many Western governments have introduced laws – known as “say-on-pay” – about the right to consult on salaries, says Prof. Gaizka Ormazabal. The United Kingdom was the first, in 2003, to give shareholders the right to vote on the remuneration of the company’s executives. Since then, countries such as the Netherlands, Australia, Sweden and Norway have passed similar legislation. In the United States, the advisory but not binding vote of shareholders has been mandatory for listed companies since 2011, when the Dodd-Frank Act was approved.

Are these measures a good idea? How do they affect a company’s functioning and results? Some analysts insist that these regulations amount to an excessive interference on the part of government in the internal affairs of companies, as well as undermining the board of directors’ power. Prof. Giné, however, is in favor of this sort of regulation. She believes that shareholder activism plays an important role in improving corporate governance and value creation.

According to the study “Say Pays! Shareholder Voice and Firm Performance,” carried out by Prof. Giné with Vicente Cuñat, of the London School of Economics, and María Guadalupe, of INSEAD, advisory voting leads to an increase in market value of around 4 percent. The research focused on companies in the United States that adopted advisory voting before it was demanded by the Dodd-Frank Act. These companies showed a return of an additional $3.50 per share, a 5 percent increase in the return on assets and more solid operational returns. Furthermore, productivity increased and structural and capital costs went down.

However, advisory voting has only minimal effects on remuneration. Although it’s usually thought that shareholder voting reduces executive salaries, Prof. Ormazabal and other authors give this the lie in the document “Ten Myths of Say-on-Pay,” published by Stanford Graduate School of Business. According to their research, of the 2,700 U.S. companies that put their remuneration plans to the vote in 2011, only 41 (1.5 percent) didn’t receive the support of the majority of their shareholders. In spite of this, voting is more important than it seems, according to Prof. Giné. “It’s not just about salaries but whether they’re justified from the
point of view of the value generated by the CEO and as such are a type of motion of confidence,” she says.

Prof. Pascual Berrone says that defining a balanced salary policy is a process as necessary as it is complex and which involves factors other than shareholders’ votes. For example, executive remuneration is designed precisely to incentivize them to contribute to the company’s success and the success also depends on corporate governance. “The key is to design mechanisms that minimize the divergence of interests between executives and shareholders,” he says.

OPENING THE WAY TO FEMALE BOARD MEMBERS

Advisory voting is part of a broader trend to strengthen legislation in order to protect shareholders. As well as the new law on salary consultation, others have been passed that affect companies in the areas of accountancy, financial transparency and audits. Among them are the Sarbox law and the Sarbanes-Oxley Act in the U.S., the Cadbury Committee in the U.K. and the Good Governance Codes in Italy and Germany. In Spain, the Comisión Nacional del Mercado de Valores (CNMV), which oversees listed companies, published in February an updated code of good governance for listed companies.

The latest version of the code encourages companies to have at least 30 percent women on their boards of directors by 2020. Prof. Nuria Chinchilla welcomes this initiative because, beyond just being a quota, “it takes business arguments into account.”

The recommendation encourages companies “to make an effort to ensure that by 2020 there is sufficient critical mass of women to enrich the debate and increase boards’ productivity so that they really are high-performance teams,” says Prof. Chinchilla, director of the International Center for Work and Family at IESE. If the number of female board members has not reached that number, companies will have to explain why, although “there won’t be any sanctions,” she says.

Prof. Chinchilla is opposed to quotas because she doesn’t agree with the one-size-fits-all approach and doesn’t think it’s “realistic” to force companies to all have the same number of female board members. She adds that “the reasonable thing” would be for each company to set out its own objectives according to its situation and not just for its board of directors but, “above all,” for executive committees. “The problem that has to be addressed is why women are not represented on these executive committees,” she says.

“Female representation on boards of directors is advancing very slowly, as it is on executive committees,” says Isabel Aguilera (PDG ’98), a board member of Banco Mare Nostrum and Indra. She says that “having women on board doesn’t guarantee that the company is going to get better results,” but she firmly believes that “companies that have the right leadership in every respect are more competitive.” In order to strike a balance in an “artificially unequal” situation, Aguilera believes that quotas for female board members are necessary. Her views regarding quotas have developed over the years and now she’s in favor of establishing

### SOME WAYS TO IMPROVE CORPORATE GOVERNANCE

1. **DEFINE THE MISSION.** Every discussion about the company’s governance should be rooted in the firm’s mission.

2. **CARRYING OUT THE MISSION.** The professionalism and commitment of the board of directors, shareholders and CEO are essential if the mission is to be a reality.

3. **HAVE A SUITABLE LEGAL FRAMEWORK.** The legal aspects of good governance should focus on the function of the company’s managers and its governing bodies.

4. **ESTABLISH THE BOARD’S FUNCTION.** The board’s aims and responsibilities need to be clearly defined.

5. **HAVE AN INSTITUTIONAL INVESTOR.** The company’s governance needs the commitment of institutional investors, such as investment and pension funds.

6. **BECOME A ROLE MODEL.** The company should be a role model, not only on the financial level but also socially.

7. **DEFINE THE CEO’S JOB** so that there is a clear separation of his functions from that of the board of directors.

8. **REINFORCE THE ROLE OF INDEPENDENT BOARD MEMBERS.** Independence needn’t be the main criterion for selecting board members, what matters is that they bring value.

9. **ENCOURAGE TRANSPARENCY.** Management must ensure that all relevant information about the company’s situation is available to investors.

10. **DEFINE THE EXECUTIVE COMMITTEE’S FUNCTIONS.** It’s fundamental to define and limit the functions and responsibilities of both the board of directors and the executive committee.

them, having seen that the period of voluntary adaptation “is neither sufficient nor quick enough.”

**Carmen Becerril** (PADE ’00), a board member of Acciona, was “initially quite opposed to the quota system” but has changed her position over time. “I believe an impetus is needed” and gives as an example the code recently approved by the CNMV. She explains that this code recommends quotas and at the same time obliges companies to explain why they haven’t achieved them, although she believes that, given a reasonable time frame, “it would have been possible to make a somewhat stronger recommendation about so-called quotas, a term that has acquired a pejorative meaning and which isn’t the best way of defining what should be a business target.”

“Boards should reflect society and the presence of women on them doesn’t correspond to their social and economic role,” says **María Antonia Otero**. Although years ago she was also opposed to quotas, now she believes that “they help things to move along quicker, as is shown by countries that have introduced them.” She thinks that the main difficulties that women have in joining boards are “the same that they encounter in advancing in their careers,” the so-called glass ceiling. She says that “ideally women shouldn’t have to make a greater effort in order to arrive at the same position as men.”

Whether it’s striking a balance between men and women or aspects such as remuneration, regulation and external control mechanisms are necessary but insufficient to improve corporate governance, according to Dean **Jordi Canals**. They are good point of departure “but they should never be the goal,” because, just as a train without a locomotive can barely move forward, “corporate governance cannot improve simply through better regulation,” he says. **García Madrid** believes rules are “necessary,” but warns against “the risk of over-regulation,” which could make the work of the board too bureaucratic.

**González-Adalid** welcomes the results that regulation is delivering in two fields: the responsibility of board members and companies’ transparency. “We’re moving in the right direction. I sincerely believe that these are significant advances,” he adds.

**TOWARDS A BETTER FUTURE**

- The board members interviewed agreed that positive steps have been taken in corporate governance in recent years although “there’s still room for improvement”, says **Gasset**. He believes that “market pressure will be a factor that will contribute to the development of the role and function of corporate governance.” And he predicts various trends in the short to medium term. “Board members will be more independent, more international and there will be more women, fewer but longer board meetings and a greater awareness of the issues of corporate social responsibility.”

Only time will tell if these predictions will come true but it’s clear that good corporate governance is gaining importance in management, and only in this way can organizations be the agents of change and drivers of innovation and human development that society demands of them.
When we talk about the value a business creates or destroys we automatically speak in financial terms, such as its stock market value, as though there were no other way of assessing its performance. But whether they want to or not, companies create and destroy a lot more than economic value for the simple reason that their activities involve human interaction, whether internally or with clients, with other companies or with society at large.

**LESSONS THAT LEAVE A FOOTPRINT**

- Any interaction, whether between a salesperson and a client; a financial director and a banker; a supplier and a purchaser or between a manager and his or her team, produces a lot more than a sale, a line of credit, a purchase or a plan. Everyone involved learns something, perhaps unintentionally, which they take with them in a way that alters their future interactions. A client who has got to know a salesperson, for example, will have a sense of whether that person can be trusted or not in future transactions. These lessons, which we call footprints, affect future results in other interactions, which at the same time leave new footprints on these or other people.

Take the following example: I was once with the purchasing manager of a car company, when someone stepped out of a high-performance car in the parking lot. The purchasing manager recognized him and said “He’s a supplier. What a car! I’ll have to drive a harder bargain with him next time.” He said it half in jest but said it nonetheless, illustrating a footprint that had been left without there even being an interaction, and which – again, half in jest, half seriously – was probably mentioned in their next encounter. Footprints can be superficial like this, or much more profound: just ask anyone who bought or sold preferential share options from certain financial institutions, or those who conceived the scheme.

**COMPANIES FACE THE FUTURE WITH THESE FOOTPRINTS AS AN ADDITIONAL RESOURCE**

- These footprints, both positive and negative, accumulate for both individuals and organizations and affect the way they face the fu-
A GOOD SENIOR EXECUTIVE SHOULD DO EVERYTHING IN THEIR POWER TO MAKE SURE THAT NEITHER THEY NOR THEIR EMPLOYEES LEAVE NEGATIVE FOOTPRINTS. FAILING TO DO SO AMOUNTS TO FAILING TO ACT LIKE AN EXECUTIVE AND EVEN FAILING TO BE ONE ALTOGETHER.

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FOOTPRINTS ARE...
- These footprints naturally have a series of common features. In general they are:
  1. Inevitable, because people learn from interactions, whether they wish to or not.
  2. Ubiquitous, because they arise within and outside the company through interaction with interest groups (such as clients and suppliers) and through them with society at large. They produce these effects in whoever initiates the interaction and whoever else is involved, both the boss who gives orders and those who follow his or her orders.
  3. Personal and non-transferable because they derive from each person’s learning process.
  4. Difficult to erase because this requires unlearning something, which is never easy.
  5. Their significance depends on where, when and how they arise and also on whom they affect. An elderly person tricked into buying preferential shares is not the same as a passerby being swindled by a three-card trick in the street.

POSITIVE OR NEGATIVE?
- To those on the receiving end, footprints may be positive or negative. The two examples given above are negative – both the elderly person and the passerby are worse off with the footprint than without it. Fortunately, there are also positive footprints. For example, a client feels satisfied when they’ve had a good buying experience and a salesperson takes pride in the fact that he or she has genuinely solved a client’s problem. After these interactions both are better off with than without these footprints.

Can we use clear criteria and not just intuition to distinguish positive from negative footprints? One possibility would be to examine whether the footprint left the person experiencing it better equipped to deal with others in the future in terms of:
  1) what they hope to get from future interactions and 2) the degree of respect for people’s dignity that they wish to maintain whatever the cost.

This second aspect imposes a basic set of restrictions; in other words it’s a question of ascertaining the required baseline level of respect for the dignity of the individual, and, without violating it, ensuring that the footprints contribute as much as possible to the objective of the interaction. For example, contributing the maximum possible to achieving certain financial results while demonstrating absolute respect for the Universal Declaration of Human Rights.

The latter aspect matters because what defines negative footprints is that they degrade people, treating them as though they were inferior, and violating essential human qualities. Cheating someone, for example, depriving them of their liberty or their personal and professional development; defrauding them or denying them the ability to assess and decide, and so on. (You can test this with any number of footprints that your judgment and intuition tell you is negative.)

We could say, then, that a negative footprint should be classified as such if it is a degrading experience for the person on the receiving end. By the same token, we would say a footprint is positive if it doesn’t violate a single fundamental human quality, while in fact reinforcing some qualities, truly res-
pecting them and thus ensuring that the person grows as a human being.

A business can adopt more or less demanding criteria in how it classifies footprints, which may mean that some that were seen as positive are not under the new criteria and vice versa. However, in this case everyone involved in the organization has to be told explicitly what is expected of them.

It should be emphasized that one can leave positive or negative footprints in oneself as a result of interacting with others. The salesperson who feels proud is one example, another would be the person who sells a preferential share. The first will probably become a better salesperson while the other might have learnt to become a con artist rather than a salesperson.

Furthermore, as these examples show, it’s likely that the quality of the interactions in terms of the footprints they leave will also lead to better future financial results.

And, given that footprints affect society, one might hope that if companies leave positive footprints, society might thus be enriched, with more people given the chance to grow.

FOOTPRINTS IN THE MISSION AND THE BUSINESS MODEL

It’s worth looking at the quality of the footprints that a company’s mission (internal or external) implies for those involved in its operation – its employees and other interested parties. Think about those of your company; it’s noticeable that greater emphasis is often put on external footprints (clients and shareholders) than on the internal (employees and managers). Often the latter are neglected, producing negative footprints, and leading to an imbalance that is dysfunctional in the long term. The opposite imbalance is found less often.

Looking at this in greater detail, we could examine the company’s business model. It’s revealing what sorts of footprints are created from the corresponding virtuous circles. This requires looking more attentively at people’s learning processes to see if there are processes that are thought to be virtuous but which in fact produce negative footprints. This is another imbalance that appears during the implementation phase and which this sort of analysis can identify and avoid through organizational solutions.

TOP EXECUTIVES’ FOOTPRINTS

On a more detailed and interesting level, analyses of footprints can focus on the decisions of the people with the greatest responsibility in the organization. This inevitably gives rise to the question of how negative footprints are produced and whom they affect, which in turn demonstrates that top executives’ ethical responsibility is intimately linked to the process of management. A good manager should do everything in their power to make sure that neither they nor their employees leave negative footprints. Failing to do so amounts to failing to act like a manager and even failing to be one altogether.

It’s the responsibility of every manager to eradicate any negative footprints that appear as a result of their professional actions. This way, no CSR measures would be required. These are often designed to cover up negative footprints left by the company on individuals or interest groups with other, more positive ones – left a posteriori, and, what’s more, on third parties. As well as being artificial, it is ineffective because, as we know, the impression made by the earlier, negative footprints will probably remain anyway.

EVERYONE’S RESPONSIBILITY: WHAT ARE WE WAITING FOR?

As well as being an executive responsibility, this concerns all of us. Every day most of us interact with various kinds of institutions and companies even when we don’t work for them or have any part in their management. We create footprints in all of these interactions, affecting ourselves and others, or we simply allow others to leave them on ourselves. But we shouldn’t, in order to avoid infringing others’ or our own dignity. We need to act. What are we waiting for?

IN SUMMARY:

- Companies create and destroy a lot more than economic value through the lessons learnt by people involved in their operation.
- These lessons, called “footprints,” become another of the company’s assets.
- Footprints are inevitable, ubiquitous, personal and non-transferable and hard to erase, with variable and either positive or negative impact.
- It can be expected that through making a positive contribution through their footprints, companies will in this manner enrich society.
- Top executives’ ethical responsibility is intimately linked to the process of management.
- No CSR actions will be required, since these are often designed to cover up negative footprints left by the company on individuals or interest groups with other, more positive ones, left a posteriori, and what’s more, on third parties.

MORE INFORMATION:

ARE COMPANIES TAKING UNNECESSARY RISKS?

Fifty percent of the 500 companies that made up the Fortune 500 list 25 years ago no longer exist. What this shows is that, however established a company is, it is always exposed to risks. Some of these are direct or indirect consequences of the decisions we make, but there are others for which we can’t be blamed. Either way, being exposed to them is inevitable – so the question is, are we fully prepared to deal with them when they arise?

There are three types of risk: avoidable, strategic and external.

**AVOIDABLE RISKS**
- Avoidable risks are those that result from doing things badly, and things tend to be done badly through a lack of professional rigor or simply a lack of attention.

So when British Petroleum spilled more than four million barrels of crude oil into the Gulf of Mexico in 2010, the company had taken a risk that it could have avoided. There were many indicators that should have set the alarm bells ringing on the oil platform, but the well digging was 43 days behind schedule. So they were in a hurry to move forward and took some shortcuts that led to disaster, a disaster that could have been avoided if, at the first sign of problems, BP had taken action instead of turning a blind eye.

On other occasions, risk can be avoided if we are aware in advance of a series of determinants. It is well known that we tend to put too much trust in our ability to control what is at hand and faced with a situation where we are making a loss we make decisions that are riskier than we think and give too much attention to the short-term consequences, to the detriment of the long-term. If you bear in mind these types of determinants when making decisions you can avoid taking unnecessary risks.

**STRATEGIC RISKS**
- All companies face strategic risks. They occur when an opportunity is pursued with the hope of attaining a profit, but when this opportunity is fraught with uncer-
tainty, it can result in failure. In these cases, the prospect of making a profit compensates for the risk of failure. Examples of these risks are when a pharmaceutical company develops a new medicine, a movie producer makes a film, an oil company prospects for oil or when a company decides to expand out of its domestic market to new and emerging markets. These companies face many uncertainties, but detailed analysis leads them to conclude that it is worth taking the risks because of the potential profits.

Strategic risk management consists in taking the necessary precautions to reduce the possibility of failure, minimize the impact should the risk materialize and, at the same time, emerge strengthened from what has been learned from the experience. Scenario planning, the role of the devil’s advocate, pre-mortem analysis, risk maps and the drawing up of critical risk indicators are procedures that make it possible to face up to risk in the best possible way.

- **Scenario planning** is a technique used by those companies that are most experienced in managing strategic risk that has allowed them to deal with risk better than their competitors.

Let’s take an example to illustrate this technique. Let’s say that company X makes and sells sports goods in Europe and North America. These are already mature markets and the sales growth for the company is quite limited. Furthermore, the competition is pushing down the margins. As a result, the company is thinking about selling in an emerging market, specifically China. The first thing they have to do is to identify the major factors that determine the success or failure of this decision. They put them in order of importance and choose the two most critical. Let’s say that these two variables are, firstly, the confidence in good distribution and, secondly, the potential popularity of the company’s products among Chinese consumers.
These two variables produce four possible scenarios: good or bad distribution of products combined with a good or bad reception of them by the market. We know the reality will correspond with one of these four scenarios. It’s not a case of assigning probabilities to each scenario, but of studying how our strategy will function in each of them.

In this way, we have anticipated the possible risks that the strategy might encounter, we can take measures to act in the context of these future scenarios, refine our strategy in the light of them, and may even abandon the strategy if we see that it is too problematic.

The exercise can be continued by considering a third critical variable of success. The main benefits of this exercise is that it allows us to refine our strategy, improve it and make it more robust in the context of future situations. It also allows us to be prepared to act in a way that fits the circumstances.

One of the main advantages of scenario planning over strategic planning is that the latter draws up a plan and puts all of its resources behind the success of this plan but this means you only have one card on the table: the success of the plan. Furthermore, sometimes the plan may have been badly conceived meaning that failure is the most likely outcome, unless luck intervenes. However, scenario planning looks at the flexibility of the chosen plan and leaves the door open to rectification in ways that have been planned in advance.

Another way of better controlling risks is to take on the role of the devil’s advocate. In analyzing strategy, assigning to a group of people the role of questioning all the suppositions and everything that the plan hopes to achieve helps to improve the strategy and to prepare for various consequences. It can also make clear when to abandon the chosen course of action if it is not worth the anticipated risks.

For the devil’s advocate method to be effective, it’s essential to believe in it and carry it out in a professional manner. If not, the participants will see it as merely annoying or just a gimmick. Taking the advice of a good professional the first time the method is employed will improve its chances of success.

The pre-mortem analysis is a strategy that looks at the worst case scenario in which a company might find itself within a few years as a result of having chosen a particular strategy, and analyzes both the causes of the failure as well as the path that has led to it.

The object of the exercise isn’t to discard the chosen plan, but to highlight problems that may arise and prepare oneself to face them by modifying those aspects that may make for a better adjusted strategy.

Finally, drawing up risk maps consists in making a list of the principal risks that a company’s strategy faces and assessing each of them on a scale of one to five, based on two criteria: the impact this risk might have on the company and the chances of it occurring. In short, a risk map facilitates making a qualitative assessment of the main risks a company faces.

EXTERNAL RISKS

External risks are those variables that can have a negative impact on a company and over which it has no control or influence. A rise in energy costs, a general strike of truck drivers in the country that paralyzes supplies, a significant variation in the price of basic raw materials and, especially, a global economic crisis are all possible factors in external risks.

Identifying external risks is the first step towards managing them, as is understanding that external variables are critical for the company’s operation. It doesn’t matter that up till now these variables haven’t been an issue. It’s enough that they could seriously affect the business in the future.

Once these variables are identified, it’s a case of drawing up action plans should any of these risks ma-
Without risk management, the likelihood of being exposed to a serious problem over the next few months is quite small, but the probability of having a serious problem over the next 10 years is very high.

Final Thoughts
- Companies pursue objectives and in order to achieve them they define strategies. For the strategy to be successful, they put all of their resources into them and therefore it is logical to ask: why divert resources to avoid things that probably won’t happen?

If a company doesn’t defend itself against things that might really put its viability at risk, however well it goes for a while, it will eventually succumb.

Without risk management, the likelihood of being exposed to a serious problem over the next few months is quite small, but the probability of having a serious problem over the next 10 years is very high. Furthermore, money not lost is money won, which means it’s a good idea to be aware of things that might go wrong.

Avoiding things that might turn out badly doesn’t usually figure on an executive’s agenda, which only lists things to achieve. As a rule, no one gets recognition for avoiding something negative that might arise but rather for achieving objectives.
Is Globalization Responsible for Making Us Fat?

NÚRIA MAS & JOAN COSTA-FONT

There are now more overweight people on Earth than people suffering from malnutrition. It is estimated that some 1 billion people are overweight and 500 million are obese. In their article “Globesity? The Effects of Globalization on Obesity and Caloric Intake,” IESE Prof. Núria Mas and Joan Costa-Font of the London School of Economics examine the correlation between globalization and obesity in what they call “globesity.” The authors control for variables, such as GDP, food prices and levels of urbanization, in order to better understand the impact of the social side of globalization on obesity rates.

MORE INFORMATION:
IESE Insight / Economics
Video: http://www.iese.edu/Globesity2015

HUMANIST LEADERS NEED TO REDEFINE THEIR VALUES TO ENGAGE WITH HUMANITY’S COMMON CORE

CARLOS RODRÍGUEZ-LLUESMA, ANABELLA DÁVILA & MARTA ELVIRA

Humanism recognizes the common core and value of all human beings. Humanistic management is people-centered and works to protect human dignity.

Amid increasing levels of globalization, today’s humanistic leaders must be global citizens, engaged with local and international concerns. In the book Humanistic Perspectives on International Business and Management, the authors contribute a chapter on humanistic leadership. They look at how business leaders and stakeholders can mutually flourish by learning about each other’s values. The co-authors propose that “value generalization” – the process of redefining values at a higher level of abstraction – is a useful tool for global leaders engaging with local stakeholders.

MORE INFORMATION:
IESE Insight / Leadership and People Management
HOW TO PREDICT AN INTERNATIONAL PRODUCT’S SUCCESS
SARAH GELPER & STEFAN STREMERSCH

Will a new computer or mobile phone be big in Japan? What about in Argentina, India, Morocco or Russia? Predicting a new product’s growth internationally is a huge and hotly debated topic in marketing. Professors Sarah Gelper and Stefan Stremersch find a way to analyze a wide range of country characteristics in order to examine their relevance in predicting the growth rates of six high-technology products in 55 countries. They identify the two most important predictors of growth across the board as economic wealth and education.

The study found that economic wealth is the best predictor of product growth. In wealthier nations, new products sell better. The second best predictor is education. The co-authors present their results and the means to select variables in a model that could be used to study other types of product launches.

Using the penetration rates of six hi-tech products - the mobile phone, CD player, video camera, personal computer, Internet and ISDN - the co-authors home in on the variables that best predict penetration rates.

MORE INFORMATION:
IESE Insight / Marketing

CITIES IN MOTION INDEX
JOAN ENRIC RICART & PASCUAL BERRONE

London remains the undisputed leader among the smartest cities in the world, followed by New York and Seoul, according to the second IESE Cities in Motion Index (CIMI), prepared by IESE’s Center for Globalization and Strategy under the direction of professors Pascual Berrone and Joan Enric Ricart. The CIMI assesses the level of development of 148 cities using 66 indicators covering 10 dimensions: human capital, social cohesion, economy, public management, governance, environment, mobility and transport, urban planning, international outreach and technology.

MORE INFORMATION:
IESE Insight / Strategy

CASE STUDY
Spotify: Face the Music
GOVERT VROOM & ISAAC SASTRE

The case describes Spotify’s business model against the backdrop of a music industry that has faced steep revenue declines since the advent of digital formats in the late 1990s and the rise of illegal file-sharing. The case also presents the competition Spotify is facing from Pandora, Google and Apple and poses the question of whether Spotify has a viable long-term business model, despite explosive user and revenue growth since 2014.

MORE INFORMATION ON THE CASE FORUM:
www.ieseinsight.com/review

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On the 50th anniversary of the IESE MBA, eight alumni talk about the mark the program has made on their lives.

"Discussing case studies with classmates in the garden,"; “the fabulous views over Barcelona,”; “professors encouraging us to participate in class,”; “big challenges that we faced during two intense years,”; “the sunshine that gave us our daily dose of vitamin D.” These are some of the images that eight MBA alumni recall from their time at IESE. Each has a highly personalized view of a program that has now been running for 50 years. However, undertaking a two-year, full-time MBA has made an impression on all of them. “You are who you are thanks to what you do, and IESE has played an important role in my life,” says Alejandro Beltrán (MBA ’98), managing director of McKinsey in Spain and Portugal.
Michael A. Di Santo (MBA ’88), general manager of the Royal Bank of Canada in Spain, agrees. “The program is very intense, both academically and personally, and very demanding at a mental and emotional level. It takes you out of your comfort zone and makes you question everything and makes you stronger,” he says. “It’s two years of intense experience at a high level of learning,” he adds. “Fight for what you want and never, ever quit,” is the slogan he took away from the MBA.

Laurence Fontinoy (MBA ’02), marketing director at Google Spain and Portugal, recalls the first classes in which she wasn’t sure whether to take part or not and how she later changed her attitude. “You forget about being shy and simply do it.” For her this is part of the MBA’s legacy.

A FOCUS ON ETHICS

Fontinoy had considered other options before choosing IESE but seeing it for herself clinched it. “The moment I arrived on the Barcelona campus I knew I wanted to study there. I liked the way that people treated me, they were welcoming and open about the MBA,” she recalls, adding that all of this confirmed her preconceptions about school. “I had already worked with some IESE alumni and I liked the way they worked together and how they dealt with problems through teamwork, ethics and transparency.”

More than 10 years later, these same values were a key factor for Benjamin Givelet (MBA ’14), in-house strategy consultant at DSM. “During the selection process there was a presentation of Doing Good and Doing Well, the responsible business conference organized by IESE MBA students, and I thought: ‘this is a school I want to invest in and be a part of.’” His motivation was further reinforced by the academic focus. “Most of the case studies were handled from an ethical and sustainability point of view,” he says. Givelet, who recalls with pride the time when he took part in the organization of the 2014 Doing Good and Doing Well Conference, says that the two years in the MBA program allowed him to redefine his objectives. “Work for a company or for people you really believe in and whom you think it’s worth devoting your time to.”

María del Pino Velázquez (MBA ’91), chairman of the Unisono group, comments that “one of the aspects of IESE that I feel most proud of are our values.”

The MBA is like a real-life laboratory of management but once they graduate, alumni face the challenge of incorporating what they’ve learned into their professional life. One experience of Laurence Battaille (MBA ’95), founder and managing director at IPAC,
I FELT LIKE I WAS WITH MY FAMILY.”

Benjamin Givelet (MBA ’14)

illustrates this focus on people. Once she was involved in a collective decision about the future of a senior executive who was going through a difficult personal time. “I asked that we wait a couple of months to see if things improved because until then his professional performance had been excellent. I think we were right,” she says. “IESE teaches you to take better decisions and to always take the human factor into account.”

“This human touch is fundamental and when you meet other alumni, although you don’t know them, you feel a direct connection with them. I believe it’s the result of a culture that IESE was able to create and still maintains,” she says.

Paolo Venturini (MBA ’02), an Italian who works as director of Amazon’s distribution centers in the U.K., identifies a “common denominator” among the alumni of IESE that he now values as a recruiter. “One of the outstanding features of an IESE education is the graduates’ collaborative focus and teamwork mentality,” he believes. “They are different from those from other schools because they collaborate more, compete less with others – although they test themselves in order to improve – usually have their feet on the ground and try to enjoy what they’re doing.”

Values lie at the heart of the program’s success, according to Marta Ortega (MBA ’97), key clients Iberia at Deutsche Asset & Wealth Management (Deutsche Bank group). “The MBA is not based only on professional success. This comes because the IESE MBA is based on things that are much more profound. There are many professionals who have made the MBA something solid and lasting and these people base what they do every day on values and principles that go beyond the merely technical and academic.”

LIKE FAMILY

It’s the attitude of the professors that perhaps has made the greatest impact on the alumni. “I felt like I was with my family. You feel really close to the other students, to staff from the MBA office and the faculty. During my final week, I visited six professors, including Franz Heukamp, the director of the MBA programs, and each one of them opened their door to me. They gave me some really valuable feedback which I continue to take inspiration from” says Givelet.

Which professors made the biggest impact? The list of names and reasons is huge and includes exceptional teaching, personal support and a highly valued sense of humor. “We learned a lot but we also had fun because the professors give the courses, which are excellently prepared, in a dynamic and enthusiastic way and with a great sense of humor which really helps in the learning process,” says Battaille.

“I have ideas that I’ve recalled perfectly from classes that ended with a round of applause,” says Velázquez.
“I recently bumped into Prof. Fernando Pereira and he recognized me. I was so moved,” she says. And it isn’t an isolated case. “I met Paco Iniesta on the plane. He was coming back from giving classes in Kenya when he recognized me and I thought, 14 years later and he still remembers,” says Fontinoy. The relationship with the professors may even develop into a close trust and friendship. This is what happened with Beltrán. “I have many friends from the program, including professors and people who are working in the school today,” he says.

**IMPORTANT LESSONS IN LEADERSHIP AND FOCUSING ON PROBLEMS**

The type of relationship that the professors have with students imbues them with a certain model of leadership. “They teach you how people are important in everything to do with the company. Outside class, you understand that you motivate people through a genuine concern for the people around you,” says Beltrán. This view has been backed up by his extensive experience in consultancy. “When you analyze a person’s leadership abilities you see that it doesn’t just come from their ability to solve problems but from a human or relational component. You have to know how to give time to other people and to listen to them, and you learn this directly at IESE from the professors and from your experience. Above all, young people are inspired by someone close to them who shows an interest for them and tells them how to improve,” he says.

This understanding of leadership and personal interaction, which Beltrán believes is the most important thing that he got from the MBA, is of increasing importance to Velázquez. “Over time one of the things that has seemed to me most important is the management of people, leadership, even from the point of view of the administrative aspect of these questions. Sometimes I go over case studies and I think, what would Prof. Sandalio Gómez do in this situation?”

For Ortega, leadership ability is closely related to another benefit of the MBA: learning how to focus on problems. “The case-study method that IESE uses gives you a discipline for analyzing situations while evaluating all of the aspects and consequences. This has helped me to have a clear idea of how to focus in any circumstance, and to have my own opinion. I believe that this is part of what leadership consists of.” In her view, “you can take other opinions into account and be flexible but you have to know how to form your own opinion and have the discipline to apply what you believe is for the best, based on values.” In this respect, “the case-study method has always helped me,” she says.

Venturini also emphasizes the case-study method as the ideal way to adopt “a holistic focus when it comes to analyzing business problems.” This ability gives you “the confidence to deal with any business problem, knowing that you have 360-degree vision,” he claims.

This approach to problems, in the words of Beltrán, “as a complete way, understanding and incorporating every perspective,” made a big impact on Velázquez. “For me, as a mathematician, I could see that there isn’t a single answer to business problems and this is perhaps the best lesson I learned from the MBA,” she says.

But as the founder of Unisono, a company that finds technological solutions, the MBA also opened up new professional paths. “If it wasn’t for this education I wouldn’t have established my own business. It awoke something inside me and for the past 15 years I’ve been running the company that I created. I’ve realized my dream,” she says.

**A MARK OF QUALITY**

When Givelet gives an MBA candidate advice he tells them: “It’s a once-in-a-lifetime opportunity to reach new heights in your career. The MBA program acts as a transformational journey and therefore I think the
two-year format better suits career changers. Considering the significant investment in time and money one is making, it is worth opting for an MBA program that is globally recognized as one of the top ten, and is excellent in business ethics.”

“I would without hesitation recommend the MBA, as well as the AMP that I did in 2014,” says Battaille. “I’m proud of the school because IESE’s programs are of such high quality.” Even Velázquez’s daughters have heard about it. “I’m always on at them to do an IESE MBA,” she admits. “You need education but it has to have value. For years IESE has been among the top ten business schools in the world. Others rise and fall but IESE stays up there,” she says, adding that it’s why she has no doubt about recommending it. “When people ask me for advice I want them too to have something on their CV that we know will have the same essence, and that will always be prestigious.”

“An IESE MBA is a seal of approval,” says Di Santo. “It shows you’ve studied hard and you’ve achieved something difficult and that will help you from that moment on. Furthermore, it’s recognized worldwide.”

THE WHOLE WORLD IN A CLASSROOM

“IUSE enabled me to have an international career,” says Venturini. A key element of the program is the presence in the classroom of students from numerous countries, 56 in the current cohort. “It opens your mind. It gave me the tools to face cross-cultural communication and to successfully work in an international environment,” he says.

The program was originally given in Spanish, then bilingually after 1980 and now in English. Ortega wanted to acquire international experience and when she discovered she could study at IESE in English, she jumped at the chance. “The international aspect was one of the key reasons that I came to the school,” she says. “It was the first place I’ve been where your place of origin was of no importance because we were trying to achieve common objectives. This has helped me a lot in my career, which has taken me halfway around the world.”

However, this diversity in the classroom is not only useful when it comes to working in other countries. “One of the benefits is being among different people with very diverse careers and lifestyles. This helps you to see things from a different point of view and to understand that the people around you may see things differently,” says Beltrán.

Givelet agrees. “Being a French national with 7 years’ experience in operations and having a family of 5, I could
hardly find anyone with the same profile than me. I believe that IESE is making a special effort to increase diversity, not just geographical but also in professional background, personal lifestyle and gender. It made a huge impression on me being with this range of bright people.”

**COLLEAGUES, THEN FRIENDS FOR LIFE**

When the MBA graduates leave the campus clutching their diplomas they don’t do so alone. During those two years at the school they have created personal relationships that they can count on from now on, as well as having many professional contacts. “The MBA opened many doors. When you leave you become part of the fabric of IESE business people and professionals, both from your own class and from others,” says Di Santo. This has also been Fontinoy’s experience. “I have come to know many IESE alumni in important positions, both in my previous job and where I work now, and they have supplied me with good professional contacts.”

Furthermore, the intense experiences shared over a period of two years form the basis of deep friendships that survive over time and distance. “I have friends all around the world. When you go to a wedding, you realize what a huge number of nationalities are represented,” says Fontinoy.

Venturini believes that one of the main benefits of the program is to have “an incredible network of friendships around the world. They have become the most numerous group of friends in my personal network and I regularly see some former classmates, some on a weekly basis,” he says.

These friendships are what alumni cite as among the most precious things that acquire from the MBA. As well as highlighting the range of nationalities, they also talk about how extensive this personal network is and the solidity of the friendships. Di Santo graduated 27 years ago and says that “there are still some 50 classmates with whom I’m in touch by mail. We talk about important events and try to see each other at weddings or alumni meetings. On the 25th anniversary of our graduation, 85 of us met. And it’s extraordinary because they come from all over the world; from California, northern Europe, Japan, Zimbabwe, Venezuela…”

This combination of experiences, lessons and values make the IESE MBA something that gets under the graduates’ skin. As Battaille says: “It’s amazing to spend two years with colleagues from 23 countries. The quality of the classes is incredible, the best learning experience I’ve ever had. The MBA has been a memorable journey.”

These alumni were interviewed on the Global Alumni Reunion, which they attended in order to meet up with their former colleagues.

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**MORE INFORMATION:**
http://mba.iese.edu/50
FINDING A BALANCE BETWEEN RISKS AND REWARDS

The U.S. Advisory Council debated opportunities and threats for Africa and LatAm, the real state of the U.S. economy and concepts shaking up the media industry in three special sessions with MBAs.

Seven of the world’s fastest-growing economies are in sub-Saharan Africa: the opportunities are exciting, but not without challenges. The same can be said of Latin America, where a new generation of agile business leaders is emerging, accustomed to doing business in environments prone to greater instability and poised to have an edge in the global marketplace. These were among key ideas shared by Jay Ireland, president and CEO of GE Africa, and Juan Pujadas, vice chairman and global leader of advisory services for PwC. They were joined by Tom Castro, member of the board of Time Warner Cable, and Carlos Padula, managing partner of Stelac Advisory Services, on the Barcelona campus on March 13. All four agreed that volatility, violence...
and political change continue to impede progress. Furthermore, global business has a “proactive role to play in investing in local talent and infrastructure, and in creating sustainable business models,” according to Padula. For all that, growth opportunities in both regions are “fabulous.”

“Work in your countries,” Castro told Latin American students in the audience. “You will find companies there who are targeting the world.”

**U.S. GROWTH – A TALE OF THREE CITIES?**

- Meanwhile, a second panel debated growth in the U.S. economy. “It’s not a time to be triumphant. It’s a time to be thoughtful,” said John Schnitz, partner of Bingham McCutchen. “Growth is OK. But the economic situation is complicated. Deeper analysis of the labor market and wage stagnation raises troubling questions.”

  The Federal Reserve, Schmitz said, is finding the official number of active jobseekers over the previous month “increasingly less useful.” Instead, it has started looking at the participation rate, comparing the number of people working or actively seeking jobs to the overall population in their age range. This reveals that “12 to 15 million people in the last five years have dropped out of the labor market – they’ve given up looking for jobs,” noted Edward T. Reilly, president and CEO of the American Management Association. Board member of Foster Farms and former chief marketing officer at JP Morgan Chase, Claire Huang, said that this very low-income group inhabits one of three “cities” in U.S. society. The population of this city, she said, is growing at nine percent a year, faster than the GDP, and has no spending capacity. A second “city” of middle-income earners is “shell-shocked” and will avoid spending until incomes rise. Only the third “city,” the “super-wealthy one percent,” is spending freely, she warned.

**OVER-THE-TOP, NET NEUTRALITY SHAKING UP MEDIA**

- Two big concepts are set to shake up the media industry over the next few years, according to the third panel of council members. “Over-the-top (OTT)” consumption of content, which uses the Internet to bypass traditional channels, and “net neutrality,” which safeguards a “free and open Internet for all,” will be dominant forces.

  The president emeritus of Channel Thirteen, William F. Baker, warned that these disruptions could have a deleterious effect on the business: “With digital, the music industry has been destroyed. The video world with the cord cut could end up like that.” Baker was joined by Strategy&’s digital services global managing director, Christopher Vollmer, the founder of Glazen Creative Studios, Alan Glazen, and Carmen Di Rienzo, president of DiRienzo Consulting, who insisted that, with disruption also comes opportunity. “OTT is providing the potential for an enormous audience, a global audience,” she said. “Don’t worry about your slice of the pie, because this pie is unlimited.”

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**U.S. ADVISORY COUNCIL**

The U.S. Advisory Council provides the School with support for the long-term development of activities in the United States, particularly the New York campus, and how these activities can be of benefit to IESE in other parts of the world.

**Members**

- William F. BAKER (Chairman, Channel Thirteen)
- Alan GLAZEN (Glazen Creative Studios)
- Frank J. HAGER (OppCAP)
- Claire HUANG (JP Morgan Chase)
- Jay IRELAND (GE Africa)
- Tom KANE (CBS)
- 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 McCutchen)
- John STURM (University of Notre Dame)
- Christopher VOLLMER (Strategy&)
- Eric WEBER (IESE)
- Kathryn WYLDE (Partnership for New York City)

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Participants at the Doing Good, Doing Well Conference discuss the meaning of responsible business and gain a better insight into social entrepreneurship.

In February the Doing Good and Doing Well Conference took place for the 14th year running on IESE’s Barcelona campus. The meeting, the largest student-run conference of its kind in Europe, is organized by second-year MBA students and over the years has covered many aspects of responsible business, impact investing and social entrepreneurship. The theme chosen for this year’s conference was “What is Responsible Business?” An answer to this question was given during the keynote address given by Jill Dumain, director of environmental strategy at high-end outdoor clothing manufacturer Patagonia.

Dumain, who has spent her entire career at Patagonia, a family-owned business, summarized the company’s mission as: make the best product, cause no unnecessary harm and inspire and implement solutions to environmental problems. Patagonia claims its clothing is guaranteed for life and Dumain commented that “looking into the life cycle of products and making things that last longer is, de facto, good for the environment,” although it is counter-intuitive for business, which always aims to sell more.

In fact the company has been involved in various campaigns against consumerism, such as the famous Don’t Buy This Jacket campaign launched in the New York Times on Black Friday, the biggest shopping day in the United States. “What we’re doing is trying to get people to think of the supply chain behind a product,” Dumain said. “We can make the biggest impact in the countries that make our products.”

It was this sort of thinking that inspired the Common Threads initiative, in which customers are invited to become part of the effort to reduce the environmental footprint. Customers are asked to buy less, send worn products back to Patagonia for repair, to reuse them and, above all, to reimagine a sustainable world.

More recently, Patagonia has launched an investment arm, $20 Million and Change, which invests in start-ups. “The main criteria is that the start-ups are trying to do something disruptive,” Dumain said. “For example, there is a project in Chile to make skateboards out of discarded fishing nets.” She concluded, “The main problem with being a responsible company is scaling up,” adding that responsibility is rarely the cheaper option in the short term.

Working at the Bottom of the Pyramid

Olivier Kayser of the consultancy Hystra talked to the 500 participants about working at the bottom of the pyramid and said that companies that wish to operate there need to rethink their business model. “You need to
look holistically at what your customers need,” Kayser said. “These are people who don’t own property, don’t have access to credit and don’t have bank accounts and savings.”

He said that before working with people in this situation you have to ask yourself: “Are you willing to reinvent your business model, are you ready to learn from others or is your ego too big, are you prepared to be transformed by collaboration and invest your best people?”

Other keynote speeches in what the organizers described as “a huge success” included IBM’s Angel Pes Guixa on the subject of “Smart cities, smart business,” BMW’s Diego Martinez Normand on electric cars and ExxonMobil’s Todd W. Onderdonk on the “The Outlook for Energy 2015.”

RESPONSIBLE BUSINESS AS A WAY OF LIFE

On the eve of the conference three IESE MBA alumni held a meeting with current MBAs on how to best use their talents to make a positive social impact. Sustainability consultant Randall Krantz (MBA ’02), along with social entrepreneurs Matthew Farmer (MBA ’03) and Jaime Briz (MBA ’04) told students: “If you want your life to have meaning, you have to be dedicated to working for something more important than yourselves.”

Farmer, founder of Emerging World, said he had considered a career in banking or consultancy but decided that making life better for others was more in keeping with his personal values. “I wanted to use the knowledge I’d acquired to do something that was really worthwhile,” he said. “The MBA gave me the confidence to take these ideas and transform them into a successful business,” he concluded.

The Doing Good and Doing Well Conference also includes opportunities for people with social business initiatives to pitch to real investors. Social businesses are among the projects backed by IESE’s seed capital center Finaves. One such project is the Fundación Ship2B, a platform set up by, among others, Xavier Pont (MBA ’02), and which encourages social entrepreneurship and impact investing. It presented three social start-ups to investors from IESE’s Finaves and Business Angels and Family Offices Network and the Ship2B community.

The three were Teterum, a brand of personalized tea with social solidarity and winner of the Social Business 2014 award; iWopi, a platform that connects people, companies and social projects through sport and physical activity; and Afables, which finds care-givers and in-home helpers with personal recommendations. The new start-ups are all looking for finance in order to grow their business.
Towards the end of last year, IESE was involved in organizing two key meetings on the future of banking, one in London – at which the future of banking in global terms was discussed, and the other in Madrid. This one also addressed the recovery of the European banking sector.

The London meeting on “Challenges for the Future of Banking” was held at Somerset House under the Chatham House Rule, which establishes that participants are free to use the information they receive, but not to reveal the identity of the speakers. It was organized by IESE Professors Juan J. Toribio and Miguel Antón. The main issues that arose were whether growing levels of regulation will stifle innovation within the banking sector, how far mandated increases in capital and changes to debt-to-equity ratios can address systemic risk, is “too big to fail” a viable approach and, with public confidence in the sector at rock bottom, what can the industry do to regain trust? Throughout the conference, regulation was never far from discussion. The financial sector has seen a dramatic increase in regulation since the crash of 2007, and institutions have become more conservative. This was agreed to be a natural response to the excessive risk-taking of the pre-crash era. The message from the meeting was clear and consistent: the way forward should be built on a light regulatory touch that delivers a clear framework and transparent penalties.

However, one speaker said that addressing systemic risk in this highly complex and interdependent system requires a new level of understanding – not just of cause and consequence, but of risk itself –. And rather than focusing on “too big to fail” strategies backed by government, he favored an approach that would allow failed institutions to exit the market smoothly.

There was a general feeling that future failure within the banking system, or within individual institutions, was inevitable. The task, therefore, was to address systemic
risk to as great a degree as possible. The banking leaders, academics and regulators agreed about the need for institutions to maintain appropriate debt-to-equity leverage ratios. However, the levels of capital and the cost of a high leverage ratio caused much discussion. While the regulators saw undoubted cost to institutions in holding higher levels of capital, one speaker remarked that recent history shows the humbling economic cost of failing to do so. In his opinion, banks should simply swallow the costs.

On the issue of restoring trust, everyone agreed on the need for banks to start “coming clean.” Panelists pointed to continuing and widely reported scandals as adding oil to the flames of negative public opinion. Banks continue to have legacy challenges and, it was felt, these should be acknowledged in the first instance, and then resolved.
MEETING IN MADRID

During the 10th Banking Industry Meeting, organized by IESE’s Center for International Finance (CIF) in collaboration with EY, participants analyzed the current European financial situation, which is characterized by weak economic growth, very low interest rates and high capital requirements. Prof. Juan J. Toribio, academic director of the meeting, talked about new opportunities: “With such low interest rates, banks can create new business models.” However, there are remaining risks. The governor of the Bank of Spain, Luis M. Linde, pointed out that “the risks have not subsided completely and such low profitability raises doubts about the future of banking business.” The governor listed other short-term risks faced by the banking sector including regulatory and supervisory changes, doubts about the profitability of the system in Europe and the macroeconomic weakness of the Eurozone.

Talking about the regulatory situation, Banco Santander executive board member Juan Rodríguez Inciarte lamented what he described as the “straitjacket” of newly approved measures limiting growth in the European banking system. Of these regulations, he cited the increased requirements for quality and capital and new liquidity standards. Rodríguez Inciarte did, however, express his support for the banking union. José Manuel González-Páramo, IESE professor and advisor to BBVA, underscored that banks will have to “foot the bill” for setting up the structure of the banking union in terms of rates and operating costs of the Single Supervisory Mechanism (SSM), the Single Resolution Mechanism, and the various regulatory agencies.

MORE INFORMATION:
(London) http://goo.gl/6oBq3N • (Madrid) http://goo.gl/OvCMmH
The food and beverage business is the second biggest industry in Mexico after manufacturing, although the sector faces a range of challenges related to internationalization and the country’s social make-up. These were the main topics of debate at the IESE-IPADE Food and Beverage Industry Meeting held on February 5 in Mexico City.

Mexican companies need to internationalize in order to grow in 2015 and to escape the stagnation of the past three years. “Internationalization is about brand, prestige, service, price and quality,” said Javier González, associate managing director of Grupo Bimbo. The president of Coca-Cola Mexico, Francisco Crespo, and the managing director of Grupo Herdez, Héctor Hernández-Pons, were among the key speakers who took part in the meeting.

One of the most hotly debated topics was which foreign markets to choose. Participants were advised to follow some “golden rules.” Among these were: don’t become obsessed by the size of the market, be aware of cultural differences, adapt the business model to each market, take a long-term view and be supported by a strong brand. Those taking part were also presented with the Vademecum on Food and Beverage Markets, a guide developed by IESE and Deloitte that lists the markets with the greatest potential for the food and beverage sector and which has been expanded to include new information about American countries.

The Mexico meeting follows in the footsteps of the well-established Food and Beverage Industry Meeting, which has been held in Barcelona over almost two decades. The new meeting has been adapted to the Mexican situation but both are selective in nature. “The idea is that this event should be exclusively for leaders of the Mexican industry,” said IESE Prof. Jaume Llopis.

1ST IESE-IPADE FOOD & BEVERAGE INDUSTRY MEETING

Mexico Weighs Up Its Food and Beverage Industry

Food and Beverage
What Will We Be Eating in 2025?

What will food and supermarkets be like in the future? How will digitization affect the food and beverage sector? Answers to these questions will be found at the 19th Food and Beverage Industry Meeting. The meeting, presided over by Prof. Jaume Llopis and organized jointly with Deloitte, will take place on the Barcelona campus on May 26.

Leaders from the sector will discuss the technological developments that are radically changing shopping habits, distribution channels and the properties of food itself. The new edition of the Vademecum on Food and Beverage Markets will also be presented.

The guide, which is only available to participants, includes a new Index of the Most Attractive Countries for Food and Beverage, accompanied by key facts about the principal markets. The meeting’s advisory board, comprising representatives of the Spanish food and beverage sector’s leading companies and professional associations, met in Madrid on February 19 to finalize the program for this year’s event.
The changeable price of crude, the rise of renewable energy sources and the emergence of other factors are readjusting the global energy order. This and other topics were debated at the Energy Industry Meeting.

The 12th Energy Industry Meeting, organized jointly by IESE and Deloitte, portrayed a sector that is undergoing a process of transformation. New extraction techniques, the low price of crude, international agreements to limit greenhouse gas emissions and the role of the consumer-producer are some of the factors driving this change.

Much of the debate focused on the fall in the price of crude and its impact on investment, as well as the revolution in gas and oil driven by the United States’ fracking and horizontal drilling program. The program has transformed the U.S. into a net energy exporter. This has changed the global geopolitical balance, leading Saudi Arabia and OPEC to interfere with the current oil price.

The director of the University of Texas at Austin’s Center for International Energy and Environment Policy, Jorge Piñón, predicted that the price of a barrel of crude would settle at between $38 and $52 this year and an average of $77 over the next five years.

It’s not just prices that are changing but also the global energy map. While the U.S. and China are taking a leading role, the European Commission is trying to push through the energy union policy during the current legislature. Prof. Gonzalo Escrivan, of the Real Instituto Elcano, said that European countries have to reach more than 15 percent of energy inter-connection by 2030 if they are to achieve a genuine single energy market.

FORTHCOMING CLIMATE SUMMIT

Another key factor is the Climate Summit due to be held in Paris in December, when it is hoped an international agreement on reducing greenhouse gas emissions will be reached.

Teresa Ribera, director of the Institute for Sustainable Development and International Relations, pointed out that Europe had almost single-handedly led the fight against climate change, adding that in recent years both China and the U.S. have become more involved.

Climate change has pushed renewable energy up the agenda and according to figures cited at the meeting renewables are expected to account for 31 percent of the energy mix by 2035. Energy consumers are another element driving change in the sector as they take on the role of both consumer and producer, as was pointed out by David Robinson, a researcher at the Oxford Institute for Energy Studies. Prof. Juan Luis López Cardenete, the meeting’s academic director, agreed, saying that “the client-generator consumes and produces and this is changing the center of gravity of the electricity supply system.”

The meeting on February 11 in Madrid, titled “The Future of Energy: Who Calls the Shots?” brought together top representatives of Spain’s energy sector, including José María Marin Quemada, president of the Comisión Nacional de los Mercados y la Competencia (National Authority for Markets and Competition), who opened the event, and José Manuel Soria, the Spanish minister for Industry, Energy and Tourism, who gave the closing speech.


**ARIEL KESTENS (GEMBA ’09) ON THE MBA COURSE ON SOCIAL ENTREPRENEURSHIP**

“In the end it’s about managing people”

- Every day Red Cross volunteers face a huge challenge: 85 million people urgently need help and a further 97 million require long-term support. Furthermore, if you need to work on a tight budget and overcome linguistic, cultural and political obstacles, training volunteers to cope with the situations they have to face is a difficult task.

But this is what **Ariel Kestens** (GEMBA ’09), head of training and research at the International Federation of the Red Cross and Red Crescent, does. Kestens talked to MBA students about the challenges of managing such a complex department during a session of the Social Innovation and Social Entrepreneurship Project led by Prof. **Antonino Vaccaro**. Through case studies and visits by well-known speakers, this MBA course has become a laboratory of ideas with the aim of creating companies that make a social impact while also being profitable businesses.

Kestens told his audience why he chose to go to IESE to complete his education. “I needed to improve my management and leadership competencies. At the time, I was in charge of a thousand employees and 10,000 volunteers. Ultimately, it’s about managing people, and I still had a lot to learn about that.”

**MORE INFORMATION:**
http://socialinitiative.iese.edu

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**CONTINUOUS EDUCATION PROGRAM WITH LISA HEHENBERGER (PHD ’10)**

**How to make a profit and a social impact**

- “Social businesses try to find creative solutions for problems for which solutions have yet to be found. It’s a fascinating, innovative and engrossing milieu where there are a lot of talented people,” **Lisa Hehenberger** (Ph.D ’10), research and policy director of the European Venture Philanthropy Association, said during the session “Can social impact investment bring returns?”

The session, which was moderated by Prof. **Alberto Fernández**, director of Finaves, was held on February 26 on IESE’s Barcelona campus.

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**One Step Forward for MBA&CO**

- The mediation services company MBA&CO, in which IESE’s seed capital wing Finaves III has a stake, recently received a capital boost of 2.2 million pounds (£3 million). The finance came from the British investors MMC Funds and the Piton Capital Venture Fund.

Established by IESE alumni **Daniel Callaghan** (MBA ’09), the company offers online mediation services for selecting MBA and PhD graduates for consultancy and management projects. MBA&CO will dedicate the new funds to the development and scalability of the product.
The Indra Chair of Digital Strategy has been established in recognition of the fact that information technology is no longer a functional area but a dimension that affects every aspect of the organization.

During the presentation, Josep Valor, IESE professor of Information Systems and holder of the new chair, was in no doubt that the digital revolution “is a tsunami that will affect every area of the economy, even those least associated with the technological environment.”

Valor said he believes that the digital area will produce “new business models that it will cost almost nothing to establish.” This is a revolution that will bring about a radical change in the rules of the game in the business world.

But the revolution has only just begun and “the digitization process is going to double in the coming years,” according to Javier de Andrés, the CEO of Indra. To begin with, the chair will focus on two main areas: the impact of intelligent infrastructures on companies’ business models and the data mining of social networks as a source of information (big data).
IESE AND CEIBS LAUNCH THE WORLD EXECUTIVE MBA PROGRAM

When the Whole World Is Your Office

In January 2016, senior executives with a range of global responsibilities will have the opportunity to join a new program specifically designed with their particular needs in mind.

The World Executive MBA, developed by IESE and the China Europe International Business School (CEIBS), has been created to help these executives to maximize their leadership capabilities as well as their understanding of the numerous factors that have an influence on business management around the world.

The program will be offered on the campuses that CEIBS and IESE have on different continents, enabling participants to share their international experiences with executives from a wide range of countries and backgrounds.

In order to make it easier for professionals from around the world to take part in the program, the format of the World Executive MBA will be blended and will combine residential modules on-site and online modules.

Furthermore, professors from both schools will be present at all of the centers.

A COMPLETELY INTERNATIONAL EDUCATIONAL EXPERIENCE

Franz Heukamp, IESE’s associate dean for MBA programs, commented that “together we have created a really global MBA, designed for executives with transnational responsibilities.”

For Prof. Nikos Tsikriktsis, who is responsible for the GEMBA programs at CEIBS, the World Executive MBA is “a very intense program, genuinely international, which offers senior executives a totally new learning experience.”

This is the latest in a series of projects that IESE and CEIBS have carried out jointly over the past 20 years. Others include the Global CEO Program, the Global CEO Program for China and the Ph.D Program.

MORE INFORMATION: http://theworldexecutivemba.com

IESE ROLAND BERGER INTERNATIONAL MBA CASE COMPETITION

African Forests: A Case to Resolve

Finding investors to make a forestry business in Africa profitable and sustainable was the subject of the case study on the company Green Resources analyzed by MBA teams at the 20th Roland Berger International MBA Competition. The event brought together representatives of 10 prestigious business schools on the IESE campus on February 26-28. The students got to know the company at first hand through the presence of its industrial manager Aadu Polli (GEMBA ’13). Polli joined the jury along with three partners from Roland Berger and praised the depth of understanding of the problem and quality of the observations made by all of the teams within the short space of time available.

As well as IESE, participating schools included the China Europe International Business School, Chicago Booth School of Business, INSEAD, Hong Kong University of Science and Technology, Kellogg School of Management, MIT Sloan School of Management, Ross School of Business, Tuck School of Business and the London Business School, whose students were the eventual winners.

MBA students from schools around the world took part in the competition.
“Traditional media businesses are dying and the new ones aren’t making the money necessary to sustain themselves. It is a time of turmoil and change.”

These words from Mike Rosenberg, academic director of IESE’s Advanced Management Program in Media and Entertainment (Media AMP), sum up the biggest challenge facing the industry: adapting to the disruptions created by globalization, digital innovation and changing user behavior.

“It used to be that the people found you,” says Alex Wallace (Media AMP ’11), senior vice president of NBC News, “but how do we find our audience today? And how do we provide them with the news they are going to find interesting?”

The Media AMP was created to help businesses navigate this shifting landscape, something which led Bennett Ruiz (Media AMP ’13), executive director of global marketing at AT&T Business Solutions, to the program: “I needed a really solid understanding of how my industry is evolving and where it is going,” he says.

**A WINDOW ON WORLD TRENDS**

Prof. Rosenberg explains that the AMP helps leaders take a broader view of the challenges facing their industries. “In many instances, C-suite media executives come from specialist backgrounds – they’re producers, editors, directors or content creators who now find themselves in the position of running their companies,” he says.

“We build on their expertise and help them get their head around additional skills and techniques.” According to Rosenberg, “participants come to IESE’s New York Campus from different regions and industry segments with a rich variety of perspectives to share. The program opens a window on competitive strategy, decision-making, leading change, digital disruption, intrapreneurship and other essential general management functions, and reveals how these are playing out globally.”

Participants benefit from Leadership Forums – a series of conversations with top movers and shakers from the media and entertainment industry. There are also vital peer-to-peer networking opportunities, as Live Content CEO Domingos Folque (Media AMP ’11) discovered: “I met my business partner for Mexico here on the Media AMP, which was fantastic,” he says. “To put it bluntly, the program has now paid for itself many times over.”

As Prof. Rosenberg points out, “change is always difficult, but having the tools to navigate in new terrain can turn turmoil into opportunity.”
**AGENDA**

### MBA 50th ANNIVERSARY

**MADRID, APRIL 29**
MBA Alumni Reunion.

**LONDON, MAY 18**
Speakers: Martin Sorrell, CEO of WPP Group, and Jordi Canals, dean of IESE.

**BARCELONA, MAY 23**
Five-year MBA (MBA, EMBA & GEMBA).

**MIAMI, MAY 28-29**
*Driving Sustained Growth: Opportunities and Challenges in the Americas.*
Speakers: Dr. Valentin Fuster, director of cardiology at Mount Sinai Hospital; Saúl Kattan, president of ETB; Stanley Motta, president of Inversiones Bahia; Lionel Olavarría, VP of BCI; Alvaro Morales, CEO of Santander Private Banking International; Susan Amat, founder of Venture Hive; Pablo Slough, head of Mobile Ad Solutions at Google and Mary Spio, president and co-founder of Vidaroo.

**LISBON, MAY 28**
Speaker: Prof. Francisco Iniesta.

**COPENHAGEN, JUNE 4**

**SANTIAGO DE CHILE, JUNE 18**
Speakers: Lionel Olavarría, CEO of the Bci, and Jordi Canals, dean of IESE.

**SAO PAULO, JUNE 19**
Speaker: Jordi Canals, dean of IESE.

**MUNICH, 29 JUNE**
Speakers: Franz Haniel, chairman of Haniel Group, and Jordi Canals, dean of IESE.

### FOCUSED PROGRAMS

**Getting Things Done**
Barcelona, May 11-14

**Managing Across Cultures: Achieving Outstanding Results in a Multicultural World**
New York, May 19-21

**Managing Corporate Growth: Alliances & Acquisitions**
Barcelona, June 30-July 3

**Developing Leadership Competencies**
Barcelona, May 26-29

**Excel in Leading Your Sales Team**
Barcelona, June 8-10

**The Fashion and Luxury Goods Industry: Gaining a Competitive Edge**
Barcelona, June 16-18

**Value Creation Through Effective Boards**
Barcelona, June 29-July 2

**High Performance & Creative Negotiator**
Barcelona, July 7-9

### Alumni Reunions

**MBA**
Madrid, April 29
MBA, EMBA & GEMBA
Barcelona, May 23

### INDUSTRY MEETINGS

**8th SALES AND MARKETING OFFICERS MEETING**
Madrid, May 12

**19th FOOD & BEVERAGE INDUSTRY MEETING**
Barcelona, May 26

**6th CHEMICAL INDUSTRY MEETING**
Barcelona, June 9

**21st ICT & DIGITAL MEDIA INDUSTRY MEETING**
Barcelona, June 16

**1st CHIEF FINANCIAL OFFICERS MEETING**
Madrid, July 9

Program dates are subject to change. For the latest information see: [www.iese.edu/agenda](http://www.iese.edu/agenda)
Alfonso Sánchez-Tabernero, President of University of Navarra

“Where did you study? That’s what shapes you”

He was born in Salamanca in 1961 to a family with close ties to the countryside and the university. He opted for academia, where he has had a brilliant career, and in 2012 he became the first alumnus to be named president of the University of Navarra. Three years later, we talk to him about the challenges of the university in a rapidly evolving world, in the newly opened Museum University of Navarra.

Alfonso Sánchez-Tabernero (PDG ’97) holds a Ph.D. in information science from the University of Navarra. He has been a professor of media companies and media information structure. He has directed the master’s degree course in media and entertainment management and has served as vice dean of the Department of Social Sciences of Information at the University of the Basque Country. From 1996 to 2005, he was dean of the School of Communication at the University of Navarra and in 2007 earned a full professorship.

He is also an IESE PDG graduate and has collaborated with institutions and universities such as the European Institute for the Media (Dusseldorf, Germany), the Manchester University, Northwestern University in Chicago,
the IESE Institute for Media & Entertainment in New York and the European Media Management Education Association, of which he was president from 1998 to 2004.

**What role should the University of Navarra play in this complex world?**
The University of Navarra should aspire to be a good university. A good university essentially does three things: educates its students, produces research and serves society. We must aim to do this well, as well as possible, in keeping with our educational mission.

**How can the university match up to the likes of Harvard, Stanford, Cambridge and Oxford?**
We have been heading in this direction for a while now. We have already moved up in some rankings in recent years, although I do not believe rankings should be the focus of someone leading a university. Rankings should be the result of a job well done.

It is important to look at what the world’s premier universities do well, and try to adapt to that. Although what is really impossible to replicate are the centuries of experience. We are young and we have to be ourselves — not a poor imitation of someone else.

We have our own style, principles and way of educating. Our core is formed by the guiding principles of Christian thought, and I believe this is a distinctive feature that gives us consistency and makes us recognizable in the market. So, if we imitate the good qualities of these great universities and promote what makes us unique, we can compete on the same level as the top universities in the world.
MUSEUM UNIVERSITY OF NAVARRA

- 11,000 square meters on three floors.
- €22 million investment.
- 12 exhibit halls and an auditorium for 700 spectators.
- 47 works bestowed by María Josefa Huarte Beaumont.
- 10,000 photographs and 100,000 negatives from the university’s photo collection.
- 200 Friends of the Museum.

1. King Felipe and Queen Letizia of Spain; Yolanda Barcina, president of the Chartered Community of Navarra; José Ignacio Wert, minister of education and culture; and Alfonso Sánchez-Tabernero, president of the University of Navarra.

2. The King and Queen of Spain visit the museum after presiding over the opening ceremony on January 22.

3. King Felipe of Spain visits the exhibition of José Ortiz-Echagüe’s legacy, together with Jaime García del Barrio, director of the museum, and curator Valentín Vallhonrat.

4 & 5. The museum, designed by architect Rafael Moneo, houses works by Pablo Picasso, Wassily Kandinsky, Mark Rothko, Eduardo Chillida and Antoni Tàpies, among others.
How would you like the University of Navarra to be in 2050?
I would like it to have the same concern for each student as it does now. And for it to be a university with as many dreams as it has now. But I would also like it to have more research centers, more international students, and a greater reputation and renown. I’d like it to keep doing what it is doing, stay true to its roots, but also mature and develop its ability to serve society.

How do you educate young people so that they are aware of the responsibility they have?
We educate in countless ways. We could almost say that the most important part of the university is what happens outside the classroom. We educate with what happens in a classroom, with advice, with a professor’s availability, with the promotion of volunteer work, with the initiatives of the residence halls, with seminars, with the entrepreneurs club, through the Museum of Contemporary Art, through the preservation of the university surroundings. People learn to respect people and things because they are cultivated in an environment of respect.

What is today’s generation of graduates like?
They are children of their time. This means they have traveled more than the previous generation, they are much less interested in politics and are more in tune with visual culture. But they are perhaps less tolerant of frustration, because they have had to face adversity fewer times, or less overwhelming adversity. However, what the university must do is consider, based on the profile of the incoming students, what it needs to do to maximize the added value. If we live in a somewhat individualistic society, we must promote volunteerism. If society seeks security, we have to encourage a willingness to take risks and a zeal for entrepreneurship.

Are they optimistic about the changes they will bring about?
University of Navarra students have above average levels of optimism. Not because they are unaware of the life’s difficulties, but rather they know that with effort and help from others, things may improve.

How do you manage to preserve the essence of the university with degrees ranging from the humanities to engineering?
We have a core group of subjects that are taught throughout the university: on anthropology, ethics and the keys of contemporary culture. We also have a corporate culture that constantly reinforces the fundamental messages of the university, such as prioritizing people over things.

And this makes a University of Navarra alumnus different? How so?
I think that in general the people who come out of the University of Navarra are educated, flexible, with a capacity for work, a spirit of entrepreneurship and of service and affection for the place where they studied. And, fortunately, some of these things can be measured. For example, in our case, 16 percent of alumni are paying members of the alumni association, a far higher percentage than that of any other university in the region.

Why a museum at the University of Navarra?
We are always asking ourselves what we need to do to make the University of Navarra one of the best places in the world to study. This is the big challenge of the university. We have already done so much to achieve that, and the museum is one more step forward. It is the focal point of the cultural life on campus. We want to develop educated people, who read and are interested in the cultural trends of their time. Secondly, it will be a great platform to promote interdisciplinary research, such as creativity and entrepreneurship, or neuroscience and creativity. Thirdly, it must serve society, providing a place of learning, a place for enjoyment.

Does undertaking a project like this in a time of uncertainty mean having no fear of risk?
Of course we fear risk, but that is outweighed by our passion for starting new projects. Because we also know that the riskiest thing is to do nothing, to just sit idly with one’s arms crossed. The university has to be brave, innovative and must originate change.

What were your feelings on opening day?
I felt joyful and proud to work for an institution with such a great spirit of adventure. St. Josemaría said: “Dream, and your dreams will fall short.” Here we dreamt and, indeed, what we see in the museum is far more interesting than what we could have imagined. We never expected to have the kind of attendance, media impact or support that we’ve had.
What is the purpose of the university having a management school?

IESE is really one of our main flagships. It gives us a great reputation and is helping us greatly in the internationalization process in which IESE was a pioneer. We work on many educational and research projects with IESE. To me, it is a great asset of the university, which adds excellence to teaching, highly interesting lines of research, an international profile and visibility.

How does the University of Navarra adapt to the needs of businesses?

Our students are looking for two things: good education and good employment opportunities. Good education depends on the quality of the teaching, whereas employment is related, in large part, to the relationship with companies. This is why we seek so much advice from companies on ways to approach teaching. We organize job fairs, hold regular meetings and many people from companies take part in our post-graduate programs. The relationship is very intensive, steady and friendly; this is reflected in our employment data, which are also very good.

How do you contribute to companies with research?

The university’s professors spend half of their time teaching and the other half on research. This is why we have always been strong in this respect. A few years ago we decided to take another step, to launch research centers. We have a large group of people focusing almost exclusively to projects, funded either by the industry or by donations from individuals and institutions, working as a team to address issues and challenges that are relevant to society.

What would you say to a parent who needs to offer advice to their son or daughter about what to study and where?

The first thing I would say is that it’s important to get it right, and that requires time and effort. It should not be a frivolous or poorly thought-out decision.

Then, I think the student should stop and ask the question: “How am I going to stand out?” Because if I study something with lots of career options but it’s something I don’t like, I won’t enjoy it and it won’t go well for me. And then it’s also important to recognize that it is very difficult for someone to know at age 18 what they should do in life. Lastly, parents may give advice, but they must not try to get their son or daughter to study something they wish they would have studied themselves.

I would say that where a person studies is just as important as what they study. And I think that we are going to evolve from the typical Spanish question of, “What did you study?” — because that is to find out what makes a person different — to the typical question in the Anglo-Saxon world, as in the United States or the UK, which is: “Where did you study?” — because that is what shapes you.
The Profit Booster Lab is a Top Management Strategic Tool that, through strategy, provides the mechanisms not only to improve profits in a dramatic way but also to transform organizations into outstanding, constant and happy profit seekers.

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RECOGNITION OF EXCELLENT SCHOLARSHIP

- Profs. Víctor Martínez de Albéniz, Gaizka Ormazabal, Heinrich Liechtenstein and Rob Johnson have been honored in the 2014 Research Excellence Awards, given by IESE’s Alumni Association. The jury awarded two articles in journals and a finance course for entrepreneurs completed during the 2013-2014 academic year:
  - Víctor Martínez de Albéniz, for his article “Split-Award Auctions for Supplier Retention,” published in Management Science. The author proposes a model of auction in which, unlike those involving a single bidder, the bidding price determines what part of the business goes to each of the suppliers.
  - Gaizka Ormazabal, for his article “Proxy Advisory Firms and Stock Option Repricing,” published in the Journal of Accounting & Economics. The article debates whether or not to follow the advice of proxy advisors.
  - Profs. Heinrich Liechtenstein and Rob Johnson, for the MBA course “ENFI Financing Entrepreneurial Opportunities,” which analyzes the entrepreneurial process within the financial sector.
  
  On behalf of the winners, Prof. Ormazabal expressed his gratitude for the award and stressed that research must be a priority for every institution “that aims to nurture the progress of our society.” According to the professor, it would not be possible for the faculty to transfer knowledge without learning from the environment. “We must try to improve the world by understanding it better, recognizing the principles governing it in order to be capable of taking the appropriate action, and staying true to our moral principles,” he said. Likewise, in order to transfer knowledge, it must first be generated. “The fact that the Alumni Association decided to create these awards is a perfect example of encouraging not only transferring but also generating knowledge in our school,” he added.

The jury, comprising professors and representatives from the Alumni Association Committee, bases its academic assessment on the international prestige of the publications, the social impact and the use of original material, among other criteria. These awards are endowed with €10,000 each and are given out annually.

“We must try to improve the world by understanding it better”
The IESE Alumni Association has re-elected Jorge Sendagorta as its president. Sendagorta’s mandate is thus extended by another three years, as he took up the position in 2012. The election was held during the meeting of the Alumni Association’s Governing Council on February 9, which brought together class presidents and secretaries from round the world, as well as chapter representatives.

Jorge Sendagorta is president and CEO of the technology and engineering company SENER, one of the leading engineering family businesses in Spain. Sendagorta, who graduated from IESE’s PADE program in 1990, joined the family-run business in 1986 and created one of the most important business groups in the Basque Country. He studied naval engineering and has a doctorate in hydrodynamics.

One of Sendagorta’s contributions as president of the Alumni Association has been the launch of the entrepreneurship platform, which was “created to facilitate alumni’s access to IESE’s entrepreneurial tools.” He oversaw the redesign of the alumni website, “making it easier to access information and content as well as the Association’s services,” he says. He has also been a driving force behind the internationalization of the Alumni Association. As a result, in 2012 the Global Alumni Reunion was for the first time held in Latin America and was attended by more than a thousand alumni. In 2015, the reunion will be held in Munich.

SUPPORT FROM ALUMNI

Sendagorta said that “these new projects, as well as others that have been consolidated, wouldn’t be possible without the encouragement, contribution and help of the alumni who make up this great community.”
“There’s Too Much Short-Term Politics”

“THERE’S TOO MUCH SHORT-TERM POLITICS”

Steve Jarding, professor of Campaign Management at Harvard Kennedy School of Government, who is one of the leading authorities on international political strategy.

With three decades’ experience on the front line of U.S. politics, Jarding said that politicians should focus on serving their constituents, in particular those who are most often overlooked. This will give politics legitimacy once again, he said. “Great leaders usually share the idea that together we can change the world and, in spite of the fragility of our democratic system, I firmly believe in it,” he added.

Jarding was taking part in IESE’s Fifth Communication, Leadership and Campaign Management Program in which he discussed how to get your political message across and how to run a successful electoral campaign.

More Information:
http://www.iese.edu/campanaselectorales

“Economic Success Comes From People”

“ECONOMIC SUCCESS COMES FROM PEOPLE”

Olafur Ragnar Grimsson, Icelandic president.

“A modern economy is not built on relationships between companies and financial institutions; it’s built on its community of people,” said Olafur Ragnar Grimsson during his visit to Barcelona on February 18. He said that by developing policies that focused on giving people more confidence, people have found a way to move forward. “Democracy is a powerful economic force in itself and a successful economy is about people.” The Icelandic economy “has made a 180º turn” since it faced the economic crisis, Grimsson said.

Eight Pieces of Advice on Your Career

Helmut Ludwig, executive vice president of digital enterprise realization at Siemens, gave a session in which the underlying theme was good leadership.

Ludwig listed eight keys to a successful career:

1. Know how to take criticism.
2. Get out of the office to understand the world better.
3. Don’t forget that your company could be your client.
4. Keep calm, look for opportunities beyond your core business.
5. Make firm decisions.
7. Always have a goal on the horizon.

The session was held in Madrid on November 7.

Helmut Ludwig, executive vice president of digital enterprise realization at Siemens.
WOLF DISCUSSES THE WORLD ECONOMIC SYSTEM

Martin Wolf: “Banks Are Still Much Too Big to Fail”

Martin Wolf, head of economic analysis at the Financial Times, visited IESE on January 27, when he gave a talk on the various causes leading to the recession, claiming that globalization was a key factor.

According to Wolf, who is regarded as one of the most influential financial journalists in the world: “It’s mad to run a global economic system on the basis that poor countries with good investment opportunities should be advised to export capital to rich countries with mediocre investment opportunities. It should be the exact opposite,” he claimed.

As for the situation in Europe, Wolf expects to see a series of debt write-offs in the next four years. Greece, needless to say, is likely to be a pilot scheme.

He also gave a warning about the extent of banking concentration. “Banks are still much too big to fail, but it’s difficult to persuade them to stop taking risks if they know they’re going to end up being rescued,” he concluded.

JEROEN MERCHIERS (EMBA ’09), CEO AT AIRBNB

“We Are Changing the Philosophy of Ownership”

With the aim of providing some clues to the success of Airbnb, Jeroen Merchiers (EMBA ’09), the company’s CEO in northern, southern and eastern Europe, as well as Russia, took part in a session on the Barcelona campus on January 23. Merchiers described how collaborative consumption forms the basis of Airbnb’s business model.

“We are changing the philosophy of ownership to the ‘I don’t need to own my own car’ approach. We want to be active players in this type of consumption,” he said. The human aspect underlies the company’s popularity and success because users seek a personalized experience, but also a safe and reliable technological platform.”
The European economy lost some momentum in the second half of 2014, prompting some to proclaim the decline of the European project, at least in terms of how Germany has led it over the past few years. The outlook is good for the United States, although there is concern about a recovery without employment or sustainability of an economy that continues to grow thanks to foreign capital and expansion policies, the final phase of which is still unclear. Emerging countries have experienced some fluctuations, although not so small in some cases. At this session, organized at the offices of the Boston Consulting Group, Prof. Antonio Argandoña analyzed this context and the challenges posed to the different economies of the world.

The effects of new technologies have had a substantial impact within organizations. During this conference, Prof. Eduardo Fracchia identified some of these changes, offering different alternatives to use them in a positive way and thereby enhance the results of the organization. The event took place at the campus of IAE Business School in the Argentine capital.

The alumni did not want to miss the Christmas dinner organized by the Peru chapter, which is presided over by Hugo Alegre (MBA ’91).

The PAD campus in Lima hosted a discussion of the “Ignacio Valente” case study, by PAD Prof. Manuel Alcázar. In an environment of deep crisis and plummeting sales, executives debated which decisions to make to achieve a greater level
of commitment and loyalty among workers.

**London**

**DECEMBER 4**

- Prof. **Pedro Videla** led the session “Top Macroeconomic Worries” for alumni in attendance at the Cervantes Institute in London.

**FEBRUARY 26**

- The alumni enjoyed a session at the offices of LinkedIn’s London facilities led by **Vernon Bubb** (MBA ’03), head of LinkedIn Enterprise Sales Solutions for EMEA; **James Courtney**, senior talent acquisition partner at LinkedIn; and **Christian Dougoud**, sales product consultant for EMEA at LinkedIn; and Prof. **Mike Rosenberg**, focusing on new trends in the management of professional development, and how social networks have revolutionized the recruiting process. The speakers analyzed how LinkedIn plans to create the first global economic map, how to optimize and improve one’s profile to stand out from the crowd, and which tools and techniques are used by the top recruiters and hiring managers to identify talent. Special thanks to **Vernon Bubb** and LinkedIn for their collaboration in organizing this event.

**The Hague**

**DECEMBER 1**

- At a very special event in The Hague, part of the 50th anniversary celebration of the MBA program, the alumni welcomed the president of Unilever Europe, **Jan Zijderveld**. There was discussion on the situation in Europe, which faces macroeconomic challenges that translate into a very sluggish economy or even non-existent growth. However, it was made clear that thanks to its financial potential and human capital, Europe will remain an important market. Through his direct experience and special perspective, **Zijderveld** explained how his company is handling this new environment, at a conference moderated by Prof. **Franz Heukamp** that also included the participation of the Spanish Ambassador to the Netherlands, **Fernando Arias**.

**Sao Paulo**

**DECEMBER 11**

- After his stop in Santiago (Chile), Prof. **Javier Zamora** gave a lecture titled “Tying Up Loose Ends with Big Data: Looking for a Needle in a Digital Haystack” in Brazil.

**FEBRUARY 5**

- Analysis of global macroeconomics, with a focus on Latin America, was the center of the conference led by **Fernando Honorato**, chief economist at Bradesco Asset Management, and Prof. **Pedro Videla** at the ISE campus in Sao Paulo. With an audience of over 100 alumni and guests, they discussed such issues as the situation in Greece, the effects of the ECB’s purchase of securities and the impact of the increase in interest rates by the United States on emerging countries, especially in Brazil.
Globalized world: Leverage differences for business results,” which included analysis of the additional competencies that leaders must now develop to deal with a growing level of diversity and complexity in the decision-making process.

Düsseldorf
JANUARY 14
Prof. Christoph Zott led his first session on social entrepreneurship in Düsseldorf, under the title “The Power of New Models.” Through the case “GK – Building Businesses in India,” he asked attendees to identify the best...
of the three business models through which Gopala Krishnan, an Indian entrepreneur, aimed to solve some of the most serious social problems in his country. In fact, in March of last year he launched InmunizeIndia, which saved the lives of thousands of children in India in 2014. The topic was of great interest among the alumni, who traveled all the way from Essen, Rotterdam and even Munich to attend the meeting, which was organized in collaboration with Bird & Bird.

Shanghai
JANUARY 15

Brussels
JANUARY 19
The regional chapter of Belgium invited its members to celebrate the 2015 New Year with a dinner.

Miami
JANUARY 21
Prof. Pedro Videla offered an analysis of the global economic context at the alumni meeting in Miami.

San Francisco
JANUARY 21
Alumni responded enthusiastically to the invite for the meeting of the United States Chapter at the Computer Science Museum in Silicon Valley. Here Prof. Javier Zamora led the talk on “Building Successful Companies in the Digital Age: A Silicon Valley Perspective.”

Geneva
JANUARY 23
Following his visit to meet with alumni in Zurich, Prof. Antonino Vaccaro went to Geneva to give another lecture on the subject of “Global criminal networks. How organized crime affects our business.”

Andorra la Vella
JANUARY 28
Prof. Pedro Videla analyzed the economic keys to shed light on the year 2014 and what outlook lies ahead. He looked back on the year that just ended with a two-fold perspective: the economic situation internationally and in Europe. This activity was organized in collaboration with the “Crédit Andorra” Chair of Markets, Organizations and Humanism.

Toronto
FEBRUARY 4
Alumni met at the offices of KPMG in Toronto for the session titled “For all the noise, do shareholder activists create shareholder value?” led by Prof. Jan Simon.

Basel
FEBRUARY 4
Basel hosted the year’s first Bar of the Month event for the regional Swiss chapter, directed by Bence András (AMP Munich ’07).

Warsaw
FEBRUARY 5
Prof. Sebastian Reiche talked about the needs of a global leader to alumni in Warsaw.

Amsterdam
FEBRUARY 12
Prof. Núria Mas gave a talk and engaged in discussion with alumni on the key economic trends for 2015.

Tokyo
FEBRUARY 26
In a session organized in collaboration with Academyhills and Eiji Press, and based on his book, Innovation as Usual, Prof. Paddy Miller told alumni how to incorporate innovation into organizational processes.
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-MUNICH-13. Alumni from that year traveled from Germany, other parts of Austria and Switzerland to attend a special event organized in Vienna by Christoph Ulmer, partner at Gradus Proximus Corporate Advisors. The event included a presentation on “Management by Objectives in Public Services” by Dr. Clemens Martin, director general of Austria’s Ministry of Health.

EMBA ’97
Juan Saborido has been named Regional Manager of Coface in North America.

GCP 2014 | MBA-88
The Board of Directors of Chile’s Compañía General de Electricidad (CGE) named Antonio Gallart, formerly managing director of resources at Gas Natural Fenosa, as the new CEO.

MBA ’88
Kim Faura, who has been president of Telefónica in Catalonia since 2005, will expand his role to include the Community of Valencia, the Balearic Islands and Murcia.

MBA ’81
José Antonio Garvía Benavente is the new managing director of Sales and Marketing at Bultaco.

MBA ’90
Maria José Amich was one of the nominees for the 2014 Prémio Mulher de Negócios award by the magazine Máxima.

MBA ’91
The Executive Committee of Grupo Zeta has named Gema Arcas sales director for the company’s magazine unit.

MBA ’96
Alberto Durán (also PADE ’08) was named chairman of the board of directors for ILUNION Foundation and deputy adviser to the president for Cooperation and Institutional Relations at the General Council of ONCE.

MBA ’97
José Álvarez Alborn was named general manager de Roquette Laisa.

MBA ’98
After the merger of Natraceutical and Reig Jofre, Ignasi Biosca was named CEO of the new company.

MBA ’99
Victor Allende is now head of corporate governance for CaixaBank’s Private and Personal Banking division.

MBA ’08
Carlos Galindo is the new director of advertising for Volkswagen Spain.

MBA ’09
The insurance comparison site Acierto.com recently named Juan Láriz its new president.

MBA ’12
Nina Seghatoleslami was named associate of the Corum Group.

PDG-IV-99
Rafael Gasset was named regional operating officer of Metro Cash & Carry for Eastern Europe.

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WELCOME TO THE ALUMNI ASSOCIATION
EXECUTIVE EDUCATION
GRADUATIONS

AMP-Brasil-14. President: Lucio Reiner Portela Vaz de Oliveira • Vice President: Isabella de Oliveira Vianna C. Wanderley

PMD-2-Brazil-14. President: Ronaldo Lorenzo • Vice President: César Garcia Gimenez

PLD- Barcelona -15- Fall Edition. President: Alejandro Calderón • Vice President: Tuba Senoglu
The desire to excel is a constant for the IESE Alumni Association. This was the affirmation made at the meeting of its Governing Board on February 9. The class presidents and secretaries and the presidents of the regional chapters all took part in a simultaneous meeting from the campuses in Barcelona and Madrid, along with the president of the Association, Jorge Sendagorta, its new director, Javier Muñoz, and the dean of IESE, Jordi Canals.

Newly planned initiatives were announced at the meeting. The Association will renew its efforts to offer a wide variety of continuing education opportunities, and drive innovation by adding new formats, both face-to-face and online. It will also continue to concentrate on value-added services, such as personalized advice, when it comes to supporting the professional development of its members. In 2015, the Alumni Association will also promote increasingly digitized and personalized communication.

Another highlight from the meeting was the re-election of Jorge Sendagorta (PADE ’90) as Association president. Sendagorta, who was elected in 2012, will remain in the position for another three years. Over these past few years, the president and CEO of SENER has focused on projects such as the internationalization of the Association’s activities and the platform for fostering entrepreneurship. In fact, this was one of the topics that aroused the most interest among the participants at the annual meeting, who also made inquiries and offered suggestions on various subjects, such as the school’s scholarship program or mentoring service. The main event for all alumni, the Global Alumni Reunion, which will take place in Munich on October 16-17, was another topic of interest among attendees.

IESE Dean Jordi Canals presented the school’s projects and reminded the alumni of the importance of participating in the activities of the Association. “This is a way for us to support IESE and contribute to making the positive impact on society that the institution promotes,” he said.

After reviewing the key milestones and presenting the annual report of the Alumni Association, the meeting concluded with the awarding of Research Excellence Awards to IESE professors Víctor Martínez de Albéniz, Gaizka Ormazabal, Heinrich Liechtenstein and Rob Johnson.
THE ALUMNI ASSOCIATION IN NUMBERS

41,257
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The Sharing Economy:
An Ocean of Unconscious Cooperation

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The growth of the collaborative economy is becoming harder to ignore. Take Uber, the San Francisco-based Internet firm offering ride-sharing. Taxi drivers everywhere are uniting against it, taking the firm to court, securing bans and organizing protest marches... all of which generates more publicity for Uber. With a market capitalization nearing that of Hertz and Avis combined, Uber is a success story of the peer economy, as is Airbnb, which allows people to rent out spare rooms to strangers, and enjoys a capitalization in the billions. LeftoverSwap allows you to share the surplus noodles you ordered, and DogVacay lets owners leave their dog with a carer... there are myriad such businesses sprouting all over the globe.

Critics of collaborative consumption claim that the hype is undeserved, and that the business model is largely based on evading regulations and breaking the law, and they argue that peer services are unfair competition to conventional companies, bound by higher regulatory standards. What is undeniable, however, is that the ways these businesses use new technologies drastically reduces transaction costs. Uber and Airbnb can offer traditional goods and services more efficiently to a larger market.

This idea goes back to 1932, to a lecture given by a 21-year-old professor called Ronald Coase. In his paper “The Nature of the Firm,” he answered some of the fundamental questions in economics. If the market is an effective tool for striking bargains and setting prices, why does it not dominate all economic activity? Why are some interactions internalized in large enterprises? Or, why do firms exist? The answer, Coase argued, lies in the importance of minimizing transaction costs, the costs of searching for the right deal or avoiding opportunistic post-contract behavior. In place of expensive spot bargaining, a firm can reduce costs by setting up long-term contracts. And, citing D.H. Robertson, he suggested that this is why we find “islands of conscious power (firms) in the ocean of unconscious cooperation (the market).”

Later in life, Coase observed how the Internet drastically altered the balance between them. The Internet reduced transaction costs in the market more quickly than technology did in firms.

A SHIFT IN HOW WE COOPERATE

The new technology radically changed the optimum size of firms. More activities were left up to the market, and therefore outsourcing became widespread in several industries. Besides, it made it profitable to use idle resources, such as empty rooms and unused cars, and this created competition, extended markets, and jeopardized some industry structures.

Technology also enabled crowd-based ratings at low marginal costs. Before the rise of technologies that made it possible for Uber, Sidecar and Lyft to exist, the taxi industry was able to argue that regulations prevented customers from being ripped off and safety requirements violated. Customer ratings overcome these issues. After all, would you be more confident having a cab driver with a long list of good reviews or one with a license issued by your local bureaucrat?

So the sharing economy has not birthed many truly novel services, but has harnessed technology to connect buyers and sellers who otherwise would not have connected. This is not the end of capitalism as we know it. The sharing economy is just a fundamental shift in the way individuals cooperate. We should not, however, underestimate its impact and the challenges it poses. One is that the existing regulatory structure is not well suited to the coming world. Another is that these changes do, in fact, result in winners and losers.

Stay tuned, because the sharing economy saga is only just beginning.

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