

Sandra Sieber
Facebook Futures
More Than Just Good Friends

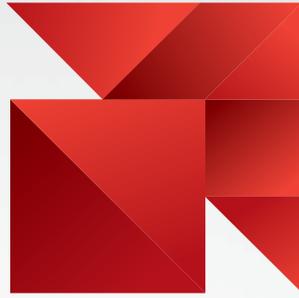
Victor Martínez de Albéniz
Supply Portfolios
Can Minimize Risk

Cosimo Chiesa
Optimizing Sales
In Times Of Crisis



TALENT CONTEST **LEARNING FROM DIVERSITY**

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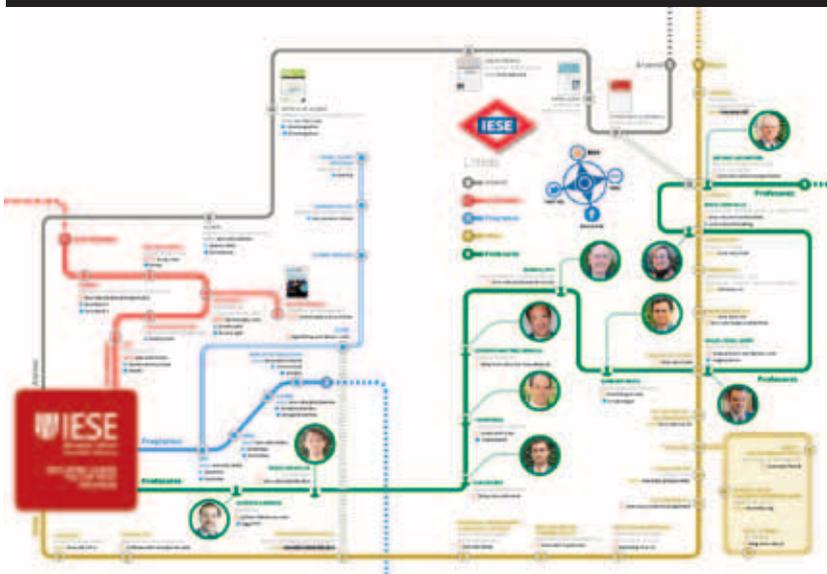
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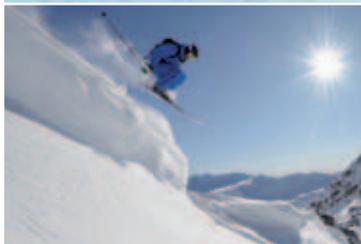
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IN PURSUIT OF NEW OPPORTUNITIES



ANTONIO ARGANDOÑA

Editor of
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argandoña@iese.edu

The rules of the game are changing. We already knew that, but the problem is knowing what we have to change now. At IESE we've been going around and around this question and a few weeks ago we took the opportunity at the meeting of the International Advisory Board to discuss the topic with a range of leading academics, business people and people from the media. You can read a summary of what was said on pages 8-15.

Meanwhile, this time of year reminds me of when I was a student, when I had to spend hours studying for exams in the face of the temptation to go out and play. I mentioned this a few days ago with some graduates of the 2011 Executive MBA course who said they now had to give back to their families the many hours they had "stolen" from them during the almost two years of the program. It wasn't theft, I said, but rather a loan: let me study now and I'll pay you back later. Will they be able to do it now?

The economic climate is not good, not in Spain or in other countries. But I have the impression that we've got past the stage of mere survival (can I keep my business alive faced with falling sales, rising costs, fierce competition, high debts, uncertainty?) but we have not yet entered a period of growth (where are my new projects, the opportunities created by the crisis?). Perhaps this is a good moment to broaden our outlook. In this edition of the *Alumni Magazine* we offer you some ideas.

Sandra Sieber talks about social networks and the opportunities they create for businesses. The challenge is for the business to create a unique interface with users. **Víctor Martínez de Albéniz** invites us to create a portfolio of competing suppliers. The challenge here is to treat each provider in a different way. **Cosimo Chiesa** suggests a checklist of our clients which would be a good way of filling the summer hours that will soon be with us, at least in the Northern Hemisphere. **María del Pino Velázquez** reveals the secrets of a successful entrepreneur, and there is much more news and information of interest. And don't forget to send us your suggestions and comments, because the *Alumni Magazine* is also created by you.

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TALENT CONTEST:

LEARNING FROM DIVERSITY

STEPHEN
BURGEN

On April 7–8 Barcelona’s IESE campus hosted a meeting under the title “Globalization and Leadership Development in an integrated world. The role of companies and business schools.” Many issues were addressed as it became clear, despite the hundreds of books on the subject, that there is not even a working definition of globalization. How does the present phase of globalization differ from that of the 19th century when London dominated the world economy? It is generally viewed as “a good thing” but how are business schools addressing it? Are they using the right tools or are they entrenched in teaching derived from the American model of capitalism? The conference returned time and again to the issue of talent development, with several speakers insisting that the number one issue in emerging markets is skills and talent.

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IESE Dean **Jordi Canals** opened proceedings by saying that the focus of the conference was the growing concern among senior executives and business schools that so-called emerging economies are somehow changing the rules of the game, in terms of how they think of leadership development. Each session of the conference was designed to examine this from a different angle, he said.

Canals said that perhaps schools focus too much on soft skills and added that they need to learn to deal with other cultures and different ways of doing things. He said that schools need to work with and learn from companies more than they do at present. “What worked in the past may not work in the future,” he said. “In the business world, we must stand for principles and everyone should know what they are.”

The first session on how business schools are coping with the challenge of the globalization of business education was moderated by **Aaron Heslehurst**, a presenter on BBC World. With five business school deans on the panel for this and the ensuing session, the tone was set for the

day. **Ted Snyder**, the dean-elect of Yale University School of Management, said he believes the MBA is still the best-designed degree for business people, but that schools’ global programs have been limited in scope. He said that competition between schools emphasizes quality, not quantity, but that management education is very fragmented, with more than 13,000 accredited business schools in the world.

During the 100 years that business schools have been with us, the focus has shifted through colonialism to capitalism to the present, where it has shifted to human capital development, which puts business schools in the driving seat, according to **Dipak Jain**, the dean of Insead. He agreed with **Canals** that schools need to move from theoretical models to experiential global learning. Business schools should learn from medical schools, he said, where doctors have to go through a period of practical training. Schools have to attract leaders who are going to make an impact of lasting significance and not just achieve personal success. “We are paying lip service to social responsibility and not taking it seriously,” he said.

The following session was moderated by **Adrian Wooldridge** of *The Economist* who outlined what he



called five myths about globalization: that geography doesn't matter and you can sell the same product everywhere; that politics are irrelevant because we are dominated by multinationals, despite the fact that the State plays an important and intrusive role; that globalization represents the triumph of big companies, when in fact it makes the world more comfortable for small businesses; that it is inevitable and irreversible, whereas it can go into reverse, as happened with the outbreak of the First World War and, finally, that globalization means the triumph of Western business and values.

MANAGEMENT DEVELOPMENT

● The task force into how globalization was being taught in business schools was chaired by **Robert F. Bruner**, dean of Darden School of Business. "We don't really know what most of these 13,000 business schools are teaching," he said, adding that one model for globalization doesn't fit all. Schools impart knowledge but effective management requires other skills such as social awareness and being a rounded individual and a person capable of motivating others and working in teams, he said. Schools think of manage-

“THE NUMBER ONE ISSUE IN EMERGING MARKETS IS SKILLS, IT’S PEOPLE. THIS IS THE REASON I’M HERE AT THIS EVENT TODAY.”

Bruno Di Leo, IBM.

1. Xavier Coll, Christian Finckh, Francisco Fernández de Ybarra, Christine Scheffler, Bernardo Quinn and Prof. Carlos Sánchez-Runde.
2. Dipak Jain.
3. Ted Snyder.
4. Aaron Heslehurst.

5. Antonio Gallart, Tim MacNicholas, Prof. Julia Prats, April Samulewicz, Didier Tisserand and Juan I. Apoitia.
6. Prof. Jordi Canals.
7. Adrian Wooldridge.
8. Robert Bruner.
9. Pankaj Ghemawat.

ment training but what they need to think of is management development.

IESE's **Pankaj Ghemawat** commented that people have an exaggerated idea of just how extensive globalization is, with many countries' trade concentrated on near neighbors. He pointed out the United States' biggest trading partner is Canada, followed by China and Mexico. "We operate in an environment in which there is broad agreement that globalization is good," he said. "But are we equipping students to deal with what is in fact a contested concept?"

The morning session was rounded off by **Bernard Yeung**, dean of the National University of Singapore, who said that Asia suffered from a lack of available talent. On the one hand, he said, you can't transplant U.S. and European business management and practices and expect them to work, because they won't, while on the other, many Asian cultures are held by a lack of aspiration and an obsession with an exam culture that discourages innovation.

MAPPING ABILITIES

● In the afternoon session, moderated by IESE Prof. **Julia Prats**, HR executives in charge of placing high-level executives discussed the hurdles they often face in emerging markets. **Timothy McNicholas**, vice president of corporate development for Siemens, said his company is looking to hire 5,000 people in China next year, of which 2,000 will be white collar jobs. His department oversees the top 300 jobs within Siemens, also determining successors for each post. Through capability maps, Siemens tracks the individual strengths of each person, and most importantly, what motivates him or her, he said. The goal is, first of all, "to put the right person in the right job," then plan for their development and support them in being successful.

Zurich Financial Services's global head of talent acquisition, **April Samulewicz**, stressed how recruiting and managing talented executives in emerging markets is "a different game." Executives who may have been highly successful in developed markets face completely different obstacles in emerging ones, and may not be prepared initially. Zurich vets managers who are "fit for purpose" and show "speed for purpose" in high-growth areas, she said.

The day ended with a session entitled "Globalization, International Strategies and Leadership Development," which discussed how fostering leadership in globalized markets involves navigating a world that is riddled with paradoxes. How do you develop leadership competencies in countries with widely different cultures? How do you foster innovation globally while also keeping a check on a company's core operations? Perhaps most importantly, how do you develop leaders when there is a dearth of good leaders in the world today?

BACK TO BANKING BASICS

● One bank represented was Citi, whose dramatic fall from grace in recent years has prompted a serious rethink on how to develop the company's leaders of the future. Citi's head of global markets **Francisco Fernández de Ybarra** said that the bank's problem prior to the crisis was that it had become "a conglomerate of many disparate companies that never quite fit together." The company is now going back to basics, making sure its leaders focus on its core model so that the bank can become, in **Coll's** words, "simple again."

Christian Finckh, chief human resources officer of Allianz, said that one of the major challenges of leadership development today was finding ways to attract and motivate the most talented members of Generation Y. The new generation of young leaders tends to take a markedly different approach to their professional development, seeking greater meaning in their work as well as a healthier work-life balance. One way that Allianz is tackling this challenge is by offering more part-time executive roles to promising young leaders.

The German media giant Bertelsmann adopts a decentralized approach to managing its disparate global divisions and subsidiaries. The company relies much less on expatriates, preferring instead to develop managers as "local entrepreneurs." **Christine Scheffler**, senior vice president of Bertelsmann and managing director of Bertelsmann University, said that the company expects its executives to be both proactive and entrepreneurial, including in the development of their own careers. At the same



Martin Sorrell, Hans Ulrich Maerki, Patricia Francis, Ermenegildo Zegna and Prof. Pedro Nueno.

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COVER STORY



- 10. Bernard Yeung.
- 11. Martin Sorrell.
- 12. Prof. Marta Elvira.
- 13. Denise Kingsmill and Kees Storm.
- 14. Franz Haniel, Ermenegildo Zegna and Prof. Canals.
- 15. Bruno Di Leo.
- 16. Laurent Freixe.
- 17. Patricia Francis.
- 18. Ermenegildo Zegna.



“UNDERSTANDING HOW TO WORK IN DIVERSITY IS ONE OF THE NEW ASSETS PEOPLE WILL HAVE TO HAVE. IESE IS DEVELOPING THE SKILLS THAT PEOPLE NEED TO OPERATE IN A MULTICULTURAL AND MULTIPOLAR ENVIRONMENT.”

Patricia Francis,
International Trade Center.

time, however, there must be “some kind of orientation and continuity for workers, even as the world around them is in a constant state of flux.”

The second day began with a session titled “How to align global strategies with leadership development.” The moderator, IESE Prof. **Marta Elvira**, commented that “beyond the cliché of celebrity CEOs, strategy and leadership are intrinsically linked,” before asking the panel for their views.

THE NEW MIDDLE CLASS

● **Bruno Di Leo**, IBM, general manager, growing markets, now based in China, said the opportunities in these markets are huge. “For example, every year about 50 million people in China move from rural communities to cities. Across emerging markets, there are hundreds of millions of people who are joining the middle-class. These people are making banking transactions, they’re making phone calls, they are using mass transportation, making demands of healthcare systems, and all of this requires information technology.”

Di Leo said that what sustains you as a company are your values and how you are perceived. “It’s what you do, not what you say, that matters. You can learn about leadership in school but turning it into something you actually live requires mentorship. Everything in leadership has to have a practical business purpose.”

Laurent Freixe, Nestlé CEO Europe, said, “We have 90 different nationalities working at head office. One of our

principles is openness to and respect for other cultures. We think it’s important for top executives to have led international operations. You need to be curious and willing to step outside your comfort zone.”

The question of whether a CEO can lead a “normal” life was raised by **Denise Kingsmill**, an International Airlines Group board member and a Member of the House of Lords, who said that CEOs are highly competitive and highly focused and often this does not leave much time for the rest of life. “It’s lonely at the top, where you have a huge responsibility for other people,” she said. “Your life expectancy as a leader in a top company is short and you have little time in which to prove yourself. All of this leaves CEOs with little time to examine their inner selves, and they do need help.”

NOT EVERYTHING TRAVELS WELL

● Is performance portable, **Kees Storm**, chairman of Aegon asked? “Like football, not every player fits into every team,” he said. “You have to find the right person for the right place. It depends above all on personality and whether a person can fit into a particular team. If you speak languages and enjoy different cultures, you are more transferable.”

The final session, moderated by Prof. **Pedro Nueno**, addressed the question “What do top managers do to increase the impact of leadership development in a global economy?”

Ermenegildo Zegna, the CEO of Zegna, said “we are an Italian company but we consider ourselves world citizens.” **Patricia Francis**, CEO, International Trade Center, talked about helping establish links and understanding between government and private enterprise. “Governments in developing countries have to develop an entrepreneurial eco-system,” she said. “The private sector in the countries that we’re working in are dominated by the relics of oligarchies. Therefore, to bring some of the new economy in, it’s a case of showcasing how other countries of similar economic development have gone through liberalization and benefited from it.”

“It’s during a crisis, when your job and the jobs of thousands of others are on the line, that the real leaders show up,” said **Hans Ulrich Maerki**, a director of ABB. He added that the scarcest resource in any company is talented people.

The last panelist to speak was **Martin Sorrell**, CEO of WPP, who pointed out that “information itself is no longer power, it’s how you use it. The marginal cost of information is close to zero, largely thanks to Google.” He predicted that globalization will cause a major shift in the organizational structure of companies. “At the moment the lion’s share of the rewards still go to people operating in the traditional markets,” he said. “This can’t last.”

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FACEBOOK FUTURES

MORE THAN JUST GOOD FRIENDS

**SANDRA SIEBER**

Associate professor and head of the Department of Information Systems, IESE Business School

With 600 million users and rising, Facebook is now poised to challenge Google to become the default platform of an information age structured around personal relationships.

Are you on Facebook? Even a year ago, people used to ask, now they just assume. Not being on Facebook will very soon be seen as eccentric as not having a mobile phone or an email address. The company, established in 2004 to cater to Harvard students, now has 600 million members and is poised to challenge Google by creating a web based on personal relationships and recommendations rather than algorithms. If Facebook were a country, it would be the third biggest after China and India.

Social networks are already becoming the distribution platforms of the future. Social networks are where we are, professionally speaking and personally speaking. At present, we differentiate professional networks from personal networks. Facebook is the big platform for social interactions, and then there are other, quite big platforms for professional interactions, such as LinkedIn. One big question is if Facebook will also move into the professional space, and if it doesn't, why not? What is to stop Facebook putting a feature on the page where you click to see whether a contact is personal or professional?

When we look at social networks and the competitive framework in

which they operate, it is clear that some basic rules apply in what we call network effects in two-sided networks. Obviously, the value of a network is greater the more people that join it and that's what we call a pure network effect. But the platform that runs the network also has to think about how it can make money out of this.

In professional social networks, it would seem there are a number of ways of monetizing the value of the professional network. In Facebook and other social networks, the monetization opportunities are very different. Currently they mainly come from advertising but they can also come from the distribution of retail goods and Facebook has created a virtual currency to capture some of that value. Finally, a trend that we see happening is companies selling their goods through Facebook. In this way, Facebook could become a distribution network that charges anybody who uses its network to reach out to the customer.

In January, Facebook raised \$500 million from Goldman Sachs and a Russian investor in a deal that valued Facebook at \$50 billion which, given that it has a turnover of \$2 billion, is a multiplying factor of 25. **Mark Zuckerberg**, Facebook's founder, has always had a clear idea of the company's potential value and back in 2006 turned down a \$1 billion offer

from Yahoo. Facebook is probably nowhere near realizing its full monetary potential. As it is, 30 billion pieces of content are shared each month and over 200 million active users access Facebook via their mobiles. Its potential as a platform is enormous.

Most of its revenue comes from advertising, and so the question is whether there's a potential for something more than advertising. It already distributes goods, mainly games at present, but it could be used for all types of goods. It has created a virtual international currency in the form of Facebook credits. Before the talk was about building loyalty and a buzz around brands by using platforms such as Facebook where people are engaging with one another and with brands. Now, there is actual commerce taking place within Facebook.

Hence, we are starting to see that other companies are using Facebook as their main distribution channel. As companies create their own Facebook pages, people can go directly to them without leaving the social network, thus breaking with the pattern of trying to lure customers back to the company's website. Furthermore, if you want to sell online you have to give your customers the opportunity to rate the experience or the product. In the case of Facebook, by allowing members to click the "like" button on anything from personal content to brands, the company now has an enormous store of data about what people like, as well as having a great deal of data on who these people are.

What is Facebook's overall strategy, what does it want to accomplish? Some see it as the next Internet operating system. So what does this mean? If Facebook becomes the only entry point for the user, then it becomes the de facto operating system, and then it becomes the dominant player in the overall Internet ecosystem. There are indications that this is already happening. Facebook is not only a platform. It has a mobile interface and has implications as a social browser and it is launching a number of initiatives in



different countries to become an SMS Facebook and to use voice technology. If it wants to expand operations, this is the way, because although it already has 600 million users, there are far more mobile users out there.

If it goes for what we call deep integration, then it becomes the only

interface with any user, Internet or non-Internet. And that's how it would become the operating system, not only of the Internet, but an operating system from a broader perspective, the default platform of an information age structured around personal relationships.

MANAGING PROCUREMENT

SUPPLY PORTFOLIOS
CAN MINIMIZE RISK

**VICTOR MARTÍNEZ
DE ALBÉNIZ**

Associate Professor, Production,
Technology and Operations
IESE Business School

Striking a balance between supply and demand lies at the heart of procurement management. By working with both short- and long-term suppliers, risks can be kept to a minimum.

A key challenge in supply chain management is to control demand risk, through supply decisions that avoid overproduction and shortages. Matching supply and demand is difficult since supply decisions usually require a long time to be implemented and realized demand will always deviate from initial forecasts. This balance is especially hard to manage when firms plan the production of new products, for which demand uncertainty tends to be very high. In some industries, such as electronics or fashion apparel, this is the norm, as products have short life cycles. In such uncertain environments, procurement managers who decide on the quantities to be supplied are critical for a firm's long-term survival.

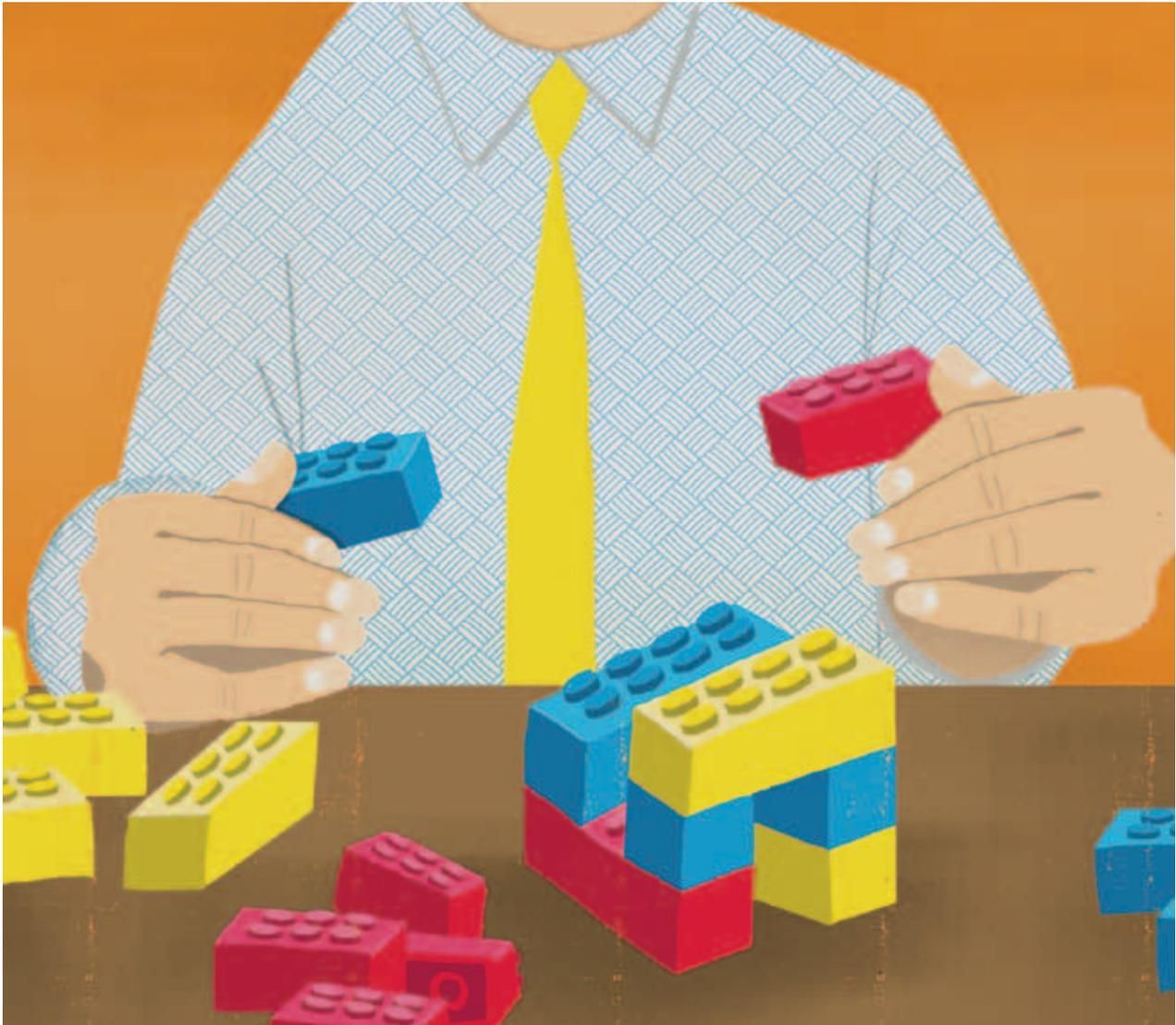
Since the quality of demand forecasts improves with time, any opportunity to delay ordering decisions is valuable. Unfortunately, order postponement usually costs more. Thus, a buyer can typically achieve either lower costs but with a higher demand risk, by working with a supplier that requires advance commitment; or it can reduce the chances of supply-demand mismatch, at a higher cost, by working

with a supplier that allows last-minute ordering.

However, by working with both types of suppliers at once, the buyer can obtain the best of both worlds. It can sign a contract with the supplier that offers the lowest total cost for a portion of demand that is very likely to materialize. As the buyer's exposure is limited, it is ready to commit long in advance for such a contract and can delay the ordering of the remaining units until more accurate demand forecasts are obtained. The postponement of this decision can be implemented either by working with a short lead-time supplier, or by arranging a flexible contract that allows setting the final ordering quantity after demand is realized.

PROCUREMENT RISK MANAGEMENT

● A few industries have adopted such purchasing practices. In electronics, where demand is quite volatile, Hewlett-Packard has developed a Procurement Risk Management (PRM) program to build supply portfolios. HP has applied PRM to direct components such as memory, hard disk drives, plastics or even custom integrated circuits, for a total spend of \$7 billion in 2006. Through the PRM group, HP builds a portfolio of supply contracts from its suppliers. The portfolio usually contains a fixed quantity contract that just covers



the demand in the most pessimistic scenario, as well as a flexible quantity contract that allows HP to decide on the appropriate supply volume after observing realized demand. PRM not only allows for the control of demand risks, but can also manage material cost risks.

In apparel, the German retailer Adidas on some occasions uses two suppliers for a particular product: one in East Asia and another in Germany. A large order is placed with the Asian supplier. If demand is higher than expected, and no additional shipments are planned, Adidas places a rush order with the local supplier, which is more expensive but allows the retailer to avoid stocking out.

More examples can be found in fashion retailing. In Spain, Friday's Project specializes in the design and sales of fashion products. Production is subcontracted to the Far East and Europe. When a new design is finalized, the usual procedure is to place a base order at an Asian supplier, for less than the expected demand. Later on, if the item sells well, the company places an additional local order to ensure sufficient supply. This approach allows the firm to significantly reduce demand risk in this very volatile industry.

CHALLENGES

- The supply portfolio strategy provides better reactivity to demand variability (through local

quick-response supply) at a low cost (since most of the volume is sourced from a low-cost country). While it can greatly simplify the cost-risk dilemma for procurement managers, it also requires significant changes on the part of both buyers and suppliers. Buyers have to continuously update their demand forecasts to identify when it is necessary to place additional orders, or exercise existing contracts. On the other hand, suppliers need to be prepared to react quickly with agile production and delivery processes. Specifically, difficulties may arise at different levels:

- At an operational day-to-day level, buyers may have to coordinate deliveries from multiple suppliers.

LOW-COST SUPPLIERS WILL NEED TO BE MORE FLEXIBLE TO INCREASE SALES AND FLEXIBLE SUPPLIERS WILL REDUCE COSTS IN ORDER TO COMPETE.

- At a tactical level, buyers must know how to install supply capacity at different suppliers. This requires evaluating the trade-offs between cost and the subsequent flexibility derived from the capacity.
- At a strategic level, buyers need to be aware of the repercussions of portfolio purchasing on suppliers and industry dynamics. In the long term, suppliers may change their pricing policies to reflect the value they create for the buyer. Understanding such dynamics is a necessary step before a buyer decides to use portfolios.

REFLECTIONS FOR PROCUREMENT EXECUTIVES

- The complexity introduced by a supply portfolio can be significant, but conceptually a portfolio of contracts is not much different from a traditional single-sourcing relationship.

First, the operational decisions to be taken throughout the life of the contracts amount to deciding when and how much to order from each supplier and contract. The existing research in the field indicates that orders can be managed in a relatively simple way. Each supplier will have a target inventory level (which can be obtained with some technical formulas) and will be called in whenever the current inventory position is below the target. Ideally, the size of the order should be equal to the difference between target and inventory position, and could perhaps be limited by a maximum amount specified in the contract. One practical question immediately arises: what suppliers should be used first? It turns out that the suppliers with lower execution costs should be first. These are the ones that require most commitment upfront, and which have the highest target level too. Overall, order management can be implemented according to common-sense inventory principles.

Tactical capacity decisions also need to be optimized. In other words, the buyer will need to de-

cide how much capacity to reserve for each type of contract available. This step requires much work during the initial production planning phase, and may have to be revised as demand changes and/or new supply opportunities appear. The main trade-off that appears here is to decide how to balance low-cost, high-commitment contracts with higher-cost, lower-commitment ones. Essentially, the right decision will depend on the marginal cost created by an additional unit of a contract and the associated marginal expected contribution margin. In addition, the buyer will be able to monitor the risk implied by a capacity decision, measured by the “supply-at-risk,” which has already been paid for, but may not be sold. There are tools available to describe the procurement efficient frontier, which is the curve that depicts the highest margin as a function of the level of risk that the buyer is willing to accept. A similar curve exists in finance for evaluating the risk-reward trade-offs associated with investments.

Finally, over the long term, using supply portfolios will have consequences for the way suppliers compete in the marketplace. This means that the terms received by the buyer may slowly change as suppliers readjust their contract offerings. Indeed, since the buyer will now effectively install capacity and place orders depending on the cost-flexibility terms offered by the suppliers, these will take note of it. Specifically, low-cost suppliers will realize that they need to become more flexible to increase their sales, while flexible suppliers will prefer to reduce prices to better compete. These changes are very relevant for buyers, who may want to anticipate such competitive moves on the supply side. In particular, they may want to incorporate one very flexible supplier to force all other suppliers to offer more flexible terms. Similarly, a new low-cost supplier with no flexibility will trigger more emphasis on price for the rest of the supply base.

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MARKETING STRATEGY

OPTIMIZING SALES
IN TIMES OF CRISIS

**COSIMO
CHIESA**

Professor of Marketing,
IESE Business School

In an unfavorable economic climate it is vital that resources are utilized to the greatest effect. There is much that can be done to streamline sales through knowing your market and tailoring your sales force to suit your clients.

We are living in times of crisis, with slow growth and in many cases profound structural economic problems. At the same time, there is less and less difference between our products and those of the competition. There is much that we can do and here I offer some thoughts on sales that may help us to define and overcome our present difficulties. This is not a series of revelations, but more a proposal concerning methodology. I suggest you look at it as a checklist and carry out a profound self-examination based on each of the following points.

01 Analyze your business environment, your market, your abilities, your clients and your organization

The first thing is to know in depth the scale, location, needs and motivations of each segment of the market that you are aiming at. This is the only way to design a value formula suitable for each of them and to define your position. It is very important to carry out benchmarking at the same time. In order to have a successful sales policy you have to know, analyze and, ideally, do better than the competition. And you have to do all of this without losing sight of the philosophy, mission and aims of your organiza-

tion, conscious of your weaknesses and strengths and aware of what resources you can call on and what your limitations are.

02 Methodically revise the entire sales strategy

This involves good quality research in order to segment the market and define your position. Only in this way will you be able to build your sales plan on a solid basis, a plan that you can implement and change during the year as necessary, while defining a strategy for creating client loyalty.

03 Create a genuine client culture

Don't forget that a complete sales process is made up of four phases: attract, sell, satisfy and make loyal. Don't just limit yourself to the first two and be sure that your product or service has met your client's expectations. It is of fundamental importance that everyone in the team understands how much the client is worth, that they understand the difference between transactional value (daily, monthly and annual sales) and relational value (the earnings that can be generated in the next 10, 15 or 20 years). And remember: client culture means that everyone in the organization must change the way they think. All of the departments, products and services have to be oriented towards and aligned with the client's necessities and demands. This can be achieved by creating a good database, both transac-



THE SALES FORCE MUST BE ALIGNED WITH THE PROFILE OF YOUR VARIOUS TYPES OF CLIENTS.

tional (transactions made, products sold, average prices, sales initiatives made) as well as relational (service failures, contacts maintained, demands and complaints, preferred communication channels, index of satisfaction).

04 Optimize your sales force

The sales force must be aligned with the profile of your different types of clients. There's nothing worse than sending a poorly-trained salesman to visit sophisticated clients, or send better qualified sales staff to clients who neither appreciate nor require such well-trained staff. The first thing is to define the profiles of the sales force in accordance with your clients. Secondly, calculate how many sales people you need. In order to do this, you first have to know the number and frequency of contacts or visits for each category of client (mail, letters, personal visits, circulars or telephone calls). Once you've established the type and number of sales staff required, the next thing is to give them a role, so that each one knows exactly what are their responsibilities and objectives, as well as their zones and areas of operation. At the same time it is fundamental to adjust the portfolios of each one of them in order to balance out their efforts and the results in different zones and to avoid overloading some more than others.

05 Constantly motivate your sales network

In order to win client loyalty you must first have employees who enjoy their work. Knowledge is important, talent necessary, but without the right attitude you won't get anywhere. In order to get the greatest commitment from the sales staff, the first thing that has to be done is to clearly define the function of each member of the sales team, what position they occupy in the system, what functions they have to carry out and with what objectives. Basically, make it clear what

the business expects of them. The next thing is to establish the right salary system, that is, make it clear what they can expect from the company. You may opt for a fixed salary plus a variable, as well as commissions (constant, growing, falling, with or without ceiling), with sales or with a bonus (qualitative and / or quantitative). There are an infinite number of possible combinations. Whichever system is chosen, it is important that it is clear, fair, makes it possible to achieve sales objectives, motivates, attracts the best sales people and wins their loyalty.

06 Winning sales staff loyalty

Financial rewards alone are not sufficient. People need to be offered what we might call an "emotional salary": encouragement, tactful correction, delegate, encourage personal development, be empathetic, celebrate successes and analyze failures together, be aware of people's personal problems.

07 Set out achievable targets

Targets should be coherent, measurable, understandable, credible, achievable, transparent and honorable. In the case of salespeople with a high percentage of variable compensation, if they see the objectives as "unachievable right from the start" this can be the worst form of motivation and may lead to them quitting the job.

08 Define the processes of sales planning

Ideally the sales department will set out guidelines for desired growth and will communicate them to the sales network so that they can work them out for themselves, client by client, and communicate them from the bottom up. In this manner, the management can define the definitive annual goals in a way that is much more structured, rational and collective.

09 Define the sales methodology

If you want to achieve better organization and better results from

your sales network you have to be clear about how to achieve this. This involves types of visits, techniques employed, team meetings, training sessions for new salespeople, reporting, joint visits.

10 Surround yourself with “consultant” salespeople

The sales staff must be the assessors of the client, more than just people who sell the product or a promotion with a fixed point of view, thinking only in the short-term and their monthly targets. By “consultant” salespeople we mean those with the following characteristics: they love their work, they are cultured and easy to be with, they know the sector and the particularities of the organization they work for, they sell well — both quantitatively and qualitatively — exhibit empathy and emotional intelligence and look for real meaning in what they do.

11 Analyze how sales have developed over the past three years

Do this globally and for each product, area, zone, salesperson and client. This type of analysis provides you with an immediate diagnosis at the global level and at the level of families of products, in which areas and with which salespeople and which clients you are achieving results significantly above or below the average. It is particularly important to assess:

- Average sales per client
- Index of cross sales per client
- The number of new clients, the number of clients lost
- Percentage of debt in regard to billing
- Percentage of returns in regard to billing

12 Create flexible reporting

Information is power. Once all this data has been compiled, the ideal is to be able to use it, share it and update it through a communication system that is flexible and effective. However, beware of asking for excessive quantities of informa-

tion or imposing complicated sales software, as this can often demotivate a sales team and, by overburdening it with administrative work, you reduce the amount of time available for the core job of street work, with the inevitable negative consequences.

13 Spend one, two or three days a month with your salespeople and listen to what they have to say

There’s never time to do everything, but I suggest you do everything possible to establish a rota in order to periodically go out with salespeople and to experience with them the real problems they face and assess how well they organize their work. In this manner you can discover whether they are making the requisite number of visits, if the management of clients is well-mannered and is being handled professionally and if they have the appropriate attitude.

14 Assess your own leadership abilities

As well as looking at the sales team, you should analyze what are your own strong and weak points and decide what you need to dispense with and what new aspects you feel you should introduce. A really good leader is one who, from time to time, is willing to take a critical look at themselves and at their style of management.

15 Manage with the head but lead with the heart

It is essential that you work with reason (Logos) and with the highest moral principles (Ethos) but you must not forget the importance of reaching the heart of those who work with you in order to achieve the greatest rapport (Pathos) with them and in order to face together the great uncertainty and also the fantastic opportunities that surround us.

Faced with a situation of uncertainty you shouldn’t allow the crisis to take root in your head.

**SALESPEOPLE
MUST BE
CAPABLE OF
EMPATHY AND
EMOTIONAL
INTELLIGENCE
AND NEED TO
UNDERSTAND
EXACTLY WHAT
THEIR JOB IS.**

Investment Rankings

ICFR REPORT

The United States, United Kingdom, Canada, Singapore and Switzerland are the most attractive markets for private and venture capital, according to the latest report by IESE's International Center for Financial Research, carried out in conjunction with Ernst & Young. Of the 80 countries surveyed, these five received the best scores in the six areas that determine their attractiveness to investors: economic activity; depth of financial markets; audits; investor protection and corporate government; the human and social environment and the entrepreneurial culture. However, the so-called BRICs, in particular Brazil and China, are climbing up the rankings among the most attractive countries for venture capitalists.



THE GLOBAL VENTURE CAPITAL AND PRIVATE EQUITY COUNTRY ATTRACTIVENESS INDEX EN 2011: blog.iese.edu/vcpeiindex

BOOM AND BUST

JOSÉ LUIS SUÁREZ



The major European property markets are Germany, the United Kingdom and France, each of whose markets is valued at more than €200 billion, according to a study in which IESE took part. Spain is ranked seventh, with an investment of €47,598, or 4.7 percent of GDP. Half of this is accounted for by foreign investment. The Spanish real estate sector has collapsed from a profitability of 16.9 percent in 2006 to a negative 9.4 percent in 2009. Madrid emerges as by far the most attractive location for foreign investors, with Barcelona a long way behind. However, the study also shows that from 2001 to 2009, investing in real estate in Spain was both more profitable and less risky than investing in the Spanish stock market.

The Virtues of Independence

GUIDO STEIN AND SALVADOR PLAZA

A CEO with too much power and too little supervision by the board of directors can put a company in danger, as recent financial scandals attest. IESE Prof. **Guido Stein** and research assistant **Salvador Plaza** have published a paper in which they analyze the features and functions of independent board members. These include resolving conflicts of interest, making sure social interests are factored into decision making, increasing the executive team's efficiency and improving how a company is run. The authors also stress that independence is a personal characteristic that stems from virtues and qualities developed over time.

MORE INFORMATION: [IESE Insight / Corporate Governance](#)

EURO CRISIS REPORT

XAVIER VIVES

● The 10th EEAG Report on the European Economy, prepared by the research group CESifo, in association with economic experts including IESE Prof. **Xavier Vives**, considers the origins of the European sovereign debt crisis, assesses the current situation and makes suggestions for restoring Europe's financial health. The report, which studies factors ranging from collective bargaining to tax regimes, proposes an economic control system that uses market forces as a safety valve against dangerous levels of public debt. A three-stage crisis mechanism, based on the E.U.'s suggested European Stability Mechanism, could be used to protect against financial collapse without resorting to full-coverage insurance.

MORE INFORMATION: www.cesifo-group.de

LINKS IN THE CHAIN

ADRIAN A. DONE

● There are few tools to help managers calculate just how developed their supply chains are. In a new working paper, IESE's **Adrian Done** attempts to address this gap by proposing an innovative tool to measure supply-chain maturity. Done defines a "mature" company as one that cooperates across a wide range of partners to establish the kind of practices that would lead to greater coordination, while "immature" companies engage less, using a limited number of supply-chain partners and a narrower range of practices. **Done** based his evaluation of maturity on six key areas of operations. In each area he found that it is the level of coordination that is an indicator of maturity.

MORE INFORMATION: [IESE Insight](#)



SUSTAINABILITY: BRINGING LIFE TO YOUR BUSINESS NEW EDITION OF IESE INSIGHT

✓ The dossier in the latest issue of *IESE Insight Review* focuses on sustainability and aims to help executives manage a new set of emerging realities — from the growing public concern about sustainability, to major demographic shifts, to new kinds of value creation — all of which will have huge business ramifications. Articles cover working in the cloud, capturing the elusive green customer and corporate governance. Elsewhere in the magazine, the case study questions the advisability of SAP venturing into another area besides its core business in software development and engineering. Other articles include **Jaume Llopis Casellas** on what makes a good executive, an interview with **Charles Petrucci** of American Express who talks about how smart phones are changing the travel industry. There is also an interview with U.S. political campaign veteran **Steven Jarding** on what you have to do to win and then, should you succeed, the brief window of opportunity you have to make your political mark.

IESE INSIGHT
www.ieseinsight.com/subscription

Getting Started

GLOBAL ENTREPRENEUR STUDY



Early-stage companies play a vital role in developing the world's latest innovations, as shown in a study

presented at the 2010 World Economic Forum. Based on interviews with executives from such top companies as eBay and Microsoft, the study reveals that the similarities in early-stage companies around the globe are far greater than their differences. Entrepreneurs are essential drivers of social and economic progress. In "Global Entrepreneurship and the Successful Strategies of Early-Stage Companies," Stanford University's **George Foster** and IESE's **Antonio Dávila**, among others, pinpoint eight growth strategies for new ventures: wave; new product in a new category; new product in an existing category; redesign of business value chain; research or discovery of knowledge; roll up (aggregation) of existing players; governmental, regulatory or political change; and idea transfer or transplant.

MORE INFORMATION: [IESE Insight](#)

INTERNATIONAL ADVISORY BOARD MEETING

COLLECTIVE WISDOM TO FACE THE FUTURE

IESE's International Advisory Boards plays a key role in the development of the school's global strategy and activities. The group includes 36 prominent business, government and civic leaders from a wide array of countries spanning Europe, Asia and North America. At this year's meeting, the board welcomed its newest members, Baroness **Denise Kingsmill** and IESE Prof. **Eric Weber**. **Kingsmill** was appointed to the House of Lords in 2006 and also serves on the board of IAG. Prof. **Weber** is associate dean of IESE and director of the school's New York Center.

During the meeting, Dean **Canals** provided an overview of the school's current situation, challenges and strategy. He highlighted the growth in the full-time MBA program, the positive impact of the school's new Young Talent Program and the addition of several new talented faculty members. He also noted that the school has stepped up efforts to expand awareness of IESE's identity, programs and activities around the world. Specifically, a focus has been made on the United States, Brazil, Germany and China.

IESE has expanded its program portfolio over the last year, with programs launched in the areas of healthcare, public leadership and governance, and media and entertainment. The opening of the school's refurbished center in New York was also cited.

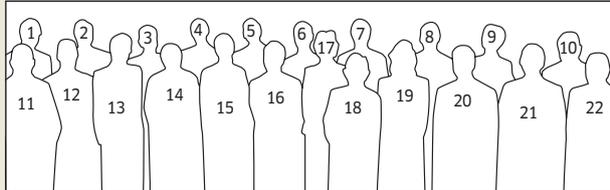
Members present at the meeting addressed issues such as the role IESE can play in helping organizations foster good governance in both the private and public sectors. In the wake of the economic crisis, ethics and a rebuilding of trust between companies and stakeholders will become more important. IESE is well-positioned to address this area, several members noted.

During the meeting, IESE professors **Antonio Dávila**, **Chris Zott**, **Julia Prats**, **Juan Roure** and **Pedro Nueno** provided a look at IESE's numerous entrepreneurship initiatives. For example, Prof. **Roure** discussed IESE's Business Angels Network and the role it plays, in terms of the programs it delivers and its platform. Prof. **Nueno**, meanwhile, described his pioneering course on entrepreneurship, IESE's MBA business competition and the seed fund initiative FINAVES.

Members agreed that entrepreneurship is a critical, yet complex, issue. The school has an excellent opportunity to deepen understanding of this area, since IESE programs take into account cross-cultural conditions that shape many new business ventures today.

- 1. **Denise Kingsmill and Kees J. Storm.**
- 2. **Johan Schröder and Rolf-E. Breuer.**
- 3. **Michel Camdessus and George Yeo.**
- 4. **Isak Andic, Stanley Motta, M^a del Mar Raventós, Ermenegildo Zegna and Mariano Puig.**
- 5. **Prof. Pedro Nueno, Martin Sorrell and Ermenegildo Zegna.**
- 6. **Andrea Christenson and Franz Haniel.**





- | | | |
|-----------------------|-------------------------------------|------------------------|
| 1. Hans Ulrich Maerki | 9. Denise Kingsmill | 16. Hans-Jacob Bonnier |
| 2. Rolf-E. Breuer | 10. Franklin P. Johnson | 17. Patricia Francis |
| 3. Stanley Motta | 11. Michel Camdessus | 18. Toyoo Gyohten |
| 4. Prof. Jordi Canals | 12. Eric Weber | 19. Andrea Christenson |
| 5. Kees J. Storm | 13. M ^a del Mar Raventós | 20. George Yeo |
| 6. Johan Schröder | 14. Martin Sorrell | 21. Isak Andic |
| 7. Franz Haniel | 15. Janne Haaland-Matlary | 22. Mariano Puig |
| 8. Ermenegildo Zegna | | |

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“WE ARE LAYING THE TRACKS AS THE TRAIN IS COMING”

Doing Good and Doing Well 2011 attracts a record number of speakers as the conference on responsible business seeks the new bottom line.

At the end of February, MBA students in Barcelona hosted the 8th Doing Good and Doing Well conference on responsible business under the heading “What is the New Bottom Line?” The student-run conference attracted a record 169 speakers over the two days and was attended by some 600 people altogether, including 94 non-IESE students.

The numerous sessions were conceived around six themes, or tracks, each exploring different aspects of responsible business: Corporate Social Responsibility and Beyond; The Importance of Capital for Fostering Development; Social Entrepreneurship: Empowering Change; Innovation and Technology as an Answer to Poverty Alleviation; Challenges and Opportunities in

Social Development and Addressing the Challenges at the Bottom of the Pyramid.

The conference also included a Cleantech Venture Seminar, an annual forum held to bring together early-stage entrepreneurs and venture capitalists with a focus on clean technologies. This year’s winner was the Israeli start-up Pythagoras Solar which has created a solar panel that lets light through, like a window, but also harnesses and stores solar power.

The opening keynote speech was given by **Pamela Hartigan**, director of the Skoll Centre for Social Entrepreneurship at Oxford University’s Saïd Business School. **Hartigan** looked back along the journey since businesses first began thinking about bringing entrepreneurial solutions to social problems 10 years ago. Pointing to a change from advocacy



models to market orientation, she said she disliked the term “social” because it smacked of charity, whereas entrepreneurs were about finding innovative solutions.

Many social enterprises don’t have a proper business plan and as a result find it hard to attract investors, she said, adding that we still need philanthropy, not as charity but to get viable projects investment-ready. Social enterprises need more business-savvy people, she said. A major change over the past 10 years is that many industries are moving towards embedding social values into their core values, she said, but that it is still largely a case of learning as we go along. “We are laying the tracks as the train is coming,” she said.

The conference then broke up into a series of sessions on such topics as responsible tourism, managing a career and a family, venture philanthropy, responsible



IF YOU KNOW WHO YOU ARE, MAKING DECISIONS AND CHOICES BECOMES EASY AND NATURAL.”

Maurice van Sabben.

1. Pamela Hartigan, director of the Skoll Centre.
2. Chris Daniels of Lloyds TSB.
3. Maurice van Sabben, president of National Geographic Television.

urbanization, the challenges of an elderly society, social responsibility in business schools, fair trade and football as a driver of social change.

A session on investing in large sporting events such as the Olympics or the FIFA World Cup revolved around the question of whether the money is well spent and how much it benefits the host nation or city. **Chris Daniels** (MBA ‘00) of Lloyds TSB, a key sponsor of the 2012 London Olympics, said that the Olympics are part of a 30-year plan for the regeneration of east London, which is among the poorest areas in Europe. While there is a direct business benefit in construction and supply chain as well as for sponsors, he said, there are clearly other benefits, although they may seem intangible at first, as was the case for Barcelona which used the 1992 Olympics to rebuild and rebrand itself. “Coca-Cola has been sponsoring the Olympics since 1928,” he said. “They must do it for some reason.”

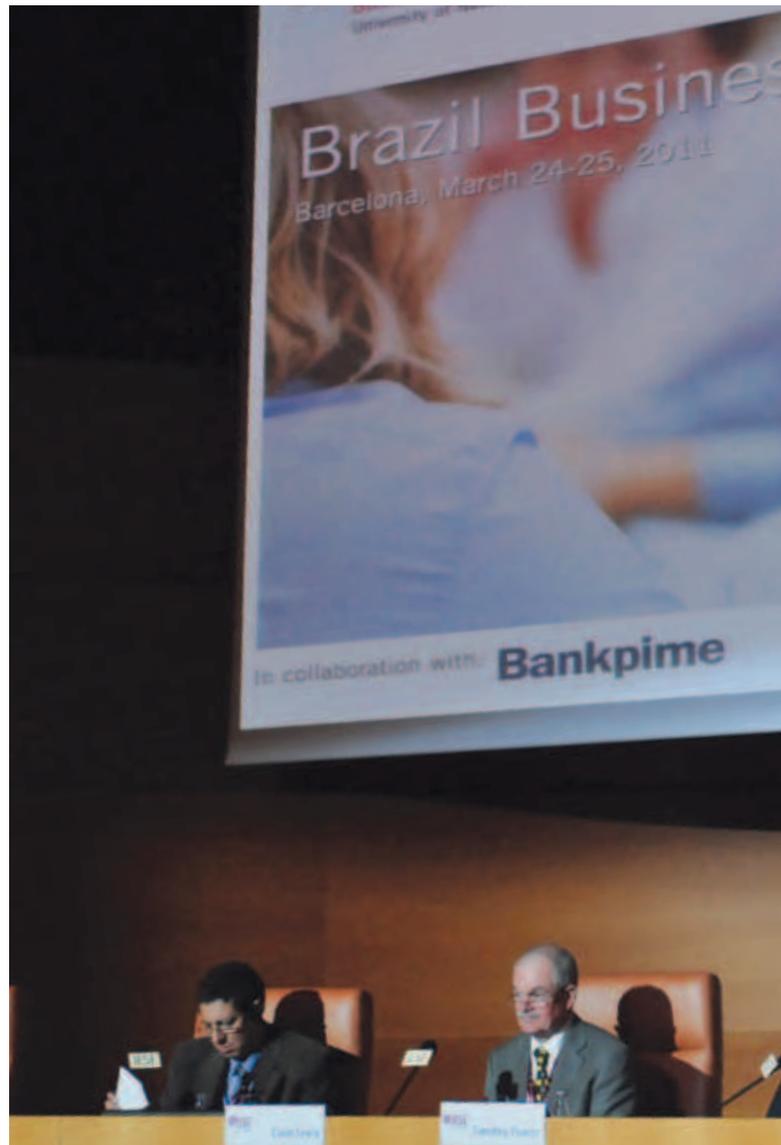
Joana Pérez Martorell of Unicef said, “the sporting world is hugely influential. It reaches people everywhere and at every level of society. Sports stars have a huge capacity to raise awareness of issues such as poverty and HIV.” Unicef’s sponsorship of FC Barcelona’s shirt not only brought the charity huge attention, she said, it had also turned Unicef into a cool brand.

The closing keynote speech was given by **Maurice van Sabben** (MBA ‘96), the president of National Geographic Television, who said, “The key to sticking to your values, for any organization or individual, is simply understanding exactly and perfectly who you are. If you know who you are, making decisions and taking choices becomes easy and natural.”

Ana Jerónimo, co-chairperson of the DGDW organizing committee, commented that “it became clear to me that independently of how much we discuss topics such as social enterprises, what is CSR, ethics in business etc., that there is no consensus, and that is why it is so important to continue discussing them and sharing opinions to build knowledge on these topics that are so relevant.”

NOT JUST ANOTHER BRIC IN THE WALL

Entrepreneurs and academics met at the Brazil Business Summit in Barcelona to discuss the emerging nation's strengths and weaknesses.



Business leaders and academics gathered on IESE's Barcelona campus in March for the Brazil Business Summit. The meeting was organized by IESE's Center for Emerging Markets, headed by **Sanjay Peters**, and the Barcelona Chamber of Commerce and included speakers from the World Bank and the Economist Intelligence Unit, as well as venture capitalists.

Fabio Giambiagi of Brazil's National Bank for Development said that Brazil was entering what should be its best decade since the 1960s, marked not just by growth but by the opportunity to showcase itself through hosting the Fifa World Cup in 2014 and the Olympic Games two years later. However, he poured cold water on some of the more upbeat projections for Brazilian growth.

"It is an article of faith in Brazil that we will have growth of 4 or 5 percent every year, but the size of the working population won't change over the next 40 years while the number of people over 60 will have trebled, so all the

growth will have to come from increased productivity," **Giambiagi** told the summit.

He added that, compared to Mexico, Brazil has not suffered so much from Chinese competition, and furthermore it benefits from China's hunger for raw materials. "Brazil could be in the top ten oil producers but with its potential for hydro and solar power it also has many options to develop renewable energy sources," he said.

However, the country lags behind in education, with only 39 percent of the working population having completed secondary education, compared to 85 percent in Germany and 89 percent in the United States. Furthermore, the country has burdened itself with an over-generous social security regime, as result of which the average middle-class worker retires in their early fifties.

Earlier, **John Bowler**, head of the Economist Intelligence Unit's Country Risk Service, said that Brazil's resilience in the face of the recent global crisis marked a big change on a decade ago. He said that Brazil has always prid-



ed itself on having the most diversified economy in Latin America but that it might see its dependence on commodities become entrenched, particularly in relation to China. “Brazil is vulnerable to any crisis that might arise in China, especially in regard to commodity prices,” he said.

He added that without reforms to state, Brazil’s growth potential is not as high as it might be, and it remains to be seen if **Dilma Rousseff** will have the courage to tackle the reforms, especially in regard to slimming down the state, that her predecessor shied away from.

In a later session on Brazil as a regional power which addressed social and political issues, **Timothy Power**, director of the Centre for Latin American Studies at Oxford University, said that Brazilian democracy is 26 years old and is in good shape. There is a high rate of participation among the 136 million voters. At a presidential level, there are two major parties that form coalitions. There is a general consensus between the main players on macro-economic issues and social policy, he said. The lives of

some 30 million Brazilians improved considerably under the eight years of the **Lula** government.

Colin Lewis, of the London School of Economics, spoke about trends in growth and inequality. “Growth alone will not reduce inequality,” he said. “It requires effective state social intervention.” He added that smoother rates of growth were needed to provide economic stability and for the government to address social issues. Poverty rates have fallen consistently since 2003, he said, adding that this doesn’t necessarily amount to greater equality. Some 54 percent of the poorest people do not have a bank account.

1. José Roberto Alons, Colin Lewis, Timothy Power and Sanjay Peters.
2. Sanjay Peters and John Bowler.
3. Fabio Giambiagi.

MORE INFORMATION
www.iese.edu/videos

ALEJANDRO BETRÁN AND ALBERT AGUADÉ'S PATHS CROSSED IN THE YTP

YTP: WORKING KNOWLEDGE

It's 15 years since Alejandro Beltrán graduated from IESE. He is now a partner and managing director of McKinsey & Company in Spain and Portugal. Albert Aguadé, who is taking part in the Young Talent Program, started down the same road a year ago. Albert was recruited by McKinsey and begins an MBA next year.



Albert Aguadé and Alejandro Beltrán.

● The YTP “allows you to get a sense of what an MBA is about. You have discussions about case studies, there are problem-solving sessions and you cover basic areas of a Masters,” **Albert** says. **Beltrán** (MBA '98) highlights the fact that the YTP offers participants the opportunity to get some relevant professional experience before going on to do an MBA that will give them a chance to expand on what they've learned and to develop both personally and professionally. “Furthermore, the program attracts a wide variety of talent and provides an opportunity for leading companies to have direct contact with candidates,” he says.

Albert adds that he really enjoyed the Next Step Seminar sessions which program participants join during the summer. “The professors take up issues such as leadership, getting your message across, how to persuade people. The importance of all this was

clear after my time at McKinsey,” he says. **Alejandro** says **Albert** is in a program “that enables him to develop abilities such as working in a team, problem solving, relational skills and communication, all of which are not only important in professional life and will help him to grow but will also help him to make the most of the MBA.”

Part of the process involves returning to the firm, in this case a consultancy, after completing the MBA. “We see the MBA as part of the participant's development,” **Alejandro** says. “Once they return, they continue to develop professionally in a position of greater responsibility in regard to clients and then they can put into practice all the knowledge they have acquired.”

Albert says that “McKinsey is like a trampoline. If you make a little jump the entire structure helps you to make an incredible professional leap.” **Alejandro** declares

himself highly satisfied with the YTP program, “bearing in mind that part of McKinsey's mission is based on attracting, developing and retaining talent. We hope that we will see many more like **Albert** and that he enjoys and makes the most of the MBA, which is one of the most personally enriching things you can do in life.”

IESE'S MBA YOUNG TALENT PROGRAM

The program is aimed at outstanding young university graduates who wish to get an MBA. It provides them with the opportunity to gain professional experience with a top company and pre-admission to the IESE MBA course.

MORE INFORMATION:

www.iese.edu/youngtalentprogram



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Global State of Mind

G-EMBA: CELEBRATING 10 YEARS

The Global Executive MBA provides senior executives who have extensive international experience with the opportunity of doing an MBA. Ten years on, the program is at the cutting edge of new ideas for participants and their companies.

INNOVATIONS

New optional courses

- *Innovation Redefined* (social entrepreneur initiative, sustainability)
- *Trends in the New World* (marketing, e-commerce)
- *Advanced Finance* (international and personal finance, assessment)
- *Strategies for Growth* (corporate strategy, corporate governance, managing alliances)

IN-COMPANY PROJECT

This allows participants to put into practice the skills the executives have acquired during the program under expert supervision.

Benefits for the Participant

- Putting into practice in a real situation the general management skills acquired during the program in a "controlled environment" (supervised by a company and a member of the faculty)
- Working on a challenge or a problem relevant to professional development
- Working on emerging issues under the guidance of a faculty member
- Showing the value of what you have learned to your company
- Acquiring a new perspective on different sectors

Benefits for the Company

- Consultancy or research work of the highest standard
- Acquiring a different perspective through working with other participants with executive experience
- Valuable recommendations contained in the final report
- Participants have an opportunity to develop a project at a time when internal resources are scarce



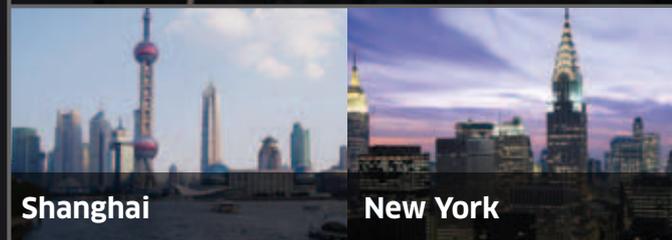
GLOBAL EMBA ALUMNI

Alumni of the program remain in touch with one another. Some 70% of G-EMBA alumni gathered in New York for the Global Alumni Reunion.



Global Executive MBA Personalized Experience

Program modules take place on three different continents. Modules are held at different locations to allow participants to immerse themselves in diverse business environments and expand their world view.



Shanghai

New York

FORMATS

Due to its modular format, the program is conveniently suited to the needs of busy professionals so that time away from the office is minimized. The program is offered in two formats:

Bimonthly:

- Six 2-week sessions every 2 months.
- Total of 14 weeks over 16-18 months.

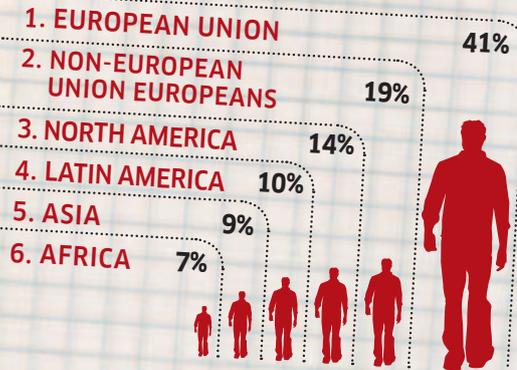
Starts **January 23, 2012**
Ends April-June 2013

Monthly:

- Fifteen 1-week sessions every month.
- Total of 12 weeks over 19-21 months.
- The monthly program was launched three years ago to accommodate those who cannot be away from work during two consecutive weeks.

Starts **October 3, 2011**
Ends April-June 2013

REGIONS REPRESENTED



CLASS PROFILE

- > Class size: **35**
- > Average age: **37**
- > Average professional experience: **12 years**
- > International: **80%**
- > Living abroad: **50%**
- > Number of countries represented: **17**
- > Number of industries represented: **15-20**

AM



Barcelona



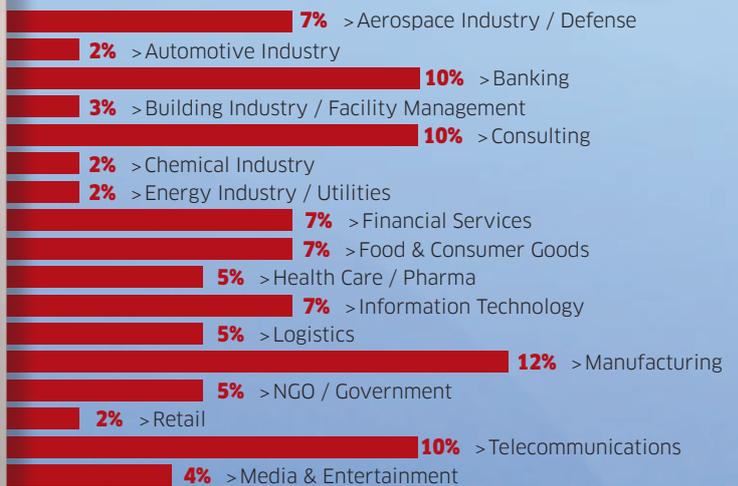
Madrid



Silicon Valley



Bangalore



INDUSTRIES REPRESENTED

MORE INFORMATION:

www.iese.edu/globalmba

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blog.iese.edu/globalstateofmind

ROLAND BERGER-IESE COMPETITION

IESE MBAs Take Part in Case Competition

MBA students from around the world participated in the 16th Annual Roland Berger-IESE Case Competition. Held on February 3-5, it featured teams from Kellogg, CEIBS, IESE, Saïd, LBS, Richard Ivey and Rotterdam. Saïd Business School (University of Oxford) took top honors after defeating LBS in the final round. The case used during the competition, “American Well: The Doctor Will E-See You NoW,” focuses on online health care services.

Launched in 1996, the event gives MBA students a unique opportunity to sharpen their analytical and communication skills in an environment fused with a healthy dose of competition. It also provides the chance for future business leaders from Europe, North America and Asia to come together to network and share ideas.



Saïd students with the prize.

FINAVES IV

Former Minister to Chair New Fund

FINAVES IV, IESE’s new seed capital fund, has named the former minister of science and technology Anna M. Birulés as head of the board of directors. FINAVES IV completed its last financing round of with capital of more than one million euros.

FINAVES IV recently invested €1.5 million in O2C offer to Customer. IESE’s new investment fund chose this start-up for the entrepreneurial character of its opera-

tion within the tourism and leisure sector of online reservations

FINAVES III, in conjunction with Caixa Capital Risc and various IESE business angels, has invested €830,000 in Good Deal, a company founded by the alumnus **Sergi Quinto Freixanet** (MBA ’98). The company aims to devise and implement innovative technological solutions for point of sales business through segmented marketing and loyalty cards.

AMP SANTO DOMINGO

“Extraordinary” AMP lands in the Caribbean

Celso J. Marranzini, who took part in the first Santo Domingo AMP, described the experience as “extraordinary” and commented on the high level of practical knowledge he gained from the program. The next AMP will be held in June in Santo Domingo, New York and Barcelona. **Luis Viyella**, vice president of a fertilizer company who also took part in the program, said that “although your business may be the market leader, you have to go on learning so as not to fall behind.”

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VENTURE CAPITAL INVESTMENT COMPETITION

IESE Students Top First Venture Capital Round

IESE MBA students won first prize in the European round of the Venture Capital Investment Competition. **Anna Syryca, Arnim Bonow, Thomas Roggendorf, Khalid Alomran and Jaume Betrian Fatjó** won the regional round in London on February 25. They go on to compete in the final in April at the Kenan-Flagler Business School of the University of North Carolina at Chapel Hill. The competition was established by the Kenan-Flagler school in 1998 during the dot.com bubble as a way of teaching MBA students about risk capital. It has since become a showcase for businesses looking for investors.

ECONOMIC MODEL OF THE PRADO MUSEUM

The Art of Culture and Finance



Miguel Zugaza, the director of the Prado museum in Madrid, and **Soledad Lorenzo**, director of the Soledad Lorenzo Art Gallery, were the invited speakers at the Rafael Termes Interdisciplinary Forum on the subject of "Art, culture of finance." **Zugaza** explained the mixed financing model used by the museum, which has a budget of €45 million. However, it earns €543 million which goes to the autonomous community of Madrid.

2ND TOURISM SUMMIT

New Horizons For Hospitality



James Pa, Prof. Peter O'Connor, Prof. Rohit Verma; Brian Ferguson and Javier González-Soria

In conjunction with Cornell University School of Hotel Administration, IESE hosted the 2nd International Tourism Summit in Barcelona in March. The conference was titled "Redefining Boundaries in Hospitality: New Models, New Customers, New Frontiers."

After an opening session presided over by IESE Prof. **Juan Roure**, the conference proceeded to discuss whether new blue skies lie ahead for the industry beyond the crisis. A key session focused on the impact and opportunities presented by Web 2.0 and social media. Prof. **Peter O'Connor** of Essec said that the hotel trade was slow to wake up to the new media and seemed to think it could use it as an extension of a website. Few hotels know how to engage with sites such as Facebook, he said, and the hotel trade was in the bottom percentile of fans and followers.

For **James Pa** of Charley's Grilled Subs, social media gives you the opportunity to humanize your brand. It is also self-policing, so if people start saying malicious things about your brand, your fans will shoot them down. During a discussion on privacy, **Pa** interjected, "Privacy is dead. It's over. Forget it."

Javier González-Soria of Google Travel Spain said that people didn't want brands to sell to them because brands talk to people, they don't engage with them. He added that companies have to rethink their websites so that they are suitable for mobiles.

Brian Ferguson of Expedia, which runs companies such as TripAdvisor, said that customer reviews have more credibility than PR, but hoteliers have to accept that some reviews will be negative. Hotels used to put guests who booked through online agents into the worst rooms and as a result generated bad reviews. Now they are thinking differently. Ferguson said that online reviews are the second most important factor after price when people come to choose a hotel.

In the last session of the day, **Lamberto Biscarini** of the Boston Consulting Group described how the tourism industry is looking for ancillary incomes, such as airlines charging for baggage and food. However, research shows that customers are not interested in cross services and **Biscarini** said he believed that airlines are using the wrong attitudinal segmentation models in trying to understand what their customers want.



PEDRALBES-BOSCH I GIMPERA Ref. 4264
Spacious apartment, 216m2 completely exterior. Lounge-living room of 52m2 plus 18m2 of library. 4 bedrooms (2 en suite, 1 double and service). 2 pk.places, 1 storage room. Communal area weith pool.
SALE: 1.600.000 €



PEDRALBES Ref. 4.205
96m2 NEW APARTMENT. Lounge-dining room of 32m2 with access to terrace of 15m2. 2 exterior bedrooms (1 en suite and 1 individual). 2 pk. places, storage room. Communal area with pool.
RENT: 2.490 €

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RENT



Beautiful detached house of 250m2 with garden and pool. Large living room of 40m2. 5 bedrooms (1 en suite and 4 doubles). Garage for 2 cars..

Ref. 636 - 2.500 €

PEDRALBES-LICEO FRANCÉS

RENT



170m2 apartment. Spacious living room with access to terrace. 4 bedrooms (1 en suite, 2 doubles and 1 service bedroom). 2 pk.places. Communal area with pool..

Ref. 3.765 - 2.200 €

EIXAMPLE-DIAGONAL-PAU CLARIS

RENT



70m2 designer LOFT in perfect condition. Living room of 35m2 facing street with open-plan kitchchen. 1 double bedroom.. Furnished or unfurnished.

Ref. 1.293 - 1.250 €

PEDRALBES

SALE



150m2 apartment + 2 terraces. Lounge-dining room of 35m2 with access to terrace. 5 bedrooms (1 en suite, 3 doubles and 1 service). 2 pk.places. Comm.area with pool.

Ref. 4.288 - 930.000 €

PEDRALBES-DR.FERRÁN

SALE



142m2 apartment + 22m2 of terrace. 55m2 living room with chimney. 4 bedrooms (1 en suite, 2 doubles and 1 service room). 2 pk.places. Communal area with pool.

Ref.4.191-1.100.000€

BORN-PÇA. OLLES

SALE



Spectacular designer apartment, 50m2 in new building with lift. Living room with open-plan kitchen and 2 balconies. 1 exterior bedroom en suite. Parquet floors.

Ref.4.228 - 310.000 €

Your REAL ESTATE in Barcelona



Ursula M. Burns, CEO of Xerox

**THE WALL STREET JOURNAL
BREAKFAST SERIES
NEW YORK, JUNE 17**

The chairperson and CEO of the Xerox Corporation will be interviewed by Alan Murray of *The Wall Street Journal* in the next in the *Viewpoints* series of programs sponsored by IESE.

CONTINUOUS EDUCATION

Making Innovation Work. How to Design Innovative Companies.

London, June 16.
Prof. **Antonio Dávila**

Incorporating Uncertainty in the Project Plans: Some Examples From the Movie Industry.

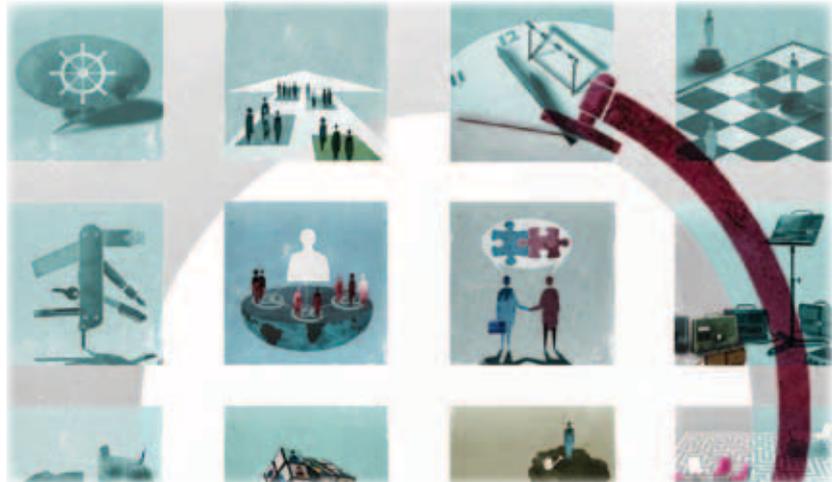
A framework for the management of uncertainty in projects.
Moscow, June 23
Prof. **Jaume Ribera**

Effective Management of Professional Networks.

Munich, July 5
Prof. **Marta Elvira**

Self-knowledge, Managerial Decision Making and Teamwork: Do They Have a Link?

The art of management requires firms with decision makers prepared to constantly improve their self-management skills, general effectiveness, collaborative capabilities and healthy personalities. What is the state of the art on the topic?
Mumbai, July 7
Prof. **Laureano Berasategui**



SHORT FOCUS PROGRAMS

“The Innovation Architect” Workshop at the World Innovation Forum. New York, June 6-8

Advanced Digital Media Strategies: Profiting From the Digital Value Chain.

New York, June 14-16 & November 15-17

Global Business: Making the Matrix Work.

New York, June 20-22

Empower Your Business Through Social Media and Collaboration.

Barcelona, June 20-23

Driving Government Performance.

Madrid, June 27-30

Optimizing your Retail Business. Best-in-Class Operations and Customer Service Barcelona.

Barcelona, June 1 & 2

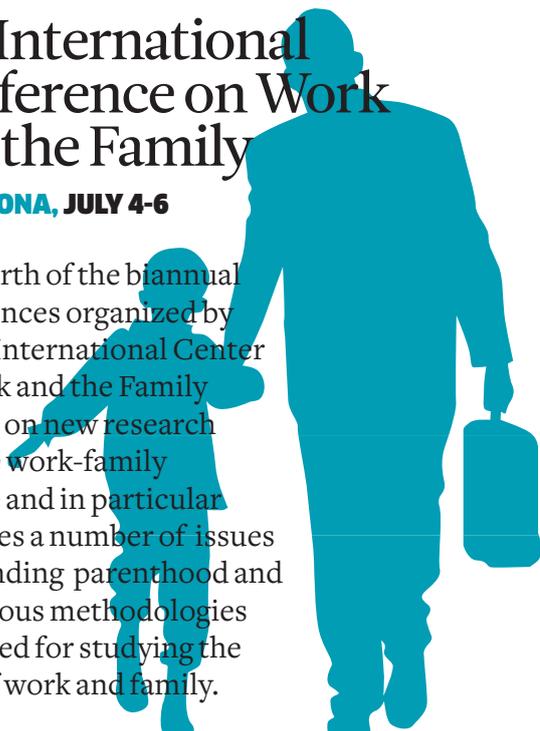
Making Social Responsibility Work. The Cornerstone of Sustainable Business.

Barcelona, July 4-8

4th International Conference on Work and the Family

BARCELONA, JULY 4-6

The fourth of the biannual conferences organized by IESE's International Center on Work and the Family focuses on new research into the work-family balance and in particular examines a number of issues surrounding parenthood and the various methodologies employed for studying the topic of work and family.



How to Create Integrated Value for Stakeholders

1ST INTERDISCIPLINARY CONFERENCE ON STAKEHOLDERS, RESOURCES AND VALUE CREATION BARCELONA, JUNE 7 & 8

IESE hosts the first meeting organized in association with the Stakeholder Strategy Interest Group of the Strategic Management Society (SMS). The discussion will center on how to integrate ethically neutral management that is focused entirely on resources with the ethical demands of stakeholders and how this integration would affect value creation.

2nd International Conference on Humanizing the Firm and the Management Profession

BARCELONA, JUNE 27 & 28



This conference, titled “Towards a New Theory of the Firm”, aims to encourage interdisciplinary discussion of a new management paradigm. The first meeting, held in 2008, brought together distinguished academics from a wide range of disciplines in order to discuss the current challenges within the context of absolute academic freedom.

New Opportunity For Investors

IESE'S NETWORK OF PRIVATE INVESTORS AND FAMILY OFFICES

BARCELONA-MADRID, JUNE 6

IESE's Network of Private Investors and Family Offices is holding its 54th forum in Barcelona although, as on previous occasions, it can followed in Madrid via videoconference. The 55th forum will take place on July 11.

GENERAL MANAGEMENT

AMP São Paulo

The next module begins on June 6 in Brazil

PMD São Paulo

The next module begins on June 13 in Brazil

AMP Santo Domingo

The next module begins on June 15 in Santo Domingo

María del Pino Velázquez (MBA '91)

“I Saw the Chance and Jumped at It”

It was her entrepreneurial spirit that led María del Pino Velázquez to set up Unísono Soluciones de Negocio in 1999. While she was working for a mobile phone company she saw an opportunity and seized it. Today her business employs 7,500 people and in 2009 had an annual turnover of €95 million (\$124 million).

What comes first, the idea or the urge to be an entrepreneur?

First, you have to want to be an entrepreneur. The inspiration comes later.

Is that how Unísono was created?

When I was working for Airtel (now Vodafone) I was lucky enough to set up a company from scratch and experienced every stage of the process. Also, working for a mobile phone company made me realize the increasing part telephones play in people's lives. It was then that I realized that there would also need to be a change in services. Later, I became head of Vodafone's customer services, which allowed me both to test my intuitions and acquire technical knowledge and training. I realized that this sector was not highly developed. I saw the opportunity and I jumped at it.

You completed your MBA at IESE in 1991. Eight years later you founded Unísono. In what way did your time at IESE help?

I learned a lot at IESE. Sometimes when problems arise you remember what was said in a session. For instance, I recall the collective and commercial negotiations. You realize that there's a lot of technique and science behind them.

Has the crisis made it harder to be an entrepreneur?

These are tough times, whether you are an entrepreneur or not. But there are still ideas and finance out there.



Finance is harder to get but if you have a good idea there are always people who will be willing to help you.

If you were to set up a company again, what mistakes would you try to avoid?

It's essential to think in the long term. You can't rush, because there is a series of values that you only acquire over time; values such as prestige, becoming a model for the industry, or for the market to learn that you work to certain standards. All that takes time. It doesn't matter what you say, you have to show what you are and that takes time.

Also, along with all the craziness of being an entrepreneur, I recommend that you learn to be prudent and, above all, surround yourself with a good team. The latter has to be seen as something you invest in over the long term.

What makes being an entrepreneur worthwhile?

The freedom you have to set up whatever you want and the speed with which you can make your ideas a reality. I think it keeps you fresh and alive and keen to do things and look out for new challenges. It's a lifestyle. You work a lot harder than before and you probably have more financial problems at the outset, but later it is really rewarding.

Apart from money, what do you seek from a venture capitalist firm such as Finaves?

You seek company. You want them to share your expe-

rience, share points of view or simply serve as the psychiatrist's couch. I have had investors who have shared a great deal with me and I'm very grateful to them.

How difficult is it to set up a business?

I've not had any problems setting up a business in Spain. I know there's a lot of paperwork but it wasn't difficult. Nor have I had problems establishing a business in Chile or Colombia. In this regard, I think the business person's reputation is the most important thing. The way things stand, we must try to improve the image of business people and encourage them to do more. We have to get rid of this image of someone who mistreats their employees or is only interested in money or a fast buck, and replace it with that of someone who creates value and jobs, who competes on a global scale and increases their country's wealth.

Which countries are the most attractive to an entrepreneur at the moment?

Somewhere that is undergoing rapid growth, such as Brazil. Also the United States; it's always easy there, both the good and the bad.

Prof. Pedro Nueno claims that, aside from a few modifications, if a business works, the country isn't important. What has the process of internationalizing your business been like?

The basics of setting up a business are easy and there's always someone to help. We established the business in



Santiago de Chile in 60 days. It was fantastic. The hard part is finding a team of people who share your outlook and who excel at their work, cultivate loyalty and take care of our clients.

For Unísono España having businesses abroad is very positive. We've exchanged a lot of information and we are helping each other to improve.

Unísono has many strings to its bow: the call center as well as business process operations, consulting, payment management and technological solutions. Is diversification the key to success in the sector in the future?

We have to evolve, without straying from our strategic trajectory. The truth is that clients are more complex, technology means that there is an inter-relationship between the business and the final client and we have to be able to adapt ourselves to offer this. We have to keep innovating. Over the past five years we have launched a new line every year and will continue to do so.

How do you see the future of Unísono?

Spain will have less importance within the group. What

➤ **BEING AN ENTREPRENEUR KEEPS YOU FRESH AND ALIVE AND KEEN TO DO NEW THINGS AND LOOK OUT FOR NEW CHALLENGES. IT'S A LIFESTYLE.**

we do, we do well and it doesn't matter where we do it. We will continue to grow, though in a controlled way.

What has been the impact of the crisis on your sector?

The sector has been growing at 10 percent per annum but now it's catching its breath. We are not in recession, but growth is more moderate.

What are the positive effects of outsourcing in the present climate?

At times of crisis, people look to outsourcing for two reasons: to externalize services hitherto carried out in-house and to move certain services to countries with lower labor costs. There's a lot of activity but at the moment I'm not sure it's worth it.

The people who work for you spend 7 percent of their time on training. Training is important, but if it isn't accompanied by the prospect of furthering one's career, it can be frustrating. How is it possible to combine the two?

It's easy to get promoted in a business that is growing fast, but there are other things such as training, internal communication and life-work balance that encourage loyalty. You have to do a lot, even though you won't see any immediate results. Unísono was recently awarded the Professional Development 2010 prize. We have people who came in as phone operators who are now directors. We have helped them with training and experience and we've also learned a lot from them. Having a good team is fundamental if your business is going to succeed, and that means you have to take care of people.

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GLOBAL CEO PROGRAM: A TRANSFORMATIONAL JOURNEY

BRINGING THE BIG PICTURE INTO FOCUS

The program's three separate modules are held in Brazil, the United States and China.

To help senior executives cope with the fast-changing and ever more complex business environment, IESE has teamed up with two other top business schools to devise a Global CEO program directed at CEOs, owners, presidents, board members, top-tier executives and chief decision makers with 10 to 15 years of general management experience. The program, a transformational journey, consists of three modules held in São Paulo at IESE, in Philadelphia at the Wharton School and in Shanghai at CEIBS, each of which focuses in turn on Latin America, the differences between mature and emerging markets, and Asia.

The program looks at the opportunities and risks in the region focused upon in each particular module, as well as leadership capabilities in a range of key areas. The Cross-Program Project (CPP) consists of a strategic action plan designed around a business challenge that each participant has identified before the program begins. The program attracts a wide range of participants, from family businesses to entrepreneurs to senior executives of multinationals.

It provides participants with a chance not only to learn about global trends and opportunities but also



Eduardo Balarezo with Fidel Kishimoto.

to look at their own business from a broader perspective.

“The opportunity to share strategic thinking with a small group of executives, to advise and be advised by them, opens the way to a fresh and honest perspective which, combined with the academic content, gives the program a tangible and practical value,” says **Carlos Hornstein**, IESE’s director of business development.

Fidel Kishimoto, managing director of Glencore (Peru), who took part in the Global CEO program in 2009, said: “It is an opportunity to exchange experiences with senior managers and executives from different enterprises and different continents, with professors

engaged in offering cases, lectures and visits to important companies. The result is something that goes beyond the academic and allows us to revise our business models with more social commitment.”

Prof. **Jerry Wind**, academic director of Wharton, says that executives’ biggest concern is dealing with growing complexity. “If you are unsure whether you or your company is ready to deal with this complexity, you should consider this program,” he says.

Prof. **Julia Prats** of IESE says “the Cross-Program Project is tailored to each person’s individual needs. It helps participants to design an action plan based on a strategic challenge that they face.”



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FINAVES ENTREPRENEUR OF THE YEAR

“WE HAVE TO DO A GREAT JOB TO RETAIN CLIENTS”

“FINAVES led our first angel round and was invaluable in helping to making the next step,” says **Evan Powell** (G-EMBA '08), CEO of Nexenta Systems, the data storage company he helped to establish while still a Global Executive MBA student at IESE. Three years later, he expects partners reselling Nexenta based solutions to notch up \$350 million in sales in 2011.

The founders of Nexenta were working on an open-source software project — “it was more a hobby than anything else” — when they approached Evan to turn their hobby into a business in 2007. Evan drew up the business plan for Nexenta becoming a commercial concern while he was finishing his G-EMBA. “I had written the business plan for Prof. **Pedro Nueno**’s class on entrepreneurship. I then chatted with Prof. **Nueno** during a trip to China and told him I was actually committed to starting Nexenta, and that led to the involvement of FINAVES,” **Powell** says.

Over 2,200 customers across different size businesses and different industries have standardized on Nexenta for their IT Storage needs. One of the main attractions of Nexenta’s NexentaStor is that it doesn’t lock clients in and enables them to create a more flexible, cloud-like approach to storing and utilizing data.

The prevailing “legacy” storage systems, which are hardware-based, rely on technology that has been superseded by the technological underpinnings of NexentaStor. However, legacy storage providers are able to charge exorbitant margins thanks to



G-EMBA '08. Evan Powell, the CEO of Nexenta Systems, the data storage company he helped to establish.

the way they lock customers in with proprietary systems.

By contrast, customers of NexentaStor can easily access the highly competitive market for commodity servers and storage hardware, thereby saving 75% or more versus legacy storage.

Storage continues to be a huge market and based on analyst reports it represents a large part of all enterprise IT spending. “It’s a \$100 billion

market that everyone, other than the legacy storage providers, needs to see disrupted. The fact that we don’t lock clients in means we have to do a really great job to win and retain our customers,” **Evan** says.

“We offer an open system and as a customer you benefit from **Moore**’s law because, as NexentaStor is a software solution, you can double the speed of your storage hardware without paying us a dime. You own the licence because you bought a perpetual license from us.”

“Nexenta has a long, long way to go,” **Evan** says. “We’re not running for the exit. The storage market is growing fast and we are transforming it into an open market where companies like Nexenta compete based on the value we add, not the extent to which we can lock customers into aging solutions.

“FINAVES and my experience at IESE have been fundamental to my initial success at Nexenta. Over 50 percent of our sales come from outside the United States, so our global mindset has paid great dividends. And both FINAVES and IESE have helped me to better navigate opportunities around the world,” **Powell** says.

He was one of three entrepreneurs to receive awards at the FINAVES 10th anniversary celebration in recognition of his work in establishing Nexenta Systems.

MORE INFORMATION

You can watch Evan Powell’s acceptance speech at the awards ceremony at <http://goo.gl/V5bFH>

IN THE
NEXT
ISSUE...

IESEinsight

www.ieseinsight.com/review

Enterprise 2.0 The Challenges and Opportunities of Social Networks

- Finding the right balance when formulating company policies
- Leveraging the advantages: How to loosen control without losing control
- Dealing with the dilemmas of privacy, security and transparency
- Word of mouth travels faster: Getting your marketing up to speed



Plus...

- **Divestitures explained:** What they are, and how to manage them successfully
- **Five emotional cues** that work magic on customers
- How a group of Sicilians **stamped out corruption**
- **PfizerWorks:** How to make an offer that managers can't refuse?

Michael Nash of Warner Music discusses the digital revolution



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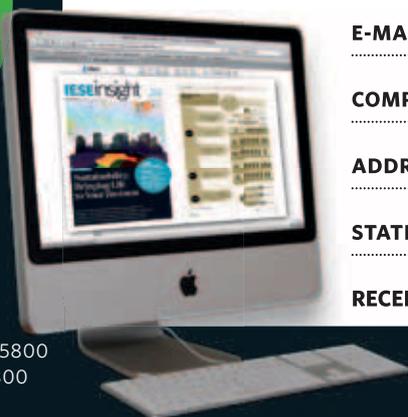
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África Ariño Joins Strategy Foundation



Prof. África Ariño has joined the Strategy Research

Foundation (SRF), an independent branch of the Strategic Management Society based in Chicago. The aim of the SRF is to carry out research into the practical application of new thinking and knowledge around the issue of strategic management.

José M. Lara: Price Rules in Internet War

José M. Lara, chairman of the Planeta group, Spain's largest publisher, said that online consumers are opting for free rather than reliable information, with the result that it is "killing" the big encyclopedias and leaving people ill informed. Speaking at a Global Leadership Series session in Barcelona, Lara said the book industry faced "the rule of price" as the challenge from much cheaper e-books continues to grow.

"Expatriatus" blog Launched



In March, Sebastian Reiche, an assistant professor in IESE's De-

partment of Managing People in Organizations, launched his blog "Expatriatus" in order to gather and share personal and professional information about working as an expatriate.

INTERNET SECURITY AND PRIVACY

"GOOGLE USES DATA TO INVENT THE FUTURE"

"Privacy is the big issue on the Internet, but we believe your data belongs to you," Bárbara Navarro, director of public policy and international affairs for Google Spain, Portugal and Greece, told a meeting on "Privacy and the Internet" on IESE's Barcelona campus. Web traffic is increasing exponentially, she said, with close to 300 billion emails sent every day and more than 130 billion searches per

month. "Google uses data to learn from the good guys, fight off the bad guys and invent the future," she said.

Whatever goes on the web stays on the web, she cautioned, adding that the law constantly lags behind the reality of the Internet. "The question is, do we go for strict regulation of privacy or give people the tools to regulate it themselves?" Navarro said.

APPOINTMENTS

JOHN ALMANDOZ

Has joined IESE as assistant professor in the Department of Managing People in Organizations.

JOSÉ LUIS SUÁREZ

Has been named academic director of the Centro Internacional de Investigación en Finanzas (CIIF).

JAMES DRESS (MBA '02)

Has joined IESE as associate director of the Global EMBA program.

JOSÉ RAMÓN GUTIÉRREZ

Has joined IESE as director of the Executive MBA program in Madrid.

JOHN HEALY (MBA '89)

Has joined IESE as associate director of the Global EMBA program.

GLOBAL LEADERSHIP SERIES

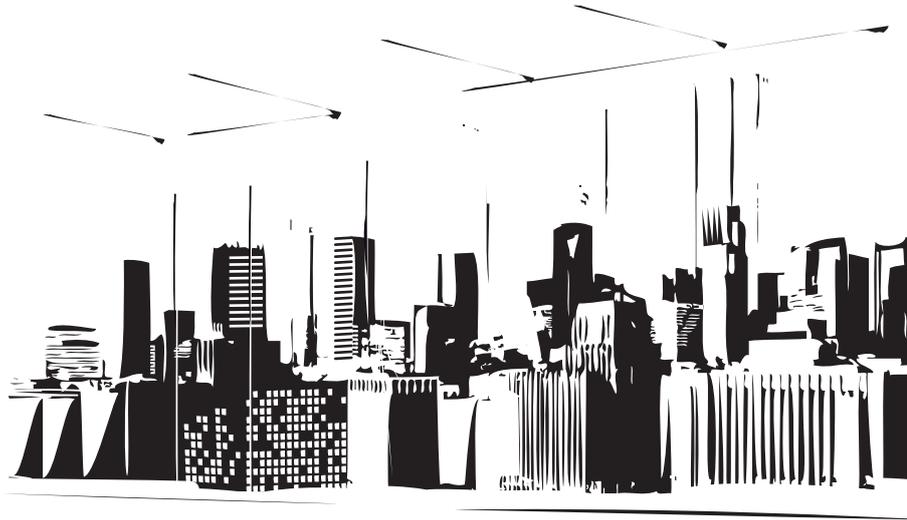
Sony Executive on the Mechanics of Making Changes



When you're facing a big challenge you should be ready for the worst and expect the best, Pedro Navarrete (MBA '82), senior vice president of Sony Europe told a meeting in the Global Leadership Series in Barcelona. The real challenge with change is not what to do but how to do it,

he said. Three things are required to bring about a major change, he said. First you have to make people understand why the change is necessary; second you have to involve everyone and, third, you have to motivate them.

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MYTHS ABOUT GLOBALIZATION

The World is Not Flat and How to Capitalize on That



For all the thousands of books on the subject, there is no consensus on what globalization really is. In his new book, IESE's Pankaj Ghemawat debunks many myths while proposing that businesses recognise differences rather than try to impose a universal model.

● Globalization is the buzzword of our times, but what is it and is it really something new? In his new book *World 3.0 Global Prosperity and How to Achieve It*, **Pankaj Ghemawat**, professor of Strategic Management at IESE, debunks what he sees as many of the myths about globalization and urges business to move away from a one-size-fits-all approach to their international operations.

The book has already received plaudits. Under the headline "The case against globaloney – at last some sense on globalization," The Schumpeter column in *The Economist* described **Ghemawat** as "one

of the few who has kept his head on the subject" and said that World 3.0 "should be read by anyone who wants to understand the most important economic development of our time." In the interview reproduced below, **Ghemawat** explains the essence of what he calls World 3.0 thinking.

"World 3.0 refers to a mindset that sees barriers between countries as well as the bridges between them as important. I contrast that with what I call World 1.0, which sees the world as being composed of a set of individual nation states, and World 2.0, which includes such concepts as the death of distance, the end of nation states or the world being flat that have been propounded recently.

To explain why World 3.0 is an antidote to the fears that we have about globalization, it's useful to step back in human history. Through much of human history, our natural impulse, when faced with specific threats, has been to band together, often with blood relatives or people like us, as a way of defending ourselves. So the instinct to retreat in the face of difficult economic climates or other kinds of problems is understandable. But what consideration of the data shows is that those fears are largely unnecessary and that we can make much more progress by actually widening circles of cooperation rather than pulling back.

World 3.0 implies that governments have dual roles, as integrators and as regulators. Whether a particular government in a particular country needs to do more or less to regulate depends, of course, on the specifics of the situation. But the broader notion is that there are still large gains to be tapped by integrating further. Most of the side effects can be alleviated by carefully targeted regulation, rather than by turning our back on integration itself.

Businesses need to adopt a World 3.0 perspective, as opposed to fixating on the notion of a borderless world, because the notion of a borderless world is responsible for most of the mistakes we see in international business. If you really believe that borders don't matter, you're much more likely to follow strategies that fail to address local needs, trigger local backlashes and in some sense give fuel to the anti-globalization movement as well as hurting profitability. World 3.0, in contrast, stresses what I call building a cosmopolitan corporation, a corporation that understands,

appreciates and leverages the differences across countries, as opposed to simply ignoring them and pretending that everything can be sold in exactly the same way around the world.

While it's hard to find the perfect exemplar of World 3.0, it's feasible to think of companies that, often through trial and error, have

"The notion that we inhabit a world without borders is responsible for most of the mistakes we see in international business."



moved in the directions suggested by World 3.0. Take, for example, the case of MTV. Fifteen years ago, the wisdom at MTV was that “obladi, oblada” sounds exactly the same in any language. That was the period of complete standardization. In contrast, what people found out was that music preferences are very different across different countries and so MTV moved from the face of complete standardization to start-

ing to localize what MTV does in different markets. Having achieved localization, the argument shifted back to how they could add value to these local operations. That to me is the essence of World 3.0 thinking: recognizing the differences but at the same time trying to figure out how to address those differences, in a way that is more than a purely World 1.0 approach that would involve total localization.”

ON THE ROAD WITH PANKAJ GHEMAWAT

Over the next month, Prof. **Ghemawat** will be visiting various cities in order to promote his book and to generate debate about the nature and scope of globalization.

Munich / June 9

Paris / June 20

Vienna / June 30

OFFSHORING 2.0

Are You Ready for the Next Wave?



The growth in the offshoring of services, traditionally kept in the home country, presents new opportunities for governments, firms and skilled workers. The authors of this book emphasize how companies must take on offshoring as an integral part of their strategy.

- The aim of this book is to help managers who want to catch the new offshoring wave to navigate the organizational challenges that arise from coordinating geographically dispersed knowledge workers. The book presents both an economic and management-oriented perspective on offshoring, starting with a comparison of direct and indirect measures of its impact on labor markets. The authors describe the new wave of offshoring currently taking place – that of services offshoring, which, although much smaller than the traditional materials offshoring, is growing at a faster rate. They suggest how man-



Prof. Joan E. Ricart.

agers, governments and workers themselves can take advantage of these new opportunities.

The advent of the Internet and telecommuting has made services offshoring possible. Companies now have the potential to relocate worldwide business processes that, until recently, were considered to be classic white-collar jobs performed exclusively at home. This offers firms the possibility of leveraging a cheap and available pool of well-trained workers.

NOT JUST CALL CENTERS

- Although this second wave of offshoring was first limited to

the migration of contact centers and administrative and IT functions, it now includes product development activities such as R&D, product design and engineering services. “The relocation of these activities, conventionally considered to be the critical value-generating activities of most enterprises, represents a major geography-related change in the organization of corporations,” state the authors.

Although offshoring has a direct negative impact on employment, it also has an indirect positive impact through improvements in productivity. “The positive side to the story is that with services offshoring, direct employment effects are less extreme, as highly skilled workers are expected to adapt more easily to the requirements of new job opportunities,” the authors say.

GLOBAL STRATEGY

- For firms, the authors stress that offshoring must be thought of as an integral part of a company’s global strategy. If not, companies could lose terrain to other more willing firms. Firms must also be flexible and efficient in managing the workforce. Companies that invest time and resources in finding the right strategy to train and shape their staff are in a much better position when the time comes to offshore.

“Career-long learning, career planning, staff development and skill renewal are just a few of the possible strategies that can help firms and their workers adapt to the new offshoring reality.”

Demystifying Finance for Entrepreneurs



Getting Between the Balance Sheets

Liechtenstein, Heinrich
Frodsham, David
Palgrave Macmillan, 2010



● Few entrepreneurs spend as much time on finance as they do on building their products and customer base. They might not even be aware of the key financial areas they should be focusing on. But, as this book reveals, a little financial knowledge, planning and well-timed action can make all the difference.

Entrepreneur **David Frodsham** teamed up with IESE Prof. **Heinrich Liechtenstein** to demystify the intimidating world of finance for entrepreneurs. Using the fictional character of Grace Inge, an amalgam of real-life entrepreneurs, the authors chart her progress as she launches a fashion start-up. They explain the financial challenges she faces every step of the way, and propose workable solutions.

The authors outline the following four key factors that determine whether a business venture will make money for all stakeholders.

- How you calculate, manage and reduce the cash needed to run the company. Everyone has heard of “working capital,” but rather like the word “marketing,” it means different things to different people. Few have a strategic objective to reduce the cash tied up in the company, and fewer make it a key element in product management and other business decision making.

- How you slice the cake between entrepreneur and investor. The



Prof. Heinrich Liechtenstein.

“cake” is the proceeds from the sale of the business. There are many examples of successful companies where the entrepreneur realizes too late that owning, for example, 40 percent of a company doesn’t mean they will realize 40 percent of its value. The way the company is divided up in terms of economic value is much more important than percentage ownership and valuation.

- How you attract top talent at less than market rates. Using an equity exit model, the authors show how to create a good share option plan. Without this, start-ups risk either paying money they can’t afford for the right talent, or not hiring the right people.

- How to manage selling the company. There is only one shot at getting the valuation right and selling the company to the right buyer. The authors clarify what is meant by an “exit,” which is not a door to the outside, but a door to a different place. They prefer to call it a “liquidity event,” a time when some or all of the shareholders get to convert some or all of their ownership into cash.

Mastering these four aspects can mean the difference between success and failure. This new book makes seemingly complex balance-sheet concepts such as assets, liabilities and equity easier to understand and analyze.

MICHAEL DUKE

WAL-MART CEO: FUEL AND FOOD PRICE HIKES AFFECTING CONSUMERS

WSJ's Viewpoints Executive Breakfast Series,
Co-sponsored by IESE and BCG.



U.S. consumers are still “under a lot of pressure,” said **Michael Duke**, CEO of Wal-Mart, the world’s largest retail chain. With 140 million people visiting its stores every week, Wal-Mart has extensive data on customer behavior which it examines very closely.

Duke was the invited guest for this week’s edition of the *Wall Street Journal* Viewpoints series with WSJ Deputy Managing Editor

Over the last couple of years the economic crisis has led to there being more focus on value and price.

Alan Murray, which is co-sponsored by IESE Business School.

Over the years, Wal-Mart has seen increasingly high levels of sales during the first part of the month, when core customers have just received their paychecks. Now, however, sales levels are increasingly dropping off at the end of every month. As customers run out of money at the end of the pay cycle, they are opting for smaller pack sizes and have less discretionary spending. Many consumers buy only the basics, he said.

“There are two dynamics right now,” **Duke** said. First, “over the last couple of years the economic crisis has brought more focus on value and price.” Second, rising food and fuel prices are having a major impact on behavior.

A positive development is that prices of products such as electronics continue to drop, meaning that technology is becoming more available to more people, he said.

When asked what percentage of products sold in Wal-Mart are made in China, **Duke** said the “vast majority of units sold” are produced in the United States, although exact statistics are not available. For example, in a typical Wal-Mart Super Center, most consumer products come from within the United States. On the other hand, a large portion of apparel, electronics and toys is made outside the country.

Wage inflation in China is a factor that will eventually affect the cost of products made in that country, he said. “But I would expect that China will continue to be a large producer. I don’t expect a dramatic



shift from that,” he said. As China’s middle class expands, Wal-Mart is well-positioned to be a successful retailer in that market, he added.

The company, founded by **Sam Walton** in 1962, has 8,500 stores in 15 countries but only operates under its own name in the United States and Puerto Rico. In 2009 it generated \$258 billion in sales in the U.S. alone, half of that from its grocery business.

Overall, sales add up to over \$400 billion and the company has more than 2 million employees.

Duke, who describes himself as “competitive by nature,” joined the company in 1995 and has held the post of CEO since 2009. He said earlier that the company’s priority is to turn around its U.S. sales, adding that there is a “tremendous long-term opportunity” in sub-Saharan Africa.



THE LATEST ON
IESE'S ALUMNI
CHAPTERS

CHAPTER NEWS

PARIS

January 1

- The French Chapter gathered
- for their traditional Dîner du Premier Lundi (first Monday of the month dinner) in Paris.

January 31

- The French Chapter met in Paris
- for the talk "The Consumer of the Future," given by Prof. **José Luis Nueno**. The meeting was made possible thanks to the president of the French Chapter **Gloria Perrier-Chatelain** (EMBA '93) and SAP.

MUNICH

January 12

- Prof. **Christoph Zott** met
- alumni in Munich for the conference "Innovate your Busi-

ness Model" about successful and profitable new business models.

March 1

- "Many CEOs of public com-
- panies don't think in the long term," **Franz Haniel**, a member of IESE's International Advisory Board and CEO of the Haniel Group, told a conference of Germany alumni, accompanied by IESE Dean **Jordi Canals**. "It is our responsibility not only to create businesses but to ensure they are respected from one generation to the next," he said. **Canals**, who talked about "Building respected companies," based on his book of the same title, said "if we want society to regain trust in business we have to think in a more integrated way." For example, "we have to connect better with young people." IESE thanks Booz & Co for help in organizing the meeting.

VIENNA

January 12

- The Austria Chapter organized
- an event in the capital at which Prof. **Luis Cabral** gave a talk on "The Evolving Business Model of the Media and Entertainment Industries." The professor discussed some of the questions that technological changes have raised for the media and entertainment industries. The Chapter thanks A1 Austria Telekom for help in organizing the event.

LONDON

January 27

- Prof. **Rob Johnson** met alumni in
- London, accompanied by **Vinay Gupta** and **Tom Wright**, founders of WhipCar, a company that has devised an original model of car rental. The talk given by the two entrepre-



1 & 2. Munich.

neurs “From Eureka to Execution - 12 months in the life of WhipCar, a world’s-first-business,” retraced the history of the company as an example of the process of establishing and consolidating a new business. IESE thanks **Rob Juxon** (MBA ’02) and Barclays Wealth for their help in organizing the meeting.

March 31

- IESE Alumni in London attended
- the talk “Communications and collaboration in action” by Prof. **Sandra Sieber**, along with **Emma Roffey**, head of Communications & Digital Marketing European Markets at Cisco. **Sieber** discussed recent developments in new technology in relation to social networks. This was followed by a debate on how companies can take advantage of the tools these networks offer to improve productivity and to connect with clients, although to do so requires radical change on the part of companies. IESE thanks **Chris Bailey**, director of Marketing, Enterprise & Public Sector, European Markets at Cisco and Cisco Systems for help in organizing the meeting.

GENEVA

January 31

- The Switzerland Chapter held
- an informal dinner in Geneva on January 31.



March 7

- At an alumni meeting on March
- 7, Prof. **Heinrich Liechtenstein** acted as moderator for a panel of experts comprised of **Jacques de Saussure**, of Pictet & CIE, **Youssef Dib**, of Crédit Agricole Suisse, and **Theodore Marguellos**, of IJ Partners who discussed “How to best serve affluent clients to take on their wealth responsibly?” which focused on serving rich clients, especially those who might be more interested in social issues than in simply making money. IESE thanks Crédit Agricole for help in organizing the meeting.

NEW YORK

February 2

- IESE’s New York center hosted
- a continuous education session on “Career Development and Management” given by Prof. **Mike Rosenberg** and the industrial expert **Gabriel Sánchez-Zinny** from Egon Zehnder International. In spite of heavy snow, numerous alumni attended the session which was opened by **Rosenberg** who advised those present to manage their careers proactively. **Gabriel Sánchez-Zinny** emphasized how since the crisis began in 2008 the labor market has become increasingly competitive. He encouraged participants to combine education with professional challenges and the ability to develop good relationships.

March 30

- Prof. **Pedro Nueno** took part
- in the conference “Chinese Companies Marching Globally” at IESE’s New York center. Accompanying Nueno on the panel were Prof. **Ronald M. Schramm** of Columbia Business School and **Jean-Christophe de Swaan**, a lecturer at Princeton University.

MIAMI

February 9

- Prof. **Johanna Mair** visited
- the United States Chapter where she led a session on “Social Entrepreneurship”.

March 17

- The United States Chapter met
- in Miami for a talk by Prof. **Nuria Chinchilla** on “Balancing Professional, Family and Personal Life,” based on her book *Masters of our Destiny*. The professor talked about the hot topic of work-life balance.

FRANKFURT

February 15

- Prof. **Albert Ribera** visited
- German alumni in Frankfurt where he led a continuous education session on “Relational Leadership.” The talk centered on the need for leaders to be



- 3. New York.
- 4. Miami.
- 5. Lisbon.
- 6. Amsterdam.

capable of relating and interrelating with those around them, beginning with their interaction with themselves. The Chapter thanks **Lars Schwabe** (AMP '08) and **JP Morgan** for their help in organizing the event.

SUNNYVALE

February 16

● Prof. **Sandra Sieber** met alumni and G-EMBA in Sunnyvale, California, where she gave a talk on “Trends in Communication and Collaboration in the Enterprise,” about the factors that govern communication in companies.

BRUSSELS

February 21

● Belgian alumni received a visit from Prof. **Jan Oosterveld** who led a session on “Megatrends and the economic crisis.” Oosterveld talked about the various elements that have arisen over recent decades and their relationship to the financial crisis and their impact on it. IESE thanks **Luc Haegemans** (AMP '11), secretary-general and member of the board of directors of BNP Paribas Fortis, and BNP Paribas Fortis for their help in organizing the event.

TOKYO

February 21

● **Franz Heukamp** led a conference on “What are the drivers of life satisfaction and how does this affect me as a manager and entrepreneur?” The meeting was held at the headquarters of JX Nippon Oil & Energy Corporation. IESE thanks them for their help in organizing the event.

HONG KONG

February 22

● The China Chapter held a dinner in Hong Kong which was attended by Prof. **Franz Heukamp**.

March 24

● The China Chapter met in Hong Kong for a talk by IESE Dean **Jordi Canals** on “Building Respected Companies,” in which he discussed the role of the firm in society.



SHANGHAI

February 23

- Prof. **Franz Heukamp** attended a dinner with alumni in Shanghai.

March 23

- IESE Dean **Jordi Canals** gave a talk on “Building Respected Companies” in Shanghai.

March 31

- The China Chapter met with Prof. **Antonio Dávila** in Shanghai where he led a continuous education session on “Making Innovation Work: How to Design Innovative Companies,” based on examples of innovative companies.

MEXICO CITY

March 2

- Alumni from the Mexico Chapter met in the capital to hear Prof. **Marc Sachon** discuss the case study “Porsche: the 1992 crisis.” During the meeting **Gerard Schoor** (MBA ’91), president of Integration Consulting, was named as new Chapter president. The outgoing president **Carlos**

Acedo (MBA ’88) thanked the Chapter for “the trust the IESE members have had in me and for always giving their best to ensure that things turned out well.”

LISBON

March 3

- The new management committee of the Portugal Chapter organized its first dinner and discussion on March 3. The new president, **José Gabriel Chimento** (PDG-I-95) took over from **Luis Garça** (G-EMBA ’05). The invited speakers were **Beatriz Rubio** (MBA ’90) and **Manuel Álvarez**, co-founders of the RE/MAX group, a major Portuguese real estate company. Beatriz and Manuel shared their views in a talk on “The Portuguese Real Estate Market” and said their company had been singled out by the magazine *Exame* and the firm Heidrick & Struggles as one of the best places to work in the country. The dinner was the first of a series of quarterly encounters.

WARSAW

March 3

- The Polish Chapter met in the capital where alumni were ad-

dressed by Prof. **Evgeny Kaganer** at a conference titled “Web 2.0 in the Enterprise – Looking Towards the Next Frontier” which looked at the advantages and challenges of using Web 2.0 in firms. The Chapter thanks Cisco Systems for helping to organize the meeting.

DUBAI

March 12

- Prof. **Pedro Videla** talked to Arab Emirates alumni in Dubai about “Global Economics and the Downturn.”

DÜSSELDORF

March 16

- The Germany Chapter received a visit from Prof. **Pinar Ozcan** who gave a talk on “New Markets and Entrepreneurship: How Markets Emerge and How Start-Ups Can Grow Rapidly by Catalyzing The Process.” The discussion centered on key aspects of technology markets and their importance for small and medium-size firms. The participants also discussed characteristics of emerging markets, such as the lack of information about competition compared to that which is available in other markets.

AMSTERDAM

March 17

- Prof. **Jan Simon** gave a talk “Volkswagen, Porsche and Hedge Funds, or: The Good, the Good-looking and the Naughty.” During the event, which was organized with help from **Eugenio García de Ulzurum** (PDD ’08) and Elsevier. **Mateu Hernández**, who is in charge of promotion at Barcelona City Council, talked about investment opportunities in Barcelona.



7 & 8. Sunnyvale

SINGAPORE

March 21

- IESE Dean **Jordi Canals** talked
- to Singapore alumni about “Building Respected Companies.”

ZURICH

March 25

- Alumni attended the Stammtisch
- Lunch in Zurich on March 25.

MONTEVIDEO

March 29

- Prof. **Manuel Velilla** gave a talk in
- Montevideo on “Businesses that involve people are successful.” **Mario Franzini** (MBA '74), president of the Argentina-Uruguay Chapter also took part in the meeting which was held at IEEM.

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

EMBA '92 Benito Cachinero-Sánchez, formerly of Johnson & Johnson, has joined DuPont as senior vice president of human resources.

EMBA '06 Manuel García-Ramos has been appointed director of A.T. Kearney Iberia.

EMBA-Q-08 Lucía Méndez-Bonito has been named head of the Construction and Plant division of the Grupo Inypsa, after spending two years as the firm's representative in Shanghai.

MBA '83 Joan M^a Tintoré has joined IOR Consulting as a partner and director.

MBA '89 Luis Maroto has been appointed chief executive and world president of Amadeus. Until now he was deputy chief executive and vice chairman of finance.

MBA '89 Enrique Fuentes, former head of market studies and analysis at Ferrovial, has been named as senior director of Infrastructures at KPMG.

MBA '89 Jesús Garre is the new chief executive of Capgemini in Spain.

MBA '96 César Gil has been appointed head of the sales divisions, after sales and maintenance at Ros Roca.

EMBA-Q-09 Antonio Molina has founded and is general manager of Advanced Medical Projects, a new bio-medical firm specializing in research into cancer and rare diseases.

MBA '91/PDD-I-96 Ignacio Canela (MBA '91) and **José M^a Flores** (PDD '96) have set up VirtualMeet, an online platform where businesses can rent online “rooms” in order to meet via the Internet.



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GRADUATION DAY FOR AMP MUNICH 2011



● The AMP Munich class of 2011 attended the graduation ceremony on March 11, accompanied by friends and family. Completing the course, which is designed for senior executives of international companies in the German-speaking world and central Europe, advances the graduates' careers. Using the case method, participants were put in the position of an executive facing a difficult decision as a way of preparing them for similar situations in the real world. At the same time, the cultural diversity of the class provided a learning experience that it would have been difficult to achieve in other circumstances. The next program begins in Barcelona on October 10.



A NEW GENERATION OF LEADERS EMERGES FROM WARSAW

● The AMP Warsaw graduation ceremony was held in Barcelona on April 15. The new graduates leave IESE better equipped to deal with the prevailing economic situation and more capable of providing the leadership required for a generation who will play a crucial role in the recovery in central Europe. The AMP Warsaw provides an opportunity to interact and share experiences with other senior executives under the guidance of the IESE faculty.



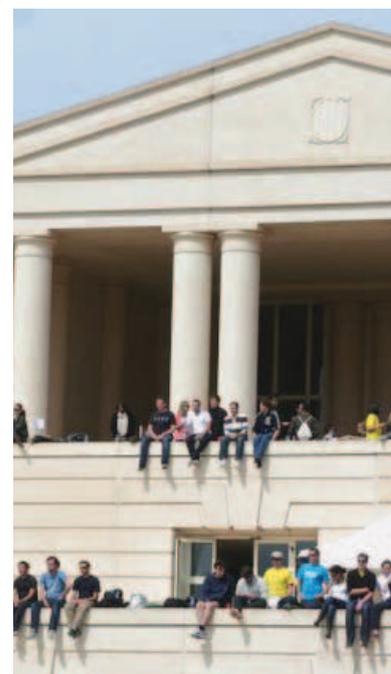
SPRING GAMES 2011

GOING FOR GOLD

More than 600 students from European business schools gathered at the Olympic stadium on Montjuïc in Barcelona during the last week of March to participate in the Spring Games. The event was organized by IESE MBA students and was sponsored by Booz&Co and Budgetplaces.com. A record number of people took part in this year's games which put particular emphasis on team sports as well as using sport to extend friendship and links between the various schools and encourage the sort of team work that is essential for executives. IESE's men's football team, captained by Prof. **Jaume Llopis**, won an award.

MORE INFORMATION

www.iesespringgames.org



IESE 2.0: THE MAP OF KNOWLEDGE

Blogs, tweets, posts... It's never been so easy to keep up to the minute with what's going on at IESE, whether it's what the faculty thinks or is researching, alumni activities or news about your program. Now everything is online. There is no end of possibilities. It's up to you which line you take, and in which direction and how far you want to go.





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 - 5 Professors

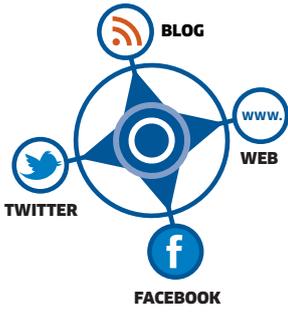
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MISSION ACCOMPLISHED, NEW CHALLENGES

“**L**ooking back over 2009-2010, it’s been a year of challenges and opportunities,” says a satisfied **Antonio González-Adalid** (MBA ’75), president of the Alumni Association in the Annual Report which was approved by the management committee in February. A large number of alumni in Barcelona and Madrid took part in the meeting, linked by video conferencing.

OBJECTIVES ACHIEVED

The president of the association said that among many achievements “perhaps the most brilliant was holding the Global Alumni Reunion in New York, instead of in Europe.” He also highlighted the first meeting of five-yearly students in the Executive Education Program “which represents a big step forward in the objective of creating more meeting points within our community, which goes on growing year by year.”

During the management committee meeting, **Mireia Rius**, director of the alumni department, gave “special thanks for the work of the national Chapters, their commitment, ideas and dedication which has helped to involve more people in Continuous Education.”

NEW PROJECTS

The Alumni association presented some of the projects planned for 2010-2011, such as increasing the degree of involvement in the Continuous Education Program in Madrid and Barcelona and increasing activities in countries with a significant number of alumni, such as the United States, Germany, the United Kingdom and Brazil. A new e-conference service is also being developed so that all alumni can access the Continuous Education Program.

Highlights among other projects are the online recruitment scheme and new technological support, promoting the SUCCEED platform and developing further professional networking among alumni.

MANAGEMENT COMMITTEE

The IESE Excellence in Research Awards were also presented during the meeting. The awards for the best books went to **Domènec Melé** (*Business Ethics in Action: Seeking Human Excellence in Organizations*) and **Fernando Pereira** (*Contabilidad para dirección*). The award for the best published article went to **Víctor Martínez de Albéniz** (*Competition in the Supply Option Market*) while the prize for the best course went to **Prof. José A. Segarra** (Managing small and medium-size businesses).

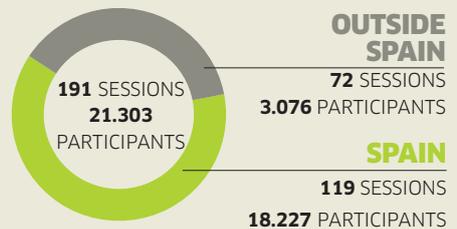
Participation

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IN CONTINUOUS
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PROGRAM

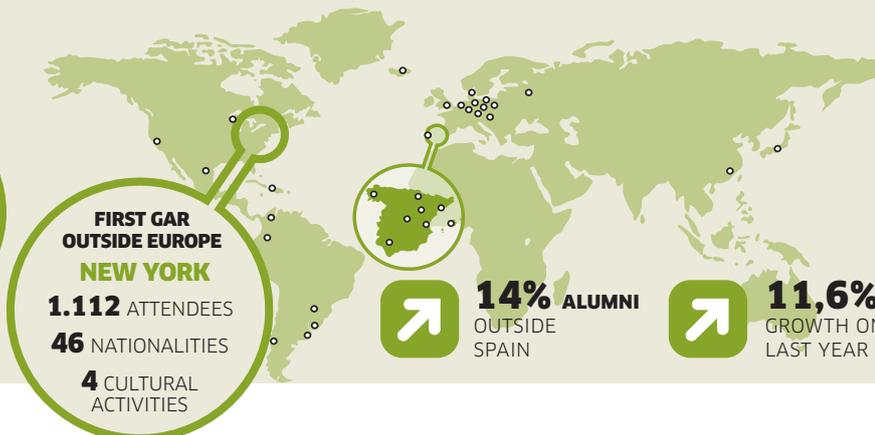
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Intelligent Management



RAFAEL ANDREU

Professor of Information Systems and Strategic Management, IESE



JOSEP M. ROSANAS

Professor of Accounting and Control, IESE

Martin Wolf commented recently that in the context of Friedman's famous statement that a business's sole responsibility is to maximize profits, the idea of social responsibility could mean three different things. Firstly, it might mean to manage business intelligently, which is always desirable. Secondly, it might mean being charitable. This is an option for any business. Finally, it might mean doing something socially beneficial but at a cost to the business. Because of competition this is utopian, unless all the businesses in a particular sector were to do the same.

From an economics point of view, that's the end of the story. But the real story hasn't even begun. The problem is it isn't clear what is meant by "intelligent management." Let us look at three examples.

One, the idea of the role that people play in the business. There are businesses where people work 10 or 12 hours a day, Saturdays and Sundays, and not just sporadically when the workload is heavy or when they have to finish a project, but systematically, and without any extra financial compensation. And there are others (in the same sector) which prohibit their employees from working more than a certain number of hours. After, say, six in the evening everyone goes home. The majority fall between these two extremes. Both types of businesses exist, they don't close down, and they don't have serious problems. Which of them can be considered to be intelligently managed?

Two, management style. This can be done in a way that is arrogant, autocratic, narcissistic (more often than you'd think) or in a manner that is polite, participative, humble without compromising standards. Which of the two is better? That depends on whom you ask, but it also probably depends on the time frame. It's possible that the first will achieve better results in the short term but would not be sustainable over a longer period, while the second might achieve consistently good results.

Three, the treatment of clients. You can make a profit selling a product that looks good but is of poor quality and which clients will very soon regret buying. Is this better than selling something that is really useful for a smaller profit, but with a better guarantee of sales in the long term? This also depends on whom you ask and also on the time frame.

Those who favor a bird in the hand are clear about what they want. They think the long-term doesn't matter because we will all have disappeared. But social responsibility and traditional virtues can answer to these three cases without any ambiguity: meeting clients' real needs, polite and respectful management and reasonable working hours are better than the opposite. Furthermore, it is certain that, within a relatively short period of time and in the broadest sense, the results will not only be better but better distributed, because people feel more involved and, because it goes beyond the narrow idea of profit which, although the opposite appears to be true, is not an operational concept.

The best communication for your business needs the best equipment

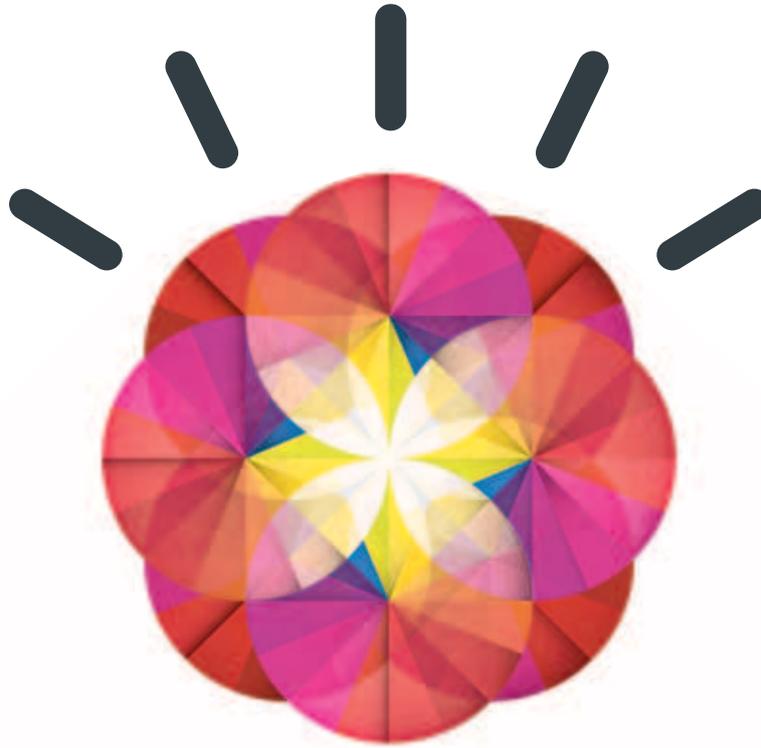


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Smarter computing builds a Smarter Planet: 1 in a Series

Smarter comes to computing.

Today, everything computes. Intelligence has been infused into things no one would recognize as computers: appliances, cars, roadways, clothes, even rivers and cornfields. This is the daily reality of an instrumented, interconnected and intelligent world – a Smarter Planet – which IBM began chronicling nearly three years ago.

Realizing its promise, however, will require more than infusing computation into the world. We also have to make computing itself smarter.

Wait, isn't computing smart, by definition? Without question, remarkable levels of computer intelligence are being invented – such as Watson, the IBM system that defeated the two all-time champions on the TV quiz show, *Jeopardy!* But organizations' computing infrastructures – consisting of mainframes, servers, PCs, enterprise applications, websites and more – was simply not built for zettabytes of data, global connectivity and advanced analytics.

So, as our planet gets smarter, our computing systems must do so, too. They must become far more automated, robust and adaptive – that is, industrialized. Thankfully, a new, smarter computing model is emerging. It is designed for data. It is tuned to the task. And it is managed in the cloud.

Designed for data: Organizations of all kinds need to manage not just information, but vast, global *information supply chains*. Not only the ones and zeros that traditional computers love, but streams of text, images, sounds, sensor-generated impulses and more. They need to apply sophisticated analytics to the real languages of commerce, processes and natural systems – and to conversations from the growing universe of tweets, blogs and social media. Decisions based on structured data alone are no longer adequate. Today's leading companies are building new systems and processes that locate, recognize and interrogate “big data.”

Tuned to the task: Generic computing stacks are no longer up to the job – because today there are fewer and fewer generic jobs. Transaction processing, with thousands of online users, is different from business analytics, with multiple data types and complex queries, which is different from the need to integrate content, people and work flows in a company's processes. That's why leaders are looking for more than high-performance technology. They are moving to architectures optimized for specific purposes, and built around their own deep domain knowledge – in healthcare, retail, energy, science and more. This workload-specific approach integrates uniquely tuned software and hardware – everything from the applications to the chips themselves.

Managed in the cloud: The need to manage these large data-driven workloads is driving broad adoption of cloud computing. But that means something different for business than for individual consumers. By infusing clouds with security and manageability we can make them smarter in order to provide companies with the agility required to move quickly in highly competitive environments; to activate and retire resources as needed; to manage infrastructure elements in a dynamic way; and to move workloads for more efficiency – while seamlessly integrating with their traditional computing environment.

Major computing models don't change very often – but when they do, they unleash enormous productivity, innovation and economic growth. So the good news is that smarter computing is now shifting from theory to reality. Look for more reports in coming weeks on how smarter computing is meeting the demands of a smarter planet.

Let's build a smarter planet.
Join us at ibm.com/smartercomputing