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IN SIGHTS

Nº 1 · June 2018



JUAN CARLOS PASTOR
“GOOD
COMMUNICATION
SKILLS ARE THE
FOUNDATION
OF EFFECTIVE
LEADERSHIP”

MARCOS DE QUINTO
TIPS FOR A
SUCCESSFUL
CAREER

EDUARDO HOCHSCHILD:
“ART AND
CREATIVITY ARE
THE ONLY THINGS
THAT WILL
DISTINGUISH US
FROM ROBOTS”

THEIR SIGHTS

Nº1.
June 2018

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SALVADOR ARAGÓN
Chief Innovation Officer and Professor of Information Systems at IE Business School.



JULIO DE CASTRO
Professor and Director of Doctoral Programs at IE Business School.



TOMÁS DE LARA
Professor at IE School of Human Sciences and Technology



LUISA DELGADO-MÁRQUEZ
Research Fellow at IE Business School.



MARCOS DE QUINTO
Former Executive Vice President and CMO at The Coca-Cola Company.



BEGOÑA GLEZ.-CUESTA
Dean of Communication and Media at IE School of Human Sciences and Technology (IE University) and Professor of Visual Narratives and Representations & Ethics.



SERGEY GORBATOV
Professor of Human Resources & Organizational Behavior at IE Business School.



JOE HASLAM
Executive Director of the Owners Scaleup Program at IE Business School and Professor of the IE Exponential Learning HiOP titled Scaleup: How to Successfully Manage Growth.



EDUARDO HOCHSCHILD
Engineer and Chairman of the historic mining and cement firm Hochschild Mining.



RACHIDA JUSTO
Professor of Entrepreneurship and Social Entrepreneurship at IE Business School.



ANGELA M. LANE
Vice President of Talent at AbbVie.



IGNACIO LARRÚ
Professor of Entrepreneurship and Big Data at IE Business School.



CARLOS MAS
Executive Vice President of the IE Foundation and President of the Center for Family Business at IE.



RAFAEL PAMPILLÓN
Professor of Economics at IE Business School, and Carolina Ramírez, Research Assistant at IE Business School.



JUAN CARLOS PASTOR
Professor of Organizational Behavior at IE Business School.



CAROLINA RAMÍREZ
Research Assistant at IE Business School.

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PUBLICATION MANAGER
William Dávila, Executive Director of Corporate Relations

ASSOCIATE DIRECTOR OF COMMUNICATIONS
Juncal Sánchez

SUBSCRIPTIONS
insights@ie.edu
www.ie.edu/corporate-relations/insights/

EDITORIAL ENQUIRIES
insights@pmp.es

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ON THE EDGE

IS DIGITALIZATION ONLY A CHALLENGE?

No, digitalization is not only a challenge. It is a response to aspirations, concerns, and dreams that we have always had. Certainly, it allows us to dream. We dream of organizations that efficiently offer better customer service, of empowered professionals with ever-larger skill sets, and of an increasingly smart society that enjoys a better quality of life.

Here is where the difference lies: between seeing changes

as challenges and seeing them as part of the solution.

That's why we talk in this publication about curiosity, sharing, agility, design, and transformation. These are all aspects that form part of this response—and indeed, through this response, some people are already bringing dreams to life.

This is the message of Airbnb founder Nathan Blecharczyk, who formed his company

simply by paying attention to the environment and finding new ways to give customers what they want. In these pages, you will also read about agile innovation, effective leadership, and digital transformation, as well as several other topics.

These articles shed light on the new reality that people and organizations must cope with—a new reality where constant questioning is the only way to find new answers.



William Dávila

Executive Director of Corporate Relations

Sensors combined with Big Data are showing how our minds work

- This sounds like Big Brother
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**STRATEGY
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COMMUNICATING FOR ACTION

JUAN CARLOS PASTOR

Good communication skills are the foundation of effective leadership. The rhetorical skills of Martin Luther King, Jr. advocating for minority rights, Jack Kennedy's speech in the 1960s about putting a man on the moon, and Nelson Mandela's inauguration speech to unite South Africa are all good examples of the power of leadership communication to inspire people.

But what distinguishes these powerful speeches from other more ordinary communicative discourse? They mobilize people to action. These speeches come across as authentic, passionate, inspirational, innovative, and most importantly, they provide important cues for action.

Leadership scholars have long noticed that leaders tend to approach their role with two different styles that permeate their communication and their relationships with their followers. Some leaders approach their role from a transactional perspective. They see their leadership role as a mere exchange process in which they administer rewards to motivate their teams to achieve their goals. They are content

with their managerial role as wardens and custodians of the status quo.

Other leaders, however, approach their role from a more innovative and inspirational perspective. Moved by change, they inspire their teams to develop themselves further and to achieve difficult and extraordinary goals.

—
We follow leaders who are real people, who stand for something, and who share their most essential values with us.

Five critical communication strategies

The latest research shows that inspirational leaders outperform transactional leaders by 30%. Inspirational leaders exercise a powerful influence over their teams by using five critical communication **strategies**:



SHARE PERSONAL STORIES THAT SHOW YOUR PASSION FOR YOUR GOALS.

People follow leaders who they can identify with. Many executives keep their private lives from their followers in order to convey an ideal portrayal of a powerful leader. Nothing could be further from the truth. We follow leaders who are real people, who stand for something, and who share their most essential values with us. Through our personal stories, people learn what we are passionate about and we become role models for people to follow. People are attracted to stories. We are social beings, and as such, we are wired to pay attention to interpersonal stories that tell us about survival, hope, success, and greatness. Peter Drucker, considered by many to be the founding father of modern management, dedicated his career to promoting self-management skills among executives because he firmly believed that self-management and role-modeling were the most powerful leadership skills for influencing followers. To paraphrase Ralph Waldo Emerson, your actions speak so loudly that people cannot hear your voice. To become a role model, share many personal stories and anecdotes to exemplify what you want your followers to do.



GENERATE TRUST THROUGH AUTHENTIC COMMUNICATION.

Building trust is essential to gain the legitimacy that leaders need to mobilize their followers. Expressing a moral conviction about their goals, convincingly telling the truth, admitting mistakes, and acknowledging shortcomings serve to establish credibility and get followers to identify with the leader and his or her mission. In addition, these messages need to be accompanied by the right facial expressions. A study by Jonathan Freeman found that a neutral face with a slightly upturned mouth and eyebrows makes people look more trustworthy. Moreover, Alexander Todorov and his colleagues from Princeton University found that people make judgments about trustworthiness after being exposed to a facial expression for less than 100 milliseconds. Authenticity is an inside-out process, but before an important speech it is important to practice your facial expressions in the mirror.



Communication that mobilizes people is memorable and engaging.



USE RHETORICAL DEVICES TO MAKE THE SPEECH MEMORABLE.

Communication that mobilizes people is memorable and engaging. Leadership researcher John Antonakis identified twelve key rhetorical devices that make leaders appear charismatic and inspirational. After training executives in these language devices, their leadership ratings increased by a full 60%. Using metaphors, repetition, similes, and analogies, asking rhetorical questions, making statements that reflect the sentiments of the people, and setting hard goals are among the most powerful inspirational devices. Martin Luther King, Jr.'s "I Have a Dream" speech is so memorable because it is a literary masterpiece filled with rhetorical devices. King skillfully matched his choice of words and literary devices with the strength of his message to produce an unforgettable speech.



HELP PEOPLE TO THINK OUTSIDE THE BOX.

Trust and inspiration are necessary to motivate and excite people about their goals, but they are not sufficient to move people to action. It would not make sense for a leader to be an excellent communicator but not back it up with action. Effective leaders help followers to define problems in a new way and propose alternative paths to action. Steve Jobs, one of the most charismatic orators of recent times, exemplified this quality in his speeches. He did not design any devices or do any software coding. He was the orchestra conductor who helped his team to think differently. In a famous 1997 speech at Macworld Boston, when Apple seemed to be completely defeated by Microsoft, he advocated a radical change in Apple's strategy by reframing the way they thought. He asked his employees not to focus on beating Microsoft but on making Apple great. This reframing in the way of thinking marked Apple's turnaround in the following years.



INCLUDE EASY-TO-FOLLOW CUES TO ACTION.

Effective communication includes specific cues to move people to action. In 1965, the social psychologist Howard Leventhal decided to explore the most effective way to convince students at Yale University to get the tetanus vaccine. He prepared two versions of a booklet explaining the dangers of tetanus and the benefits of vaccination. One version described tetanus with very graphic details and pictures, while the other toned down the dangers, providing only basic information. The results were disappointing: very few students went to the health care center to be vaccinated. When Malcolm Gladwell redid the experiment, he included a campus map with the health care center circled in red, and the vaccination rate rose to 28%. Interestingly enough, the students came equally from both groups. Information alone was not enough to move people to action. They needed a cue: the map. Effective leaders make sure that their speeches include easy-to-follow cues to jump-start their teams.

PRE-SPEECH CHECKLIST

Next time you prepare a speech to mobilize your teams, make sure that you follow this checklist:

1

Is the speech humble enough to generate trust?

2

Are there personal stories that illustrate your commitment to the new strategy?

3

Does the speech include enough rhetorical devices, metaphors, and similes to make it powerful and inspirational?

4

Does the speech question the status quo and advocate for change and new alternatives to the old ways?

5

Does the speech include specific actions or behavioral changes to jump-start change?

Juan Carlos Pastor, Professor of Organizational Behavior at IE Business School.



THE RISING VALUE OF DATA

IGNACIO LARRÚ

Data have become a strategic element of organizations. In the near future, it may be practically impossible for an organization to do business unless it is fully data-oriented. The strategic step is to treat data as a key business strategy rather than as a purely technical matter. Organizations that have adopted this approach provide proof that it works.

There is no longer any doubt that data science has the potential to create value and competitive advantages. After all, any company that manages to extract value from its data and improve its performance through data analysis will be the only company with access to this particular information. Consequently, it will retain an advantage over its competitors even if they copy its products.

The power of data, as wielded in the business world, demonstrates that this is more than a technical capacity; it is a fundamental issue on the managerial agenda that affects multiple aspects of a company's life. The reason is simple: data science can add value in various ways, especially in three key areas.

First, data can help to improve operational performance, allowing a company to do more with less. With data, you can extract the greatest possible value from the available resources by rationalizing costs, thus becoming more efficient.

Second, data can be used to create additional sources of income. Many companies have created new products based on data analytics or monetized their data by selling them to third parties.

And third, as noted above, if a company is capable of adequately investing time, effort, and resources in data

science, it can obtain additional competitive advantages through the implementation of machine-learning algorithms, which become ever more efficient as they learn from the data.

Operational efficiency

There are two possible approaches to improving operational efficiency: reducing costs or increasing the income generated by the company's core business.

In the human resources area, analytics can predict when valuable professionals are about to quit—a problem that is usually not detected until it's too late. Since a company's main human resources expenses are derived from precisely this situation, the ability to anticipate a resignation and propose a solution before the employee reaches the breaking point will result in greater efficiency.

A similar situation exists in the marketing area, where one of the main problems is determining the best marketing mix to increase investment efficiency. Data science can be harnessed to find the optimal combination and modify it in response to external conditions. Such an approach would increase the company's sales volume while keeping the marketing department's budget under control.

For another example, we can look to UPS. This shipping

company has used data science and advanced geographical algorithms to optimize its delivery routes and carry out predictive fleet maintenance. Instead of waiting for a vehicle to break down and then performing unplanned repair work, UPS uses algorithms to predict the likelihood of incidents. As a result, the company is able to schedule fleet maintenance during slow periods.

Business transformation

A company's journey in data science begins with monitoring. Once it has taken that step, it is capable of extracting knowledge, which it can then incorporate into its operations. The most advanced companies end up transforming their entire business in order to sustain

—
There is no longer any doubt that data science has the potential to create value and competitive advantages.

a data-based competitive advantage.

Product recommendations are a further step in the evolution of data science. This approach doesn't create any more value for the core business, but it

does allow the organization to offer a different product—a data product—based on the available data. This is the last frontier in the adoption of data science, and it implies a new stage of business transformation.





—
If a company is capable of adequately investing time, effort, and resources in data science, it can obtain additional competitive advantages.

The aeronautics division of General Electric provides another good example. In the early 1980s, the division was focused exclusively on selling engines, and its relationship with its customers went no further than that. By incorporating sensors into its engines, GE was able to collect data and move from transactional relationships with its customers to contractual relationships based on service-level agreements. Since GE knew the likelihood that a material would break or work incorrectly, as well as the costs associated with such incidents, the sale of the item functioned as a way of sharing the risk with the customer,

thus reducing the total cost of ownership. Moreover, the information asymmetry between GE and the customer put the supplier in a stronger position for negotiations.

Another example is Telefónica, which is required by law to store all information and data provided by smart devices for five years. Compliance with this requirement entailed a cost intrinsically linked to the core business. Eventually, however, Telefónica recognized the value of the collected information, which prompted it to create a company called Smart Steps. What began as a structural cost ended up becoming an entirely new business.

The trend, therefore, is to collect, structure, standardize, and transform data, to choose the most appropriate model, and most importantly, to design visualizations that facilitate more effective and valuable decision-making.

—
 Ignacio Larrú, Professor of Entrepreneurship and Big Data at IE Business School.

SOME WORK IN THREE CONTINENTS ON THE SAME DAY

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THE POWER OF STORYTELLING IN BUSINESS



BEGOÑA GONZÁLEZ-CUESTA

Narrative is one of the most effective forms of communication, so its use in the corporate world offers many possibilities. In this infographic, Begoña González-Cuesta, Dean of Communication and Media at IE University, reviews the power of narrative in corporations, the benefits it provides, and the importance of professionals becoming familiar with this technique.

Begoña González-Cuesta, Dean of Communication and Media at IE School of Human Sciences and Technology (IE University) and Professor of Visual Narratives and Representations & Ethics.




MAKING A FEEDBACK CULTURE A REALITY



SERGEY GORBATOV AND ANGELA M. LANE

Companies need to provide their employees with fair, accurate, and focused feedback in order to improve their performance. Individual performance drives organizational results. Organizational results are what senior leaders and shareholders demand. This is where Human Resources (HR) can really demonstrate true partnership. A first class HR Department sees its role as hardwiring effective processes and practices into the company culture by teaching company leaders to form a calibrated point of view on their employees performance and successfully communicate in a way that drives individual and ultimately organizational results.



Performance feedback is essential for the growth and improvement of all organizations. In order to be effective, however, the feedback must be constructive and fair. Many leaders are reluctant to provide feedback because they feel inadequate for the task, are concerned about harming feelings, have a skewed view of the situation, or just have poor leadership skills.

However, it has been proven that good feedback enhances employee performance. The first step to creating a feedback culture is to equip leaders to provide constant feedback. Over time, this will cultivate an environment within their organizations where feedback is the norm. Providing leaders with a simple framework to structure their feedback provides a strong start. We propose a simple, three step model.

Three-Step Feedback Model

The first consideration for improving employee performance and ultimately achieving a real, tangible change is to establish a clear expectation for this change and a detailed plan to carry it out. The most important aspects that must be measured in terms of observable performance include capability, attitude, and context. These can be translated into a three-step feedback formula:

1

The first step of the process is “tell me why it matters,” in which the leader should make it clear why the topic is worthy of attention and effort. People will be more likely to work toward positive change if they understand the purpose and value of their task.

2

The second step is the actual delivery of the relevant information on the observable performance, or “tell me how I did it.” Performance must be evaluated so that employees know what they did right and what they did wrong.

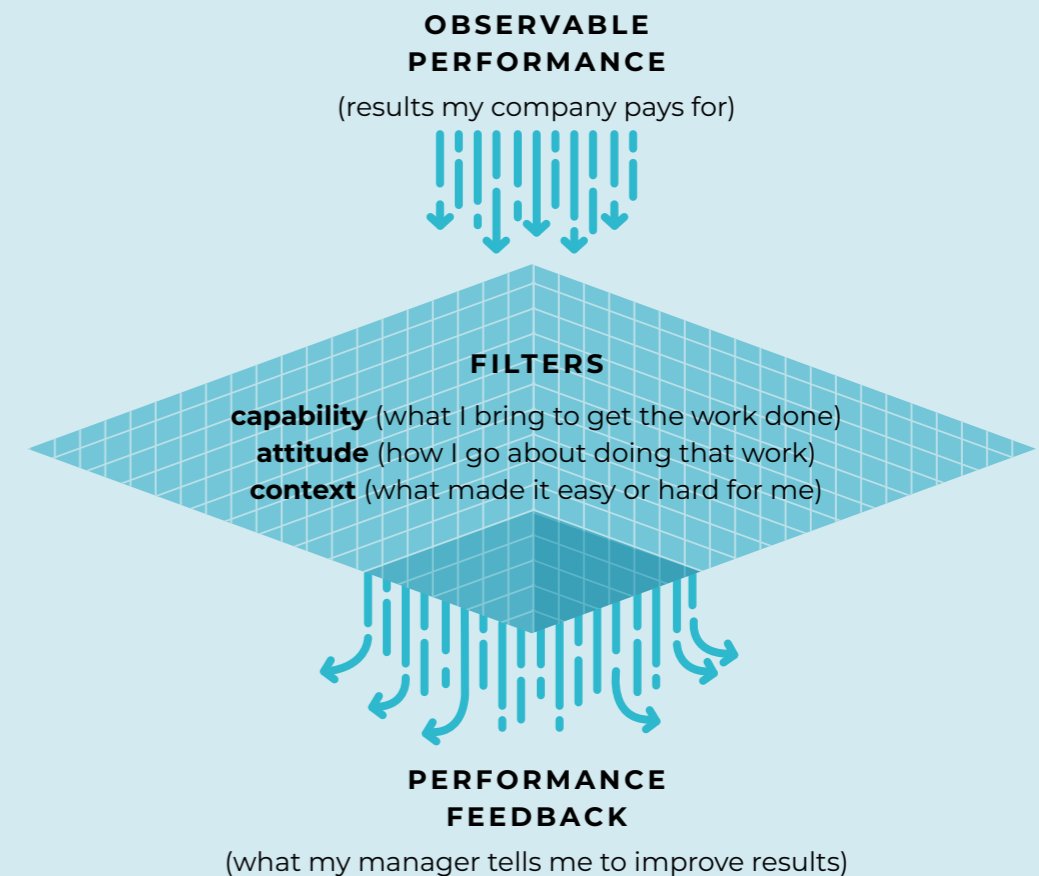
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Finally, the leader must create the expectations for future performance, or “tell me what to do.” This involves reinforcing the good behaviors, or explaining changes that need to be made in the future. It is important for the leader to only choose one or two things for the employee to improve on. It is better to focus on improving in a few important areas than to overwhelm employees with too many changes at once.

—

One of the most effective ways to ensure that feedback is fair and accurate is to incorporate calibration into the evaluation process.

Chart 1. The Fair-talk model



Calibration in Evaluation

The three-step employee feedback formula assumes that the leader has an accurate perspective on what needs to change. One of the most effective ways to ensure that feedback is fair and accurate is to incorporate calibration into the evaluation process. Calibration is the process of reviewing and comparing performance of several individuals. Companies

should apply it to increase the accuracy of assessment and feedback.

One form of calibration is to ask for input from other sources in addition to the customers. Although customer input is valuable, it usually focuses more on service levels than actual performance. Data will be more diverse and accurate if the company also collects information from its stakeholders and other sources.

The second source of calibration the company should apply is comparing employees with peers who are at similar roles and levels, as well as those in different ones. This will give leaders a more overarching idea of how people are performing within the company as a whole, rather than just their own department.

Another form of calibration is to ask leaders at the highest

The first step people can take to prevent the influence of bias in their lives is to admit that it exists within them.

level to offer their evaluations because it is beneficial to have the input from a qualified, knowledgeable person in the organization. It is also rewarding to compare employees' performance with their performance from the prior year to ensure that they are making personal improvements.

Finally, leaders can calibrate against the standards and norms of the industry by attending external conferences and events, as well as keeping in touch with prospective

company candidates and others outside the organization. It is important to make comparisons with the outside world in order to make sure the organization is advancing along with others its industry.

The Role of Human Resources

It is the role of HR to design and implement the processes that are most impactful for individual and organizational performance. Feedback is one of them. HR must create a detailed

evaluation process to make sure the managers' feedback is fair and accurate. This is a difficult task because, in general, human performance is a messy business. It is even more difficult because everyone has personal biases. The human brain is wired to make quick, efficient survival decisions. As a result, people must be aware that it is their first instinct to take mental shortcuts to prevent cognitive overload. These shortcuts often take the form of stereotypes, rules of thumb, and biases.



The first step people can take to prevent the influence of bias in their lives is to admit that it exists within them. Three of the most common types of bias within organizations are social bias, cognitive bias, and organizational bias. Using a structured, consistent method of evaluation leaders can reduce these biases, which will result in more accurate and fair feedback to their employees. Thus, instead of letting the leaders invent their own methods and standards for feedback, HR should put in place clear guidelines and create correct expectations for collecting, calibrating, and delivering accurate, fair, and focused feedback.

By formally training leaders in structuring feedback, by requiring calibration and by driving

awareness of cognitive biases, Human Resources will hardwire a culture of feedback overtime.

People experience the culture of a company through the behaviors of their managers. Those behaviors are fomented by the organizational hard-wiring (processes, structures, metrics, etc.) and the company's leadership. HR is responsible for both. By dialing up the culture of feedback, we are strengthening the culture of performance.

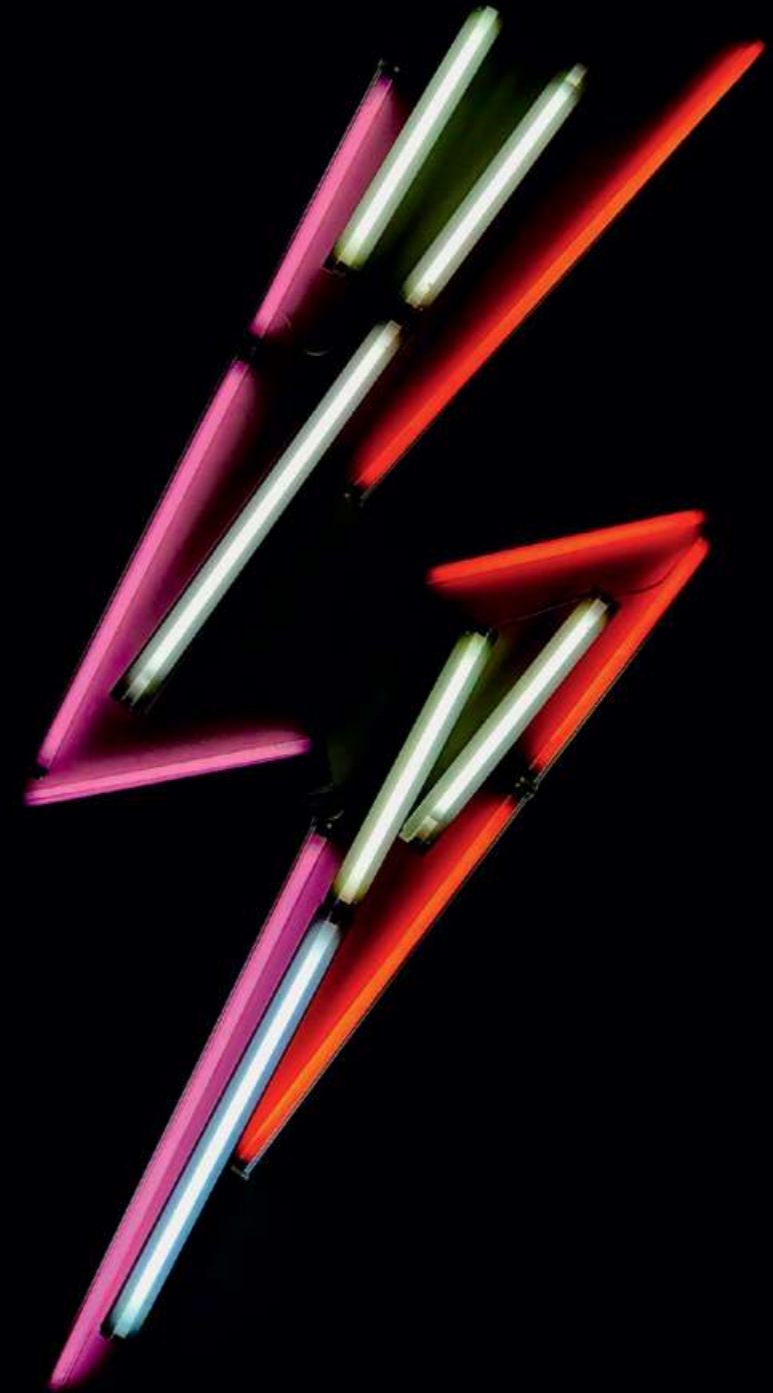
Sergey Gorbatov, Adjunct Professor of Human Resources & Organizational Behavior at IE Business School, and Angela M. Lane, Vice President of Talent at AbbVie.

**TECHNOLOGY · INNOVATION
SMART SOCIETY**

CYBER HEROES WANTED

TOMÁS DE LARA

Today's digital environment has brought about unprecedented changes in how we live and do business. The exponential growth of the digital world entails equally exponential growth of the threats to which we are exposed. Cybersecurity has become an essential pillar for companies on which no resource should be spared. The experience and training of the professionals who fight these threats, true cyber heroes, are vital.





The modern world can be understood as the result of the evolution of three different environments. For humanity, Environment One, nature, dates back two hundred thousand years, to the Paleolithic, in which our greatest threat was predators. Eventually, we made the leap to Environment Two, consisting of towns and cities, to which society has not yet fully adapted, as witnessed by the cancer rates, autoimmune diseases or heart problems that still persist today. Finally, Environment Three, is the digital world, at which we have arrived almost without realizing it, and whose consequences and ramifications are still unknown.

One of the reasons for the giant question mark that hangs over this third environment is society's lack of preparedness to make the jump from the previous stage. In the current digital environment, in which robotics, artificial intelligence, and machine learning prevail and information flows from one point to another in milliseconds, if Facebook were a country, it would have a population of 2 billion. Nobody knows the consequences of all this or how to adapt to it.

Without the necessary awareness of the importance of cybersecurity and its implications, the fight against constant cyber threats is doomed to fail.

Acceleration of Cyber Threats

One key variable to understanding the current environment is growth rates, which are unparalleled in any previous era. The first major paradigm shift was the opening of the iPhone and other smartphone platforms to app developers. What nobody bothered to mention was that the system vulnerabilities would grow apace. What's more, not only have they skyrocketed quantitatively, they have developed qualitatively, too, vastly increasing the complexity and sophistication of cyber threats.

It is important to understand that society's ability to thrive in the technological world is subject to an undeniable fact: there is always another

cyberattack ahead. To mitigate this threat, a new class of professionals has emerged, who could be called "cyber heroes," and whose job it is to stand between us and millions of threats each day. For society to take advantage of the advances that Environment Three has ushered in, the work that these "anonymous" workers do in the shadows is essential. Unfortunately, cyberattacks are constant and can bring down the amazing cybersecurity work of months in a matter of seconds, the time it takes a hacker to break through the barriers put into place.

That is what makes training and experience essential for these professionals to excel in their jobs, spearheading their company's security. The figures

can be alarming. ISACA, for example, has predicted that there will be a shortage of more than two million workers in the cybersecurity industry by 2019. The good news is that the demand for cybersecurity professionals is three times higher than that for IT professionals in general.

The Value of Information

Without the necessary awareness of the importance of cybersecurity and its implications, the fight against constant cyber threats is doomed to fail. One need only compare the nature of the threats in Environment Two to those of the current digital environment. It used to require a good dose of courage and a gun to hold up a bank;

—
The digital world has experienced unrestrained, anarchic growth, which entails certain security risks that must be addressed. Our bulwarks in this fight are cyber heroes.

today it is possible to attack an entire country or organization simply with a keyboard and a mouse. Undoubtedly, this is the main reason for the exponential growth in cyberattacks. Today, the biggest prize is information, because it is a multibillion-dollar industry.

Without security, many everyday activities in the digital world would not be possible. In aviation, for instance, nobody would catch a flight or consider travelling any distance high in the sky without certain security guarantees.

We can therefore conclude that Environment Three and cybersecurity are virtually synonymous. The fact that the gradual implementation of the so-called Internet of Things will require us to secure all our devices and connected systems, too, must also be taken into account. We may soon be able to use technology to control our very hearts. The digital world has experienced unrestrained, anarchic growth, which entails certain security risks that must be addressed. Our bulwarks in this fight are cyber heroes.



—
 Tomás de Lara, Professor at IE School of Human Sciences and Technology.

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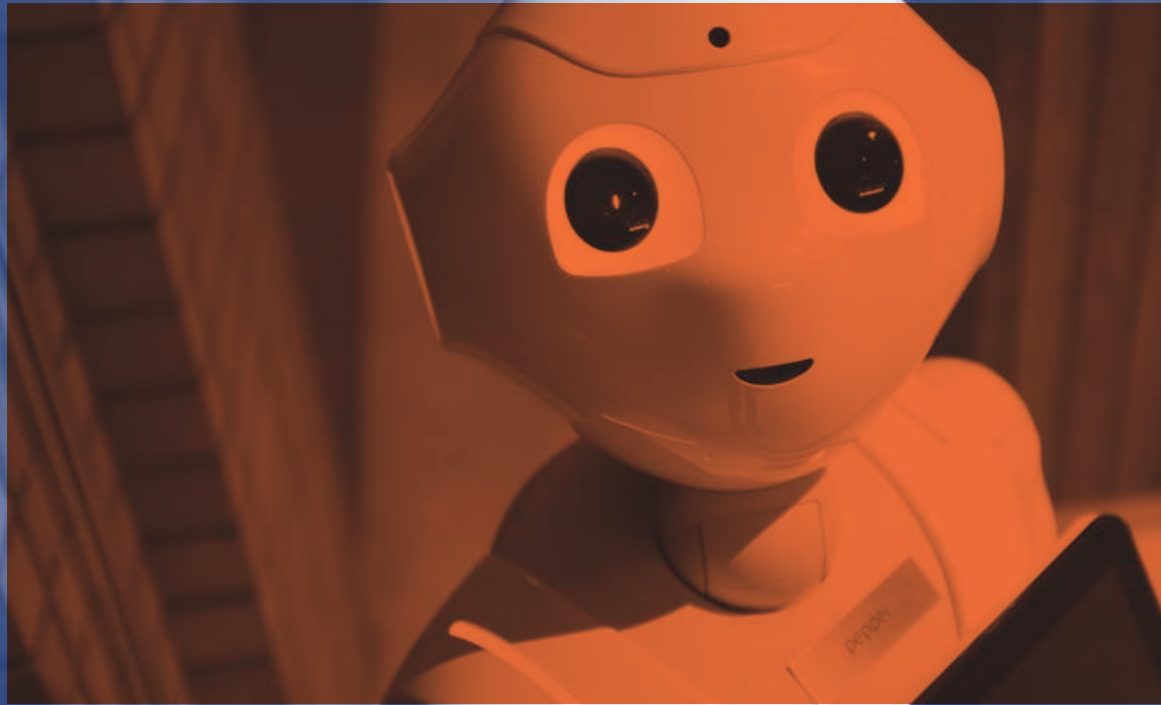
Ready to lead your business - and lead the future?

DRONES AND ROBOTS: WHAT HAPPENS WHEN YOU PLAY WITH NEW TECHNOLOGIES

SALVADOR ARAGÓN

What happens when a bunch of executives, developers, and business managers get together to play and experiment with new technologies? It's interesting to observe their diverse emotional reactions, which always have one common denominator: they let their imaginations soar towards new spaces and business models where the new technologies could be applied.





Approaching technologies through experimentation and play allows you to discover new business opportunities through new realities.

Thanks to the growing pace of development, new technologies have gradually been introduced in business settings. In many cases, consumers are actually the ones setting the pace, since they are way ahead of companies in the adoption of these innovations. The important question is how new technologies can be integrated into businesses in a way that creates a marketable value proposition.

This is why it's a good idea for business leaders to get their hands on the emerging technologies that are poised to have a major impact on business and society. Direct experimentation with new

technologies and devices leads to a creative leap. We have seen this clearly at the Digital Playroom, a unique experience that puts executives in contact with technologies and helps them grasp their impact and the role they must play in the digital transformation of processes, experiences, and business models in the short, medium, and long term.

There are two possible approaches to digital transformation: being disruptive or modifying what already exists. Which one should you choose? That depends on your strategy for achieving a true digital transformation and adopting innovations that will have an impact on your business.

Your approach will depend on the specifics of your case. It helps to think in terms of three time horizons associated with different stages and approaches to improving existing businesses:

- **H1:** current, less than a year; requires incremental talent.
- **H2:** adjacent, two or three years; combines incremental and disruptive talent.
- **H3:** new business models; requires disruptive talent.

According to McKinsey, companies need at least five years to reach stage H3, but this vision is surely rather deterministic. Digital transformation requires proper disruption management that combines all three stages as a function of the business's needs and current status.

Touching the future

When executives from various organizations come together to enjoy a virtual-reality experience—using the latest goggles, coupled to their smartphones—they react in various ways, but they all reach the same conclusion: new technologies make qualitative leaps in service provision possible.

The exponential progress of user-friendly interfaces has made it possible to handle increasingly complex situations that combine real and virtual elements—in other words, “mixed reality.” This approach is already gaining currency, for example, in solutions

to critical infrastructure problems, complex surgical operations, and many other areas.

New interfaces—highly ergonomic and functional—will continue to proliferate at a growing pace. At the Digital Playroom, participants had the chance to try out a brain-computer interface that measures the activation of various parts of the brain and generates a graphic representation of the user's cerebral activity. Interfaces of this sort open the door to what science fiction writers might call “mental device control.”

With each passing day, we are growing more accustomed to having different sorts of experiences. Meanwhile, the need to maintain aspects of the physical world in combination with digital innovations is becoming more apparent.

Technological progress underscores the need to move towards new business models. For example, one electrical appliance manufacturer has introduced a pay-per-use scheme for washing

—

It's about understanding how innovations work in a less physical, more virtual world that will have a major impact on business and society.

machines. Customers make monthly payments based on the number of loads of laundry they do each month. In the event of a technical problem, the company replaces the machine, thereby eliminating the amortization period entirely.

Moreover, the gradual introduction of sensors that can be connected to any device—the “Internet of Things”—is generating new business models, transforming many others from B2C to B2B, and encouraging a shift to platform business models based on core control, where each business must decide whether to be an adjacent or central part of the model.

Dronification and androidization

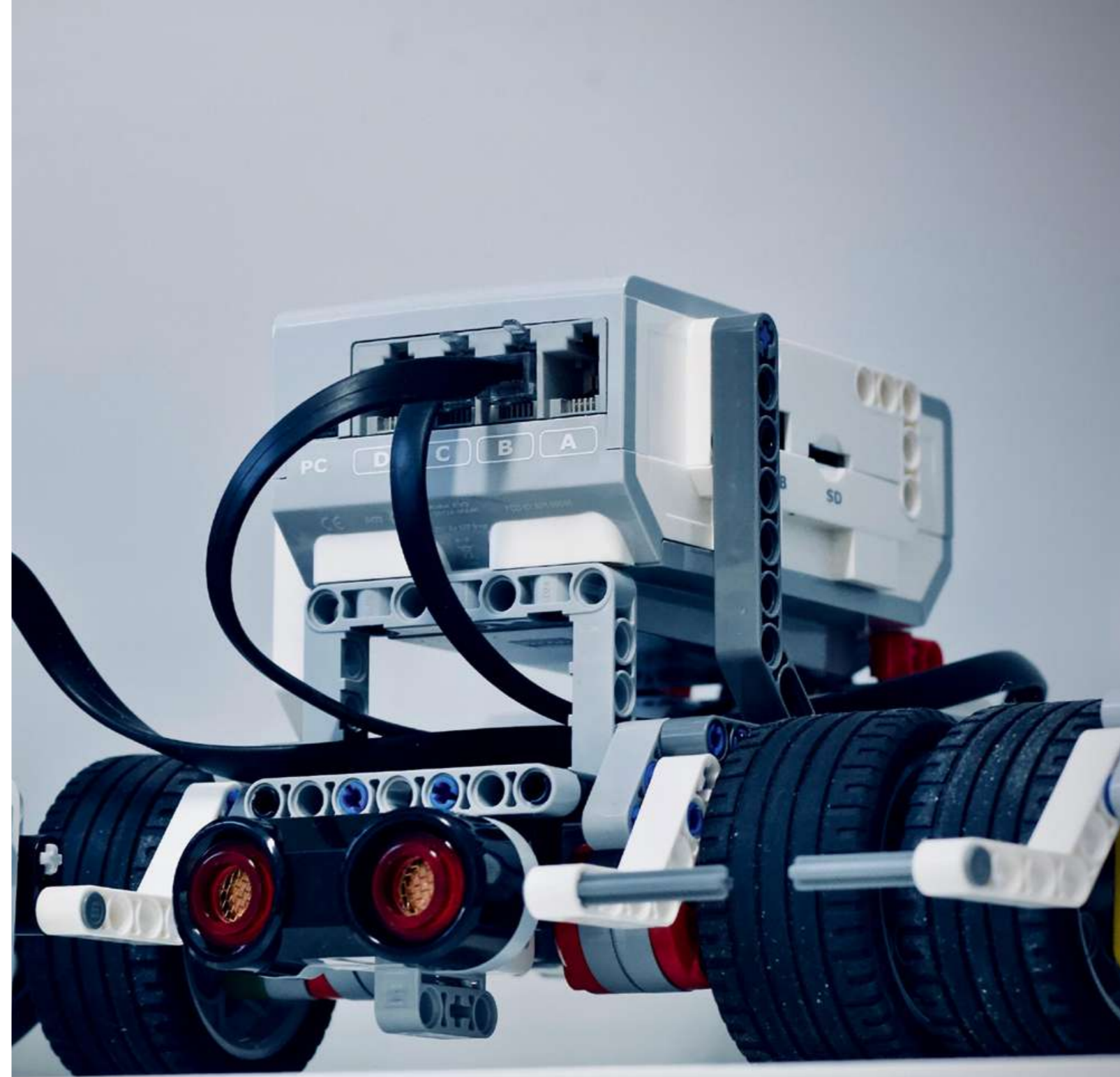
Approaching technologies through experimentation and play allows you to discover new business opportunities through new realities. One example is the advent of robots and drones.

Building and interacting with a robot is very different from using a drone, thanks to the robot's human form and pseudoemotional reaction abilities. The trends initiated by these two technological advances—dronification and androidization—will drastically change many sectors in the coming years.

Similarly, there are key differences between interacting with hardware and with software. Our relationship with hardware is relatively simple because we are used to living in a physical world. With software, it's not quite as simple, so more intuition is required. Interaction with the digital world increasingly requires the development of rapid prototyping and testing capabilities. This new trial-and-error learning model moves extremely quickly because of the large number of variables being managed, but it's the only way for us to understand how things work.

It's not just about technology; it's about understanding how innovations work in a less physical, more virtual world that will have a major impact on business and society. Only through a learning process that combines thinking and doing will we be able to reinvent our business models and develop the new capacities that we need.

—
Salvador Aragón, Chief Innovation Officer and Professor of Information Systems at IE Business School.



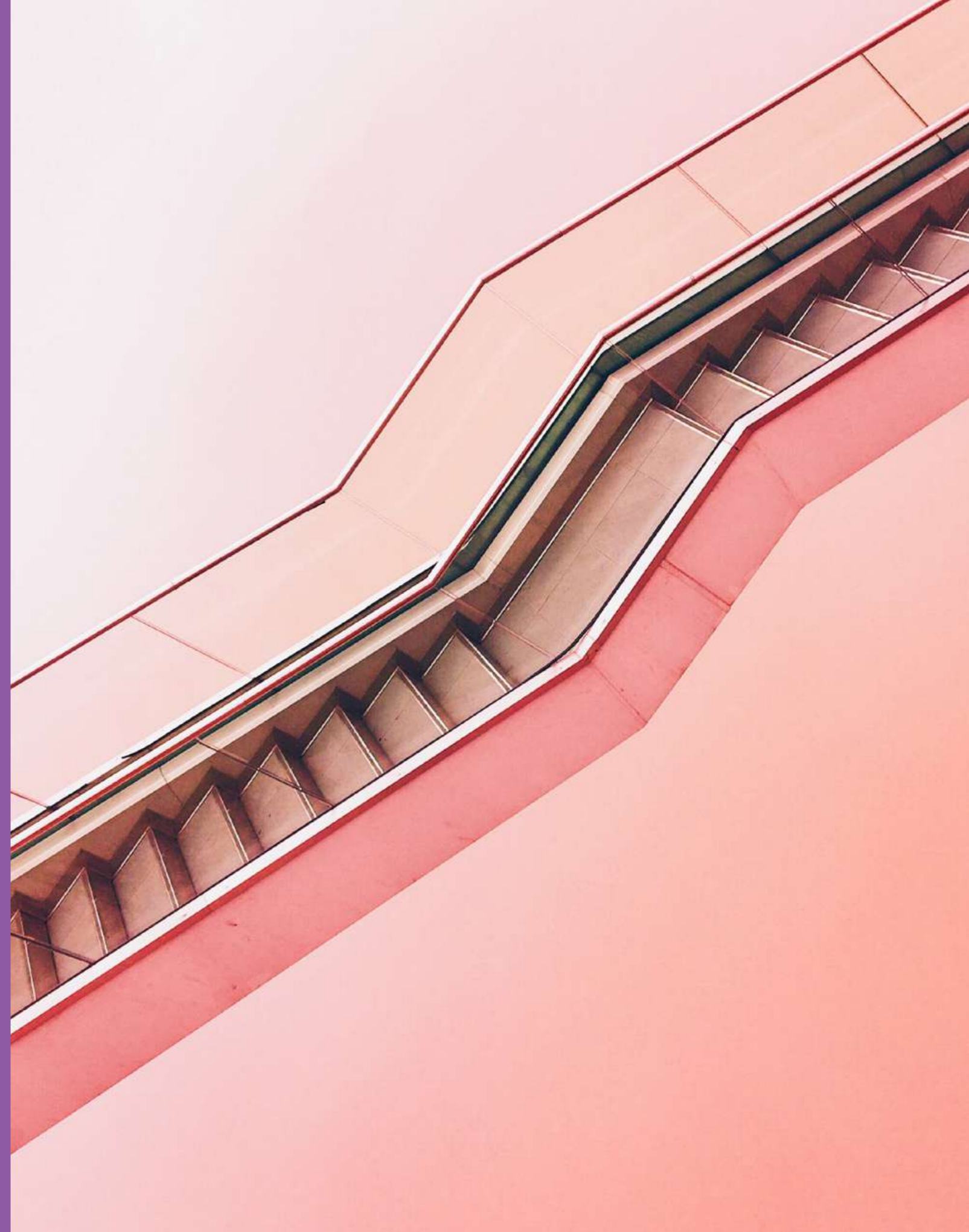
**ENTREPRENEURSHIP ·
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**FROM
STARTUP
TO
SCALEUP**

JOE HASLAM

The shift from the startup age to the scaleup age requires a new mindset and training in executive skills. For the past few decades, markets and investors have been focused on the startup environment, overlooking the fact that many such companies disappear over time.





Despite its many virtues, the entrepreneurial mindset has given rise to a standardized way of creating companies and launching projects, many of which do not survive more than a few years. The startup ecosystem needs to step up and transform these organizations into *scaleups*—corporations with an expansion-oriented outlook, durable business models, and big commercial aspirations. With startups saturating the market, it's time to make the transition from entrepreneur to business owner.

These two concepts—startup and scaleup—are related yet inherently contradictory, so the shift must take place in the early stages of a company's life. To lead a scaleup, you must study the "enemy"—the startup model—in order to avoid making the same mistakes. The more you study the startup phenomenon, the better you'll understand the scaleup movement.

Changing in order to survive

Large numbers of companies are constantly being created, all with big ambitions and expectations of growth. In the medium to long run, however, their success will largely depend on their ability to transform into scaleups.

Many new companies don't last long in the market, even when abundant investment capital is available from various sources. The struggle for survival is the defining feature of these organizations, whose primary objective—after the initial capital-raising stage—is to adapt to a scalable business model. As most executives know, the failure to make this transition leads to the premature death of many startups.

The hunter and the farmer

It's not a stretch to say that startups are for survivors—or, metaphorically speaking, for hunters. The mission of an entrepreneur is akin to the vital need of the hunter: to secure resources. The process-oriented leaders of scaleups, meanwhile, are more like farmers. In the venture capital industry, it is widely understood that the hunter must secure financing while the farmer must find a sustainable business model.

With this mindset, we can define a scaleup as a company that starts with more than 10 employees and increases its staff or revenue by at least 20% annually for three years. Growth is the key factor. But the definition hints at the problem: most companies remain too small—the vast majority are SMEs—while only a small minority are truly high-growth.

Becoming a farmer requires more than just initial money and investments. You also need certain management skills: selecting human resources, retaining talent, and cultivating relationships with financial institutions, as well as other parameters that require specific training. It's no coincidence that most unicorn startups recruit executives with these types of skills.

We can define a scaleup as a company that starts with more than 10 employees and increases its staff or revenue by at least 20% annually for three years.

The transition from startup to scaleup involves constantly learning from today's rapidly changing global environment.

The folly of short-sightedness

Startups embody one of the most common mistakes in entrepreneurial thinking: the pursuit of immediate results. Scaleups have a longer-term outlook: it takes at least a decade to create a truly valuable project that generates consistent profits and returns. The creation process is just one small step in a much longer journey. The culture of growth at any cost is a mistake. (In the words of Edward Paul Abbey, "Growth for the sake of growth is the ideology of a cancer cell.")

The transition from startup to scaleup involves constantly learning from today's rapidly changing global environment. The international market is the new playing field, and the entrepreneur's initial heroism must give way to the collective ego of a staff committed to the organization's success. Work structure is a key weapon for scaling a company. In this change of status, the founder is less important than the team and the confidence to do the job. Assembling this puzzle is a laborious but essential step in the startup's transition towards a scalable model.

Joe Haslam, Executive Director of the Owners Scaleup Program at IE Business School and Professor of the IE Exponential Learning HiOP titled *Scaleup: How to Successfully Manage Growth*.



TIPS FOR A SUCCESSFUL MARKETING CAREER

MARCOS DE QUINTO

The function of marketing departments—and the professionals who work in them—is increasingly important at all companies nowadays. During a talk at IE, Marcos de Quinto, former Executive Vice President and CMO of The Coca-Cola Company, offered a series of useful recommendations on how to have a successful career in this field.

1
PLAY DOWN SUCCESS
TRIUMPH IS IN THE EYE OF THE BEHOLDER.

2
DON'T GIVE ANYTHING UP
DOING WHAT YOU LIKE DOESN'T ALWAYS LEAD TO SUCCESS, BUT IT'S WORTH IT.

3
STAY IN TOUCH WITH REALITY
KEEP IN CONTACT WITH DIFFERENT PEOPLE AND FORGET ABOUT UTILITARIANISM.

4
DON'T MAKE TYPICAL MARKETING MISTAKES
DIFFERENTIATE BETWEEN CAMPAIGNS AND STRATEGIES.

5
SUCCESS ATTRACTS SUCCESS
IF YOU GET GOOD RESULTS, CONFIDENCE IN YOU GROWS.

6
MAKE YOUR OWN MISTAKES
DEFEND YOUR IDEAS AND DON'T TAKE RESPONSIBILITY FOR OTHERS' MISTAKES.

7
UNLEARN WHAT YOU'VE LEARNED
WHEN MODELS DON'T WORK, LEARN TO OPERATE WITHOUT MODELS.

8
DEFEND YOUR SECTOR
MARKETING MUST LEARN TO MARKET ITSELF.

Marcos de Quinto, former Executive Vice President and CMO at The Coca-Cola Company.

9
TRAINING + EXPERIENCE
DON'T GIVE UP LIFE EXPERIENCES THAT WILL HELP YOU GROW.

10
THE VALUES OF ORGANIZATIONS ARE THOSE OF THEIR PEOPLE
COMMIT TO TRANSPARENCY, THE MOST IMPORTANT VALUE OF THE 21ST CENTURY

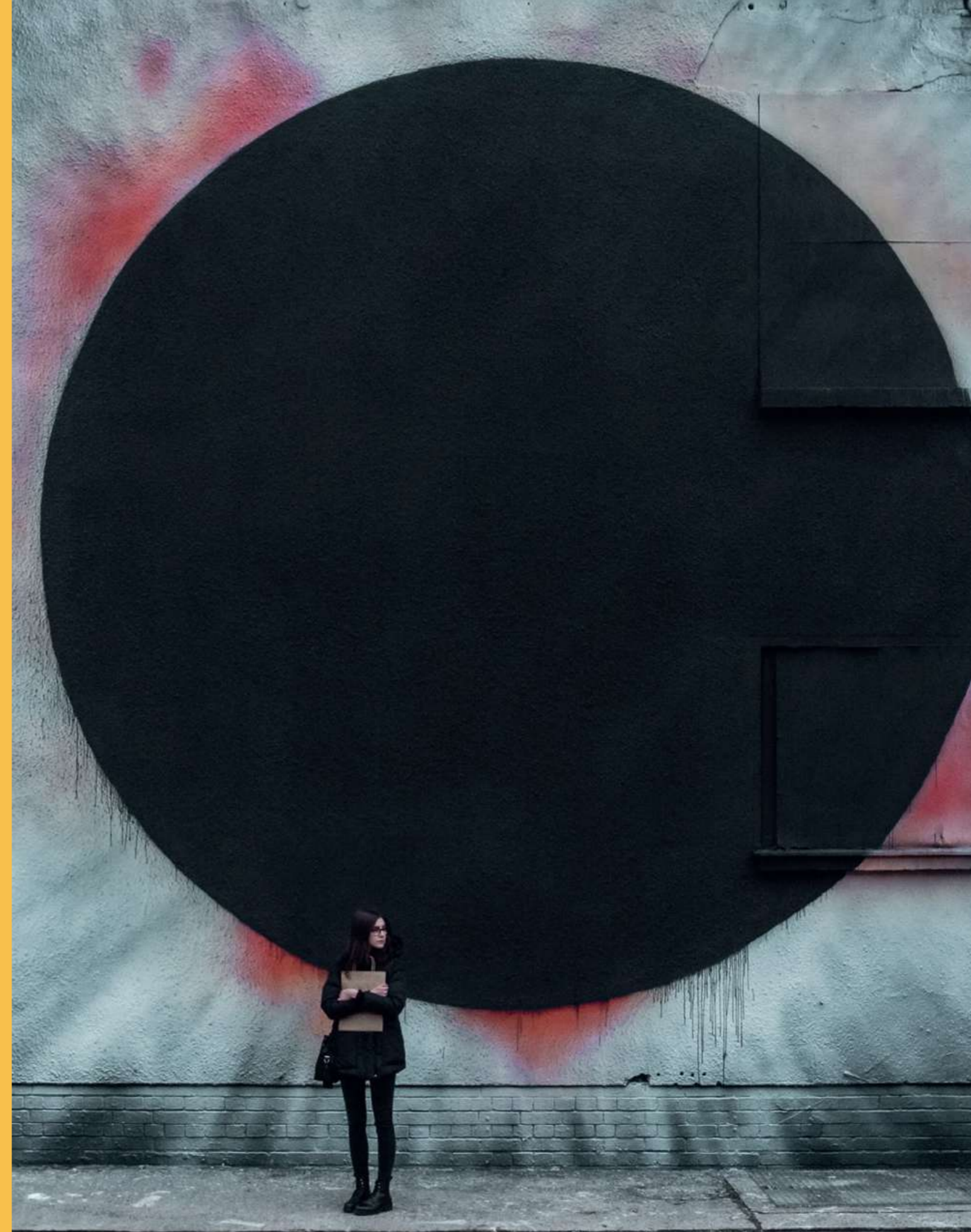
TALENT · HUMAN BEHAVIOR



COACHING A STRUGGLING STAR EMPLOYEE

SERGEY GORBATOV

The rookie mistakes of mishandling job transitions often catch supervisors off-guard. They must have the challenges in mind and not assume that the soft skills which come with moving up into a managing position are intuitive to everyone.



It can be quite exciting to have a star employee on one's team. Think about a great graduate or an MBA hire. They have the right skills and work ethic, and they fit well with the company's culture. They outperform everyone around them. No task seems to be beyond their mastery. They have great potential to go far in the company and carry it to the next level of success.

Soon they are put on a "high-potential list". They are invited to breakfast with senior leaders, assigned to high-visibility projects and invited to leadership programs. Before long, it's time to promote the star employee. It's time for a new challenge, so they can take another step and grow into their potential. It's their turn to lead a team. It seems to be the perfect move along the perfect career path, both for the employee and the company.

But there's a hitch in the plan. Everything was going perfectly, but all of a sudden the star performer seems to be struggling. Their team members are complaining. The morale in the whole department is suffering. What's going on?

Most likely it's just the rookie mistakes of mishandling job transitions.

This is a common phenomenon. Employees with exceptional hard skills often find it hard to adjust to a higher-level position that requires soft skills. This is frustrating for all involved: the newly promoted manager, the supervisor and

When climbing the leadership ladder, every level has a different set of rules.

the employee's new team. The problem is even worse if the employee does not see the problem and refuses to listen to feedback. Feedback is different from what they were receiving before because the context has changed. Up to this point, they have been doing work primarily revolving around their acquired hard skills. Typically the tasks assigned to them have been technical or analytical in nature. They were responsible for the quality and quantity of their work alone. All of a

sudden, their success is not measured by how much they can produce on their own, but by how much their team can produce collectively.

Did you hear the warning bells before? Absolutely. People had been saying things like, "He's too aggressive in reaching goals" or "She doesn't listen to others' ideas". But you were either optimistic to believe that those minor problems would go away, or irresponsible to hide that information from the employee, fearing that

negative feedback would demotivate them. Or maybe you didn't see the problem. Whatever the reason, minor issues in earlier career stages can turn into major problems later, if left unchecked.

Coaching high-potential employees in soft skills

For the supervisor, the key is to recognize that this transition is not necessarily easy or natural. Therefore, they should be involved in coaching the





new manager and helping them to figure out the nuances of their new position. Some of the most common challenges that the supervisor will need to help the new manager overcome include forming strong working relationships, understanding the challenges and goals of the new role, and seeking feedback.

The first challenge is helping the new manager form connections within their team and with other relevant stakeholders. Getting to know the team—how they work, their motivations, and their career histories—is essential. Establishing productive relationships with peers, superiors, clients and customers is no less important. This requires time, and time is arguably the scarcest commodity during transitions, which are often likened to “drinking from a fire hose”. However, not investing enough time into stakeholder management and establishing a high performance culture within the team puts the success of all other efforts at risk.

Second, the new manager needs to realize that their responsibilities have changed. Every career stage is different. Every job is different. Employees must change accordingly, and personal change is hard. It is the supervisor’s responsibility to work out which behaviors need to be abandoned, kept or added to the new manager’s leadership repertoire. For example, when transitioning from being an individual contributor to a team leader, delegation is a common challenge. Another example is abandoning the “I am the organization” mindset when being promoted from a functional leader to a general manager. Changing career stages is challenging, and transitions are when the most attention and support are needed. Finally, one cannot measure how successful

the transition is without feedback. People are notoriously poor judges of their own performance and behaviors. They may be deceiving themselves into believing that everything is great while everyone else sees that the wheels are falling off. The title of a famous book by executive coach Marshall Goldsmith aptly advises: “What Got You Here, Won’t Get You There”. When climbing the leadership ladder, every level has a different set of rules. Decoding and applying those rules is one part of success. The other part involves gaining greater self-awareness and knowing how personal strengths and weaknesses play out in the new context. Acing both will ensure smooth and successful transitions.

Supervisors must have these challenges in mind when moving their employees into new roles. They cannot plead ignorance; the literature on managing leadership transitions is extensive. But of course, it takes time and coaching. The onboarding plan needs to be thought through and executed well. The stakeholder network needs to be engaged. New skills need to be worked on.

Some managers believe that true stars will figure it out. Some do, but why risk their success? It is helpful for the supervisor to reflect upon the time when they first became a manager and remember how they transitioned. At this point, they may feel like the skills they’ve learned are intuitive and natural, but at one point they probably weren’t. Now it’s their responsibility to help the new manager succeed.

Sponsored by IE Publishing as part of the case “Eva Brollo: The Light-and-Shadow Play”.

—
Sergey Gorbatov, Professor of Human Resources & Organizational Behavior at IE Business School.

FEMALE LEADERSHIP: THE IMPACT ON ORGANIZATIONS

JULIO DE CASTRO, RACHIDA JUSTO AND LUISA DELGADO-MÁRQUEZ

Women's presence on management teams is generally associated with a stronger social commitment and a more participatory leadership style. An analysis of women's impact at cooperative enterprises—which have specific characteristics in terms of organization and purpose—shows that their influence leads to greater motivation and better results. One benefit of female leadership is an increase in measures to promote work-family balance, which is important for country development as well as for improving families' quality of life.





Today's female leaders face the challenge of figuring out how to have a more tangible influence on mixed-gender management teams.

Female entrepreneurship and the presence of women on management teams have a positive influence on the social motivations and achievements of organizations. With women at the helm, companies are more inclined to introduce family-friendly policies. Today's new cooperative entrepreneurial context is more conducive to this sort of approach than the traditional business world. In fact, community-based enterprises have emerged as key instruments of women's empowerment.

Greater growth of capacity development can be

achieved by promoting this entrepreneurial ecosystem at the collective level, without singling out heroic individual entrepreneurs. From a participatory point of view, these new female business leaders have a greater impact and influence on their organizations' activities than they would be able to have at traditional companies. This was the conclusion of a recent study that highlighted an example of a place where such a dynamic is being developed. Today's female leaders face the challenge of figuring out how to have a more tangible influence on mixed-gender management teams. Cooperatives provide the best

opportunity for women to achieve this goal.

Different perceptions and sensibilities

Greater female decision-making power could lead to a new strategic orientation that differs from plans designed by exclusively male teams. Human resources policies might be the first area targeted for change, with the aim of fostering work-family balance. It should come as no surprise that multiple studies have concluded that women in business prefer to maintain a balance between work and family life, delaying, in some cases, their growth as

business leaders. Similarly, data show that an organization's gender composition influences its objectives, with the social component accounting for a larger share of its main challenges. These sensibilities—different from those of men—also spread to other aspects of the company, such as respect for the environment and operational ethics.

Given this profile and the equality gap at traditional companies, it seems clear that the cooperative formula is a better fit for female leadership. The idiosyncrasy of these enterprises—their collective business spirit and

community participation in decision-making—is well aligned with women's management style. Moreover, the cooperative movement is better suited to the objectives and strategy of shared growth and the struggle against social inequality.

Social impact

In light of these factors, it is clear that an increase in the number of female executives at cooperative enterprises would have a social impact by boosting motivation and performance. This impact would translate into, for example, greater participation

Women in business prefer to maintain a balance between work and family life, delaying, in some cases, their growth as business leaders.

in decision-making by all members of the organization, assistance for people in the community, self-management, and greater environmental awareness.

However, increasing the number of female executives at cooperative entities remains a

challenge because women face more conflicts than men do when they decide to pursue a business career.

Motherhood, marriage, and of course household chores are the traditional obstacles that have prevented women from achieving a balance between

business and family. Their professional role has tended to come into conflict with these other roles. But nowadays, female leaders are trying to overcome these obstacles by introducing policies that favor work-family balance.

The case of Brazil

Brazil, the world's fourth largest economy and fifth most populous country, provides a clear example of cultural change and economic growth. The number of women in the Brazilian workforce has increased gradually since the 1970s. Brazil is an interesting country to study because it has a large population base working in cooperative enterprises and considerable influence on the global economy and politics.

Women now account for nearly half of Brazil's workforce and a similar percentage of the country's business owners. Things have changed a lot in the past few decades, and gender roles that were once clearly defined are now being challenged. Although challenges remain, this cultural shift in Brazilian society has led to three major conclusions regarding women:

- ▶ **They are becoming more assertive as they acquire more economic independence.**
- ▶ **They are now more likely to maintain their careers after getting married.**
- ▶ **They now have more self-esteem and a stronger sense of identity within their area of activity.**

In conclusion, entrepreneurial activity is a path to self-realization and contribution to society, and women's participation in this process is important for both the family economy and the national economy. The study found that a higher percentage of women on a founding team has a positive influence on the organization's social motivations and achievements but does not appear to influence its social challenges.



Methodology of the Brazil study

The study relied on data from the Solidarity Economic Enterprise Database, which the Brazilian government created between 2009 and 2013 by surveying 19,708 organizations from all of Brazil's states. The surveyed organizations provided information on a variety of topics, including the motives behind the creation of the business, the social goals achieved, current profits, and human resources policies.

The study sample focused on businesses whose main economic activity is production and commercialization. It included 1,365 companies that were founded with a social motivation, 1,695 with social goals, and 12,146 with policies to foster work-family balance.

Julio de Castro, Professor and Director of Doctoral Programs at IE Business School; Rachida Justo, Professor of Entrepreneurship and Social Entrepreneurship at IE Business School; and Luisa Delgado-Márquez, Research Fellow at IE Business School.

Eduardo Hochschild:

**“ART AND
CREATIVITY ARE
THE ONLY THINGS
THAT WILL
DISTINGUISH US
FROM ROBOTS”**

Disruption is a constant in all evolutionary processes. In the corporate sphere, family businesses know this well: only those which evolve and renew themselves survive the test of time. Carlos Mas, Executive Vice President of the IE Foundation and President of the Center for Family Business at IE, sits down with Eduardo Hochschild, engineer and chairman of the historic mining and cement firm Hochschild Mining. In this interview, they discuss the parallels between the business community and the world of art and education, where creativity is essential.



“It’s important to take an interest in education from the perspective of the younger generations, because otherwise you’ll get stuck in the past”

Carlos Mas: Your career has spanned a wide range of fields. You come from an entrepreneurial family with more than a hundred years of history, and you’ve studied engineering, art, and education. How do all these things fit together?

Eduardo Hochschild: More than a century after the founding of Hochschild Mining, we are still driven to do new things. Creativity is an intrinsic part of business. Companies must renew themselves continuously. Business owners who are not creative will end up fading into oblivion.

Creativity also plays a key role in engineering, and even more so in art. Both of these disciplines set trends that others follow. But nowadays, I think it’s even more important to lead these trends. You don’t want to avoid the wave; you want to anticipate it, because otherwise it will wash right over you. We’ve seen this in many sectors.

Similarly, it’s important to take an interest in education from the perspective of the

younger generations, because otherwise you’ll get stuck in the past. That’s not where you want to be; you want to be evolving towards the future. The key to staying on the cutting edge—as a company and as a country—is to combine art and engineering, together with business and education. All of these disciplines have a role to play in building the country and building the future.

Carlos Mas: Would you agree that the success of a century-old dynasty lies not solely in the entrepreneurial spirit and the search for new challenges, but in the capacity to put these discoveries into practice? In other words, it’s not enough to know which way the wind is blowing; you actually have to take the reins, don’t you?

Eduardo Hochschild: The Hochschild company was founded in 1911, but the peak of its success—in the 1940s and 1950s—was when it joined forces with German engineering schools to create a system for obtaining tin. This new metal had many applications, both during the

war and afterwards. It had an enormous impact on postwar industrial development. After that, we kept trying to break the mold. In the business world—whether in mining or cement—we’ve found that creativity is absolutely necessary. It is the key to strength.

Carlos Mas: As an entrepreneur and businessman, you jumped into the field of education by creating the University of Engineering and Technology (UTEC)—another contribution to Peru’s development, but in an entirely different field. What motivated you to do that?

Eduardo Hochschild: If you love a country but do not educate its people, you’re on the wrong track. Education is an intrinsic part of what we are as human beings. At least 85% of students at the UTEC have a scholarship, which means we’re reaching the right social stratum.

Carlos Mas: How did you get your start in the world of patronage? When did you decide to take your passion for art to the next level? And how does this relate back to your family?

Eduardo Hochschild: Art and creativity are the only things that will distinguish us from robots. A robot can do arithmetic more quickly, solve more complex mathematical problems, predict the future, and even make medical diagnoses. But it will never be creative. By combining engineering with this creative capacity, we can create a force that will break the mold. There’s a saying that I love: “Half of Hollywood are engineers, and half of the Internet are artists.” Make no mistake: Steve Jobs was an artist, not an engineer. This shows a clear trend. If you don’t take an interest in artists, you’re going to miss out on a fundamental aspect of tomorrow’s world.

Carlos Mas: When you talk about patronage, you always stress that you do it for and with the artists, and that you seek out the avant-garde, the disruptors... In other words, you like to take

risks. Here, again, we see the figure of the businessman.

Eduardo Hochschild: For me, contact with the artists—being able to participate in their creative process—is 80% of the job.

Carlos Mas: This takes a lot of risk and daring, since you don’t see the results immediately. You have to make a firm commitment.

Eduardo Hochschild: It’s daring, certainly, but it’s much riskier not to look. Years ago, some people saw the smartphone as a form of control; today, it makes us happy. You have to look ahead. Art helps me in this regard, since the disruption is coming no matter what.

Carlos Mas: Do you think these artists could end up being seduced by the market? How do you imagine their future?

“Education is an intrinsic part of what we are as human beings”

Eduardo Hochschild: I think young artists are still hungry for fame. Most Peruvian artists are driven to stay on the cutting edge. What will happen 20 years from now? I hope they maintain this creativity, because disruption is a constant.

— Eduardo Hochschild participated in activities organized by IE University at Hay Festival Segovia.



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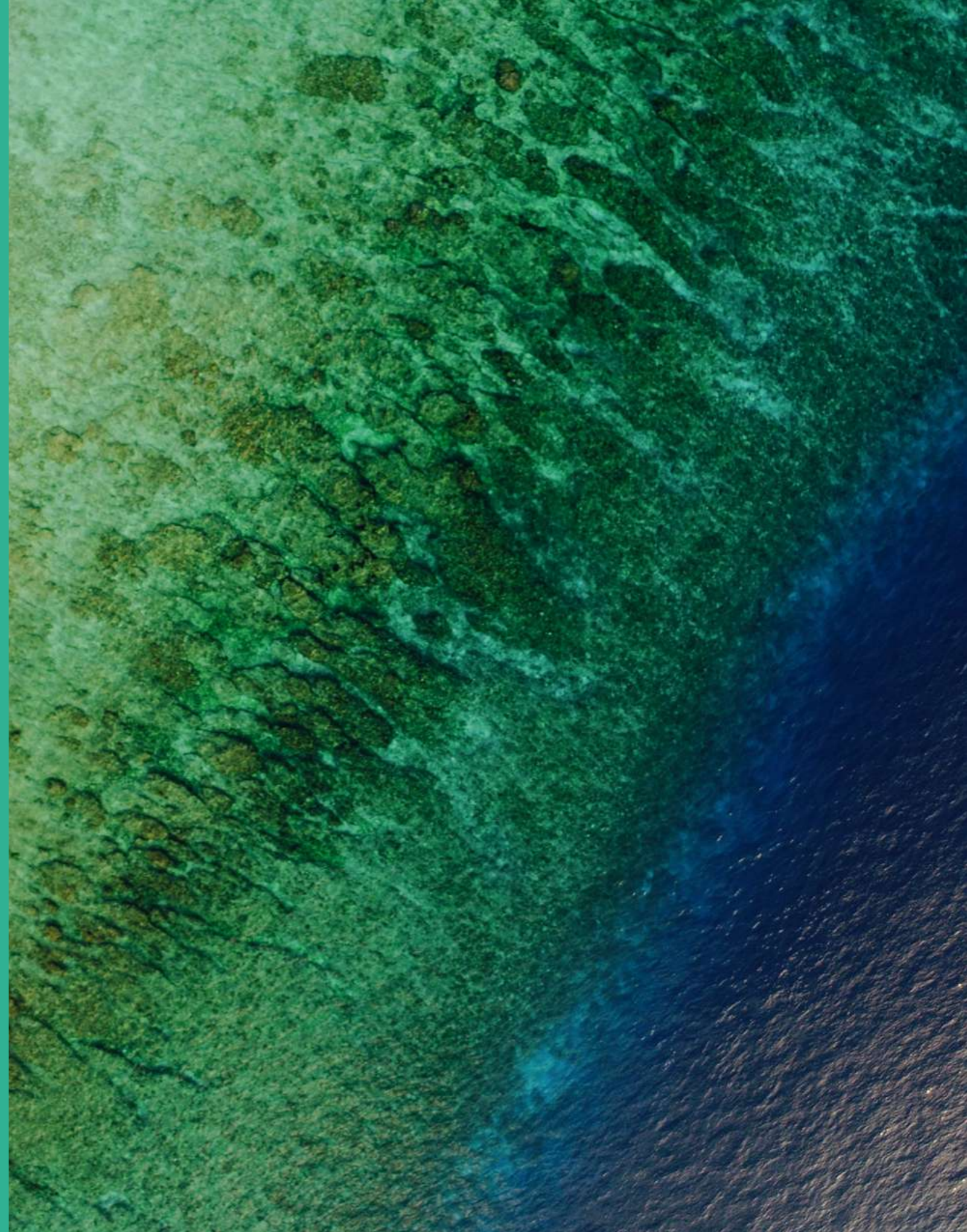
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TOWARD SUSTAINABLE ENVIRONMENTAL INVESTMENT

RAFAEL PAMPILLÓN AND CAROLINA RAMÍREZ

Despite the streams of thought that ignore climate change, there are data to illustrate the magnitude of its economic impact, among other implications. Can we continue to turn a blind eye? Governments and organizations have a crucial role to play in stopping the current spiral of environmental destruction.



If we pay even minimal attention to our surroundings, we can see that the climate change in recent decades has several monumental economic implications. Our planet is undergoing numerous changes, such as: meteorological phenomena like the melting of both poles, the proliferation of hurricanes,

floods and typhoons; and the gradual rise in global temperature, which, especially in the Northern Hemisphere, has translated into shorter seasons with warmer temps, i.e., spring and fall.

Despite the apparent trend among some to deny the consequences of these changes, we already have

enough data to start gauging their potential effects. The many examples include the loss of biodiversity, which, according to experts, will lead to the extinction of one in six species of flora and fauna on the planet; or the loss of water resources, in some areas, while elsewhere we will witness the loss of territories due to the rise in sea level.



In some countries, such devastating effects are projected to bring about incalculable losses. For example, the disappearance of millions of bees is causing insufficient pollination of countless hectares of plantations and forests. This has serious repercussions, given that nearly 75% of the world's agricultural sector depends on this.

The Price of Destruction

For those who still do not want to see the alarming rate at which thousands of ecosystems are being destroyed, perhaps their eyes will be opened by figures like those showing expected losses of over two trillion euros in assets, just in infrastructures alone. And it has only just begun: if we continue at this rate, the costs of global warming will keep skyrocketing.

So, what are the current governments doing to address this? The Kyoto Protocol on climate

change was signed in 1997, although it did not come into force until 2005. Aimed at reducing emissions of six greenhouse gases that fuel global warming, it sought to take the first steps to reduce global pollution. A total of 187 countries signed the treaty, but not the United States, one of the world's largest emitters of greenhouse gases. It was not until 2015 that the U.S. ratified the agreement, along with China, at the Paris Conference.

However, the subsequent withdrawal from the Paris Agreement announced by Trump once again highlights the need to keep raising awareness of the serious consequences of divestment in clean energy. The high costs of environmental policies are cited by those who, rather than investing in protecting the planet, prefer to focus their budgets on other, less environmentally friendly sectors, such as hydrocarbons, as opposed to innovating in clean energy to achieve a sustainable world.

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The high costs of environmental policies are cited by those who prefer to focus their budgets on other, less environmentally friendly sectors.



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Governments and organizations must incentivize investment in technologies and processes that conserve natural ecosystems.

The Profitability of Clean Energies

Meanwhile, other experts point out that contributing to the clean energy industry not only helps protect our environment, but also

creates jobs at a higher rate than contributing to other industries that are less respectful of the planet. This aspect is precisely where more emphasis should be placed and where both governments and organizations must focus

their efforts, by incentivizing investment in technologies and processes that conserve natural ecosystems.

All of this goes to show that the environmental issue is no trivial matter. It affects everyone and not just economically: The future of our planet hangs in the balance.

—
Rafael Pampillón, Professor of Economics at IE Business School, and Carolina Ramírez, Research Assistant at IE Business School.

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Marta Gilbert
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Tel: +34 915 689 783

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