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Transcription THIRD Punta del Este Conference LEADERSHIP IN THE 21ST CENTURY

Thursday, April 10, 2008

1. FIRST SESSION

Panel session moderated by Dr. Gert Jan Mulder, Director DBA Corporate Finance
Panellists: Arthur Arnold (CEO, FMO);
Matias Campiani (CEO, Pluna);
Juan Manuel Forn (Vice Chairman, Molinos Río de Plata)

1.1. THE EVOLUTION AND IMPORTANCE OF LEADERSHIP

by Abraham Buunk

Gert Jan Mulder:

To all of you, a very warm welcome to our third conference in Punta del Este. We had the welcome cocktail and welcoming words, but one thing that is missing is thanking all of you for having made this tremendous effort, predominantly clients and colleagues from banks, for having come all the way to Punta del Este to share a couple of days with us on this conference, the title of which you all read in the invitation, "Leadership in the 21st century". This title was handed to us by one of our key speakers, Maarten, who together with other famous authors wrote this wonderful book with this title. We actually copied it from him, and we are very grateful.

Despite the fact that the theme is "Leadership in the 21st century", this event is a continuation of our previous conferences, and the underlying objective for us is to enhance relationships between banks and clients, as all of us believe that relationship is fundamental, to be able not only to do healthy and solid business but also to avoid major accidents. As long as we understand each other and know each other well we believe we can do much better in our businesses.

The setup of our conference is such that we have 2 sessions this morning. At noon you are all invited to see the St. Tropez of Uruguay, which is 40 km from here, for the time being it is called José Ignacio. The lunch is going to take us only 4 hours and then we reconvene here in the afternoon around 4 o' clock.

Allow me to introduce to you the people here on stage. It is different to what we had here before, we tried to create a better, more informal setting, and we tried to replicate a living room. We have two keynote speakers this morning and three panellists: allow me to introduce our first speaker, Bram Buunk, he is from the Netherlands, he is a social psychologist, he is also an academic, and he made an effort to come and we very much appreciate him being here. He is going to talk about leadership. Bram is known in Holland for being one of the 12 professors of the Royal Academy, those are professors who actually

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don't need to work any more, they have a budget that allows them not to do any more teaching, they can do what they want and they can do that until the day they retire. We are happy to have Bram here in our conference. The second speaker will be Maarten, whom most of you have met before. He was here 2 years ago giving a presentation on cultural differences. Maarten is an expert in several fields including leadership. We are very happy to have him here, and we are confident that together they will make for a very interesting session this morning.

Now since this time we have more people here than previous times, interaction with the audience became a little bit more difficult and that is why we invited 3 panellists, two are actual CEO's and one is a former CEO of a large company to help and support the speakers and to create interaction. To your left, allow me to introduce Juan Manuel Forn, who is currently the vice chairman of Molinos Rio de la Plata. He used to be the company CEO, in your documents you will find more information on him; besides, 2 years ago he was one of our keynote speakers. The second gentleman in the middle is Matias Campiani, he was also a speaker in one of our previous conferences, at the time he was the CEO of Ecolat Parmalat in Uruguay. He is young, he is quick, and today he is the CEO of Pluna, and we very much welcome him here. The third gentleman whom you may also remember was also here two years ago is Arthur Arnold, CEO of one of our sponsors, FMO from the Hague.

Bram, the floor is yours.

Abraham Buunk ("Bram"): OK, thank you very much. As Gert Jan said I will talk about the importance and evolution of leadership. I am very honoured to be here, I want to thank the sponsors and especially Gert Jan for doing this. *Me gusta mucho estar en este país, es uno de los países favoritos míos, y por eso me siento muy agradecido de poder estar aquí* (I really like being in this country, it is one of my favourite countries and that is why I feel so grateful for being here).

So I will talk about the importance of the evolution of leadership, as Gert Jan said I am affiliated with the Royal Academy of Arts and Sciences, and also with the University of Groningen, and I am not a practitioner, I am not a consultant like Maarten, but I am someone who studies human behaviour from the ivory tower as they call it. As you can understand yesterday night I was wondering 'What am I doing here, in the midst of all these banking people, economists etc.?' This is especially worrisome for me because The Economist magazine wrote 2 years ago: organizations do not know how to lead people because human resources as a discipline has not achieved anything like the level of sophistication of say finance. I found it an offence but I also found it a stupid remark, it is like saying that astronomers don't know how to move the stars. They study the stars like we study human behaviour.

The whole business world, the political world all seem really obsessed with leadership. Leadership everywhere is an important issue. I googled leadership, and I got nearly 12 million hits. I did not go to all of them as I hope you'll understand. There are thousands of models of leadership, and I am sure that many of you in your profession have encountered a couple of these models that consultants are trying to sell you, and they are often very endearing in their simplicity and what I consider superficiality. You have this model (slide 3) leadership is telling, selling, participating, delegating - you have this other model (slide 4) where leadership becomes more important when the role of the subordinates becomes more complex. I especially like this model (slide 5), this is like a model of how a two-year old child is performing - leadership is listening, learning and trying to speak.

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There are thousands of consulting agencies who apparently make a lot of money by teaching companies how to lead, for example the Leadership Academy of Madison County, People Making a Difference (slides 8, 9). This is a center for public leadership that has again a complicated model that I don't understand at all, I am intelligent enough for The Economist maybe, but not for this. We have even boot camps for executives - Beyond Leadership (slide 10). Maybe some of you have gone through these and maybe you have learnt a lot there.

Also you find a lot of direct advice on the Internet on how to lead, there are numerous books on leadership that tell you how to lead a company. I am not going to do that, but just in case you want some advice I will show you this (slide 12): you are going to give out leadership pickles when you spread enthusiasm, inspire confidence and demonstrate integrity. Actually this is not bad advice I have to say. And there are of course psychologists like me and they have to do thousands of scientific articles, many handbooks on leadership and have to hold forth on the psychology of leadership. But I am not an expert I have to admit, and I came across articles by some of these psychologists and now I can understand a little bit about what The Economist says that we don't have the level of sophistication.

There have been at least 50 forms of leadership distinguished, and like psychologists do they try to bring all these models, these forms of leadership into a single model. Now I am not going to mention them all but you have principle-centered leadership (slide 16), super-leadership, inspirational, inclusive, values-based, strategic, results based, entrepreneurial, transformational, volatility, creative, horizontal, situational, functional, and anarchistic leadership, which I think is a *contradiction in terminus* because anarchism means there is no leadership. But anyhow, there are numerous forms of leadership. I can understand that if you are a banker or a CEO of a company you may get confused and you really think what are these psychologists doing?! And psychologists also think this themselves and they try to really sort of combine this into simple models again, here you have leadership based on attributes of style and focused on results.

Why this preoccupation with leadership? That may be clear to many of you but this shows how important leadership is (slide 17). It has or can have very strong effects on productivity. For instance in trawlers the skipper accounts for 35 to 49% of the catch. So having a skipper with the right leadership qualities makes a big, big difference. He can make the difference between profit and loss. CEO's account for about 14% of the variance in a firm's financial results, that's why these days CEO's are often paid so well. And there has been a recent study by Bloom & Van Reenen among a number of manufacturing companies (slide 18), among a number of manufacturing companies, 700 manufacturing firms in the US and Europe, big study, and they looked at company performance like productivity, profitability, sales growth, survival rates, and about 50% of these indices of company performance were explained by 4 characteristics of leadership: 50%, which is a tremendous amount, because the rest was explained by things like for example the sector the company was in, because it is easy to make a profit in some sectors, you know more about it than me I guess and explained by the country, there are some countries where it is easier to make profit than others, due to the political situation, the kind of rules there are, that make it difficult to run a company.

Now, what are these 4 characteristics? The first is operations: process improvement, internal communication, and this is even acknowledged by the Savage Chickens (slide 19). One of them says: 'I need to talk to you about process improvement', and the other one says 'OK, just fill out this "Impromptu conversation proposal" form'. And I think it is like the way governments try to improve their operations, but I don't think I want to recommend

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companies to do it like this (laughter). The second characteristic is having targets. You all probably know that clear targets, rigorous targets and transparent targets, not saying we want to make more profits next year. No, in 5 years we want to make this degree of profits and we want to have the company this big or this small we want to go into this or that market. Clear targets and specified timing of the target and specified as precisely as possible what the target is: not more, not less, say 20% more, 21% more. That's not only acknowledged by companies but throughout the world the world demands binding climate targets (slide 20).

Now the next of the three characteristics of leadership is monitoring (slide 21). Now monitoring is something that a lot of subordinates really don't like, and there are also a lot of leaders that really don't like to do it, you feel sort of like you're checking what your child is doing all the time, and people feel uncomfortable. I feel uncomfortable when I have to do that but I have learned in my own leadership experience that it is often necessary because people otherwise do things in the wrong way, don't perform well, etc. So tracking and following up on individual performance is extremely important. The fourth characteristic is incentives (slide 22). There has to be a clear link between pay and performance in some way or the other. I have to say that all the research on what we call performance-pay is controversial. It is not very clear in general that if you have a very strong link between say performing better and getting a bonus at the end of the year that this improves performance, but the opposite is really wrong, it is wrong to have NO link between pay and performance. There should be some link, at the end of the day hard work should pay off. And I put Marriot in here, maybe they want to sponsor one of the next conferences, I thought I would help Gert Jan a little bit in this respect...

Ok, so leadership is extremely important. But still the question is why would people want to lead (slide 23)? Why would you want to be a leader? I don't want to be a leader any more, I was a leader for a time while I had the Institute, a ratio of 200 people, I was the director of 200 psychologists and I can tell you this, leading psychologists is one of the most difficult things you can imagine. They are all very stubborn (laughter) and they think they know it all better... and especially they won't accept authority from anyone. But going back to the question, why should people want to lead? And this is a question that many people don't ask, though this is a question that a psychologist like me thinks is very important. You have to invest large amounts of time to be a leader. You have to take responsibility for the group's outcomes. If something goes wrong it's your fault, and this is the worst thing: subordinates are rarely happy. Maybe you know it, maybe you ignore it as a leader, but it's true. If you look at the research on job satisfaction, they may be satisfied with their pay, they may be satisfied with their relationship with their colleagues, but usually they are the least satisfied with how the leader performs his job. The leader is a sort of a scapegoat, everything that goes wrong is the fault of the leader. I am exaggerating a little bit, but that is what happens. So don't take it too seriously when some survey that some company makes on job satisfaction in the company indicates that say 50% is not happy with the leadership. I mean this is a kind of a normal figure. And you often have to put your personal security at risk, take big risks, give up another job, etc.

More important is, why should we want to follow (slide 24)? Why would you work for someone else's income & prestige? Why would you want to do that? You're stupid. Why do you want to be dependent on someone else? Why would you work with all this lack of attention & appreciation that a lot of subordinates complain about, and that is one of the reasons for the lack of satisfaction with the leadership? And why would you want to take risks for the benefit of someone else, for example as in an army?

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Now, the way I approached this issue (slide 25) is by viewing people, not only George Bush, but all of us, as animals (laughter). We are animals, and there is nothing bad about being an animal, but it can tell a lot about our behaviour. I really love this picture, I have to say (laughter). So the way we study it is from an evolutionary perspective, seeing humans as animals, & we try to understand how the desire for leadership and the desire for followership works (slide 26). Both are the product of evolution. And if you wanted to answer the question of why should anyone want to be dominant or submissive you have two types of causes and it is very important to make that distinction (slide 28). You have the proximate cause, like this guy really has a strong desire for power and he is extremely ambitious, he always wants to be the dominant in the group, you can't stop him trying to beat others, and you can say that submissive people have a lack of ambition, they are lazy. But what we look at is at the so-called ultimate cause, that is how dominant and submissive were adaptive in our evolutionary past and still may be adaptive, and it's very important to realize that. So we see one behaviour as a result of evolution, which doesn't mean that human behaviour is at a higher level than it was before - in some ways it's not (laughter).

Gert Jan: I see there are only males there (slide 27).

Bram: These are only males, yes, I'll come to that later, Gert Jan.

Now, why a leader? Why would you want to be a leader? And the most important concept here is status, status or prestige or dominance. In 1999 we had in the US the famous or notorious Columbine high-school shootings (slide 32). 13 people got killed by high-school students who killed their classmates and some teachers, and one of the guys said: 'This is for all the people who made fun of us all these years' - showing how he felt that his status had been diminished by his classmates. In Oaklyn, NJ a couple of years later there were plans by a group of high-school students to do the same. And when the classmates of these guys were interviewed, they said that the leader of this Oaklyn group had a speech impediment, was bowlegged and wore very strange clothes. He was an easy target but nevertheless he just took it. Everybody picked on him. He took until he decided to go into the school with a gun and kill his classmates, and fortunately this was discovered before it could actually happen. But it shows the importance of status and how enormously damaging it can be if people in your group don't appreciate you, make fun of you and exclude you from what is happening. Now and Gert Jan said it already, it is true and it is not politically correct to say so (slide 33)...

Gert Jan: Sorry Bram, but I see our panellists getting nervous now.

Bram: Getting nervous? Which panellist? They're all males...

Gert Jan: Now that you showed the shooting!

Bram: Ah, the shooting? They're getting concerned? We are in South America, that's true...But leaders are overwhelmingly men. (Slide 33)And Geert Hofstede stated - many of you may know him, he is a well-known cross cultural psychologist, he said round the world men are more interested in power, leadership and self-realization. And this is linked to testosterone, testosterone motivates competition for status. It does not mean at all - and I am going to show you - that men are better leaders. They just want to **be** it more. And to understand this we have to look at the ultimate cause of this male drive for status and dominance (slide 34). There is a theory, originally already developed by Darwin, but it has been modified over the years, and it's called sexual selection and parental investment theory. It's a very simple theory, and it says that in most species, not in all, reproductive success of males is limited by the access to mates. Males can get offspring by a single sexual act but you need a mate for that. And therefore men are much more competitive and

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more aggressive than females, to gain access to sexually receptive females and to prevent access of other males to females. For females generally offspring require much more investment than for males. You don't see it in our current society but in ancestral times when people were trying to survive and lived in a subsistence economy, every piece of food was valuable, and investing all this food in a growing baby in your womb required enormous amounts of efforts. Therefore females are more picky in partner choice than males. They look for the status, the dominance, the good genes of the males, and young males we all have inside ourselves. We are the product of a long evolutionary history and ongoing evolution rooted in competition over these characteristics. It doesn't mean that we try to beat each other up all the time but we have this drive inside ourselves. And men who were successful in this competition had more offspring.

This is a polygynous family from Africa (slide 35), the guy has a number of wives and many children; and there is a lot of evidence that dominance and status in our evolutionary past enhance what we call reproductive success (slide 36). In the Yanomano in the Amazon, men who kill other men – something which gives a lot of status in that society - have more wives and children. I think about 40% of the men in this society get killed by other men. In Kenya, this tribe [the Kipsigis], men with more acres have more reproductive success. And there is Gengis Khan. This guy, every time he conquered a tribe he really was after all the women in this tribe and it is calculated that at this moment this guy has 16 million male descendants. 16 million... I will never get there. I don't even get to one!

Laura Betzig, you see this book of hers, she studied six early civilizations and she found that in all these civilizations the higher the status of the male the more wives he had. As we are in South America I will give you this example of the Inca, they had even regulated this by law. Principal persons would get 50 wives, leaders of vassal nations 30 women, heads of provinces more than 100.000 people would get 20 women and if you were a governor of at least 100 people you would only get 8. Only get 8!!! (laughter). Ok, so that is the idea that our ancestral past having ...

Gert Jan: May I make a suggestion?

Bram: Yes, of course.

Gert Jan: I would like to interrupt for Bram to get the opportunity to get some water, and now having seen all this information that he just passed on, it reminded me of one of the motives why I thought of bringing Bram to Punta del Este; and that's because his PhD thesis was about 'Multiple intimate relationships' which I found a very fascinating title. And I thought multiple intimate relationships is something which a lot of clients have with their banks - remember Arnold Schwarzenegger in one of his movies, hanging up one phone call after the other with his clients and saying "And remember! You're my number 1 customer!" Bram, apologies for the interruption.

Bram: I will get to this later but it is a very important point - what you want to show is that there can be a feeling of competition among the clients - the clients need something of course from you, you also need something from your clients. There can be competition and there can be primitive feelings of jealousy and envy that people don't want to admit publicly but they still play a role, if you're not a favourite client - it is for instance like if you're not a favourite wife, you also don't feel too good.

But what I was surprised to find is that even in our current society - and this is really telling - there still is a link between reproductive success and income (slide 38). You can see that here. This purple line, these are males. The higher the income category of the males the more offspring they have. You may say that there is not a lot between one and a half and

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two, you know, how can you have 1 ½ offspring - of course it is a mean score - but in the end to males it is a big difference. And to the extent that attaining a high income is related to typically male characteristics which are genetically transferable, this will continue to have an impact on male characteristics. The even more striking thing is that for women it is exactly the opposite. For women it doesn't pay off in terms of reproductive success to have a high status and a high income.

Now, as a result of evolution there are hormonal effects of winning and losing (slide 39), higher status is accompanied by higher androgen and serotonin levels - it feels good to have a high status, let's be honest, it just feels good - unless everybody's trying to undermine it - and lower status is accompanied by elevated cortisol levels which is a stress hormone from physiological stress and changes in stress during conflicts. This has been found among humans and also among many other species. I show you this because even for a competitive game which can even be chess which is not physical at all, male winners will show an elevation of testosterone. If your team wins, as you can see here, and that is why hooligans constitute such a big problem - after the team has won the testosterone of these supporters goes up. They need to do something about it, and then they rally the streets and create a lot of problems. And also the losers, they have all this physiological stress and they're not happy either.

Now you see here this is not only for soccer supporters (slide 40) - see this guy, Schroeder, the most interesting thing about this is that here he thinks he is the winner of the election but he actually lost the election. But he thought he won the election because he lost it with a smaller margin than he expected. So clever of humans, that we can construe a situation like we want it! You can see women also have a problem with losing, like Angela Merkel has here.

An important thing is that there are sex differences (slide 44), males are used to functioning in hierarchies more than women, and have more direct ways of dominating and dealing with rivals (slide 42), except being subordinate men can do it easier than women, and females often use more indirect ways such as spreading rumours, excluding, ignoring, isolating rivals and preventing other females from being successful. This is the queen bee (slide 45), but there is a controversial effect, which in psychology is called the queen bee effect. This is the idea that women often block the career of other women. Women often are their own enemies, not only men block the careers of women, women often do it themselves. This is not a queen bee (slide 46), this is Naomi Ellemers, a colleague of mine in Holland who did a study on this, and what she showed in the study is that if you ask male supervisors to judge their subordinates they're fair and egalitarian (slide 47). They have the same evaluation on average of their male subordinates and their female subordinates, they don't discriminate (slide 47). But if you ask female supervisors to judge their subordinates they tend to be biased against their own sex. They have a much more favourable evaluation of male subordinates than of female subordinates (slide 48). So these glass ceilings that everybody's talking about, this glass ceiling may be a queen bee ceiling to some extent in which women who have attained a higher position and want to be the only woman on this high level, and don't want other women as competitors on that same level.

Now I would like to get some questions or comments from some of you on what I've said this far. I don't know who you think is the most relevant...

Arthur Arnold: I'm certainly not the most relevant. First of all Bram I must thank you and compliment you for being able to measure my testosterone levels (laughter). I admire you because you are an academic and I'm sure you can actually support this with evidence, but to be quite frank in the 40 years that I have been working I have never thought about my testosterone levels. I'm probably a typical example of a self-made man, and during those

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40 years I have started to enjoy more and more leading people to actually be happy. What I have missed in your analysis and I'm sure maybe it doesn't exist but I still happen to believe in it – is that the ultimate goal is to motivate people to be happy in what they're doing. I was wondering whether I'm alone in this and I'm also looking to my colleagues here because then I am a complete failure as far as being a leader is concerned, if I am a leader at all. But I personally believe that the biggest challenge in motivating people is ... yeah... what is it? How do you deal with people?

Bram: Yeah... I will get to this, but you're right. Can I see your hands?

Arthur: Are you going to read my hands?!

Bram: No, ok, your testosterone level is not that high. (Laughter). This far, and what I'm going to show, is that we originated from chimpanzees as ancestors, when testosterone was extremely important in winning and losing games, but that we developed a number of other layers of leadership, and that's what I'm going to get to now - in which maybe even the highest level of testosterone is not important. The aiming for status and dominance is linked partially at least to testosterone levels. And the thing about testosterone is that it is a complex hormone - very complex - and it is not necessarily the guys with the broad shoulders and all the muscles that have the high levels of testosterone.

Arthur: I'm glad there is still hope! (laughter)

Gert Jan: Maybe Matias, can I have your short comment on what Arthur is saying about the main mission of being a leader? Matias just started 7 months ago with the turnaround of a former public company and I guess that it very much depends on where you come from so maybe Matias, what's your view on trying to make people happy at Pluna?

Matias: OK, let me give that a shot. First, regarding the presentation we've seen this far, it did take me a bit by surprise. This is not what one usually thinks of in terms of leadership and you'd never analyze the causes or the roots you're always trying to learn new models and see how that can be applied but not really understanding what are the motives. So this is something that is new to me, but as you're talking about it, it starts making sense; you start associating and you say well, that does have a resonance, I can understand, I can see where it goes and maybe it helps to put that in perspective. As Arthur I'm also pretty much self-made and also learnt a lot by trial and error. And I guess through one's career that's the way that your leadership goes evolving, just like the evolution we saw there, I think each one of us in our career starts this evolutionary process. And here I'm going to be generalizing, maybe taking a risk there but at least it's the way my leadership evolved. In the early stages you think you have to be a lot more authoritarian. That's the way that one leads, and maybe it's because of lack of experience or lack of self-confidence. So you need to be a lot more - what's the word? a lot more dominant in your leadership style. Then as you become more and more confident with your leadership style, with your role as a leader you start being able to go through this evolution and changing your style. And I think when you reach the point that Arthur mentioned is when you have really covered the whole spectrum. And there you could see your leadership through followership, really where you do not have to be on the top telling how things have to be done or leading with a strong, big muscles type of image but you can really be a servant and lead through service to the organization.

Bram: But that happens at the moment that you have gained tremendous prestige, because if you do not have the prestige - then you cannot do that. And building that prestige takes years I think, wherever, in whatever field. Years. And it goes slowly, and it

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can disappear quickly, but it goes slowly and then people respect you to a tremendous degree and will follow you and will follow your style and often will want to be like you.

Matias: So to answer Gert about Pluna, maybe we went too fast there in terms of what you say, or maybe it's because of us as a company, as Leadgate, of what we have achieved before... maybe that helped us or gave us the credibility in this new organization where we just stepped in 8 months ago. But there the most important thing for us was the cultural change of people in this, because we did not buy a company, we bought a ministry with public employees. And we had to change their mentality. And there the new things we were talking about is like I say, we have a pyramid but its inverse, and I am at the bottom of the pyramid. And my job is to be able to allow you to do your job, I have to take the stones out of the way so you can do your job, I am at your service.

Bram: But in your situation is it true what Arnold said that the main thing one can do is to make the people happy? I think in this type of way you have to make this transformation from one sort of culture to the other you need to make people initially very unhappy, because people don't like big change.

Matias: There were 2 phases: the first one is what we say, we throw the bomb. It was really hard, we really threatened, we got rid of people, and we came in very, very hard. But we limit that in time. We said, this is going to be a planned period of 5 months where that's the way we're going to act. So you start with that strong first 4 months phase and after that you have to reconstruct. Just like after the war, you throw the bombs and then you have to start the reconstruction process. And that's where we're at now, at that phase: at the reconstruction process. And the happiness of the people is very important, something that we point out. Every Wednesday we have 40 employees come in, and we talk about change, about change for the organization, and I lead a module there. And an example I give is my three-year old son, when we take him to kindergarten every day, he's running ahead of me, he wants to go to kindergarten, he wants to meet his friends. He wants to go there and play. And here in the office it's different, people don't want to wake up on a Monday and go to work. And that's what we have to change. And to change that, we need to change the environment. And it's a choice that every person has every morning when they go to work, they can decide to be happy or they can decide to be unhappy. So let's work on being happy, because that is going to give us more strength in the organization to be able to achieve the changes we want to make.

Gert Jan: Thank you very much, Matias. Juan Manuel, at this point in time could I invite you to add a comment on your personal experience?

Juan Manuel: Thank you, Gert Jan. I always thought of myself as a great follower. (laughter). And this is not to be modest, after 45 years of professional life I have been a very good follower. I had good leaders. Now it is very, very difficult for me when I remember the long line of bosses that I've had in 45 years, and relate some of the elements, the factors that make up a good leader and relate it to the people I've been reporting to for all these years - well, it's very difficult because there wasn't too much uniformity of style between their personalities. But most of them had something that made them successful. Now, I share your scepticism on most of the literature that deals with leadership. Recently, the most interesting book I've seen - from Tufts University - proves that attractive people are good leaders. Have you seen that? (Laughter). Well, it's coming, it's coming!

Gert Jan: Well, why do you think we invited you, Juan Manuel?

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Juan Manuel: No, I'm a great follower, a great follower. But to be serious, what I believe is that the Bloom research on the 4 characteristics of leadership is very interesting. And why? Because it places professional competence at the head, and after dealing with psychological aspects, motivational aspects, communication issues, the bottom line is whether your boss knows what to do or not, does he know the job or not. Through the years, in the past few decades, we have seen an enormous amount of improvisation, particularly in the large multinationals, who have been hiring people who did not have the necessary technical qualifications for the job, and simply had all the other positive requirements regarding charisma, sympathy or whatever. And I fervently believe that to be a good leader one has to know exactly what one is doing.

Bram: Well, we're on our way to that. The 4 characteristics we mentioned were not psychological, you are right, they were about setting targets and this type of thing that are not really psychological, like monitoring and supervision, and having a relationship between incentives and performance. This isn't a model, this is based on a study. In my opinion it makes sense that there is a correlation between these things and benefits, earnings. Not only does it make sense, it's also true. So well, I shall continue.

So here I have this slide on the Russian dolls (slide 49), there are layers on the ways to obtain dominance, and we all have inside of us this little doll which we have in common even with crocodiles and other species. And each layer of this doll has inbuilt another level. There is also direct physical struggle to measure physical force (slide 50). You may think that this no longer applies to human beings, but in other species, in the larger animals, they have more dominance and the smaller animals avoid getting involved in that struggle. Here you see this sea lion (slide 52, 53), they live in groups and they try to achieve dominance, just like giraffes (slide 54). We also see it human beings, the tendency to fight physically is still inbuilt in our layers (slide 55). People don't fight physically so much, but the wish, the tendency is there.

This is a study that we carried out (slides 57, 58). You may think that these two figures do not differ that much, but though both have wide shoulders one of them has a slight beer-belly - I know that I look like that myself at the moment! So what do we do in our research? We use subliminal images and put them onscreen for milliseconds, one can really not perceive them, but the mind sees them, so if a person is exposed to a rival he is going to be exposed to jealousy and seek out a person that is more similar in characteristics to himself. This basic mechanism still exists within us. We can also see this in terms of height (slide 58). It matters a lot more than we care to admit.

Here we have a cartoon in French, I did my own translation, it is the French Premier, Sarkozy before the elections (slide 59). "What do I still lack to win the 2007 elections?" "Just 20 cms!" Well, he won anyways, but maybe he was wearing high-heeled shoes. In organizations today height is still important (slide 60). Taller men are more persuasive; they have a higher self-esteem, higher performance and they earn more. It has been calculated that 15 extra centimetres are equivalent to 166.000 Euros in 30 years. Life is not fair, we know that already, it is not fair! Can you imagine, 166.000 Euros? Poor people, these shorter people! You can buy a beautiful house in Punta del Este with that money. They have higher positions in organizations, and women like taller men more. So there is still a physical dominance which still plays an important role today. And as someone said, it is not fair. Tall men also have higher reproductive success.

Now, among women height is not as important as among men. We have discovered certain evidence (slide 61) which shows that very tall women have more depression, and that medium-height women have more reproductive success because men like them more. Men

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in general don't like women who are taller than they are - except for Sarkozy (laughter). But I think I would like Sarkozy's wife even if she were taller than I am! And probably most of you would as well. Well, shorter women have certain advantages. Here there is an intrasexual rivalry test, and these are some of the results (slide 62). "I don't like very ambitious women", "I can't stand it when I meet another woman who has achieved more in life than I have", "I wouldn't hire as a colleague another highly competent woman". And what do we see here (slide 63)? What we see is that the shortest and tallest women meet with rivalry from other women, where as medium-height women have the lowest levels.

Now why would people want to be submissive (slide 64)? There are people who have been submissive for years, and it may be because it is very functional. You can see here a picture of wolves, the wolf that submits prevents expulsion from the group, and one can wait for a better moment to challenge dominance. The second level of the Russian doll that we saw before (slide 65) is something that human beings have improved a great deal, which is social skills, machiavellianism, the social ability to manipulate. Gert Jan told me that he had invited about 150 people to this conference, which seems obvious. Why not 75 or 350? Or ten thousand? This has to do with the evolution of the human brain (slide 66). This evolved really fast in the past few centuries, the cranium increased in size, which has nothing to do with the increase in the environment's complexity or technology, and according to my colleague Robin Dunbar from the University of Liverpool this evolution has to do with the need to function in large groups. Most of the large primates live in groups, and what he proved is that the greater the neocortex rate - the neocortex is the most important part of our brain compared to the rest, the larger the group in which that primate lives (slide 68). If we take this line further, we reach the fact that for human beings 150 is like a magic number (slide 69). It is the amount of persons we can know and interact with on a personal basis. This number is found in all groups: hunters, gatherers, military units, business organizations. Of course there are much larger organizations, but when they have over 150 people, say 200, the whole culture of the organization starts to change, you need more formal rules to control people, to divide the work, whereas in a smaller organization one can know everyone personally and control everyone personally, you know who is who, and all those formal rules are not necessary. In religious congregations too, 200 is considered the maximum desirable number. Of course there are exceptions; there are people who know 1000 persons, one of them is Gert Jan. So in groups that work well the dominant individuals require intelligence. Why? Animals, like human beings, have volition, feelings and thoughts (slide 71) - a huge computational ability of the brain, as if they were enormous computers. Also, we need to remember the behaviour of group members (slide 73), to remember who cheats, who is a free-loader, one also needs to float social norms without being caught, if one isn't exactly complying with them - but there are many animals, other primates, which are lower on the scale, that cannot cheat or lie! So this is a very human characteristic, being able to manipulate others to achieve one's own goals.

Leaders are not always better people (slide 74); they are better liars, they have less empathy with others, they can tell lies and even ask subordinates to tell the same lie, and if they are asked whether they are telling the truth, usually people can tell that the leader are hiding the truth, though they are people with an ability to control their faces to hide that they are lying. Also, leaders have a tendency towards narcissism. Adam Galinsky (slide 75) says that power decreases the ability to take other people's point of view. People with power have less of this ability, and this is something that we must take into account, because we often don't realize that this is in our minds. He also defined a test.

Arthur: Are we allowed to totally disagree with you?

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Gert Jan: I wanted to do another test but I didn't want to interrupt you. I wanted to ask the audience, who among you considers himself a leader at this time? At this stage of the presentation? Please raise your hands... Very few... What about those on stage?

Bram: Draw a setter E on your forehead. How do you do it? I don't have time to give you each a pen, so draw an imaginary letter E on your foreheads (slide 76). Well, powerful people draw a letter E the way that they would see it from the inside. People without power write the letter in the way that other people can read it (slide 77). And this is a very intelligent test.

Now, submission is also functional in the sense that sometimes there is a void at the top and new dominant individuals may rise (slide 78). Margaret Thatcher (slide 79) is an interesting example, she was very intelligent, because she bit her tongue before criticizing others, and she reacted when the situation changed. If one is stupid enough not to act submissively at a certain time one may ruin one's chances. One has to wait until the right time comes.

Also, we came across a series of tips on promotion tips. Leonard Sayles studied submission (slide 80) and he came to the conclusion that submission helps to avoid confrontation, as well as not making suggestions, not asking the boss to support unpopular opinions, and to seek the next promotion because it looks good. And now I am coming to the main point: career success is not necessarily the same as a successful leadership. Commitment with one's career is not always equivalent to commitment to the organization, there may be no link between career success and team performance (slide 81). Effective team leadership requires communication and motivational skills, conflict management, subordinate training. People who want to advance in an organization are usually very good at networking, and this is a trap that many organizations fall into.

We still have some time left, we have not come yet to the most important part of the presentation, so would you like to make any comments or ask questions now or shall I go on?

Gert Jan: No, because panellists are rather uncomfortable with your criticisms, and being the only one who has seen your presentation beforehand I know that the best is still to come. I know that they will feel more comfortable with making comments or asking questions after the next few slides.

Bram: I cannot emphasize sufficiently that those people who are full of energy and seem so committed are not always the best leaders. And now we are reaching the third part of my presentation, it is like the third layer or level (slide 82). When one looks at evolution, after seeing all these people who fought physically, then those who tried to manipulate socially, another strategy that works is being altruistic, rising above all those struggles. This is recognized more and more, and now we are coming to a point that some of you mentioned and which is a very important characteristic of leadership: competition in social skills may lead to an evolution of this additional strategy for dominance, which is altruistic behaviour. I am very intrigued by this. Here (slide 83), she says to him: 'I am really intrigued by this view of life that you have, Charlie Brown. You say we were put here on earth to make other people happy? That's right. And she asks, What are other people there for?

When one achieves something in a group, sometimes it is what other people can't do (slide 84). Prestige can be gained by interfering impartially in conflicts, maybe someone stands up and interferes from a higher perspective, being conciliatory and generous, also by being fair with followers, like for example not accepting unfair situations, like when the company is

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very successful accepting compensation for other people but not for himself. This also shows self-sacrifice for the group's benefit, all these are very important characteristics of altruistic leadership.

Without going as far as the one in the cartoon, there has to be some balance, but sometimes we tend to underestimate the importance of altruism. John McCain is a good example (slide 85). In 1967 he was a prisoner of war in Vietnam for more than 5 years, he was very badly treated and tortured many times, but he refused to be released as a special favour because some of his mates had been captured earlier and had not been released. Forty years later he is still benefiting from this altruism, so it does have its benefits.

Now we shall discuss the effectiveness of altruistic leaders. I don't know if Bill Gates is an altruistic leader (slide 87), I don't think so, but there was a study by the Fortune magazine on companies that had below-average performance for 15 years and then had above-average performance for the next 15 years. Sometimes it's easy to become a leader and say how easy it is to change things by changing this or that, but being a leader during such a long time and achieving success is not so easy. Only 11 companies fit the profile, and in each case the changes were brought about by a new CEO. What are the characteristics of those CEO's? They have two basic characteristics (slide 88), the first is that they were very modest and humble persons, let us think... Gert Jan, did you take note? And the second was that they were extraordinarily persistent in the pursuit of the organization's objectives. Therefore we are talking about a very long period of time for the company, not about those ambitious guys full of testosterone who want to have a brilliant career, they are modest and humble persons with persistence or perseverance in respect of where they want to take the organization. They are patient, very patient.

Well, I hope to be getting to Arnold's point, because this is the third layer or third level, dominance after social intelligence and machavellianism, and I think this is very important. It is a very important phenomenon. What do these two men have in common (Hitler and Mandela, slide 89). One is probably the most despised leader in the 20th century, and the other is maybe the most admired one. They both have huge crowds surrounding and admiring them; these two men are charismatic leaders, very charismatic. (Slide 90): They have a mission and a vision, they induce identification, loyalty, faith, respect, inspiration, commitment and devotion to the leader. But Hitler is an arrogant type of person and leader, not altruistic, whereas Mandela is the charismatic, altruistic and humble leader. But this shows that altruistic leadership may be extremely dangerous for companies, it may be very beneficial but also very dangerous. Maybe if one has a charismatic leader for one or two years it is not that dangerous, one can see that in religious groups that by definition have charismatic leaders. We have the examples of groups like the Indiana one a couple of years ago, where the whole community committed suicide. There was a very important study by Fortune 500 that concluded that the level of pay of a charismatic leader was predictable, but not firm performance.

Shall I leave it here, Gert Jan, do we have time to go over the slides on attractive people?

Gert Jan: Well, we promised. We promised that we would get to that part of your presentation... so I suppose that we shall have a few minutes for panellists to reflect for a while, now that you told them that they were humble and modest I am sure they are feeling better...

Bram: Well, I don't know how effective they are!

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Gert Jan: You know that I don't agree on what you said about taller people having more success, I don't like that idea... Now I think that we can finish with a delicious dessert on people's attractiveness. Let's see how they score on this characteristic!

Bram: This looks like a joke but it's very serious, it is an experiment where people were asked who looked like a successful leader and who looked like a mediocre person, and the results were surprising, the correlation between the CEO's physical aspect and company performance was quite high. It was an evaluation of leaders potential in terms of competence, dominance and maturity, but there was no correlation between the physical aspect and the reliability of the person, which is very interesting. I was telling you this because what I wanted to show you is that attractive people are considered better leaders, but not necessarily the most reliable.

This peacock you see here (slide 92) is incredibly beautiful, and it illustrates the evolution of the sense of beauty, which is not something that we have in common with other species. We should explain that this is the male of the species, the females look terrible - only in the peacock species, not human beings (laughter). So we have to look at physical superiority, at social skills, and also physical attraction. In peacocks and many other species evolution shows this behaviour of exhibition. Certain people have tried to do the same, but we don't have peacock tails so what human beings did during evolution was to produce art (slide 93). These are some of the cave paintings of Spain, which are still beautiful today; or people start surrounding themselves with expensive luxury articles (slide 94), and human beings have also evolved into physical attractiveness (slide 95). I believe that human beings are more attractive physically than chimpanzees, which of course is not true of all human beings... Now, I was saying that physically attractive people have more possibilities of being hired (slide 96), of being promoted, of having more positive evaluations as to performance in their jobs, and even of making more money, but there are some drawbacks, which I call the Crown Princess effect. Women in particular tend to block the careers of attractive women.

An experiment was made among students (slide 97 to 101), where they had to evaluate candidates for a job as a student assistant, a close colleague that they had to hire, and a personal description had to be given and say what chances this or that person had of being hired. Photos were given to one group of reasonably attractive candidates, and the other group was given photos of very attractive candidates. What one sees here (slide 102) is that both men and women preferred female candidates, there was no indication of discrimination. The same study was carried out in a company, and they also preferred women. Women are more pleasant. Both men and women choose attractive candidates of the opposite sex (slide 103), if you show a woman the picture of an attractive male candidate most women will say that they would hire him. But..! for same sex candidates, the opposite is true. Men prefer attractive male candidates but women prefer unattractive female candidates (slide 104). Women say 'No, I prefer to hire a woman who is not attractive'. And this is what I call the Crown Princess effect, because women really tend to avoid hiring very attractive women because they consider them something like competition in their physical appearance (slide 105).

Now, I have not given guidelines, I am not the type of person to give guidelines or advice, but what I can give you as an indication (slide 107) is that brilliant leaders should be directive and tell team members what to do, and the relatively less brilliant should be more participative and listen, but I think I'm going to leave it here.

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Gert Jan: OK, thank you very much Bram. We have a few minutes before coffee and I would like to give the panel the chance to make a few comments on Bram's contribution, a couple of things.

Juan Manuel: First of all I have a question on the relationship between testosterone, masculine menopause and being a grumpy old man, but I can do that later. I would like to quote what for me is the oldest definition of leadership that I have seen at least, and it is quite close to the mark, especially in the view of more recent research. It says: a successful leader is the one who is respected by his peers, one who defends his opinions against his superiors, and is fair with his subordinates. This was written in 410 B.C. and it is in the history of the Peloponnesian wars.

This is really hard to kill as a definition, particularly considering that it was written some 2.000 years before Peter Drucker and so on.

Matias: I would like to thank you because you've just saved my company. In an airline one of the competitive advantages is having attractive air hostesses, and I have just realized that our human resources manager is a woman, so I think we need to do something about it because this Crown Princess effect may affect our future business!

Everything made sense at the end, I thought the Russian doll part was very interesting, particularly the evolution that we go through during our careers, starting by the masculine characteristics. I think it can help each of us see where we are in the evolutionary process as leaders, and it will also help us see where we are and help us to continue growing. I have a lot to improve regarding my qualities. When you spoke about some of the negative characteristics, in one of the dolls you spoke about the ability to lie and manipulate effectively, I see how important that can be in some instances of our organization because one cannot tell the truth in certain situations because they cannot follow it, one has to be able to continue with the business for a certain amount of time and convince people that that is the future of the company, even though what one is saying is not 100% true. These are tricks, and they are important.

They have a negative connotation in the sense that manipulation has a negative connotation, but it has to be there. Maybe throughout time, that's why I believe that there is an important distinction between the short and the long term, because in the long term it would no longer be effective, as people would find out the truth. That is why it wouldn't work for 15 years. Different characteristics are necessary in leaders, depending on where the company is. For example if one is a shareholder or a member of the board, one has to know where the company is and which characteristics are required of the leader at that point in the company's history or evolution, and to be able to change depending on the personality that is required, because I don't believe that in this case there is one solution for all.

Bram: I am really happy that you are happy with this issue of lying, because it sounds very negative but it is really about convincing the company or the staff, and sometimes it is about saying things that one doesn't believe 100% oneself. But if the result is going to be that everyone is going to lose motivation well, profits have to be made. And also the company image has to be maintained, and one cannot be 100% honest. The challenge is that body language is much more expressive than words, so there is a huge challenge there when one says 'We are going to have profits next year'.

Gert Jan: Thank you very much Matias for your contribution. We are going to have more time later with Maarten, but if you would like to say something Arthur please go ahead...

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Arthur: after what Matias said it is difficult to add something new, in the sense that I must admit Bram that I am very happy with the last part, because sometimes one is totally lost and lonely - I feel very lonely really. And by the way, sometimes at the top one feels a bit lonely. I must tell you – of course the subject of this conference is Leadership in the 21st century - that I really believe that leadership today and in the following 100 years is going to require a long-term vision. If one does not have a long-term vision one does not deserve to be a leader. Also, one has to have the ability to communicate that and inspire people around us on how to achieve long-term targets. I empathize with what Matias says on taking people by stages, but if you are not capable of describing where you are going, you are going to lose the people, the people who are going to carry it out. One is merely leading, leading the people who are going to execute the vision. I believe that this is extremely important, and that is why I believe in being honest, humble, but in telling people the truth. It is not going to be easy, but I don't agree with what was just said. If you tell them 'We are going to make profits' and you don't, I think that people in the 21st century won't take it. People are not stupid, they are not dumb, and I prefer to tell them 'Sorry boys, we are not going to make profits, we are only going to make profits in three years, that is our objective, so let's do what we have to do to achieve it'.

Bram: That indeed is about setting targets. There are only three of you, and I am very interested in your opinion. In Holland these days we have the issue of bonuses that are paid to CEO's, even when they don't have a very good performance.

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1.2. LEADERSHIP IN ORGANISATIONS AND TEAMS

By Maarten Nijhoff Asser

Gert Jan Mulder: OK ladies and gentlemen, we got one serious complaint and that was that many of you actually didn't see us here onstage, so we increased the light, and we hope that you see better what's happening up here. So Maarten, you're kindly invited to start with your presentation.

Maarten Nijhoff Asser: Thank you very much, particularly Gert Jan for inviting me back. I don't know if this is a new habit, I certainly hope so, but I often wonder, because maybe you didn't understand it the first time and now I have to tell you again, which makes you my dumbest client, but at the same time you are my best client which in my profession actually never happens (laughter). As Bram has explained to you primates are the only ones that lie and it so happens that amongst consultants we all lie, so there you have it, I'm just trying to get us all through a time period where I'm going to try to share with you what I've learnt and what I've seen other people learn and the challenge is in leadership in the 21st century.

I do think that in the 21st century we won't be successful in the way we were in the previous century. And many of you are a nice mixture of experience, long-term experience, 45 years of experience versus just started, expertise but no craft yet, no practice yet. And there I initiate a discussion with you and the panel of course on what I will later term dilemmas, because as a young guy you want to get the best possible position and the best possible job right now so you can practice everything that you've learnt in school. Yet as a more senior, more savvy person you want to protect to some extent what you have worked for for 24 years. So on the one hand we want expertise, on the other we want experience. And listening to Bram - it's so fortunate to sit back on a couch and listen to the real experts explain to you what you did wrong and the little chances you'll ever have of managing a company - in his address on the evolutionary process of leadership, and indeed we talked about his ivory tower status versus perhaps me more as a modelling practitioner, again a dichotomy of sorts. We talked about studying human behaviour at a distance, and at the same time trying everything and keeping what works, which is what many of you also do. We talked about focusing on tasks and goals, and get it done, and aim, and shoot, or should we just try a lot of things in the back room and keep what works. And then sometimes as the panel helped us understand, not lie, I don't think anybody lies, but have a relational truth spoken rather than - that's a nice consulting word, relational truth means lie (laughter), but I'm calling it differently because we have a way with words. So you help people tell a relational truth in a certain time frame rather than shoot them and say "At the end of this year we'll have a profit" which everybody knows is not going to happen and you lose faith. So we looked at goal-orientation and people-orientation, we looked at monitoring versus a laissez-faire approach which for some of you in entrepreneurial spirit, you have to let some things go because you can't keep controlling everything. We looked at the power of rules and status, we looked at egoism versus altruism, we looked at a dominant role versus a supportive role - servant-leadership comes from that. We looked at the individual - me, me, and me versus the group. And frankly it came to Bram's insight which I think is marvellous and certainly the panel of CEO's seemed to embody that - on the one hand being modest and humble in many ways so that we could call it humility, for those of you who like Level 5 leadership of Sengui?? and later Collins and Port, if you read those kinds of books. By the way I always say 'Don't, buy the summary which is only 130 words,

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whereas the books are always 560 pages of nonsense', so look at the summaries. So on the one hand we want to be driven by humility, on the other hand we want to be absolutely determined and persistent to focus on that organizational wealth, where Arthur added the pursuit of happiness, which as I just reminded him, there's one country in the world which has the pursuit of happiness in their constitution. And that is the United States of America. It's one of the reasons why I seem to live there. At least that's what my wife tells me, whom of course I never see because a marriage is like any dilemma, you want to be there where you belong, and as Robert Frost said 'Home is where when you go there they have to let you in' (laughter), and on the other hand I want to be free and see the world and meet wonderful people like yourselves. I see some couples look at each other like 'Ah, which side are *you* on?'

Believe me, in the end it is all about how we integrate. Perhaps after learning from Bram I should have rethought my own presentation and called it perhaps something that he gave me yesterday, instead of Organizations and Teams I should have called it Integrative Leadership of Individual Team and Organizational Dilemmas. So with that my slides are completely useless now, and I can rush through them and then we can go for a lovely lunch.

Let's stick with what we've learnt over the last 50 years or so. 50 years of leadership and management theory have given us a lot of contradiction (slide 2). I don't know how much you study it or how much you go through bookstores, picking up books and looking out at what other books are out there, but you'll be surprised at the differences that you find. We started management consulting for example with this sense of Taylorism and Fordism. As Ford said when he built the Model T "You can have it in any colour as long as it's black". But what he tried to do is to give a car to the average American. So the average American could afford it. On the other hand we want to give unique personal services. In the finance industry that's no different. You see it all the time. We also want to focus on what some people call true leadership competence, which is really operational leadership. But these days we need to have visionary societal leaders as well. We need to focus on core competence and we need to have close partnerships, relationship finance with our clients. We do want to have low-cost commodities, where one product, one size fits all, but on the other hand again we need to make local adaptations. We want to manage for growth, which often people translate in money: money please. On the other hand we want to manage for values, and there are many studies which indicate that corporations have changed their product line entirely from paper for example to diapers, and saw fit to keep the same core values in their organization. So perhaps managing for values is something we should do more of.

I'll talk more about that later. We talked already about command and control, directive leadership, versus the more servant-type leadership, more altruistic supportive leadership of a team of experts, and we all know how difficult it is to lead a team of individual experts, because the bond between them is often not there and I'm sure in academia we see this best because there are ivory towers of expertise, but they are not communicating. And I'm going to go out on a limb and say that most innovations in the world are cross-disciplinary; they are not developed in one discipline, like in your industry at well. I've looked at 20 years of strategic research and advice by experts (slide 3) has given us lots of dilemmas and paradoxes. I haven't read all these books, I base my findings mostly on the work of Professor Charles Hamden-Turner, who has done most of the research of the paradoxes in strategy. And essentially that is looking at a bookshelf of the last 20 years of the fads that leadership appears to want to follow. And on the one hand we have indeed Kenneth Andrew's rational thought, we're talking about the early sixties now, when you only died in the early 2000s. But in the 1960s he came up with that everything had to be logical,

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rational, based upon the Harvard Business School. Of course ... came up with a more generative approach. We had a pre-planned and deliberate, almost military strategy with Chakavurti and Lorange, but of course on the other hand we got to learn from Henry and James Quinn who said 'It has to emerge from above, like the phoenix rising from the ashes. Now we need to look at Michael Hammer who became extremely powerful at some point in time thinking about reengineering which is all about business process improvement, we still hear about it these days, but what he meant to do is entirely leave the old system and create something new, which for example in the United States works really well, but other cultures are not so comfortable with letting go of the past. We then looked at Makai Imai who said that it's much better to refine your old strategy and be more evolutionary as some of you have said, than to break the old and start with the new and of course both are true; market driven - Michael Porter, versus capability-driven.

Now I have a few of them here, I'll be much quicker (slide 4), should we focus on a portfolio services, or should we focus on core competence? By the way Gary Hamil, particularly involved in the Enron mess of the energy company, because he focused them on their core competence, which for some bizarre reason, the Enron executives decided was exchange, not delivering energy sources. And I'm afraid sometimes if you focus on the wrong core competence you may completely lose it; competition of course versus cooperation, evolutionary versus what we could call the creation of new industries, new services and new products. Again we can look at control versus chaos (slide 5), we need some chaos within our organization because we all know, from chaos we arrive at new insights. We have to take that time to let it sink into ourselves. Now we need global convergence and localism, we need profitability for shareholders which I always find a very interesting word, shareholders as the one shareholder value is the one value which is never shared, but still we call it shareholder value, and of course we should think about our stakeholders, who have a stake in what I say and do. So it leads us with order and order contradiction. And when I then looked at when we started really to focus on the energy of these bright people in our organization, and it all started with business processes, and efficiency. And then in the eighties more or less the employee focus came up, what we call the human resource movement. And we all focused on developing our people. Then after that we focused on what we call the shareholder value as I said, in the nineties nobody wanted a salary any more, everybody wanted options and shares. A salary was called a monthly insult, because of course you wanted to grow with the company and serious people like yourselves left established careers to focus on entrepreneurial jobs where they were employee number 2. And they brought small companies like to greatness. Why? Because it meant something to them, because they were happy, they were passionate about now being part of something that perhaps grew to the 150 number that Bram mentioned. Then in the end it came back, in the Internet age in the nineties and early 21st century, what do our clients really need? And our clients particularly need our humility and our persistence to create joint success. Now if I look at this (slide 6), I can tell you that there are marvellous dilemmas which corporations have. On the one hand I want to be good at efficiency, on the other I want to have an employee focus. Of course I want to have employee focus but I need to take care of my shareholders as well. And quickly you can tell from what transpires on the screen that there are six major dilemmas ALL organizations have in common. It doesn't matter what industry you are in. And just recently we came up with a new one, and everyone calls it green now, but we used to call it societal or social corporate responsibility, in other words what are these very powerful corporations giving back to us, to the society, the taxpayers, the employees to some extent as well but it's larger than that. What are we doing for the green movement, and quickly you can identify them, four more dilemmas in all directions.

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Here we have what we would call 10 golden dilemmas (slide 7), 10 dilemmas that every company in the world has, has to resolve, and is generally driven by the executives, is generally driven by the people that you see here in front, and they have to constantly think in dualities, and I'll give you some examples. I'm not sure if you can read this, I'll read some of them and you'll get copies of the slides later on. One is to develop our people versus becoming more cost-conscious. Now who in the audience doesn't want that. Now come on, you've had coffee, now it's time to, well, when I ask a question I generally get a response, but obviously there are the ones 'reward our people for their mastery' versus 'reward our shareholders for their long-term faith in us'. Of course you can feel that tug; cash-flow, and working capital utilization versus long-term sustainability. We recognize that, everybody recognizes that. Reputation in the wider community, corporate social responsibility versus we have to serve our customers at a fair price and fair quality. Well, who is to pay for that? Now both, I want to reiterate, both sides are positive; you want, you desire both at the same time. Now I think you're starting to feel how difficult it is to be a leader, because as a leader you're constantly having these dilemmas right in front of you, and the world knows it. So here's some more (slides 8 & 9), I won't read them out but I can give you examples of each one of them, and then we'd have to apply them to the particular companies you represent.

And it's sort of a fun thing that we brought to the attention of Goldman Sachs a few years ago, we said wouldn't it be interesting if we could do research on how well organizations, led by these marvellous executives, create values by resolving these dilemmas? And then correlate with what Goldman Sachs does so well which is evaluate or validate corporate shareholder value. And then buy into them or help them transact or help them merge with another corporation. And we tried this and Goldman Sachs gave us some support and then realized You know, it's different for us. We as a firm are more transactional, and you are more relational in this dilemma mess that you present to us. We'd like to remain transactional. I remember this discussion, and I said I don't understand. I'm slow, I'm a consultant, so tell me again. And they said Well, it's like this. We are the priest at a wedding of two corporations. You are the marriage counsellor (laughter). They really don't care what happens after the wedding unless they take a stake and all they want is their money out of the wedding. Whereas we are concerned with the human factor, we are concerned with the leaders, we are concerned with the challenges that leaders face. So we said There's no communal theory in the world that can capture this, so let's set out to get one and let's try and do that. We found one very quickly, that leaders need to do a lot of dilemma management, and I hope to ask the panellists as well, what are your basic dilemmas? How do you transfer them to others? We know also from the literature that many corporations need to focus on their vision and their values. They need to live the values, have big hairy values lying out in a vision that everybody wants to aspire to, and then they have to bring that out in what we call behaviour but in the short-run, how many companies that you represent are on the one hand values-driven, and measured value driven, and on the other hand what we call performance driven or what is generally called results driven? Money in the bank. And of course that is due to what Bram indicated as well, to the behaviour of leadership. Unfortunately many of you I'm sure have been misinterpreted many times. The problem of leadership is that people outside often have an image of you which may not be you at all, but they have it nevertheless. So you have to deal with the expectation of your leadership, more so than with your leadership style. And that can be uncomfortable and the only way to resolve that is in constant communication. How many times I might ask all of the panellists, how many times have you had to repeat your basic message to the organization? Was it once on a big stage and then everybody got it? Was it 25,000 times in the corridors, over and over again? And it's obviously the latter, and leaders make the big mistake of not communicating enough, then they complain and say We're in an ivory tower and we don't know. And so this dichotomy, this dilemma is incredibly important to understand as regards leadership for the 21st century as I think we see it.

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So here are some challenges of values and behaviour and I've started to give you these ideas: on the one hand we need to be assertive, directive, on the other hand we need to be responsive, always have time to listen. We need to be directive and facilitative, we need to be strategic and tactical. We need to be leading and supportive; we need to be creative and instigative, in other words have other people be creative. And how do we do that? We need to be decisive, we need to be inquisitive, we need to be visionary, we need to be pragmatic, we need to be inspirational, we need to get things done, we need to be analytical and we need to be holistic and we need to tell and ask questions.

Gert Jan: Applause! Applause for this gentleman! (Applause)

Maarten: We need to be applauded, but we need to be humble as well. It's an embarrassment to me to get an applause, because it's not about me, it's about that. It's about you feeling that in your gut. And frankly it must tear you apart, because it's very difficult to do all that and think about it. And it comes to me and I just asked Juan Manuel as well, you're very successful as a leader. Success is measured by different people in different ways. But if I sit next to you on that couch, and indeed as I just did I say what is it? What is the core that gave you that success and can you show me? Please.

Juan Manuel: Well, first I want to thank you for recapitulating in a very short time the history of the art of management of the last 50 years. My reaction is how were we able to survive that, because you must remember, at least some of you must remember that we were always taken to a seminar with the latest fad and you had to write a medium-term plan according to the Boston Consulting Group model, and you had to decide whether you were a star or a dog or a cash cow, so you went I'm a cash cow. Some of us had to actually do that and use those words to define ourselves. I'm not very proud of that - a mere example. So thank you for your summary; it's a shock. In terms of personal experience I would say: the problem that I think academics have in trying to articulate generalities for leadership, for management science, for the art of management, is that the whole thing is relative. In other words I cannot believe, and I don't believe, that there is a model leader who can work in any given business situation and succeed. That to me is a no-no, it's impossible. In my case by sheer accident I started my career working in a quasi bankrupt company, then I moved on to a quasi-bankrupt bank, then I moved on and on and on, always working with troubled affiliates and turning them around, these companies more or less successful depending on each case. But I could never function after three or four situations like that, as an administrator who could run a company that was growing fast, making profits, because I would start to yawn! I wanted my next crisis, I needed the adrenaline, that's my case.

Maarten: I like very much what Juan Manuel adds, because we talked earlier about trial and error, and all of you want to have that experience of trial and error and to start in almost bankrupt companies is actually wonderful luck. It may not seem like it at the time, but it is a crisis. Later today we will hear about crisis management. But I do think that on one hand we want trial and error but from that you want to arrive at a unified idea on what to do next. And then you want to stabilize that idea and then you want crisis again, because there's nothing as boring as driving a Mitsubishi car for example, because it always starts. It always runs, you don't hear it, it's boring. So if you have a minivan then you want a Ferrari next to it. And it's the same with values. The trouble is that over time, we still need to do what Noel Tichy said in the 1970s - Noel Tichy is now a fairly old man in his seventies - was the instigator of corporate learning at GE with a man called Jack Welch, who was also cutting 120.000 people from his corporate payroll in the nineteen eighties, and at the same time in that period investing one million dollars, which at that point in time was an enormous amount of

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money in a corporate learning center in Crowtonville, New York. So what he did was to cut costs and invest in growth at the same time. And why he did that was because Noel Tichy said You know, people need to learn how to teach others what they have learnt. And when he said people he meant managers. I read an article where he was interviewed recently and he said, I only have one question for today's leaders, and the question is: what is your teachable proposition? In other words, what have you taught others lately? Now most leaders say Are you kidding? I'm not a teacher! You are a teacher. And he says No, they learn from you, they look at you and learn from your behaviour, they want to copy it, they want to be like you, or they want to change you, or they want to be themselves, but they want to learn from you. Well how much time do you spend teaching others. And that is the question that I essentially ask Juan Manuel and I was fortunate a few years ago when this book about the 21 leaders came about, I spoke to Michael Dell. Michael Dell is one of those terribly humbling persons for me to meet because he's my age, actually two years younger, and he has five *billion* dollars in the bank, and I've got about that much...

Gert Jan: Which bank does he have that money in?! Do you happen to know that?

Maarten: Sorry?

Gert Jan: Which bank does he keep his money in?!

Maarten: Yeah, where does he keep all this money, somewhere in a black hole in Texas, I'm sure... But what is interesting is that when I asked him Michael you're a spirited leader, you're a visionary leader, so much so that when Dell didn't do so well he came back, and he's now again the chairman... and he's loving it because he is reinvigorating it by providing vision on two seemingly opposing values. And I interviewed him and I asked him How do you do it? And he said I have no idea. Why don't you come with me, I'll show you. And I said, With all due respect, that's not scaleable. And that's one element that in the 21st century we really need. Your leadership style, your leadership behaviour needs to be scaleable to many more people than are contained in this room. If it's not, you're just doing the 20th century leadership which is, It's my turn now. Let me get up higher because I've learnt if I'm higher I'm better. And then I have to make sure that people do what I tell them to do.

Gert Jan: Maarten, what do you mean by scaleable?

Maarten: Scaleable means that if Michael Dell's ideas could be transferable in a fast way, in a speedy way, such that others could learn what took him 20 years to aggregate, and integrate, and he could then transfer that to the youngest person on the staff quickly, the company would generally grow faster. There's a question I asked to another Dutchman a long time ago who worked for Shell, who said There's only one sustained competitive advantage, and that is the ability to learn. And even now Alvin Tofler said the new thing in the 21st century will be how fast leaders learn and relearn, in other words you drop everything that you've learnt and start over. And let your gut take over. And frankly dilemmas are a way to try to reach at that gut. So with Michael Dell I drew up a lot of these dilemmas and I'll share some with you and then said, Now you have a way to perhaps share it with others, how does it look? And he said This map that you gave me is indeed the tension that I feel in my stomach every day, but it gives me the inspiration, the virtuous integration to my solutions, and I want to share that with you. Yes Arthur, tell me.

Arthur Arnold: Yes Maarten, I think you are really talking about the next generation of leadership, the next young generation that is impatient, that wants to learn very quickly, which goes with the 21st century where access to knowledge is instantly available to

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everybody, and actually you used a word that I had written down for myself, but you haven't put it on the screen, and I want to advise you to think about that. Guts. In my humble opinion, every leader must have guts: the guts to make choices, to focus, to believe in a vision; to be able to communicate; to accept failure. That takes guts; to take risks, you know that's what we're talking about.

Maarten: But the guts you see it sits over here, and some have a bit bigger one (laughter) and there's no correlation with intelligence apparently, but I always call it the ring of self-confidence, which some people have a lot of. So what is important there is that the guts come from the mind, because we need to be analytical, and think about things really, really hard, and then it flows through the heart, where we commit to passion, and then it sits in the gut. And frankly some of you are sports people, maybe golf, or something that you do... Now you can think very hard about your swing - and if you think very hard it's going to fail completely. And if you are very passionate about hitting that damned little ball 150 yards further it ends up in the water. So most golf pros say, I have to set it all in, think into my boots, relax everything, and then I put it down and I go whack! and it's as straight as an arrow. Jack Welsh wrote a book with somebody else called Straight from the gut. So I think there again maybe I'm a patient of my own thinking, but if we combine the analytical mind with the heart of passion we do eventually over time reach the gut. That's where I want to go. Is that fair enough? The gut?

Arthur: Well, I question whether it's over time. I really think that the young generation wants to have guts right now. They want to be able to do it. Probably that's the biggest difference between the 21st and the 20th century.

Maarten: I agree, absolutely. Let me move on a little because for some reason my watch says I have ten minutes to go, which is an interesting challenge, or dilemma. Strategic choices abound as well (slide 11), you want to be low cost and premium, you want to have economies of scale and scope, grand strategies, unique services, global versus local, profit versus market, cost cutting and investing in development I mentioned and vision versus financial results. I could give 20 more but it gets to be boring, I think you got the point. Again, this is nothing new. Scott Fitzgerald said in 1945 in The crack-up (slide 12) that the test of a first-rate intelligence is the ability to hold two opposed ideas in your mind and still be able to function, from the gut for example. You try a lot of things and you keep what works, so these slides, you may recall, this is something that is inbred in our minds. There are two things on the slide here, what is it? See here? (slide 13) A ground, because you can't see a figure without a *grounding*. Right? It's text and context. Remember this one (slide 14)? Most people instantly saw bats, because you are in the financial industry and it's bad right now, it's terrible, so you look at the dark forces first but I urge you to look at the light which is angels. Here you look at the bats, angels, bats, angels, and I play that with you because I can interpret what you see or actually manipulate what you want to see.

Now the same applies here: should we change our model for the 21st century or endure in the 20th century? Well, that depends if you want to start from the bottom or the top. There are some more things. Our eyes, our mind trick us into seeing what we want to see. You see the duality here in the eye of the beholder (slide 17), a beautiful vase, hopefully with some alcoholic beverage in it, and then of course two people facing each other. We have this one (slide 18) - it's a little hard to see, but there are different lines drawn and in one of the pictures you feel like you're being sucked in, and it's basically a manipulation of your vision. Perhaps it is clearer in the next picture (slide 19). Are these straight lines or are all these cubes in the exact same size or not? What is it? Your mind is terribly confused right now. You want to say 'They are all straight', because you know it's a trick, but it looks like they're all crooked, let's face it. Most of you are trying to make sense of truth, two truths,

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and your mind hates it, and that is what a dilemma really feels like. Here (slide 20) I don't know if it comes across, but if you look at the center or the edge of this slide you go ballistic, because parts of it are moving. The outside of the picture moves when you focus on the center, and when you focus on the outside it looks as if something is moving in the middle. It is moving and our minds are not ready to accept duality so easily.

Let's talk about that then, how do we really lead when it comes to the 21st century? We started with this wonderful word, entrepreneur (slide 21). My only George Bush joke for today is that he went to the American Institute of Entrepreneurship and this was at the time when there was a lot of debate with the French, because the French were not supporting Irak, and America wanted them, so they boycotted all the French wines which was great because they became really cheap, and so then Bush was heard saying as he walked away, he had this big blasting speech about the French and how they were so bad, and he said, 'It's a pity that the French don't have a word for entrepreneur!'. (Laughter). Entrepreneur is a wonderful word because it comes from *entre prendre*, between positions. Between positions means tension in the gut, in the mind, so indeed we stand between labour, capital and of course land. We also realize that we make *unites*, units in another word from what used to be diverse and remote. So we get together things that don't look that easy to handle, for example I'd love to talk some more with Matias about the airline industry, because how do you create such a high-capital investment organization that is there to provide the most nimble services that you need? So it's applicable to all of you business travellers that you feel when you sink into this chair that it's like home. And on top of that you get these beautiful people who ask you 'Do you want a massage?' Which Virgin Atlantic instigated, and I thought this woman wanted something else from me. (Laughter). I was shocked. But they shone my shoes and I haven't flown with them for a while as you can see. So it's all possible. And how do we cater to that dilemma? Well, if it was easy people would have done it long ago and of course Alvin Tofler, a wonderful author to read, said 50 years ago and it is still true today, that most innovative breakthroughs are cross-disciplinary. They are not developed by one unit, one silo, rather it is cross-disciplinary.

So I want to share something here, it is indeed history that taught us how think (slide 25). Archimedes was asked to make sure that the crown of the leader at the time was the biggest. And how was he going to do it, because he didn't have a way to weight it as we have now. Why I changed from the dimensional look to a linear look is because I want to map things with you. For example, if we go up the scale and we say let's only focus on vertical thinking then indeed we could say here is Archimedes, looking at the crown, he's got it on a pedestal - he is studying it. And he is in his zone, and he's trying to figure out the size, but he can't really do it. So he takes a break. And he starts to do some lateral thinking, which many of us do in the shower but in those days he did it in the bath. And he jumped into the bath, and the bath water overflowed, and he yelled the famous 'Eureka', because he could relate it back to his vertical thinking and said 'Hey! I can submerge this crown in water and find the volume of water as a measurement of the size and weight of this crown'. So he went from vertical to lateral thinking and came up with a solution to a problem that could have cost him his life.

So that's history (slide 23). The information age helped us - some of you may have heard of the Gutenberg press - the first press that was created, a German of course, all good inventions are initiated by Germans I've been told (laughter) - one of our sponsors is German. Gutenberg didn't come up with something entirely new, on the contrary he looked at wine made with a press, because apparently he was a stiff drinker as many Germans are (laughter) - oh no! I'm sorry, I shouldn't have said that! But many of them like a glass here and there - and he also looked at money made with a mint which in his day was also done. He combined the two and created something that is known today as the way to print the

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Bible many times, which of course created the opportunity to spread the word of God. Nowadays we do that with our own personal computers as fast as we possibly can! So combining two things that are already there is a wonderful way to think about it. Even psychologists seem to agree on that. Getzels and Jackson (slide 24) said that creativity itself, the ability to survive, depend on the ability to diverge and converge. First you elaborate as in liberal arts, which some of you may have as your background, and then you come to a rational solution by improving on the sciences. And we do this constantly. We don't even think about it, but we constantly do this in order to integrate what we have learnt over time. And that's what brought us to think, maybe in the 21st century we should be thinking about dualities and dilemmas rather than the singularity that we have found in the bookstores, in the newest fads in conferences and so on. So we did a little test and decided that we needed a hypothesis, that managers and leaders were different people, managers took care of resources - how do we get from A to B, what is the fastest lane between them, is it a straight line - and leaders are constantly beset by dilemmas (slide 26) and they need to understand these opposing values. So we wrote a bunch of very bad books about them of which I have many copies if you are interested because we can't sell them to the street. But that's just business books which don't sell, they're hopeless. But some of them are coming to the same kind of integrative leadership that I'm sharing with you here. And I just want to make sure that you understand that this is not just a fad, but it comes from understanding what this slide shows, that if we think about leadership of values then we should think about what values really are. And the mistake that human spirits have come up with is that they think values are things. And I'd like to debunk that. Values are not things, they're not statues, for example, they're not prizes, they are differences. And if you think of some of the things that I like to mention about cultures, then you realize that sometimes we're after the same things, like risk, or relationships, or communication, but we approach them from seemingly opposing values. And that in itself makes values become differences. I'll show it to you. Contrasting values are often located at opposite ends of the spectrum (slide 27). So let's take something that you dabble in every day, which is risk. Now what are two opposing parts of risk that are both desirable? Gert Jan?

Gert Jan: I can only think of reward.

Maarten: That's one side, that's a good one. Who will help Gert Jan with the other side? There's risk as in reward, which is opportunity...

Panel: Loss?

Maarten: Yes but loss is not positive unless you are currently in the financial business, and apparently you get helped by the government, which irritates mortgaged people like me incredibly, but hey! if you can get away with it, well done! So let's look at something positive underlying loss. Learning is a good one.

Maarten: (Slide 27). So we have protection coming up. So protecting is being cautious, careful: security. On the other hand we want to benefit from the opportunity as you say so when I walk into a bank with a thousand bucks, and I say 'OK I want to invest this', and some smart banker comes up and says 'Well, on the left we have the investment bankers, good luck', but you know, you may get two thousand dollars in a month. On the other hand we have the Treasury, and they will say well, you know, 4%, 5% in the year I think we can safely, cautiously guarantee. So if we look at behaviours then, I have a little bit more time, then you risk of course. On the one hand we need to have courage: opportunity, reward - on the other hand we need to have caution. Those are 2 interpretations of risk, am I right? Now if I take courage so far that I'm no longer cautious, what do I become? I become pretty stupid, and indeed if I become that hero that you say then I lose it. But we don't want

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heroes. As a matter of fact pilots for example, we can ask Matias, if I ask a pilot 'What are you, are you courageous or cautious?', what do you think he says? He says cautious, but you are all flyers, and so am I, and I still find it amazing to take an aluminium tube, at 250 miles an hour, and lift it off with 300 people and their families in it. So if that isn't courageous, I don't know what is. Luckily we have 2 pilots and they do check, double check, check, double check, and if you're with American Airlines they do check, check Oh! let's pull the plane back into the station and fix all the problems and now they've cancelled a thousand flights. So well done, do not go after American, dump them I would say, but that's just personal. Indeed, Matias is the smartest person here because...

Gert Jan: Maarten had some problems coming here, and he tried American Airlines, and he's still pissed about it.

Maarten: In case you hadn't noticed. But Matias said something very good, he said that if you take courage too far and you're no longer cautious then you've become reckless. If you take caution too far and you're no longer courageous then you become defensive at best. And the same is true of course when we go to relationships and we say well, what kind of relationships would you like? What are the underlying values of relationships that you prefer? Some of you may say, well it is loyalty that I like of my friends. Some may say, I like formality of a certain kind. And those are fine. But what's the other side of loyalty? As a matter of fact if you were all my friends and you were constantly loyal, I'd be really bored with you. So we actually like a bit of dissenting. And a measure of loyalty is therefore defined by how much dissenting you or the organization or you as a leader will take.

The other day another consultant asked me 'Maarten, have you ever come up with a measurement of loyalty for the company?' And I said 'Yes, it lies in how much dissenting you will allow'. How much you can take. Now as Dutch people here, we have 4 Dutch on stage, abuse is a wonderful way to show loyalty. In Holland we can attack each other in a way that seems to completely undress you, and then we say 'Ah this was good fun, let's go and have a beer now'. And those of you who have worked with Dutch people in business you know what that feels like. It can be very tough. But loyalty taken too far leads to blindness. Formality leads to rigidity. Why is it too far? because it is no longer informal. One of the strengths of this conference is that we are informal. But there is some formality luckily, otherwise we'd get pretty chaotic. So I think you're getting the connotations of positive and negative aspects, so the last one will be fast and furious, when we talk about communication should we be frank and direct? Of course, we all want transparency. But on the other hand we also talked about perhaps tact and indirectness, not lying, but being tactful with what you say as a leader is incredibly important. There is a whole discussion in Holland now about this film, for those of you who are interested. I mean it's absurd, an absolutely absurd film about on the one hand the right to say what you think, even though it may seriously damage societal relationships, versus the tact with which you want to create a multicultural society. More on that during the break or perhaps after some drinks tonight, but frankness may lead to bluntness, tact leads to politeness if they are not connected.

I need to hurry, so I have a few quick examples: the dilemmas of learning (slide 31), which is very much in the forefront of the 21st century, dilemmas of strategy, we touched upon some of them, dilemmas of teams, then of course the dilemmas of mergers and acquisitions (slide 57), a thing that partnerships constantly deal with. I call them M & A, but it could be general partnerships that we need to get. And then dilemmas of relationship management (slide 56) is I think DBA's focus, on how do we create results from relationships. And then of course the very last if I get to it is of course measuring it, because I come from the school of thought that if it doesn't get measured it doesn't get done. So we've got 4/5 years of experience now and something seems to be brewing. I'll be

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brief because all of these I didn't bring to you in PowerPoint bullet point, but in drawings, so: here are the dilemmas of learning (slide 30). There are five of them, really after studying Cold and all these people that have focused on how you learn, you need discipline-centered and problem-centered (slide 31), we need dependence on expertise and independence of thought for all (slide 33), we need active experimentation and reflective observation (slide 30, 35), we need abstract conceptualizing but we also need to have concrete practitioners (slide 30, 39). I won't go through all of them but I have some pictures that you will get. On this grid - yes, we need the discipline of being process-centered and be ready just in case, versus problem-centered just in time. Now look at this for example (slide 33), this is classroom theoretical learning, where the slightly older gentleman who of course has all the experience explains what to do when you find yourself eye-to-eye with a crocodile. And everybody's paying great attention, taking notes and of course they hope it never happens but problem-centered is 'just-in-time' learning, so here you suddenly are faced by the crocodile and all you can do is take your notebook and shove it down his throat and hope that it gets stuck, and that is situational learning.

What we all like is to come to the point where the fusion of theory and practice happens where I can say 'Hey maybe I have a choice here because I have a map, and I can figure out if I go this way these folks will eat me and this way is perhaps better', and we can indeed take the knowledge of theoretical learning and apply that in practice.

Another one is this independence and dependence (slide 33): We need expert input sometimes, even bright CEO's need people to tell them what they've learnt, folks like Bram, on the other hand we need to get everybody out of the groove and into the center of commitment. But if we do too much of that everybody's going to be talking and it is diabolical. So what do we learn from that? Well, if we have interdependence we can create dialogues. As you can see we share a model, in this case a computer-based model and through words, *dia-logos*, through the use of conversation which by the way also includes listening, which we often forget, we can create a higher level of leadership and value of it. The last one I think I have is abstract conceptualization (slide 39) which is really studying constantly, working very smart, which is not very hard. After all we're not sweating when we're thinking about it. The other side, and that perhaps is more the French model I would say - this is more the American model, working extremely hard but not smart because we have no time to think about it. The French said 'Well, that's why we invented America, to get things done!' whereas the French would rather think about it (laughter).. In the end of course the two need to be combined into a model that seems to be moving here whereby working hard becomes integrative with working smart. So those were some ideas on how we get the big rock out of the chicken pen and see the happy chicken jump up and down.

Gert Jan: Maarten, if you will allow me to make just one comment, there is one very dear friend of mine here in the audience who told me a couple of years ago that if u work too hard u don't have time to make money (laughter) and I wanted to share that one with u.

Maarten: Yeah, I'd like to become very good friends with that gentleman!

Gert Jan: And maybe it's one for you to keep in mind.

Maarten: Thank you Gert Jan. Perhaps I should fly more with Pluna and actually GET here on time! (laughter). Certainly I'll be hoping to get very close to that gentleman who seems to be particularly happy these days.

Arthur Arnold: Maarten, if I may... just get it off your chest what's happened with American! You're still bothered by it! There are more important things in life though.

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Maarten: Give me a stiff drink and I'll tell you what I think about it! But let me be quick - I told you about Dell (slide 46), I find the Dell story particularly insightful, and now again they are almost number 1, not just in selling shiny happy discs and computers, but also in relationship management, so on the one hand procurement of universal parts and they managed that, they do that better than anybody, so much so that they managed the lowest inventory in the world of any product-oriented corporation. At the same time they need to watch and observe and understand the strategy not just what clients do but the strategy of their clients. And only then can they create their own organization to indeed strategize by integration and I use the spiral here as a symbol of integration - to have their own IT group mimicking the needs of the clients' strategy so that they can have IT organized to support the strategic direction. And Dell before IBM understood this. Many of their employees are actually consultants. They are not at all IT specialists. And I think that is particularly insightful. Number one,

Arthur: Wait a second Maarten, because you have to be fair. What went wrong since? Because they're in a mess.

Maarten: Yeah, they were certainly in a mess. I think the 150 growth number of executives for example went wrong, then there was a new CEO a friend of Michael Dell who didn't have the same passion, the same vision. And they became more number-focused, more quarterly results-focused and less long-term focused. So they went back to creating very nice models with all sorts of colours and bells and whistles which is very nice for the customer - the one-off-one customer - but not so much for the organizations. So they drifted away from integrative partnerships with their clients whom they call partners - and they focused on what Apple is doing, like more beautiful, more exciting, more design - and Michael Dell said 'Yeah but more design? Let me ask my clients, do you want to have your investment bankers have red laptops?' 'We don't care! We really don't care'. So they got off track, and I think that is what Bram was also indicating, and you three were talking about, the evolution of that leadership, of constantly drawing an infinity loop because it's constantly reinventing yourself, and frankly you can't go through all these phases, the phase of construction of a new airline is very different to growth, than for example scaling it down again because the market is crashing or so. And I think that is what some of this also indicates. Now I'm not a wizard, I can't see forward very well, but I do think that integrative leadership is something that Michael Dell did intuitively and when I asked him 'How do you do it?' he said 'I don't know, it's my intuition'. So what I'm trying to say is that by drawing up an intuition in a picture people have perhaps that following again and it's a marvellous idea to use cartoons because across the world people understand pictures better than words. As a matter of fact 75% of the world's languages are pictures. They are not characters. Only we here in North America and in Europe use characters. But the rest of the world uses useful images and we should learn something from them.

Quickly then Toyota (slide 47), well known for having a basic chassis, I think it's the Toyota Camry which is still the best-selling car in the world. If you go and lie underneath it you'll see the same chassis than 30 yrs ago, you see the exact same chassis, they didn't change a thing. But the technology everything else in the Toyota Camry is completely different. You wouldn't recognize it from the outside. But from the inside it is the same car.

Gert Jan: I think it's not the Camry, the car many of my colleagues drive is the Corolla.

Maarten: Yeah, you may be right. I find Japanese cars incredibly boring. I don't drive them, I'd rather have a French car that I constantly have to fix (laughter). But that's just me... Dilemmas of teams then quickly (slide 50, 51) - on the one hand we want to motivate by questioning, on the other we want to have solutions quickly, a lot of leaders say, how can I

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get more solutions from people fast? And we consultants say, well, that depends on the quality of the questions that you ask. So if your questions constantly are unanswered, and as a leader here we have a wonderful female leader here crying with sticky notes Help! and you get no answers that are not good. Your questions are perhaps not tailored to what the organization can offer. Of course if you only get answers you opened Pandora's box of consultancies and as Juan Manuel said, the Boston consulting group will always have a solution for you that suits them especially better than you, but you pay for it, and you get a lot of it, so wouldn't it be nice if as a leader you could hold up a question that everybody feels committed to? And then you get a number of answers that are qualified. That's why I find people who are in meetings like you are 90% of the time, meetings should always start with a question. If somebody starts with an agenda with bullet points, generally 13 for a two-hour meeting, so you know you're only going to get to 5, I would say scrap it. But ask one particular question that everybody is committed to finding an answer to, and then you get high quality answers because the quality of the question has to improve. And I think that's where leaders in the 21st century have a real task, because it's very difficult to come up with a really qualified question that will help the team, the leader and the organization in the end.

So very quickly then the dilemmas of mergers and acquisitions (slide 57), I'm almost done now. Here you see on the one hand we want everybody to be like the bear, and indeed when we take over a company or when we partner with a company sometimes we are so big and we are so happy that we squeeze them, but we squeeze them to death. And that's no good. On the other hand we don't want to be taken for a ride by our clients or partners, because then we get a little bit scared. In the middle we have a standoff, the livestock as you see, both are relatively bored, and what we want to attain is eventually riding high, it's really about partners reconciling the skills and differences between them. And the client relationship gains height, that's what this shows. Then perhaps the relationship management one is simple (slide 58), on the one hand we need to be technically sufficient, finance sufficient, on the other hand we need to be relationship-oriented persons, so the positives and negatives on both sides can be easily drawn out through analysis, and hope they have the analysis there on both sides, but then what do we get if we only look at technical sufficiency? Well, we get high-tech people but they're not relationship oriented. So there is no touching in the relationship, there's no passion in the relationship. On the other hand we could say well, if we only have relationship people then we are very high touch but there's no technology, there's no understanding. If we don't combine the two then it's over for our organization. So very often in the middle we find that nothing happens. It's a compromise, it's a standoff again. And many of our clients face this problems where they have to reinvent themselves, and say 'How do we do something about relationship management between financially and functionally proficient people and relationship managers?', and by the way going back to gender differences, women are generally much better at the relationship side, men are much better at functional level side. So we need two sides to indeed then perhaps to go up to the trusted tech savvy business advisors. Actually all of you are consultants in your own right. And consultant comes from the Latin, *con* = together, *sultare* = share advice. This so you know it's not just a money-grabbing animal like me (laughter).

Then it's really about mindset change which I've tried to share with you. We actually found a way to measure it: it has 4 elements of measurement, and here they are (slide 42). You need to recognize how these cultural challenges of learning have an effect on you as an individual, you need to respect the differences before you can reconcile them. And what we found is that people with more international experience as all of you generally score better at being an integrative leader of dilemmas than those who sit locally and only focus on local business (slide 43). So that exposes you I suppose to your core values. We also found, and

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that's quite surprising, that there is a high correlation between first of all (but the least surprising of the two) between 360° feedback, where you ask all your peers to give some feedback to you so you can learn how you come across, and that scores .71 which doesn't surprise me (slide 45). If you're a good nice person and you take care of your people and you understand how to deal with dilemmas this makes total sense, then you are going to get high scores. The one I didn't expect was such a high score between rank and order correlation between managers who know, understand and respect dilemmas and know how to resolve them and basic bottom line business success, whether as profit or budget control. And I find that interesting for our discussion of the 21st century. I have some concluding remarks (slide 49) which basically say "stop thinking of one side if you can almost imagine the other side being as desirable and positive". So start thinking dilemmas, and I leave you with my favourite slide (# 59), which I hope to live by, to get to that optimal experience you have to on the one hand to see the degree of challenge, and on the other hand see that balanced by the degree of skill. And of course if the challenge is very high and the skill is very low, you die in a whirlpool of anxiety. You suffer terrible stress. If the skill is enormous but the challenge is low, you die of boredom, fishing, growing a beard on a rock. But sometimes with teams and with organizations you lead in this case a team with that whoosh of excitement, and I think this is what brings people in the 21st century to do the absolute best job that they can do for your organization, thereby providing these dilemmas to them and saying 'These are my dilemmas from the guts as a leader' is the best way in what I can see to get a committed team, to get a committed organization on the same map, and then come up with innovative, integrative solutions. That's it for me!

Gert Jan: Maarten, thank you very much! We're going to ask the bus drivers to get us that exciting drive to José Ignacio. (laughter, applause).

Maarten: Very good, thank you.

Gert Jan: I'm sure that our panellists may have some reflections but I would like to ask you to restrict them to one or two minutes each.

Matias: That's going to be very difficult. I had an eureka! feeling. Can you imagine that if in the fifties they told us the most important part of the body was the quadriceps, then in the seventies it was no, forget your quads, you have to work on your abs, only your abs, and then in the nineties they said no it's the biceps, that's what you have to work on, your biceps. It's all one integral part, and through the history of management we've been focusing on parts. And why have we been doing that? Because the most difficult thing, and this is what is clear to me, is that we feel uncomfortable managing dilemmas. It's not just the managing, it's how do we feel in that situation where we have to be value-driven, we have to be process, we have to be communication, we have to be profit-oriented... the important thing is how do we feel in that position? because the way that we feel there will enable us to be more effective and manage that better than others. If we're too much oriented on our abs, and only that, we're going to feel very uncomfortable if we have to work on our biceps because we weren't trained for that. So I think that the important thing is that it is a complex scenario that we live in, all these things are important - there is not one that is more important than the other, even though through the years we've been focusing on them independently - and yes, be able to manage all that and feel comfortable doing so. That's what we have to look for in a leader for the 21st century.

Gert Jan: Thank you very much, Matias.

Juan Manuel Forn: I was impressed by the gap between the national and the international experience as a positive element in terms of dilemma solution. I wasn't expecting those

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numbers, because there's a lot of doubt and pros and cons about international versus domestic careers. It's very rewarding to see those numbers. I want to close this with a short anecdote on precisely that. I used to work for the old Bank of America, the one founded by Giannini, based in San Francisco. I was assigned to London and we got a new boss for Europe, who was a typical laid-back Californian, a lot of swimming-pool, tennis, nice guy, terribly decent - after twelve months, he was a miserable failure running Europe and he had the decency to quit, without having another job. So I went to see him when I learnt that he had resigned, and he looks at me and he says "Juan, in 12 months I've learnt only one thing: people are different!" (laughter).

Arthur Arnold: I think that's a great statement. What I like most on this picture is excitement, because I truly believe that if you are able to create an environment in which people are excited, the sky is the limit.

Gert Jan: Thank you very much. We can leave it here, Bram, you don't have much to add here, we can save it for tomorrow. Tomorrow you'll be back on stage, we'll give you more time, we really should be going because the weather is nice outside, the restaurant will be waiting, there will be caipiroskas, so let me invite you to step outside, get on the bus, and let's get some excitement outside.

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2. SECOND SESSION

Moderator: Nanno Kleiterp, CIO, Member of the Board FMO

Panellists:

Jacco Knotnerus (Director, FMO)

Josef Boven (First VP, DEG)

Alfredo Stirling (Managing Director, DBA)

2.1. LEADERSHIP IN FAMILY OWNED COMPANIES

Dr. Imanol Belausteguigoitia Rius

Leadership in Family Business.
Thursday 10 April 2008, 5 pm

Nanno Kleiterp: After this fantastic lunch in a lovely place we are going to do even lovelier things this afternoon with the challenge for everyone on this podium to keep you well awake. Both Imanol and Alvaro have told me that it is not a problem for them so they are going to entertain you vastly, and Imanol is also going to ask you to interact with him. Let me introduce Imanol. Imanol Belausteguigoitia - I have been trying to pronounce this properly - is Mexican, he specializes in family businesses, he's a consultant and also the Director of the Family Business Center at the Instituto Tecnológico Autónomo of Mexico. He's going to talk to us about leadership in family businesses. Alvaro Vilaseca is Uruguayan, he is a professor of corporate politics, he is also in the Department of Business Studies of the University of Montevideo, and he is going to give us his thoughts on a case study. We also have three panellists, starting by Josef Boven, president of DEG Latin America, his counterpart in FMO Jacco Knotnerus, director of FMO Latin America, and DBA shareholder Alfredo Stirling. I am very confused with all these Alvaro's and Alfredo's. Alfredo is a DBA shareholder and he works with DBA and Gert Jan. They're all going to give us their opinions later. Gert Jan wants to say something which is really surprising.

Gert Jan: Excuse me Nanno, this is only for those who don't understand enough Spanish, this session is going to be in Spanish so everyone is kindly invited to pick up their simultaneous translation devices at the back of the room. Imanol, please take the floor.

Imanol: I would like to start by being grateful. I was taught at home that one must be grateful - my first words were of gratitude - and I would like to thank FMO, DEG and particularly Gert Jan Mulder and his team. But this is a very special thanks to all of you and particularly the panellists, because instead of having the stage on the beach, where we should all be at the moment, you have all sacrificed yourselves and came back to this place to continue with this meeting and these few thoughts on family business, so a very special thanks to you all. We have about an hour to speak about different topics regarding family businesses. It's an important challenge, and it's a particular challenge to be able to get your attention after this wonderful lunch and the wonderful view.

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We are going to be speaking of the different dimensions of family businesses (slide 1), and focusing on leadership in family businesses. We are going to begin by discussing a matter of principle - the nature of family business. We shall continue with leadership in the family business, and next we shall be discussing professionalization of family businesses (slide 2). In general it's very difficult to get family businesses to change, so we have these obstacles in the path towards professionalization. Finally, the issue of succession and continuity; I have a few thoughts on this which may be interesting to you.

We're going to start by defining the term family business (slide 3). I don't know how it sounds to the panellists, how the term 'family business' sounds to you. It sounds very unglamorous. It's not a term that anyone wants to brag about. Many owners of family businesses and particularly successful owners, owners of businesses that have grown, do not want to be associated with the term. They prefer to be regarded as the owners of a multinational, professional or institutional business, but the term 'family business' tends to be pejorative. It's not very well regarded. This is a pity. I think it's a lovely term, a term that one should be proud of, since many of the great organizations in this world, in this country and in this continent are family businesses. If we mention Walmart for example, of course it's not a family business one may say, but of course it is, behind Walmart is the Walton family. Around 30% of the Fortune 500 companies are family businesses, and many companies that are on the stock exchange in Latin American countries are family businesses as well. There are numerous small enterprises, especially in the informal economy, which are also family businesses.

To define this term, those of us who deal with this particular field have not really been able to come up with a universal definition that can be shared by everyone. We have a problem in this sense, because the knowledge is generated in different parts of the world or maybe in one particular country with different examples and different definitions. We try not to extend that information because we are speaking of organizations of a different nature, as they have different definitions. However, if you asked me, and I would like to know Alvaro's opinion on this, in my opinion there are two essential dimensions in the definition of family business. The first is that a family has control of the ownership of the company, and a second dimension is that two or more members of that family control the company, actually work in the company, making decisions on a daily basis. So these two dimensions from my point of view are important to be able to define the family business. However, I would like Alvaro to shed some light on this issue. Do you have a definition of family business?

Alvaro Vilaseca: Imanol, thank you very much for giving me the chance to participate. As you say, there is no unanimous definition of family businesses, however, I think that one mustn't establish a limit, a frontier between what is a family business and what is not. Rather, one could have a continuum and have family businesses on one side and non-family businesses on the other. The existence of family businesses in general is due to the coexistence of a family and a business, and there is interdependence between both systems. I believe than more than talking about the ownership of a business, on whether a family owns 51 or 100% of a company or is the largest minority, the essential fact is the influence of the family on the company, the experience of the family regarding the work itself, and especially the influence of the family culture on the company. I believe this could be a contribution to your definition.

Imanol: An important distinction. We have tried to define what a family business is, and here there can be a certain confusion that we must try to avoid in all circumstances. We have just defined family businesses, and it is not the same to speak about a family business and a familist business. This is an organization where a family has a negative influence on it. Of course the family may be wonderful as a family, but there are certain

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family aspects that may not be a good influence on the company itself. I'm going to give you an example. If a family has need for employment and it is necessary to employ family members so they can survive, but they're not brilliant and not terribly capable of providing added value to the organization, yet they are invited into the family organization, and instead of supporting the company they detract value, then, instead of a family business it becomes a familist business. This is when one becomes soft and allows people who are not sufficiently competent to get comfortable jobs which are not exciting but which sort of work, and this feeling turns organizations into familist organizations. I always say that one must run away from familism. One must help and be generous with family members, and also with non-family members, but one must see in which other way family members can be helped.

What concerns us especially about family business? many, many things, among them their disappearance. It is estimated in a general way that only 1 organization in 3 manages to get to the next generation. This should be an alert, because organizations that have already gone through long-term existences and have become consolidated sometimes cannot get through certain situations. So we are concerned about their disappearance, and maybe find something about the family dimension that, if slightly corrected, would significantly increase the company's chances for continuity.

Speaking of family organizations I would like to show you a model which is very simple, and it shows the dynamics of the family business where you can see the coexistence of company and family. Taking the model of John Davis, we also take property into account. This boat (slide 4) is the family business. At the top is ownership (slide 5), which is the property; we have the company on one side and the family on the other. These are all interconnected compartments, if something happens to family or to business the correlative part is going to feel it, there is going to be an impact.

This boat should have a destination (slide 6). It's not wise to leave a port without knowing where one is going. The port is chosen by the captain, essentially, but how dangerous it is if the rest of the crew is not convinced! Why? because there could be a mutiny on board. How difficult it is when the parents want to go to one place and the children want to go to another. It's difficult when there are battles inside the family, where some family members want to go north and others want to go south. So it's dangerous to go on board one of these little boats if it is not clear where one is going.

We were discussing with some colleagues how important it is to think differently - two heads think better than one as long as they think differently, but there must also be a certain type of union. So let us not set sail unless we are clear on where we want to get.

This boat has an interesting peculiarity. It has a double bow, so it can sail aft or forward (slide 7), and in this example this family which is surely trying to raise its own levels is probably placing too many demands on the company, asking for too much money. But they may be taxing not only the resources; they may be saying 'I am going to work less, take more holidays', and of course because of the interconnectivity within the system, the counterpart is going to suffer. If the demands are exaggerated the water is going to tend to flood the deck.

Exactly the contrary situation can happen (slide 8), of course a feeling of care and austerity must prevail, this is very welcome; but one must be wary of not overdoing it and of not leaving the family behind. What does this imply? Maybe all the investments, the money and the time go into the business. We also have the workaholic types that sometimes sacrifice themselves for the family, but sometimes this is taken too far. Therefore the family also

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starts to have problems. Why? Maybe they don't see each other enough, and family members start to feel the lack of attention.

This is like the former case, but more dramatized (slide 9). Maybe the family has taken its demands on the business too far, and what it has encouraged is that the business really starts suffering in a serious way with no chance for recovery. What is very sad is that many families and family members tend to become myopic in these situations, I would go further and say they go blind in respect of what they are doing to the company with their excessive demands. It is very easy to predict the end of the story (slide 10); it's not that the family is floating still, and that the company is going under; this system is not going to work; if the family is not aware of what is happening to the business nobody is safe.

The message that I want to transmit is that balance is not simply sailing horizontally (slide 11), like saying 50% of the money is for the business, or 50% of the time is for the business and the rest is for the family. The concept is flexibility; there may be occasions when one must work 25 hours a day, 8 days a week, and probably this may be compensated to the family at another time. One must try and move flexibly, which is what I wanted to show you with this slide (slide 12).

This is an introduction; I would like to do a practical exercise with you, by showing you a very unpleasant film with which I try to raise awareness on certain issues. The film is called Vertical Limits. Shall we turn off the lights please?

(Cuts from the above film are shown: father, son and daughter are climbing a steep mountain side and their equipment starts to fail. The father, who is at the bottom of the rope, orders son to cut the rope so that the kids have a better chance of surviving. The clip ends before the son makes his decision).

This is very unpleasant. How can I have the bad taste to show you something like this?! But it makes sense in the light of leadership issues. The next slide (slide 13) - breathe deeply! shows you that I do have execrable taste! But let us get rid of this unspent energy by having a small debate in small groups. Let us try to answer two questions: the two that appear on the slide. One is literally: do you recommend the son to cut the father's rope, or do you recommend exactly the contrary? The second question is metaphorical. It is about what meanings you can extrapolate to family businesses on the act of cutting the rope. So relax, breathe deeply, talk among yourselves and discuss the issue of whether it's convenient to cut the rope or not. I shall give you five minutes to reach a group consensus so please, go ahead.

(A few minutes later)

We shall now hear the points of view of each group. Those of you who saw the film already know the end, you know that the rope is cut. I didn't show you the following scene because you see the father falling, and it's rather terrible. But... what do we do, do we cut the rope or not? Yes? Are there any microphones to go round?

Did your group decide to cut the rope? Can you tell us why?

Group 1: In our group there was a very strong discussion. One person strongly believes that the rope must not be cut, and the other five believe that it must. It's absolutely inevitable, I am a sailor, and occasionally a part has to be sacrificed to save the whole. The kids are going to have a terrible problem for the rest of their lives, that is another issue, but to save a situation like this the father is willing to sacrifice his life for his children to survive. I think this is the moral of the story, it is like donating your liver to one of your children who

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wouldn't survive otherwise. Many parents would be willing to do this, and the kids may say 'Well, my father is stupid, I don't want to do this', but the feeling is there.

Imanol: Maybe the person who was against cutting the rope would like to tell us why. Josef, would you like to tell us?

Josef: I don't have strong arguments, it's just a feeling. I don't think it's a rational discussion in my opinion, that's why emotionally I say no, rationally, it's something else.

Imanol: What happened in the rest of the groups? Do you cut the rope? Yes? Do you have other reasons in addition to those that have already been mentioned, other reasons for cutting the rope?

It seems that there's something very mathematical, very rational in believing that it's better for one to die than for three people to die, that's rational. As our colleague is telling us, there's an emotional reason that prevents us from cutting the rope. Here's another reason for cutting the rope.

Alfonso Trigo: Thank you very much, Imanol. I think that cutting the rope here is not killing, sometimes it's saving. The company that's been founded by a gentleman who's done very well, and in the meantime he reproduced and had five kids who had another five kids each, well, there you have 25 heirs. The genetic lottery is not always very generous, so cutting the rope where those who are not going to be able to continue are attached is actually doing them a favour, because maybe they can earn some dividends and stay out of the company instead of perpetrating disasters every day. So I believe that we're not killing him: rather, we're saving him by cutting the rope.

Imanol: Thank you. Alfonso has told us about an interesting fact, and actually he's answering the second question, a specific business or company situation. I think that it is a very interesting case, because one sees a rope being cut and immediately one thinks about catastrophes, when cutting the rope can actually be an act of huge generosity because one allows someone to develop him or herself in another field. As Alfonso said, it is the familist case. Being able to cut the rope might mean inviting out someone who is not being useful in the company. Is there any other analogy with a family business that you have thought of in the act of cutting the rope? Has anyone thought of anything else, of this ballast created by someone who is not working properly inside the organization?

Member of the audience: We were thinking here that the idea might be not so much that they are not working properly, but that they want to ensure the future of the company. The person wants the children to take over, not so much getting them out of the company, but he doesn't want to be the indispensable person and it may be a way of getting the children to perform inside the company.

Imanol: So then we are speaking of the phenomenon of succession: we are allowing the next generation to take over, and he is asking them to cut the rope, in the sense of 'Please continue what I began'. There are a lot of metaphors that we can resort to; this issue of change, maybe sometimes we have to cut the rope to change a series of practices, to modernize, to professionalize. I would keep two ideas mainly, which have to do with the topic that we are discussing, the issue of leadership, in how one generation gives over to the next generation, and familism, when there are no activities to enhance professionalization and the family members are not committed, it's difficult to keep them inside an organization that has to mutate.

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So what I would like to illustrate with this brief film, is a phenomenon that you have explained and I have explained as well: it's the duality in family businesses where we can see on one hand the family, which has very specific values, and the company, that has let's say values that are completely opposed. What values could we speak about in the business? All those values that generate value; some we have mentioned, and others like competitiveness, profitability, productivity. But let's say that within the family we can have totally different values. What is the supreme value of the family? The value of love, which can have different transformations and connotations, maybe solidarity, tolerance, generosity, support; but essentially they are all issues of the value of love.

So we have this model, the model of the two circles (slide 14), and it's very interesting. We have an area of conflict which is the overlapping area. This model is very graphic in the measure that we manage to separate company and family, and this means separating and planning everything related to both subsystems, and this implies a reduction of conflict. Many times inadequate roles are the ones that make conflicts arise; sometimes salaries are unfair. Why? Because of family businesses being a continuation of the family dimension. Let's be careful, let's be disciplined in separating these two worlds, so that we can reduce the area of conflict. But there is one very important detail: this is a model of a family business, and it's united, it's not possible to totally separate the two areas. What we can do and we recommend is that, as there's going to be a certain degree of permeability and a certain unity what is important is that the positive aspects of the two subsystems may flow into each other. Of course the business can nourish the family, and not only monetarily; and also the family - and I am going to take one value, which is the value of love, which is part of the family's system - of course the value of love can be taken into the company in different ways, with different names and with different connotations, but of course it has to enrich the company in terms of social responsibility, of commitment to collaborators and employees, commitment to the environment, and of course customers, customer service. All this is a transformation of love within the company, and of course it's going to be profitable, and this is quite welcome.

What concerns me here is this situation that has happened in almost all family businesses which is entirely separating the family from the business - there's a phrase by John Davis who is a specialist in this field, he is a colleague and a marvellous person - and he says: 'Treat the family as family and treat the business as business'. And of course this is how it should be done. But what is important is that each of these subsystems feeds each other. If we erase everything that represents the family because it may be inefficient we are also deleting something that's basic, that should flow into the company, values like love and other family values which may very well enrich the business.

We are discussing then business, family and their values. When we speak of the conflict that may be generated we must mention that one takes into account the conflicts much more than the successes, and I would like to speak of a model that I developed together with an engineer who is an expert in seismology (slide 15). We did this a few years ago, and it's on resonance. In Central and South America we have frequent seismic movements. Sometimes these occur on the coast, the tectonic plates shift and a series of waves are caused with a certain frequency, and these waves knock against buildings and they vibrate with a particular wavelength. If unfortunately the wavelength of the seismic wave that is coming towards the coast matches or coincides with the wavelength of the structure there is a phenomenon called resonance. After each cycle, the movement becomes more violent, it's like movement inside a Jacuzzi or a bathtub with the same frequency of the wave that one produces inside the water, in a little while one can entirely empty the bathtub with movement. And this is what happens inside family businesses when there is a conflict, and the same persons have a conflict in the home. Without realizing this one is entering a

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phenomenon that is very similar to resonance. Which is the antidote? to separate family and business, not to take problems from the home into the business and vice versa. This requires a great deal of discipline. How many times does it happen at family meals, at the grandmother's house that we start discussing business entirely uselessly?! When working with our partner or our spouse many times we discuss a business problem in bed, and we must avoid these situations entirely. The opposite is also true; we cannot take problems from the home into the business.

Generally speaking we have three levels of conflict (slide 16): one which is interpersonal, there are probably two brothers or sisters who have an important difference of opinion. But if this opinion is taken to other people, and this sounds very foolish but it does happen - one wants to find allies against your enemy. But who is your enemy? There is no enemy; and the ally is often the spouse, who is the closest person that we have with whom we can share unpleasant experiences about our brothers or sisters. Maybe we do not remember to mention this, 'Well I solved the problem, my brother is really a good guy', so let us not be surprised if the spouse does not provide very positive ideas to exit or solve a problem that we have inside of the family. So we also have to take a great deal of care when we seek alliances. There may be differences of opinion but there are no enemies.

So this can escalate from N1 to N2; N2 is groups. It is very easy to go from N1 to N2 and from groups to the totality of the system which is something almost immediate; N3 represents the total system. So what happens now is that we have spread the gunpowder so to speak. How can we sweep the floor and remove all the gunpowder? Well, maybe the brothers and sisters who had the conflict can mend it, but the groups who because the allies, these groups are much more difficult to reconcile. So let us remember that there are no enemies.

Let us speak quickly about the morals of an intergenerational family. This is the most common type of business in the catalogue of businesses. There is a calculation that says that 4 of 5 organizations are intergenerational, so you have an older and a younger generation who are working inside the same business. It could be parents and children, or uncles and nieces and nephews. And this is very interesting because it has an incredible potential. We were talking during lunch with some colleagues about the marvellous synergy that these organizations can have, because really generations think differently; and the sum of experience plus the characteristics of courage, enthusiasm and rebelliousness can also be very enriching; this formula, if properly channelled, can be extremely productive. What is terrible is that it can be explosive if there is lack of respect, lack of recognition, and disregard. How many times do parents disregard what the children and say things like 'At your age I had three kids and supported the whole family, and you're not even capable of getting up early?', and how many times does the young generation disqualify the older one, for example 'Dad, you can't even turn on the computer and use the Internet'. This happens very often and they become quite strong, these small confrontations. And this model, what it's trying to do is to teach the convergence and divergence of objectives (slide 18). The model which appears to the left shows divergent objectives, how the older and younger generations in a company have a very small area of convergence because the older generation sees a horizon and the younger generation sees a completely different view. And maybe the company has its own agenda. There's another case, the case on the right hand side, where there's a great deal of convergence. I would be so happy to see that there are more common or more converging objectives, it would be so good for the old generation, for the new generation and for the business itself.

In this debate between parents and children, between the older and the younger generation, we can isolate two variables which illustrate the behaviour of both: control by

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the older generation, and autonomy for the younger generation. The older generation wants to control what's happening in the company and wants the children to be accountable for everything; and the young people normally detest this type of thing, they look for autonomy, for freedom and independence. And they seem to be two variables that cannot coexist in the same space at the same time. There are different cases or formulas to reach balance between control and autonomy. There is a case 2 where there is a certain balance between control and autonomy, and one could say 'Well, this is the best thing'. But really it depends on the maturity of the second generation really which is why I show you this model (slide 20). This model is very simple, but it has certain hidden readings. We have this three-dimensional model, we have this axis which is autonomy, we have the axis of control and we have an axis of maturity which is G2, the younger generation. What happens here when G2 is immature, or not very mature? There's going to have to be greater control on the younger generation and therefore there is less autonomy. G2 grows in autonomy when G2 grows in maturity; so control decreases, control becomes very low. When there is low control there is very high autonomy. It may sound very logical, and we haven't discovered the wheel here, but it's very obvious that people who are more immature must be more controlled. What we would like you to look at is what comes first, the egg or the chicken, and I think this is an interesting situation. If we have a young boy who is here in this area and shows immaturity, must we treat him as an immature person or must we put a carrot in front of his face, offer him a challenge which he may rise to and evolve, so that he can evolve to the next level?

Gert Jan: Imanol, now that you have explained different things maybe it's interesting to ask the panel to offer their opinion on the models in respect of the models themselves and not so much the conflicts within the company. Rafael, maybe from your experience you can tell us something?

Rafael: Well, I think that there are a lot of family companies represented here and what you said, Imanol, the conclusion that we can draw from the experience that we've had in working with these companies is that they are all different; each family company is different from the other. Some are 1st, 2nd or 3rd generation, I don't know if any have gone beyond the 4th generation at this time, but each of them are different and the impression that we have is that perhaps there is no one single recipe, a one-fits-all solution for all of them. It could depend on the type of family, the place where the company is located, it is one thing to be in Uruguay, Brazil or Argentina and another to be in Europe, I think that the culture is simply too different, so I think that it's good to reflect on that.

Nanno: Jacco, according to your experience, you work with family companies, what have you seen? Have you seen conflicts in going from one generation to the next one?

Jacco Knotnerus: Yes, we have seen conflicts of course. I understand your model, particularly the last model very well, I totally understand the rationale, especially when the younger generation is more mature, the trend towards autonomy is crucial. What one sees in practice is that it is very difficult for the older generations to really release the power that would be useful for the younger generations who need to flourish. In our work we have seen experiences which have gone very well, and we have seen experiences where there are great problems with the older generations stifling a company, and that stifling prevents other family members from even staying in the company in the most extreme cases; also, with stifling a professional management, with a family owner of a company being very strongly present, involved in the daily management and really making it difficult for other family members in the company to really feel empowered to do their work well and to think for themselves. And generations in the 21st century as we talked this morning are a lot more about empowerment than the 20th century. And that's a very great challenge for

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family-owned companies, they usually grew on the basis of dominance, there is one very big, strong shareholder who had this great idea and built this company with his own hands. But at some point he needs to sort of release, and how and when to do that? That's a very big challenge.

Nanno: Josef, would you like to add something?

Josef: Yes, I would like to add something. I can confirm what Jacco is saying, I think this is a very relevant issue because in Latin America like in Europe the family-owned companies are the backbone of the economy so they have a very big importance in terms of importance, in terms of contribution to GDP and so on and so forth. And what we see is that only a small number of companies make it to the 3rd generation, so what we see is the passing over of control from 1st to 2nd to 3rd generation is not really very successful. I think this chart shows the reason why, or gives an explanation, because 1st generation owners are in many cases not really in a position to systematically and in an orderly way hand over control to the next generation. So they stay in power until forever and act like some kind of monarch in the company, which makes it difficult for the next generation and also for the management to do their job.

Gert Jan: Nanno, ten more minutes?

Nanno: Imanol, can you reach your conclusions in another ten minutes?

Imanol: Yes, of course. This chart gives us an interesting message (slide 21). We have to take risks for our children. Sometimes we parents tend to think that they are too young, that they won't be able to do things, but if we wait for them to show us great maturity to start treating them as mature people we might inhibit their development. I know a dramatic case in Mexico where one person had just turned 80, his son was about 56 years of age and the father still said 'Well, I still can't give control to my son because he's still young, he's not mature enough' and what happened is that he has become used to managing the company at this level of control and conflict. That is why you have to take risks. If we still feel they're immature we may not give them total control, but we have to give them the benefit of the doubt so that they can project themselves.

In the interests of time we'll see two or three things really fast, the quality of relationships between children and parents depends of the stage at which they are. If they are both young the relationship is complex, they grow and it becomes more harmonious, but when the issues of retirement and succession arise it becomes more complex again, because it is difficult to face retirement and also to take control of a company may be very difficult. So these are cycles and this changing relationship between parents and children. I would like to show you a quick video to compensate the hard time I gave you before, it is a higher type of content and a lovely song.

(The song 'Father and Son' by Cat Stevens is played).

Father
It's not time to make a change,
Just relax, take it easy.
You're still young, that's your fault,
There's so much you have to know.
Find a girl, settle down,
If you want you can marry.
Look at me, I am old, but I'm happy.

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I was once like you are now, and I know that it's not easy,
To be calm when you've found something going on.
But take your time, think a lot,
Why, think of everything you've got
For you will still be here tomorrow, but your dreams may not.

Son

How can I try to explain, when I do he turns away again.
It's always been the same, same old story.
From the moment I could talk I was ordered to listen.
Now there's a way and I know that I have to go away.
I know I have to go.

Father

It's not time to make a change,
Just sit down, take it slowly.
You're still young, that's your fault,
There's so much you have to go through.
Find a girl, settle down,
if you want you can marry.
Look at me, I am old, but I'm happy.

Son

All the times that I cried, keeping all the things I knew inside,
It's hard, but it's harder to ignore it.
If they were right, I'd agree, but it's them you know not me.
Now there's a way and I know that I have to go away.
I know I have to go.

Imanol: This is a dialogue that shows a relationship between a father and a son, a father who is close and loving and gives a speech and a son who is a bit more distant and interprets that his father won't listen to him, that's what the song is saying, and we can take this to the field of a family business. A son is proposing a series of changes but the father says that it's not time to make a change.

To close, two or three more slides on the professionalization issue (slide 25), how hard it is to change; instead of becoming a professional company we are just an amateur organization. Sometimes we cannot harmonize and articulate efforts between two generations and we become amateurish. What obstacles do we find on that road towards professionalization (slide 27)? We don't know how to delegate, how to solve the issue of positions of authority for the family. Well, in the end that older generation is afraid to lose control.

We have an undeniable reality which almost always happens, family grows faster than companies (slide 28), families grow exponentially and companies may grow arithmetically, that exerts a lot of pressure on the company and that's why we have to be ready for that. Sometimes we don't have a professional plan, well established governance bodies to face these problems. When we speak about governance structures we should not limit ourselves to the concept of governance and companies, we should also take this to the family level and try to see how we link these governance bodies.

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An issue we should not forget is the passing of the relay (slides 33, 34, 35). It's important to plan the succession. It has been proved that a well-planned succession brings more benefits to the company than an unplanned one, and we see that the team that is going to win a relay race hands over the relay at the utmost speed. We should not pass the relay when the founder is old and his levels have diminished. We have to hand over the relay when he is still strong, so when would be the best time to pass it on? Perhaps we want to give it to a, b or c at moments when we're strong and not too weak, but I think we should pass the relay when there are matching capabilities between the old generation and the next one. I have a model that I show in my book, 5-stage succession, we have to do this in advance, we can plan it perhaps 10 or 15 years before it is actually done.

Well, which could be a formula (slide 39)? Of course there are no one-size fits all formulas, but maybe what we could do is try to keep the balance between ownership, company and family and try to strike a balance. Thank you very much!

Nanno: A round of applause for Imanol and perhaps to finish a few comments from our panellists regarding what you do from the point of view of development banks and consultants in order to help family businesses with their governance structures.

Josef: There was shot, the third or second last that referred to governance, and I think that is very important. Institutions like FMO and DEG we focus very much on corporate governance, we promote that, we provide technical assistance for that. I think that what we have to do more is focus on family governance because that is what matters. I mean, we look at the company itself but at times we need to look more at the family issues we have, because it is fundamental for the development of family business so, yes we do promote governance but I think there is room for improvement for us to take care of the issues we saw here today.

Jacco: I think today showed, which we probably already knew, but what it showed extra is that it is all about emotions. Emotions are very important in family-owned companies and how to control those and how to balance the emotions against rationality... Managing emotions is of course a long-term process which is not done overnight, and in development banks we like good and quick solutions and this is not an issue which has quick solutions. I think the best solution in the way we work with family-owned companies is to actually have the discussion. I think the discussion in itself is more important than the outcome, because the discussion itself gives consciousness. And as you say there's not one outcome, there can be many outcomes depending on the circumstances. So for a development bank like us - I've become more humble than I was at the beginning of this session. Thank you very much.

Alfredo: I think what both Josef and Jacco say is very important regarding the issue of corporate governance that both DEG and FMO promote; that in family businesses, and although it is something that takes time and cannot be achieved overnight, perhaps there are ten-year plans that could help, and according to our experience there are family businesses that are aware of that and enter this into their family protocols, and I think that it is a good lesson to be learnt.

Nanno: Once again thank you very much, thanks to Imanol and the panel.

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2.2. LEADERSHIP IN CRISIS SITUATIONS – Dr. Alvaro Vilaseca and Gustavo Zerbino

2.2.1. Dr. Alvaro Vilaseca

[Dr. Vilaseca showed a part of the film Alive!, about the Uruguayan rugby team whose plane crashed in the Andes and was rescued after 72 days. The following is the group discussion on the first clip, which is the accident and what happens immediately after the crash).

This showed you the group immediately after the accident. Where do leaders appear, if any, in a situation where they were going to spend a weekend in Chile, to have fun, meet girls, play rugby, make the best of the advantageous rate of exchange? In three minutes everything becomes death, pain, cold, injured people, a totally unthinkable and improbable situation. How do they try to get out of that very extreme situation? Now you can raise your hands and tell us what you think.

[There is silence for quite a while. Finally a hand is raised].

Alvaro:

There is always someone who saves us. The first few times I gave lectures I got very nervous, but now I was sure that someone was going to do it.

Member of the audience: I think that in our example a rugby team is a very strong definition of a team, therefore, beyond the tragic nature of the example, a team is already formed, has already been formed beforehand, there is the fact that the captain has assumed leadership. Maybe leadership could have been taken over by someone else, but there is all that training which is very interesting, which consists of links, of feelings, of joint effort.

Alvaro: Thank you very much. Any other opinion?

Alfonso Trigo: My name is Alfonso Trigo, and I always thought...

Alvaro: We know you already!

Alfonso: I had to speak and loudly too! I believe that as this film shows the leader, in any organization, a family, a club, a company, is he or she who takes care of others. The others are those who are next to him. But it's someone who takes care of them properly, not with empty words, as often happens in many companies throughout the world that talk about teamwork. Teamwork does not exist, one is the team and the other is work, let's not fool ourselves (laughter). What I'm speaking about here is about the others. Maybe in a Christian sense this guy loves others and the group recognizes the leader in a very instinctive sort of way. In my view, that is a leader. The leader is not the one who shouts the most, but the one who takes care of others.

Alvaro: Thank you Alfonso. Any other opinion?

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Member of the audience 1: Before the accident, on the plane, I noticed that when the team players were talking, the captain demonstrated his values clearly when he said 'We need 100% commitment'. I think that showed the culture of that team and the way he was going to lead it

Alvaro: And what do you think of the captain's role as a leader?

Member of the audience 1: The captain of a rugby team has to lead, he has to set the example, and I think that we saw that at all times he tried to establish values, even in very adverse conditions and even when his own values were challenged by the situation.

Alvaro: Thank you. The last opinion before going on.

Member of the audience 2: The feeling I got when I heard the captain was that the others were somewhat afraid of him.

Alvaro: Respect.

Member of the audience 2: Maybe they respect him, they have a lot of respect for him. But in a certain way it was like "Tell Antonio before he gets mad". I got that impression, even if he was the captain of the rugby team, in the face of this new situation I'm not sure that the others had the same respect for him as a leader as they had for him as the team captain.

Alvaro: Thank you. Actually it's a film, so we must not take everything so literally, as it may not coincide with what really happened. What one really sees is that this was a team, coupled with the fact they already knew each other and they already knew how to work as a team. This is a very important factor to reach an objective, achieve a goal, so there is already a leadership in the story of this team. Everybody knew each other and there were good things that had been developed. There was no need for a greater force for a leader to emerge to get them out of this situation. Indeed, rugby is a sport that is different from football because collective playing is very important. Maybe in football there may be certain very talented people who make a team win; but in rugby the figure of the very talented player doesn't exist. The more individuals participate in the game, the greater the possibilities of scoring. The only information that you didn't mention is that it was a Uruguayan team, which is an important piece of information in itself (laughter).

Alfredo Stirling: Alvaro, you told us to look at the role of the captain and obviously as soon as the accident happens, from what we saw from this fragment he becomes the leader. By nature he emerges as the leader. Now, in this case, which is an extreme crisis situation, he was the captain and the leader playing rugby, in Montevideo, on a rugby field. But it becomes obvious that in an extreme situation he is not the leader. This can also be applied to business situations when whoever is the leader in regular situations may not be the leader for a crisis situation.

Alvaro: As Alfredo says, quite correctly, I think it's very different to lead in the field and in the middle of the mountain, at 4.000 metres when one doesn't know anything about the environment. Maybe as Alfonso said the leader is that person who takes care of and worries about those he has next to him. And this may arise from a sense of duty or responsibility that one feels. You may have noticed in the film that there is an excess of responsibility in the captain. The night before the search is cancelled he says 'I am not God, I can't save you!' He feels guilty because he had encouraged everyone to take that trip, he had convinced relatives to take the same plane so that the cost per passenger was

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lower. And there they were in the middle of the Andes after the accident. So he feels guilty, he feels responsible. The important thing is the goal, the objective, what they were trying to do. Obviously they were trying to survive, but how? Waiting for the rescue team, so what they had to do was to cure those who were hurt, try to stay warm, try not to be hungry or thirsty for 24, 48 or 72 hours, which was the normal waiting time for the rescue.

Another thing which I think should be emphasized in the captain's attitude is his optimism; in a situation where you looked around you and surely the only thing you could expect was death, with the intense cold, the loneliness, the sadness, the pain, nevertheless the captain is permanently speaking about 'We're going to be rescued, they already know where we are, the storm is going to stop', and this something very important. Why? because it keeps hope alive. Now, what happens? The fourth day goes by, the fifth day, a plane flies overhead and it doesn't see them and the rescue does not show up, and in a certain way the team starts to lose faith in the captain. The figure of the captain starts losing credibility. And what should one do in that situation? Plan B. If the rescue idea doesn't work, what do we have to do?

I think that it is also worth it to note the role of Roberto Canessa, those of you who know him, they say that he is a very obstinate person. He is extremely pigheaded and persistent. His nickname is 'Muscle'. Once I asked, 'Why do they call him that? They said 'Because he has muscles in his head'. When he decides to do something he can go once, twice, fifty times but he achieves his goal, and maybe this is one of the virtues that you need for a person to be able to lead a situation or a team. In this case he had very creative ideas, like the idea of the seat covers as blankets for sleeping. He was also useful in the care of the wounded. Others contributed with the water-machine, at the beginning what they did was to put snow inside a bottle and shake it, and when you shake a bottle with snow at 4.000 metres you can do that for several hours and the snow is not going to melt. If you held the bottle for 45 minutes against your body, you only obtained a little bit of water at the bottom. Finally they invented these water machines and it was a relief, because they had more drinking water for everyone. Everyone says that what they suffered most was from thirst.

And then they heard through the radio that the search was cancelled. There is a binational agreement between Argentina and Chile whereby it is mandatory to search and rescue for 10 days. After that they are no longer responsible. And the team hears over the radio that the search for the Uruguayan Air Force Fairchild was cancelled, thinking that in February with the thaw they would find the bodies, and the kids hear that everyone thinks they are dead. So how do they react? We're going to watch another 14 minutes, and then we shall have another discussion.

[Another part of the film was shown at this point].

Alvaro: When they set out they thought that on the other side of that mountain they were going to see the Chilean valleys. The co-pilot had said 'We have passed Curicó', and Curicó was in the Chilean foothills, which meant that they were very close to people. Now, going out on the expedition meant making a series of decisions: who was going on this expedition? When were they leaving? In which direction? With what equipment and food? How do they face the issue, how do they discuss it? How do they decide? What do you think?

[Silence]

At least now I know Alfonso, if no one else dares, I can always resort to Alfonso!

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Member of the audience: One thing that really struck me was that before they make any decision they really search for unity. Unity is the keyword in the way they act, and I think it's very important in this type of situation, in any crisis, whether business or not business, unity is key and that's what they're doing.

Alvaro: Unity. The unity of the team is very important, and the truth is that I am grateful for the remark because the film really does not reflect that sense of the collective, the feeling of solidarity that existed in the mountains. In the book, which was published one year after the accident, the author Piers Paul Reid brought them the final version and the survivors weren't very happy with it. They told him that the essence of the story, which was the love they felt for each other was not properly reflected on the pages of the book. And the author recognizes it, in the introduction he says that it is probably so, but that it is a very difficult demand for any author, not only for him. And here in the film it is even more difficult to transmit the sense of solidarity, of a collective unit, the concern for the common welfare.

Imanol: I would like to mention something, Alvaro. Their attitude is very remarkable, I think that this variable explains the fact that they were saved. I can't imagine this young guy with a bad attitude and surviving. I can see a connection with a transcendent thought, with a divine power which makes them see everything in a different way. When they are in the middle of this desolation it is amazing how this character can see beauty in the middle of the desolation, and how he imagines that beyond that mountain there is a green valley. This is a lesson, at least at a personal level; not to lose your good attitude, because this is what can lead you to safety.

Alvaro: A good attitude, and also faith; this is an excellent investment because you always have hope. We shall come back to this point later. Now, what is essential in this case is the decision to eat flesh, because with a small piece of chocolate and a thimbleful of wine it was going to be a little bit difficult. How do they face this situation? Because I think that the real leadership is there; in this case, which is a critical situation, extraordinary decisions have to be made. Surely there are few occasions in a person's life when extraordinary things have to be done. But the important thing is to know that human beings have that potential to do extraordinary things. Maybe the real leader is the one who creates something extraordinary from something ordinary. Why? Because he always does the right thing.

Member of the audience: This decision, and the way it was expressed, so rationally, was a challenge to all the existing molds that they had until that time; and also a challenge to the moral patterns of the group; and this was decisive, and a sign of leadership.

Alvaro: Exactly. They were all believers, and this was taboo, a situation that did not arise very frequently in the western civilization. And because they were believers they were afraid of committing a sin, and they wanted to have a clean slate, as it were. What they wanted to know was whether this was a trial that God was putting in their way to see how they acted. Now, the important thing is that they found a reason; some of them, like Roberto Canessa, with more scientific arguments, saying that the flesh became lipids and proteins - being a doctor he understands this better - and that this would allow them to survive; others said that in the same way that Jesus died and left his body to reach eternal life, their dead friends were available to help them survive. They discuss and they make their decision: they weigh pros, cons, personal positions, beliefs and they reach a decision. And as usual some are for and some are against. The majority wanted to eat; but it was not so much the idea, or making a decision: it was coming back and putting it into practice. Why? because yes, we must eat. So? And it was Roberto Canessa who put the issue on the table, when everyone already knew that it was unavoidable, that it had to be discussed

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and decided. They say that one day Carlitos Paez tells Gustavo Zerbino or Roberto Canessa: 'Look, I think that Nando, who was hurt during the accident, is a bit mad, because he told me that he was going to get out of here on foot and that he was going to eat one of the pilots'. And the other one answers: 'But man, what other choice do we have?'. With which all of them knew that it was one of the few options they had, but nobody dared to come up with it. And there is the real leadership: when someone does what has to be done when it has to be done.

Now, many times what we do is boast about 'Thank God that I thought about it!'. Many times we say of the boss: 'At last he made this decision. I have known for the past two months that he had to do it'. But of course, I wasn't doing anything for those two months. And here it was like that: 'We must eat'. But who is the one to start cutting? Nobody moved. And again, Roberto Canessa, the stubborn, spoilt, pigheaded guy solves the situation for the group, because he gets up and does it. And really, it is not beef. It is flesh with a lot of physical stress. Try putting beef in the fridge, and taking it out two hours later to cut it. It is very difficult, that is why they took very thin strips. Even so, if that was not enough, he took flesh, placed it on the fuselage to defrost, and said 'There are 20 kilos outside. Who is going?' And again, the first one was Roberto Canessa, and behind him, Gustavo Zerbino. And there is where leadership occurs, in doing what has to be done. And there is a decision to be made and they take it without too much fuss.

Another aspect that is quite remarkable in my view is what Imanol said, what makes a person who lost his mother, then his sister 9 days later, who played rugby in a rather regular position, not the position of an outstanding player, one who had to pass the ball on to better players - he was short-sighted, was too tall, nevertheless when he is at the top of the mountain he says: 'Between those two mountains there is a valley. That is the way out'. And a sort of rebelliousness arises in him, a hope that he is going to survive. Now, who has this? What is it about? Where do you buy it? Is one born that way? I would like to resemble Parrado in a situation of that nature. How do we explain this?

Member of the audience: In the film you can see a sort of resignation or rather a resistance to get out. You are in a place where you know you are going to die, but in the meantime you don't make that ultimate decision.

Alvaro: You don't cut the rope.

Member of the audience: Yes, like burning your boats, or something like that. This is very impressive for me, to have the courage to set out.

Alvaro: Of course, because they were in certain comfort in the plane. Setting out was more difficult. Nowadays the Americans are talking about resilience as a concept, when a superior attitude surfaces. The concept comes from physics. But what is also remarkable is that the team captain, such an important person at the beginning to organize the team, later, when he learns that the search has been cancelled he just collapses. Also a person like Roberto Canessa, who was so important for the team, contributing any amount of solutions, and when the time comes to set out he always finds an obstacle. And finally, this person, Nando - and Hollywood tries to show him as a cross between John Wayne and Rambo, a hero - was the one who did what had to be done. This is clear in the film, he says 'Let's go before we turn into animals'. The demands of survival were more and more undignified. He writes it in his book, which he called *The Miracle of the Andes*, and he says: 'I left that place on foot because the only thing I thought of was of my father; he lost his wife, his daughter and his son, and I imagined the state he was in and I wanted to tell him, you haven't lost everything, I am still alive'. It was a bit what Alfonso was saying, real

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leadership is in being concerned for and taking care of others. What I like to think is that those who set out thought that they had 14 friends in the plane who had to be rescued.

This transcendence, when one puts intention on other people, an unknown potential appears. If we had to do it only for ourselves, surely a lot of us would say 'Well, it's not so bad to die'. This first leadership, where there is a sort of inertia, we want to maintain the status quo, we shall soon be rescued, how many times are we ourselves waiting to be rescued? How many times in business do we refuse to do anything because someone is going to have to do it for us? Then there is a second situation where the organization has a person who comes up with many solutions. Yet when uncertainty appears there is a certain paralysis again. In business we must also foresee a certain degree of uncertainty. And knowing how to manage uncertainty is what makes a company successful; and finally, Parrado's leadership, which emerged from his thoughts for other people.

I would like to show you three minutes of the film, so we can see how this ends.

[Shows final scenes, when helicopter comes to rescue the kids].

Ortega y Gasset used to say that you can't expect to be able to govern anyone if you cannot govern yourself. The first point for an effective leadership is to govern or lead one's own self. Real leaders are not those who do extraordinary things, rather as I said today they make something extraordinary out of the ordinary, because every day they do what they have to do.

The leaders in this story are not these three people; the more I hear this story, the more I realize that this was a team; there wasn't an individual leadership. What there was here was unity, concern, an intention placed on other people; and they did what they had to do, more than one or two or three leaders there was a team, where things happened like in a relay race, and each one did what he had to do. The real leaders were those that having two healthy arms and legs, were capable of crossing over the mountains to help their injured friends; even those who had broken arms or legs and did not complain, rather they said 'How well we are today', setting an example of how to defeat adversity. That is why I appeal to the upright person, the committed citizen, the competent professional that there is in each one of you to suggest that you never allow others to shape your destiny, but to be the shapers yourselves.

What this story has is the possibility of analyzing it from the personal point of view, and from the point of view of leadership, but the real wealth of this story is in life itself. Many times we plan life in a certain way and then reality takes care of modifying this completely; an accident, the death of a dear one, an unfair dismissal from work, a quarrel with a friend, and before those situations one must know how to recover optimism and the thirst for knowledge. One must know how to draw up hopeful solutions; to recover joy, and to live a full and happy life. I call it the art of living, and I to show ourselves what the art of living is, how to overcome adversity, we have Gustavo Zerbino one of the 16 survivors of the Andes with us today, who will tell us himself what he went through and felt about thirst, hunger, the team, the leaders... So I ask you for a round of applause for Gustavo. Gustavo, come up here please.

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2.2.2. Gustavo Zerbino

Gustavo: I was sitting there almost expecting the helicopters to come down! After everything you did today, after the caipiroskas you must be a bit tired, but that is what managing adversity is all about. I was invited today to share a few things with you, after the extraordinary things I heard this morning and earlier this afternoon, I would like to pulverize your neurones in a few seconds, together with the system of beliefs that makes us have a position in life, a role, a character which makes us feel so safe; being the CEO of this or the other... and I would like to shorten the highway between the mind and the heart, to see that heart properly, and so you can feel the physical, mental and spiritual potential that human beings have. I am standing here today representing the 16 survivors who came back from the Andes mountains, and I also represent the 29 brothers who live physically, mentally and spiritually inside me, and who are the model that helps me to be here today. Every time I stand before an audience I have this stone with me; I brought it from the graves, and I squeeze it to revive that magical moment of connection that I had as a human being with an extraordinary group. Extraordinary means that in life, to achieve extraordinary results you have to do only one thing, and do you know what it is? Extraordinary things. We live in a self-deceiving society, in a society of lies. Since they are born, what do we tell our children? Or people that we love who are leaving? We say 'See you later, good luck!'. As if luck was a factor for obtaining results. I learnt that life is 99% sweat and 1% luck. We had to do very hard things, we had to learn - and today Maarten said that leaders in the 21st century need the ability to learn and unlearn fast. We live in an age where the constant is change. And if we look at the 21st century, a time of abundance, of knowledge, and we seek for a common factor among people, we find that it is desolation, dissatisfaction, intolerance, arrogance. We keep looking for instant gratification, and we obtain the product that satisfies it, like a better iPod, or a car with 6 gears, an outboard motor, and we really don't enjoy them. And we, in the middle of the mountains at 18, 20, 24 years of age, with nothing at all, completely vulnerable at 4.800 metres, with temperatures of 40° C below zero at night or when it was cloudy, and during daytime sometimes the sun in those majestic mountains heated your head until you fainted, with temperatures of up to 50°; in less than 24 hours you could have differences of 90°. The noise of metal dilating and contracting was so strong that it stunned you. This is so that you have a human dimension of the vibration and movement of energy. In the plane, 5 square meters where we slept in piles, one on top of the other so that we didn't freeze there was almost no room; and when we went into the plane at night, with that little heat that we had accumulated during the day, we felt it was home for 73 days. We lived for 73 days in a glacier that is 300 million years old, where humans had never set foot before; today it is called the Valley of Tears and is close to a skiing resort that didn't exist before, Las Leñas.

The question that I ask is how human beings, in the biggest venture of them all which is life itself, how can there be groups of humans that survive and are successful and others that don't? I come from Uruguay, a country that is very flat. The highest mountain measures 500 metres. It never snows. The clothes that we wore [at the time of the accident] were trousers, loafers with leather soles, t-shirts because it was springtime and we were travelling to Chile, a country that everyone spoke of as wonderful, and that Chilean girls were very beautiful. We rented an airplane from the Air Force at USD 39 per person to take us there and back; they still owe us half of it, because they never did bring us back (laughter). But from one minute to the next we had to go through things that had never crossed our minds. And I want to ask you the following: How was it that we, with our education, managed to survive for 73 days without knowing a thing, withstanding avalanches, with no food? In ten days, the time during which the plane was being searched for, until we heard the news that the search had been cancelled, we lost an average of 30

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to 40 kilos of weight. At that height as you may know the metabolism accelerates to maintain the 37° temperature the body requires to fulfill its physiological functions. As there was nothing to burn, we burned first fat, then the muscles, then bone. The fuel was our own body, because at 36° the human body goes into hypothermia, there is no exchange of nutrients, the circulatory system freezes and one dies. Here you see a group of humans who descend from mapuches and tehuelches. They were born and bred in the Andes, and so were their ancestors; they had to climb up and down the mountains, plant, harvest, move their animals around and they knew them perfectly well. What happened to these people? Take a look: “45 young Chileans die in a senseless military exercise in the Andes. Carrying a 45 k rucksack, with rifles crossed over their bodies, at 9 am on Wednesday 18 May, 81 recruits left the Los Barros refuge for a 23 km trek.’ Please note that they walked for 23 km, and in less than 12 hours, having eating and slept properly, with boots and equipment, with everything they needed, walking on a road, over 60% of them died. 60% of them died in 12 hours! So I tell you, in life, to obtain different results you have to do things in a different way. Which were the different things that we did, we who were a group of ignorant kids? Of persons who knew nothing about their environment? You, as successful entrepreneurs, and are here to grow, obtaining information and training so that you know what you have to do tomorrow, what was it that these boys did differently, these boys who were the same age as we were then, 18, 19, 20? They were Chilean recruits during their military service. They left base camp to do this military exercise and more than 60% of them died. So the question that I ask you, what were the big differences between one group and the other? Let’s see... are you alive?

Gert Jan, these people have to be woken up. What do you think then? I won’t give you marks for this... Alfonso, the master! I’m sure you have something to do with the Irish brothers! [The rugby team was from the Christian Brothers School, founded and taught by Irish Catholic priests]. Alfonso has to be invited next year.

Alfonso: I wouldn’t like to make any comparisons with the Chilean soldiers, but you decided to stop being animals and exalted your spirit. You exalted your spirits, and spirit in an organization is what saves us. If we take a look at history, all the organizations that have spirit exist throughout the years and survive all obstacles. That’s it, you had spirit and this allowed you to survive.

Gustavo: What else? I think those Chilean boys all had spirit too. There were many things, what else can you think of?

Member of the audience: I must be one of the last to have done military service in Argentina, and the truth is that the army is a type of organization that does not encourage... it is very vertical, a recruit cannot give opinions, he can only obey and do what they teach him, so under the circumstances they must have depended on a leader who obviously doesn’t even appear in the story.

Gustavo: OK. But here I am saying that the main enterprise in life is to keep alive. Is there no one that rebels in the face of such a moment? Where is the survival instinct?

Member of the audience I can imagine that in a military exercise they did not expect to die. You, on the contrary, knew that if you did nothing you were going to die.

Gustavo: The truth is that to survive the plane crash, the avalanche, all that we survived... What we had next to us was death itself, the furniture was the bodies of our friends, to die the only thing you had to do was to keep still... What else? Does anyone else want to say anything?

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Member of the audience: I don't think that military spirit goes against survival at all, it may not have been very well handled in this case. What is true is that occasionally they take risks, on purpose because they are training for more difficult situations. There are airplanes that fly at 20 metres and they crash, but it's not that they want to die. They are practising. It is difficult to compare. Here obviously they had bad leadership by whoever was in charge, but it is not a characteristic of the military spirit.

Gustavo: Yes, let us not go into comparisons, I simply wanted to show you the different results in similar situations. In life what happens per se is not important, what is important is what we do with what happens to us. Alvaro mentioned a few things. Look at us: we lived in the same area, we went to the same school, we had the same religion and we played the same sport. Relating this to business culture, we had the same values, all very internalized, the group was very homogeneous, and that it was a rugby team is very positive. But the most important factor is none of the above. Because the decision to live is individual, and we always use convincing but false motives to avoid taking action until we lose life, which is what happens when we follow that type of behaviour pattern. But take a look at this: Pablo, one of the Chilean survivors, tells how his mates died: fighting against a wall of white wind (this is wind and snow) while they came down the mountain he saw his fallen mates, who had no strength to go on. One of them begged him, 'Please help me. I don't want to be here, I want to be with my mother, don't leave me lying here'. You are seeing the same surroundings and two entirely different reactions. Parrado lost his mother and his sister, was in a coma for almost a week - I took care of him. The best treatment that the Mayo clinic has to offer is cryotherapy, putting patients in a huge cold bubble, so he received the best treatment he could have asked for in the Andes. So here you are seeing a guy who is lying there and calls his mother, who wants to be protected. And the other one, in the same situation, he walks, he wants to live. He is taking action. The only thing that gets you results in life, you know what it is? it is action; and in the only time and place where you can take action, you know which it is? the present. This is a place where human beings hate to be, because we have to take decisions. That's why we take shelter in the past, or look at the future, and we become paralyzed. This pattern of behaviour that you can see here, the one that is walking is the one who is doing something to solve his situation. The other one is in the past. In the mountains we suffered because of everything that we were going through, we realized that the human capacity to suffer is unlimited. It's totally unlimited. 40° below zero is very cold, isn't it? But 35° below zero is a little bit better. When I learn and I start to see the relativity of what is happening to me, I can start controlling that difference, and managing the threshold of pain. What I cannot manage is suffering. I can't manage it because I am generating it myself. Suffering is voluntary. It is living and reliving the situation that already happened once and again, it is suffering, mortifying myself. In the Andes, when we went to the past, we found a full fridge, a warm bed, parents, brothers and sisters, uncles, we found our friends alive. How could we feel at that moment if we went backwards, better or worse? Worse, because the only thing we were concentrating on was on our losses. I was concentrating on everything I had lost. And when we projected ourselves towards the future... those of you who are afraid raise your hands. No chickens here? We are all afraid! Fear is the system that allows us to raise our systems of alert to take action. Peripheral vasoconstriction occurs, the heartbeat increases so that we can run, more blood flows to the brain so that we can reason more clearly. That is what fear produces. In the mountains we also learnt that fear, when thinking about tomorrow, is the projection of an event that hasn't happened yet. Why am I saying this? because the mind is like Aladdin's lamp, it can take you anywhere, to hell or to heaven. When I learn to use my mind as an instrument, I can start mobilizing my inner energy to a place of maximum physical, mental and spiritual potential. If I believe that I can do something, I shall be able to do it. If I believe I can't, I shan't. One boy lay down, and the other one walked.

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Later I am going to show you why I insist so much on this. We are short of time and you will not have time for drinks! As a way of encouraging himself, Pablo gave names to his legs, the right one was his grandmother and the left his mother. He had snow up to his knees, but he kept on walking. He gave one step for his granny and another for his mother. Pablo is the only child of Nora, who lives with her mother, and they both suffer from a congenital disease, and both of them have been blind since birth. We are talking about family businesses, I belong to the third generation of a family business, and there are patterns of conduct that we have bred into us since we are born. Here there are two family patterns: an overly protective mother, who doesn't let her boy grow because she solves all his problems for him, what happened to him in the face of his first adversity? He lay down and called his mother. It's like paternalistic governments which solve everything for the population, and then they get into the habit of asking the government to solve everything. Argentina is a lot like that, and so is Uruguay, and increasingly so. So what did Pablo do? Einstein used to say that teaching through examples was not only one way to teach, but that it was the only one. For example, that mother and grandmother had taught that boy that adversity was only a circumstance, but not an excuse to avoid doing the right thing. That boy walked, thinking about those two people he loved, first of all because they gave him a lot of love; and through example, they had taught him not to give up and to never stop struggling. We have two models of mother again, who both loved their sons; but maybe one of them paralyzes her son through an excess of love, and the other lets him grow. She lets him fall, but explains what she did to get up again, by showing him how she herself gets up again in the face of an adverse situation. This is very important, because that's what we had in us, just like maybe some of these boys, but not the others.

In the Andes we had only one objective. We were a team and our objective was to survive; not as individuals, but as a group. Nobody could die. And many times, at many times people who had no reason to live wanted to let themselves die. And to die in the Andes is really easy, the only thing you have to do is to keep still. 10 or 20 minutes later you become an ice statue. You start freezing from the outside in, until that inner candle blows out. It's so easy that it's revolting.

.....

My father, who is an extraordinary human being, did everything right. I always say that I am his opposite, because when he was 17 he was South American basketball champion, at 21 he was a lawyer, he married his first girlfriend, he was born under a special star. Everything he said we couldn't do, I did. So my wisdom was in learning everything that was wrong, because I made mistakes. I learnt, and I thank him for his example and because he told me one day that he thought I was the son that resembled him the most, because I had done all the crazy things and then went back to the original place that he never left.

What I am telling you here about Nora and the grandmother is very important. In family organizations and businesses, up to what point are we willing to support the people that work with us? Teamwork - as Alfonso said, and which I find very funny - does not exist. Rugby players play this game, which is a game, and we play it and have fun. I have one goal in my life, which is being happy and living each moment as if it was the last. I fought a lot to live, and I was lucky in that nothing happened to me and in that I had friends who helped me to be here today. But the most important thing - why these other boys failed - is something I want to show you now. Listen to what the commander of the helicopter says, and a climber who went up with us years later. What should appear here is a military man who says that we survived because we didn't know that it was impossible, because all Chileans know perfectly well that it's impossible, that no one can survive a cold night in the

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mountains. And he still says today that it's impossible to survive, after we survived! Which takes us back to systems of beliefs, of the duality of the 21st century: if we think we can, we shall; if we think we can't we shall fail. They believed it was impossible so they didn't try anything. You know who survived? Those who had a reason to live which was greater than themselves. As Alfonso said, the urge to help others, when I becomes we, our inner force is indestructible. Human beings' capacity to resist suffering is unlimited. But there has to be a motive that is superior to myself. There are tons of things that I wouldn't do for myself, but there is nothing that I wouldn't do for my children or for the people I love. And we learnt that in the mountains.

[Shows video of survivors and testimonials]

Voice of survivor: We knew we were going to be saved, we organized ourselves to be saved, and God gave us strength and it happened. Each one had his job and we all did our jobs...

Chilean official: ...courage and the wish to survive, and the wish to help the others on one hand. On the other hand the ignorance of what the mountains are, an ignorance that they themselves admit. If they had known anything about the Andes, they wouldn't have dared to do what they did, because they would have known it was impossible. In my opinion the trip was incredible. It is difficult for me to imagine that someone in that situation could do it. Of course we could, with our equipment. Maybe we could have done it. But someone who spent 70 days in those conditions, who is exhausted, who doesn't know where he is? Fernando said that in his first interview he said 'Where are we?' That is, they had no idea where they were. To cross over all those places on foot, it is absolutely extraordinary. How they didn't fall into a river, into a crevasse, how they weren't buried in an avalanche, why they didn't freeze... It is almost a miracle, and it reflects a force of will, a will to survive that is surprising. I think that the responsibility, the love they felt for those they had left behind made them supermen, gave them a superhuman strength.

Gustavo: As you can see I don't have a Superman's cape... He says it was superhuman... Obviously you have to do extraordinary things to obtain extraordinary results. But the responsibility that we had is what I call the ability to respond to what happens around you. It is not something heavy. For love, take a person like Enrique Platero, with a piece of metal in his guts, and I had to take it out of him and operate on him after having studied medicine for only three months. We had no water, we spent I don't know how many days without water, just chewing snow... Your gums recede, your tongue splits... and your lips bleed. Chewing ice is totally unbearable but we couldn't do without water... A story about Enrique Platero and a little bottle of water... one night when I was looking after him, by next morning he had made this small bottle of water and he showed it to me. I told him to drink it, and he said 'No, let's give it to those who are hurt'. There was absolutely no-one there who was more hurt than he was. I return to the example, how could I complain when I had two healthy legs and arms, and was able to help those around me, when there were people like Enrique or Vasco Echavarren with a leg that had been amputated by a blade? I had to stand on it to work on it and he would say, 'How much more to go?' but he never complained.

In the world that we live in, in the Rio de la Plata, I call it the 'el que no llora no mama' attitude, like the tango lyrics [the one who does not cry does not breastfeed]. We complain 24 hours a day, as a pattern of behaviour. When we greet we complain of our bosses, our wives, our dog, the coach, and while we complain there is absolutely nothing we can do. In the Andes mountains we had to build a society of solidarity, where property belonged to the community, regulations appeared and disappeared when they were no longer necessary.

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The first rule that we never wrote but that existed from day one was: 'Complaining is forbidden'. Those who complain in life are those who are doing fine, because those who aren't grit their teeth and move on. I live in Montevideo, Uruguay; we complain all day long and the worst thing that happened to us was having a 37° C temperature. Nothing has ever happened to us. We are privileged people, like Argentines or Chileans, nothing has ever happened to us apart from the military dictatorships, some people believed in what they were doing and they suffered a lot, and so did we. But nothing has really happened to us if we look at the rest of the world and see what has happened to them...

Another thing we learnt is that we didn't know whether there was going to be a tomorrow. Today was the last day, the only place and time where I could channel all my energy. So we started to live another human dimension. I remember when I was young, I quarrelled with Descartes, because he said 'Cogito ergo sum', I think, therefore I exist, and I was studying philosophy and I failed the subject three times because they asked me what I thought and I answered that it was crap (laughter). When I am sleeping I am not thinking and I am alive, when I am making love I am not thinking and I am alive, when I am smelling a flower I am not thinking and I am alive. Therefore he was taking the entire experience of human beings to the rational exercise of thinking. The mind, which is an instrument which has to be at the service of beings, if you let it function automatically it finishes you. To all of you, to all of us the mind says all the time, 'You can't do it'. This is very difficult. It always wants things that you don't, it's always looking for excuses, or says no. What is the first word that we learn? The word NO. I have always been anti-authoritarian, I was rebellious, but you know what? In the Andes the rebellious ones survived and led the expedition, they were those who created, those who did not accept reality as it was. One thing is what is happening, the other is my perception of what is happening to me. And the mind is going to boycott you, unless you make it work for you. And when it is the real inner being that mounts the magic carpet, it leads the mind where it wants to go. When I learn to manage my mind, to place it at my service, I am the one in control of the boat. And for that I need to have serenity, which is what comes after fear, panic, terror, anxiety, all those feelings that paralyze you as a human being and make you suffer, suffer and suffer. And that can't be stopped. It's like a roller coaster, the only way to stop it is to go into an inner process of acceptance. When I accept what happens as a piece of information, it isn't right or wrong. It is merely what is happening. As of that moment, that magic moment, I can start seeing possibilities. I can see opportunities, because I am alert, I am present, and I am permeable in order to be part of the solution to everything that is going on around me. It can be awful, terrible, but you know what? I am alive, and I am sitting on the frozen body of my best friend, and I can do nothing about it. There's nothing I can do. That's when rebelliousness sets in, and you think, 'If I'm alive it's because there's got to be something that I can do'.

I imposed a mission on myself, one that I wouldn't give up until the last day, and this was to bring to each one of those relatives, those loved ones, girlfriends, brothers and sisters and friends, something belonging to that human being that I had met in the mountains: a chain, a watch, a letter. With the things that I brought I put together a bag that was so big that when the helicopters came after 73 days, after praying every day to be able to bear the unbearable, they told me that I couldn't bring it with me because the helicopter would not be able to fly. I sat on that bag - 8 of us had left the day before, and I was the last - and I told Fito Strauch that if the bag didn't come with me I was staying. And Fito told the commander 'Watch it because this one is really crazy'. (Laughter). 'If you don't put that bag on, he won't come on either'. And he kicked an officer who was standing on one of the footpads, those helicopters couldn't land, he threw him down and I prepared to fight him, because I thought he was going to take the bag away from me. He said 'No, don't hit me. They threw me down because there was room only for the bag or for me'. He didn't have too much of a problem in staying, because there were another two people camping with us: an

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extraordinary human being called Sergio Díaz, who went into the plane and a Mapuche Indian called Claudio Lucero, who had climbed the Everest, and when he saw us and saw that terrible place where we were, he opened his jacket and showed us a huge revolver, just in case, because he didn't know whether we were cannibals and were going to eat him! (laughter). Thank God we never had to cut the rope of Imanol's example, we never had to choose between life and death, we always chose life. And thank God there was food, from the moment that we reached our decision. But let me finish my story; Fito Strauch asked me for the bag and I gave it to him. When he caught it, I felt that all of us were going back, because in that bag was a little bit of every single one of our friends, of that place that had been home, our society, a place that allowed us to live in spite of the fact that the world said that we were dead. I remember that on 2 November I started to laugh, and everyone asked me what was going on. I said, 'This is incredible. Now I understand Einstein, because today is 2 November, All Saints Day. We are dead as far as the world is concerned, yet we are alive. Are they alive or did some idiot press the button and there's no-one left?' (laughter). You may laugh, but I was serious at the time, you hear on the radio that you're dead and that they're going to search for your body in four months' time... it's very hard.

Listen to what Gustavo Nicolich wrote to his girlfriend on the issue of food, the day before dying in the avalanche he took a pencil and started to write from right to left, the direction in which we said the Rosary every day, to emphasize faith, because hope, the younger sister of faith, is what we couldn't afford to lose. And when someone lost faith, we told him 'Please! You can't die. You know why? Because I need you. I need you to jump on me when my feet freeze, I need you to pee on my hands when they are freezing'. And only that, making someone useless feel useful, makes him feel important, that he has something to do in life. That is something that I learnt: that in life and in organizations one mustn't ask for what is missing, one has to supply it to himself. If joy is missing I have to provide it, if sense of humour is missing I have to be the clown, if there is no commitment I must commit myself, if there is no responsibility I have to be responsible. Because leadership is action, it is pure action. There was a question a while ago on why should we want to be leaders. In the mountains there was no status in being leaders, because what you had to do was go out there and freeze, or dig in the snow for a body - or walk. It was action. And nobody told you that you had to walk. When the search was cancelled on 23 December, before that no-one had walked more than 10 meters. We bled from the ears and nose, our lungs were slow, it felt as if our hearts were going to explode. But after you are told that you are dead, your threshold of pain and suffering expands. The next morning with Numa Turcatti and Daniel Maspons we went for a walk. We walked ten, twenty, twenty-five, fifty steps, and we couldn't stop. Why? Because we were fighting to stay alive. When we got to the middle of the slope and we looked down, down there it was night-time. At four in the afternoon up there it was still light, and we ran up to catch more sun to heat us, otherwise we were going to freeze. We reached the summit, just running after the sun which was like our carrot. And when the sun sets, the cold increases, the wind becomes turbulent, we had to sleep one on top of the other.

Now I am going to show you the letter. Listen:

Dear Rosina,

I am writing to you from inside the plane. The sun is setting, it is starting to get cold and the wind is rising, as usual at this time in the afternoon. You are going to find it hard to believe this: today they have started cutting flesh from the dead, to eat. There is no choice. I had prayed to God from the depths of my soul that this day never came, but it did, and we must accept it with courage and faith. Faith because I have come to the conclusion that if the bodies are there, it is because God put them there. And the only thing that matters is the

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hunger. I must feel no remorse; and if the day ever comes when I can save someone with my body, I will do so with joy.

Gustavo: Did you notice how he expressed himself, how he had no conflicts, no doubts? He said that what we were doing he was willing to do himself. We enter a totally different dimension here. I was born in an environment - as I already told you, I am naughty by nature; if I am taught a new game, five minutes later I know how to cheat at it. Later I chose to do the right thing because it bored me. And the coherence, being consistent, having the body, mind and spirit aligned and to say, think and do is something that I learnt on the mountain because authority was based on love, leadership was based on satisfying the needs of those around you. Our story is neither a tragedy nor a miracle; it is a love story, the love story of a group that had to go through something very hard, and the only way that we could do this was by being united, first in pain, in hope later, and in commitment and responsibility to do what was necessary. But you enter another dimension where patterns of behaviour - cultural, religious, philosophical and physiological, just collapse. What remains are the principles - principles never disappear. But actions have to be measured within a context, and in that context is where what appears revolting is the most marvellous caress, like someone peeing on your hands. So that is what we have to learn, to be permeable, flexible, and to be part of the solution and not of the problem. I learnt that stubbornness consists in things being the way I want them to be, and I have been really stubborn. But I also learnt that the principle of acceptance is what makes you relax. Fight equals contraction, and relaxation in that state is when you enter a higher level. That's why before exercising you have to stretch so that muscle fibre can reach their maximum contraction.

I would like to show you something else, but before I would like to ask you something: how are you? Dumbfounded. I shall ask again: how are you?

Audience: OK.

Gustavo: Now I want you to listen to two people, after surviving 73 days, having lost mother and sister. You are here at the Conrad hotel, a wonderful place, at an extraordinary exercise and event, you have many things to be grateful for, and you cannot speak? Listen to what it is to be consistent and to be aligned with the inner being.

[Plays the first TV interview to Canessa and Parrado after being found]

Canessa: I am almost happy, because I need to bring my friends out of there, until I do so I am not going to be completely happy. For those who died I feel happy because I know they are in heaven.

Interviewer: A Christmas message for Uruguay?

Canessa: One must have faith in God, which is what unites people, and faith in the simple things of life which are the important things. One realizes when things like this happen that simple things are best.

Interviewer: Nando, tell us what message you can send your father.

Nando Parrado: Tell my father that one of the main thoughts that kept me alive for two months was seeing him again, since he must be needing me a lot, and I him. I hope to be with him soon.

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Interviewer: How many relatives do you have? Do you have any more brothers and sisters?

Parrado: There was my mother and my sister, who unfortunately died in the plane, and I have another sister.

Interviewer: Roberto (Canessa), did you ever think that you would be spending this Christmas with your relatives?

Canessa: That was our greatest hope, and with that we tricked ourselves a bit and dreamed about spending Christmas with the family. Only faith in God kept us together, so that we could reach Christmas... I would like to send them the message to be calm and be sure that I am perfectly all right, this is enough to spend a good Christmas.

Gustavo: Tell me, seriously, aren't you all ashamed of being so silent? They are "perfectly all right" after 73 days, after losing a sister, a mother, their best friends and they are "perfectly all right". I am showing you this so that you see that I am not mad, maybe we were all mad and we were "perfectly all right". We learnt to live fully and with joy, with passion, because we lived every minute as if it was the last. If you hear someone ringing the bell and they tell you that it is your last minute, you are going to run with passion to tell your wife that you love her, or your son... we always wait till the last minute to do what we never did before. We are such cowards that we let time go by and we leave it for some other day, and many times we are not going to get to that other day. What you are hearing is so that you can see that what we did was not a miracle. God created us and the miracle is man himself, because when man is in contact with that maximum potential, physical, mental and spiritual, he shall achieve everything that he intends that doesn't defy the laws of physics. Nothing is impossible if I do what is necessary and within my reach. That is what I have to share with you. What happens doesn't matter, because excuses are what we use permanently since we are born. Matias said today that he was surprised when his son went to school with joy, because he had a lot to learn. You know why? Because joy, where does it come from? Do you remember? There is one who remembers, joy comes from here, from the heart. In the mind, in virtual reality we lose 10-0 every day. We're done for, we're dead meat. 10-0 always... unless you program yourself and have a method to trick your brain and move forward. When we are kids, 8 or 9 years old, it rains, and what do kids do? They go outside to run and splash around, to get covered in mud, and they come back as happy as anything until the mother says 'Don't touch anything, you'll get everything dirty'. True or not? 40 years go by, 3 drops fall in Buenos Aires or Montevideo or Punta del Este and the country is paralyzed. Who changed, the water or us? Think for a minute. Our beliefs - We start to perceive the world as if we suffered it, and what used to give us pleasure bothers us now. And this is an excuse to avoid doing what we have to do. We are pitiful! If you, with your privileged place in the world are all right, you have to tell your bodies that you are OK and practice what Imanol said, standing right here: gratitude! Gratitude is one of the rarer virtues of human beings, we have to practise it every day. I leave from here tomorrow to the Maldonado jail, to give a talk to the prisoners. It's something that I do whenever I can, I try to share hope, the younger sister of faith. And it is what I came to do here, to invite you to do it every day. I have many things to tell you, but I have very little time today, so I invite you to come down from virtual reality, to shorten the road that separates the mind from the heart and start to be present. To be present is to smell, to listen to music, to enjoy landscapes, and to caress the people who surround us. You are in the office and you are thinking that you cannot be with your son or grandchild; and when you are, you are thinking about the office. We are never present! We are always suffering life, running to comply with our different duties - I have no duty towards anyone. I am a free person because I chose to live. And I make mistakes every day, you know what I do? I apologize and that's it, because I don't carry guilt around any more. Guilt is an invention of religion and society to

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manipulate individuals. So as I am a free person and I discovered that responsibilities are not a weight, it is the ability to respond to what is happening around me; I can be here or in Madrid or wherever, because I work with the system of self-management, everyone knows what they have to do. If they have a problem they know the solution, if they don't they send me an e-mail or phone me, to tell me what they did, not to ask me. And when they make mistakes, I congratulate them. And now, we are all leaving. Now we are going to leave that mountain, because I don't like to stay there.

[Shows last part of the film Alive! when the boys are rescued].

Thank you very much, thank you for being here and God bless you.

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Friday, April 11, 2008

3. THIRD SESSION

Moderator: Karl Weinfurtner, First VP, DEG

Panellists:

Linda Broekhuizen, Manager Business Development, FMO

Fred Arnold, Senior VP, KBC

Karl Heinz Kolz, Senior VP, DEG

Karl Weinfurtner: Some people got lost but hopefully they will still join us... I also learnt that some people lost some money yesterday night in the Casino, but I think this doesn't matter since we have learnt that as leaders we also have to deal with loss situations. When we were preparing this meeting and had a kickoff meeting Gert Jan was saying to me that Friday was going to be a chaotic day. Why? Because I am the moderator. So I hope that I will meet his expectations, since I accepted, and I know that chaos means also to be creative.

I don't have to waste too much time in introducing our panellists because you know most of them already, they are all speakers from yesterday. I don't have to introduce Fred Arnold, he was also in the conference on Wednesday evening. I would just like to introduce my colleagues from DEG and FMO, this is Linda Broekhuizen, she is responsible for new business for FMO in Latin America, and also my colleague Karl Heinz Kolz. Karl Heinz is responsible for the head of the portfolio department for Latin America. So he is taking over after the wedding, when life starts.

This morning we will not have theoretical discussions, we would like to have more interactive sessions where our speakers are well as our panellists and you from the audience are invited to participate in the discussions. The first topic I would like to start with is a question to Maarten. He was talking about leadership and dialogue, yesterday, and I think that when we were listening to leadership we all had the impression, and I think nobody doubted it, that leadership means success. But is this really always the case? Are leadership and success the same? Is every CEO a leader, and is every CEO successful? And what does it mean to be a leader in different situations? We saw it yesterday when we watched this film about the crash in the Andes, the right leader in the right situation, at the beginning and later on when things developed. It is the same in the economy, who is the right leader in a turnover situation, who is the right leader in a well-performing situation. I will ask Maarten to let us have his ideas on that.

3.1. Maarten Nijhoff Asser: Dilemmas

Maarten: Thank you Karl. The ideas will be simple, but what came to me yesterday thanks to the excellent input of the other speakers of course, but also you, I had some

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conversations in that lovely lunch place I hope I will go back to soon about what happens, what are the phases of organizations and therefore the various needs of leadership competences. We hadn't really touched upon that, so I was playing with some ideas yesterday and was reminded of something a friend said, David Herst who is also by the way a great golf player, he wrote a book 'Learning from the links' which I wholeheartedly recommend to those of you who like golf, as he looks at the phases of development of a golfer versus the phases of development of a leader.

Yesterday we spoke a little bit about emotion and guts and head and analysis, and surprisingly there's an enormous similarity. So if you like that, if you like both leadership and golf perhaps you should look up the correlation between the two. I then thought that there must be various different development needs for an organization and I had decided to call them the growth phase, where you need growth leaders, and growth managers who are to some extent operational leaders, they are extremely well qualified to deal with growth efficiency and effectiveness. But then at some point in time they seem to peak out. What we get then is Schumpeter's creative destruction, whereby very carefully and very creatively we have to destroy what we learnt and relearn many new skills in order to rescale and retool the business. Obviously you can understand that that would require a completely different set of skills. After that what we see is these turnaround specialists, because now the company understands that there is a change mode in mentality, but people are in chaos, they don't really know what's next. These turnaround specialists are sometimes short term people, they can be ruthless, they can be caring, but we've seen various examples in industry and you have too, and I'll ask you for some. Then of course we need to recodify, we need to stabilize the organization and prepare again for a growth manager. So I call this the infinity loop, and obviously there are different leadership needs at all ends. Now, what are those needs and competences? I'm not sure it's legible, it's a bit small, but different phases of organizations and market developments require different competences of leadership, and yesterday we talked about a few of them, like operational growth. Some would say that's professional leadership, but of course that comes from the manufacturing area; the ability to provide a compelling vision, if you can't do that then creative destruction is definitely going to fail. The turnaround specialists need to very quickly learn and unlearn some of their old MBA skills, and then of course there are very few of us who are entrepreneurial and also can codify and stabilize a company. So having an entrepreneur in your stabilization phase is really the wrong leader. And I would like you to contemplate that, because some of you may have experiences there.

Of course we need to think about certain dilemmas, yesterday thankfully with Imanol and the other speakers we learnt again that dilemmas are an interesting way to see a leader grow, whether that is when you are alive but stuck on a mountain, and you lose faith in yourself, but some of your team mates require you to have faith in them. From which I learnt that for example in the classic dilemma of egoism versus altruism, altruism has to go first, and not taking care of yourself. Whereas in the airplanes, American Airlines, you may recall I have a special interest in them, they tell you put your own oxygen mask first before you help somebody else.

So there again in different phases of your life you are being told first take care of yourself so that you can help somebody else, but we find from the Alive! story that one of the 16 survivors wanted to give up, and said 'Look, it's not worth it, leave me here and I'll be dead in ten minutes, it's OK', and they said, 'No, I need you to step on my toes because they are cold and I can't warm them up myself'. I thought that was an interesting sequencing of leadership skills.

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Here on the screen as far as you can read it, the growth phase is of course fraught between 'Should we grow in market share or profit?' Creative destruction is of course 'should we destroy and change everything or should we continue to create'. Turnaround is a similar type of challenge that I wrote down, and codification is always about rules versus exceptions, it's always about rules and relationships if you want. The last thing that I'll say is that there are different moments when we have to think about succession planning or delegation, so to come back to Karl's question then from this obviously you can see there are different goals, different parts, different phases of development that require you to have different goals. And success will be determined in terms of these goals. My question to us here, the panellists, and also to people in the audience, so please raise your hands, is if you can tell your favourite story, your most memorable time when you were thinking of literally either hiring somebody who you thought was far smarter than you, thought about perhaps in family terms your son, what does he do, how do I get him into the family business, do I get him into the family business, do I send him to Harvard and when he gets back I don't even recognize him, he talks very strange and funny, or do we say 'Oh! I'll do this for another 4 years', and when do you start to think about the end of those 4 years who's going to take over. So particularly succession planning is interesting to the people who are slightly younger here, and those who are slightly older. So I'll ask Fred, we were just chatting earlier about Marks & Spencer's and then got into politics. Fred, would you mind?

Fred Arnold: The interesting experience that we have in the UK at the moment is the succession issue and the double job issue that is being performed by the head, the CEO of Marks & Spencer's, a gentleman called Stuart Rose. He was brought back into the house about 4 or 5 years ago, because the company at that particular time - as you may know it's a very, very large UK retailer, one of the largest and most prestigious of the UK retailers - was going through a slump in terms of its market share and the sort of people that it appealed to. Stuart Rose came back with an excellent reputation in the retail market. Effectively the first thing he did was to fight off a rather bitter takeover bid by one of his competitors who had a similar large group called British Home Stores, a slightly downmarket version of Marks & Spencer's, but he fought that off. Then what he did was he recruited a number of highly talented people to focus on aspects of the Marks & Spencer businesses that needed to be updated and refurbished, things like appealing to the younger female, about 80% of female underwear in the UK is sold through Marks & Spencer's, so there was a need to find somebody to attract that customer base back into the business. He did an excellent job, their price rose, their market share went back up, they made a lot of money....

What has happened in the last few months is that the chairman has retired and Stuart Rose has the intention to take the role of chairman and CEO. In the UK and I think probably in the US and other areas as well the joining of those two roles in public companies is not seen very favourably, especially by shareholders. So we have a situation now where it appears that Stuart Rose has really not addressed the issue of who will succeed him in whichever role he chooses not to perform. It's still being played out in the press, the shareholders are insisting that there should be a division of the responsibilities and that either a new CEO should be appointed - and that's not an easy job in the British retailing sector at the moment because it's pretty flat - or a new chairman. Chairmen of British public companies tend to be more nominal than operational, so it's still being played out but it's an interesting dilemma. The guy with the charisma and capability that he has, in the 4 or 5 years that he's been back in the business....

Maarten: And you think it has to do with the fact that they have no other person for the CEO role?

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Fred: As far as I can recall from what I've read and as far as the press comments that I've read are concerned, there's nobody running for the CEO role from within the organization, and recruiting people from the outside is time-consuming and it needs a long time before it actually takes effect.

Maarten: Yes, and it's extremely expensive, in a general way getting somebody from within the ranks is a lot cheaper than hiring from the outside.

Fred: You see, the thing is the people that he recruited to do specific jobs were not there to form part of the succession planning, they were there to identify particular products, to promote them.

Karl: Is it usually individuals who are responsible for success or are we talking about changing a CEO and the situation of the company might change? Is it the individuals or do these leaders, these individuals need more? I think, who can lead without having the proper company setup, and the leader always needs followers, otherwise how can he lead?

Maarten: I think the answer is of course both. He needs an excellent team, an excellent executive team, that is willing to look out of its own box, and then he needs to be charismatic, visionary, we will hear more in closing about what are the characteristics of great leaders, and part of them will be great teachers. And unfortunately we don't see that enough, and perhaps Stuart Rose is an example of a very attractive, self-promoting person who actually likes power to the extent that he would get absolute insight in the executive as well as in the chairman function, and generally that is not seen favourably but it's also not seen as a great growth strategy, because after all you may make female underwear in the UK, or you may make widgets and shiny happy discs but in the end it's the people that make the difference. So operations that spend a lot of time on executive development, on creating a cadre, have a higher retention rate of their executive level, have higher loyalty and therefore are more willing to go through changes as extreme or as family-oriented or as profit-driven as they have to be.

Karl: Can a company be successful in spite of these leaders? It's perhaps a question which one would not usually ask, but all of you know the famous German car Mercedes, Mercedes is a leading company, a leading car manufacturer in the world, so it's a leader not a personal leader but a leading company, but I know that over the last two centuries they lost a lot of money, they bought I think Fokker in the Netherlands, they dropped it, they went into EDAS, they dropped it, they bought Chrysler, it all failed... The company is still alive as a leading company but apparently the CEO's, the leaders made some mistakes.

Maarten: Well, I think that Mercedes is a wonderful organization because of its operational excellence. It has created engines, motors and vehicles around 200 years ago, and so over time they must have had very good tactical and strategic leaders but in Germany we don't see this PR move that we see in the Anglo world, for example leaders that sometimes we see in Latin America as well. So there are some cultural confines to say, do we need great, charismatic, outward looking externally focused leaders? If you have operational excellence, you might do with quiet, under-the-radar-screen type of leaders. But in the long run, what I've seen, certainly in the Anglo-Saxon world and we see it a little bit now in Asia coming up as well, you need charismatic, visionary leaders at different phases of development. And what would be very interesting from my perspective is in the automotive industry for example we now see one of the largest automotive manufacturers in the world is going to be Tata at some point, who just bought Land Rover and Jaguar, and they are not known for their management of highly-qualified, highly branded cars. Now they'll have

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to hire leaders from the outside no doubt, maybe they come with Land Rover or Jaguar, I don't know, I'm not close enough to it, to actually run some of the most profitable parts of their business. I don't know how that would reflect on Mercedes for example.

Karl: You were mentioning Alois Schumpeter, the famous Austrian and very influential economist in the twentieth century. The words creative destruction I think are well known. Schumpeter said when he was still teaching in Germany at the University of Bonn that innovation and technological change come from entrepreneurship or he called it from wild spirits, and he said that individuals are the ones who make things work in the economy. Later on when he moved to the United States and he was teaching at Harvard he slightly changed his mind, and said that the ones who really move innovation and the economy are big companies which have the resources and the capital to invest in research and development. So again I come back to success and leadership: is it the personal things or is it more the setup and the capabilities of companies to organize themselves? Perhaps I should give the floor to Karl Heinz because when we were discussing it he said: 'Are we discussing leadership here or is it more a discussion about good management?' Karl Heinz, what do you think?

Karl Heinz: Thank you. Yes, I'll come to the point about leadership and succession at the end of my remarks, but first let me make some other remarks. When my colleagues decided to put me on this panel I got my first dilemma, because I thought after all these nice presentations by academics, consultants, and among so many leaders, what could I add at the end of such sessions? So I came with this dilemma and I thought 'OK, I have to accept this', and I sat back and listened to all these speeches and the features that make good leadership, at least what the panellists thought, what in their mind is leadership. And at the end I thought that I would always compare it with my personal concept, what I would judge as real leadership, and I thought hardly nothing fits into my personal concept of leadership, all this I would judge more as a discussion of management, of good and bad management practice, and the examples you gave for me are examples of good or bad management, including this nice case of to cut the rope yesterday.

I think the majority thought it was a symbol of leadership, and I think this father, for me he was a bad example of leadership, because it might be, and I'm not sure whether it would have been the right decision to cut the rope, but if it would have been the right decision it would be a good management decision, but as leadership it was very, very bad, because first of all he brought his family into this situation, and he didn't care about bringing his two successors into this situation. Then he allowed them to go into these mountains with equipment that was not appropriate to do this. And this I think at the end of the day was his last decision, and if it was good it was only a good management decision. So then, hearing these examples, I entered into my second dilemma. How could I, not being a professor, not being a smart consultant, how could I, just being a manager, explain the difference between management versus leadership to this audience? Then I took the advice of the first presentation and went into the computer last night and googled, By accident I found at the very beginning some very nice comparisons between management and leadership, and this is the printout from Google. First of all, management involves power by position. Leadership involves power by influence. Leaders are inspiring visionaries concerned about substance, while managers are used as planners and are concerned with processes. Managers administer; leaders innovate. Managers ask 'How' and 'When'. Leaders ask 'What' and 'Why'. Managers focus on systems, leaders focus on people. Managers do the right thing and leaders do things right. Managers rely on control and leaders inspire trust. I will not quote all of it and just finish with one thing: managers copy, leaders show originality, and that is why managers invite consultants, why managers pay a fortune to attend leadership

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seminars, and in my personal view you cannot learn leadership just by attending seminars (applause).

Karl: First interaction with the audience!

Karl Heinz: OK, gracias! But coming to the end of my remarks, what is in my personal view leadership, and whom I have met two or three times, it's the personality, not the person, and I had the privilege to meet Nelson Mandela three or four times, and he is the only personality I know who for me represents the concept of leadership, including all the things like vision and charisma. But coming to the point of succession, as a politician part of what he did during his time in prison, when he came to power he organized his succession. And you can look around at what happens in Africa, what happened in Zimbabwe, in Kenya and other countries with succession. So he also took care of his own succession.

Karl: Thank you very much. I think that's a very important point that you are touching now, and I would like to ask Bram to comment on this. What he is saying more or less is that many people can be managers, but is every manager a leader, and what do you need to be a leader, is it more than professional know-how? Is it charisma, like Nelson Mandela, I think he is considered a charismatic person, what do you need, what is the justification for leadership and what makes people leaders?

3.2. Abraham Buunk: What have we learned

Bram: The main question of course - I was very happy with what Karl Heinz said, things which I very much agree with, because taking the example yesterday of cutting the rope or not which is indeed a nice case to illustrate a number of things, and I had the same feeling as Karl Heinz had, that a good leader would not place his company unnecessarily into such a big risk situation. Sometimes you have to take risks, and there is no other way, but of course you never risk the life of your subordinates when it is unnecessary. Companies have to take risks, enough I would say, but they don't have to take risks that are clearly unnecessary for the survival of the company. Now yesterday I think I said already that my perspective, based on theory and research, I agree with the distinction between leadership and management, but sometimes there may be too much leadership and too little management. That's what I tried to get across yesterday. When you look at the success of all those companies, the manufacturing companies, the 4 characteristics were management characteristics; setting clear goals like where you want to get within 5 years, have good operations, have control of your subordinates, and have a link between pay and performance. Now in your definition that's not leadership, it's management but it's really important.

The second thing I would like to emphasize is that a lot of times leaders emerge in companies who have a lot of charismatic characteristics, who are very ambitious, with a high level of testosterone, and who do all the things that they think are needed to make themselves visible in an organization, and they relatively easily get to the top, more easily than people who are managing the team appropriately in a more low-key way. And often in decisions of who to hire for top positions, nobody looks at how well this person has actually been performing his job. And I would really be in favour of taking the more scientific approach by not seeing the more general things but actually looking at data. It is more difficult, a new CEO takes over and suddenly everything goes great, but generally these things would have gone great if he or she hadn't been there, because of the economy changing or because of external conditions. You can only do it by comparing different

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companies. So I really want to emphasize that drive, ambition and charisma are not necessarily the same as good leadership.

Karl: We can come back to the slide that Maarten is showing us with all these circles you would need more of a manager, in the others a leader or a charismatic leader. Maarten, you were mentioning the Dell company yesterday for the build-up situation at the beginning when they became leaders, then Mr. Dell went out of office and perhaps a manager was in charge. Things are moving downward now and he is coming back.

Bram: Especially to start the company and to get things off the ground you have a charismatic leader because they are able to stimulate people, as I said yesterday which I think is very important you have charismatic leaders with an ego as big as this room and you have charismatic leaders with an ego like a little ball, and Mandela I think was someone of this kind. In the end, charismatic leaders with a big ego especially for the daily running of the company are a bad thing for the long term.

Fred: Bram, can I interrupt just for a second? In British politics at the moment we have an interesting example of that, where we had for ten years a charismatic leader, a prime minister in the form of Tony Blair, and if you take the example of Karl Heinz he passed the baton to a guy who is really a manager, because he does not have any charisma or the same vision. It's an interesting example and it fits the profile exactly.

Maarten: Can we ask the audience? This is all very chatty and very nice, but I'm curious. There must be people in the audience who've run their company for I don't know how many years, and they see the looming end of their own interest and capacity and yes, they could stay on forever as they perhaps own the company, but what does one do in this area: Do I hand over to my best manager, or do I actually succinctly look for a leader in the current management pool? Does anyone want the microphone?

Member of the audience: I'm Peter from South Africa. I'm a bit confused, because you seem to be focusing on CEO's, and I'm trying to find out whether leadership is only about the top positions, or can you get leadership at the GM level and lower.

Maarten: I don't see that anybody here would exclusively focus on the chief executive suites but also managers. However, the difference what we were making was operational managers, who basically take care of human and financial resources, and make sure that things run smoothly and that the value chain is set up well, whereas in accordance with the definitions that we heard leaders are more inspiring, more innovative, do not only the right things but that things are done right, originality and so on. And that often resides in let's call it the senior level of managers or leaders from which we have to decide who's going to make the ultimate decision, whether we call it the CEO, the manager or the director, I frankly don't really care.

Karl: Remarks from your side?

Arthur: Can I make a few comments? I was actually really pleased with the last question from our gentleman friend from South Africa. I personally believe that every human being has some kind of leadership in him or her and I find it a little discriminating to say that leadership only exists at the top. This may be a very personal interpretation of leadership but what we saw last night, the performance of that team in the crash in my opinion confirms that every human being at the right moment can show leadership, and we should all have a lot of respect for the fact that we as human beings, and that is probably the difference between us and animals, which was actually also a quote in the movie, that that

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is the difference. Now you talked about egos. I can tell you, and it's easy for me to say because I am at the end of my ego trip if you like, I think my ego twenty years ago was much bigger than it is today. So the lesson for me is that the older you get or the more gray hairs you have, the smaller your ego. But that doesn't necessarily mean that you are a bad leader with a small ego. You remember yesterday morning that I said something about happiness? I personally believe that every human being wants to be happy but also wants to make other people happy. We talked yesterday about altruism? I think that is a human quality, a human competence.

Now let's go back to succession, I think succession is such an interesting subject, specifically for the kind of companies, the family-owned companies that we believe are truly the backbone of every progress, every kind of economy. They are creating jobs, and that's what it's all about, the dilemma that people have when involved with a family business. One of the things that I really have come to appreciate myself is that if you are able to combine work with passion, I don't know how you would call that in Spanish, *pasión*, then you actually enjoy your work, you project that onto all the people around you, and I guarantee that you get outperformance all the way. In my opinion that is the strength of family-owned businesses. And you remember that ship that one of the professors put on the screen yesterday, where on top you had the P, and he was talking about Propiedad, ownership? And on the left was the business, and on the right hand side was the family? I'd like to suggest that the P also stands for passion. And I'd like to suggest that as long as a family generates passion for the business, success is guaranteed. The moment that a family doesn't have any passion any more for the business, get out, sell, exit, because you're on the slippery slope, you don't create that additional value that is so fantastic, that passion for the business in the market place.

Maarten: Can you relate that also to succession? I agree, obviously we need passion for the business, you don't just have it in families, we have it, you have it, I'm sure you continue to have it for FMO, but at the same time I'm sure you realize it has to come to an end, I have to pass it on, and that's actually a very depreciating thought for yourself. Can you enlighten us on that personal journey?

Arthur: I'll be very brief. Three years and a half ago I was appointed from the outside of FMO to become the CEO, so I was parachuted in, etc. I think it was because I also had a passion for development finance, and I actually became a passionate CEO for FMO. Now when I was appointed, with my board of directors we made an agreement that I would be appointed for 4 years. Four. And at that time I already told the board of directors, and I told everybody in FMO, I'm here for 4 years.

Maarten: Was there any reason? Because four years is short!

Arthur: I'll come to that. One of the reasons is that I have learnt over the years - I've been working for 40 years - that my real added value is probably in the first three years of me being there, building businesses, trying to inspire people around me, setting goals that you can achieve, the great thing about being there for 4 years is that you cannot change the world, that you cannot have ten points that you are going to achieve probably I personally prefer to focus on doing three things extremely well than ten things average. That's not good enough. And I told everyone within FMO - four years, then I'm out. And I'm sure that a lot of people in FMO thought 'Oh yeah! We know'. In year four you're going to extend, you are going to convince the board to stay longer. No, I told everybody including the board four years. And then I also knew that I had to think about succession, and that you have to start planning for succession. And I thought this is going to be probably my last full time job. I'd like to finish my career by showing that if you can generate your successor from within the

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company, to me that is a sign of strength, and I think that there is academic work to prove that companies that are able to do that are the most successful ones. So I was extremely pleased that FMO had Nanno, and I also knew that the biggest mistake you can make when you start planning succession is to look for another Arthur. Never look for somebody who is like you. Never never never. Because of what Maarten said, you need new ideas, you need innovation, you need new blood.

Maarten: Thank you, excellent, thank you very much. I saw some people who wanted to add their story.

Juan Manuel Forn: I have a similar story to tell, with some interesting features. I was parachuted into Molinos Rio de la Plata when it was taken over, it used to be owned by Bunge y Born and it was acquired by Perez Companac group, an Argentine group, at the time a billion dollar company engaged in branded foods, completely domestic, myriads of goods and divisions, about 640 SBUs, and it was losing money. After a week there I told the President look, I have three choices here. Either I work with the existing team, two, I bring in some cronies from Phillip Morris, I'll be protected by them, it's a safer course for me, or three I hire the best people I can in the local market. Now we don't have time and the company is very complex, so course number two and number three are out, we have to work with the present team and select the best people. Then I remembered a seminar I had been to, where they said that in every failing company there are a couple of divisions that are paying the salaries of the rest of the people, some profitable divisions, and normally you will find good managers there. So we basically fired - McKinsey had been in the company and had created all its strategic business units and had created mini-companies all around, an absolute nightmare, so we fired the managers of all the money-losing divisions and we created a highly centralized organization run by the successful managers of the successful divisions within the company. With them, we created the platform for turnaround which was extremely successful, it was not only coming back to profit, we had to sell a number of money-losing divisions and also to move into other businesses, soybeans, crushing and exports etc. and the bottom line is that after five years I passed on the baton to the CEO who came from the staff, the most brilliant person within the company, and also the son of the owner of the company became the chairman, and I stepped aside. So we were able to complete succession at the family level, on the top of the company, and succession at the operational level, with a new CEO who came from the ranks, in basically the last seven years or so.

Karl: Thank you very much. We have another one...

Juan Manuel: I just wish to make another comment and give a personal example. I agree very much with what Karl Heinz mentioned, on the difference between leaders and managers, and also with the comments of Arthur emphasizing the passion. I would say that the leader has to combine passion, talent, skills and commitment, among other things. I agree very much when he said that you need leaders at the different levels of the company. The leader has to empower and he has to empower people with the capability of being leaders in their own areas. The success of the company is a combination of the successes in the different areas, production, marketing, the handling of the finance area, the risk, etc. So the success of the company is not the success of one leader, one person. The example of what happened in the Andes with the rugby team is very good in that sense. I also want to mention that it's difficult to concentrate the succession plan in one person, because we don't control the life of others. In my personal case, in a family company, suddenly I was appointed to a position in government; I hadn't planned for that. So the problem of the succession sometimes arrives when you are not prepared for it. Maybe also the case that the people you are thinking of may have another opportunity or have some problems and

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he is not the candidate. So I believe that you have to prepare the land and have different prospects, and create a group of persons with potential for leadership, and time will tell which one may mature to be the candidate for that position. So that's all, I believe it's an interaction between management and leadership, because the leaders usually arise from management positions, and though there's a differential as Karl Heinz mentioned only for the purpose of analysis we can separate all the functions, but life is more complex.

Karl: Thank you very much for these three comments from experienced leaders in companies, FMO is not a family owned company but from experienced leaders still. May I ask Imanol, you are experienced in family owned companies. What is really the spirit of leaders in family owned companies? Why are they successful and who is the leader in the end, how do they decide between the oldest son, the youngest son, the daughter? How do these companies come to decide, what is the qualification of a leader?

3.3. Imanol Belausteguigoitia Rius: Resistance, obstacles and solutions

Imanol: Thanks, first of all I will do like Arthur, I will stand up. I don't like to talk sitting down. This is the first change. The second one is that I will switch to Spanish, I think that I will have a special connection with the language and the audience.

On leadership, I think there are some terms here that need refining. I liked the concept mentioned a while ago of changing the essence of the person in that leadership in the next generation. I think that one of the most common and most catastrophic mistakes is to try to imitate a leader who has been successful. There is a foolproof formula to fail in this succession process and leadership, which is to do exactly the same things and being exactly like the preceding leader. Many times, as parents, we would like our children to be like us, or maybe because of the love we have for our parents we want to be like them, and of course we must imitate them in many situations. But if what we want is to do things exactly like our parent, as the environment has changed, we are surely going to fail. Of course when one thinks of leadership in the next generation one must not only think of the possibilities within the family. Sometimes one tries to see things as we wish them to be, and find abilities where there are none. One must also be careful with the opposite phenomenon: sometimes there is talent and interest, and what we want is to bring in a sort of James Bond from outside the family who is apparently much more competent, because he has more qualifications and merits than family members. And here we fall into a concept which is very interesting, which is the fallacy of professionalisation. How can I say this? Family businesses are much more complex and difficult to manage than non-family owned companies. There are many forces which move it, and it is easy to bring someone from outside the family, who knows little about it, who maybe knows a lot about management and is really professional, but may finally be unable to transform the company.

The fallacy of professionalisation implies bringing people who may be brilliant, but once within the system, are maybe not so brilliant any more. Maybe there is a member of the family who doesn't have all the qualifications of that outside person, with a lower profile, not so outstanding, who can have better results, among other things because of the passion. It's incredible because in a family of this type, children of maybe two or three years of age, at Sunday lunch with the grandparents, in the kitchen, what they are receiving is management lessons and how to take the company in the right direction, and other people

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don't have this. Yes, one must keep an open mind to new possibilities, outside people must be welcomed, particularly in organizations over a certain size. They are going to bring new ideas, maybe those who are going to dispose of that lady in a suit, but one mustn't fall into the trap of the fallacy of professionalisation.

To finish, I would like to say the following: this leadership does not begin when the son or daughter come into the company; yesterday I showed a brief model on succession planning, and one may think 'Well, once my son has decided to join the company we shall start with training'. I would like to transmit a Russian proverb which is to me very wise and very beautiful. It is the following: 'Do not try to make your son a great man; turn him into a great child'. This leadership starts in childhood; and joining one idea with another, I saw something in Boston, where I took my master's degree in Babson. I saw a poster which drew my attention, and it said: 'The important things in life are learnt in kindergarten'. And let us briefly analyze what one learns in the sandpit: sharing with other children, how one responds to authority, to instructions, how one can be helpful. So if what we expect of that leadership is to take the company into the next generation, this must start since childhood. Thank you very much.

Karl: Thank you very much. I would like to ask Linda to comment on this, particularly in Latin America, where we work very often with family-owned companies. What's your experience in succession in these companies? Have you an idea on whether there is more succession of family members or are they open to bring in external leaders or managers?

Linda: Thank you for this question. I will answer it, but at the same time I would like to put another topic on the agenda if you will allow me, but let me first come back to the family owned companies. We have a lot of clients that are first generation family-owned companies, and we see is that the owners, the founders focus a lot into getting their own family into the company, and that's usually related to sons and daughters that they want to put in management positions. We had one client for instance in Central America telling me recently 'Linda, we have resolved all our succession issues because my three sons are in the company'. And for him that was it. According to us, what we see and what we have seen in the past is that it is also the position where the challenge starts, because the sons, those three sons, are they evenly qualified to perform in the position? And then you get another version of the cut-the-rope problem, you can get that if for instance one of the sons is not performing, and what will the father have to do in that situation. So it is a lengthy change, a cultural change in the company that we see and which takes time, and we invest a lot of time in our clients and we try to look at the succession issue in the longer term.

If you allow me to touch on a different topic which we also discussed yesterday and it's something that Bram mentioned related to leadership and female leadership, I decided to google female leadership also this morning, because I was a little bit shocked that Mr. Matias Campiani said he wanted to fire his HR manager, after having heard the Queen Bee and the Crown Princess theories of Bram. I felt challenged to give some other arguments on female leadership to make Mr. Campiani decide to definitely keep his female HR manager. I don't know if he's still in the room but... So I decided to google, and the first hit (I got thousands of hits on female leadership) but the first hit I decided was the best one to share with you, and it also relates to what we heard in various presentations, also from Maarten, saying that in the 21st century we need a different type of leadership. The definitions of female management style that I found perfectly fit this, so let me quote to you what I found: Women's management style is centered around communication and positive relationships, is better suited than men's to the team-oriented leadership of the 21st century. "Women are better managers, based on co-workers' ratings women are rated higher than men in traditional skills, on hiring, coaching, personnel development,

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organization and monitoring. Secondly, women are better leaders. They can create a good vision, they set clear directions, they are good in change management, they are an inspirational role model, they set high performance standards and they assume responsibility" (applause). I hope this convinces Mr. Campiani to not fire his HR manager.

Karl: Thank you very much. I think there should be no discrimination between male or female leaders. We are advancing in time, I invite you for a 15-minute break. After this break I would like to discuss with you more about personality of leaders, charismatic leaders, what does it mean, personal characteristics of leaders.

3.4. Wrap up

Karl: The last comment before we left for coffee was from Linda, talking about female leadership. I think we would like to come back to this and talk in general about leadership. I don't know whether we have to differentiate so much between male and female, but we would like to go away from only management and talk about characteristics, personalities, who is a leader, why is he a leader, why is he accepted as a leader by others. Bram, may I ask you to give us a few comments on that aspect?

Bram: I was actually very happy with Linda's comment because in my presentation I may have given the impression that women are poorer leaders than men - I indicated very briefly but you may not have noticed that they are actually better leaders than men. And that's absolutely true. What I was trying to point out and what we have not talked about a lot is the selection of people in higher positions in organizations. The succession issue relates to that, and I want to say a few things about that.

What I have noticed, not from a scientific point of view but my personal experience in the University, in a department where 80% of the students are female and 80% of the professors are male, when I was the director of the department for a number of years I really felt the need to change that, and I was able to appoint women to 3 full professorships. But I noticed that the women in the committees were not pushing too hard to get female professors appointed. And often they were a little bit submissive, in the sense that OK, we have to appoint the best candidate who is a man, we should appoint a man, etc. etc. So what I was trying to say yesterday is that to get more women in higher positions does not necessarily mean that you should give women the decision power in who is to become a leader, for example we know all about quotas, quotas have a problem. But in some situations where there is big potential of female leaders that will work, setting quotas, that's the first thing. The second thing is that talking about the 21st century as if suddenly the world has changed with the turn of the new millennium. Let's face it, the setting that 2.000 is 2.000 was decided a couple of thousand years ago by a number of bishops from the Catholic Church, that was supposedly the date that Jesus Christ was born and I don't think that humans suddenly changed after the turn of the 20th century. There may be kind of societal or global changes that are occurring that affect the need for different forms of leadership like the globalization issue, which is a very important issue of course.

What I would like to emphasize when we talk about the qualities of leadership, I've said it before and I will say it in a slightly different way, is that an organization is a battlefield in certain ways and people are trying to attain status, higher positions, become dominant. I made as a kind of joke the strategies of submission, promotion tips, where people should not say things that the boss doesn't agree with, etc. etc. But I think that though it was a little jokingly it is important when we talk about the selection and therefore the succession of

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leadership. I was surprised when I heard Arthur say, and many people seem to agree, that a good manager arranges his or her own succession and I have heard people from the business community say it many more times. And I think there's a danger in that. There's a danger that people are appointed that have been sort of good citizens, in the sense that they would never disagree with the man in charge or the woman in charge at that moment, and would be sort of obedient and easygoing regarding what the leader wants, leaders in general don't want people to disagree with them. And in university, which is of course a different world, it is considered a cardinal sin to arrange your own succession. It is a cardinal sin if you are a professor and you try to interfere in any way with who is going to become your successor, it is considered unethical behaviour. And I don't know why this is, but I want to give you this perspective which has to do with the process that was mentioned. Fortunately in science we have more or less objective criteria to evaluate the performance of someone. And in business it is often much harder. In sales it may be relatively easy, but I can mention many other situations where it's more difficult, and so selecting a leader is extremely hard. But as I say in science we have this criterion of publication in certain journals, and if you don't have that you're out, and how good a citizen you are, and how much submission strategy you show doesn't matter, you're out. I wish that in business you could develop this type of criteria. This makes it often very difficult in organizations, to select leaders, to select successors and it gives the risk that when people arrange their own succession not necessarily the best leaders will be selected.

The second thing I want to mention is that someone said to me yesterday 'When you are a leader you have to have empathy, you are not necessarily an egoistic person'. And that is true. To become a leader you need a specific type of empathy, to manipulate and to guide other people, to lead people you need to be able to put yourself in the shoes of the other person. Otherwise you cannot get them to do what you think is important for the company. And interestingly enough, when I look at it from an evolutionary perspective, empathy and pro social behaviour is more important in non-family businesses than in family businesses. Family businesses are tied by their family ties, and we have now done interesting research which shows that in family relations you often see that it is more important when people have the feeling that everybody doesn't own shares. And that when conflicts arise in families, and they often arise, it has to do with that people feel that they are doing more, or they are favoured more, or their brother is favoured more by their father, whereas they feel that they are performing better and this kind of thing. These are more sensitive issues in families and I think they might be a special problem in family businesses. And also I would think, and this may also be a controversial opinion, that the problem of succession and selecting a new leader in family-owned businesses is even much harder than in non-family owned businesses. You pointed that out already. You all know the joke that recently a school was started for extremely gifted children, and there were already a million applications from parents (laughter). And that illustrates that parents think that their children are more gifted than they really are. My father was the principal of a primary school and he had to face this kind of problem all the time. That problem could hurt family businesses, fathers, mothers may have a problem of objectiveness in evaluating the qualities of their children. I would like to leave it at that.

Karl: Thank you very much. Now I think that we have many successful managers here, may I ask the question, who thinks he is a leader? Who would raise their hand?

Fred: Karl, can I say something? There is something that we don't seem to have touched on yet but it's quite pertinent, bearing in mind what was said yesterday about the differences between leaders and managers. Is it appropriate that leaders, who are the ones with the vision, the innovation, and all the rest, are those responsible for appointing managers? Should they be the ones to appoint managers, when they themselves don't

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have the necessary skills to manage the business? In Britain we have a pretty good example of that, a guy called Richard Branson, whom most of you will have heard of, who is a very charismatic innovator, he has a vision for a lot of different businesses, he's established and developed a record business, a chain of retail record stores, he ran Virgin Atlantic, he's had life insurance, he runs a bank, etc. etc., all these things that he's had a vision of. But of all the businesses he's started, and they were all basically emanated from his ideas, about half of them have not been successful. The ones that have been successful have been the ones with a high profile where there's an element of trust, which is entrusted by the people who enjoy the services provided by that particular business, but there have been a lot of businesses like a health business that he started, and one or two others like that which really have not taken off. One questions therefore whether he's the right person or whether he's even responsible for appointing the managers who operate those businesses, and how you get around that potential problem.

Karl: I think that's a very important question, who is the right person. When I asked who is a leader I didn't expect anybody to raise their hands here, because otherwise you would have no leaders here. I think leaders are smart enough to pretend they are not leaders, but how would you see it, could we get comments from you on what are the characteristics of leaders and how would you select a leader or the leader person in your company, how would you select, what would be the criteria, why is a person a leader, what would you look for, professional skills or would you look at personal skills, personality skills? Would somebody like to give us their opinion?

Member of the audience: Well, for me what I would like from a leader is maybe two basic things: that he has the capacity to motivate people in the company, and also the capacity to make the people in the company work as a team. Those two things combined I think would make a leader; if he has the capabilities to do that for me it would be enough.

Karl: Thank you. Are there other comments? Many of you have to select successors, people in leading positions. Do you look for managers or do you look for leaders, for charismatic leaders, for people who can motivate, for passionate people?

Member of the audience: I think it is hard to differentiate. I wouldn't differentiate. A good manager must be a good leader. I don't see a separation between a manager or a leader. It is an integrated part of it.

Karl: That's a very strong challenge to each manager I think. Anyone else?

Member of the audience: I would add to what was mentioned about capacity to motivate and to make people work as a team, the capacity to empower and delegate, and discover leaders in the lower levels of the organization, the ability to assume responsibility and to take decisions in difficult times. I think that's a very important condition, and the capacity to anticipate. If I were in a boat, I would like the captain to have the ability to anticipate eventual problems; that didn't happen on the Titanic for instance. I think that a leader should not only be taking care of what happens but looking into the future and anticipating areas of difficulties, and have alternatives or Plan Bs if things go wrong, so that he is not only in control of the present situation but is also in a position to solve difficult situations that might arise in the future.

Karl: Thank you very much. There is another person there... that's good, it is a man-dominated stage here and a man-dominated audience so it's good to listen to the opinion of our female attendants.

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Member of the audience: Until now I haven't been in the position to select a company leader, but I like mountain climbing very much and from time to time I have to look for a mountain guide to guide me in one of the highest mountains in the European Alps. Normally it's a man, and he has to have some very important skills which can maybe be transformed or transmitted to your question. First of all we have a common goal, we have a vision, we want to reach the top, so he has to motivate the team, he has to build up the team, as a group we are the team and he has to keep us together. Then he has to motivate us even in difficult situations, even if it's getting really hard, when you think you can't climb any more, you're really tired, so this motivation is really important. The optimism that we are going to get to the top; then he has to take responsibility for the team, be a little bit risky, without taking risk it's not possible but not too risky, he mustn't bring us into a situation that's really dangerous for the whole team, like yesterday in the movie. Well, I think that's the skills that company leaders should have.

Karl: Thank you very much.

Member of the audience: In this talk we tend to see the relationship between the leader and the organization that is going to employ him. But I think that that leader must be regarded not only from the point of view of the relationship leader-company but also as the leader and the community behind him, that is, his family, his environment, and he must have a situation of balance. Many times companies believe that a leader is a gentleman who works 18 hours a day, every day of the week. That gentleman cannot be a leader, rather he is an unbalanced person (laughter). Let's be realistic. The leader is the one who has equilibrium and who can transmit a situation of peace, joy and going forward. I leave this issue for psychologists and so on because this entails a risk, which is invading the privacy of a person which is not the most appropriate thing, when one wants to pay a salary asking a person to expose his or her private life. That's all. Thank you.

Karl: Anyone else?

Member of the audience: Very briefly I would like to give a completely different view, I would like to bring you down to reality, the way we really promote people at least in our company, and I believe that in other companies they work more or less the same. To tell you the truth I think we apply the Peter principle, it's an old book of thirty years ago, and it's that you're promoted until you reach your own level of incompetence, and then you disappear, so to speak, and it's a Darwinian process. But that's actually the way that most companies do promote. You look for someone who is professionally competent, so you have professional competence and you ask yourself or the human resources are trying to give you support, tell you well, that person has some people skills and eventually he or she could run a team, so we'll give them the chance. And after a year there is success or no success. Basically that's how I've seen it work and in practice. Perhaps it's not the ideal formula, but it's well known that it's an almost universal system.

Karl: Thank you very much. Now we have some different views on what people think, what leaders should be and how you select them. Imanol, what is the reality in family owned companies? What is the main reason for selecting a specific person as a head, as a leader, as a manager?

Imanol: Probably the acid test for a family company is the choice of the next generation, the next leader. And I would say that a good leader is the person who chooses a good leader. A good leader is no longer the person who has done spectacular things but does not prepare the land for the next generation. I remember a person, a clerk, who had an interview with his teacher, and asked who is the best clerk, and trying to define who

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handled mathematics best. Finally this person said the best clerk is the one who is capable of hiring the best clerk. Therefore I think that the best leader is the person who is able to train a great leader. In that sense I think that we have to be very careful to differentiate between the issue of ownership and the issue of management. Here we should mention the following: we are talking about the leader, and not leaders in the plural. It is possible that if you, who have an organization and are thinking of passing it on to the next generation, your children, you are already thinking of transferring the system of ownership from one single owner to a consortium of brothers. And this is a very important change. And without wanting to you are already selecting a series of leaders in ownership, and let me tell you that the succession process begins with a series of questions on ownership. It is possible that if you don't make a clear difference between one and the other, and you may think of a leader in management and train him, and if this is not properly articulated with leadership in ownership, this person may be removed or things may become very difficult for this person. So I think that a very interesting question would be, is it going to be a single leadership, or is it a participative leadership? And here there are two models that are radically opposed. Some people think that one should not create many-headed monsters, and that someone should always have the last word, and there should not be many leaders who may eventually be in conflict. Others think that times have changed, and that it is worth it to create a team of strong leaders, to strengthen the council. These two models are not necessarily black and white. I believe that one can create a mixture of these two models, and create a person who has that qualified vote, that transcendence, but behind him there should be a strong council, a unit of siblings, with shared leadership. Choosing the successor, I would open the scope a bit more, choosing the successors is the great acid test, and deserves deep thought on all the successors. This is not a matter of white smoke, here is what came up, it is something that should be thought about and debated within the family, though the founder should take the final decision, after knowing everyone's opinion, he should make his final decision.

Karl: Maarten, may I give the floor to you?

Maarten: To add on Imanol and also to add on what was said earlier, we have to start believing that managers are professionally functional and that they know their job. I can't talk to you about leaders who don't know their job. So perhaps first they have to be managers, then we promote them, and check them out for leaders. How then do we assess leaders? And the difference has been mentioned by various people now, the difference between managers and leaders is that leaders are leaders of values, not just money, not just processes but people as well as processes. And they explain that in their behaviour. So as I suggested yesterday we should be cautiously courageous. We should be dissenting in our loyalty. We should create teams of individuals, so we constantly deal with those two models as you also suggested, and try to find these integrators. And as a matter of fact it is not so very difficult to come up with almost a dictionary of opposing values and then create an integration of the two. When we think about people like Mandela, as you said, he is the ultimate integrator of values. Believe me, he is not just a people's person. He also knows how to interact and manipulate. But for the sake of this conference, and for the sake of the sponsors, this is about leadership in relationships. So what I think if anything changes in an era, let's face it, some publisher came up with leadership in the 21st century because he wanted to sell books, but whatever is going to change is we will, I think in your industry and in others, put more emphasis to assess strong, trustworthy relationships. And that may be a full-time job for leaders. That can be measured if you start to believe that relationships are nothing if they are not based on values. And as I maintain, and I think some of you sensed that as well, values are differences. There is not a glass of values that you can drink. In fact many of you would say I am a leader because I have integrity, I offer to you integrity comes from the verb to integrate. So if you as a leader have integrity, my question to you is, what

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are you integrating? And the job of the leader is to constantly do that: to integrate people, to integrate land with labour with resources, to integrate new and old companies, to integrate indeed a successor, which you may very well have help from others to select and integrate that into the next team, the next leader.

Karl: What we learn is that leadership is more than a number of many skills, you can't sum up skills, but it is the spirit of skills and experience and the way how you express it and how you behave. Due to time constraints, as we have to close at 12 o'clock I am coming to a last round of comments from our speakers and our panellists, I would like to pose a last question to all of you: what do you think is a leader or tell me whom do you think in politics, in economics, in history, who was really a leader?

Linda: I think a leader must definitely understand management, it was said already that the leader has different skills, but in order to be able to manage a company and to manage a team of managers a leader also manages at a different level. And maybe who I think is a very good example is Nelson Mandela, he had so many dilemmas that he had to choose between and to integrate, that is a very good example.

Karl: Charisma, right? Fred?

Fred: I have already referred to Richard Branson, who is I think my ideal leader. He's not a specifically good manager, but he has vision, charisma, he has ideas, he's an innovator, and in terms of business he has been responsible in the UK for introducing a new style of management which whilst it's not always been the most popular style of leadership, because he's almost as casual as the people in this audience, I don't think he's ever worn a suit or a tie, but he has influenced a whole range of people who have followed after him since he started business back in the sixties. So I would pick him as an innovative leader.

Karl Heinz: You already know my point of view. I think first of all to become a leader business-wise or like Mandela you need the vision, the right time and the right chance, and then you are elected, politicians are then elected by the people, by votes, and a business leader finally is elected by the clients, and coming to the family business, when with all the nice criteria which were mentioned somebody is elected to become the leader, at the end of the day the client does not elect the new products or the new organization then OK, he will fail.

Imanol: Thank you. I feel that in the measure that the vision that is created is leading, more than a definite person, I think that there are more possibilities of success in creating a strong vision of where to go. That should be the vision. But if one takes it to people, I would say that that leader should have an interesting mix of components, a unique cocktail. I would divide this into three dimensions: values, essentially, maybe among them I would emphasize humility, a small ego, it cannot be a person who wishes to stand out or to come before anyone else; abilities would be the second dimension, we have spoken of the importance of management, how difficult it is for a leader who doesn't know anything of management to take a group of people in the right direction; and a very important issue, which I thought of after listening to Gustavo yesterday, is the issue of attitude. How complicated to have a good leader who has values, who wants to take the company in the right direction, who has competences, but with a bad attitude, who does not have that spirit of sacrifice and who doesn't want to be proactive, get up early, work hard... So that cocktail of values, abilities and attitude must be present in the leader.

Bram: I don't want to talk about all the characteristics a leader should have. I was just thinking of who is my favourite leader and I don't have one. I was thinking about who would

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be my favourite political leader in the Netherlands in the past 50 years and I can't come up with a single one, because I see a lot of problems with many of them. But I want to mention two political leaders in the world who I think are respectable, although they have very difficult political views, and the first of them is Bill Clinton, he is a charismatic leader. And I also admire, although it doesn't mean that I like her, that I agree with her, but Margaret Thatcher was someone who did a great turnaround in the UK, something that was really needed at that point. That's not to say that I agree with everything she said, that I like her as I said, but she was a leader who really had an impact.

Maarten: I would like to put the gender issue to rest with the following story, there was a highly-regarded, powerful politician who married an extremely successful female executive, and the journalists of course had a field day with this couple. They asked the couple, 'And who in the marriage takes the big decisions?' And before the female could say anything the male said 'I, of course', to which the female quickly replied 'Yes, but I decide which of the decisions are most important'. So I think we need to look at power of the relationships, my favourite leaders are of course you, if you are willing to continuously challenge yourselves, to continuously learn and then unlearn, and then integrate the old with the new. If you look around you I think you'll find plenty of opportunities. I don't think we should look for outside symbols, if we can find leadership within ourselves.

Karl: Thank you very much. I'm sure that all of you could contribute and give your own examples, but we don't have time. Let me also have the last word on what I think about leadership. Last time, two years ago I was also asked here to close this conference, and I referred to a famous German political economist and sociologist, Max Weber. He gave a famous speech about one hundred years ago at the University of Munich, and he was talking about leadership in the 20th century. The speech itself referred to leadership and politics, leadership and business, and I would like to quote how he summarized at the end what he expected from leaders. He said: 'Politics is a strong and slow boring of hard boards. It takes both passion and perspective. Certainly all historical experience confirms that man would not have attained the possible unless he had time and again reached out for the impossible. But to do that, to reach out for the impossible, to do that a man must be a leader, and not only that but a hero in the sober sense of the word'. I think what applies for the 20th century still applies to the 21st century.

With these words I would like to close this conference, but before leaving I would like to express a few words of thanks. First of all I would like to thank all of you for attending this conference, it's the third time that we have this conference. We started four years ago with seventy people, two years ago the number was close to one hundred, this time we had a list of 125 people and John told me that there was a waiting list, so there were more people waiting to join. I think it's you, it's our guests, it's all of us who make this conference a success, we make the spirit of this conference so my first thanks are to you, and I hope we will all meet again in two years' time. My second thanks are to our speakers, they prepared their presentations well and we have listened to many interesting matters. The important and good thing is that we were not only talking about day to day business, but about what is business and the spirit of relationships, what makes men successful. Thirdly I would like to thank DBA for organizing this conference. It's not easy to organize these conferences with such high international attendance, it takes months to do that, many thanks especially to those who did the day to day work in organizing it, my thanks to Nathalie Rippe and to Maria (applause). Thanks also to the colleagues of FMO and DEG who helped organize, one is Franziska Hollmann from DEG (applause) and Jorrit Dingemans from FMO (applause). Thanks to the team of DBA with Alfredo, with John, they had the idea of this conference and they were the ones who organized it for the first time, and I'm sure they will be prepared and happy to organize the fourth one as well.

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Last but not least, my final thanks go to the man sitting here at the back, Gert Jan, we all know that he is very dedicated to promoting relationships. He believes in relationships, he believes that banks and customers should have good relationships, he believes in general that people have good relationships, as they facilitate life and day to day work, and good relationships are required not only in families but in business. Thank you very much Gert Jan. With these words I close the conference, I hope to see you again in two years' time.