

# KnowledgePills

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# Why good leadership requires inner growth

**Leaders need to go one step beyond competencies and technical skills**

**What sets great leaders apart from average ones? A recent study by ESADE Professor Josep M. Lozano warns that leadership shouldn't be only about acquiring competencies and technical skills, but must also involve developing inner awareness and values.**

“Leadership cannot be understood solely from a technical or instrumental perspective. It is not a mere relational skill that simply requires developing competencies. The exercise of leadership should include a connection with values,” writes Prof. Lozano in the *Journal of Business Ethics*.

According to the author, good leadership is impossible without a personal process that develops the person's capacity for perception, learning and interiorization.

The author argues that educating business leaders cannot consist solely of the “knowing component” (theories, models and frameworks) and the “doing component” (skills, competencies and techniques). Rather, leaders also need to develop the “being component” (values, beliefs and self-awareness).

If business education only takes into account the first two components but not the “being” aspect, the researcher warns, it runs the risk of producing highly intelligent, accomplished leaders who have no idea what they want to do with their lives: no sense of purpose and, what is worse, no understanding of how to go about finding one.

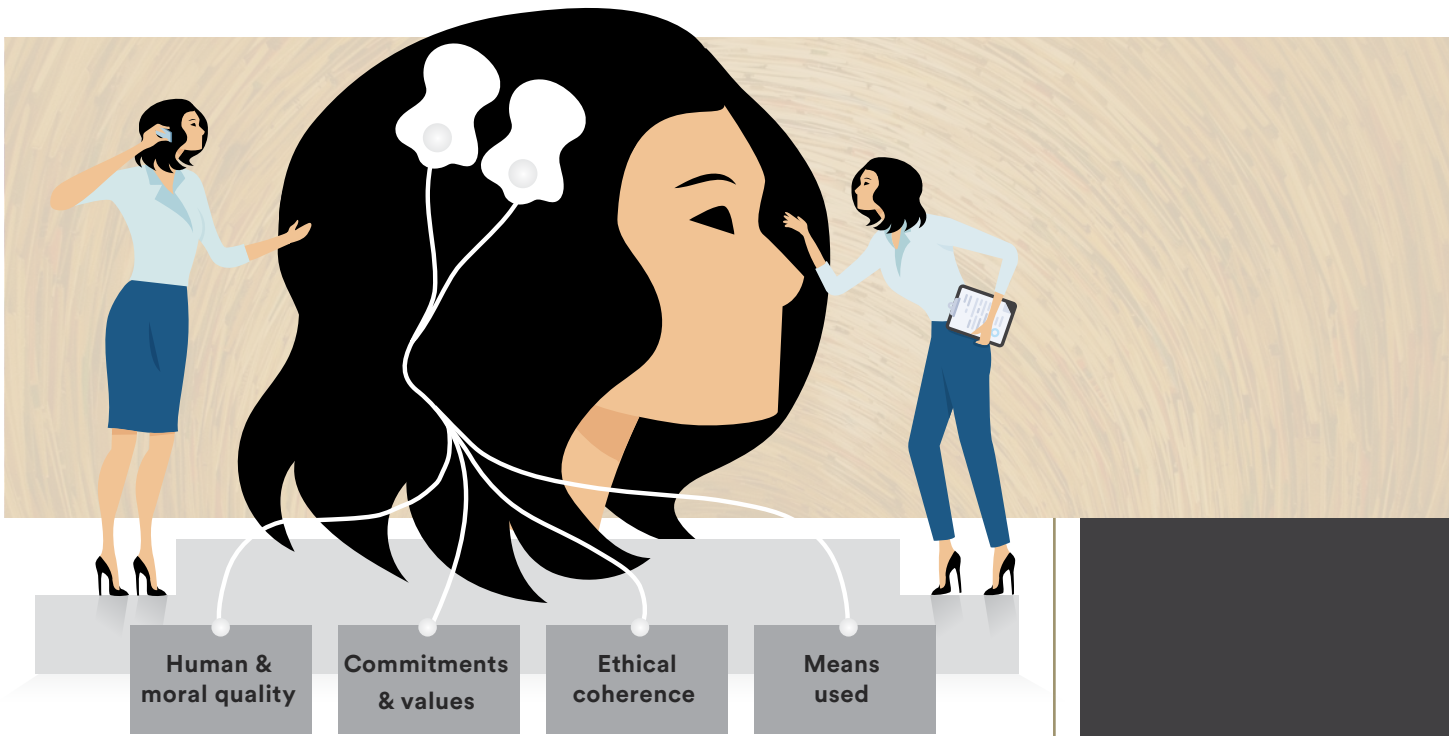


**Josep M. Lozano**

Prof. Lozano's research and teaching work has always dealt with the contribution of companies to society and the human quality of organizations.

His academic findings have been published in leading national and international journals. Author of several books on business ethics and leadership, Danone en Ultzama won the MSD Award for Business Ethics Research (2005) and his book *Ética y empresa* received the Joan Sardà Dexeus Award in 1998 for the best book on company economics.

Prof. Lozano is co-founder of the Spanish branch of the European Business Ethics Network.



“Before students or managers can embark on developing their leadership abilities they must take a look at themselves. They need to identify their inner core, or higher self, which can effectively guide them through turbulent times,” says Prof. Lozano.

“An integration of body, mind, heart and soul is an important pathway to strengthening such an inner connection. While most students find it easy to connect to their inner place of stillness and meaning, only those who train in self-reflection can develop a solid connection to their core that can resist fear, pressure and uncertainty.”

### The four components of leadership

Leaders who want to be consistent with their values should take into account these four main components:

1. Not only the leader’s competencies and skills, but also their **human and moral quality**.
2. Not only the followers’ characteristics and involvement, but also their connections, their **commitments** and their **values**.
3. Not only the formulation of the project’s aims, but also the **ethical coherence** and foundation of the project’s inherent values.
4. Not just the success in achieving the project’s purpose and objectives, but also the **means used to achieve them**.

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“Thinking about leadership and working on its development requires acting on the four levels and developing the abilities to integrate them,” says Prof. Lozano. However, a question immediately emerges about the most appropriate way to provide an education that focuses on leadership and makes this integration possible.

### **Whole leaders**

Leadership education, the author states, shouldn't be limited to training a leader: “Rather than simply training people to become leaders, the ideal would be to educate students to ensure that they become whole persons. This is based on the assumption that the ideal complete person will in the future be a competent, aware person who is capable of compassion and well educated in solidarity.”

The findings suggest that there is a need for a much more holistic management education that can enable students to make sense of the world and their place in it, preparing them to use knowledge and skills as a means to engage responsibility with the life of their times.

“We want graduates who are ready to be leaders, who show concern for society and the world, who want to put an end to global hunger and conflict, who understand the need for a fairer distribution of munificence, and who look for a way to end sexual and social discrimination,” says Prof. Lozano. “In short, we want our graduates to be leaders-to-serve.”

### **Life's purpose**

The key to understanding leadership in a turbulent world is purpose. The purpose guiding one's own life (and that of the organization) is a key element of good leadership.

“Business schools run the risk of finding themselves in the opposite camp: taking for granted that all the students arrive with their own purposes and that these cannot be questioned,” says Prof. Lozano.

The author suggests that business schools should accompany all students and explicitly help students to confront their own creation of purpose rather than merely receiving knowledge, competencies and skills.

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# Are companies ready for the economy of the future?

## How economic predictions could affect organizations and the labor market in the coming years



**Economic experts predict that the world's economy will grow by around 3.5% in the coming years. If these predictions prove correct, how will this economic growth affect organizations? Are companies prepared to face this increase in real gross domestic product (GDP)?**

ESADE faculty members Josep M. Sayeras and Ignacio Serrano have analyzed what would happen to organizations if the global economy experiences this positive prosperity. In their findings, published in *Harvard Deusto Business Review*, the experts outline the potential consequences and the impact that a GDP increase could have on organizations.

### GDP growth and technology

“The two main factors that trigger GDP growth are either an increase in employment rates or an increase in efficiency and productivity,” the authors write. “In terms of **employment rates**, the predictions for Europe are less favorable: Spain and Europe have an aging population, thanks to a decrease in mortality rates and an increase in life expectancy.”

Based on the poor employment rate predictions, the authors forecast that the second main factor that could trigger 3.5% GDP growth – **an increase in efficiency and productivity** – could be a **stronger source of economic growth** in the coming years.



**Josep M. Sayeras**

Prof. Sayeras' areas of interest include prevention, prediction, solution and handling of financial crises and, in particular, how the various configurations of institutions in different countries affect the handling of exchange rate crises.

On completing his Degree in Business Administration, Prof. Sayeras was Visiting Scholar at Columbia University, and subsequently worked as a Lecturer at the Universidad Centroamericana José Simeón Cañas in El Salvador (UCA).

Before joining ESADE in 2000, Prof. Sayeras was Project Manager in a consultancy company. Moreover, since 1993, he has been carrying out management tasks in Maspasa, SA, a family business from the textile sector devoted to the retail trade.



The study, however, offers a word of caution: “A recent report by the OECD warns that global productivity has slowed down. If we take into account the current **workforce stagnation** and poor productivity growth, the expectations for the coming years are not that positive,” warns Prof. Sayeras.

Besides the classic GDP growth triggers, the **technological advances** derived from the Fourth Industrial Revolution are another undeniable factor that will play a crucial role in future economic growth. “Technological advances along with demographic changes are contributing to an increase in prosperity thanks to **productivity improvements** and the creation of **new jobs**,” says Prof. Sayeras.

### Labor force challenges

Globalization is reshaping the dynamics of the global economy and the labor market, which is experiencing workforce mobility challenges and demanding higher flexibility.

Between 2015 and 2020, transformations linked to technological advances will create around 2 million jobs, yet they will also destroy around 7 million jobs, according to the World Economic Forum’s report *The Future of Jobs*. In 2020, over half of the job vacancies worldwide will be filled by millennials.



## Ignacio Serrano

Prof. Serrano’s areas of interest, both in his professional and in his research activity, come within the framework of the various spheres of human behavior in organizations, especially in the dynamics of labor relations and in people management processes.

In his professional activity, he has carried out teaching tasks on undergraduate programs, both at ESADE Business School and at the Law School, MBA courses, PhD program and executive training programs.

Prof. Serrano has also participated in various research groups related to his areas of interest, spheres in which he also regularly works as a business consultant and advisor.



This first digitally-native workforce will bring about **profound changes in the job market**. “Companies’ main concern will no longer be achieving breakthrough innovation models – such as Facebook or Google – but being able to recruit the best professionals and having policies in place to retain talent,” warns Prof. Serrano.

### **Social challenges**

There is no doubt that technological advances will offer numerous opportunities and improve many people’s level and quality of life. But these technological disruptions will also bring about social challenges.

“The effects in the workplace will involve a shift in the contribution of employees, who will adopt roles of substitution and complementarity,” the authors predict. “Technological innovations will facilitate an increase in productivity, which in many fields will imply a direct redundancy in the levels of human contribution we are used to.”

### **Loyalty and workforce pressure**

Organizations expect employees to be loyal and bring their best contributions to meet corporate goals. Without a doubt, the pressure employees feel when they fear their job could be temporary is one way to achieve this contribution. “This is an undesired dynamic that can have negative consequences for companies. Firms need not only an available workforce but also professionals who are highly committed,” state the authors.

A growing number of companies are using temp agencies as a way to recruit talent while reducing costs. With this type of practices, how can we expect employees to be loyal and highly committed? “There is no doubt that pressure works. However, if we want truly committed professionals, when an employee meets a company’s expectations, the firm should acknowledge this contribution by providing sufficient stability,” the researchers conclude.

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# Keys to creating a winning digital strategy

## Why your company needs a hybrid online-offline strategy to win the digital disruption battle



**Companies that focus solely on their digital strategy may get into trouble. ESADE Associate Professor Xavier Busquets and his research colleagues Josep Lluís Cano and Jaume Hugas reveal why firms need to adopt a hybrid online-offline strategy in the latest issue of *Harvard Deusto Business Review*.**

Picture yourself in front of a smart digital mirror that could not only suggest the type of clothes that look best on you but also give you access to a virtual closet filled with infinite options. If you enjoy shopping, this may sound like the ideal scenario to avoid the frustration of not finding your size or favorite color in the real world.

“In the digital era, customer relations must overcome the online-offline duality and take advantage of both strategies to make users feel unique,” says Prof. Busquets. “Companies that combine online information with physical experiences are the ones that will win the digital disruption battle.”

A recent study by Google reveals that 84% of consumers search for information online before visiting a store and 71% of buyers admit that their smartphone has become the most important device for their offline purchases. “Customers are one step ahead and are already trying to use the best of both worlds. This behavior is what we call ROBO: *research online, buy offline*.”

In their study, the authors warn that companies must implement hybrid strategies that include both the online and offline worlds if they are to offer their customers rich and unique purchasing experiences.



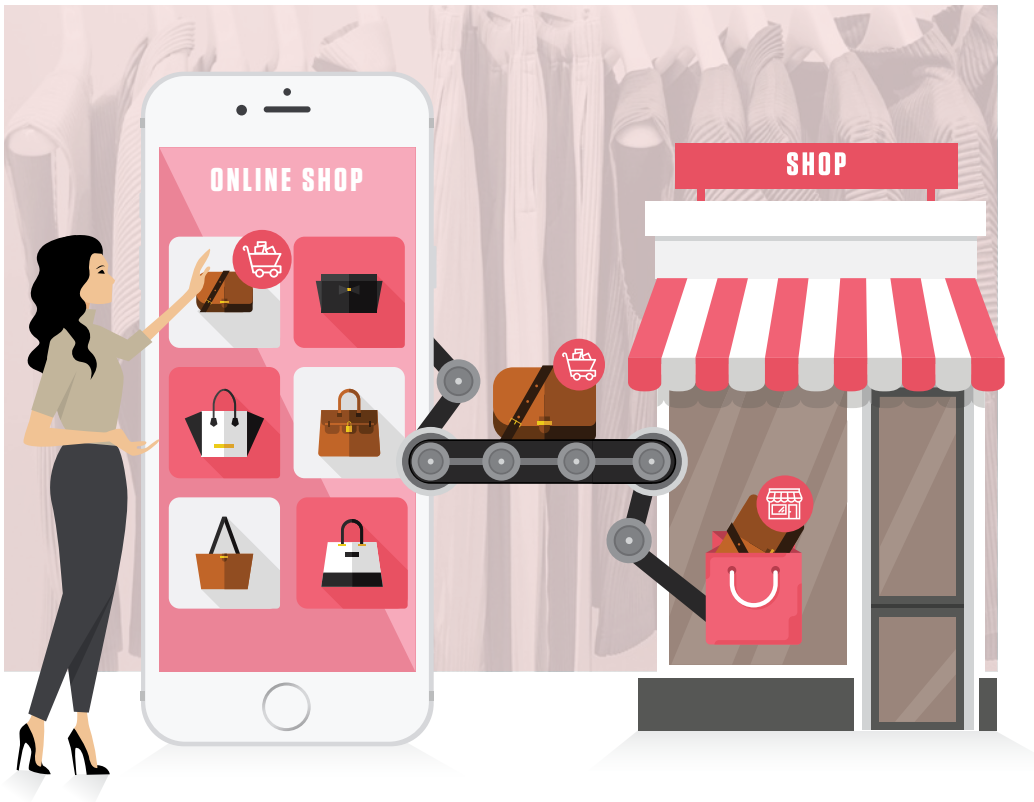
### Xavier Busquets

Prof. Busquets' teaching and research interests are in strategic and planning information systems, risk management, and executive decision-making.

Prof. Busquets is Associate Professor in the Department of Operations, Innovation and Data Sciences. He is also Program Director of the Master in Digital Business. Prof. Busquets is author of numerous academic publications, IS business cases and book chapters, including 'Customer strategy and information systems' (*Temas clave de marketing relacional*, McGraw-Hill, 2004).

Prof. Busquets joined ESADE in 2002. Previously, he had developed consulting and executive activities at Telefónica, Retevisión, Hewlett Packard and Siebel Systems. He has an extensive consulting and executive teaching experience.





### Click-and-mortar strategies

Companies that have an online presence and also sell physical products face logistical challenges such as implementing the right distribution channels, finding the right time for physical home delivery or facing the costs of failed delivery attempts. “Keeping customers happy can result in higher costs if both online and offline strategies are not met. Click-and-mortar strategies have the potential to minimize the negative impact of these logistical challenges,” state the authors.

Click-and-mortar strategies combine the virtual world (online channel) and the physical world (offline channel) by following a hybrid strategy in which consumers buy their products online and sellers use their own or third-party distribution systems for physical delivery.

A successful example of a click-and-mortar strategy was the one adopted by the Belgian company Kiala. The firm established its own “delivery points” and third-party distribution stores in cities across Europe. It also developed a powerful technology that ensured and optimized its distribution systems and the efficiency of its deliveries. This hybrid strategy was so successful that in 2012 the company was acquired by the American logistics giant UPS.



### Josep Lluís Cano

Prof. Cano’s work has always been associated to IT system project consulting, combining his academic and professional activities. He specializes in executive IT projects and strategic plans. He has written and published numerous case studies in the IT area as well as articles in scientific journals.

He has authored the book *Business Intelligence: Competing with Data*. Prof. Cano is a member of the Big Data CoE Advisory Group and track-chair for Spanish-language case studies in the North American Case Research Association (NACRA).

Prof. Cano has also served as elearning Director at ESADE where he has taught since 1989.



## Omni-channel customers

Omni-channel was invented in 2003 by the American company Best Buy when it integrated its offline and online strategies. In 2010, several other American companies started adopting this hybrid strategy (“buy online, pick up in store”) after realizing that their main competitor was no longer same-sector companies but the titan of e-commerce: Amazon.

“Today omni-channel strategies are becoming the king of modern logistics and e-commerce. The first to adopt a real omni-channel strategy in their sector will become dominant players and win the global market war,” predict the authors. “This is why e-commerce leaders such as Amazon, Alibaba and JD.com are opening physical stores and leading physical stores such as Walmart, Macy’s and Inditex are investing and buying e-commerce businesses to integrate these into their physical stores.”

## Digital transformation

For many customers, the boundaries between physical channels and digital ones have disappeared. Technology is no longer an added value; it has become a part of who they are and how they think.

“Many companies still have a lot of room to interact with their customers through both physical channels and digital ones in a symbiotic way. In this quest to develop new predictive and personalized experiences, firms are facing a heavy legacy of often obsolete systems, processes and culture,” warns Prof. Busquets.

The authors claim that implementing a hybrid online-offline strategy is the key for companies to succeed in their digital transformation and meet the expectations of consumers.



## Jaume Hugas

Prof. Hugas’ areas of interest include operations strategy, supply chain management and logistics, consumer marketing and impact of new technologies on the supply chain, among others.

He has published academic articles in several journals and is author of numerous case studies. During his extensive professional career, he has been Director of Supply Chain Management at Ralston Purina Europe; Director of Manufacturing Operations at Ralston Purina International, with responsibility for 32 European factories, as well as Corporate Director of Manufacturing and Engineering at Ralston Purina Co. for Canada, Asia-Pacific and Latin America.



## Data is the future

In the near future, a growing number of companies will see their core business shift from post-sales services to a data-driven approach based on customer interactions. Firms will need to focus their efforts on data analysis to build predictive and personalized experiences that improve the efficiency of their business models.

In this new digital scenario, reactive strategies will no longer work and experts will need to implement new strategies that involve transforming their marketing efforts into predictive tools thanks to dynamic micro-segmentation. The authors predict that, in the near future, companies will be able to access their ideal customer, with the ideal message, at the right moment, with the right offer and the right personalized price.

## Digital acceleration

Nevertheless, data isn't valuable to customers without powerful visualization tools that can help them understand it intuitively in order to support real-time decisions.

“Mixing data with predictive patterns will be among the most powerful ways for companies to support hybrid business models. The Internet of Things combined with physical sensors placed in the real world and the many possibilities of big data will be the key accelerators of digitalization in companies,” state the authors.

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# The key to managing conflicts efficiently

**Today conflicts are much more complex than ever before. How can companies learn to manage conflict efficiently in a world that has become globalized and where relationships are antagonistic and at the same time complementary?**

**The key lies in analyzing how conflict is currently managed, introducing parameters to improve the effectiveness of conflict management and ensuring that it constitutes an integrated system that places business mediation at its core as one of the most effective problem-solving tools.**

Conflict in companies can be very expensive and it can involve a long, public and arduous litigation process. Business owners that use mediation as an alternative way of resolving conflict not only save time and preserve confidentiality but also see a positive impact on the company's Balance Sheet.

“A third-party mediator helps both parties to reach final agreement. Several large studies in the US prove that companies that adopt business mediation to manage workplace conflict become more efficient,” says ESADE Professor Teresa Duplá, an expert in business mediation and author of the paper *Business Mediation and Conflict Management* published in the *IDP Journal*.

## What can we learn from American companies?

In our study, we show that American enterprises are 20 years ahead of us using alternative ways of handling and solving conflicts in companies. The latest research shows that mediation has become the commonest technique for managing conflict in the US, surpassing arbitration and negotiation. No doubt the reason for this is that, unlike arbitration (which is also more expensive), mediations are not public and they require confidentiality.



**Teresa Duplá**

Prof. Duplá joined ESADE Law School in 1994, the year it was founded. She was actively involved in the school's creation and development process from the outset.

She has held various management positions, including Undergraduate Program Director, Associate Dean, member of the Steering Board and Academic Board (Ramon Llull University) and member of the Executive Board of ESADE.

Prof. Duplá currently heads the ESADE Research Group on Conflict Management, which focuses on the implementation of projects related to conflict analysis, alternative management systems, and the creation of efficient systems and models of conflict management in companies and institutions.



### **A beneficial aspect for companies**

A plus of using business mediation in companies is that when firms use this mechanism, they can stop the public getting wind of the kind of news that could plunge the company into crisis. Mediation grants strict confidentiality, which is one of the big advantages of using this method. That is why it has grown so much in the US in recent years. Today American companies are using mediation as their main way of dealing with various kinds of conflicts.

### **Are conflict levels rising in companies?**

Companies are facing ever more conflicts — in part due to the use of social media, e-mails, hyper-connectivity and globalization in general. Relations are no longer national, they are international. Any message, any e-mail from or action by a company employee may have legal implications that the staffer is unaware of. This can all too easily spark conflict. These new business realities make this topic even thornier and more complex. The issues go beyond compliance and risks. We are talking about the need to make business conflict management more effective in general.

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### **What are the most common types of business conflicts?**

There are several kinds of business conflicts, for instance, disputes between consumers and over intellectual property rights, sales, contracts, and other work-related issues. The most common internal conflicts in companies bear on work and contractual terms. External conflicts between the company and its customers can range from contracts and agreements to environmental issues, intellectual property rights, and taxes to name but a few.

### **How can companies become more efficient in their management and resolution of conflicts?**

We should learn from American companies. In order to improve the efficiency of their conflict-management methods, American enterprises have integrated the Legal Department as a core unit in the company, and have also introduced management parameters to improve its effectiveness and actively prevent situations that could lead to conflict. Preventing conflict is the key and Artificial Intelligence (AI) can help on this score. AI can help us to better analyze conflicts and give us data-backed guidance on the type of management decisions that would be needed to solve the conflict.

### **Why would you recommend that companies use business mediation?**

There are all the usual reasons such as saving time and money. Yet I believe these are insufficient. We should also add the importance of granting confidentiality to companies (as a preventative measure to stop the conflict from reaching the public), and taking advantage of the positive impact business mediation has been shown to have on the company's Balance Sheet.

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# What is the best way for your company to contribute to disaster relief efforts?



**How do consumers react when a company contributes to natural disaster relief efforts? According to recent findings published in the *Journal of Consumer Research*, it depends mostly on the type of natural disaster.**

ESADE Associate Professor Ana Valenzuela has uncovered new evidence that shows how consumers change their evaluation of a company based on its contribution to corporate relief efforts.

## What does your research reveal?

We prove that natural disasters that could have been prevented – such as man-made fires and dam failures – cause different reactions in people compared to unavoidable disasters like earthquakes and tsunamis.

## What kind of reactions?

We observed that consumers react differently depending on whether disasters are controllable or uncontrollable. This controllability factor produces different emotions in people. When disasters can't be controlled, consumers tend to increase their levels of emotionality. We observed that there is a fit between the type of controllability in disasters and the kind of relief that consumers rate most highly. We call this the “controllability-contribution fit.”



**Ana Valenzuela**

Ana Valenzuela is an Associate Professor at ESADE and Full Professor at the Zicklin School of Business. She was a Research Fellow at the Haas School of Business, UC Berkeley for three years.

She has also served as a faculty member at INSEAD, Santa Clara University, China-Europe International Business School, Hong Kong Science and Technology University, Singapore Institute of Management, San Francisco State University, Pompeu Fabra University and Instituto de Empresa. Prof. Valenzuela has published widely in numerous leading journals.

She is a frequent keynote speaker on topics related with consumer psychology in technology-driven environments and in-store strategies and was recognized by the Marketing Science Institute in the United States as a must-read author in her field.



### How does it work?

In one of our experiments, we show an avalanche that was caused either by people doing sports in the area (man-made disaster) or by a storm (uncontrollable disaster). We show how the degree of controllability of the disaster produces different levels of emotional reactions in people. While uncontrollable disasters prompt perceptions of vulnerability and evoke stronger emotions, controllable misfortunes evoke a much lower emotional reaction. We prove that some reactions generate a better fit with certain types of contributions, which in turn cause people to improve their perception of a company's contribution to natural disasters.

### Is there a specific type of contribution that consumers like best?

We examined consumer reactions to two basic contribution types: money versus in-kind donations. When disasters are less controllable, consumers rate a company more favorably when it makes in-kind donations rather than monetary contributions. However, the pattern reverses when the company's contributions are made to CSR issues that are perceived by consumers as more controllable. In this case, consumers tend to rate a company more favorably when it makes monetary donations.

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**How did you measure the importance of controllability considerations?**

We measured the idea of “salience,” that is, concepts that are usually not very active in our brain but which are triggered at certain moments by specific events to become more active. When there’s a terrorist attack, for instance, many people start thinking about the possibility that they could have been there and died. You’re obviously not thinking that you can die all the time; it’s a thought that usually only gets activated under specific events.

Cultural factors are also involved. Certain cultures like the Chinese, for example, have the “controllability” perception very active in the brain and are more prone to fatalism, whereas others, such as the Americans, are less fatalistic.

**How did consumers react to the earthquake that struck China in 2014?**

The government and Chinese consumers were very critical about the lack of participation of international companies in the relief efforts. The natural disaster in China couldn’t have been prevented. When a natural disaster with low controllability strikes in a culture such as the Chinese where controllability is important, emotions get stronger, and that’s why consumers strongly criticized the poor involvement level of international companies in these relief efforts.

**How can companies benefit from your research results?**

Firms should take this idea of the controllability-contribution fit into account before choosing their specific involvement in natural disasters. If your company is thinking of donating for disaster relief, it should do so in a way that maximizes the fit between the type of disaster and the type of donation. This will allow the company to obtain the best consumer response.

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