

Globalisation is Dead. Long Live Globalisation!

JOSÉ (JOE) SANTOS

2017



*“ Globalisation allows us to use
the whole world for the purpose
of creating something new. ”*

IEDC

Bled School of
Management

CIP - Kataložni zapis o publikaciji
Narodna in univerzitetna knjižnica, Ljubljana

005.44

SANTOS, José (Joe)

Globalisation is Dead. Long Live Globalisation!
/ Joe Santos. – Bled : IEDC - Bled School of
Management, 2017. - (Book of the year / IEDC)

ISBN 978-961-6720-36-6

292632320

Welcome Address by Prof. Danica Purg, President of IEDC-Bled School of Management

Dear Prime Minister of the Republic of Slovenia Dr. Cerar,

Your Excellencies,

Dear Mayor of Bled,

Dear Professor Santos,

Dear guests from 18 countries (Slovenia, Albania, Austria, Bosnia and Herzegovina, Brazil, Bulgaria, China, Croatia, the Czech Republic, France, Hungary, Italy, Kosovo, Romania, Russia, Serbia, South Africa and Turkey),

Welcome to Slovenia, welcome to IEDC-Bled School of Management and to the 30th Annual Presidents' Forum.

This year, we decided to dedicate the Forum to growth, internationalisation and globalisation.

The main reason why we chose this topic is that the economy in Slovenia and in the region – after quite a long period of crisis and stagnation – is growing again with impressive indicators and we would like to hear success stories of companies that have grown far beyond national and regional level, to become international and global.

Probably, and I will now say something that everybody in the history of humankind has said: “We live in a time of great transformation.” It is just the existing context that defines what is great. I dare to make the following forecast: what we experience today is small in comparison with what will happen in the future. We live in a time when the globe has become our home, but we do not often feel comfortable with that. Our mind has become global, but physically we are still local, or the opposite: we oppose globalisation, probably in a T-shirt made in China, shoes from Italy, sandals from Indonesia and a mobile phone from Korea.

In my view, we are missing one important element in this process of globalisation: leadership. And we shall focus on this today. We need leadership with a holistic vision. Until now, leadership in globalisation, if we may call it that, has merely had a financial-economic focus. Is this new? No, business leaders in the seventies in Western Europe, who recruited so-called “guest workers” from economically less developed regions to keep their industries growing, did not take into account the social aspect of this operation either. In my view, one of the most important issues surrounding globalisation is this confused vision of

leaders. I hope that this Forum contributes to a more holistic approach to this, for our times, great transformation.

We invited Professor Joe Santos to be our keynote speaker at this year's Presidents' Forum. Prof. Santos is an Affiliated Professor of Practice in Global Management at INSEAD, in Fontainebleau, France. After leaving the leadership position of the Segafreddo group, he joined INSEAD, focusing his research and teaching on the general management of multinationals, with a particular focus on global integration and global innovation. In his recent article, he writes about the "new multinational mission" of integrating locally and adapting globally and I would also like to add to this strategy understanding and respecting the interests of all stakeholders, including the most vulnerable ones.

At the roundtable that will follow Prof. Santos's lecture, we will also hear how some of the business leaders are coping with the challenges in respect of internationalization, how they address them and which challenges in growth they see ahead of them in their business.

We have with us:

- Mr. Alessandro Bolzan, Chief Business Analyst, Hikvision Europe, Italy
- Mr. Alessandro Calligaris, President, Calligaris S.p.A., Italy
- Mr. Sandi Češko, CEO and co-founder, Studio Moderna, Slovenia
- Dr. Mark Pleško, CEO and co-founder, Cosylab, Slovenia
- Mr. Pavel Popov, COO&CFO, United Rocket Space Corporation, Russia

Dear guests, before I give the floor to the Prime Minister, I have another pleasant task – to announce this year's winners of the Generali Alumni Achievement Award. We give this award for the seventh consecutive year to those Alumni who "personify outstanding individual career achievements, leadership, service to the community and also for their contribution to the development of the school". This year, these are:

- Blaž Brodnjak, CEO, NLB, Slovenia, EMBA 2009
- Danko Jevtović, Partner & CEO, Jugodata ltd, Serbia, EMBA 2011
- Songezo Mabece, Government Procurement Law Candidate & Guest lecturer, George Washington University USA, South Africa, GMP 2013
- Zoltan Pilecki, Managing Director Studio Moderna Romania, Romania, EMBA 2002
- Tomislav Čorak, Principal, The Boston Consulting Group, Croatia, EMBA 2003

They received the awards at a special alumni event in Ljubljana! I kindly ask you to give them a well-deserved round of applause!

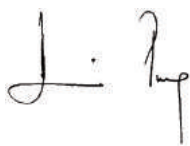
Every year our school hosts participants from all over the world. So far we have had managers from more than 90 countries studying at our school. What may surprise you is that the greatest number come from neighbouring Austria, Russia, Croatia and more recently Switzerland, which makes our school the most international management school in Central and Eastern Europe.

We recently celebrated our 31st anniversary and we have set up an exhibition around the school highlighting the names of our Alumni, the milestones of the school's development and providing information on the Supervisory and Advisory Board members.

I am also very grateful to the sponsors of today's event. The Alumni Achievement Award is called the Generali Alumni Achievement Award because of the continuous support of Generali; and today's sponsors are Drava Trading, Pošta Slovenije, Vinska klet Goriška brda, and the Delo newspaper as media sponsor. Thank you very much!

I hope you all enjoy the occasion!

Dear Dr. Cerar, the floor is yours!



Prof. Danica Purg

President

Opening Address by Dr. Miro Cerar, Prime Minister of the Republic of Slovenia

*Dear Professor Danica Purg,
Distinguished guests,
Ladies and gentlemen,*

We live in a global world. Even though we can say that globalisation is mainly an economic process with enormous economic impact, we cannot ignore the huge social and cultural challenges it presents.

The economic arguments in favour of a unified global market are now well established to a great extent. Markets featuring the free flow of labour and capital, in general, grow faster and offer higher wages and better working conditions. This results in convergence in terms of per capita income, resulting in a reduction in global income inequalities. On the other hand, the economic risks and social uncertainties of globalisation should not be ignored.

Slovenia is not a big country, nor should we say that it is small. In many ways we could say that its size is just right – and that is our strategic advantage. Given our geo-strategic position, businesses have exploited this advantage: some innovative and visionary Slovenian companies have succeeded by targeting certain niche markets and are living proof that obstacles can be turned into opportunities. For example, in the field of tourism, Slovenia is focusing on boutique tourism. We offer unique experiences for small groups, because we believe that authenticity will succeed in the competitive globalised world. We strive to set trends. Not follow them.

In the context of globalisation, we have to talk about internationalisation and global value chains. The acceleration of integration into global value chains offers opportunities for faster breakthroughs in the field of productivity and development. By participating in global value chains companies can improve efficiency through their own innovative activities, reduce costs and transfer technologies and knowledge.

Our economy is an open economy with an above average share of foreign trade in GDP and boasts a high level of inclusion in global value chains in terms of trade in intermediate products. Our industries need to adapt in order to be globally successful and move up the value chains. This is only possible with products and services with higher added value, specialisation of production, innovativeness and more effective marketing of products and services.

As such, Slovenia is a green reference country in Digital Europe in fields such

as big data analytics, artificial intelligence and blockchain technologies. We are enhancing cooperation between the Government, the business sector, science, and civil society. Our goal is to improve business opportunities and increase the living standard of Slovenian citizens through opportunities brought about by digital transformation and globalisation.

In the globalisation process, foreign direct investment plays an important role. Such investment upgrades traditional international exchange and positively influences the deep and long-term connections between individual economies. Foreign investments are also one of the key factors in economic stability and growth.

There have been positive trends regarding the inflow of foreign direct investment to Slovenia - almost EUR 13 billion in 2016. The relevant survey indicates a continuation of favourable trends in 2017 also. As many as 38% of companies with foreign capital in Slovenia that disclosed their investment plans are planning to expand in Slovenia during 2017.

An important way to take advantage of the opportunities offered by globalisation is to provide a stable business environment and openness to investment. Our Government intends to ensure even better investment support for local and foreign companies through the new Act on Investment Incentives. Its objective is to attract investors that recognise Slovenia as an ideal location for sustainable investment and therefore contribute to the economic development of the country.

More than ever, in this globalised world I strongly believe that our most valuable capital, besides our geostrategic position and infrastructure, is people. One of the latest rankings of the World Economic Forum placed Slovenia in 9th place out of 130 analysed countries in terms of global human capital potential in 2017. My Government is betting on Slovenian knowledge, innovation and learning.

Slovenia's focus is on education, training, and industry-driven research to support what it offers to the high technology sector and other high value-added sectors such as IT, pharmaceuticals and life sciences. Our workforce boasts a strong reputation as regards having a flair for technology and innovation, thanks to the successful combination of Slovenia's long industrial tradition and high quality formal schooling.

Our economy demonstrates every day that we can compete effectively. The size of our country in the global world is by no means a disadvantage. It allows us to be flexible and to enter niche markets. The globalisation and development of information technology have reduced distances and made the transfer of new knowledge easier. This has opened up new opportunities for Slovenian

companies even in more distant markets.

To conclude, we need to ensure that we address all the potential traps that globalisation may pose. In my view, the most important aspects of globalisation are quality of life, personal freedom and everyday safety. Therefore, we must ensure that more trade, better knowledge and new technologies have a positive effect on the environment, employment, personal activity and general health.

The full potential of globalisation can only be realised when it is sustainable and inclusive. I am convinced that a critical yet action-oriented attitude towards globalisation expands business opportunities. However, a winner-takes-all mentality is not the way to achieve it. This can only be brought about through cooperation to secure a high quality of life and the well-being of all, for both current and future generations.

Ladies and gentlemen, I wish you all an enjoyable event, here at IEDC, and a lively and inspiring discussion.

—

GLOBALISATION IS DEAD. LONG LIVE GLOBALISATION!¹

Prof. José (Joe) Santos, INSEAD, France

It is a pleasure to contribute to this Presidents Forum by presenting my ongoing research on the impact of globalisation on companies and management. As a management scholar, my research is not about countries, or governments, or industries. I leave that to economists, sociologists, and political scientists. When I speak about globalisation, I do that from the viewpoint of managers – driven by the crucial relevance of understanding the environment in which companies operate and how such environment generates new challenges and opportunities for leadership.

My key proposition is signified by the expression used as a title for this presentation and a forthcoming work of mine. Globalisation is evolving from the one where differences were the essence to the one where composition is the essence. The “old” globalisation thrived on flows across countries. The “new” globalisation highlights the systemic nature of our world. **The world has transformed in a way that not only offers us the possibility of selling to the world and producing in the world, but also of creating from the world.**

I have been fortunate enough to actively observe the transformation of the world over the last four decades. I have been researching and teaching international management since 1995, centred at INSEAD. Before that, I was a practitioner in international business and an international manager. In those days, we were still moving towards a single market in Europe, let alone a global market.

As a “global world” emerges, our ability to describe it becomes an issue. The very expression “global” becomes ambiguous and potentially misleading. What it meant in the eighties and what it means now is not the same – but many still use it as the same.

¹ This text is an edited transcript of Prof. Joe Santos’ presentation in the IEDC Annual Presidents Forum in Bled, November 15, 2017.

The cover of a recent World Bank report features a sinking cargo ship and its title is an alarming “globalisation backlash”: International trade has stopped growing and shows signs of shrinking. The Economist describes “the retreat of the global company”. And we all know about Brexit or about what is going on in Catalonia right now. To that adds the evidence of a growing separatism and signs of national protectionism, symbolised by the infamous “wall” between the US and Mexico in “the age of Trump”.

Are these recent movements a sign of a failing globalisation or local reactions to a successful one? Do they indicate that globalisation is going backwards or that it is evolving? True, a particular type of globalisation is losing ground: the kind of globalisation that we experienced since the late seventies and which we measure in terms of international trade and foreign direct investment. Meanwhile, a different form of globalisation has emerged. It is much more fascinating and much more powerful than the previous version. I argue that globalisation is beyond the tipping point and that we are already living in an emerging global world. Only a major, worldwide upheaval can turn the clock back.

The past four decades saw globalisation evolve over three cumulative phases. The first phase started in the late seventies, as borders were gradually removed to facilitate international flows, namely the trade of goods and services. It is the phase “The World is a Market”, a worldwide reach and scale became key to higher performance – particularly in R&D and in capital-intensive industries.

As I teach young students now, I find it hard to explain to them how international business was odd when nations were separated. For example, we expanded a factory in Austria in 1986, although it was just a few hours away from a factory in Italy that had enough excess capacity. It is strange to recall that there was a closed border between Italy and Austria three decades ago and that large customs duties were levied for goods that crossed that border. This is why globalisation is measured in international flows. These flows are the proxy for a world where nations are together. Separated national markets become one worldwide market. Companies could and should sell the same product everywhere. McDonald’s and CNN were classic examples then. **This single-market-single-product prescription turned out to be a mistake – now McDonald’s has different menus everywhere; CNN has different editions in different languages. But still today many managers think that going global means selling the same product everywhere.**

Thus began the dysfunctional confusion between local-global and particular-universal. Everything in the concrete world is local, somewhere.

No artefact or person is global. We may imagine a global world, we can infer its properties, but we can't see it or touch it. Now, of all the things around us, some are universal – they can be found everywhere. A chair is a chair, a shirt is a shirt, a PC is a PC, a lecture is a lecture, here and in many other places. Human nature is universal. Slovenians are particular. So is Bled. The lake outside is particular and so is the beautiful island in the middle of it. Multinational companies will always face the question what to keep universal and what to let be particular – not what is global and what is local. Global and local are two different levels of the environment of the company, and that is a very different story.

There are many classic examples of global businesses, old and new: The Ford Mondeo and Uber; CNN and Netflix; IKEA and Alibaba. Alibaba, for example, is trying to make the 11/11 into e-commerce day. Just in China, they sold 25 billion US dollars' worth of goods on that day alone. Alibaba is aiming to expand this business idea worldwide by enacting one day when we will all buy in a huge "Internet fair". I wonder if Jack Ma knows that the Portuguese have named the days of the week as a sequence of markets, not the sequence of days – e.g., Monday is "segunda-feira" (the second market); Tuesday is the "third market", and so on. If he knew, perhaps he would base Alibaba's world head office there. Traditions are particular indeed!

Digital technologies made the world more of a marketplace. Crowd-funding and YouTube are such examples. I wonder if you have heard of Felix Kjellberg. He is a young Swede. His business, simply put, was to record videos of him playing and commenting video games and post them on YouTube. He has 57 million subscribers across the world. His annual income is in the millions of Euros. This means that you can be home alone, with a camera, and have a successful global business.

From "The World is a Market" came the development of global supply chains, readily visible in the nineties – i.e., "the World is a Factory". First in relatively simple products, such as apparel, then in sophisticated ones, such as commercial aircraft. We had never seen that before. Now, almost every industry has a global supply chain and some half of the world trade occurs within multinational companies. This outcome followed David Ricardo's two-centuries old insight of comparative advantage that with free trade came local specialisation; each country produces certain things, no country produces everything. Ultimately, someone has to integrate these different "things". Global integration is the hallmark of "made in the world".

Many of you have an iPhone. If you look at the back of it, you will read that it was designed in California, and assembled in China, not "made in"

China. Indeed, most of the hardware components come from other countries, such as Japan, Germany, or South Korea. The iPhone is made in the world. Several multinational companies allocated some functions to specific countries (e.g., “centres of excellence”). This constitutes specialization by activity rather than industry. For example, already one decade ago, IBM in Japan did not employ anyone to perform a number of administrative functions: procurement was done from Shenzhen; personnel administration in Manila; accounting in Kuala Lumpur, and so on. The rise of virtual organisation across borders is indicative of how deep a local specialization can become.

By the turn of the century we had the world as place to sell and a place to produce. Then, a new phase became clearer: **“The World is a Garage”**. Here I use the American metaphor of “garage” for starting a new enterprise, inspired by the likes of HP and Apple. I might say “The World is a R&D Lab”, but the metaphor would be limiting. What I mean is that the world became a place of creation. **Globalisation started with trade, continued with production, and has now reached a stage where the focus is on creation.**

This is the most exciting and challenging opportunity that globalisation has offered to us. Since 1996, I was looking at this new phenomenon with two colleagues in INSEAD. **We found a handful of multinationals that became leaders in their industries despite the fact that they were “born in the wrong place”**. These companies were able to develop what we called a “metanational advantage”, where their original home base gave them none. Such advantage came from “global innovations” – from new combinations of knowledge that existed in dispersed places around the world. Acer, Airbus, PolyGram, STMicroelectronics, and Wipro were examples in our work published in 2001. Later, in 2005, I found out a Brazilian company AmBev that had leveraged the world to create a novel management model and gain a competitive advantage at home. **We have found that the more remarkable examples of companies benefiting from “The World is a Garage” come from the so-called “emergent markets”, such as Brazil, China, and India.**

Xiaomi is a Chinese company that makes smartphones. Four years after launching their first model, it became a market leader in the largest market in the world, despite the presence of multinational companies, namely, Apple and Samsung, and larger local companies Huawei, and Lenovo. How could this be? By studying the company, we discovered that it had an innovative business model. Sure, it had some similarities with Apple (say, minimalist design and a charismatic leader presenting new

products in blue jeans and black t-shirt). Its phones were Android based, just like Samsung and other local makers. But what was new to the world was Xiaomi's business model. It designed its phones in collaboration with the leading technology suppliers, including the assembly from the US, Japan, Korea, and Taiwan – the same that supply Apple or Samsung. It advertised them only on social media and sold them exclusively on the Internet, in an innovative way. E-commerce was an American invention, of course. Amazon was the first company to approach its customers in that way. Other companies followed, but no one had done it with phones the way Xiaomi did.

Xiaomi developed its user interface and all its apps by Chinese for Chinese. It nurtured a large group of “fans” who were the major source of continuous feedback and new ideas about the apps. Xiaomi updated its smartphone software weekly. The Chinese can do everything on a phone, no need to buy a tablet or a laptop, let alone a desktop. This is in line with Xiaomi's first founder, Lei Jun, an experienced software developer, who one decade ago saw that the future of Internet was mobile.

Lei Jun is an example of an entrepreneur who brings together technologies and practices from different parts of the world and combines them in a new way. He used the whole world, rather than just his own country, to create something. The founding team of Xiaomi were all Chinese. Yet, we find something interesting in their biographies. First, they were not twenty-something years old, but rather experienced managers with ten to twenty-year careers. Several of them had been trained in the US and had worked for many years in companies such as Motorola, Google, and Microsoft. When these managers started Xiaomi, they brought not only their worldly technical and business experience in technology, mobile phones, and applications, but also their international network of contacts - the critical foreign suppliers of technology that they could call and eventually persuade to collaborate with an unknown Chinese start-up.

Globalisation provides to all of us an opportunity to sell to the whole world as well as to buy different things in different places. It also enables us to make things in different places by taking advantage of international specialization as some countries are good at some things and not so good at others. **But globalisation allows us to use the world for the purpose of creating something new. It is this latest stage that has the most dramatic impact on business, let alone society.**

The crux of globalisation has always been the sharing of information and ideas across the world. The growth of global trade and global supply

have been important and valuable symptoms. But now we can do much more than sharing information and ideas across borders. We can combine them to create new products, new processes, or new business models. This is the age of global innovation, defined as innovation from the world. The world became the ultimate locus to invent ... the future of the world.

I now want to spend a few minutes talking about situated sources of world-class knowledge and global innovation, because this facet of globalisation is much less covered. We need to distinguish between “local innovation” and “global innovation”. Any innovation is the outcome of a new combination of existing knowledge. The elements of knowledge that are combined anew consist of technical knowledge, business/market knowledge, and user knowledge. When all such elements of knowledge exist locally, the outcome is a “local innovation”. When they are scattered around the world, it is a “global innovation”. **In the past, only multinational companies had access to dispersed knowledge around the world. But now, any company or entrepreneur can hold information and ideas from anywhere.** [Note that unlike information and ideas, knowledge may be messy (tacit) and sticky (context-specific) and very hard to move and melt with other knowledge. This implies that the process of global innovation, unlike local innovation, must be managed.].

Today, the vast majority of innovations are still local innovations. The creators are locals using local technologies, local markets, and local users to create something new in business. But if local elements of knowledge are not world-class, the likelihood of a local innovation competing successfully with a foreign innovation is small. And if some required knowledge is not available even locally, local innovations are not even feasible there. This was the case in many industries in the “third world” countries. Not anymore – thanks to globalisation.

The Brazilian company Embraer is an example. You may have flown in one of their planes, regional jets, without noticing that Embraer is a company from Brazil. Interesting, no visible reference to Brazil is displayed. Brazil is not the first country that would come to our mind as leading the world of commercial aircraft. But Embraer is such a leader. However, Embraer is from Brazil but it is not of Brazil. It created its successful “145” family of regional jets by bringing together engineers from pre-selected world-class suppliers from around the world, putting them together with its own engineers in a huge room in its headquarters in Sao José dos Campos, near Sao Paulo. Embraer did not even consider selling the plane to airlines in Brazil. The leading users for the “145” were regional airlines in the US, and the company had its own team in the US to work with airlines. Embraer

assembled the plane in Brazil and worked with the pre-selected suppliers in an innovative risk-sharing business model. The 145 became a success. Thus, an Embraer is “from Brazil”, but it is not “of Brazil”. Geography is no longer a destiny.

Another remarkable Brazilian company is AmBev, the first case where I observed global innovation for local performance. You have probably never heard of it. AmBev was created in 1989 by three founding shareholders. I carefully studied what this company did in the 1990s, part will and part serendipity. They ultimately put together a new management model, an “AmBev way”, combining practices from different industries (retailing, soft drinks, beer, financial services, automotive) and different countries (US, Japan, Brazil). That particular mix is unique and no company has been able to copy it. For example, as far as I can tell, AmBev was the first company to fully apply and adapt the celebrated “Toyota Production System” to distribution and sales – of beer, in Brazil! It might not be a surprise now to learn that the headquarters of ABI is distributed between Leuven and New York (and, de facto, Sao Paulo) and that the CEO of ABI is Brazilian, the CFO is Brazilian, the Chief People Officer is Brazilian – and so are the majority of the members of ABI’s leadership team. Now, they are not in such positions because they are Brazilian, but because they come from AmBev – and AmBev is from Brazil, but not of Brazil.

Many companies developed novel practices to prospect and access knowledge from abroad. For example, AAC Technology is a Chinese company, a leader in the miniature acoustic components used in smartphones and other portable devices. The company originated in Shenzhen. Though its several production sites are in China and Vietnam, it has 14 R&D centres around the world, employing over 4,000 people (10% of its workforce). A major R&D lab is in Singapore, and other labs are in China, Denmark, Finland, Japan and Korea. AAC Technology acquired a number of small, specialist companies in these countries, all of which had specific technologies. Those companies were not bought for their customers but for their capabilities. Peter Williamson, co-author of my book, has been studying Chinese companies for decades. He has observed this noteworthy practice of buying companies abroad for their knowledge, leaving their management in place so that they continue to run the company in the same way. Then, there is a managed process of interaction: managers and engineers visit each other regularly and share information, ideas, and practices.

Another example is Geely, the Chinese car maker that bought ailing Volvo, and has established the CEVT (for China Euro Vehicle Technology) centre in Gothenburg, with 2,000 people, aiming at designing future cars.

Recently, the Prime Minister of Sweden and the Mayor of Gothenburg visited Geely in Hangzhou to sign the company's intent to develop a 70,000-sq. meter innovation centre in the heart of Gothenburg's Science Park.

This is globalisation evolving, not going backwards. It has implications for companies which are aspiring to "go global". Internationalization today is not the same as internationalization a couple of decades ago. We live in an emerging global world, and that makes all the difference.

I will use Lego bricks to describe what has been in the making. Imagine that each country is a Lego brick. They were all separated. After the Second World War, countries started to come together and build international institutions, such as the United Nations and the World Bank, and later the WTO. This process connected the bricks, more and more. The anticipation was that in due course, all those bricks would become the same, one human nature in one big "nation". That did not happen, and will not happen.

The bricks, as they got closer together, formed an international world. And the world grew and improved. But as the process evolved, the set of bricks did not become a one-colour plane, it became a Lego house. The process was not a linear process of agglomeration, but rather a complex, emerging process. Instead of ending with an international world that would still exist at the same level of countries, we see the creation of a different system, a house. What I mean by this is that the Lego bricks are not connected, they are also interdependent. The bricks of the roof need the bricks of the wall. And the bricks differ from each other not only in size and colour but also in function. A "global world" is not a homogeneous world, but one that represents a totality. That is the emergent world order. A house is being built, and it already looks like a house. This is an opportune time for managers to be curious about the system theory, complexity, dynamics, and emergence. What is happening around us can be effectively understood with such a toolkit. Linear thinking and equilibrium theories are not very helpful to make sense of our world today.

Emergence is not growth. Emergence is a formation. It is the appearance of a property of a system that the system's parts do not have. Bricks do not have the property of being a house. But when you assemble them, they form one. That is what makes such a system so different from the parts. We are made of our body cells; such cells do not have emotions, but we do – emotions are a human emergence. As Canada geese fly, they maintain a V formation. That V is an emerging property. The geese do not know that they fly in a V, but we do – and they save energy that way, while facilitating communication and coordination. Before the first plane took to the sky,

we did not know that things that do not fly could be put together and ... fly. Emerging properties cannot be predicted. Italy has been a nation since the late 19th century although it had existed as a geographic entity for centuries before that. It took a long time for Italy to emerge. That is more or less what is happening in the world today. We are slowly evolving into a global world. By the way, one can see and touch Rome, Venice, and Florence. But one cannot actually see and touch Italy. Italy is an emerging property of all of its cities and regions together as Italy.

The emerging global world is similar. We cannot see it or touch it, but it is “out there”. The world has connected itself. **What connects the different parts of the world is the flow of goods, services, money, people, and data. The flow of goods may have slowed down but the flow of data shows continued exponential growth.** International trade may be shrinking, but the exchange of ideas across borders is growing like never before. The development of digital technologies enables us to exchange information and ideas in an unprecedented rate and with unprecedented ease. For the first time since we spread out all over our planet, we are all living in the same time.

Science also connects the world. Looking into academic publications in the world since 1900, researchers counted how many publications were authored by scholars of different countries, each deeming a link across borders. In the first decades of the 20th century, there were no links as science was predominantly local. Over the first fifteen years of this century, many papers in most disciplines have authors from different parts of the world and the links are clearly visible in the a world map. This means that scientists are also contributing to the interconnectedness of our world.

The world is now interdependent economically, socially, and politically. In 2011, the International Monetary Fund calculated that a one-percent fall in the gross domestic product of the United States has an instantaneous effect on the gross domestic product of other countries. And there is little they can do about it. The opposite effect is also true. Once the gross domestic product of an economy changes, it will impact the change of gross domestic product of other countries and the whole world. There is also a social interdependence. Recently, some Goldman Sachs trader bought some Venezuelan bonds. The next day, there were people shouting outside the company’s main building. Goldman Sachs was denounced for doing trade with dictators, though the company’s top executives had no clue what was going on. Yet, the world had learned about that transaction, and some people were noticeably annoyed.

Technology has united us, too. We have been drawn closer together owing to modern means of transportation, from container ships to airplanes. Digital technologies and the Internet connected individuals all over the world like never before, nailing globalisation. But we must not forget the role of soft inter-connecting means. Universities, such as Cambridge or MIT, let alone business schools such as INSEAD and IEDC, have united people from different countries by providing them with a common view, a common language, and a common base for friendship. There are also thousands of people across the world who are connected because they work or worked for the traditional multinationals, such as Unilever, Nestlé, Siemens, GM, IBM, and so on.

So, we have an intangible, emerging global world. The bricks make up the house, but we cannot see the house. We will never see a global world but we will all be part of it. That is the beauty of it. What unites us now is not a single place but the moment we share. We are all connected to everybody by the same time. We realize that we are together in the same world, one world – for better or for worse.

Time is becoming the essence. This is happening in two ways. First, we all live in the same time and we know it. This means that an event or an idea generated in one particular place will become known across the world (almost) instantaneously. Yet, as the interconnected world emerges, time also matters because the world is transforming. The globalising world is impacting on every country (i.e., “downward causation”). In an international world, an individual country would impact other individual countries. But in a global world, the whole world impacts each country (“downward causation”) and each country impacts the whole world (“upwards causation”). Many people still see globalisation as a simple, linear, and reversible connection of economies. But it is not linear. And it is irreversible. It is very complex, too. And what matters is not the unity of place but the unity of time. Importantly, it is a “global world”, not a “global market”.

The global world is not only interdependent and synchronous, but also uncertain. Highly uncertain, because it is emerging. Nobody knows what the global world will look like. The process is likely to take many decades. However, we can discern some properties of the world that countries do not have. The world possesses all the available world-class knowledge, but no single country has it, United States included. Knowledge is dispersed throughout the world and the more the world globalises, the more dispersed knowledge will be. Another property of the world is that international specialization is going to deepen. We can no longer speak of national industries or national products: a country can be relatively superior in

some fields and activities, but not in all. Finally, the globalised world fosters local emergence. The emergence that we have seen in countless countries (the BRIC and many more) is an effect of a global emergence. The digital world is also a part of the emergence of the global world.

The global world highlights differences between countries and within countries. The more the world globalises, the more we notice that we are different – and the more the local matters! One of the reasons is that we are in the same time. That is why we notice the differences in a dramatic way. In the past, it took us a long time to see them, if we ever did. We now have global ecosystems, whereas local clusters will be a thing of the past. Clusters still exist, but they are a part of the globalisation that is dying.

The globalised world binds us together in time and it increases objective uncertainty. One of the critical features of our current world is that uncertainty is at a peak. I see anxious people in many places. They are nervous about tomorrow. This is an indication of poor leadership. If you want to measure the quality of leadership in your company, measure the anxiety of your employees. If they tell you that they are worried about tomorrow, take that as a very important wake-up call. Leaders must absorb the anxiety of the people they lead. That is one of the functions of management: to cope with uncertainty. If you are a leader, you should be able to absorb the anxiety of your employees, so that they can relax and do their jobs instead of worrying about tomorrow.

For people in Brazil, China, and Russia, the emergence of the new world is no big news as they have been a part of emerging societies themselves. This is a non-linear transformation, going back and forth, left and right, up and down. This is precisely because it is emerging.

What are some of the leadership challenges in the globalising world? The challenges of the past of adapting to what is particular of a foreign place, or integrating activities performed in different countries are still there. But there are new challenges, as well. The most interesting one was the subject of our latest published research. **It is the recognition that the more global the world is, the greater the significance of local matters.** We came up with the term “local integration”. This is a huge challenge for incumbent multinationals from the “developed world”. I will briefly describe such a challenge.

We found solid evidence that in many “emerging markets”, such as the BRIC, and in product categories where governments usually do not interfere, local companies were winning the game against the multinationals. Take ice cream as an example. Leading companies in that market

in China are local companies, despite the fact that Unilever and Nestlé, which dominate the ice cream market in the Western world, have been in China for many years. The same is true of laundry detergent: Chinese companies lead this market in China. Chinese companies also dominate the electric appliances market, where foreign multinationals leading elsewhere have tiny market shares. We were curious about the Internet retailing. It is a new business, clearly a local innovation by American companies like amazon.com and ebay.com. But what we found out is that the number one in e-commerce in China is Chinese (despite the fact that amazon.com and ebay.com were there for long). The same holds true in Brazil, India, and Russia – and in Argentina, Poland, and Japan, as well. Amazon is the leading player in the United States and in a few other Western countries. What is remarkable is that Alibaba is not only the larger e-commerce company, it is also in the leading market: experts say that the future of e-commerce is being shaped by China. The United States will have to catch up. That is what the increased dispersion of the world-class knowledge means.

Another example is Natura. This is a Brazilian company that grew in the nineties and later became the leader in cosmetics in Brazil, despite the fact that all major multinationals that lead the world of cosmetics have been locally present in Brazil for decades.

All this evidence requires an explanation. **We identified three reasons why local companies have won in emerging markets against the leading multinationals. The first reason is that those local companies were able to leverage the world at home.** They bought components and services in global markets. They hired global talent, be it Italian designers or German engineers, as well as experienced, cosmopolitan managers. They acquired companies and formed partnerships abroad to access knowledge that they lacked at home. In the old international world, only multinationals were capable of doing this. But now, in a global one, that is no longer true. The traditional advantage edge of the multinationals is gone.

An additional source of a local advantage is what we call the double “home team” advantage, which makes a local adaptation a second-best strategy. In an emerging economy, you need to adapt swiftly to frequent and unexpected changes. That is what emerging is about. If you are managing a local subsidiary of a multinational and you see that the market has drastically changed, you are likely to call headquarters and tell them what is going on. By the time they give you the green light to change, the market has moved on. And you will always be late. But there is more and harder news.

The most significant “home team” advantage which we observe was that the leading local companies actively participated in the transformation of their countries. They participated in the emergence by using resources to shape and develop their country, rather than being there just to exploit it. **This is what we call the “local integration”. You are so much part of the scene, that you change with the scene and you change the scene.** Some multinationals have tried to integrate locally, with success. An example is Novo Nordisk, the Danish company that leads the insulin market in China. Novo Nordisk has been in China for long, but what is relevant is that it has substantially invested there in training doctors, educating patients, assisting the government in the regulatory role, and building local production and local R&D capabilities. In this way, Novo Nordisk has contributed to change China for the better. It seems that local markets somehow recognise this role and return in brand preference – at least for a while.

“Local integration” is a serious challenge to the orthodoxy of incumbent multinationals. The role of HQ becomes problematic. Our projection is that many multinationals will not be able to cope with it. General Electric has not been successful in many places. Their outgoing chairman and CEO, Jeff Immelt, wrote last year: “The days of cycling global ideas through central headquarters is over. Globalisation requires pushing capabilities to local teams who are empowered to take risks without second guessing.” Yes, but traditional “localisation” does not suffice. There are more challenges. One was duly described by Jeff Immelt, too: “A good global leader has an appreciation for how people do their work in a local culture. They try to make a team’s work meaningful to their country”.

Easier said than done. This is especially difficult for the CEO and the headquarters team. Jeff Immelt wrote in the GE’s 2008 annual report: “I have also learned something about my country. I run a global company, but I am a citizen of the U.S. [...] We must discover new technologies and develop a productive manufacturing base. Our trade deficit is a sign of a real weakness and we must reduce our debt to the world. GE will always invest to win globally, but this should include a preeminent position in a strong U.S.”

Suppose you are a local GE manager in 2008 and you learn that your global CEO explicitly affirmed his US citizenship and stated that the US will always be at the centre of GE. How would you feel? That you are working for GE? For your country? Or for the US? This is an elephant-in-the-room of many multinationals.

20 .
•

Internationalization today is not the same as in the past. If you want to internationalize today, consider starting from the world, not for the world. Consider being part of a global ecosystem, not of a local cluster. These are elements of what “international” means today. It is the quality of your company’s management that will dictate your success, not your home country’s economy. If you become a multinational, place global integration at the force. Global integration requires acting as a unity, not a multiplicity. It requires active local units abroad, not drones, and local performance as a means, not as an end. The end is non-linear global performance. Global integration requires integrating managerial work: managing together across the world. Digital technologies are facilitating this endeavour, but mutual knowledge and mutual trust will always be the essence of managing-at-a-distance. In a global world, the role of management will only increase. Management with capital M. What I mean to say is that **general managers in any company in an emerging global world, local companies included, must be able to perform their leadership function (for uncertainty), their entrepreneurial function (for innovation), and their stewardship function (for efficiency)**. Global innovation does not happen without management. Global integration does not happen without management. Global ecosystems do not happen without management. And global adaptation, transforming the company as the world transforms, probably the hardest task of them all for incumbents, cannot happen without management.

What limits the future of a company? In the past it was its size. Today, it is its ability to use the whole world for its development, while bringing benefits to the country where it operates. Hence the relevance of management, not of business. Therefore, I am delighted to be at IEDC-Bled School of Management, not the Bled Business School. A detail that means a great deal to me.

I am developing a theory of general management, something that is oddly missing. This is my passion at the moment. Studying multinational enterprises in our globalising world took me there. The three functions above are hints of it. I can only hope that I will be invited again, a decade or so from now, to address you again and talk about my theory. If I do so, it will surely be a good sign for me.

Thank you.

—

ROUND TABLE WITH BUSINESS LEADERS

DR. MARK PLEŠKO, CEO and co-founder, Cosylab Inc. Slovenia

I graduated in nuclear physics and worked in science for 20 years. Then, I studied management. At first, I thought that I would not be good in this area but then I realized that management is about common sense. A little later, I decided to set up my own company with some of my students. We did that in 2001. My first clients were my former colleagues. My view is that an entrepreneur is a person who has been busy in a particular field for 10 or 20 years and understands the market and the business. You also need to realize that there is a need that nobody has addressed. That there is an opportunity to be seized. There are examples of 20-year-olds who have started Internet companies but, in fact, had 10 years of experience in the field already because they started using social media as kids and played a lot of computer games.

We specialize in a very small niche in the production of nuclear accelerators. We write complex software for scientific experiments. The other half of our business consists of using nuclear accelerators to treat cancer. You must have heard of radiotherapy. There is an even better approach known as proton therapy. You need huge accelerators for protons and we write the software that is needed to run these accelerators.

You should define your niche so small that you can be a world leader in it. It turns out that we are the best in the world in what we do: nuclear accelerator control. Because our niche is so narrow, we do not have any customers in Slovenia. Some of our customers are CERN and Stanford University. Another customer is Massachusetts General Hospital. This is the teaching hospital of Harvard University. They were one of the first users of this technology and we have adapted our software so that we can work with them. This year we signed a contract with a customer in China.

Right from the start, we decided that we would be a global company. A small start-up, yet global. Listening to Prof. Santos' presentation, I was glad to find out that we have been following many of the principles that he advocates. If you want to compete in a globalised world, you have to be the best. And to be the best, you have to do something that nobody else is doing.

ALESSANDRO BOLZAN, Chief Business Analyst, HIKVISION EUROPE, Italy

I come from Hikvision Europe. This is a Chinese company that provides video surveillance. Today, it has national branches in more than 25 countries. We say that we should think global and act local. Until October, I was general manager of the Italian branch. Now I am in charge of sales data analysis in Europe. In Italy, Hikvision has 50 employees. They are all Italian and they all know the local market very well. In 2016, our company had a worldwide market share of 21.4 percent and an annual turnover of 4.7 billion US dollars, which makes it number one in the world. This was achieved in 16 years since the company was launched in 2001. In Italy, our market share is 37 percent. We started in 2012 with a turnover of half a million. This year, we have reached 50 million.

We are now expanding into video control of industrial process, territory control by means of drones, intelligent data storage, parking control, vehicle automation and IT security consumer products. We are now focusing on these new businesses. I was happy to listen to Prof. Santos because he mentioned many of the approaches that our company is following. We are trying to understand local markets and local needs. Twice a year, we meet at our headquarters in Hangzhou and every country manager presents a strategic plan for his country. It is not the company that draws a strategic plan for all countries. This is a winning approach.

ALESSANDRO CALLIGARIS, President, Calligaris s.p.a., Italy

First of all I would like to thank you for inviting me to speak in this Forum. I am President of the Calligaris company, located in Manzano, in Italy. The company was founded by my grandfather in 1923, which makes it a fairly old company. Initially, we had to deal with a major challenge since we started manufacturing wooden chairs only, but soon we realized that we needed to expand our product range including other types of furniture, such as tables, cabinets and sofas. The larger the offer, the stronger you are. Another big challenge for Calligaris company was to adopt the assembled production strategy. We wanted to manufacture not only wooden chairs but also different pieces of furniture, using different materials. Now we use wood, metal, plastic, leather and glass. It is very complicated to manage all these materials. The production process is similar to a car assembly, using diverse components from different suppliers. We have several suppliers who specialize in various areas. Our main strength is our excellent team that develops great ideas and manufactures excellent products. Two of the features that distinguish our products are their design and functionality.

Another challenge was the management of different markets. In 1998, we set up sister companies in North Carolina and in Japan. Later we also opened local offices in other countries.

It was important to find partners in order to be able to open stores dedicated to the Calligaris collection. We support these stores by teaching the employees about the products that they are selling, and since after-sales service is very important, we also provide support for that.

We have two brands: Calligaris and Connubia. The reason is that we have two types of products: those that can be sold by the Calligaris partners and those for the open market. We have 600 employees and our annual turnover is about 20 million Euros.

PAVEL POPOV, COO and CFO, United Rocket Space Corporation, Russia

My company was started in 2013. It sounds very romantic to be in the space business but it is really very hard. In order to build satellite infrastructure you need to construct very sophisticated equipment and you need a launch pad. Because of this high sophistication, this business has always involved a lot of collaboration, going back to the 1960s. Russian and NASA engineers have worked together during all these years and they have had a very good working environment. I was surprised that this environment was not damaged by political differences.

Another aspect of the space business is telecommunication. In the past, governments invested a lot of money to create the necessary environment. As satellites survived only a couple of weeks, a lot of them needed to be produced and launched, and this required a big effort. Now, a satellite can stay in space for up to 15 years and this requires a completely new model as we do not need to launch rockets all the time.

Our main issue has been managing our plant. To be in our business you have to understand rocket science but you must also be able to think like a businessman. You may have excellent scientists but if you do not have orders for your products you are in trouble.

We are currently changing our model so that we produce not only satellites and rockets but whole systems. Making a satellite is not much use if you are incapable of producing and monetizing a whole system. Our goal now is to change the model from a big plant to an intelligent system that can deliver value to the end customer. The only way to achieve this is to use talented people. There are plenty of such people in Russia, the United States and Europe, but converting their intelligence into entrepreneurship and business acumen is really hard.

Changing people's attitude is not easy either. This is our greatest challenge at the moment: converting our engineers into entrepreneurs and creating a system that will support the entrepreneurial environment so that we develop new systems for our customers.

One of our competitors in the launch market is Elon Musk. Space X now produces space ships and launch facilities. They have a novel business model which would create a new space system and value for customers. To compete with rivals of this calibre, we need to change the way that we think about our business. There are now thousands of companies that are producing various elements of space infrastructure systems. As a result, we are now developing a new business model. We will have to educate all our people so that they are capable of fitting in it.

SANDI ČEŠKO, CEO and co-founder, Studio Moderna, Slovenia

My company exemplifies some of the points that Prof. Santos made in his presentation. I brought large American investors to invest in my company in Eastern Europe. When I needed more capital to develop my business in the United States, I formed an alliance with the largest Chinese mattress manufacturers. This worked very well as we are now growing exponentially in the American market. Moreover, to make the UK business grow, I brought in the Dormeo UK a co-owner that is Russia's largest foam producer. You see the diversity; I do not work with Western companies in the West and Eastern companies in the East. This is not a principle. It just happens this way in today's complex world. There is no specific blueprint for doing things in a specific way. Geographical proximity is not a key driver anymore.

Studio Moderna is a leading multi-channel non-food retailer in Eastern Europe but we also have a global presence. You can find our mattresses in the United States, Canada, Australia and Japan. We started in 1992 as a one-product company operating in one market. In 1996, we became a retailer. I never had an elaborate strategy. My only ambition at the outset was for my company to be the best in what we were doing. Key is to be the best, no matter in what business you are.

In 2000, we focused on brand building. Today, Studio Moderns is known for its brands. In the first ten years most of our growth has occurred through geographic expansion into Eastern Europe. In 2005, we have decided to stop the geographical expansion to develop a multi-channel retail strategy and made everybody laugh. They said that we would not have the same strong growth as before. Yet, our growth accelerated from 20 percent to 35 percent. Today it is

finally clear that the digital world is not the ultimate objective. A modern retailer like ours needs to be equally good in e-commerce and brick-and-mortar sales. Our company has become the subject of a Harvard Business School case study. Other universities, such as Columbia University and many others also study it.

We are now successfully expanding our business globally although we see many new constraints in front of us. The reason for that is that the world is changing and this poses challenges to the ambitions of multinational companies.

PROF. JOE SANTOS

Mark Pleško has highlighted that his company does not have customers in his home country. It is a remarkable way for a company to combine the technical knowledge in one country with the user knowledge in another country. The more advanced the users, the more advantageous for the company. In a business innovation sense, both are equally relevant. It may sound like a simple achievement but it is very hard to make it happen.

Alessandro Bolzan says that his company is a model that many other companies may follow in the future: a global company that positions itself as a platform. This is probably the best metaphor that we have at the moment. You work with researchers and suppliers from the whole world to develop a new product. Then you work with sales companies that develop sales strategies for each country of interest. The multinational company positions itself as a market on one side and as a supplier on the other. This is a model that many companies may indeed follow.

Alessandro Calligaris also presented a notable case. We all love Italian furniture. His company is a bridge between the old concept of local economic clusters with the modern concept of a global ecosystem. He used the word “partner” to describe his suppliers and distributors and the way that they work together. The case exemplifies the move from a local cluster to a global ecosystem.

Pavel Popov shared surprising information with us. I did not know about that collaboration between American, European, and Soviet space experts so many years ago. That is a remarkable case of international collaboration between scientists and engineers creating something new for all of us. It is also interesting to note that the market for a company like his is now global. The company positions itself as a creator of new things and new ideas.

Sandi Češko spoke about two things at the same time: how to adapt to a changing world and to a changing technology. His choice was sequential: first he grew internationally and then moved to another segment of the value chain.

That is an interesting sequential approach to the change that is happening across many industries.

Now it is time to start exchanging ideas on these matters.

PROF. DANICA PURG, President, IEDC-Bled School of Management, Slovenia

I think it would be interesting for all of us to hear what challenges lie ahead of us in terms of globalisation and growth. We have heard who the speakers are. Now it would be nice to hear what they think about the topic that we have gathered here to discuss.

• 26 •

SANDI ČEŠKO

We are all working in the framework of our national states. The European Union has allowed us to do business somewhat more easily across Europe. However, I see new platforms, probably five, which will replace the geographical platforms. What is Donald Trump's ambition? To reduce the role of the government and enhance the role of corporations. He sees the government as an obstacle to corporate freedom. The five platforms are Amazon, Google, Facebook, Apple, and probably Alibaba. These five ecosystems will amount to private states where we will carry out our operations. This means that we will be returning to something like a feudal system and will belong to a digital space instead of to the land as it was in the feudal system. We will not be able to do any business outside of that space. We may be able to choose between them but they will set similar conditions, I'm afraid. This is my challenge because these platforms are like black holes that are absorbing everything. The symbol of this new paradigm is 'the winner takes it all' business model, and this is already happening. These corporations will get increasingly powerful and profitable as we all struggle to compete with them because they are unstoppable. How can I, as a retailer, compete with Amazon or Alibaba? Only if government will regulate them, but probably governments are not anymore in the position to do that.

PROF. JOE SANTOS

This is quite a challenge indeed. I want to make two brief remarks. First, it is remarkable for a business leader to say these things. Just the fact that you have such a view of the future of the world is noteworthy. My other remark is that, as a scholar, I cannot discuss the future in such terms. I can only speak about the past and what I have seen so far is different. I cannot dispute Sandi's predictions. They may come true. All I can say is that some people wrote about the

future in the 1960s. Their forecast was that by now six multinationals would run the world. That is not happening at all. In fact, the power of the multinationals today is lower than it was in the past. Local companies are winning in many instances, including e-business. These are my remarks.

SANDI ČEŠKO

I do not predict that kind of future. I only fear that it is already happening.

DR. MARK PLEŠKO

We can look at the past. The Romans did not have the Internet but they had the Mediterranean and used it for quick communication. Then, there was the British Empire. It was quite global. But both of those empires failed. Does that mean that our globalisation will also fail?

PROF. JOE SANTOS

Though outside my field, I know that Western empires have ultimately failed. Such empires had some features worth discussing, however. First, they never encompassed the whole world, only a part of it. Therefore, they were international spaces, not global. Second, they were empires. This means that they had centres where all, or most of the existing knowledge was concentrated. The rest of the world was ignorant while the centre staged itself as the teacher of the world. For example, the Romans taught their laws to everybody else. And the Industrial Revolution was started by the British and spread all over the world. There is no centre now.

The third thing is that in those days we were separated by space and time. Time was not such a big factor in the British Empire but it still mattered. The elements of that empire, called the Commonwealth, did not really co-exist. Relations with the central hub were more important than multilateral relations. This is not the case today when multilateral relations are eclipsing bilateral relations. This is a new feature of the world that we live in. In the past, countries that had knowledge had power. That is not true anymore. No single country today has all the knowledge that the world needs. It is the whole world that has the knowledge it needs.

DR. MARK PLEŠKO

I agree. The control of knowledge is essential. But, in view of the developments in the field of artificial intelligence, is it not possible that knowledge will again be owned by a single centre?

PROF. JOE SANTOS

The existing evidence suggests that this is not happening. People say that artificial intelligence is something new but it started before I was born. Some of the things that seem new are not new at all. In the digital world there are currently key contributions from Japan as that country is a centre of robotics. The United States is also making important contributions. The same can be said of China. And of Italy and Germany, too. And we have been seeing combinations from countries like Slovenia. There is no digital centre. It seems unlikely to me that one country would claim that it is the centre of artificial intelligence.

Drones were invented in the United States but the current leader in that field is China. And China uses a lot of American and Russian technology. That is the point that I have been trying to make. This opportunity to use the whole world to create the future is new.

PAVEL POPOV

The idea of the five platforms or houses is interesting, although the number is actually six because Russia is also a house. But I do not believe that these five or six houses will control the world.

At management schools, we study Google, Amazon and Facebook. But I think that if people have an entrepreneurial spirit, if they are capable of inventing things and have the energy to produce them and distribute them, and if they have access to technology, they can easily create one of these houses. Ten years ago, Alibaba did not exist. Then it was created out of nothing and started growing exponentially. I think that the key task for management is to create an entrepreneurial environment, which includes provision of technology. We are currently trying to set up a course in Digital Entrepreneurship and Leadership at IEDC-Bled School of Management.

Another thing to consider is the new generation. They think in a way that is completely different from ours. I am very curious to see what the world will look like in the next 10 or 20 years.

I would also like to say something about these centres of knowledge. A couple

of days ago, I participated in an interesting conversation about books. If some people read all the books ever written, they would possess all the knowledge of the world. But that is an impossible task. You cannot cram all books into a single person. Even if the human brain were capable of storing all that information, no single person would be willing to go through that process. Therefore, the way forward is to organize people in such a way that they pool the pieces of knowledge that each of them possesses and use them to create something together.

We are now working with a Spanish company and a Czech company. They have the latest digital technology. I had some of my people meet with them and discuss ideas. One of the Spaniards said, "If we had known how to do this 20 years ago, we would have become market leaders". The Russians said, "We did know how to do this 20 years ago, but we did not have the right environment to assemble it into a single piece". Our collaboration has yielded a new product that we are going to launch in the market in a year. I believe in collaboration between people from different places and the fruits that this collaboration bears.

MOJCA ZUPAN, Partner, Taxgroup d.o.o., Slovenia

I run a small start-up called Planet Care. In your view, how do a circular business model and a sustainable business model fit? If we want to succeed, we have to find a common language and we must be global in terms of sustainability and in terms of consumer habits.

ALESSANDRO CALLIGARIS

We had a great challenge five years ago. Customers want original branded products. We used to sell all our products all over the world without catering to specific tastes. Now, the market expects very clear configurations. You have to offer a very clear service. The product must be very specific, designed only for those customers who have chosen that particular brand. We need to provide Internet support and after-sales support. There are also unbranded products that compete only on price but it is the brand that sustains the customer.

PROF. JOE SANTOS

So, the brand is a proxy for the quality of the company and features such as sustainability become part of it. No company wants its brands to be associated with something that offends society or damages the environment. The more a company relies on brands, the greater the relevance of social responsibility.

We have noticed two things recently in relation to this point. The first of these is the need of non-market strategies. Most of these are strategies to shape the environment in a positive way. There is a classic and persistent view that a company's environment is something given that we should take for granted. This stops us from creating a future that is different from the past. Most entrepreneurs are not like that. At least the successful ones do not share this philosophy. Entrepreneurs are people who change the world. I think that there is increasing awareness that companies change the environment. Therefore, companies need to have strategies for that.

Natura provides an illustration. It is a well-known company in Brazil and a leader in its market. One of its three founders was the first industrialist in Brazil to speak publicly on sustainability and the importance of the natural environment. Today, many young Brazilians associate Natura with sustainability. Natura was the first company in the world that implemented the idea of a refill. Instead of using energy-consuming disposable glass or plastic boxes, you can buy a refill in a biodegradable package. Natura does this because they truly believe in sustainability and environment protection. The company founders are seen as leaders of this movement. Of course, they are business leaders as well. But they want to change the world and have a non-market strategy for that purpose. They want to change their country as a starting point. This does not fit into a traditional business plan. I believe that some of our panellists share this wish to change the world. Otherwise, they would not be here.

MOJCA ZUPAN

It is nice to hear that there is a concern for the environment in Brazil, but what good is that in view of what is going on in Asia? Look at all the plastic that they are dumping into the environment. Does it help much if we make strong efforts to keep the environment clean in Europe and Brazil while somebody else is destroying it in another part of the world? Is there any globalisation in this respect?

PROF. JOE SANTOS

The panellists may wish to address this question. I can only tell you two things that I have observed. These are simple observations. By the way, you referred to the physical world, which has been global by design since the very beginning of time. India is one of the first countries to have announced the end of non-eclectic cars. Now, for a more personal note: I was in Shanghai, went to my hotel room, looked outside and saw a dense fog below. I could not see anything. I went outside and many of the people on the street were staring

at their smartphones. I wondered why. I was told that they were measuring the pollution level. It was a high-pollution day and people were very annoyed at the local government and all those people were sending protest messages. I cannot imagine people in my own country walking around, measuring the level of pollution. But they do it in Shanghai.

ALEKSEY MINYAYLO, Partners Happiness Director, Interregional Social Organisation Games of the Future, Russia

My non-governmental organization in Russia is developing very innovative educational technologies. They involve social and emotional intelligence and can be used in action-learning and project-learning. We are now trying to become global. Can you name three things that we should bear in mind as we strive to achieve this goal?

DR. MARK PLEŠKO

You have to understand the world. You have to understand your business. The third thing is you just have to roll up your sleeves and do what you are planning to do. Your question was very generic, so I gave you a generic answer. But since you are from Russia, you have a huge market in your country. Use it. Slovenia is a small country. Economically, I do not see myself as a Slovene. I must see myself as a European. Unfortunately, Slovenians often have this small country mentality to focus only on Slovenia. That is the same as if you were from Moscow and would limit your business to just one of the city neighbourhoods, even though it would be as big as Slovenia. Then, if you were successful in that neighbourhood, you'd go across the river and conquer some more new territory every year. That is our usual thinking in Slovenia. First, become successful in Slovenia. Then, try Croatia, and maybe Bosnia. And then expand further afield. That is too slow. You can get big in Russia in one go, and then you will have leverage. At that point, you can cross the border and conquer the whole world.

PROF. DANICA PURG

But it seems that he wants to become international before he has conquered Russia.

ALEKSEY MINYAYLO

In fact, we have conquered Russia and we are now conquering Slovenia. And we want to go for the rest of the world.

DR. MARK PLEŠKO

I think that this is a good strategy: Russia first, then Slovenia, which is more difficult. Then, the rest of the world is going to be easy (laughing).

SANDI ČEŠKO

It is hard to give advice in this case but I would say that you should make it entertaining and offer it free of charge. That will allow you to play globally.

BLAŽ BRODNJAK, President of the Board, Nova Ljubljanska banka d.d., Slovenia

Banking is a heavily regulated industry. Personal data protection rules and the social aspects of dealing with personal data do not provide a level playing field in the banking sector. This has become a burning issue in the European context. The European Union has penalized companies like Apple and Google and some people even advocate taxing their revenues. Can we really believe that Europe and China will allow a game with only a couple of players?

SANDI ČEŠKO

I agree with you completely. This heavy regulation is the reason that crypto currencies have been gaining ground. Banks face limitations in this new game. It is likely that something new is going to be born. The problem is that governments cannot change quickly and adapt to new technologies. That is why large corporations are stepping in and start to offer their solutions. Somebody told me recently that China has a big advantage in this respect because it is the least regulated country. As a result, the Chinese can test and explore everything much faster than we can, for better or for worse.

ALESSANDRO BOLZAN

In China everything is happening very fast. They change their game in a matter of months. I see this as a major opportunity for European companies. Hangzhou is not as big a city as Shanghai or Beijing. It has nine million people. Yet, it has Porsche, Ferrari and most important retailer stores. This means that China provides opportunities for European companies.

SANDI ČEŠKO

The problem with Europe is that it wants to regulate everything. This was

fine in the old days because it was possible to do so but it is no longer feasible today. The United States have a different model. I do not know the Chinese model but I know the American one. That model does not rely on overregulation, yet it keeps companies accountable and liable. If you break the accepted norms, the law will come after you even 10 years later. And it will track you down and send you to prison. This is a more pragmatic model that allows faster progress. We do not have this model in Europe and that explains why we do not have so many players who can change the game.

DR. MARK PLEŠKO

There is a huge difference between the modern world and the world of the past, where people were confined to their social status and place for life. We have a choice. I can choose to work for Google. If I cannot beat them, I can join them. Blaž, if you think that banks have no chance, find another job. I am not saying that you should do it but we have the freedom now and this is the beauty of globalisation. At the end of the day, even if this gang of five gets to rule the world, they will have to employ everybody. It is not possible to have a situation where 10 percent of the population work for the gang of five and have a wealthy life, while everybody else is poor and lives in a slum. Sandi, you can use Amazon as a vehicle for your products if you cannot beat it. Or you can close down your company and become a manager in Amazon. We should not see our business and our country as our destiny. We have to look into the future and do right things about it.

SANDI ČEŠKO

Joe, you said that the whole world is important now and you mentioned a book about a general theory of management. But look at what is going on in the United States today. I am proud of Danica's school because it is not a typical management school. They are killing management structures in the United States as we speak. It is a trend called holacracy. Companies are completely obliterating what we know in Slovenia as self-management. This is a very peculiar trend. It is one of the new challenges.

PROF. ARNOLD WALRAVENS, Professor, IEDC-Bled School of Management, Slovenia

I have a problem viewing these five people in front of us as just managers as I have always distinguished between management and leadership. These people

are not here because they are champions of management skills. They are here because of their entrepreneurial spirit. And they are here especially because of their leadership concepts. All their companies are technology-driven. There is no difference in that respect because you have to use technology irrespective of whether you produce furniture or data. What makes these people special are their innovative concepts. That is why I stress the difference between management and leadership.

PROF. JOE SANTOS

Any closing remarks?

ALESSANDRO CALLIGARIS

The biggest challenge is the difference between the generations. The new generation has new aspirations and expectations. There is still a need for our products but I think the logistics will be very important in the future. We need the right logistics to reduce the impact on the environment.

DR. MARK PLEŠKO

We have a lot of young people working in our company. I think it is a bit stereotypical to say that they are very different. There is a famous quote of a Roman philosopher who described young people as spoiled and unwilling to work. The older generation has always thought that the younger generation is different. What is changing however is the perception of the human interaction. This worries me a little bit. We, humans, have behaved in the same way for the last 70,000 years. During all these years, we have developed a way to speak and express our emotions. Now people use Facebook to express themselves. You look at people in the street and you see that they are staring at their phones. This may result in some change. But it will come in a couple of decades when people will have just one finger that they will use for scrolling (laughing). As for the young people today, they are doing fine, at least in our company. They are willing to take responsibility if they are motivated. Of course, you have to do something to motivate them but that has always been necessary.

DR. MARKO MAJER, *Founding Partner and CEO, Mayer McCann d.o.o., Slovenia*

I think that Mark put it correctly. The need for segmentation results in an exaggeration of the uniqueness of millennials. We do believe however that technology is changing people's attitude towards work. Once the basic needs of people have been met, they may become interested in following other pursuits. They may expect more work-life integration. They will no longer be interested in money for survival. They will be interested in making a greater contribution both for themselves and for society. The marketing concept of millennials is overrated and stereotyped.

PROF. JOE SANTOS

I am familiar with the stereotype that the new generation does not like to work and prefers to lie on the beach. It is a great stereotypical description of the Portuguese, too. Let me argue that the biggest challenge in this changing world of ours is to understand what is not changing. The answer is that the vast majority of things stay the same. I am upset by our tendency to claim novelty and invent categories and expressions to describe a reality that existed before. An economist will tell you that this is not the first time in our history that companies have appropriated platforms. In the past it was about rail networks or electrical grids. At certain points, people realized that these were public goods and regulated them. When Amazon started out, all their revenues came from their own business. Now, already half of their revenues come from companies that sell goods through Amazon. In that way, Amazon is becoming a marketplace. One day, governments will regulate the activities of companies like Amazon.

I recently watched a televised interview with Donald Trump. The interviewer asked him whether he thought that companies like Google and Facebook should be regulated. You might expect a person like Trump to say, "No way". Interestingly, he said "Well, I haven't made up my mind on that one, yet".

Yes, these companies will eventually be regulated, just as internet companies are regulated in China. One of these days, Facebook may become an editorial organization. That will mean quite a change in what it does and let others do on their platform. In all likelihood, this is going to happen shortly rather than later. Why? Because the owners of public goods have always been regulated and there is no realistic alternative to that.

There are a few things in today's world that are truly new, although they are not many. A lot of those things have to do with technology. At the same time, many other things have remained the same. The most interesting thing about change is that most things do not change. I want to stress once more that we

need to focus on those things that do not change, so that we understand those that do change – because they are the source of most of the challenges we face with a novel reality.

Let us thank our panellists for sharing their insights with us.

JOSÉ (JOE) SANTOS

Professor José (Joe) Santos started his academic career in engineering in the early seventies in his home town of Porto, but soon after moved into the managerial world. Twenty years later, Joe decided to retire from an intense and successful executive career after holding the position of Managing Director at an Italian multinational group for ten years. Since 1995, Joe moved from Italy to INSEAD and devoted himself again to scholarly work, a dream held since his youth. Joe's research and teaching focus on the management of multinational enterprises, particularly on the management of global integration and global innovation. Joe is an Affiliated Professor of Practice in Global Management at INSEAD, France; Visiting Scholar at MIT Sloan, USA; and "Professor Catedrático Convidado" at UCP, Portugal.

Professor Santos regularly makes presentations at conferences around the world and works with top management teams of multinational corporations from Europe, the Americas and Japan. The book *From Global to Metanational: How Companies Win in the Knowledge Economy*, co-authored with colleagues Yves Doz and Peter Williamson, was published by Harvard Business School Press.

IEDC “Books of the Year”

- 2017** **JOSÉ (JOE) SANTOS**, *Globalisation is Dead. Long Live Globalisation!*
- 2016** **JOE PEPPARD**, *Digitalization as Investment in Change*
- 2015** **WILLIAM A. FISCHER**, *Are You a Digital or an Analogue Leader?*
- 2014** **ROGER MARTIN**, *How Winning Strategy Works and What Is It Really? Why Strategic Planning is not Strategy?*
- 2013** **PANKAJ GHEMAWAT**, *How Global are We?*
- 2012** **HENRY CHESBROUGH**, *With Open Innovation to Success*
- 2011** *Creating the Future: 25th Anniversary of IEDC*
- 2010** **STÉPHANE GARELLI**, *Business as Unusual; A Competitiveness Outlook for 2011, and Beyond*
- 2009** **HERMANN SIMON**, *Role Models of Leadership beyond the Crisis*
- 2008** **WILLIAM A. FISCHER**, *New Generation Innovation*
- 2007** **JEAN-FRANÇOIS MANZONI**, *How to Avoid the Set-Up-To-Fail Syndrome*
- 2006** **ICHAK ADIZES**, *What is a Leader? (a video lecture)*
- 2005** **PETER DRUCKER**, *Manage Yourself and Then Your Company: Set an Example*
- 2004** **MANFRED KETS DE VRIES**, *The Bright and Dark Sides of Leadership*
- 2003** **FONS TROMPENAARS**, *The Challenge of Leadership - Visions, Values, Cultures*
- 2002** **MILAN KUČAN, JEAN-PHILIPPE DESCHAMPS, WILLIAM GEORGE**, *Leadership for Innovation*
- 2001** **MILAN KUČAN, PETER KRALJIČ, PETER J. ROHLEDER**, *Competitiveness of Companies in Central and Eastern Europe*
- 2000** **PAUL STREBEL**, *Focusing on Breakthrough Options*
- 1999** **JOHN M. STOPFORD**, *Harnessing Organizational Knowledge for Strategic Innovation*
- 1998** **PEDRO NUENO**, *Maintaining Your Personal Value*
- 1997** Lecture by **PETER F. DRUCKER** on the occasion of the 10th IEDC Anniversary: “Manage Yourself and Then Your Company: Set an Example”
- 1996** 10 years of IEDC
- 1995** **GEORGE TAUCHER**, *How to Succeed with Strategic Alliances*
- 1994** **WILLIAM A. FISCHER**, *The New Faces of Manufacturing*
- 1993 *The European Presidents’ Challenge; Beyond Restructuring*
- 1992** *Developing Managers for Eastern and Central Europe*
- 1991** **THOMAS J. PETERS**, *The American Way of Managing – A Model for the Whole World?*
- 1990** **ARNOLDO C. HAX**, *Redesigning of Strategic Concepts and Processes*
- 1989** **DEREK F. ABELL**, *Management in the Organization of the Future*
- 1988** **PETER KRALJIČ**, *Ways to Industrial Success*

About IEDC–Bled School of Management

In 2017, IEDC–Bled School of Management celebrated its 31st anniversary. Founded in 1986 as the first business school of its type in Central and Eastern Europe, it remains to this day one of the leading international management development institutions in Europe. It is a place where leaders come to learn and reflect, an international centre of excellence in management development, a business meeting point and a unique place where works of art complement a creative environment for creative leadership. Some of the world's most eminent professors and consultants teach here and participants attend from all over the world. The total number of participants since its establishment until today stands at more than 83,000 coming from 90 countries.

IEDC–Bled School of Management is an award-winning school. In 2012, the Executive MBA Program of IEDC–Bled School of Management was recognized by the Association of MBAs (AMBA), the international authority on postgraduate business education, as one of the four most innovative MBA programs in the world, among 700 MBA programs accredited by AMBA in business schools in over 75 different countries. IEDC–Bled School of Management won this recognition for innovation in combining the arts with leadership and management education. In 2009, IEDC was the only institution from Central and Eastern Europe to be named among the 100 top business schools worldwide in the Aspen Institute's Beyond Grey Pinstripes ranking, for having demonstrated significant leadership in integrating social, environmental and ethical issues into its MBA program. In 1999, IEDC–Bled School of Management was one of the first two business schools to be awarded the IQA (International Quality Accreditation), while in 2005 it received international accreditation from the Association of MBAs (AMBA), as the first school in CEE.

In 2013, Prof. Danica Purg became the Chair of the UN Global Compact PRME (Principles of Responsible Management Education) Steering Committee, bringing together nearly 500 business schools and universities from 80 countries. In 2010 she was named International Educator of the Year by the Academy of International Business (AIB) for her outstanding achievements in international business education.

In 2016, IEDC–Bled School of Management won the AMBA Milestone Award, which is given annually for recognizing the on-going success of accredited business schools worldwide.

Along with its international Executive MBA and PhD programs, IEDC

offers short executive seminars for top management, customized programs for corporate partners, and a wide range of general management programs, including a five-week General Management Program and an International Summer School for Young Managers.

In 2017, IEDC–Bled School of Management was rewarded by the Slovene Chamber of Commerce for the development of international management programs with high added value, for integrating and transferring management knowledge internationally, and for an important contribution to the affirmation of sustainable, socially responsible and ethical values in the field of management.

The IEDC–Bled School of Management is also the headquarters of the International Association of Management Development in Dynamic Societies (CEEMAN), the International Management Teachers Academy (IMTA), the European Leadership Centre (ELC) and the UN Global Compact Slovenia.



+PHARMAMED

INOVACIJE, KI REŠUJEJO ŽIVLJENJA

*Iz ljubezni
do življenja.*



ANMEDIC



Inovativnost
in napredek
v službi zdravja.

The publication of the Book of the Year has been supported by:



Photos: IEDC-Bled School of Management

Circulation: 8,000 copies

Printed by MEDIUM, Slovenia

For every story,
only one address
is the right one!



ALWAYS WITH YOU!

When you are the right one for running a business in the cloud and nothing can stop you on your way to success. When you need a spare part or a partner who will take care of you every day. When the bank is already closed or you wish to add to your collection a new stamp. When you want to bring smile with a good wish or surprise with a nice gift. **For every story, only one address is the right one!**

Pošta Slovenije
Always with you!



IEDC-Bled School of Management

Prešernova cesta 33

4260 Bled, Slovenia

T: +386 4 57 92 500

info@iedc.si

www.iedc.si