

Global Crisis as Leadership Challenge

ICHAK ADIZES

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rapid and accelerated
change to which we
are unable to adapt.”
(I. Adizes)*

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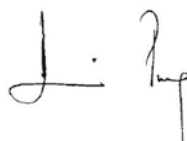
Introduction by Prof. Danica Purg, President of IEDC-Bled School of Management

We chose “Global Crisis as Leadership Challenge” as the title of the Annual Presidents' Forum 2020. We could have easily said “global crises”, as we have been experiencing multiple crises at the same time.

In this Book of the Year, the keynote speaker Dr. Ichak Kalderon Adizes and the roundtable with top Slovenian business leaders deeply examined the complexity of the global crisis and presented various levels of coping with the challenges. Dr. Adizes provided a highly interesting analysis of the non-synchronized change in sub-systems of organizations as the reason for disintegration. He argued that behind the Covid-19 pandemic crisis lies the fact that human bodies cannot keep up with the speed at which the world is changing. The speakers at the roundtable offered not only their views, but also concrete approaches on how to face the challenges and come stronger out of the crisis.

The Presidents' Forum was, because of the circumstances, organized in hybrid format, which has become for us the “new normal”. The Forum took place under the patronage of the President of the Republic of Slovenia, H.E. Mr. Borut Pahor.

We hope that the content of the book is inspirational and useful for everybody who is leading today a company or any other organisation.



Prof. Danica Purg
President

TURNING CRISIS INTO OPPORTUNITY: THE LEADERSHIP CHALLENGE¹

ICHAK ADIZES²

Thank you for inviting me to share my thoughts with such a distinguished group.

The question of how to manage in a time of crisis, and specifically during the COVID-19 pandemic, requires an analysis of the roots of the crisis. How did this happen? We need to have the answer to this question so that we know how to handle it.

Time and space started with the Big Bang. The explosion resulted in the creation of multiple sub-systems. The universe became one big web of sub-systems. In this universe, every system is part of a bigger one. There is a hierarchy of systems that have to collaborate horizontally and vertically for the total system to operate.

What else started with time? Change. And since time cannot be stopped, change cannot be stopped either. Some people try. Some political ideologists attempt to do just that as well as some fanatic religions. You can stop yourself. You can sit in a cage in the Himalayas and contemplate your navel. But even then change will continue and your body will age. You can stop your company from changing but your country will move on. You can try to stop the whole country from changing but you cannot stop the world.

As I said, the Universe is a big web of systems and vertical subsystems. And what happens as a result of change? The sub-systems do not change at the same speed. Let us look at an example of a company as this is what we should focus on in this presentation. A company consists of multiple sub-systems. You have marketing, sales, production, finances, information technologies, human resources. These do not change synchronically. Some change faster than others. Marketing tends to change faster than the other

(1) Presentation made to the Presidents' Forum at IEDC, Bled School of Management, Slovenia, October 9, 2020
(2) Founder, Managing Director, Adizes Institute, Santa Barbara, California

components. You do some marketing research and then you analyze the data. Then you decide how to price the product, what channels to use, and how to advertise it. You can change plans relatively fast. But changing sales takes some effort. You have to train the sales force, produce new materials, convince the clients. This is a different story and it takes a little bit longer than marketing. And how long does it take to change operations and production? Much longer. And how about accounting? You should live long enough. As for human resources, we are talking about culture, attitudes, people's behavior, knowledge, competences. You need multiple lives to witness this change.

What is the implication of this? As these sub-systems do not change together, the result is gaps. Those gaps are manifested in what we call "problems".

All problems are manifestations of disintegration. Something is falling apart. Look at a car. Different parts of the car have a different lifespan. Some parts work longer than others. As a result of that, the car falls apart. That is disintegration. It is the same in the human body. Different organs age at different speeds. You can accelerate this aging or slow it down by choosing what to eat and drink. Nevertheless they change at different speeds.

Look at any problem that you have, with your company, your marriage, your car, or the faucet in your kitchen, and ask yourself what has changed. What has fallen apart? What has disintegrated? That is your analysis. That is what the garage man will do when you take your car there to be fixed. What would he be looking for? What has fallen apart.

Now, if all problems stem from change that causes disintegration, what is the solution? Stop change so that it does not create problems? That is the preferred solution of some political parties or some fanatic religions. They try to stop change because it creates too many problems. Will they succeed? No. You cannot stop change. Time is change. With time, things fall apart. You can buy the most expensive car and do not drive it. Do not even touch it. And what will happen some years later? It will stop working. What caused that? Entropy.

But there is a development that is new in comparison in the history of mankind. The acceleration of change. What is happening as a result of that acceleration? Disintegration is also accelerating. And problems are facing us increasingly fast, faster than ever before in the history of mankind. Our grandparents were poorer than we are. But they were happier. There was less stress in their lives. The standard of living has improved because of change but at the same time the quality of our lives has deteriorated. The

fastest growing mental disease of modern time is depression. And look at the rate of divorces. The more developed the country which means the most changing, which is necessary to be developed, the more divorces per capita.

So, what should we do? Since we cannot stop change, we need to learn how to integrate. That is the solution. If all problems stem from disintegration, the solution is integration. It is sad that some universities are beginning only now to teach how to manage change. That is the most important subject that an executive has to do. You have to lead change, so you should know how to manage it.³

What happens if you do not integrate? Change continues. And what happens to the problems? What happens to disintegration? As change continues, so does disintegration. It keeps deepening until the problems become a crisis. To me, a crisis is the result of untreated disintegration or untimely treated disintegration. I think that is what is happening with COVID-19. This is not the first pandemic crisis that we have had. There were other pandemic crises before. There was a Black Death in the Middle Ages. In the last century, we had the Spanish flu. Then we had Ebola, and MERS, and SARS. And now COVID-19.

But something interesting is happening. The time between two pandemics is shortening. Why? Change is accelerating. Major changes. I am not a historian but I think that the plague epidemic broke out during a time of major change. The Spanish flu happened during the First World War. It came from the United States to Europe. What is happening now? COVID-19 has been around forever. It is nothing new. It has not been created now, unless you believe that it was created on purpose by humans in a lab.

Why is COVID-19 wreaking such havoc? The human body has been changing for millions of years at a certain speed. How long did it take apes to lose their tails before they became humans? Then, how long did it take the hominids to start walking on two feet? It took millions of years. Now, there is an accelerated rate of change but the human body cannot keep up with the speed at which the world is changing. We cannot adapt to all the chemicals in the food and the polluted air and water, and the stress in our lives. Our bodies cannot handle the speed at which the environment is changing. What happens then? We lose our immunity and our strength, and the COVID rules. It has started killing us now because we are weaker now. And look: whom does it hit? The old, who are falling apart. Those who are sick: people with diabetes and other chronic diseases. And it affects people with weakened immune systems. Their bodies are unable to handle the disease. COVID-19 is a result of rapid and accelerated change to which

we are unable to adapt. Will a vaccine solve the problem? No. it is just another band aid. The problem is a lack of integration. The real solution, dealing with the root cause is integration.

What kind of disintegration are we talking about?

COVID-19 is a global problem. Therefore, it requires a global solution. More than ever before, the world is becoming one. In California, we have millions of acreage on fire. Do you know what happened to that smoke? It went to New York. And now it is in Sweden. Air knows no boundaries. We, humans, make boundaries. We draw borders. Air is not aware of them. Neither is water. There was an explosion in a Japanese nuclear reactor close to the beach. The radioactivity went into the water. We stopped eating fish in Santa Barbara, California, because we were afraid that it might be radioactive. We are one but we are disintegrated. COVID-19 is a global problem. It crosses all borders. The virus knows no borders.

All pandemics were messages for us to realize that we are one. They were testing our resolve. And we did not have it, so they are becoming more frequent and more devastating, and if we do not learn our lesson there will be another Covid and soon.

Go to any church, of any denomination, or any place of worship, including the ashrams of India. The saints stand with one raised hand, showing the palm. What does that mean? It is called the "Hamsa". Just look at it. You see four fingers pressed together. What does this tell us? Be different together. Do not be the same together. That would be fascism, racism, or communism. These are ideologies that say that we should stay together and be the same. And if you are different, you are in trouble. You may get killed. That does not work well. In a company, it is called bureaucracy. Everybody must follow a manual. In that way, everybody becomes the same. And what happens? The company gets paralyzed. A whole country can get paralyzed. Humanity can get paralyzed. We go back to the Middle Ages. We need to learn how to be different together.

What is the meaning of an open hand, with the fingers spaced out, in front of your face? It is a curse. Be different, but not together. Imagine being different, but not together, in a marriage, or in a company.

Being all similar is a curse that we create for ourselves, whereas being different alone happens on its own. It is called disintegration. Why does it happen? Because of change.

Integration is not a one-shot deal, like a single seminar on integration. You cannot achieve that by going to a workshop for the weekend. Integration

should be on going like losing weight should not be a diet but a lifestyle. You need continuous integration. You have to maintain it consistently. Integration must be an ongoing process in a company. Who should do it? Which finger should be responsible for it? The pointing one? No. The thumb. It is not really a finger. It is a different type of finger. What is the purpose of a thumb? To make a hand. It is the integrator. It is the only finger that “works” with all the other fingers.

The higher the rate of change, the higher the importance of the integrator for the success of the company. This is the essence of my presentation. The higher the rate of change, the faster and the deeper we fall apart and the faster a problem becomes a crisis. Hence the importance of the integrator who brings us together.

To solve the problem successfully, we have to start thinking as one, not as many. This problem cannot be solved within the boundaries of one country. Will that happen? I doubt it. We do not have the forum and the will to create a global structure that collaborates and cooperates.

But how do you manage your company in a time of crisis, how do you manage at this time of COVID, that is in control of the leaders of the company. This is an opportunity for you to reintegrate your company. At other times, you are busy fighting fires. You had to take care of your clients and your market. You had to deal with financial problems. Now, the market out there is sleepy or hibernating. You have all the time in the world to fix everything in your company. This is the time to get your top management together and say, "All right, what are our problems? What should we do to fix the company so that when the COVID is over we are stronger than we were before the crisis?

Here is an analogy. You wanted to go play golf. Executives like to play golf or tennis. Some go sailing. You have been dreaming about this weekend when you would play an incredible golf game. You get up in the morning and you see wind and rain. It is a terrible weather and you cannot go out and play golf. You have two choices. One is to sit and curse that day. The other choice is to use the free time that you have to fix your house. Do the paperwork that you have been ignoring for a long time. Or fix the faucet. When the rain is over, you will have a better house than you did before. By the way, I am using this COVID opportunity to fix my body. I am replacing my knee caps, having my eyes operated for cataracts, and I am having dental work. By the time the pandemic is over, there is going to be a new Ichak Adizes. What else can I do?

Instead of reintegrating, some companies are doing just the opposite,

pushing the disintegration further. Some country leaders are doing that, too. They are making the wrong decisions and the wrong judgment. They are looking at the wrong compass. An example of this is a company that to "solve" the crisis fires 30 percent of the labor force as a remedy. It looks good on paper. It is now doing fine financially. What is this analogous to? You get on a scale and you see that you are 15 kilos overweight. What is your solution? Cut one leg off. Then you look at the scale and you see that you have achieved a fantastic result. Your weight is optimal. So, you must be very healthy since the numbers look good. That is what some consulting firms advise by the way. They will tell you to cut expenses across the board. But you may not be cutting just fat. You may be cutting muscle. As a result, the numbers may look good but the company is agonizing. It is coming out of the COVID crisis weaker than it was before. Your people are scared and upset and the company culture has gone to hell. What did you do?

So, what should you do? If you want to lose weight, you have to lose weight from the whole body, not from just one part. You do not need liposuction. What does that mean? Why do we not share jobs? Some people can work three days, whereas other people work the other three days of the week. In that way, we all suffer. We all take a salary cut. All of us. And the president takes the biggest salary cut, whereas the secretary takes the smallest. So, we all suffer together. Integrate, do not disintegrate. Whenever you have a problem, think about reintegration.

What is absolute integration? What is the highest level of integration that you can imagine? It is called "love". When you love, there is no time and space. You can love somebody who has already died. You can still be in love. There is no time limitation. There is no space limitation, either. The other person is thousands of miles away but you are still in love.

A child comes back from school. The mother looks at him and asks, "What happened?" The child has not said a word but the mother feels that something has happened. Another mother calls her son who is five thousand kilometers away. She says, "What is wrong, son?" "Why, mother, how do you know?" She says. "I just could not sleep last night. I felt it". What is going on? Love. Love knows no boundaries. You are one and the same with the other person. Your pain is my pain. In fact, my pain can be twice as great as yours. And when you are happy, I am twice as happy. Love has a multiplication effect. That is why you get a lot of energy when you love. You are full of energy. Vice-versa, when you hate, you lose energy.

Look at young people in love. Or look at people at any age. They can be 80 years old. If they are in love, they are full of sparks and they look

young. They are full of energy. And look at people that hate. They look old. They are like a squeezed lemon. Once I gave a lecture to the Anti-Aging Academy in Las Vegas, consisting of 5,000 medical doctors. What could I tell them about anti-aging when I am not a medical doctor? They were talking about chemicals, and vitamins, and supplements, and physical exercises, and saunas. My presentation was about love. Do you want to feel young? Never mind what age you are. Just love. Do you love your spouse? Do you love your children? Do you love your house and your car? Do you love your shirt? Do you love your clients, your employees, anything? The more love there is in your life, the longer you will live. Love extends life. It may not extend it chronologically but it does that experientially. You live your life better.

So, what should you do in your company now, during this COVID pandemic? How about some love? How about loving? If you fire your people to make the numbers look good, is that loving?

There is a researcher, whose name I forgot, who says that some cancers can be treated with love. Do not reject your cancer. Do not attack it. Just love it. It is part of you. And do you know what? It disappears. Not all of them but some do. He has proved that it works. This also applies to a country. In a period of crisis and major disintegration, you need major love.

And what is integration? What is love? Why is it so important now? Let us go beyond Covid to understand its importance. Let us look at the history of mankind. Let us start from the very beginning, when we were chimpanzees. The strongest one was the king of the clan. Then, we became nomadic hunters. The strongest hunter was the leader. Then, we settled down and became an agricultural society. The person with the greatest number of sheep and cows was the leader. What is the common denominator? Muscle. Strength. Possession. Colonialism enhanced this striving for more possession. It was an extension of this trend. More was considered better. This is reflected also in people's diets. When I was young, people who were fat were admired. Even women were expected to be bulky. That denoted success. Then came the Industrial Revolution. And what has come into play? Brain. That is what is important today. You have to use your brain much more than before. You have to plan, organize, and systematize. And what happened after the industrial society? Today, we live in a post-industrial society. It is an information society where brains are the most important asset. Muscles have lost their importance. The largest taxi company in the world does not own a single taxi. It has no muscle. What does it own? Computers. Information. What is that company called? Uber.

The largest hotel chain in the world does not own a single hotel. What does it have? Computers and information. What is it called? Airbnb. What are Facebook, Google, and Amazon doing? Accumulating information. They are enhancing their brains, not their muscles.

But this is also on its way out. Artificial intelligence is replacing it. They are going to replace our brains. There are rumors that at some point they will put a chip in your brain and you will not need to talk anymore. There is going to be chip-to-chip communication. You connect your chip to the cloud and you access all the information up there. There is this thing in the sky telling you what to do. It has already started by the way. In the war between Lebanon and Israel, one of the problems was that the generals were not at the firing line. They were using computers to decide what to do. They put their data in the computer and it told them which alternative was best. Oops. So, what will the future look like? What is the future? The heart. Integration.

What is a symbol of love? The heart. A diamond. Why a diamond? Because it is the most integrated substance that there is. And love is integration.

So, what company is going to be successful in the future, beyond data management? The most integrated one. The one that has integration as a lifestyle.

By the way, look at my fingers again. The pointing one denotes masculine energy. You wave it to issue commands and control people. I am not talking about sex organs. I am talking about energy. A woman can be very masculine whereas a man can be very feminine. But just as a convention, I use the term "man" for masculine energy and "woman" for feminine energy.

Who works from the heart? You have to work together. Bring the family together. Talk from the heart. Women make a house a home. There is a reason why they come to the front of companies and countries. It is time for feminine energy. It is time for integrated energy. I tell the women who listen to my presentations that some of them think that the way to be successful is to be more like a man. Do not do that! Be a woman. That is your strength. That is what the world needs now. We need energy from the heart.

We need to be different together. We need feminine and masculine energy together. We need both. A family contains both energies: masculine and feminine. Next: We put the palms of our hands together to pray. And what is that? Another example of integration. The right hand is related to

the left hemisphere of the brain, whereas the right one is connected to the right hemisphere. We put our hands together and we pray to God to keep us together because we are falling apart. "Keep me together, my family together. Keep the world together".

And how do we achieve that in a company? I found that it takes mutual trust and respect. It is the same in a marriage and in a country. Mutual trust and respect. This is a long lecture. I have 21 books on it so I cannot cover everything in this half hour. But here is the bottom line. There is no love if there is no mutual respect and trust. There is no integration without these. There is no peace without them. In Hebrew, the word for peace is "shalom". It means "united, integrated wholeness". When there is peace, there is wholeness.

You need a culture in your company of mutual trust and respect. Do not let the COVID destroy that. Do not let the COVID destroy your country.

How do you do that? You need a common mission and shared values. You need an organizational structure where people do not step on each other's toes. You need a disciplined decision-making process. You need to collaborate rather than judge each other and offend each other. You have to trust and respect the people that you work with. If you have the right people and the right decision-making processes, you will be successful. By the way, at our institute we teach people how to work together. It takes five days. We teach them how to make decisions together and learn from each other. We teach them how to have a correctly designed organizational structure, so that they have diversity and people working together. We teach them how to have a common vision and shared values. It took me 50 years to develop this model. You can read my books on how to do it. But you can also do it on your own. You have a compass. You see where the star is: Are you enhancing mutual trust and respect or destroying it? Not only inside the company but also outside, with your suppliers, clients, and community. That is the driving force. That is how you should be managing all the time, especially in a time of crisis.

I thank you. Shalom.

ROUND TABLE WITH LEADERS

DANICA PURG

Thank you very much, Ichak. You gave us some great ideas about what we could do in the current situation. Now I would like to welcome our panelists that are here with us in Bled. These people have an important role, not only in their companies, but also in Slovene society.

We have invited Mr Franjo Bobinac, Vice-President for global marketing of Hisense International, Mr Blaž Brodnjak, President of the management board of Nova Ljubljanska Banka and an alumnus of our school that we are very proud of, Ms Medeja Lončar, President of the Managers' Association of Slovenia and Chief Executive Officer of Siemens Slovenia and Croatia, Mr Dimitrij Zadel, President of the management board of the Port of Koper, which is one of the most important harbors in this part of the world, and Dr Denis Mancevič, Chief Executive Officer of the consulting company Herman and Partners. Denis will moderate the panel.

Welcome to the panel.

DENIS MANCEVIČ

I would like to start with the question of how to seek opportunities at the company level in this fast-changing world and during the COVID-19 crisis. I give the floor to Ms Lončar of Siemens. We all know that Siemens has a very wide product and service portfolio. You have a very good local, regional, and global perspective. How do you see the existing opportunities?

MEDEJA LONČAR

Thank you for inviting me to this panel and letting me share my thoughts on COVID-19' implications for us and how I see the future after the corona crisis. But let me first reflect on Dr. Adizes since I couldn't help comparing his thoughts with the reality in our companies. As the regional chief executive officer I have an opportunity and obligation to look at things from our local perspective as well. I cannot influence everything because I have to take into

account the guidelines from our headquarters but I definitely have a strong say. We live in these local environments, we collaborate with people here, we need their trust to achieve the goals set by the headquarters.

How has Siemens done during the COVID crisis? We absolutely used this opportunity for reinvention, and new beginnings. Siemens has gone through a lot of changes in the past 10 years. We have restructured a traditionally conservative engineering company into a much faster, digitally-driven new organization. We used to be known for our involvement in healthcare and the energy sector, as well as industry, infrastructure and transportation. In the past 10 years we grouped some of these activities into separate companies. The latest example was the spinoff of the energy sector that happened last month. Siemens of the next generation will exist out of an ecosystem of three companies: Siemens AG, Siemens Healthineers and Siemens Energy. The new Siemens will be focused on industrial digitalization, sustainable transportation, and smart infrastructure as this is going to be the core of our activities in the future.

Since there have been a lot of changes in the company within the past few years, employees entered in the new fiscal year and pre-Covid period somewhat uncertain about the future developments.

But the company used the corona crisis to reflect upon the corporate culture and employee engagement in an efficient way. A new chief executive officer was nominated in the midst of the crisis and he clearly communicated that the changes will end and we will integrate the remaining three areas into one strong Siemens. We were also empowered at the regional level. Siemens has a very strong regional presence and this was one of our strengths during the corona crisis, allowing us to perform successfully in our countries. I have never been so much empowered during my 13 years as the chief executive officer.

We also worked on another element that was missing in the past: trust. It was obvious that the company trusted us. Also, Siemens was the first German corporation that decided their employees will continue to work remotely a few days a week also after the corona crisis. These were very bold decisions for such a company. We now have feedback from the employees. All surveys indicate that they are satisfied with these changes and they would like to work in this way. They would like to have the freedom to choose in which way they would like to work. I believe that in terms of these internal developments we took a step in the right direction.

As for our business model, Siemens is integrating the physical and the digital world. The COVID-19 crisis simply accelerated this process. It also made some of our customers in conservative industries embrace digitalization.

Therefore, I estimate that we managed to turn this unwanted and extremely difficult times into a positive outcome for Siemens.

DENIS MANCEVIČ

Thank you very much for this valuable information about the way that Siemens has tackled the current challenges. I now want to give the floor to Mr Blaž Brodnjak, President of Slovenia's largest bank - Nova Ljubljanska Banka. You made a very bold statement, couple of weeks ago, saying that COVID-19 creates a great opportunity for Slovenia, especially in logistics. Could you elaborate on this? And also please explain how you see the opportunities for your bank in CEE region?

BLAŽ BRODNJAK

Thank you for letting me speak at this nice event. Indeed, I firmly believe that this is one of the greatest opportunities for the whole region in its entire history. It enables us to position ourselves globally. We have a high potential for insourcing, value-adding, production-oriented services. Given this geo-strategic position of a bridge between the European Union and other countries in the region, we see enormous doors open up for the region's specialists. The crisis is forcing the multinational businesses focus on their main challenges in their core markets. Southeastern Europe is not necessarily the greatest of them all. However, Europe has one of the strongest industrial bases in the world. Therefore, logistics is a natural opportunity.

I see opportunities for the financial services as well. Global banks are not thinking of this region at present. We live here however and we want to impact the quality of the lives of our own people, those who live in our region. I am talking not only about improved client experience by enabling them to access financial services. Indeed, because of the COVID crisis, we have enhanced our digitalization and now our clients can use our services digitally 24 hours a day from anywhere on the planet. But we are also addressing other important elements of the quality of life in our societies.

I hope that we will soon complete the acquisition of one of the largest banks in Serbia. After that, we will be one of the top-three banks in six countries. This is a unique position. I do not know many other businesses with such a systemic pillar position in our entire region. It is characterized by its geo-political issues, but now it is time for integration. It starts at a local level, in Slovenia. It starts with a political recognition: that we should finally start speaking the same language and define the ambition of our nation to regain the position that we

had up to 2008. At that time, we were the best-performing transition economy in Europe. I firmly believe that this is our natural position given our geo-strategic location. We have the discipline of Central Europe and the improvisation skills of the Balkans. This clearly differentiates us. Look at our sports achievements and our success in science. I think that we can be just as good in business, and this is not limited to the financial industries.

I am not challenging globalization, but the current crisis is going to result in some insourcing to our region. This is an enormous opportunity as it takes five days less to travel by a ship to Koper and then to Munich than to do travel all around Europe. This is the closest way to the heart of industrial Europe. This offers enormous opportunities and the financial sector is here to provide support. We have plenty of liquidity and given the fact that global institutions are paying little attention to this region, niche players like us have great opportunities. We are indeed niche players in a specific part of the world and local specialists. Therefore, we are well-positioned to profit from the current situation.

We think we can be one of the promoters of sound principles, if we are truly interested in integration and if we truly talk about our home with love. We believe that this is a beautiful part of the world that can provide fantastic quality of life. This should attract global talents who can help us position this region as a really unique part of the world. In terms of the financial sector and some other industries, I am more enthusiastic than ever. This is a good time for us. But we need to integrate, define our societal ambitions clearly, and strive to achieve them. I see a lot of turmoil and polarization, as well as power battles, which is completely counter-productive. This crisis is a historical opportunity. Let us understand it correctly and grab it with both hands. Let us put our country on the pedestal of the fastest-transforming and most successful economies of Europe.

DENIS MANCEVIČ

This was a great positive view. Thank you very much. We now move on to Mr Zadel, President of the management board of the Port of Koper. We know that change in your business is usually slow. My first question is: "How do you adapt to the current situation?", and second: "Do you agree with Mr Brodnjak that this is a great opportunity for Slovenia and our region?"

DIMITRIJ ZADEL

Good afternoon. I will start with the second question. Of course, we have to adjust our operations. I finally agree that we must now show that we are prepared for the future.

I would like to reflect on the speech that Dr Adizes gave. We have a great opportunity to look forward to the development of this region. We have to perceive the COVID crisis in the way described by Dr Adizes. We need trust. We need respect for our employees. His presentation really touched me. I liked his post-COVID optimism, too.

Our industry will certainly change. The supply channels have been changing for a few years and this will continue. Our main challenge is to adapt to these changes. This has to do with external factors, such as the legislation that we have and environmental issues. Therefore, we do have challenges ahead of us. But we are fully convinced that we can tackle them successfully.

DENIS MANCEVIĆ

Thank you very much. We are going to wrap up first round with Mr Bobinac, Vice-President of Hisense International, responsible for global marketing. You have a unique perspective to share with us, I believe. Your company was set up in China. We all know that this was the first country to be hit by the pandemic but it was also the first to recover. What do you think of this topic and how do you, at Hisense, look for new opportunities?

FRANJO BOBINAC

Hello to everyone. We are a global technological leader, combining both consumer electronics and home appliances. We have a presence in many countries and regions and employ more than 90,000 people.

I would start with the need to take care of the safety and health of our employees. This is an unusual crisis and we need to start from there. Here, in our country, we have a factory employing 5,000 people. We can be proud because we adopted all necessary preventive measures in time, and we stopped the spread of the virus. We have managed that nearly perfectly. Our case has become a benchmark for the whole industry in the region. We have shown how a company can protect its people and this has become a kind of national standard and an industry security protocol.

Despite the crisis, we decided to be extremely close to our customers. Instead of being disconnected from them, we stayed connected via Zoom, Teams and other tools, and we discussed their challenges and problems, trying to find solutions.

We have also studied thoroughly our consumers' behaviour and the changes in their lifestyle. We immediately realized that we need to focus on appliances

that people use when they stay at home, such as cooking and cleaning devices, freezers etc. We started selling smart TVs with a new operating system, and the sales exploded, not only because of the beautiful colors and the quality of the sound of our TV sets, but also because of the content that we brought to our customers all around the globe. The content consisted not only of sports, music, movies, games, and other entertainment but also of educational and documentary elements.

I can share a very interesting story with you. In South Africa, which was strongly hit by the pandemic and where Hisense has 30 percent of the market, we decided to partner with the Nelson Mandela Foundation and we provided a free educational platform for children on our smart TV sets for the whole country. That was a great success and we are very proud of it.

Next point is about distribution. All of a sudden, stores across the world closed. Initially, our sales fell significantly. However, we invested a lot of effort in the development of our e-commerce business. At present, we are one of the leaders in e-commerce, which accounts for 40 percent of our sales, in some countries even more. The strongest markets for our e-commerce business are the Czech Republic, the United Kingdom and Italy.

When you have a product and customers, you need to take care of efficient logistics and supply chains. That was not easy for us as a lot of channels had been closed. But I am glad to say that we managed to organize our logistics and supply chain properly.

Last but not least, is marketing and branding. We never stopped investing in our brand and we developed great partnerships. One of our recent partners is the football club Paris Saint Germain, but I can also mention UEFA, Dwyne Wade and NBA Ligue Pass as our strategic partners from the field of sports sponsorship. We are proud of being one of the first companies in our industry to be a sponsor of e-sports and we expect a lot from that.

Talking about people and leadership, I strongly believe that what is needed is not only an efficient and goal-oriented organization, but also very strong leadership and a lot of human touch. This kind of leadership needs to engage with people, not only to communicate. It should also include optimism in critical situations. We, the leaders, have a duty to have a vision and belief. Imagine a coach whose team is losing the game a couple of minutes before the end. If he doesn't believe, the players will never win. I believe that, with the right leadership approach, clear strategy and efficient execution capabilities, right organization, engagement, trust, and empowerment, all of us can be successful in the future.

DENIS MANCEVIČ

I would like to start the second round with a question about industry-specific trends. We have seen that some of these have been changing due to the pandemic. Do you think that after the discovery of a vaccine or appropriate medication, we will return to the previous trends, those that we observed a couple of years ago? Or will the pandemic alter these trends permanently? I would like to have Mr Brodnjak pronounce on this issue from a banking perspective as we know that banking is the backbone of every economy.

BLAŽ BRODNJAK

What is happening is very interesting. The banks have been operating continuously. This is an important message. Even during the lockdown, the banks were open. Of course, the working hours were shortened and some branches did not open, but we continued to provide services to the population and businesses. Our people were directly exposed to the pandemic because we provided retail services. The most important task for us was to ensure that people feel safe. It was not that easy to get protective equipment at that time, and it was hard to make people feel enthusiastic to continue to provide services to clients. At that time, our digitalization efforts accelerated substantially.

However, right after we started opening up at the end of May, we observed a few counter-intuitive phenomena. Cash was back. We expected people to start avoiding it, but they were not. A quick migration to digital services was not happening any more. We did not have many new people installing a digital wallet. They still used plastic cards or mostly cash. That was very interesting. There was a shift to online cash loans, to be sure. But we did not see a tremendous increase in the use of digital services. There were lines of people outside branches in North Macedonia. The number of customers allowed inside was limited and as a result of that, people were flocking outside. We invested significantly in the acceleration of digitalization but the customers still come to the branches. They still use cash and even wait outside the branch. So, a cashless society is far away as far as our region is concerned. We have observed that digitalization has its limitations.

There is a phenomenon called cyber-risk. We have seen an increase in cyber-attacks across Europe that are challenging the stability of our service. Swedes used to be quite vocal about the need to get rid of real cash. They have now started saying that cash is here to stay. What if the systems go down? How do you pay?

So, cash is back. There was a strong increase in digital services, but it has stabilized and we do not see evidence for acceleration yet. This is quite counter-intuitive.

DENIS MANCEVIČ

This was very interesting. I would like to continue with Ms Lončar. Have you observed similar trends? Siemens is, among other things, a provider of information technology solutions. Have you seen an acceleration of some previous trends?

MEDEJA LONČAR

Definitely, digitalization has accelerated. Many of our customers want to be more resilient. Production sites are moving closer to markets and the manufacturers need to be more agile so as to stay competitive. They have to increase their productivity and availability and digital solutions, also with remote access and control etc., can support them.

However, not everything can be done through the cloud and the cyber attack threats are very real – which is why we see cyber security as a crucial factor and invest a lot of (human) resources in this field. However, there are technologies that can support more conservative industries - such as the energy sector. And there will be different speeds of technological development/adoption in different areas and industries.

Nevertheless, we do count on the digitalization of infrastructure. Smart cities will pay more attention to safety issues which was not the case before the COVID-19 crisis.

Another big topic, indirectly connected to corona crisis, is sustainability. We are increasingly aware of the fact that we must take care of our planet and Siemens is very active in the sustainability area. A huge part of our portfolio supports our customers in their efforts to deal with these issues; moreover, we are working on technologies for which we hope that can be a real game changer. Europe is going to invest a lot in green technology and digitalization. As Mr Brodnjak said, we must use these opportunities in Slovenia to position ourselves properly in this new reality.

DENIS MANCEVIČ

Mr Bobinac, some analysts in your industry are in favor of bringing back production capacities from outside Europe and the United States. Do you agree with that?

FRANJO BOBINAC

To some extent, yes. The world is extremely interconnected and we are always going to have some overseas suppliers. But regional suppliers are also

important. I think that we are going to have a mixture of global, regional, and country-specific approaches. As far as supply chains are concerned, I see regional hubs of some global companies and I think that they will remain in place. Some global suppliers of specific components will also retain their positions.

I would like to mention some other typical trends that might or might not endure. I strongly believe in personal contact in business. This will continue to be important. Second, e-commerce will become more important than before but distributors who can provide offline and online sales will prevail. Therefore, it is extremely important to develop different types of distribution channels, combining online and offline.

Also, I would like to stress out the fact that at the end of the day it is the end consumer that decides everything. They are extremely well informed and interconnected. All companies that deal with end consumers are competing also for their loyalty. We have just embarked on a great journey. We are tracking the consumers' journey so as to see all touch points of their experience. Like this, we will be able to identify weak and strong points. It is extremely important that all companies that are delivering products to end consumers are extremely consistent on that journey. For example, we need to be consistent in what we do in the social media, on the shop floor, in TV commercials or in catalogues. The end consumers are the most important factor and all companies are doing anything possible to convince them to buy their products and not those of the competitors.

DENIS MANČEVIČ

I would like also Mr Zadel to address this question concerning the current trends.

DIMITRIJ ZADEL

I fully agree with what Mr Bobinac said about the trends concerning supply chains. On the other hand, we see that logistics are important in both cases: when one transports something from Europe to another part of the world and vice-versa. From our perspective, the Port of Koper has a great opportunity to be part of this new logistic system.

We see some movement away from industry in Europe, as it was explained, but on the other hand, I think that Europe would not be Europe without its industries. Therefore, I strongly believe that the trends will be positive for Europe's industries.

DENIS MANCEVIČ

Thank you very much. We now have questions from the public. The first one is for Ms Lončar. The question is "In your view, how will middle management change in your organization now that it has an opportunity to work from home?"

MEDEJA LONČAR

It is a very good question. This is a tough challenge for all of us. I think that we are still learning how leadership will change in these new circumstances. We are studying the strengths and weaknesses of this phenomenon. For now, the employees see a lot of benefits as this makes them more flexible and can optimize the use of their personal time. On the other hand, the difference between work and private life is decreasing. There is also less collaboration. For sure, before we arrive at an ideal situation in which teams will be able to manage themselves, the role of middle management will remain extremely important. It has been so during the COVID-19 crisis and I think it will remain the same after it. We will need to have small groups and somebody will have to deal with them on a personal level. There will be a persistent need for empathy with respect to the needs of our employees. Working from home has its downsides. I noticed that some colleagues, especially young women in managerial positions who have children at home, suffered quite a lot during the lockdown. But unless you talked to them and showed empathy, it would not have been possible to find that out. You would not have known about their struggles.

We will need to transform the role of the managers so that we turn them into facilitators and connectors of people. Otherwise, we will lose people's creativity. This is a crucially important area and we need to focus on it very soon. I see this as one of my priorities. In the next few months I am going to focus on the question of how we can manage our people more successfully.

DENIS MANCEVIČ

Thank you. We received another question. It has to do with global trends: "In your view, what impact will the crisis have on geo-political relations and what will the impact be on our region?" I would like to have Mr Bobinac answer this question.

FRANJO BOBINAC

Of course, we all want to have a free trade. We consider liberalism important. The COVID pandemic is not the only crisis at the moment. The world is facing a lot of other challenges: refugees, hunger, religious conflicts, terrorism. Sometimes I think of the three pillars of the French revolution - freedom, equality, and brotherhood - and I have the impression that we are far away from that. But I think that the introductory speech that we heard gives a solution to all the crises that we are facing. We need much more integration, much more brotherhood and friendship, much more cooperation and not just competition. Instead of competition, we should have cooptition. And we do need integration and respect among nations and religions, and respect and trust among people. Geo-political considerations are not good for making business. I strongly believe that wisdom will prevail and so will free trade, along with respect for each other.

DENIS MANCEVIČ

Thank you very much. With that answer, I would like to conclude our event. I thank all panelists for their great insights.

DANICA PURG

I also thank all panelists. They shared some interesting ideas about management and how to be a better leader now and after the COVID crisis. Thank you very much.

Ichak Adizes

Founder of the Adizes Institute, USA

Over the course of more than 40 years, Dr. Ichak Kalderon Adizes has developed and refined a proprietary methodology that bears his name. The Adizes Methodology enables corporations, governments, and complex organizations to achieve exceptional results and manage accelerated change without destructive conflicts. Leadership Excellence Journal named him one of the Top 30 Thought Leaders in the United States, and Executive Excellence Journal put him on their list of the Top 30 Consultants in America.

In recognition of his contributions to management theory and practice, Dr. Adizes has received 21 honorary doctorates from Universities in ten countries. He is honorary Chancellor of the University of Fredericton, Canada, received the 2010 Ellis Island Medal of Honor, holds the honorary rank of lieutenant colonel from the military and has been made an honorary citizen of two Eastern European countries.

Dr Adizes is a Fellow of the International Academy of Management and has served as a tenured faculty member at UCLA. He was a visiting professor at Stanford, Tel Aviv and Hebrew Universities and taught at the Columbia University Executive Program. He also served as Dean of the Adizes Graduate School for the Study of Leadership and Change and is currently an academic advisor to the Graduate School of Management of the Academy of National Economy of the Russian Federation.

Dr. Adizes is founder of the Adizes Institute, based in Santa Barbara, California, an international consulting company that applies the Adizes Methodology for clients in the public and private sectors. The Adizes Institute was ranked as one of the top ten consulting organizations in the United States by Leadership Excellence Journal. In addition to consulting to prime ministers and cabinet-level officers throughout the world.

Dr. Adizes has worked with a wide variety of companies ranging from startups to members of the Fortune 50. He lectures in four languages and has appeared before well over 100,000 executives in more than 50 countries. He has written 17 books that have been published in 26 languages. His book *Corporate Lifecycles: How Organizations Grow and Die and What to Do about It* (subsequently revised, expanded and republished as *Managing Corporate Lifecycles*) was named one of the Ten Best Business Books by Library Journal.

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The IEDC–Bled School of Management, founded in 1986 as the first business school of its type in Central and Eastern Europe, is 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 the establishment until today stands at more than 93,000 from 100 countries.

The IEDC–Bled School of Management is an award-winning school. In 1999 it was one of the first two business schools to be awarded the IQA (International Quality Accreditation), while in 2005 it received the international accreditation from the Association of MBAs (AMBA). In 2009, the 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 2012, the Executive MBA Program of IEDC–Bled School of Management was recognized by the Association of MBAs (AMBA) 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. The IEDC–Bled School of Management won that recognition for innovation in combining the arts with leadership and management education.

The IEDC–Bled School of Management has been very active in the UN PRME (Principles for Responsible Management Education) activities and it was the only business school from CEE region to be recognized as PRME Champion. In 2020 IEDC was ranked among Global 100 Innovative Universities by WURI (World Universities with Real Impact).

IEDC President, Prof. Danica Purg was named 2010 International Educator of the Year by the Academy of International Business for her outstanding achievements in international business education. In 2013, she was the Chair of the UN PRME Steering Committee and in 2020 she was leading the restructuring of PRME as the Acting Chair of the Steering Committee. The Global UN PRME Forum awarded Prof. Purg in New York in 2018 for her pioneering work in establishing the UN PRME initiative.

Prof. Purg is also recipient of the 2014 Lifetime Achievement Award in the field of management by the Managers' Association of Slovenia and

the “National Order of the Legion of Honour”, the highest French order of merit, received in 2018 for her dedication and support in strengthening bilateral relations among France and Slovenia, especially in the field of management education.

The IEDC–Bled School of Management is the headquarters of the International Association for Management Development in Dynamic Societies, CEEMAN, associating 220 business schools from 50 countries, the European Leadership Centre, Coca-Cola Chair of Sustainable Development and NLB Chair in Change Management. Two of its most recent endeavours are the establishment of the World Institute for Sustainability and Ethics (WISE) which is an international consortium of business schools focused on these critical aspects of modern business, namely Cologne Business School, National Institute for Innovation Management at Zhejiang University, University of Stellenbosch Business School, and IEDC, and IEDC Team Development Institute which aims to address organisational needs by offering a full-range of interventions to potential clients on how can teams develop through research-based learning and facilitated discovery.

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Some of the world’s most eminent professors and consultants teach at IEDC, coming from most renowned business schools in the world: from USA, Canada, Europe, Latin America and South Africa.

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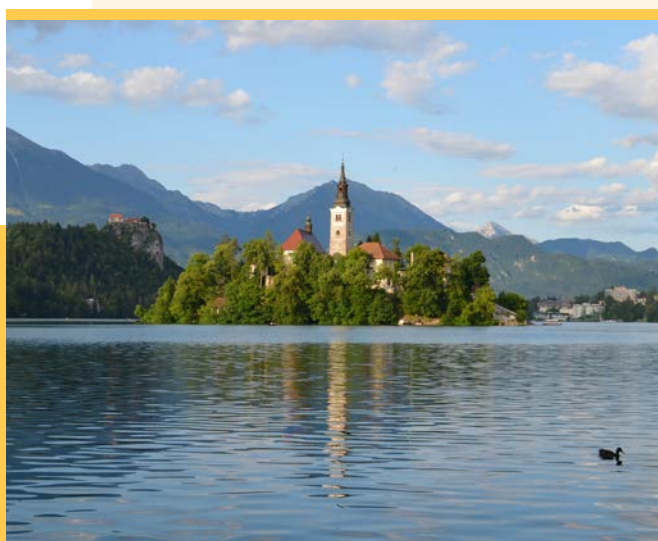
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