

Are you a Digital or an Analogue Leader?

William A. Fischer



»The first step in digital leadership is the capacity to think of change as continuous, not episodic, and then respond accordingly.«

IEDC

Bled School of
Management

A School with a View

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

Dear Excellencies,

Dear Professor Fischer,

Dear guests from 12 countries,

Welcome to Slovenia and IEDC - Bled School of Management at our 28th Annual Presidents' Forum.

Leadership is one of the main issues that our school is focusing on. In fact, the vision of IEDC is to be a centre of excellence in innovation leadership development, a major meeting place for leaders in Europe, and a creative environment for creative leadership. Bled is a great place for reflection and inspiration. Therefore, we have decided to make our school an art gallery. We have paintings by illustrious painters and we hope to have a nice sculpture in the classroom very soon.

The world is facing many challenges. To deal with them, we need new leadership forms and contents and a new approach. At IEDC, we focus on leadership as an integrative practice in organisations, focusing not only on the functional skills of business but also on worldly views of ethics, aesthetics, creativity, and innovation. We challenge our students to lead for the betterment of others and for a sustainable future, not only for their own interests.

[01]

We believe that through art, deep conversations on ethical dilemmas, and a broad understanding of the power of sustainable business, we can develop today the leaders that will bring about the changes that we need.

Today, we have the privilege of listening to Professor William Fischer, a world-famous expert in leadership and innovation. This is his third keynote speech at our Presidents' Forum. He was here in 1994 and in 2008.

William Fischer is a professor of innovation management at IMD Lausanne, the school that we have chosen as an example to follow. He is a co-founder and director of the IMD-MIT Sloan joint program in Driving Strategic Innovation. In 2011, The Independent named him one of the most influential tweeters on business issues. Professor Fischer has authored seven books. He was president of the China-European Business School in Shanghai, and has been an advisor to governments and businesses around the world. He is constantly in search of excellence in leadership in every respect and in a very advanced and innovative way.

I have been intrigued by Bill Fischer's very interesting approach to modern leadership. He distinguishes between "analogue" and "digital" leadership. This refers to the leadership mindset, style, and skills that we need for the future. The key aspects of digital leadership are speed,

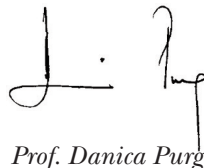
continuous processes, and use of multiple data sources. I am personally interested in the relationship between speed, quality, and continuous processes, and how multi-source data can be selected. But I am sure that there are many other important issues related to today's topic. One of Professor Fischer's most important messages is that leadership and innovation start with personal action.

In the second part of today's forum, our panellists will share with us their first-hand experience with action. We have invited four business leaders who are great personalities. They will tell us about their personal experience and views on today's topic. We will listen to Sandi Češko, chairman of Studio Moderna in Slovenia, Thorsten Köhler, chief executive officer of YOUR SL, Germany, Ulrik Nehammer, chief executive officer of Coca Cola Germany, and Branislav Vujovič, president of New Frontier Solutions, Austria. We are all looking forward to this panel. I am convinced that this forum will have an inspirational impact on our own leadership.

Now, I would like to introduce another successful leader and sponsor of this forum, Janez Škrabec, founder and managing director of Riko, Slovenia, which is the most successful engineering company in our region. Besides being a manager and a leader, Janez is also an active philanthropist, and will share with us his ideas about today's topic. He will give his address after Doctor Busek's welcoming words. Dr. Erhard Busek is a great friend and supporter of our school, former vice-chancellor of Austria, and chairman of the Institute of the Danube Region and Central Europe. He is also president of the supervisory board of our school and a great connoisseur of the political and economic situation in the region.

[02]

Dear ladies and gentlemen, I wish you welcome once again. Enjoy this event at our school!



*Prof. Danica Purg
President*

Welcome Address by Dr. Erhard Busek, Chairman of the Institute for the Danube Region and Central Europe

Dear Danica,

Dear panellists,

Ladies and gentlemen,

It is an honour for me to be here with you today. This is a special honour indeed as I am replacing Prime Minister Cerar, who was supposed to come to this forum but is unfortunately busy today. I was deputy prime minister in my country and I have some experience standing in for prime ministers. Mr Cerar cannot be here because of the refugee situation. This is related to the subject of today's forum. We live in a world characterised by tremendous changes and a lot of unexpected things are taking place in Europe and other parts of the world. Therefore, the question of leadership is a priority on our agenda. Do we have the right leaders? Do our leaders recognise the real issues that we need to deal with? Are they making the right decisions?

As a former politician who is still very much involved in European affairs, especially here in Central and Eastern Europe, I am sorry to tell you that we are witnessing a lack of leadership. The reason is, that the tremendous changes are not acknowledged for a long time. Everybody is talking about globalisation but there is little awareness of its consequences. We are experiencing slow economic development and socioeconomic inequality is growing.

[03]

If you read the analyses of the think-tanks, you will see that everything had been predicted. Nobody can say that we have been caught unprepared. But were the predictions taken seriously? This is a leadership issue. When information comes in and is not taken seriously, we have a bad situation. I am very critical of my own country because everybody is shocked by the refugees even though the situation had been predicted. The wars in the Middle East are nothing new. They have been going on for a long time. We have seen refugees coming to Italy for many years. But we thought that they were far away and would not come to our doors. Now, they are with us.

I am a fan of think-tanks but I think that we also need do-tanks. Unfortunately, we do not have them.

Politics is always a little behind the reality. It takes a long time for a reality check to take place. We cannot afford to waste time any longer. We must react more rapidly. We must be prepared.

When the refugees came to Austria, the first reaction was to look for buses and trains in order to take them to Germany. That is not a solution.

Slovenia has the same problem: you do not have enough buses. In reality we need leadership, not only buses. And we need knowledge.

You might wonder what this has to do with analogue and digital leadership. We have a gap between the reality of technological development and the reality of politics, which is connected to the economy. We do not have a reality check. I think that this is your job. It is a question of leadership in the business community. You have to push politicians in the right direction. Of course, they will not welcome you. The only thing that they like is to receive applause and votes. But we need more straight talk about this situation or things will get worse. If we do not learn how to handle things in the right way, we will find ourselves in a jungle. This is extremely important for Europe's development.

Politicians are telling us that we need less centralisation in Europe. But the reality is different. We saw that during the financial crisis. It was settled by the European Central Bank, not through decentralisation. The same goes for the refugee crisis. We need a central distribution system. At the moment, the system involves passing the refugees on to the next country. But this is not a solution. We need to share responsibilities and cooperate. Therefore, I am asking you to raise your voice. This is extremely necessary because of the time constraint. Things are developing faster than we expected. This reality check is of paramount importance.

Welcome Address by Mr. Janez Škrabec, President of the Riko Group, Slovenia

The recipient of this year's title of "Honorary Citizen of Ljubljana" is Mrs. Zora Kunjajeva, a lady in her nineties with an exciting life story. During the Second World War, she joined the partisan movement, during which she lost her husband, who was a national hero. She worked as an assistant in the partisan hospital, and after the war, she worked as head of Slovenian paediatrics. I happened to meet this inspiring lady at a ceremony honouring the 27 April, the Slovenian Rebellion Day. We started to chat and she talked a little bit about her life. After the ceremony, when we left together, she looked into my eyes and asked me, "Mr. Škrabec, why are you so successful?" I was shocked by her question and started to mumble. But she told me straight away, "I know why. It's because you love people."

When thinking about it, I could see the connection to a number of eternal truths about leadership, especially the saying of one of the most influential leaders of all time, Gandhi, who said that leadership is not about muscles, but about getting along with people. It is about being more concerned with making others feel good about themselves than expecting them to make you feel good about yourself.

Speaking from my experience, it means that, as a leader, you shouldn't glorify your own life and success, but be much more concerned about how others can reach their goals and fulfil their dreams. I believe that Riko has become the most successful engineering company in the region due to the conditions I have created for each and every individual on its team.

[05]

*No matter how much things change externally, the ethics of leadership remain the same. Although the world has changed from analogue to digital, I agree with Manfred Kets de Vries, the biggest leadership guru, who, at the invitation of Mrs. Danica Purg, was lecturing here, at this very event at the IEDC Forum at Bled. He said, "During the heyday of the internet bubble, I was often approached by journalists, wondering what was new about leadership in the New Economy. My usual response was that it was not really a new economy at all, but an old economy with a new technology. I tried to explain to them that many of the soundest principles of leadership are very old." And he proved it in the book *Are Leaders Born or Are They Made? The Case of Alexander the Great*, in which he showed that leadership actually hasn't changed in 2,300 years.*

So the message of this book is simple: technologies and systems change, but values remain the same, which is also my life philosophy. Even if we go further back in history, I always try to apply the wisdom of Lao Tzu:

A leader is best when people barely know he exists, not so good when people obey and acclaim him, and worst when they despise him.

Fail to honour the people and they fail to honour you.

But to a good leader, who talks little when his work is done, with his aim fulfilled, they will all say, 'We did it ourselves.'

In the world of constant flux between analogue and digital, the only compass is empathy, that you feel the people and understand them. But the condition for empathy is that you love them.

I am therefore looking forward to this conference which will show the purpose of both analogue and digital leadership.

I always make good use of the results of this IEDC Forum, both in my professional and personal life. I wish all participants best of success!

ARE YOU A DIGITAL OR AN ANALOG LEADER?

Prof. William Fischer*,
Professor of Technology Management at IMD
Lausanne, Switzerland

Please allow me to begin by telling you how good it is to be back at IEDC. This is such a wonderful place. You all should be congratulated for playing a part in it. This is a place with special dynamics and a lot of energy. It is clearly built around people and entrepreneurship. Danica Purg, one of the world's greatest entrepreneurs, is sitting in front of me. This school is a real testament to what can be achieved in the face of the unknown, and it was built on many of the same principles we are about to discuss. Now that this school is almost 30-years old, we can look back and say, "Not only is this school a success but it keeps reinventing itself." That is very important in terms of what we are going to talk about.

I could not have asked for better introductions than those that we have just heard. They all captured the essence of what we will be talking about. We know that we live in times of great change, and that our organisations must change accordingly. But does that mean that my leadership style should change as well? My question to you is, "How can everything in our lives change except the way that we engage with people?" One of the lessons that we will learn today is that such personal leadership change is not happening anywhere nearly enough. [07]

Learning from others is a key principle of being a digital leader, and it was gratifying to hear Danica say that the school where I reside – IMD, in Lausanne, Switzerland – has been a model for IEDC – Bled School of Management. This is a big compliment, and I hope that we have really done justice to the responsibility of being a role model.

Often, in fact, we are so close to ourselves and how we work, than we cannot see the real truth. Week after week, at IMD, we work with organisations that are well-recognised throughout the business community, with well-established brands and a global presence. They are characterised by what I would call earnest and ambitious leaders

* Two individuals deserve mention here for their contribution to the ideas expressed: Abhijit Bhaduri, Chief Learning Officer at Wipro, has been a source of great inspiration to me regarding "digital" leadership and, in fact, is the originator of the title for this talk. Andy Boynton, Dean of the Carroll School of Management at Boston College has been my long-time collaborator on many of the ideas that appear here. Georges Braque once commented on his collaboration with Picasso in the creation of cubism as the two "being roped together on a mountain". That is an apt way for me to characterise my long and exhilarating partnership with Andy.

who are unprepared for the future. They are not ready for what comes next. To some extent, I think that we are all unprepared for what comes next. These leaders have skills forged in the past, which, perhaps, are not perfectly suited for the future. These same organisations routinely hire great people and turn them into average performers. And they do this very fast.

The Leadership Challenge of Continuous Change

The leaders of these organisations are, more often than not, uncomfortable with social media at a time when one out of every five people on the planet is actively participating in it. As a result, these leaders are making decisions in a vacuum of knowledge, empathy, and understanding. And, in addition, they do not have a sense of urgency. When Mr. Busek spoke about the unexpected and asked if our leaders are concentrating on the right things, he put his finger exactly on the issues that I want to speak about. We are all going very fast into the future, driving on bad roads, without a good map or the guidance that we need. What does it take to be better prepared?

[08] I use the term “digital” as a metaphor for our times. It is our fate to live in a time of exceptional change, and somehow we have to learn how to deal with this. Of course, people always think that they live in a special time. Every generation thinks that their era is different and more challenging than those of previous generations. Yet, it is true that we live in a time that is remarkable for both the magnitude and the breadth of its change. Certain innovations in the past have changed not only their industries but have changed the world. In the last part of the 18th century, steam changed not only the production of textiles, but ultimately everything else as well. So did advances in transportation, chemistry, electricity, and computing technology. Every so often, innovations come along and redesign our economic and social landscapes. Just think about how the development of the automobile has changed our notions of geography. Such changes have produced a fundamental impact on the way that our lives are lived and will evolve.

Today, we stand at the confluence of two such society-altering revolutions. One is the internet revolution, which goes beyond mere telecommunications advances and also considers mobility and sharing as distinctly new social dimensions of life. Thanks to these advances, we now have an unprecedented ability to interconnect and learn. The other concurrent revolution is in biology; genetics and biotechnology will change the way that we treat diseases and possibly the way that we regard the individual in society. These changes will affect not only the industries in which they originated but everything

else as well. As a result, we will undoubtedly need to change our organisations and our leadership styles to cope with this. I cannot imagine that I can change the way work is performed within an organisation, while I, myself, remain unchanged.

The First Lesson of Digital Leadership: Change is Continuous

The message here is that change is profound and forever. Your life, at this very moment, is slower than it will ever be in the future. It is less connected and less complex than it will ever be. Change is no longer something that is ever going to end. It is not something that we can “get through”; it is forever. There will be no return to the old ways. We need to rethink how we do things. We need to reinvent our organisations and ourselves. Even the role of the nation state is under question, which suggests that we probably need to rethink our politics, and our loyalties.

As change becomes the dominant factor in competition, everything else will change as well. For me, everything begins with strategy – the way that we think about the positions of our organisations and the choices that we make. All of this has to change.

Let us start with how well-prepared we are to make good decisions in the face of the unknown. On the first day of an MBA program, anywhere in the world, you begin with a diagram of Michael Porter’s five forces. This provides us with a map for thinking about the world. The fortunes of successful organisations are based on making better choices. Managers change organisations and organisations change our lives. We need a map for doing that. We have been using the same map for more than 30 years.

[09]

But today, this map no longer works as reliably as it has in the past. It is as if we are using “snapshots” to view a rapidly changing phenomenon, instead of employing live streaming. Why would we ever do that? Recently, I heard a manufacturer of Swiss watches say that for decades they competed against other Swiss watchmakers, but then one day they woke-up and were competing against Apple. Who knows who else will come in next? Porter’s five forces model begins with a fundamental assumption that you can define your industry. If that is no longer true, if you do not know who you are competing against, how can you even begin to define what your competitive advantages are? All of a sudden, our whole way of looking at the world has to change.

Look at banking and how pieces of it are being disrupted right in front of our eyes. While we will always need the banking function,

banks have to keep up with the fast changing world if they want to survive as institutions. This entire industry is going through several major upheavals in the way in which it works. There will not be just one newcomer that will take the business away. Instead, there will be a loss of revenues in retail banking, loan-making, venture capital, and the like. At what point will the loss be so great that banks as institutions can no longer invest in their future? This is what disruption is all about.

In the face of such challenges, what asset can you fall back upon? Knowledge? What do you do when knowledge becomes a commodity? How do you monetise “expertise” when it is abundant? Recently, for example, a manager from a Swiss private bank told me that she manages her own wealth using an algorithm that is freely available online. Similarly, some engineers have told me that everything that they know is available online. In such cases, what is your value proposition if you are selling “expertise”.

I recently wrote an article for the Harvard Business Review website about “The End of Expertise”¹, and have heard from readers in auditing, medicine, consultancy, and similar professional fields who are witnessing the same phenomena in their own businesses. If [10] expertise becomes a commodity, what do you have left? Even education, the slowest-moving industry in the world, is imperilled by this. People who were never seen as our competitors are now competing against us. How do we adjust to this? None of us are exempt from such challenges, and, yet, most of us could never have predicted them. This is what might be called “Business Model Innovation” and it is appearing everywhere.

Business Model Innovation

Business model innovation may well be the hottest innovation topic of our time. It represents innovation applied to the way that we think of our business, and not just to its technology. Nestlé, for example, the largest coffee company in the world, had never expected that people would pay premium prices for coffee until it was challenged by “upstarts” from outside the industry, in the form of Starbucks and the like. Their Nespresso response is a wonderful example of changing nearly every aspect of how they do business. In another “old economy” industry, Zara has rethought its business model to make scarcity an asset. They have loyal customers because they have less on their shelves rather than more. Zara has people come back so that they do not miss things that are available in short supply.

¹ Bill Fischer, “The End of Expertise,” HBR.org October 2015: <https://hbr.org/2015/10/the-end-of-expertise>.

Amazon has changed the way that you and I think about delivery time. We have a completely different time horizon now when we buy things as a result of how Amazon works.

We can also find business model innovation at Li & Fung, who are among the biggest players in the global apparel industry without owning anything. Their key asset is the knowledge of what factories and designers are available, and how to arrange logistical support anywhere in the world. Ikea is another author of business model innovation that has changed retailing by offering cheaper prices because they have shifted much of the assembly work to you, the customer. Looking at the Porter model, we would most likely never have predicted any of this, because each of these innovations changes the very notion of the industry that we are in, who our real competitors might be, and what the value-chain of which we are a part of looks like.

The overall message is abundantly clear: we need something that brings change into the centre of our lives, not treating it as if it were peripheral. And, we need to recognise change as continuous, not episodic. We have had, in Porter's five forces model, a reliable map that we could depend upon for some time. This was the result of a slower cadence of change in the world around us. But now, as change accelerates and becomes a constant part of our operating environment, we are all journeying into the unknown – not the uncertain – and we find ourselves without a reliable map. [11]

If change is now at the centre of strategy, then a good portrayal of the inevitable cadence of change can be found in Clayton Christensen's disruptive S-curves. In this approach, we think of industries as unfolding over generations, making continuous changes rather than occasional ones. We also see a pattern of change that seems to repeat itself over and over again. Each of these S-curves represents a set of the offerings of successful industry incumbents that over time grow to resemble each other, both in products and processes, as well as mindsets. This is how we come to think of an industry over a reasonably long period of time – "business as usual"! And, then, a surprise happens; a rupture occurs. Somebody else comes into the marketplace, almost always from outside, with an idea about a customer experience that is fundamentally different – better, from the customer's point of view, than what has traditionally been offered. This causes an upheaval in the way the industry runs. It does not mean that the former industry leaders disappear overnight, but it typically means that there is a real re-juggling of leadership in the industry. Why? Because the current leaders were not looking in the right direction and were unprepared for what came next.

We can see such change vividly in the music industry; many of us in this room remember vinyl discs. They were replaced by tape-recorders and CDs, and then by mp3 players. You'll recall that we had vinyl discs around the house for a lot longer than we had Walkmen. And we had Walkmen for a lot longer than we had iPods. Change is not only ever-present, but it is accelerating. The periods of the S-curves are getting shorter, not longer. That means that the rupture between the old S-curve and the new S-curve is occurring more frequently. That changes the way that we need to think about leadership. Rather than "let us get through this and then take it easy", now it is "let us get through this and then prepare for the next one". Companies that do not understand this disappear. Their names and logos may still be seen in some public places but that is all that is left of them. It is as if they have been hit by a neutron bomb. This is the first step in digital leadership: the capacity to think of change as continuous, not episodic, and then respond accordingly.

The Second Lesson of Digital Leadership: The Need to Face the Unknown and Learn by Experimentation

[12] Today, if we continue the music illustration, the key media for listening to music is found in streaming. But, unless you think that history is on pause while we are in this room, something else will replace streaming music very quickly. What might that be? I suspect few of us can even offer a suggestion; it is unknown! Something will also replace e-mail very quickly. I find that incomprehensible. Can you imagine life without e-mail? But, without a doubt, it is coming, and it, too, is unknown to most of us.

This means that we need to pay attention to the difference between the *unknown* and the *uncertain*. The way that we express the traditional leadership model today is more about addressing the uncertain than about the unknown. But these are different things. "Business as usual" is about knowing what to do and doing it well. Success means being able to do something better than anybody else. It is usually about scalable efficiency, which is premised upon high volumes and repetition. This is all quite manageable when facing uncertainty. But at some point we no longer know what is coming next. That is the unknown! When we are trying to address the unknown, scalable efficiency is a bad idea. That could very well be an investment in assets that will yield no return. Instead, in the face of the unknown, we need scalable learning² of some sort and that is a

² This idea originated with John Hagel.

very different phenomenon; it requires an entirely different type of learning and an entirely different type of leadership style. This is second step in digital leadership, the willingness and ability to face the unknown and learn by experimentation.

In the past, you could join any industry and believe that there was a high probability that when you retired the industry would look pretty much the same as when you first entered it. There would be innovation, but only within a known format. Those days are over now. Who knows what is going to happen next? Do you think that the map-makers ever believed that they would be replaced by telephones? Could hotels have ever envisioned being replaced by individuals renting out their bedrooms? As a result of this, the way that we bet on the future is becoming different. The portfolio of projects that you should be looking at is different when the threat of disruption is ever-present. And, as a further result, the way that you assemble project teams and the skills that you need within these teams are changing too.

Go to a library and pick up a book on management. You will see that almost always its message is “Hire for attitude, train for skills”. Attitudes are important because you need a team of people who get together and work harmoniously, day in and day out. Convivial groups are the bedrock upon which well-performing teams are built in a world of “business as usual”. They work well when uncertainty is the dominant characteristic of the business environment. [13]

But, in the face of the unknown, attitudes are not enough, you need skills. My advice here is: “Hire for skills and figure out how to deal with attitudes.” If you hire the right people with the right skills, they will come with opinions, ambition and self-confidence, and conviviality in the workplace will likely be quite low in their list of priorities, which is exactly what you want to bridge the unknown. You want opinionated people who can apply their skills in new ways in a new situation. If they really know their stuff, these skilled individuals will be contentious, but out of that abrasion between rival ideas will come better ideas than you would have had from a more polite team; after all, *polite teams get polite results.*³

The Third Lesson of Digital Leadership: Organisational Culture Must Be Reinvented

Think about the Cloud, big data, and algorithmic thinking. We speak casually about reinventing products and organisations all the time, and today such new phenomena are spoken of frequently as essential

³ Andy Boynton and Bill Fischer, *Virtuoso Teams*, London: FT-Prentice Hall, 2005.

“ingredients”; but, if we are sober and honest, how well prepared are our organisations to handle such “alien” ideas, and the talents that they require?

As we speak about reinventing business models and industries, we also need to speak about reinventing us. We need to be able to adjust to the tempo of our times. I think that the digital revolution is becoming a metaphor for this. In her introduction, Danica talked about “analogue” and “digital”. “Digital” suggests working in a fundamentally different fashion. That is a metaphor for the way that digital technologies have changed our lives and the world around them. Think about customer expectations. We now take ubiquitous information for granted. Customers rely on peers rather than experts. They expect to be able to try things out. There are many questions today about the durability of brands – do brands even matter? There is the so-called gig economy in which you hire people when you need them, and the expectations are that long-term employment loyalty is a thing of the past. This raises difficult questions about how we deal with “our people” and how both – us and them – define the nature of commitment. The consequences of all of this are quite powerful and require new ways of thinking about what it means to be and act as a leader.

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Undoubtedly, our organisations need new cultures that support such new ways of working. Despite the difficulty associated with cultural reengineering, you ignore the need for this at your peril. And, according to McKinsey, few organisations are doing this well.⁴

What Might It Mean to Be Digital?

Faster

What might it mean to be digital? What might it mean to act digitally? If we were to adopt a digital approach, how might it change the way that we work? For example, I think we would be faster; my life in a digital world would be much faster than my life in an analogue world. In fact, a diplomat friend, here in our audience, just told me that all the things that we have been talking about, for instance speed, are important in the world of diplomacy as well. And, he added, that they are more important today than they were ever before.

More Inclusive, More Connected

I think that we would also be more inclusive, both as leaders and as organisations; so, in the interest of connectivity, inclusiveness, and

⁴ Dina Medland, “A ‘Digital Quotient’ To Better Measure Good Corporate Governance?” Forbes.com, July 24, 2015 <http://www.forbes.com/sites/dinamedland/2015/07/24/a-digital-quotient-to-better-measure-good-corporate-governance/>.

speed, let me ask you, the audience, to take a few minutes in small group discussions with the strangers sitting around you, and supply me with some of the other characteristics that you believe characterise “being digital”. What is important from a leadership perspective? In the spirit of digital leadership, this is an invitation to take some chances; remember that you are never going to get it absolutely right. If you worry about getting it absolutely right, you will never make it because you will be too slow.

Autonomous

You have to give people more autonomy. In the digital world, we see the possibility for a greater ability to remain an individual within a team or a network. In fact, it will be possible to work with people and still retain your individuality. This is good because one of the benefits of greater autonomy is speed. However, from a leadership perspective, to move towards greater autonomy, we need, as leaders, to provide better guidance and principles rather than rules, since the rules will never fit the situation exactly and, because they are usually arbitrary, they will inevitably diminish our capacity for autonomy.

Using Space

Another facet of digital leadership is the recognition of the benefits of designing space to reinforce the way people connect. Space matters! Danica said earlier that this school is a creative environment for creative leadership, and it shows in the way that the space is designed and the ever-present artistic reminders of what creativity can accomplish. The way that we organise people spatially matters. Work-ambiance matters. We do not need very special chairs or far-out designs; but the way that we talk to each other is important, and space shapes those possibilities. Can we reengineer our environment in such a way that we can move ideas faster? I think that the answer is “yes”, absolutely!

[15]

*Exercising for Idea Hunting*⁵

I live in Lausanne, which is the home of the Olympic Committee (CIO). If you walk along Lac Lehman early in the morning, you often see famous athletes exercising while they are accompanying national delegations to the CIO. These athletes are out early in the morning, running and stretching. That is the way that they make their living. They succeed by being stronger and faster than the rest of us.

But what about us? We make our living by having better ideas. What exercises have we done this morning? I would argue that the exercises we should be doing are quite characteristic of living in a digital environment.

⁵ Andy Boynton and Bill Fischer, *The Idea Hunter*, San Francisco: Jossey-Bass, 2011.

For example, I believe that more minds are better than fewer. And I would suggest that more different minds are better than more of the same. What have I done today to enrich my own information sources with the ideas of others; and with the ideas of different others?

Mobile

Think about how our lives have changed with mobility. The changes in what we do and the ways we do it are, literally, unbelievable. When we do this right, we are acting in consonance with a digital lifestyle. But, old habits die hard. The other day, I was talking to a group of auditors. They acknowledged that mobility is changing their lives, as well, and I asked them in what way. Their response, however, was something of a surprise, as they told me that, “There are big phone companies that we have to target as clients.” My thought was that this was “analogue” thinking. I had hoped, instead, that they would immediately experiment about “the way that mobility could change the way that auditors work”. Why, for example, do we have episodic audits? Why not continuous audits? Why sample? Much of what goes on in an audit is about sampling. That is what auditors do: they take large datasets, sample pieces of it, and report back. What if we could use all the data, continuously? Wouldn’t that provide a better view of what is going on? This is digital thinking replacing analogue thinking.

Experimentation & the Capacity for Quick Withdrawal

One of the ways to take worrying out of the unknown is to try things and see what works and what doesn’t; learn by trying. Failure will be an inevitable by-product, but never the goal. The goal is the experiment. And if things do not work, the ability to withdraw quickly and gracefully, rather than remaining committed, will be another great digital skill to master.⁶

Work & Life: No Longer in Balance?

Have you noticed that people are not talking as much about the work-life balance anymore? What does this mean? Have we given up? Last week, I spoke to a group of people in the telecom business. They told me that “life-balance” had replaced “work-life” balance. Work-life balance is too constrictive. Clearly, things are changing through no fault of our own. Work-life balance was fine when we had clearly defined boundaries in our lives. Now we do not. Now my phone goes off all the time, and I never know who or when I will receive a message from. I want my life, but I want to be connected at the same

⁶ Rita Gunther McGrath, *The End of Competitive Advantage*, Cambridge, MA: Harvard Business School Press, 2013.

time. I do not want to artificially separate my work and my life; I want to accommodate them naturally and in a better way.

Are You More Digital Than You Used to Be?

One of the questions to ask yourself is, “What did you do today that was faster than six months ago?” That is a good question to start off with. I have recently written a book on Haier, the Chinese home appliance manufacturer⁷. It is not a Silicon Valley start-up, nor does it have a bunch of young people running around in flip-flops and shorts. It is a company that sells washing machines and refrigerators; real people making real things! It competes in a mature industry. At one point, they had 80,000 employees, and they decided that they were too slow. One of the reasons for this, they believed, was that their conversations were typically linear and sequential. They would generate an idea about a new product and then Marketing would talk to Research and Development, who would talk to Manufacturing, who would talk to Procurement, and ultimately they would discover that they did not have the necessary skills... Long, complicated, and slow! And they were slow merely because of the way that they organised their work.

Haier has now developed a new air-conditioner. It is elegant and very attractive. It was designed to be kept inside a room rather than outside. And, it was the outcome of an entirely different way of working: to begin with, they had thirty million people on the Internet who told them that they wanted to stay “cool, not chilled”. Customers wanted air-conditioning that made the room pleasant, not frigid. Then, they had 670,000 people participating in conversations about this, which provided a lot of ideas from the customers’ perspective. All these ideas were collected in a room where they always had somebody from Marketing, Research and Development, Manufacturing, Procurement, and Human Resource Management, at the same time in the same place. All their conversations were held in parallel, rather than linearly and sequentially. They reduced their commercialisation time by months, which is not bad for a mature industry. They achieved this just by re-organising their conversations⁸.

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How big are your dreams? Are you dreaming big enough? A group of high potentials in a fast-moving customer goods industry told us that the difference between them and the start-ups that they envied began with the realisation that the start-ups had bigger

⁷ Bill Fischer, Umberto Lago and Fang Liu, *Reinventing Giants*, San Francisco: Jossey-Bass, 2013.

⁸ Rita Gunther McGrath, *The End of Competitive Advantage*, Cambridge, MA: Harvard Business School Press, 2013.

dreams. In their minds, the bigger dreams outweighed the economies of scale and distribution that characterised the incumbent market leaders.

How many new things are you involved in? What do you share? Do you share opportunities with colleagues? Do you share your notes with them? At IMD, I try to encourage our participants to share notes. I once spent a week talking about the sharing economy, and then I said, “Hand your notebook to the person next to you.” No, they would never do that! But, if not, how do you exchange ideas? How many ideas from other people do you use? Do you know who is in your network? I think that most of us believe that we have the coolest network in the room. But we might not if we’ve never analytically appraised our network and the knowledge equity that is represented by it. The bottom line is that, if you are a leader, you need to be a role-model for acting innovatively.

Leaders Comfortable with Innovation

[18] These things we speak about are no longer optional. Innovative organisations, or those that have aspirations to be innovative, deserve leaders who are comfortable with innovation. That does not mean that you, yourself, have to be the source of innovative ideas. It just means that you should be comfortable with having new ideas in play.

Let me share some of my thoughts about this. I’ve already mentioned that we should move from being slow, episodic, linear, sequential, and position-centric to being fast, continuous, and parallel. And, that we should accept some role fluidity. Clearly, few of us are in a position to dominate any conversation about the digital world. But, there are other people who know more than us in this regard, and the question is how to bring them into the conversation?

Most of us live in the present, yet we need to figure out what is going to happen in the future. Our organisations need to change from having people knowing a lot about a little to at least having people who know a little about a lot. This is so because naïve people ask questions that nobody else asks. Experts try to do things better, faster, and cheaper. Naïve people ask why you are doing this in the first place. So, big changes are in store for us in the way we convene conversations and who we invite.

We also need to move from being social media avoiders to social media embracers. Do you have active Facebook, LinkedIn, and Twitter accounts? If you do not, how do you make choices about social media? You do not need to love those media, but you should at least be conversant with them (and, these are “social media lite”). You should at least experiment with them. My advice is to create a

random account and see what it is like. I was at a large bank recently and I watched them turn down four stunning proposals about financial technology applications that I thought were great. Nobody in the room who was voting was using social media. They all said that the “Fintech” proposals that they were reviewing involved too much sharing. In fact, there is a tsunami going across the world that embraces sharing and social media. You just need to stay informed. You do not have to love these media.

The next shift for leaders in a digital era is to move from being experts to being experimental. Expertise is increasingly available in a lot of different places. The premium is not in holding the expertise, but in the way that you access it and use it.

Innovation should not be just a word. It must become a regular activity. Whenever I ask people in an organisation who does innovation, I typically see only a few hands go up. And, almost inevitably, they are the hands from research and development. Instead, I want everybody to raise their hand because I want innovation to be the way that we all work. It must be a verb not a noun.

Disruptive change is targeting incumbent market leaders; making success dangerous and hesitation suicidal. We must recognise that incumbent market leaders are increasingly at risk. They have legacy assets and commitments and they are probably not looking in the right places for where their real competitors will be emerging from. Inevitably, they are benchmarking against their peers, but their peers are going to disappear, too. Disruption is an industry phenomenon. A lot of people talk about the demise of Nokia and Kodak, but they were not the only ones in their sectors that went down. Motorola, Sony Ericsson, Agfa, and the film business at Fuji also collapsed. It was not about firms, but about an entire industry cohort. Therefore, we need to look into the future differently. We need to look at places where we’ve never looked before. Your customers will not help you. They will, almost inevitably, be co-conspirators against change. In response to what they think they need in times of disruption, their response will be to ask you to get your products to them on time and make them cheaper. This is bad advice! They are also living in the present. In the future, cheaper and faster do not count; at least not in the beginning.

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We need to be prepared to disrupt ourselves. We should reinvent our products and services and organisations before we are forced to do so by others. We often have people come to our business school and say, “We want to change, but our resources are scarce and

people are afraid.” Do yourself a favour and change earlier. Change when your resources are abundant and people feel good. That may mean that you have to cannibalise some of your own products, but it is better that you do this than somebody else. This requires a different mindset and a different mentality. It is definitely not about prediction. In the face of the unknown, prediction is futile.

For me, the best metaphor for thinking how to confront the unknown comes from the former Chinese leader Deng Xiaoping. When he was asked by the Western press, in the early 1980s, as to how he was going to change China, he replied that he did not know. That, in and of itself, was a great answer! But, he added that “they were going to cross the river by feeling the stones”. I think that this is what we have to do in preparation for the future. It is like crossing a river. You put a foot in and you feel a stone to find out if it will hold your weight or not. You make a small bet, not a big one. You do not jump all in. If the stone holds your weight, you move on, if not, you withdraw.

[20] Maybe even prototyping is too much of a commitment at first. After all, prototyping is about building the right thing. Before we select “the right thing”, we must first of all ask if we need that thing in the first place. What is the minimal viable representation to see if anybody else is interested or not? This is called a pretotype, and it represents a small bet – “the minimal viable representation of the offering to see if there is market support”. And, my advice is that if you’re making a small bet, make a lot of them, because you are never going to get them right. Also, bet on the right people because they are more important than anything else. Who else is going to get you across the river?

In thinking about navigating S-curves, things change depending where you are on the curve (or off of it). That means that you need different approaches and different types of people depending on where your organisation is: business as usual or a rupture.

This means that we have to rethink the way that we form teams. We need teams that sustain predictable performance, but we also need to build teams that have variance enlargement. They are going to be different people and the whole role of leadership is going to be fundamentally different. We need to make those choices a natural part of the way that manage; not all teams should be the same.

A start-up on a new S-curve is not a small version of a big company. It involves a different way of thinking. It involves experimentation. If you buy into this, you also have to ask if this can be done in a successful large organisation at the same time as we

generate the cash flows that are the rewards for success in the “business as usual” part of the previous S-curve? How can you be successful in the present and experimental for the future at the same time? Is it even possible to have such an ambidextrous organisation or do you somehow have to separate these things?

One of the interesting things about Google is that it does not have a single culture. The company has at least 12 cultures. That is a necessity. A company that runs a search engine must be different from a company that invests in life extension. Why would they not have a different culture?⁹ We need to be able to make these choices. We need to think about the way that ideas move through the organisation. You are in the knowledge business, not in the making business. What you know is more important than what you do.

There are a couple of related things that I want to emphasise at this point. One is the switch of driving roles for change from us, the producers, to the customers. The secret of market success is to have the customers pull-out the things that they want rather than us (the producers) pushing things that we hope they want. But, to do this right represents not only role-reversal, but a blurring of the power and the boundaries that we have long taken for granted in a mature organisation. The second thing is that, in a mature and successful firm, variance reduction is almost always the dominant operating philosophy. But, can you do this and still have room for variance enlargement? If not, the firm is not going to make the inevitable jump from one S-curve to the next. [21]

And, who can you learn from if you are succeeding in the present and confused about the future? If you work with early adopters, it might be too late. They are people who are already acculturated into our industry. They know already what to expect. What we need are people already living in the future. These are typically people who are so frustrated with what we are presently doing in our industry that they start correcting it themselves; they can no longer wait for us to solve our own problems! This is living in the future.

In such instances, we see future threats coming from outside our industry. But don't be distracted by the technology. What these disruptors are trying to do is to create a better customer experience. It is not the technology that matters, it is the customer experience.

You must remember the importance of people. But you need good directions when you are asking people to take chances. I am an

⁹ Bill Fischer, “Three Cheers for the End of Google as We Knew It,” Forbes.com, April 2015: <http://www.forbes.com/sites/billfischer/2015/08/11/three-cheers-for-the-end-of-google-as-we-knew-it/>.

advocate of bottom-up communication. But for that you need strong, self-confident, top-down leaders. These go hand-in-hand. I do not think it is one or the other. I think that you need leaders whose charisma comes from their love for what they do and their willingness to share it with other people. Leaders need to be engaged, not absent. None of us can afford to hire great people and turn them into average performers.

Conclusion

We need new metaphors to think about how we offer, perform, and organise work. The present table of organisation dates from Roman times. What about something new, say the iPad? The great thing about iPads is that they all look the same outside, but they are all different on the inside because they are all personalised by us, the customer. So, the magic of the iPad is to let people come in rather than keep them out. Zhang Ruimin, the leader of Haier, said, “I want to build an organisation that serves as a platform to invite people in, including my competitors, rather than keep them out.” What exactly does this mean? It certainly sounds strange. In fact, he admitted that he did not have any idea of how it would work when he announced this ambition. But, the employees were allowed to become involved and figure it out. He said, “We are just at the beginning of an era of losing control,” and, he also said, “As a leader, the best way for me to change my organisation is to involve others so that they help me do it.” I think that inviting others in is part of being digital.

Think about where we started. I asked you what you thought about “digital”. You said that it meant fast, sharing, experimental, and inclusive. We see that happening in different organisations. It can happen even in an old-economy organisation with new economy thinking. We have to do that. It is no longer a choice. It starts with people in this room. If you are not willing to take chances, why would anybody else? If you are not willing to be faster, why would anybody else? You have to be the role models for the heroic changes that are going to occur in a very short period. That is exciting. But it is also frightening; and part of your role is to serve as the beacon, showing people that it can be done and should be done.

I have three rules for innovation to close with today. First, you are never going to get it right, so do not try to get it right. Second, it does not have to be new to the world, it just has to be new to your industry. The third rule is that somebody else has already done it. Therefore, if you can take those ideas from other industries and bring them into yours, innovation should not be as intimidating as we think it is.

ROUND TABLE WITH BUSINESS LEADERS

William Fischer

As a start, I would like to have our panellists briefly introduce themselves. Then, please tell us whether you agree or disagree with what I just spoke about.

Branislav Vujović

President of New Frontier Group, Austria

Good afternoon, everybody. I am the founder and president of the New Frontier Group. Nine years ago, we were sitting in an empty office in Vienna. We did not even have any furniture. Now, nine years later, we are one of the top-10 information technology service companies in Central and Eastern Europe. We have 2,000 people in 16 countries. Our headquarters are in Vienna because that is the most appropriate place from a logistical point of view.

In 2006, we realised that in this region we were served by two types of companies: multinational and local. The former had very low empathy for local clients, whereas the latter were very empathetic with respect to local clients, but did not have a good strategy, sales management, and all other strengths of the multinationals. We decided to set up a company that would be characterised by both types of strengths at the same time. That would be additional value for our customers. We started to grow organically and here we are today.

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To connect to what Bill said, as we were on our way, we saw that things were changing, while our culture could not change very easily. For example, we believed that we were in an excellent position to do the digital side. We were going 200 miles an hour but we were driving a bus and the road was narrow. And we were surrounded by buses of all sizes. Suddenly, the road enlarged and we saw people with skateboards, scooters, bikes, and Ferraris. They were all competing with us in the same market. As we realised that we could not change our culture, we split the company in two. Now, we have New Frontier Solutions and New Frontier Innovations. They have different targets and they do different things. We are doing this in order to give more value to our clients.

William Fischer

This will be an ongoing theme. We will be talking more about how you manage two companies, taking cash from one and transferring it to the other. Ulrik, it is your turn.

Ulrik Nehammer**CEO of Coca-Cola Erfrischungsgetraenke, Germany**

Good afternoon, everybody. I am Ulrik Nehammer, chief executive officer of Coca-Cola Erfrischungsgetraenke. Thank you very much for this opportunity to be here today.

I have lived in eight countries and worked across 25 different markets. I started out as a consultant in qualitative and quantitative research.

Very soon, I discovered that it is much more fun to do things. I wrote my thesis on Coca Cola in London. The topic was environmentally friendly packaging as a sales parameter. My conclusion was that it would never be a sales parameter. That was pretty scary. But the scariest thing was that my academic supervisor said that what I had done was right. Now, 25 years later, it is very clear that environmentally friendly packaging is a great sales parameter.

I live in Berlin at the moment. My great passion is to take a great company and make it faster. I also like to empower people by moving power as close to the point of impact as possible. I very much connect to what Bill said in his presentation. Speed is absolutely of the essence. The most important thing is not to work harder. Unfortunately, sometimes that is an inevitable consequence. But it is more important to work smarter and much faster.

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Each year we collect more data than in the previous. This year and the next, it is going to be the same. We cannot be a small company. But if we are a big company with the attitude of a small company, we have a great possibility to continue the growth that we have experienced in the past 120 years.

Thorsten Köhler**CEO of YOUR SL, Germany**

I have worked in the information technology industry for over 20 years. I come from a very traditional, old-fashioned information technology industry. I was the managing director of a branch of Cisco Systems. It is not a fashionable industry today but it changed the world back then, and this connects to everything that we have been talking about. Twenty years ago, when we talked about the way the Internet would change the world, people did not believe us. They even laughed. Just five years later, nobody laughed anymore.

In 2006, I decided to build my own company, YOUR SL. Everybody asked me what the name meant. I said that it was my second life after working for a long time for an old-fashioned information technology industry. My partner said that this was our second life. We are based in Berlin. Our passion is to transform companies. One of our big partners

is Coca-Cola. We also work with companies in the manufacturing industry.

Sandi Češko

Chairman of Studio Moderna Group, Slovenia

I am the founder of Studio Moderna, a leading multi-chain retailer in Central and Eastern Europe. We sell products, such as mattresses, in Japan, Australia, Europe, as well as in the United States. When we set up the company in 1992, we had two employees in a small office. We sold a single product: the Kosmodisk, a device for back-pain relief. Before that, I had a computer company that I had set up together with some friends. We sold information technology solutions as far as Japan. Then a partner of mine introduced me to Kosmodisk. Being a rational person, I did not believe in it and did not want to start that company. Then some people who had used the device convinced me that it worked. I agreed to launch a new company and I asked my wife to run it because I was busy with my information technology business, which I considered more important. My wife's company grew faster than mine, and one day I said I had to join the winners. In 1996, we got into TV shopping. I had been against it, and it took my team two years to convince me to do it. Then, we became a leading TV shopping company in Central and Eastern Europe. After that, we started selling computers to households. We were very successful and got a 15-percent market share in a year. The next product that we discovered was a new way to sell mattresses. Today, they are our best selling product.

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We have grown so much that we now have 20 companies in Central and Eastern Europe. I have been asked what comes next: China or another Asian country. I said, "No, we are going into multi-channel marketing." In 2005, nobody talked about that. I was told that I had no vision and no guts to go into new markets. But our growth after 2005, when we stopped going to new markets, increased from 20 percent to 35 percent. Today, as you know, multi-channel marketing is the hottest thing in the business.

We have always relied on organic growth only. We never raised any capital. We always used our own profits. I have always invested only in intangibles. I have been lucky to be able to attract talented people. This is the secret, the main reason for the success of Studio Moderna: a lot of great talents that are smarter than the founder. And another secret is the empowerment of those talents by investing in information technologies. Today, we have 1,500 people using intelligent tools to manage the company.

Our company has been used as a business case study by Harvard Business School and many other schools around the world. They try to understand how we manage our growth and our complexity. We are a decentralised organisation, working in 20 markets. We have seven brands and the same number of distribution channels. It is a big chaos that would be unmanageable without total digitalisation of the company processes.

William Fischer

This is a good example of betting on the right people. Now, I want to ask you what you are doing now as a leader that reflects the change in times. Can you give us an example of something analogue that you were doing in the past that has become more digital in the present? Anything that reflects a change in your personal leadership style?

Sandi Češko

[26] *First of all, we try to understand what is going on. The problem is that there is a lot of mystification. I have heard that everything is the same and the only thing that has changed is the technology. I do not agree with this. All previous changes were driven by tangible components. That was the world of Newton. Everything could be touched, weighted, and measured. As a result, it was easy to understand. But now the game has changed fundamentally. Modern changes have a strong intangible component. Many people think that what is happening is a consequence of the financial crises. It is not just a crises of the Wall Street; this is a crisis of the Main Street – of the real economy – whose fundamental model, based on a constant and always bigger growth, is outdated. Changes are happening fast, so fast that we can't put things in the focus anymore. It is not going to go away. It is even going to accelerate. We have to understand how we will function and dance in the fast changing world.*

It is essential to understand that we are not talking about some small change but a fundamental change. I like Fukuyama's statement that this is the end of history. Many people think that the information technology industry is the last industry and the only industry that will exist in the near future.

William Fischer

A couple of years ago, I was working for a project called "The Idea Hunter". We tried to figure out what differentiates people who work better with ideas from other people. What do they do differently? Much to our surprise, we discovered that people who work better with ideas are those who know what they are looking for. Sandi talked about trying to

figure out what is going on. It struck me that it is not a bad idea to go “Ready, aim, fire!” We see organisations that go “Ready, fire, aim!” or “Fire, fire, fire!” or even “Ready, ready, ready!” I say this because, in a fast-moving world, taking the time to be reflective is too often thought of as a luxury, not as an essential. But it is an essential. You need to understand what is going on. And you need to think it through rather than just shoot at the next thing that goes by.

Thorsten Köhler

I totally agree. In the past, a single change would occur at a single time. Now, many changes happen at the same time. New technologies, such as the Cloud, mobile communication, IUT, big data, and much more, have sprung up at the same time. It is very dangerous for a company to ignore this. Look at Uber and what it is doing to the taxi business all over the world. A lot of new companies are disrupting old industries. Zalando is the biggest online fashion retailer after only nine years of existence. Their chief executive officer recently said that after nine years they have to disrupt the whole business model. They built their company at a time when the web was very important. Now, they want to build a platform that all producers can use. They also need a system that will allow them to find out what is important to their customers.

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As a chief executive officer, my first thought every morning is what I could do to make my company faster and change the culture of my company so that I promote collaboration and understand what is going on around me. Big companies are like oil tankers – heavy and unwieldy – whereas smaller ones can travel like speedboats.

As the chief executive officer, I must also think about the future structure of my company. Do we need silos or more collaboration? I also strongly believe that we need to try out things and find out what is working and what is not. You cannot build a business plan for the next five or six years. That is impossible because the market is changing too fast. This is a time for doing things, not for talking.

William Fischer

I was at a videoconference with John Hagel a week ago. He is a very interesting thinker, based in Palo Alto. He says he does not want to see any forecasts that are for the period of less than six months and more than 20 years. He says that we know what is going to happen in the next six months, whereas you can do forecasts of large megatrends for demographics and suchlike over 20 years. It is the period in between that is problematic. That is the period when you have to think differently,

because you cannot predict it.

Talking about big organisations, few of them are as big as Coca-Cola.

Ulrik Nehammer

We used to be the fast kid on the block, but now we are slow compared to the rest of the world. What has changed for me? I remember the time when I had an office. I do not have one today. I think that the most dangerous place to make a decision is an office. You need to make your decisions together with your customers, stakeholders, employees, and suppliers. You cannot make these decisions in an office. I run my business from my phone. I have all the information that I need on it. If I am waiting for a plane, I can look at the performance of the company in a particular city. I do not even send e-mails anymore. I post my comments in our internal chat group. If a particular branch of the company has done a good job, I will post a comment and a question, "How have they managed to do that?" My question will be read by 10,000 people. That is the way to create a culture.

We also used PowerPoint. By now, we have totally eliminated it. It is a one-way delivery tool that can be used in some very specific situations. I also remember the time when I used pens and paper. I do not do that

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I work much faster than before. We are a big and old company which has outcompeted all small companies. The fast ones outcompete the slow ones. It is all about speed. We believe that if a big company with a famous brand can be fast, it has a bright future.

I spend 20 percent of my time figuring out how to generate revenues from soft drinks. I spend another 20 percent of my time thinking how to make profit from other categories. And I spend half of my time trying to think of ways to make money from areas where we do not have a presence right now.

Ten years ago, we learned things on MBA programs that we could use for the next five years or longer. But this year, I had to update my knowledge from last year. And next year, I will have to update the knowledge that I am gaining this year. We, as leaders, have to set a standard of being active learners.

William Fischer

What does it feel like to be the person that you are in a large company? Are you the odd man out?

Ulrik Nehammer

In Germany, we prefer to ask for forgiveness, not permission. Atlanta

would have seen most of the things that we have done as impossible. I am known as the outsider inside our company.

William Fischer

Last week, I talked to a young man who worked for a big telecom company. He said that this year he spent 90 percent of his time defending numbers in models that he has made up, which have no integrity because his colleagues have no idea what he is doing. They are going into the future, and they are spending time guessing and defending those guesses, although they know that they do not hold up.

Branislav Vujović

We are a technology company looking to create value for our clients and for ourselves. Information technologies are now one of the most important components of a business model, changing the way that we do business and how we create value. Our employees had to change from being experts in information technologies to being experts in the use of information technologies for the purpose of a specific business model. Business solutions are not in information technologies. They are in business strategy.

Ulrik Nehammer

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Only 10 years ago, our information technology director came to see me, and I thought that we were going to talk about cables and mainframe computers and all kinds of things that are not very interesting. And, worst of all, it was going to cost us a lot of money. Today, when the information technology director walks into my office, I am happy, because that means revenues. Information technologies are not cables and computers but revenue-generating devices.

William Fischer

So, for most of us, the information technology experience is not positive. If I have a problem, I call the information technology department and some kid shows up who has no idea what I do. When I turn on my phone, I realise that I am getting only 10 percent of the value that I could get if I knew more about it. But I am completely uninformed relative to a 12-year old. How do you change that equation? How do you make people like us better informed and more willing to engage?

Branislav Vujović

That is an excellent question. The issue is that my business is becoming increasingly irrelevant. I told you how the road got wider and the skateboards appeared out of nowhere. The new equation is very different.

If you have an idea you can outsource everything. Have you heard of a company called Dollar Shave Club? They sell razors. Most people across the world use Gillette, which is an eight-billion-dollar business. It has a sixty-percent market share in the United States. Then, Dollar Shave Club started selling razors for one US dollar a month. It outsources everything, including production. It is successful because of its low price, and it maintains a low price because Gillette has more vice-presidents than Dollar Shave Club has employees. By now, that company has a bigger online market share than Gillette, and is worth 600 million US dollars. That is because Dollar Shave Club changed the business model and the way that things are done.

The problem is that these skateboards that are disrupting our businesses are cheap. A couple of students can get together and disrupt existing businesses and put them together. If you think information technologies will help you deal with this, believe me, they will not. You have to have a good strategy and a sound business model. That is the key. When we realised that, we started designing methodologies that will help our clients think digitally. We do not teach them how to run their businesses. But we help them open their minds so that they understand where the problem is.

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Thorsten Köhler

In my view, every company must become something like a software company. The software for handling customers is the key. Second, this is a megatrend. There are many young people who do not buy cars any more. They use cars. Some companies have adopted this as a business model. For example, you cannot buy an engine from General Electric anymore. You can rent one.

There is also a trend toward individuation. In the past, your doctor would give you a pill if you were an adult, and half a pill if you were a child. This is over now. Scientists are beginning to use an individual approach to the treatment of patients. There is medicine designed for a specific type of DNA. Customers now expect tailor-made shoes and tailor-made services.

Unfortunately, many companies are characterised by hierarchies that impede innovation. There are separate departments that are not working together. This is not a creative environment. How can you break this pattern? Build a new company and treat it as a start-up. That will bring your business to a whole new level. If you do not do that, somebody else will. That will be somebody younger than 25.

William Fischer

Sandi, last night you talked about Amazon. It is a big company, and yet they approach their customers in a way that is impossible for a company like Coca-Cola. How can a big company resist this force?

Sandi Češko

Today, the most important part of the business game is to get to own the relationship with the customer. The question is whom we trust to be the gate-keeper of customer information. In a sense, we are going back to the feudal system in which people belonged to the feudal lord. Back then, the platform was the land. Today, it is the interconnected world. Amazon is not simply an e-commerce company. It is a relationship company. They even allow their competitors to sell through Amazon, because they do not want us to abandon Amazon. For Amazon, relation is more important than short-term profit.

Some time ago, I listened to a presentation by Zalando's chief executive officer. He said that Zalando is not obsessed with selling more. It sees itself as an Internet company that manages relationships, today with their customers and tomorrow also between Zalando's customers and Zalando's competitors. They want to become a platform, something like Facebook.

I agree that all companies should become software companies. We became one in the 1990s, even though it had not been our plan to do that. But some investors told me that they saw Studio Moderna as an IT platform, not as a retailer.

If you need an information technology solution, you no longer need to go to an information technology company. Let me tell you a little about the history of our own digitalisation. At the end of the 1990s, we decided to decentralise our business model. We wanted to be more efficient than our competitors, and we did not see Central and Eastern Europe as a single market. As a result, we decentralised our operations. It seemed like a good decision, but it was also naïvely wrong. I realised this when we had many markets and the confusion started. The business became unmanageable, and I decided that we needed to revert to centralisation.

Then Danijel Hubman, the chief operating officer, said to me, "Sandi, if we digitalise our processes, we will be able to control every employee in the company and we will know what everybody is doing." I agreed. Two years after the digitalisation, we realised that we had created much more value than we expected. We were able to bring information to the decision-making point, thus empowering, not controlling our employees. Today, 1,500 people are using our intelligent business tools. In this way, they are the ones who are managing the company. If there is a problem, they do not need to be told by a top manager to fix it. Front-line

employees should fix the problem as soon as they see it. That is why you need to empower people.

We did not buy software from an information technology company. We designed our own software based on common sense. Information technology companies are obsessed with the creation of extremely sophisticated software. We created something very simple. It is also very cheap to implement and maintain, and very easy to use.

What is the next step? The environment is changing so fast that we cannot keep up with changes anymore just as the management of the company – even if we are empowered by 1,500 colleagues. So we have decide to set up customer advisory boards. They participate in our decision-making processes and help us improve our products and services. Digitalisation is helping us involve customers in our management processes. We have abolished the classic organisational chart. Classic hierarchical structures are too slow. We do not have any administration, because it is a barrier.

Who will win this game? Whoever destroys the walls around his company and brings in the customers. This requires mutual trust. If people trust you, they will stay with you. The main question for any modern company is whom and what they can trust.

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William Fischer

There is a company called Logitech. It makes computer keyboards. At every coffee station, they have a screen that streams customer feedback about their products. You may have an engineer tell you that this product can take you to the Moon but at the same time a customer is telling you that the battery keeps falling out and it is not working properly. This is a good way to put a company in direct contact with its customers through Amazon, which acts as a go-between.

Ulrik Nehammer

I do not believe that at some point all commerce is going to take place online. Many companies have been declared dead on many occasions. But they have survived.

Here is an example. I was at Newark Airport the other day. They have a fully automated ordering system. There is an iPad in front of you and you click on a Coke or a burger. While my wife and I were going through this, two other customers got irritated and walked away, saying that they did not want to deal with this system. And we did not get our food because, for some reason, it had not been entered in the system. Please give us a human being!

I do not believe that everything will go online. People want to deal with human beings. I was so tired at that airport after entertaining customers for three days in New York, who were 15 years younger than me! It was tough. I was tired, and I wanted to order a glass of wine, and I had to figure out how to do that digitally. And then when I felt like saying, “Can I have another glass, please?” I had to do that digital operation all over again.

I think that we are going to have multiple channels. There will be a time when you want face-to-face communication. There will also be a time when an online transaction will be easier. We do not know how to balance this at the moment, but we are going to get better at it.

We used to make our choices based on taste and other product qualities. Then we started making choices based on brands. In the future, our choices will be based on the character of the company. That is how consumers will choose what to buy. And that character will depend on whether the company is doing what is right. Are they in business just to make money? Or are they in business also to do something good for society?

William Fischer

Somebody wrote recently in the social media that each time you buy a product, you cast a vote. Ultimately, there is a strong political element in our purchasing decisions. We cast votes for organisations that we think represent our ethical ideals and the things that we believe in.

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Thorsten Köhler

Ulrik made a very important statement. I love the multi-channel idea. Sometimes, I want to have a steak and get good service, and sometimes, I just want to get the food as soon as possible.

In the past, a company’s power came from its brand. Then, it was the channel where you could buy the product. Right now, the power is with the customer. There are lots of platforms that a customer can choose from and they are just a click away. And the next big thing that we have to focus on is collaboration between companies. As a customer, I do not need Coca-Cola on its own or Zalando on its own. I want an easy life and I need a combined service. I see company collaboration as the next big thing. By now, there is technology that companies like Coca-Cola can use to work with Zalando or Adidas and build services together.

We need to build very open company networks for all our customers. This is the principle of open innovation: instead of competing with other companies, you open up to them and try to figure out what you can do together with them. This is going to change the world.

Oswald Völter**Owner of OswaldVölter-CoachingPlus, Germany**

I worked for a long time for one of the large multinational companies, and for the past few decades I have been a business coach, working for myself. I was struck by Ulrik Nehammer's statement, "Customer decisions in the future are going to be based on the character of companies." That means that companies will have to change their character. Who can do that? How easy is it? What do you do to make this change happen?

Ulrik Nehammer

We are never going to get this done completely. We are going to continue to evolve. I certainly do not have any secret formulas. We have another secret formula, but I am not going to share that one.

There are things that we have to do because we think that they are right, and then there are things that we have to do because customers want them. On Thursday last week, we collected clothes for the refugees. I took a picture of that, put it on our internal network and said, "This is great!" Now, we are going to repeat this all over Germany. Should we spend one percent of our company time helping refugee camps?

[34] *We have a huge Coca-Cola group on Facebook. We do not interfere with it at all, not even when they say incorrect things about it. You cannot steer a group like that. Those that have tried to do that have failed. You have to let it go.*

You have to do things that are good for society, not just things that are good for shareholders. We have been blamed for obesity. In fact, only two percent of all calories that are consumed in Germany come from Coca-Cola. Yet, we have an obligation to be part of the solution.

Branislav Vujović

Have you heard of self-driving cars? Cars that drive themselves? There is a prediction that they will be launched in 2020. What do you think? When will they be available on the market? Let me ask another question. Who will own that car? Maybe a company like Uber? What about supermarkets around your place?

And when self-driving cars become available, will there be more cars or fewer? Perhaps fewer. Insurance businesses will suffer because there will be no car insurance. Since those cars drive automatically, there will be fewer incidents.

How many of you have a drilling machine? Do you know how often you use it? Eleven minutes a year on average.

In the future, it may seem unnecessary to own a car or a drilling machine. Society will change. We are now very much connected to our

cars, but when we no longer have a car, society will be very different.

Thorsten Köhler

Last year, I attended an innovation conference in Sicily. We often forget how fast we increase our knowledge about technology and how fast technology doubles its capacity. It is like that story about the king who allowed somebody to ask him for a reward, and the man said that he wanted a grain of rice for the first square on a chess-board and then twice as much for each next square. The king agreed. Little did he know that he would have to put many billions of rice grains on the last squares.

Right now, we are on one of the first squares of the chess-board. Each year, our knowledge will double. Can you imagine what will happen eventually? This is the reason why speed is so important.

William Fischer

Indeed, the boundaries between what we own and what we do not are getting blurred. The ability of organisations to intervene a long time after a customer has made a purchasing decision is something that we have not seen in the past. This is likely to continue in the future.

Janko Medja

CEO of Nova Ljubljanska banka, Slovenia

Do you think that 20 years from now users will care how you manage their data?

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Branislav Vujović

That is a very good question. Right now they care because companies share customer data with many other organisations. You should not worry about that. You should worry only about the bad guys. They might do a lot of damage if they get your data.

Ulrik Nehammer

I think that we have to understand which data are sensitive and which are not. That should be the starting point. In our company, if we have any data on you, we would try very hard to protect them. I am not worried about employees who leave for another company. I am worried about those who stay and do not know what is going on and do not have access to the data.

Danica Purg

Do you know the joke about these two managers, discussing employee education? One of them says, "Aren't you afraid that, after you have

paid for an employee's education, he might leave you?" The other one answers, "And suppose you don't pay for his education and he stays in the company?"

William Fischer

I have a quick question. We have all heard about the start-up mentality: doing everything fast, and being experimental and inclusive. We also talked about the dilemma of being a successful market leader and experimenting with a jump to a new level. I wonder if it is possible for the same organisation to do that. Can you have a really ambidextrous organisation? Or do you have to split it, as Sandi suggested?

Sandi Češko

What we need today is challengers. Not followers and not hard-working people. We need challengers. If we have them, we can get very far.

Second, we all must realise that, sooner or later, we will face the same situation as the music industry. It is a question of time when we will get to that tipping point. Education models will also become obsolete as digitalisation increases. We are all in the same boat. The best advice that I can give you is the one that the father gave to Khalida Brohi from Pakistan. She said, "Growing up, I have cried a lot under the blanket where my heart would be breaking, and yes, in my father's arms, sobbing like a little girl with nothing but a broken heart. My pillow, curtain, or blanket never responded, but my father kept telling me one thing while caressing my back, "Don't cry my daughter, don't cry. Strategize."

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Thorsten Köhler

In the digital world, labour contracts do not make sense anymore. What makes sense is networks. We have a network of collaborators that can do a job for us. If we tell them that we have a project for them, they will ask what company it is for. They would like to be able to pick their customers. This is becoming very challenging. You have to find talented people, motivate them, and create the right environment for them. We have talked a lot about customers and consumers, but all our employees are also customers and consumers. They want what we want: a job that they like, a sustainable environment, and so forth.

Ulrik Nehammer

Bill asked if a company should be split. It depends on the goal. There is no need to do that to optimise exploitation. As for expansion, it might be OK to have a few people working on new products, while still using the existing organisation to deliver those products. As for exploration, it is a bit like having a speedboat next to a tanker. You can use the big

capacity of the tanker to carry a huge load, and then, if necessary, you can offload some of that stuff onto the speedboat and take it quickly to any destination. That is what we are trying to do. We visit half a million customers in Germany every year. Every start-up would love to visit half a million customers. Every start-up would love to have half a million relationships. If we manage to think like a start-up while using the resources of a large company, we will be in great shape.

Branislav Vujović

The Metropolitan Opera has 3,800 seats. How many tickets can they sell for a single performance? Much more than 3,800. For 32 euros, you can watch a live performance on the Internet. They are a software company. They have subtitles in many languages on the backs of the seats. What I am saying is that there is always a possibility to change a big company and its business model. We found that this is very difficult for us because of the people and the culture. Therefore, we started setting up start-ups owned by our company. This allows us to collect ideas from outside and inside the company. If we generate ideas inside the company, we plant them in the start-ups.

Danica Purg

I think that when I want to get a great speaker to come to my school, a high-touch approach is better than high-tech. I am very enthusiastic about these speakers, and I get so emotional that sometimes you can see tears in my eyes. And, as you see, I am successful. So, do not forget the importance of high-touch.

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William Fischer

I hope that we are all convinced by now that change is ubiquitous and profound. Everybody talked about profound change as a given. And it is unceasing. It is never going to end. This must be reason enough for us to think differently about the way that we go about our jobs and the way in which we lead. It would be presumptuous to think that we are untouched by this. Ulrik said that we need to reset every year for the year after. We need to refresh our knowledge and skills all the time.

We also heard that young graduates know more. Presumably, they have an education that is more up-to-date than that of older people. For the rest of us, we need to figure out how to continue to add value, although we are neither the youngest nor the smartest persons in the world. I see this as an opportunity for a redefinition of what we are doing and who we are. If you do that, you will notice that you are moving slightly faster than your organisation. It is an awkward position to be in. Now you have to deal with creating a new role and make it acceptable in the organisation.

These gentlemen talked about rethinking the culture of the organisation. That goes hand-in-hand with rethinking the business model.

I agree that disruption is about customer engagement and experience. That is where it starts. When customers bring expectations, that is a wake-up call. On the one hand, you have to think if this is the customer experience that you want to continue with in the future. On the other hand, I hope that the provider of that experience is thinking, "What do we have to do?" Change is going to be with us for the rest of our careers, no matter who we are or how old we are. We have to master that.

I also hope that you heard how people are giving up responsibility. Ulrik said that in the past he would say "Good job! Where else can we do this?" Now he simply says, "Great job," and lets the 9,000 people that he works with figure out how best they can do it. Inevitably, they will do a better job because they will think differently.

Danica mentions our program on innovation with Sloan MIT. We do it twice a year, and we have done it for 14 years. Somebody once mentioned the Red Balloon Project of the Defense Advanced Research Project Agency of the United States. They do some highly speculative long-term thinking. Every year, they have a contest that they announce a year in advance. Companies set up teams and compete. Winning a prize brings a great deal of prestige, even though the prize is modest, just 100,000 US dollars. One year, they announced that they were going to launch 10 red balloons on 21 October, but they did not indicate the place where that was going to happen. The team that could figure out where the balloons originated would win the prize.

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Companies like IBM and AT&T put together teams a year in advance and tried to come up with an algorithm, so that they can process the data as soon as they see them. But the prize was won by a team led by a young Chinese graduate student. I asked him how they did that. I wanted to know how long he had been preparing. I thought it had taken him at least a year. He said, "Actually, we found out about the competition the night before." I was stunned and asked him how exactly they had done that. He said, "First of all, we decided that the money was not really important. That liberated us. Then we went on Twitter and said, 'We have 10 x 10-thousand dollar prizes for whoever sees a red balloon in the air.' The result was several thousand people driving around the United States, looking for red balloons. We beat the established teams by 12 hours."

I guarantee you that the Defense Advanced Research Project Agency never thought of this way to solve the problem. They were using old thinking to solve a new problem. If you can break up the existing mould, you open up a whole range of new opportunities for the way in which we do a variety of things.

Ulrik said that he would rather do less and let happen more. That is giving up control. I think that one of the things that we have to do in the spirit of being inclusive is to give up control. The one thing that we know for sure is that we do not know enough. Only by means of collaboration can we know more.

One of the lessons that I took away from the panel is that the less you do in a leadership position, the more effective you might be.

I thank you all for being here with us and participating in this panel.

William A. Fischer

Prof. William Fischer is a Professor of Innovation Management at IMD Lausanne, Switzerland. He co-founded and co-directs the IMD program on Driving Strategic Innovation, in cooperation with the Sloan School of Management at MIT, and authors a regular column for Forbes.com entitled “The Ideas Business, ”([http:// blogs.forbes.com/billfischer](http://blogs.forbes.com/billfischer)). An engineer by training, American by citizenship, Prof. Fischer has lived much of his life in Asia and Europe. He held a full-professorship at the University of North Carolina at Chapel Hill (1976-1998), first moved to China in 1980, and later became the President of the China Europe International Business School [CEIBS], in Shanghai (1997-1999). He has been awarded the Silver Magnolia award, Shanghai’s highest award for foreigners contributing to the city’s development, in 1999. He first joined IMD in 1990, and was part of the IMD team that developed the Managerial Deep Dive process for improved innovation conversations.

[40] Prof. Fischer has written extensively on manufacturing, R&D and technology transfer. His most recent books include: *Reinventing Giants: How Chinese Global Competitor Haier has Changed the Way that Big Companies Transform* [with Umberto Lago & Fang Liu], *The Idea Hunter* (2011) and *Virtuoso Teams* (2005) [both co-authored with Andy Boynton]. All of these books address issues of innovation and talent development and expression in a variety of organizational settings.

In 2011, Prof. Fischer was named by The Independent [U.K.] as one of the most influential tweeters on business issues; and by InnovationExcellence.com as one of the “Top 50 Innovation Tweeters of 2012”, as well as one of InnovationManagement.com's 40 top innovation bloggers in 2012. In 2013, he was included among “The Top 50 Business School Professors on Twitter,” and Innovation Excellence’s “Top 50 Innovation Twitter Sharers of 2013”. Also, in 2013, *Reinventing Giants*, which addresses business model and corporate culture reinvention in a mature, commodity business, has been short-listed for Thinkers50 “book of the year” award.

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- 2012** Henry Chesbrough, *With Open Innovation to Success*
- 2011** *Creating the Future: 25th Anniversary of IEDC*
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- 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** Jean-Philippe Deschamps, William George, Milan Kučan, *Leadership for Innovation*
- 2001** Peter J. Rohleder, Peter Kraljič, Milan Kučan, *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?*
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[42] The 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) 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 this recognition for innovation in combining the arts with leadership and management education. In 2013, Prof. Danica Purg, Dean and President, 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 2015, Prof. Purg was conferred upon the Lifetime Achievement Award in the field of management by the Managers' Association of Slovenia.

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 1999 the 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).

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