

VEHICLE: GAZETA MERCANTIL

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1 - Foreigners study by the Brazilian textbook

São Paulo, September 22, 2008 - Since the collapse of the Berlin Wall, in a distant November 9, 1989, the world has officially been diagnosed as cured of its bipolarity. More than that: innovations introduced in all areas of knowledge—and also in the world of business—are no longer merely derivations from the original ideas created in North America or the Soviet Union, but now they have become part of the reality of every country and continent.

Although a lot of countries have not been able to acknowledge the globalization of knowledge, the new reality of international economy is pushing even the more resistant fronts to change the way in which they conceive of relationships between corporations and governments. The rapid growth of emerging countries is generating a multipolar world and the so-called “global economy” is not a prevision from books of Economic Theory, but an indubitable reality.

Based on this diagnosis, one of the most renowned business schools in the world, the Katz Graduate School of Business, from the University of Pittsburgh in the United States, decided to join its programs of Executive MBA—which are maintained in São Paulo, Praga and Pittsburgh—in a Center of Executive Education. This operation has begun in January, 2008. Four months later, the program for study of emerging countries was initiated. In this exclusive interview to the Gazeta Mercantil, the executive director of the institution’s International MBA, Anne Nemer, talks about the importance for the new management courses to deal with emerging countries, and tells about how her experience in Brazil, where she lived for eight years, has been fundamental in her new enterprises at the University of Pittsburgh.

What we can apprehend from the interview is that if until now executives from all over the world would converge to the United States and to other developed countries in a quest for knowledge, now it is time for the business executives from America, England, France, Germany and Japan to invade Brazil and other emerging countries, in order to learn the standards that will dominate business in the next decades. This is a phenomenon which only tends to increase in the next few years.

GAZETA MERCANTIL - Why is it so important to study the management style from emerging countries?

Anne Nemer - The modern world has been greatly driven by one or two dominating forces, which could be in a constant state of confrontation with one another. One of the most important entities to shape our world, both in the areas of business and culture, was the British Empire. Since then, the United States and the Soviet Union have competed in a bipolar world. This is a perspective which is not recognized by many governments, corporations and teaching institutions that are, in general, very delayed in comparison to the organizations that fully act in this new multipolar field. In such institutions, it remains a perspective that is built upon remains from the last century,

and that does not recognize our present perspective. However, today the emerging countries respond for 49% of the global Gross National Product, in comparison with 39%, in 1990, with the tendency to probably surpass the developed world in less than two decades. According to Accenture predictions, India, that, in the last ten years has seen one of the greatest increases in the workforce, will be the third largest economy in 2025. And around the same year Brazil should surpass Germany as the seventh largest economy in the world.

G.M. - Are there any signs of these changes in the corporative field?

A.N. - Everyday, we hear in the news similar stories about a number of industries, from the buying of Jaguar and Landrover by Tata, the proposition made by Inbev to the Anheuser Busch, to the agreement between Steven Spielberg's DreamWorks with the Reliance Big Media, from India. In the words of William Green, from Accenture, "the emerging economies have adopted the globalization. They have put it in a package and they are, daily, sending new versions of it back to the Western World". The Brazilian steel group, Gerdau, which has started out as a nail factory in Porto Alegre, has become one of the greatest producers of long steel in the American Continent, and one of the biggest consolidation agents in the sector, having acquired more than 20 factories in North America. Now it also maintains a joint venture with the Indian group Kalyani. The dynamic structure of the economic power also permits that the emerging economies say and do certain things which, some years ago, would be unthinkable. Recently, China criticized the United States for not knowing how to manage their economy. This is quite a change.

G.M. - What are the top brands of this new moment in the global economy?

A.N. - Accenture has given its name to this new generation of globalization, that is characterized by the emerging economies presenting substantially more activity in the world, this developing unique forms of knowledge and innovation, which often occurs far from the center. Accenture called this the "ascension of the multipolar world" and has described the implications of a "global rebalance of multinational corporations and the public sector, in search of higher performance". And concluded that "having a diversified leadership team, with knowledge of diversified markets, is of the great importance". Our previous model for the training of business executives, and the model that still exists in the developed world, bases itself in the doctrine of a bipolar world. Many years ago, however, when the ground was turning right from under our bases of associated organizations, we went back to examine our model. The needs of the associated organizations, such as DuPont, Ford, PPG, Alcoa and US Steel were changing. Their needs were more globalized than their leaders. Since then, we have transformed our programs of International Executive MBA. We had created these programs to be offered isolated taught independently, so we put them together. We have called this new program EMBA Worldwide. The campuses will not be separated, and no matter how distant they are, the executives will form one single class, with the same curriculum, the same faculty and the same selective process.

G.M. - Why has this structure been adopted?

A.N. - The knowledge cannot only come from the center, but it needs to originate in each of our international campuses. Research will be conducted in all the locations, and the students will learn from each other and from the corporate leaders of each region. Two immersion sessions, called Global Executive Forums, will offer knowledge regarding

social realities, politics and the economy of each region, and the corporate guests and guest speakers will put the theory into practice, by examining the local context. This was a simple change for us, but a very important one, nevertheless. It was a reminder that it is no longer enough to develop knowledge in the center and to disseminate it by international locations. We have recognized that the richness of experiences and knowledge from different markets, for us, has become the greatest asset in our program. By means of our network of Global Executive Forums, we offer the executives information about each region, and help them to develop a network of data which covers 20 different countries and speaks 15 different languages, a content incredibly enriched by this thick global ensemble.

G.M. - What do the corporations from the emerging markets have to teach the new generation Americans and European business executives?

A.N. - Professor C.K. Prahalad, from the University of Michigan, wrote "The Fortune at the Bottom of the Pyramid" many years ago, describing the great opportunities in business that take place in developing countries, such as Brazil, China and India. These opportunities do not occur only because of the number of people who enter the formal economy, but due to the real problems that exist in the emerging markets and the solutions created by the companies there, trying to deal with specific situations. According to an article published recently in *The Economist*, Brazil has become a country of the middle class, with more than half of the population reaching this level. One of the ways through which the Brazilian middle class defines itself is by the ownership of a motorcycle or a car. This is also true for Indians. Let us take the example of Tata, from India. There, not only the delivery boys use motorcycles, but also the common people use them, in order to go to work, for instance. It is not uncommon to spot a whole family of four, mounted on the back of a motorcycle in India, the father driving with a small child in his lap, two small kids in the back, and the mother being towed in a small sidecar, with half her intense colored sari protecting the lungs of the children from pollution (by covering their mouths) and the other half flapping in the wind. For a lot of people, who make an average of US\$1,100 a year, it has been impossible to own a car. But Tata took the challenge and sent teams of engineers around the globe to figure out a way to build a car that could be sold, with profit, for US\$2,500—and so the Tata Nano was invented. Now, the Ford Motor, founded more than 100 years, is investing in India, challenging the president of Ford in India (an Australian, by the way) to create a car that can compete with the Nano. To the families that were accustomed to having as much as four people traveling by motorcycle, the Nano will represent not only a means of transportation, but security and protection. This is an advance in relation to the risks and dangers that the lower classes face every day.

G.M. - What kind of lesson can one get from an initiative such as that?

A.N. - That kind of innovation is revolutionary. It demands us to think not only what we are doing, but how, with who, and for whom. This is the kind of innovation practiced in the developing world. And if the business executives from Europe and the United States do not show such creativity and innovative powers, they will contribute less and less, making a very insignificant impact in the market. At last, let us not forget that the Anheuser Busch will soon become Inbev, which used to be Ambev, and that executives from the American Midwest will soon be working with a Brazilian chairman and an European management team.

G.M. - What are the plans from Pittsburgh for dealing with this subject?

A.N. - Together with India and China, our global platform will reach new levels of maturity, with students, schools, organizations, case-studies and research, passing through each continent in a very exciting and dynamic exchange of information. We are developing strategic alliances in each region, with corporations, non-profit organizations, universities and entrepreneurs, in order to exchange information on all levels. We are working with corporations in the developing world, particularly in Brazil and India, in order to document and elaborate management theories from and for these countries.

G.M. - What changes American and European Schools will have to make in order for them to continue offering the highest standards of knowledge, in this new stage of global business?

A.N. - Most of the business schools are still operating according to the bipolar doctrine, the model of globalization in the 80's which worked from the outside in. They continue to send their students abroad, by means of partnerships with other institutions, but the learning is unilateral (the students learn from the exchange, but the institutions themselves remain, in their core, unaltered). The American and European schools will have to utterly accept the multipolarity, and to offer opportunities not only for student exchange, but also an exchange between faculty members, joined research projects, international case-studies. They will also have to be faster in responding to the high-speed rhythm of change and innovation, that is being imposed by the dynamic model adopted by the developing countries, as they gain space in the global game.

G.M. - What is the difference between the Brazilian and the American management style?

A.N. - I lived in Brazil for eight years. I know the diversity of the country. It has a unique model of seeing the international opportunities. Companies, in general, have centered their competencies. The Brazilian multinationals, however, are not used to work with such centralizing impulses. A company that maintains operations in the United States, for instance, will not try just to export experiences to its international operations. It will try to exploit business opportunities in the region, therefore, creating knowledge in each location.

G.M. - How has your experience in Brazil influenced this new model, which is being adopted at the University of Pittsburgh?

A.N. - I was a director of the MBA program in the University of Pittsburgh in Brazil. In 2004, I have returned to the United States to become a director of all the worldwide university programs. Not only the executive MBAs, but also the Center of Executive Education in all locations, being also responsible for opening new opportunities in Asia. The model we have created in Brazil has become the one that we now have in the United States and Europe, and the one we are implementing in Asia. The changes we have made in the curriculum, even the changes in the way we advertise—all the strategy was conceived in Brazil. Most of the universities export knowledge, but they do not try to learn from their international operations. We learned.

G.M. - How do American schools are using the knowledge they acquire from the emerging markets? Why hasn't a management theory of emerging markets been consolidated yet?

A.N. - The greatest gift that a business school can give to its students is the ability to compete, in this new, rapid-changing, working scheme. The knowledge acquired from several markets and the experiences from emergent economies are a prerequisite for the manager of the future. Business schools need to create these opportunities, offering chances in the global framework and stimulating creativity and innovation in a global context. A theory of emerging markets has not been consolidated yet for two reasons. First, the emerging markets are growing in an ever-increasing pace—sometimes in double-digit—with a limited infrastructure and shortage of talent, so that they do not have time to stop and document what they are doing, why, how and with whom. They are absorbed by the organic growth that is capable of serving their own domestic markets and they are assimilating the opportunities for use in operations abroad. Second, as the business schools are, in general, teaching institutions, the members of the schools do not have the time or support to develop research and case-studies, in order to consolidate this research. As more and more Brazilian institutions continue to mature and grow, they will start to support not only the teaching, but also research and technical advice, and each of these parts will add value to each other. But it is at the present that the great entrepreneurs of Brazil and India are living and working—they have great stories to tell. The business professionals of the world need to hear their stories. And we plan to tell them.

G.M. - Today the executives from all over the planet travel to the United States and to other developed countries, in order to learn what the best practices in management. Is this trend finally being inverted?

A.N. - What I foresee is the existence of a real exchange, as part of the process of globalization happening in this moment. The crisis in global credit that is happening now is an example of how the economies are interrelated and interdependent. The sharing of knowledge is vital. Brazil, in the 90's, was one of the most attractive markets to the direct foreign investment. However, at the same time, the Brazilian companies invested very little in the global markets. This has changed. Today, Brazil is an important part of the global economy, with corporations such as Banco Itaú, Gerdau and Vale that keep exploiting opportunities beyond the country's borders.

2 - Schools broaden their options for foreign students.

São Paulo, September 22, 2008 - The economic growth of the countries integrating the so-called BRIC (Brazil, Russia, India and China) has been calling the attention of business executives from all over the world. And they are not the only ones who realize the importance of this group—business schools and universities are also watching attentively the movement of the emerging giants. The fact is that the demand for business courses capable of revealing the management practices responsible for the economic expansion of these countries—and their companies—keeps increasing.

Aware of this phenomenon, the Foundation of the Institute of Business of the University of São Paulo (Fundação Instituto de Administração da Universidade de São Paulo - FIA-USP) will begin, in 2009, the International Full-Time MBA. This project appeared after the Institution's success with its International MBA course. In the new version, the classes will be taught entirely in English and will be aimed at foreign business executives who are interested in knowing the Brazilian way of management and entrepreneurship. Two versions will be available: the first one will last for a year, with classes three times a week, and it will be targeted mainly at foreigners. The second one will take two years, with one class per week, and will try to fulfill the needs of Brazilian executives, who are interested in the global market. The institution has established partnerships with several international universities, so that one of the course's modules can be attended in a foreign country, such as the United States, China or France.

The course's coordinator, professor James Wright, has no doubts about whether or not the flow of business executives interested in understanding the Brazilian management style has increased. According to him, there are several reasons behind this reaction. He says that the Brazilian business schools abroad are more and more exposed, and the Brazilian leading positions in important areas—such as the food industry and energy/power. There is also the fact that the country has some worldly recognized leading corporations, such as Embraer and Petrobras. "Furthermore, the opportunity of economic and professional growth is greater here than in several developed countries", he remarks.

According to Wright, Brazil stands out in several business areas. For instance, in the marketing techniques directed at low-income population. In this case, it is not hard to understand why foreigners are avid to learn how to sell to people with less acquisitive power. "Around 90% of the economic growth in the world revolves around this public", the professor says. "We have created, at FIA, a theory about the focus on low-income population ten years before C.K. Prahalad (author of "The Fortune at the Bottom of the Pyramid") did the same in the United States," he observes. Another area in which Brazil has obtained success, as incredible as it may seem, is cash flow management. Ironically, the origin of this competence dates back to the periods of high inflation, which the country went through in the middle of the 80's and the beginning of the 90's.

Evidently we do not lack an explanation as to why there is an average of 15% of foreign students attending the international MBA course at FIA — mostly expatriated business executives. But it was the increase in the demand—mainly by executives who wanted to study in Brazil for not more than a year—that led the institution to create the new course, which promises to be as global as the present international financial system: there are professionals from such countries as the United States, Spain, Italy, France and India, enrolled in the course. "The amount of foreigners who are coming to Brazil in order to study has been growing effectively. We have now more than 80 of them

enrolled in the Business course at the University of São Paulo (USP). And the demand for the new MBA is very high", praises Wright.

Learning about the reality of Brazilian corporations is not something restricted to the academy. Vera Bakker is Dutch, manager of the innovation and technology department in Unilever, and responsible for the area of detergents in South American. She arrived at the country a little more than two years ago. Before, she worked for five years in England, as manager of manufacturing. She is using her time in Brazil to complete the MBA that the University of Pittsburgh maintains in partnership with the American Chamber of Commerce (Amcham), in São Paulo.

In the executive's opinion, the experience has been enlightening. "Brazil is growing a lot. In Europe, most of the companies are shutting down their factories," she claims. "Here, it is the opposite. Working in this environment of constant expansion demands quickness of action and the ability to deal smartly with the competition. I am learning a lot, because this is a completely different market."

3 - Executives are hungry for knowledge

The professor of Negotiation, Yann Duzert, from the Escola Brasileira de Administração Pública e de Empresas da Fundação Getúlio Vargas (EBAPE/FGV), claims that the business executives are “hungry” for themes related to the emerging countries. He speaks with total understating of his subject, since he also coordinates the Masters Course of Business Management in the institution, which is attended by students from countries such as England, Canada, United States, Mexico, Colombia, Spain, Germany, France, Norway, Denmark, Lebanon and Egypt, among others. The students pay US\$20,000 in order to learn about the management models developed in Brazil. The program has the duration of 16 months, and is already on its fourth cycle. According to Duzert, the name of FGV has become a reference in the world and, with this masters degree, taught entirely in English, it has trespassed the language barrier.

A Frenchman, living in Brazil for five years, Duzert claims that the historical and social conditions in Brazil generate characteristics that attract business executives from several parts of the world. In his opinion, the racial diversity is a matter of managing complexity. This fact, and the country’s history of inflation, forced the national companies to develop an enormous capacity of adaptation.

But this is not all. According to Duzert, Brazil has taken a lead in the area of services, developing efficient strategies in order to deal with the competition. And there has been several corporations worth mentioning. We can just recall some of their names, such as Vale, with its remarkable logistics, and Sadia, with a very successful enterprise in the international market of food. “Not to mention the high praise that the national banks have gained in the last few years. There are a lot of industries in which Brazil is innovating. The country has been finding its own identity,” he observes.

It is based on these ingredients that the outline of the course in Ebaepe/FGV was designed. In the masters program, the students learn basically four things: complexity management and adaptation skills, participative management techniques, competitive strategy and, of course, creativity—another strong suit of the national management style.

In September, 2007, the director of development for the Rio de Janeiro Subway, the American Andre Valverde, has initiated his masters in International Management, at Ebaepe/FGV. “I have come to the institution because it is one of the best in Brazil. I had found this course, given in English, and it had everything I was looking for, with its subjects very similar to those offered in American schools,” he says. Before coming to Brazil, he worked at the investment bank Violy, Byorum & Parners, in New York.

According to him, the present economic moment of Brazil generates professional opportunities, especially by the fact that the country has obtained a high investment grade. “We will have a shortage of business executives, who are able to deal with the foreign investor. Actually, we are already short,” he analyses. And there are foreigners who are already exploiting these gaps.

For the Dutch executive Vera Bakker, an MBA student from the University of Pittsburgh in Brazil, the course is quite aligned with the American corporative models, but the presence of Brazilians among the students permits a better in-depth investigation about Brazilian management patterns, since the students take their experiences into the classroom. “Brazil has a lot to learn, and also to teach. There are a lot of important companies here.”