

# RSM Outlook

SUMMER 2006

ROTTERDAM SCHOOL OF MANAGEMENT ERASMUS UNIVERSITY



## Innovating the Netherlands

Henk Volberda on curing the 'Dutch Disease'

## What is in store for Europe's Economy?

The Global CFO Survey

## The New Entrepreneurs

Educating for the Business Start-up

## The Pan-European Student

Inside the Bologna Accord

# Thinking Ahead in Business

RSM  
*Erasmus*  
ERASMUS  
UNIVERSITY

# DOES YOUR BUSINESS STILL HAVE BORDERS?



At RSM Erasmus University, we understand that trading internationally can be complex and create risk. However, we also understand the necessity of looking abroad for growth.

Based in Holland – the first country to establish a multinational company – we truly understand the complexities of the international business arena. Our home country has been trading across borders for over 400 years. Our success is built upon the Dutch tradition of focusing on similarities between people and nations, and dealing sensitively with cultural differences.

That is why people and companies from everywhere come to learn about international business at RSM. With its Dutch heritage, RSM is a business school that truly understands what it takes to expand a business beyond borders.

Find out more about our diverse portfolio of programmes at [www.rsm.nl](http://www.rsm.nl)

# from the Dean

## Thought leadership in Business

At RSM, we are a research-driven business school, a tradition that stems from the history of our university. Erasmus University's namesake – Desiderius Erasmus – was a famous philosopher and thinker in his day who is now referred to as “the first European.” He was a free thinker who questioned existing paradigms and helped open the doors to the Renaissance period of enlightenment in Europe. This spirit of Erasmus is alive today in RSM's approach to knowledge creation and education.

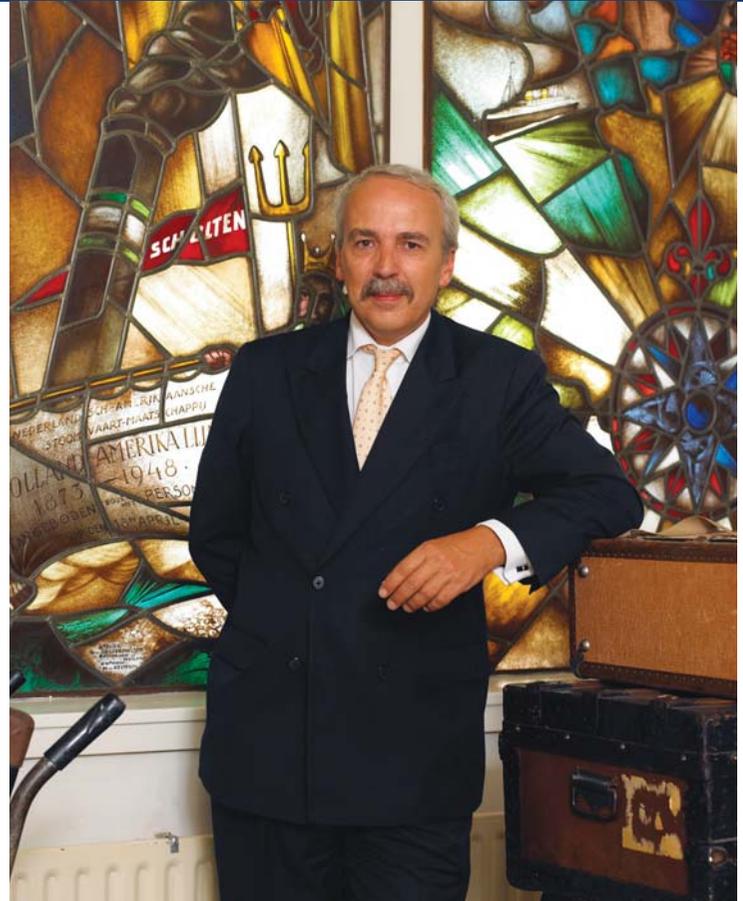
We place a major focus on the creation of new knowledge at RSM. Our research advances knowledge by testing new theories through data analysis to better understand the underlying causal factors that influence business performance. We bring this new knowledge to the classroom and actively publish in the top journals. Our Erasmus Research Institute of Management drives our research agenda and is one of the largest and most productive of its kind in the world.

Our investment in research also creates a learning environment that provokes critical thinking and discovery. Students at RSM learn in an environment that is charged with new ideas and a conviction that there are better ways of doing business. By investing in our research capabilities, our school attracts better talent, who make better teachers for our students.

In this second issue of RSM Outlook, you will read about the ways in which RSM contributes to thought leadership in business. We are in the process of setting up a centre for social innovation, a project that is being sponsored by government and private funds, to increase the level of innovation in Dutch companies.

Our Global CFO Business Outlook Survey – the results of which have been published in *The Wall Street Journal Europe* – is a powerful new source of information that is offering us insights into the world business cycle that have never before been available.

It is for these reasons that, as European business schools, we should preserve the European tradition of critical thinking and discovery and continue to invest in thought leadership at its source. It is only through thought leadership that we will truly compete in the future as a knowledge-based economy.



**Han van Dissel**  
Dean RSM Erasmus University



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## New Executive Programme: Effective Strategic Management

Changing competitive environments have been forcing companies in almost every sector to re-examine their strategy. Managers and practitioners are now recognising that an effective strategic direction is the key determiner of a strong competitive advantage.

A new programme by RSM Erasmus University, that is being launched this September, aims to deliver to participants the skills required to formulate the key corporate strategies necessary to drive an organisation to success.



The Erasmus Executive Programme in Strategic Management examines the questions:

- How can firms and business units re-draw boundaries and manage effective internationalisation?
- How do firm managers develop dynamic capabilities (unique resources, routines and core competencies) for strategic renewal?
- How do firm managers develop and implement viable strategy configurations (aligning strategy, structure, systems and culture) for sustainable competitive advantage?

The programme is being taught by leading researchers in the field of strategy from the Department of Strategic Management and offers extensive networking opportunities. It begins on September 28th, 2006 and consists of 14 sessions and one exam.

For more information, see [www.rsm.nl/esm](http://www.rsm.nl/esm)

## RSM Student Receives Global Student Leadership Award

In what is a first for a non-US business student, RSM Erasmus University's Wieteke Dupain has won the highly prestigious 'Global Student Leadership Award' for 2006. Dupain won the award against competition from top EU and US schools including students from Harvard and Stanford.

His Royal Highness Crown Prince Frederik of Denmark presented Wieteke Dupain with the award during an award banquet in Copenhagen on April 6th.

The annual Student Leadership Award, launched in 1991 by the Board of Directors of the Graduate Business Forum (GBF), aims to recognise leadership and innovation at the graduate business level. The award is open to full-time graduate business students of schools participating in the annual Graduate Business Foundation Conference.



Members of the GBF include *BusinessWeek's* 30 highest ranking graduate schools in the US, the 10 highest ranking schools outside the US, and CEMS (The Community of European Management Schools).

The award is given to an individual (or team) that best, "exemplifies the Graduate Business Foundation ideals of leadership and innovation within the graduate business community."

Wieteke Dupain is enrolled in the MSc International Business Administration – CEMS programme at RSM Erasmus University.

## "RSM's MBA One of the Best for Social Impact Management" – Closer Looks

RSM's MBA programmes are among the best in preparing future managers for social and environmental stewardship, according to the latest edition of *Closer Looks*, a publication released by the Aspen Institute.

*A Closer Look at Business Education: FINANCE*, part of the *Closer Looks* series, singles out RSM among a select group of six schools including Columbia and Stanford, as effectively integrating issues of social impact management into their finance curricula. On RSM's MBA programmes, the report said: "The core finance programme devotes considerable attention to the debate between the stakeholder and shareholder conceptions of the firm. The extreme diversity within the class is used as a platform for discussion."

In the most recent survey released by *Beyond Grey Pinstripes* (Aspen Institute), RSM's MBA programme was ranked 16 in the world for its incorporation of social and environmental issues.



## Financial Times Ranks RSM's Executive Education & Development at Number 9 in Europe

In the *Financial Times* (FT) annual ranking of international non-degree executive education programmes, RSM Erasmus University's Executive Education & Development is placed in the top 10 in Europe and in the top 25 worldwide for custom (tailor-made) programmes.

The ranking of custom executive programmes is based on a combination of corporate clients' feedback and information submitted on business school survey forms. Top clients nominated by the business schools are asked by the FT to rate the schools on areas including: preparation, course design, teaching materials, faculty, new skills and learning, follow-up, aims achieved, food and accommodation, facilities, value for money and future use. These responses account for 80% of the ranking. The other 20% are

accounted for by a survey on items like international clients and participants, overseas programmes, partner schools and diversity, which is filled out by the business schools.

"The executive education market is very competitive and therefore we continuously strive for excellence and strong, long-term client-school relationships. We are particularly happy to see that in this year's ranking our clients have rated us number one worldwide with regard to follow-up and that we are rated second for overseas programmes," says Anna Pehar, Director RSM Executive Education & Development.

"RSM over the years has proven to be a reliable and creative partner to build new skills for TNT managers worldwide," says Frank Keepers,



Group Director Talent Management, TNT NV. "Combining the TNT business agenda with RSM's professional learning gives us considerable competitive advantage."

More information on RSM's Executive Education & Development programmes can be found on [www.rsm.nl/executiveeducation](http://www.rsm.nl/executiveeducation)

## Top Women Leaders Coach RSM's MBA Students

A mentoring scheme in which top women leaders will coach small teams of MBAs has been launched by RSM's MBA programme. The women include corporate leaders from RaboBank, Numico and Getronics Pink Roccade. The initiative aims to redress the balance between men and women in business leadership roles.

In recent years there has been increasing concern in the business world about how to get more women into leadership roles. According to recent research, the lack of women is partly due to a lack of female business role models. One of the issues causing apprehension in women is the issue with work/life balance.

As long as women are under-represented in MBA programmes, the imbalance will continue, according to Dianne Bevelander, Executive Director MBA programmes at RSM.

"Involving women in the MBA programme who are role models in business will bring considerable benefit to the MBA students," says Dianne. "We want to show that women can and do play an active role in business."

With the help of Carien van der Laan from Women Capital, the RSM MBA programme includes prominent women in leadership from major corporations, who will coach and mentor the students in their teams. Each businesswoman will act as a sounding board for her assigned group, as well as offer advice.

"We are trying a creative idea to give a different perspective to women in business and enhance the perception of our MBA students regarding this issue," says Dianne.



**Dianne Bevelander**  
Executive Director, MBA Programmes



## On Crises, Crashes and Comovements

Erik Kole



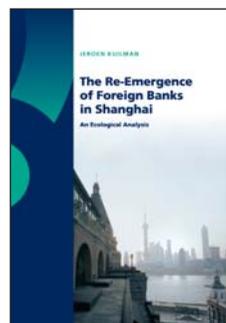
Crises and crashes in financial markets are investors' worst fear. The combination of large losses, a persistent increase of price fluctuations, and a strengthening of comovements in prices causes investors great harm. While the severe consequences of crises and crashes are clear, many questions regarding the magnitude of the effects on specific fields in finance have yet to be resolved. This dissertation provides answers to these questions from an investor's perspective. For instance, the tendency of crises and crashes to spread to other assets and markets over time is of crucial importance in determining their impact. Traditional models for comovements underestimate the risk of joint downward movements. Persistence exacerbates the effects of a crisis and increases the costs of ignoring its possibility beforehand. Moreover, investors can expect a compensation for the grave consequences of a crash that they are unable to evade. The size of this compensation indicates that crash risk may be as equally as important as the traditional risk in the normal fluctuations of asset prices.

Erik Kole was born in Valkenswaard in 1978 and has an Econometrics degree from Maastricht University. He received his master's degree with distinction for his thesis titled Hedging Basket Options based on an internship at Fortis

Bank Investment Banking. He joined the Financial Management Department of RSM as a PhD student in 2001 and became Assistant Professor in September 2005. The article version of chapter three of his dissertation is accepted for publication in the Journal of Banking & Finance.

## The Re-Emergence of Foreign Banks in Shanghai: An Ecological Analysis

Jeroen Kuilman



Is China, with one of the world's fastest growing economies, indeed the market of high returns and quick profits that the popular press and common opinion suggest? This book offers a moderated perspective on this view. By employing theories and methods from the field of organisational ecology, it shows that the intricacies of the local market have frequently been underestimated. Based on an analysis of the re-emerging population of foreign banks in Shanghai, it points out that competition among the growing number of foreign banks setting up operations in Shanghai is intensifying to the extent that it is deterring the founding of new foreign banks in Shanghai. Foreign banks face long waiting times before they can start providing banking services and,

in addition, their profitability is affected by the growing number of domestic banks.

Jeroen Kuilman was born in Hoogezaand-Sappemeer in 1979. Jeroen studied International Business at the University of Maastricht. He has worked at Hewlett-Packard in Germany and was an exchange student at Keimyung University, South Korea, in 2001. Jeroen received his master's degree for a thesis on headquarter-subsidiary relationships within multinational corporations. In November 2001, Jeroen became a PhD student in the Department of Organisation and Personnel Management at RSM. He travelled to Shanghai at the end of his second year as a doctoral student, to collect data on the history of the local banking industry. In 2004, Jeroen studied at Stanford University where he was trained in ecological theory and methods of analysis.

## Managers' information overload: The impact of coping strategies on decision-making performance

Ksenia lastrebova



At the beginning of the 20th century, information was a scarce resource. The problem of having

too little information however, has now become a problem of having too much information, generating feelings of deficiency in the face of a constantly increasing information load. In this thesis, we develop an analytical approach to studying the problem of information overload and how humans cope with it. Information overload is a complex phenomenon that results from the interactions of a large number of factors. Based on literature review and empirical data analysis, we make a distinction between the following three types of coping: human-enabled, technology-enabled, and organisation-enabled. We model human coping behaviour using the analytical apparatus of the structuration theory, paying attention to the role of technology in assisting and facilitating human information processing. In so doing, we suggest a method for detecting the coping strategies, and also provide an explanation of why certain strategies fail. The results suggest that to control the risks imposed by the complexity of the information environment, organisations must manage a number of critical areas. We propose detailed guidelines for 'information overload diagnoses'. These guidelines not only help to detect the level, the scope, and the factors behind information overload, but also provide methods for fulfilling diagnoses and a basis for developing countermeasures.

Ksenia lastrebova was born in Ekaterinburg, Russia in 1977. She received her BA and MA in economics (both cum laude) from the Urals State University. In 2000, she defended her master thesis on the topic 'The effect of the shadow economy on the economic growth in Russia'. In 2000, she was awarded a scholarship from the European Union for visiting Erasmus University, Faculty of Economics. In 2001, she entered the PhD programme at RSM Erasmus University.

# Peter Cuneo talks business turnarounds

In 1998, Marvel Enterprises Inc teetered on the brink of bankruptcy. Today, the comic book company famous for creating Spiderman and The Hulk, has a market capitalisation in excess of \$2 billion. This was achieved by placing a renewed focus on licensing, instigating motion picture releases based on comic book characters, restructuring its toy business, and making sweeping management reforms – changes all largely the initiative of F. Peter Cuneo. Now Vice-Chairman of the Board of Marvel Enterprises Inc, Cuneo can lay claim to being the man behind no less than seven major business turnarounds.

Hetty Brand-Boswijk, Director of External Relations MBA Programmes spoke to Peter Cuneo after a presentation to RSM MBA alumni:

## **What was your first experience of the turnaround business?**

After graduating from business school, I worked in financial planning for W. R. Grace and then Bristol Myers. I had no plans to do turnarounds but was frustrated by the tedium in the work environment of big corporations. Eventually, I was offered a position in a troubled division, Clairol Beauty Appliances. I was intrigued by the challenge and became President despite warnings from friends that the job would ruin my career. It didn't.

## **What was it that attracted you to this work and that made you decide to continue?**

I enjoyed making my own decisions, making radical changes and living with the consequences. This could be very stressful given the uncertainty of each situation. My next challenge was at Black & Decker. This was the first time I had to deal with a workforce reduction which wasn't fun but needed to be done to save the company. If your leg has gangrene, you must remove it to save the body.

## **After success in many different companies you came to Marvel in 1999 which was on the verge of bankruptcy. What was crucial to being able to turn this company around?**

Turnarounds at consumer product companies can be successful if the firm has a strong international brand name. This has been a theme at all seven turnarounds that I have completed. At Marvel, the characters are the brand. Global Marvel fans never lost interest

*“I was intrigued by the challenge despite warnings from friends that the job would ruin my career. It didn't.”*

in these characters and were still willing to support them by buying products or opening up to various media forms such as motion pictures. Marvel had no real tangible assets and cost cutting was not an option. We had to build revenues and cash as quickly as possible.

## **You did your MBA at Harvard. With hindsight, would you have been able to do what you have done without an MBA?**

Absolutely not! My life would have been completely different without the MBA. My undergraduate degree is in ceramic engineering. After time in the US Navy in Vietnam I was planning to go to graduate school in engineering. The captain of my ship suggested an MBA at Harvard. In truth, I did not expect to be accepted. What a surprise. Sometimes good advice can change your life completely.

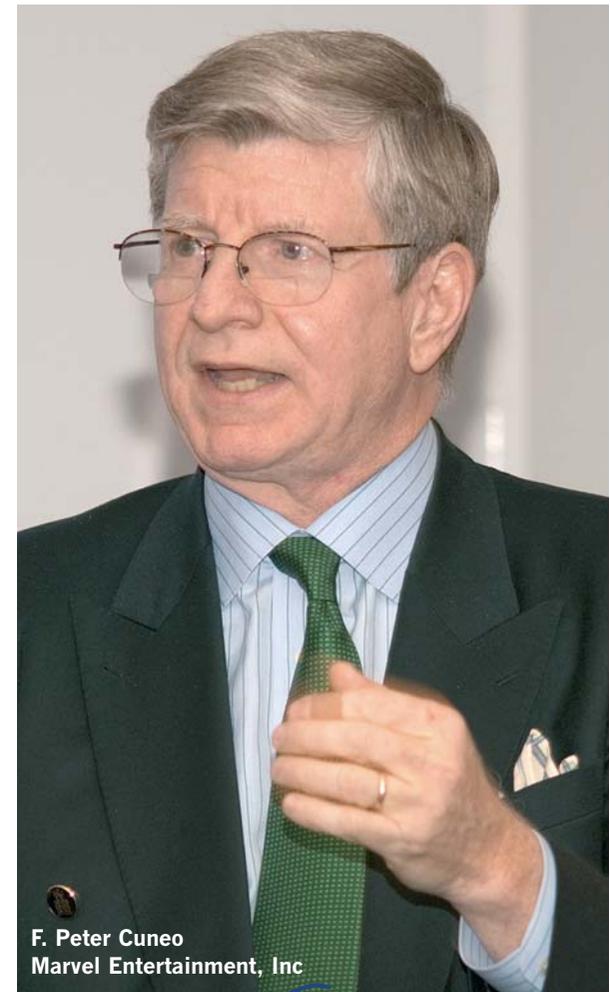
## **You are still very involved with Harvard. How did you find your way to RSM?**

Networking can produce powerful results. Harvard wrote a case about Marvel in 2004 which was used for the Roland Berger competition in Barcelona last year. I was a judge and met the RSM student team there and they were very competitive. I was then a speaker for RSM at the Executive MBA Council's annual conference in 2005. At that time, I was impressed by the students and administration. I am very happy to continue this relationship through Marvel's participation in the "Living Management" project later this

year. Actual work experiences provide a great opportunity for students to integrate what they have learned through human interaction in a real life situation. This also provides the chance to practice people skills which are crucial to success.

## **What would you say was most influential in your life that brought you to where you are today?**

I was taught an attitude of 'never give up' by my parents. My grandparents were all immigrants to the US, from Scotland, Italy and Sweden. It took a great deal of courage for them to travel to a new place with no support. But they persevered as did many others like them. My mother was an extremely positive person. Her advice to me, and something I would like to leave to your readers as a testimonial was, "You can be anything you want to be. Limitations are only in your mind."



F. Peter Cuneo  
Marvel Entertainment, Inc



# Collaborate and *Conquer*

ASML's **Jan Stoeten** talks about making it big in the micro world of lithography

In the ever-shrinking semiconductor industry, it has been only skywards growth for Dutch company ASML. ASML is a supplier of lithography systems for the semiconductor industry, the machines that allow the production of integrated circuits or chips. In the twenty years since its inception, it has survived a slump in the technology sector, and became a major player in this market.

Now laying claim to more than 50% of the market share, ASML has research and development facilities in Connecticut, California and the Netherlands, and development centres and training facilities in Japan, Korea, the Netherlands, Taiwan and the US. The company's business model of outsourcing component manufacturing and focusing on customer relations has become the role-model for the industry.

Jan Stoeten is the manager of the embedded software department at ASML. An alumnus of RSM's executive education Personal Leadership Programme (PLP), Stoeten shares with Outlook his thoughts on people management in a large organisation, and meeting the needs of customers.

***One of the keys to ASML's success is the collaborative way in which the company operates. Why is outsourcing key to ASML?***

Chip-making is a complex industry and every company has to rely on the expertise of another. For instance, ASML cannot make lithography tools without the expertise of Carl Zeiss (Carl Zeiss SMT, a Germany-based maker of lenses). Much of our technical work is outsourced to companies around Europe so that we can focus on the bigger picture of customer needs. In this way our engineers and scientists can focus on development and integration, where they add the most value. Collaboration, partnerships with other experts is what ASML is built on and why it has become so successful.

***How does ASML ensure that customer needs are met?***

It is really important in our company that we understand what the systems and machines we develop mean to the customers who purchase them. I think it would be difficult if I worked at ASML without understanding what the product means to the customer. It's not only the tool itself that you sell; it is the added-value for the customer. We employ people with the technical background to really understand the product, so they can assess if they are making the right designs for our customers. We invest a lot in education to ensure our people are up with the latest technology, but are also good at goal-setting and managerial skills.



Jan Stoeten  
ASML

***ASML has grown enormously since you started. How has it changed the way things operate?***

One of the main things that has changed is that now you have to work more in teams, whereas before, in the early nineties, you would just work harder on your own - doing the overtime to achieve your goal. This was mainly due to the fact that there would only be one expert in each field. As the company has grown, we have established teams of people qualified in each area. This is why it is so important now to be able to interact in teams.

However even though we are now a large company, I think in our heart, we are still "small". There are still a lot of people who have been here from the beginning, so many of us have a long history of working together. We are all still proud of the products we are making and proud about ASML's success.

***You have a degree in Physics. How did you get involved in software?***

It was when I started at Phillips Beamwriter, that I joined the semi-conductor world. There were several opportunities for specialisation – and one of them was in the software group. I had some background in software, so I thought, "I like software, so why not giving it a try". I got extensive training in software and really went from being a physics guy, to a software guy.

However after a certain amount of time at ASML's software department, I decided I wanted to move out of software and go into program management.

***What is involved in your position in product development?***

Before my current job I was responsible for a system. Along with my team, we would develop a product and work with the system right up until it was ready to be shipped to the customer. I have already worked on three products at ASML. See that picture over there (pointing at a massive complex piece of machinery), that's the 1100, that's one of the systems I was responsible for. I've done in total three products for ASML: 700, 1100 and the last was the 1400, this is now still regularly shipped and making a lot of money for the company. That's important.

To do what I do nowadays, I need to be able to motivate people, not by telling them what to do, but by being clear about our goals and measures of success. I also want to make sure that I have the right people in the right job. If I have someone doing well in a team, I want to know it is because he is good at what he does, not because the team makes him look good.

“One of the things that is valuable about executive education is that you get to go outside of your own confidence area.”

***You work in a rapidly-evolving industry. How does this effect the kinds of skills and knowledge required for the job?***

Education has become more important now than it used to be. The systems are complex and the technology is of course, complex. You have to understand what you are working on - and I don't think you can learn that purely on the job.

People skills have become more important. A department has boundaries - we are split into hardware, software and other departments. On every boundary you also have an interface, and this is when PLP training comes into it, because each department needs to communicate effectively. Otherwise you create silos and so on.

***What is the organisational structure at ASML?***

We are Dutch - and so we have an open way of management. At ASML, we look for people who are self-sufficient. We will tell them that this is how we work, but then we want them to go their own way. You need the technical skills of course, because otherwise you won't know what you're talking about. But you also need the personality to survive in

this area – you need to have initiative.

For me the most challenging thing has been that, in my previous role, I was used to having problems to solve. But when I started as a department manager, no-one called me in the beginning. I remember thinking, "What's wrong?". Then you find out that you have to find your own way and set your own goals. You have to think about what you want to achieve and how it is beneficial for ASML.

***What value does executive education bring to the company in terms of performance?***

We are a very results-oriented company. All of these people, with their different skills, together make the product. So it is extremely important that we ensure their professional development in every possible way. We have a number of standard ASML trainings that help develop our team leaders who have to set goals and deliver. Then you have your group leaders and your senior project leaders, and they are the candidates for RSM's Professional Leadership Programme, who need an understanding of more than just the role they are in.

One of the things that is valuable about executive education is that you get to go outside of your own confidence area and learn from others who have maybe done a similar job for other products. Nowadays, if I see on someone's CV that his company invested in him in terms of training, and especially on the managerial part, I know the company believed in him.

by Anna Perry

## Investing in People Development

ASML collaborates with RSM for Professional Leadership Programmes (PLP) that aim to develop leadership skills in the company's management.

Jan Stoeften expands on his experience of the PLP programme at RSM:

“One of the main things that I really remember about the PLP programme was the high-tech marketing part. This made me much more aware about how other cultures approach marketing. It also allowed me to network with colleagues from Asia and the United States. At the time I was responsible for developing a new system, part of which was being developed in our development centre in Wilton, near New York. Getting to meet some of the people from that office really helped me to find the best ways in which to develop the system and to handle my project.

I also did an in-company project as part of the programme which was connected to an on-going project that we had at ASML. This was really worthwhile because I learnt about how I could translate what I do into a benefit in terms of money. That was a really important lesson.

The PLP programme for ASML has been developed as a series of seven runs, each consisting of three modules of four to five days. It is taught on different continents, Europe, Asia and the US. Subjects include: Sustainable Performance Improvement, High Tech Marketing, Management of Innovation and Leadership. During the programme, participants work in groups on projects assigned for and developed by ASML. These projects all are highly-focused on value creation. At the end of the programme, the results of the project work are presented to the ASML Board of Management.





# The New *Entrepreneurs*

Today, aspiring entrepreneurs can rely on educational programmes and institutes specifically tailored to training and supporting individuals interested in the business start-up.



**R**ens Walms has discovered a patent for an exciting new product. His business mentor, Maarten Wilton, the business unit manager for one of Belgium's principal software companies, Bizibit, agrees it's a product that has potential weight in the market.

"At the moment there are no good solutions in existence for effective noise reduction on roads," says Walms. "Current solutions for noise reduction require sound walls and other preventative measures to make even a slight impact on decibel levels and are relatively expensive. When you take this into account, this means there is an opening for a new product in this area."

The patent, which was unearthed by Walms from public files, is for a new kind of 'silent' road surface that promises to cut sound emission by a third. Consisting of rubber and carpet laid on top of existing surfaces, the surface is designed to absorb 15 decibels of sound, compared with the five decibels absorbed by conventional surfaces – an inviting alternative to the methods currently in use.

Under the guidance of Wilton, Walms has spoken to construction companies in the Netherlands and to representatives from the government, who would be the main potential customers for the product. The main obstacle he faces is the precautious nature of the construction industry. They will only come on board if the product can be shown to work – and most crucially – that their customer wants it.

This means two years of intensive research, followed by four years of testing, which requires laying a length of the new surface over a section of conventional road, and measuring wear, sound levels, the

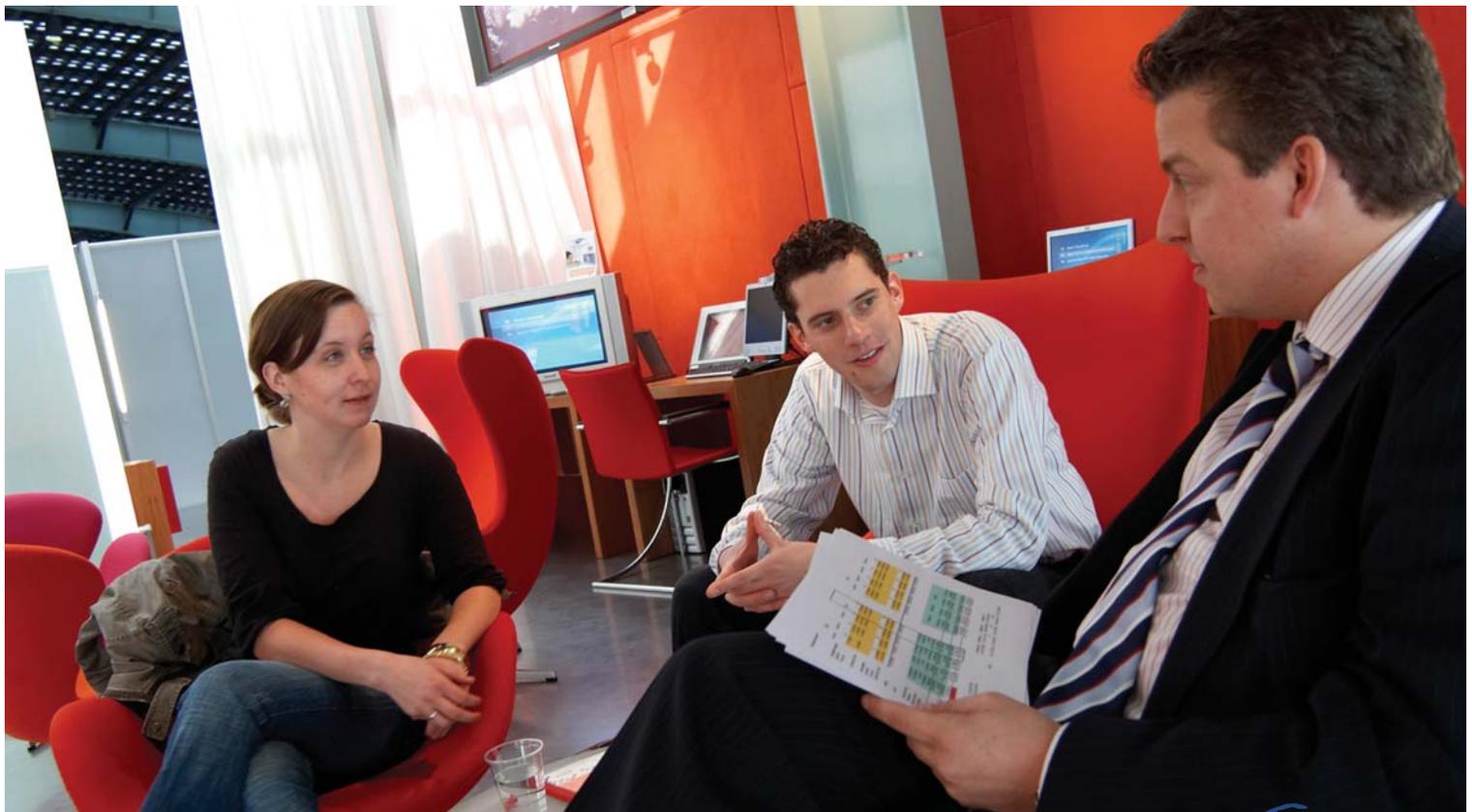
effect on vehicles that use the surface and a range of other variables. Only then can Walms go back to the constructors and give them the hard statistics they need to give him the go-ahead.

Of course, that is only if Walms has not already moved on to bigger or more lucrative business opportunities to exploit for his 'assignment'. Rens Walms is a master's student enrolled in the MScBA Entrepreneurship & New Business Venturing at RSM. Maarten Wilton is an alumnus of RSM and one of a group of entrepreneurs enlisted by the School to mentor its students. And the patent 'venture'? Part of a process designed to develop hard skills and aptitude in aspiring entrepreneurs, increasing their chance of creating a profitable venture – an area of increasing interest in the Netherlands, from policy-makers to corporations.

"This is a great opportunity for students to understand what is required to develop a business opportunity without the usual risks," says Maarten Wilton. "New technologies and patents are some of the best places for entrepreneurs to look for inspiration. In-depth planning and analysis are also vital, but when all these elements are in place, anything is possible."

Helping to make this possible is Area 010, a 'business incubator' in Rotterdam's World Trade Centre. Area 010 is the result of a collaboration between a number of educational institutes, trade and industry partners from around Rotterdam and Delft. Its goal is to increase the success rate of business start-ups in the Netherlands.

Area 010 offers a unique space where individuals interested in entrepreneurship can explore start-up opportunities with reduced >>



risks and costs. Entrepreneurs are provided with office space, IT equipment, workshops and advice on a huge range of business issues, including grant applications, tax and sales.

But perhaps the most useful resource of all on offer at Area 010 is connections. Joost Moojijweer, the coordinator of Area 010 says, “our main strength is our network, which enables young entrepreneurs to share experiences and meet with investors and other interested parties.”

Daniel Macco is one young entrepreneur who is reaping the opportunities presented by this kind of facility. He is developing a revolutionary 360° web conference camera, and his company, SAMCAMS, have set up an office in Area 010.

“I’m in the development stage at the moment – what I’m looking for now are investors so I can develop the specifications, set up manufacturing contracts and take the camera into production. I’m ambitious but it’s extremely important to keep your feet on the ground, not let your plans run away with themselves, and to remain realistic. In the end it comes down to hard work, a positive attitude and – ultimately – adequate investment.”

“These days everybody has a business idea, but having an idea and getting it off the ground are two entirely separate things,” says Dr Wynard E.J. Bodewes, Assistant Professor of Entrepreneurship and New Business Venturing at RSM and coordinator of the master’s programme. “You need an idea, initiative, ambition, leadership, connections...the list goes on.”

The one-year New Venture Planning and New Business Development master’s programme taps into this need for highly-developed skills in young entrepreneurs by getting students to “experience the start of an innovative new company and follow its development into the growth stages.”

Utilising the facilities offered by Area 010, the course gets students to locate real patents owned by a university or public research facility. The students are encouraged to look for something that represents a technological breakthrough and that offers plenty of potential for practical application in order to develop real and viable business plans.

“This might sound like a simple task, but it’s not,” says Bodewes. “Students must really understand the technology and ideas behind the



patent in order to identify the business opportunities. They must talk to the inventors and other people with a particular interest or expertise in the area until they have a complete understanding of application.”

At this point, they must then develop a coherent business plan. To help in this, Bodewes enlists the expertise of RSM alumni who are already successful entrepreneurs and business developers, to participate in mentoring sessions held at Area 010.

Mentoring this year’s group of students is Bram Lebo, founder and owner of Expatica, the expat internet portal; Peter Plaisierm, the managing director of Bolidt, and Vincent Kouwenhoven, a professional investor and entrepreneur.



All are highly successful, and all willing to share their insights.

“As a mentor, it’s my role to listen as well as advise,” says Wilten. “This gives me the chance to give something back to the younger generation. I also find that their enthusiasm is inspirational and provides me with fresh impetus in my own work. I am extremely impressed with their dedication and application’.

Among the viable business opportunities being explored by this year’s group is a food additive that makes the consumer think they’re full; a sensor that tells nurses when a bandage needs changing; and a process that allows producers to store three times the normal amount of hydrogen in a single tank.

Rens Walms is one of a team of three students researching the new road surface patent, which includes Woulec Jonker and Stephen Heyer, an exchange student from the USA.

In view of the experience, Rens is convinced that he will be taking up the challenge of entrepreneurship. “There are so many opportunities out there, and if you’ve got the confidence – and courage – to make the leap, success is there for the taking. I’m not sure yet which area I’ll choose to work in, but I think you can say you’ll be hearing more about me in the future.’

And if his education and supporting facilities are anything to go by, he’s most probably right.

**By Peter Benson**

## An Entrepreneur’s Advice

Joost Moojijweer, the man behind Area 010, has made a career out of providing advice to would-be entrepreneurs. Moojijweer shared with Outlook his tips for a successful start-up:

- You need to have a great idea, and it helps if it’s a unique one. Then ask yourself if you really have the skills and knowledge to run a business – you’ll need a balanced combination of technical, financial and selling skills.
- Meticulous planning is essential, and the first plan you’ll need to put in place revolves around your marketing strategy. If you don’t have a market, you won’t have a business. You need to decide the cost price of your product, who your customers are, how you’re going to enlarge your customer base and who your competitors are.
- A strong financial plan is vital. Is your idea viable? Will you be able to make a profit and maintain your cash flow? And make sure you minimise your overheads. Only buy what you need, and always try to buy second hand. Don’t go out and lease flashy premises until you need to – remember, your first job is to get your product or service into the market place.
- When it comes to approaching would-be investors, they’ll want firm evidence that you know your market and where you think your business will be in five to ten years’ time.
- Trust your instincts and remain realistic. Patience can be an asset too – as they say, all good things come to those who wait.



# Managing *Risk*

He is a prominent voice in the public-policy debate on the institutional design of the regulation of financial institutions, and has founded three shadow committees to influence the subject. RSM Erasmus University's Professor Harald Benink shares his views on regulatory design and why academics can play an important role in this debate.

“When a person sets up a company, they know that if they take a lot of risks, there is a higher probability of them making a lot of profit and becoming very rich,” explains Harald Benink, Professor of Finance at RSM. “Of course, the downside is that there is a greater risk they will make a mistake and go bankrupt. However, if they know there is somebody who will rescue them if they get into trouble, such as in the case of large banks perceived to be too big to fail, then their incentive towards this risk-taking becomes much greater – in effect, it is distorted.”

An example of this distortion was the banking crisis in Norway, Sweden and Finland in the late 1980s and early 1990s. Banks were taking substantially more risk after deregulation of their banking markets. Governments were forced to intervene via major bail-outs in order to save the banking systems from collapse.

It is this scenario that, as a professor of ‘the institutional design of integrating markets’, concerns Benink. Benink is an active voice in the debate surrounding regulatory design. The Shadow Financial Regulatory Committees he has founded in Europe, Latin America and Asia, issue widely-publicised policy recommendations for enhancing regulatory structure, using insights from academic theory. He says: “Institutional design is about saying, ‘How can you design an optimal regulatory structure that mitigates the incentive-distortions caused by the protection of banks by governments? What is the optimal regulatory design for a financial institution?’”

*“As an academic you are in a position of independence, and that cannot be underestimated.”*

The issue stems from the inherent instability of banks. Almost everywhere in the world, governments protect large banks from failure to avoid major disruptions to the country’s financial and payment systems. However, by protecting banks from the full force of the market, they simultaneously create strong incentives for banks to take greater risks for greater rewards – because if it all goes wrong, it is the taxpayer who has to bear the losses.

While there is no dispute over the fact that banks need regulating, the debates ensue over the intricate issues surrounding how this regulation is done. According to Benink (and others in his field), the new international framework for determining how much capital banks need to have in order to protect themselves against unexpected losses – the Basel II Accord – is inherently flawed in its capacity to do this.

“The problem with the Basel II approach is that the supervisors have worked too closely with the banks on the internal models used by the banks to calculate how much capital to hold,” he says. “The risk is that supervisors are captured by the banks, resulting in a potentially too large fall in bank capital. During the past year, there have already been signals coming from the US that this is happening.”

At 41, Harald Benink is a full Professor of Finance at RSM, a title he has held since 1999, and a Senior Research Associate to the Financial Markets Group of the London School of Economics. He has consulted

for, among others, ABN AMRO, Capgemini and Ernst & Young, and spent time working for the International Monetary Fund in Washington DC. During 2004-2005 he was on the Executive Board of RSM.

It was while studying for his master’s thesis in monetary economics and finance at Tilburg University that Benink developed an interest in financial regulation. International banking supervisors had just reached an agreement on the Basel I Accord, which was the first international harmonisation of capital requirements for banks, made by the United States, Canada, several European countries and Japan. The Basel Committee on Banking Supervision has since become the world’s leading entity for making recommendations on banking regulation and stability.

Benink was writing his master’s thesis on banks’ off-balance activities and solvency supervision at the time of the agreement, and integrated it into his thesis. This led to an interest in financial stability and regulatory design, and a PhD thesis on banking crises and financial fragility at Maastricht University.

In 1997, Benink was approached by George Kaufman, Chairman of the U.S. Shadow Financial Regulatory Committee (SFRC) to start a similar committee in Europe. “The first shadow committee had already been founded in the US in 1986,” explains Benink. “The idea was to create a similar network of professors in Europe who would meet regularly to look at different issues of financial regulation and to make recommendations.”

From his office in Maastricht, Benink phoned a number of professors he knew at business schools and universities around Europe. The response was positive and in 1998, the European Shadow Financial Regulatory Committee (ESFRC) had its first meeting.

Consisting of experts in banking, finance, economics and law from 12 different European countries, the European Shadow Financial Regulatory Committee now issues two statements a year critically evaluating the current and evolving regulatory framework for financial >>



Professor Harald Benink  
RSM Erasmus University



institutions and markets in Europe. The statements relate to (proposed) European Union directives and recommendations made by international committees such as the Basel Committee.

In 1999, Benink set up a Latin American committee, with members from eight Latin American countries (Argentina, Brazil, Chile, Mexico, Panama, Peru, Venezuela and Uruguay) several of whom have been president of the Central Bank or Minister of Finance in their home countries. It has since become a respected body in Latin America. In 2003, he set up the Asian Shadow Financial Regulatory Committee representing members from 10 Asian countries. Benink now sits as chairman of the European committee and is an invited member of the Asian and Latin American committees.

Over the years, a recurring theme for the committees, as well as in Benink's own research, has been the fundamental flaw of the Basel II Accord, which is to be implemented during the period 2007-2009 in the EU, the United States and several other industrialised countries. Some of the problems forecast by the committees are already emerging and have been delaying the implementation process in the US.

One of the recommendations by the group is that a more effective method is to make markets – professional investors, pension funds for instance – carry part of the supervisory burden rather than regulators. This can be done by giving them a more prominent role in banking decisions.

“How it would work is that if investors, such as those investing in the subordinated debt issued by banks, would have the impression that they would not be part of any bail-out, then their incentives to monitor the bank would become much stronger,” explains Benink. “They would be likely to object to risky decisions made by the bank, and either prevent it, or ask for a higher risk premium. A higher risk premium would mitigate incentives that some banks may have towards excessive risk-taking. Moreover, supervisors could compare the market assessment of a bank's risk profile (indicated by the risk premium on subordinated debt) with the bank's own assessments based on their internal models. In the case of very different assessments, the supervisors could act on this and, for example, require a bank to have more capital. This is not in the interest of the bank's managers, which in turn mitigates their incentives towards risk-taking. So it's about creating checks and balances.”

Other recommendations put forward by the European committee range from corporate governance in Europe, to challenges to financial regulators in the EU's new member countries. However, while the information is widely reported in the media and emailed to regulators and bankers, its influence is limited to that of part of a debate – more often than not, it is against the short-term vested interests of particular stakeholders.

“What we try to do is take insights from academic theory on incentives, risk-taking and moral hazard, and translate them into concrete recommendations that can really benefit policy,” he says. “However while the crucial people read about these recommendations, they don't always like what they read. If you are a large bank, you may think it is fine to be protected. Governments are close to the participants on financial markets, so it's a regulatory catcher – there are vested interests at stake.”

It is part of both the blessing, and the curse, of academia – no commercial obligations so no biased objectives; but limited clout in

the short-term when it comes to the decisions being made.

“As an academic you are in a position of independence, and that cannot be underestimated,” says Benink. What we do as academics is not just about creating new knowledge in a particular field; it is also about trying to influence the debate in your field. To do this, you have to preserve your academic integrity. At the same time, it means that your power to change policy and practice is limited. However, more and more, the world outside academia (commercial organisations, regulatory authorities, politicians) is realising that there is something worthwhile in an independent view. Following the crowd will not take you anywhere.”

### Meeting the Demands for International Business Education

During the period 1999-2005, Harald Benink served as founding chairman and dean of RSM's new BSc and MSc programmes in International Business Administration (IBA). When he started, there were no students and one staff member: Adri Meijdam. The programme now has a dynamic team and attracts 1,200 students from more than 80 countries each year. The IBA belongs to a core group of truly international pre-experience business programmes offered in Europe.

“When we started in 1999 there was nothing, just an idea. Together with Adri we built the programme up from scratch. It was not only about reputation-building, but the curriculum, the staff, making it happen. The biggest challenge was to get a reasonable percentage of the student population coming from abroad. We started an international recruitment campaign and the first year we managed to get 200 students from around 40 countries.

The interesting thing is that when you talk to students about the programme, they like the content, but what they really like is the special multicultural experience they have with students with so many different backgrounds. They have to work together and have to cope with these differences. This is happening all the time in the business world. The probability that these students will have to function in an international setting in their future is increasing all the time, so it is a way of preparing them for a certain setting which they are likely to encounter in their professional lives.

What is also very striking about international students is that they are very mature and ambitious. If you are living in Mexico and you say to your family and friends at 18, ‘I am going to study in the Netherlands for the next three years’, the sacrifice is much larger – it is a greater personal and financial investment. The motivation to do this must be very strong, and this is something you see very clearly.”

**By Rebecca Morris**

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# A Time for Optimism?

## *Insights from the latest Global CFO Business Outlook Survey*

A sustained recovery period is in store for Europe, relegating several years of weak growth to the past. Corporate earnings will rise by a robust 12 percent and there will be a boost in capital spending. Increased competition will be cause for concern, as will be the rising cost of labour and declining consumer demand.

Such is the economic future of Europe according to the predictions of the Chief Financial Officers surveyed in the most recent Global CFO Business Outlook Survey.

The survey, which is conducted quarterly by RSM, Duke University and *CFO Europe* magazine, polls around 500 Chief Financial Officers from three continents – Europe, the United States and Asia – on their primary economic projections. Based on the concerns and predictions captured in the survey, a vivid forecast can be made on what could be in store for the global economy.

“Last year there was a lot of talk on rising oil prices,” explains Kees Koedijk, Professor of Finance at RSM and the driver of the European section of the survey. “We had already seen that this was a big issue in our survey quite some time before, when it was hardly an issue in the media. Based on the survey, we also predicted the boom in Asia a long time before it happened. What the survey offers are insights from the people who are in the best position to understand and predict how different economies and sectors are behaving.”

Kees Koedijk has been a key figure in the development of the survey, along with Dirk Brounen, Abe de Jong and Peter Roosenboom of the financial management team. He presents the quarterly results for Europe, which are published in major publications such as *The Wall Street Journal Europe*.

“The CFO survey was something which developed over time through

me and the financial management department,” explains Koedijk. “From an academic point of view, doing research in corporate finance in Europe, you want to test theories and to do this you need data. The natural thing was to develop data by surveying CFOs. We knew this was already being done in America, so we decided to conduct a similar project in Europe.”

The first CFO survey turned out to be a major success. The team had papers accepted in *Financial Management*, the *Journal of Banking and Finance* and decided to conduct the survey on a regular basis. The questions posed to CFOs related to their opinions on the current status of their firms, what they expected for the next half year in terms of inflation rates, and current themes like outsourcing and protectionism.

“To our surprise, this survey also became a big success,” he says. “We got a lot of interesting insights on Europe. We decided it would be beneficial to join forces with sources in the States who were running a similar quarterly survey, and create a global survey. We then contacted *CFO Magazine*, who independently of us had been thinking of setting up a similar thing in Europe. The result was this collaboration – a quarterly global survey.”

The Global CFO Business Outlook Survey is now conducted across an alliance that includes Duke University in the US, *CFO Magazine*, and RSM Erasmus University. A conference call is held each quarter to decide which questions will be asked. The first section of questions remains the same, focusing on optimism about the economy, what they expect about cost of labour, fuel and so on, and the thematic questions vary each quarter.

“The big theme in the United States at the moment is the rising inflation and the housing market,” says Koedijk. “The big theme in Asia is overheating – because they are growing so rapidly.”

The survey offers a real sense of what is happening economically on

“It is a way of rating confidence, which allows you to really see what is going on and how things are developing.”

each continent, says Koedijk: “The survey is a way of rating confidence, which allows you to really see what is going on and how things are developing. What strikes me is that it is a really powerful way of getting a grip of how the business cycle is moving.”



Professor Kees Koedijk  
RSM Erasmus University

Two years ago Koedijk showed the results to *The WSJE*, who expressed enthusiasm for the project. The magazine is now consulted before each survey for input on issues on which they are interested in gaining insights. For the first time, the RSM and *The WSJE* are holding the CFO Outlook Summit in November 2006 to explore the underlying business trends identified by the survey.

The most recent insights from the survey suggest a Europe-wide recovery in economic growth, particularly in the Netherlands. "What we are seeing is that there is less cost cutting. Europe is recovering," says Koedijk. "What helps is that the demand for goods from Asia is incredibly strong, and that really comes out."

CFOs are concerned that oil prices will hamper growth. Another major theme says Koedijk, is outsourcing: "This is not something minor that won't be talked about next year," he says, "it is something so big in all major European countries that all CFOs are talking about outsourcing either to Eastern Europe or Asia. From this we can predict that there will be growth, but not in employment. Companies are shifting much more of their production facilities to Asia and Eastern Europe. Outsourcing is a theme that is only going to get stronger."

### Discover what leading CFOs are thinking on the most thought-provoking business issues.

On 30 November 2006, Europe's highest profile CFOs and Financial Executives will preview results from the quarterly RSM/Duke University CFO Survey at the CFO Outlook Summit. Held near Amsterdam Schiphol Airport and organised by Rotterdam School of Management and *The Wall Street Journal Europe*, it is the CFO event of the year. To reserve your place, please visit [www.rsm.nl/cfosummit](http://www.rsm.nl/cfosummit)





# Curing the Dutch

In April 2005, Henk Volberda, Frans van den Bosch, and Justin Jansen of the department of Strategic Management and Business Environment at RSM conducted a large scale survey of more than 9,000 Dutch organisations. The survey, called the Erasmus Competition and Innovation Monitor, aimed to examine the organisational and environmental set-ups of innovative organisations. It also compared the organisational outcomes of innovative organisations, versus non-innovative organisations.

The first outcome of the survey was that innovative organisations outperformed non-innovative organisations by a large margin: in return on investment by 27%, sales growth by 19%, profit growth by 10%, growth of

market shares by 13% and customer satisfaction by 6%. The second, and perhaps more surprising result, was that among the innovative organisations, only 25% of their ability to innovate and self-renew stemmed from technological innovation. The rest, the survey revealed, was due to a phenomenon called, 'social innovation'.

It was in the seventies that management scholars first began to explore the concept of innovation as a process outside the realm of technology, such as in the management and organisational systems of companies. The first multidivisional structure adopted last century by General Motors, for instance, led to a new stream in innovation theory called organisational innovation.

The term 'social innovation' is a recent addition to the field of innovation theory. Coined by the Strategic Renewal Centre directors Volberda and Bosch, it is an umbrella term for these other areas of innovation outside the technological. In contrast to the technological side of invention, it is the business side of innovation – the management, the organisational determinants, the networks, the communication, the initiative and the ideas processes – the numerous conditions that make innovation possible. And it is this capacity, says Volberda, which is missing from the Netherlands.

"In the US, they have a higher productivity in particularly the service sector than in the

# Disease

The debate on how to make the Netherlands more competitive has so far revolved around investing more in R&D. RSM's Professor Henk Volberda argues that the cure for the persistent lack of innovation in Dutch companies, the Dutch 'disease', not only depends on technological innovation, but on 'social innovation' – and now the Dutch government is listening.

Netherlands," says Volberda. "This does not have to do with the fact that they have a higher penetration of ICT systems. It is to do with the fact that in the United States the organisations are engineered in a way that somehow better fits with the technology and therefore is more conducive to innovation. This is social innovation."

## The Dutch 'Disease'

In the 2005 Global Competitiveness Report, the Netherlands came out at number 11 in the world. Not a shocking result, but one that had the equivalent effect. The Netherlands has previously done well in the Global Competitive Survey, in 4th position in 2000. The economic downturn that hit Europe in 2000 however saw the Netherlands drop to

8th position in 2001, 13th position in 2002, and it has yet to re-gain its place in the top 10. The message is clear: Dutch innovation performance and productivity growth is falling ominously behind.

Why did so many European countries facing the same recession, fare so much better than the Netherlands? According to the Cabinet Balkenende, the economic downfall has been due to a "persisting lack of innovation capability in the Dutch economy," what has now been labelled, the Dutch 'disease'.

"The Netherlands is still somewhere between an industrial and a knowledge economy," says Volberda. "Those countries that do very well in this global competitiveness report, they are further down the track to becoming dynamic,

knowledge-based economies."

Volberda is quick to dismiss the notion that the lack of innovation in the Dutch economy could be a question of culture. "Many people say that we have an egalitarian culture, so it's not appreciated if you behave differently and that is why we don't have a lot of entrepreneurs or intrepeneurs in the Netherlands," says Volberda. "But if you look at national cultural studies, there isn't a lot of difference between the candinavian cultures and the Dutch culture. It is not a question of culture."

Both macro and micro factors can be blamed for the lack of innovation in the Netherlands, ranging from the political to the corporate. On the macro level, the Dutch government has >>



been accused of not investing enough in activities aimed at long-term growth like education and research, and instead prioritising short-term government expenditures and deficits. Too much red tape and bureaucracy weighs on the economy. These macro foundations of innovation are vital for the Netherlands' ongoing transformation from an industrial into a knowledge-based economy.

"When we compare ourselves to countries like Finland, they are investing a lot more in R&D

*“Knowledge is not being used to generate new commercially-exploitable ideas.”*

and knowledge workers,” says Volberda. “While the developing countries do much worse in the global competitiveness report, if you look at the availability of knowledge workers in India for instance, they do much better.

On the micro-level, Dutch universities have been failing to fuel the knowledge economy because research has been too isolated from real business needs and focused on knowledge development, but not knowledge diffusion. Dutch companies, on the other hand, have been focused on cost-cutting, short-term performance and restructuring, instead of developing innovative capabilities. The end result is loss of innovation. But what is the solution?

To date, the predominant focus of Dutch policymakers has been on improving technology-related macrovariables such as the below-average private investment in R&D and the low numbers of available scientists and engineers. It is a classic reaction based on a popular belief that for a small country to innovate, it should invest in only a few promising core technologies such as nanotechnology or biotechnology.

This approach however, fails to address the key problem that exists in the Netherlands, one of a ‘knowledge paradox’, says Volberda. “In the Netherlands we are already very competent at developing new knowledge. On all the technology indicators we’re doing reasonably well. The number of patents per inhabitant and the number of scientific

publications per inhabitant is high. The problem is that this knowledge is not being used to generate new commercially-exploitable ideas. It is not being transformed into innovation.”

Moreover, according to the survey results, it is this ability to turn knowledge into ideas and innovation that accounts for the majority of a firm’s innovative-success – 75% of the innovative capacity of a firm. It is this last fact that has raised the interest of the Dutch government.

Professor Frans Leijnse of the Dutch Innovation Platform – an initiative of the Dutch government and chaired by the prime minister – recently asked ERIM, RSM’s research institute, together with TNO Amsterdams Instituut voor ArbeidsStudies (AIAS) together with employers associations (AWVN and FME) and labour unions (FNV and CNV) to come up with a proposal for a Centre for Social Innovation, with Volberda’s department spearheading the initiative. The objective of the centre will be to foster social innovation in organisations, the missing ingredient that will make Dutch firms start generating new commercially-exploitable ideas and re-gain their lost footing in the competitiveness stakes.

## Management Matters Most

Dutch companies must adapt the way they are organised and managed in order to encourage the creative and innovative application of technology to customer demands, says Volberda. It is this, and not new technology, that is the key difference between Dutch firms and our European counterparts that better-fared the downturn.

“If you compare us with the top countries, Finland, the US, Sweden, they are managed and organised differently,” says Volberda. “Although they’ve faced similar problems, they have done better because they are more innovative in their approach to management.”

Innovative firms, says Volberda, are not necessarily creating new technology; they are developing and applying it. TomTom for instance, did not invent GPS navigation systems, but thought of applying them to existing, rather than new cars. Likewise, the financial service provider ING has applied existing ICT technologies to direct banking and has developed a leading worldwide position in online banking.

3M is another example of a company that has managed sustained innovation – renewing and reinventing itself in tune with changing trends. This capacity for innovation has been attributed to a number of factors including a

Organizational Outcome	Innovative vs. Non-innovative organizations
Return on investment	27% higher
Sales growth	19% higher
Profit growth	10% higher
Growth of marketshare	13% higher
Customer satisfaction	6% higher



Professor Henk W. Volberda  
RSM Erasmus University

strong focus on innovation (3M has a benchmark in place that 30% of its sales must come from products that are new or have been substantially modified in the past four years); de-centralised decision-making at the team and divisional level; an environment that encourages spin-off projects; and a bottom-up approach to capability development: The role of top management is that of sponsor, coach or mentor and initiatives derive from frontline managers at the bottom. As a result, the names of CEOs at 3M are virtually unknown, while those lower down the chain, the “intrapreneurs” are the trail-blazers. Take Scotch tape by Dick Drew, or Post-it Notes by Art Fry. To keep this momentum, management continually reassess the barriers to innovation that tend to build up over time.

Firms such as Virgin, Dell, IKEA, Xerox and Southwest Airlines are other examples of innovative firms. While they all employ different methods to ensure they continue to innovate – Virgin, for instance, depends on the visionary leadership of Richard Branson, while at 3M they have a flat organisational structure that leaves room for initiatives from managers close to the markets – they all display the shared traits of the innovative organisation.

“Socially innovative firms look for new ways to get things done,” explains Volberda.

“Successful innovators comparatively invest much more in innovative organising, dynamic management and smart work. They create novel organisational principles that challenge current management orthodoxy, such as self-organising in teams. They have managers with a high passion for innovation and renewal; they are able to absorb new knowledge, and they have a high appreciation for new technology. High-performing innovative firms not only focus on new things but also on being efficient, fostering creativity and human talent, and they have a lot of horizontal career paths throughout the organisation. They know their strengths and weaknesses and find partners who complement them so they can co-create with their customers and suppliers.”

The glue in all this is visionary management, who will implement the structures that will allow innovation to flourish. “It is up to top management to create a proper organisational >>

“On all the technology indicators we’re doing reasonably well. The problem is that this knowledge is not being used to generate new commercially-exploitable ideas. It is not being transformed into innovation.”

context to foster entrepreneurship and innovation,” says Volberda.

Management can do this by developing internal ‘selection’ environments (how innovations are assessed for their viability) that are conducive to new ventures and projects. Johnson & Johnson is an example of a corporation that

has developed mechanisms to set up new units. This encourages entrepreneurs to pursue their ideas in new separate divisions, while the older, more established divisions provide continuity and stability. This system carries some costs, for instance, difficulty integrating the new ideas generated back into the old organisation, but it also brings important benefits, as new ideas are insulated from the inertia of the centre, and have the possibility to flourish without being suffocated.

Government, on the other hand, must re-look at existing regulations, the vast majority of which, says Volberda, “do not enable innovation and productivity growth.” It is possible, he says, to use regulations as a way of fostering innovation, productivity growth and strategic renewal in organisations.

“It is up to top management, government agencies, research institutes, business schools, and consulting firms to not only focus on technological knowledge, but on managerial and organisational knowledge and improving the knowledge cycle between universities, governments and firms. The Netherlands must return to the ranks of the top ten most innovative and productive countries in the world.”

by **Rebecca Morris**

## The Innovative Firm

By, Henk W. Volberda, Frans A.J. van den Bosch and Justin J.P. Jansen

According to the Erasmus Competition and Innovation Monitor, Innovative firms reflect three important traits – dynamic capabilities, flexible organisational forms, and smart labour principles.

### Dynamic capabilities

The Erasmus Competition and Innovation Monitor indicated that the three most important managerial capabilities in innovative firms were: a high absorption of external knowledge spurring new ideas needed for obtaining a competitive advantage; the ability to generate entrepreneurial behaviour through visionary leadership; and cross-functional integration and cooperation.

Moreover, a visionary leadership style creates collective ambition and stimulates employees to renew existing competences and apply them in innovative ways. Managers must also have the ability to identify and support new ideas. Sharp, for instance, was able to develop dynamic capabilities in the electronic calculator industry while TI was held back by limited managerial mindsets, which remained focused on the semiconductor market. Companies such as Virgin, IKEA, Dell and Xerox have exhibited visionary leadership which has led to superior renewal capabilities.

The ability to combine knowledge from across different core technologies also often distinguishes innovative companies.

### Flexible Organisational Forms

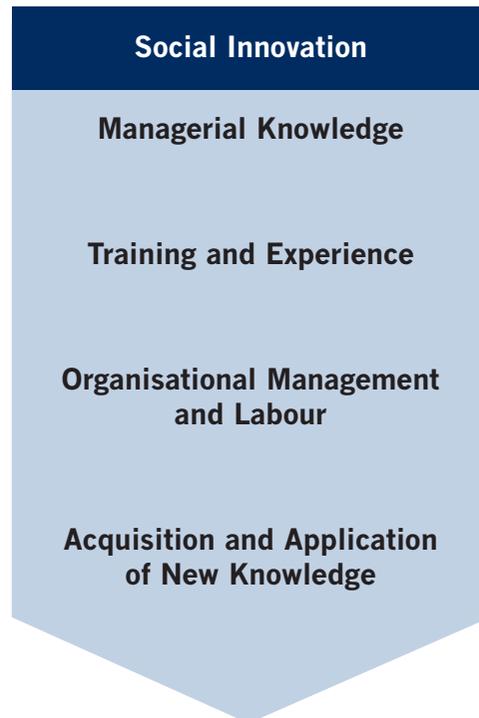
Innovative organisations are keenly aware of external change (markets, competitors, etc.) and adapt accordingly. The ability to detect and exploit emerging trends ahead of their competitors is an example of this.

While a visionary management team is crucial for innovative success, they must also organise the firm in a way that fosters ambition and enthusiasm among employees. They can do this by employing novel organising principles that utilise more self-organisation and decentralised cross-functional teams.

Innovative organisations balance innovation and knowledge creation with improvements in productivity and processes, efficiency and



**25% of the innovation success**



**75% of the innovation success**

product enhancements. Most firms exhibit an asymmetric preference for short-term exploitation improvements. Corporate icons such as GM and IBM have fallen into this trap. They became “prisoners” of their deeply engrained routines and seemingly irreversible competencies.

### Smart Labour Principles

Flexible organisational forms and dynamic capabilities have important implications for the management of human resources. This post-modern human resource perspective is based on talent development through deep knowledge structures. These valuable and deep knowledge sources of employees are integrated through cross-functional product development teams. In addition, senior management needs to develop broad experience and expertise and implement incentive systems based upon group rewards.

### External Networks and Institutional Stakeholders

Without external cooperation no successful innovation is possible. This is not only cooperation with other companies, but also with customers, governmental agencies and universities. Stakeholder pressure appears to be a dominant force in triggering organisations to develop new products and services.

**Henk W. Volberda is Professor of Strategic Management and Business Policy and Chairman of the Department of Strategic Management and Business Environment at RSM Erasmus University. Frans A J van den Bosch is Professor of Management at RSM Erasmus University. They are both directors of the Erasmus Strategic Renewal Centre, RSM.**

## Centre for Social Innovation (CSI)

*The Dutch government has asked ERIM – RSM’s research institute – along with TNO and Amsterdams Instituut voor ArbeidsStudies (AIAS) of the University of Amsterdam, as well as employee and employers associations, to create a Centre for Social Innovation. The centre is now in the full development stages and the top 30 firms in the Netherlands have been consulted.*

*The aim of the centre is to help companies develop the managerial capabilities, organisational forms and labour conditions that will foster innovation.*

*Henk Volberda: “The idea is to work with companies doing action research and experiments, for instance on how to implement self-organised teams; innovative leadership; smart working; how can you better use the capabilities of your employees.*

*Most firms use cross-vertical management – the hierarchial*

*model. This is fine for business as usual, but for innovation it is very important that you combine different functional areas – you need cross-functional management teams and task forces. Dutch firms seem to be very flat but they are very fragmented, so we will look at developing teams throughout the whole organisation. Another thing we will look at developing is visionary management. To involve many people from all over an organisation you need a very inspiring vision that everybody wants to be engaged in, that way you have an intrinsic motivation.*

*We will look at developing all these different managerial capabilities via training, executive education and seminars. We have created a website with information on social innovation, experiments and case studies to help educate people. We feel it is really important to get the word out there.*





# The Pan-European Student Inside the Bologna Accord

Europe's higher education landscape is in the middle of a revolution, the chief catalyst of which is the Bologna Accord. What are its implications for our educational professionals and students? And how will it impact the programmes and courses offered by Europe's universities, colleges and schools?

The objectives behind the accord were established in 1999, and set out in the Bologna Declaration: the initiative aimed to create a unified 'European Higher Education Area' by harmonising the higher education systems of 45 European countries. All countries who signed the agreement have committed to implementing the new system by the year 2010.

The participants, who include a number of international organisations including the Council of Europe, the European Commission and UNESCO-CEPES, share the goal of creating a more competitive educational system in Europe, with improved opportunities and choices for students.

This does not mean that each country will have the same system – diversity is viewed as a positive asset of the European system, rather than a weakness – but that there will be a single scheme of bachelor and master degree qualifications with a consistent credit and grading system. A business degree from RSM Erasmus University will therefore be comparable to a business degree from a university in Azerbaijan or the United Kingdom.

Ultimately, the accord will allow students who want to pursue further study or employment to move easily from one European country to another. It will also make the continent's higher educational system more attractive for non-Europeans who want to study here, even challenging the US share of the market.

## Rolling Out the Changes

At the moment, the participants involved in the agreement are in the consuming process of rolling out the requirements of the new system. These involve three main levels of implementation – international, national and institutional.

Steering the implementation process is the responsibility of the Bologna Follow-Up Group, while the international issues, possibilities and obstacles are discussed at various conferences and seminars throughout Europe. Every two years, the Education Ministers of the participating countries meet to discuss guidelines, priorities and progress – the next meeting will be held in London in 2007.

The Bologna Accord is already having an effect on higher educational establishments throughout Europe, in particular on the amount of autonomy they currently enjoy. These include financial, administrative and student selection procedures, but also stretch to the way governments finance higher education. As a result, many institutions are actively reviewing their portfolio of programmes, and expanding the number and range of degrees they offer.

The on-going challenge to find students – and in particular, non-European students who bring in valuable un-capped revenues – is an area in which all of Europe's higher education institutes are increasingly involved. More than one million non-EU students come to study in Europe every year, and generate revenues of around 13 million euros. It is not only income that establishments crave. Cultural diversity is also an important driver that is proving to be a significant lure to students from the US looking for a more international experience.

The quality measures involved in the new system are also offering challenges, and those institutions which have never had quality assurance measures in place are currently working towards compliance.

### What the Future Holds

The implications of the Bologna Accord for higher education in Europe are many and far-reaching. The first is that we are likely to see an increase in the numbers of students who enter and successfully complete a bachelor degree. Not only is a shorter degree likely to attract more candidates, but with a shorter time frame and no final thesis to be completed, the chances of these students graduating with their bachelor degree are much higher.

With many more potential graduates in the pipeline, new opportunities and challenges abound for master programmes. As a free-standing qualification, master programmes must now be competitive to attract their portion of students, who have the flexibility to choose to join the work force immediately after completing their bachelors.

Master programmes themselves are likely to become more diverse, integrating different disciplines to enhance their attractiveness for students, and we are likely to see a proliferation of new and innovative programmes. Education itself will become more cross-disciplinary, as students choose to complete their bachelor in one discipline, and their master in another. The reforms also present an opportunity for Europe to increase their share of the world's graduate market (US, Asia, Latin America, etc.).

The continent will become a highly attractive place to work and study, and although the competition for students from developing countries like China and India will become particularly intense, this will provide the incentive for our higher educational establishments to offer increasingly inventive and involving programmes.

Anticipating exactly what the market will do is anyone's guess. Within four or five years, the true nature of this revolution will become

### A Brief Overview of the Objectives of the Bologna Accord

- The adoption of a system of comparable degrees
- The adoption of a system based on undergraduate and graduate programmes
- The establishment of a harmonised system of credits
- The promotion of free movement and mobility for students, teachers, researchers and administrative staff
- The promotion of pan-European quality assurance
- The promotion of necessary European dimensions in higher education

apparent, and its effects will be felt both in Europe and in the wider world. Educational professionals will have a clearer picture of the way their colleagues in other countries work, while students will not only have access to a wider choice of programmes and courses, but will be operating in a new, integrated and much more competitive economy.

As Professor Dr. Eric Waarts, Dean of RSM's BSc & MSc programmes says: "The Bologna Accord will change the European higher education landscape beyond imagination. It gives rise to new options for students, and it will push universities to renew their strategies and programme portfolios to cater for the international student market. In short, a new market is emerging, bringing about an exciting journey for future students and schools."

by Anna Perry

### RSM and the Bologna Accord

The Netherlands was one of the first countries to modify its higher education system to comply with the Bologna Accord, and RSM Erasmus University was one of the first business schools to bring its programmes in line with the new requirements. As a result, graduates now have an easy route into other institutions and countries.

In response to the new market being created, RSM has also created a new two year master programme, the MSc in General Management. This is a master in international business that offers students with a non-business bachelor degree to gain skills and knowledge in business and management.

The programme has been carefully designed to give students the opportunity to blend their non-business bachelor knowledge with business and management skills.





# Around the World for an MBA

When five leading business schools joined forces to create a new executive MBA programme, they had one goal in mind – to create the first genuinely global MBA

The Global Executive OneMBA programme is the creation of five business schools based on four different continents – Asia, Europe, North America and South America. Where other programmes claim to be global because they hold workshops on different continents, the Global OneMBA programme claims to be global because participants share not only global courses, but local content taught by local faculty at each of the five business schools involved.

“What makes the OneMBA unique is the partnership between the five schools involved,” says Saskia Treurniet, Assistant Director of the programme. “This is not an Anglo-American based executive MBA model that is simply taught at different locations around the world. Its curriculum is designed with equal input from faculty members from all the partner schools, and incorporates the different perspectives and business approaches of each of the five regions. This means that you get this idea of how all different societies look at business. The learning curve is significantly different from any other global executive MBA programme.”

The Global Executive OneMBA targets experienced executives and professionals. Each year it has a class of around 100 ‘global peers’ located around the world, and the schedule is designed to allow participants to continue working. Like many MBA programmes, it

aims to develop ‘executive leadership, networks and experience in global business’ that are immediately applicable to participants’ professional lives, as well as access to a life-long network of global business contacts.

The unique strength of the Global OneMBA, however, lies in its curriculum design. The five different modules reflect the shift in focus required for doing business in each region, from both the local and global perspective. “When the professors come together to design the course, they highlight the issues pertinent to each region,” explains Dave Bond, Associate Director of the Global OneMBA. “For example, the professors from Brazil (FGV) will highlight issues in South America and propose case studies for the students that reflect these.”

In the North American Global Residency, conducted by the Kenan-Flagler Business School (University of North Carolina at Chapel Hill), the curriculum reflects the business perspective of a developed economy. “The topics highlighted here are issues like entrepreneurship as a US strategic advantage,” explains Bond. “They look at emerging economies via a concept called the bottom of the pyramid – so as sources of opportunity. In global business you need to be very aware of the different wealth in different parts of the world. The bottom of the pyramid approach argues that there are different ways of looking at economies. What is appropriate to the markets in wealthier areas will not be appropriate to the markets in less developed areas. It affects the business model you use, everything from the products, to the packaging, to the way the product is transported.”

The European Global Residency, conducted by RSM Erasmus University, examines business through the lens of a European perspective, which is shaped by having developed and developing economies sitting side by side.

“In the module at RSM, we look at the similarities and differences between these developing and developed economies, for instance exploring supply chain issues in the Netherlands compared with Poland,” says Bond. “In Europe there is much more of an emphasis on dealing with sustainability and diversity in business, such as in supply chain management. A central theme is how to engage effectively with different stakeholders, because you are probably crossing borders every time you extend your business.”

There are pivotal differences in the modules held by the schools in North America/Mexico (EGADE – Tecnológico de Monterrey), South America (The Escola de Administração de Empresas de São Paulo da Fundação Getulio Vargas) and Asia (The Chinese University of Hong Kong Faculty of Business Administration). The massive expansion of business and opportunity in these countries means that they are examining the business opportunities available in their own countries, and how to exploit the interest of the developed economies that are looking at them as potential business partners.

“How are the other economies dealing with this? What kinds of collaborations are they interested in forming?” says Bond. “These are the sorts of questions they are asking. It is very clear that what is happening in these countries at the moment is transforming the world due to the size of their populations and how fast they are moving into the world economy.”

“The Global OneMBA offers a detailed picture of what needs to be done to successfully break into these markets. The local faculty, companies and students from each continent are the source of these insights,” says Bond. “In the past, people took out the old business models and thought they would work,” says Bond. “Now they are seeing it takes a much more sophisticated approach. What makes the Global OneMBA different, and this is what the students say themselves, is the fact that it is such a truly global experience. You are not just



following a course, you are working together with people who are located in different regions in the world, building a global network. You are working with local companies all over the world and professors from other universities. This is really gaining a true understanding of global business.”

### Global OneMBA – How It Works

Taught in English, the OneMBA begins in September and finishes 21 months later. It consists of five individual modules made up of local and international residencies that last between three days and a week, and are held roughly every six weeks.

OneMBA Executives work as part of both a home-campus team and as a series of three different global teams. Multinational corporations that send a team of executives from around the world qualify as OneMBA Corporate Partners and can request that one of the three teams consist of their people. As a substitute for one of the global team assignments, this team could address a critical international issue facing the company and help develop a strong in-company global team.

The first module focuses on Personal Leadership Development. Taught at RSM Erasmus University, this course is an on-going element of the programme, and is immediately followed by a residency in Washington, run by the Kenan-Flagler business school. Here students meet up for the first time with fellow executives from around the world to study global perspectives and the US business environment.

Executives return to Rotterdam for the second module, which looks at the wide range of issues surrounding the subject of Leading and Managing Global Organisations, and Global Operations Management. The module concludes with a European Residency which studies supply chains and sustainability in developed and emerging European economies.

Managing Finance and Marketing is the focus of the third module. Executives study Global Marketing, Corporate Finance, the International Economic Environment and Change Management before travelling to Brazil and Mexico to explore Global Finance and Cultural Marketing, as well as the sights and sounds of these two vibrant countries.

The fourth module concentrates on Managing Strategy and ends with the Asian Global Residency where executives visit local companies and study ways in which they and their companies can adapt to the dynamic global environment.

The final module looks at the future of Global Executive Practice, with an emphasis on the requirements of business leadership in the new global economy.



# The *People* Behind

Unilever's Sandy Ogg talks about the impact individuals can have in the building of a brand



Sandy became interested in talent development when teaching at leadership school during his time at the US Coast Guard. This led to a stint as a Leadership Development and Change Management Consultant for clients such as PepsiCo; and a period as vice-president of Motorola, where he was responsible for leadership supply. Today, Sandy counts an MBA from top-ranked US business school Kellogg among his achievements.

Here he tells RSM Outlook about his career, insights and experiences:

**Your education and experience are diverse. What made you decide to pursue a career in leadership development and human resources?**

When I was an operator in the coast guard, I was able to see the impact that the leader can have in an operational situation like a rescue. Being able to see that helped with my last assignment in the coast guard – teaching in the leadership school (where Sandy completed his MA).

My education in mathematics also brings a lot to the job I do now. HR should be able to demonstrate that when decisions are made, they are made with the business in mind. If you can't connect the way an HR department is run, to the business, that's a problem. Having the background I do helps me to have that approach, which in turn makes for a successful HR department.

**What are some of the insights you have developed over your human resources career – in particular in your role within Unilever?**

At Unilever we recognise the impact that one person can have. If someone comes up with a brilliant marketing idea, we listen to them.

For example, the way in which we're currently approaching the market with Dove, was the

Sandy Ogg is the Chief Human Resources (HR) Officer for Unilever in the Netherlands. It is a position he enjoys, partly because of his long history in the profession, but equally because of his genuine interest in people and his passion for the development of human potential.

# the *Brand*

result of an employee's insight. Someone had the idea to go and ask real women 'Do you feel beautiful?' I think it takes an unusual company with unusual people to come up with an insight like that and drive it all the way through. If you have an environment where you can nurture these sorts of people, then these sorts of ideas happen. If you don't then they won't. People may think that these ideas just come out of the sky from some advertising agency but they don't!

**Your article, "Leaders in Short Supply" raises some interesting issues. Could you tell me a bit more about how education ties into leadership?**

There's a formula for developing good leaders that says you should use a 70/20/10 approach. 70 percent of the learning will occur on the job, 20 percent will happen through the coaching the person gets from the people around them and ten percent from a formal learning programme.

I think it's critical to look at what sort of job experiences we can string together for someone to develop them. Who the person works for and with is also critical – because that's where the coaching comes from. If you can then supplement that with the 'secret sauce' of that ten percent (for example getting the person involved in an executive development programme at a school or within the company) then you've really got something. Making sure that ten percent is there really is important.

**In your article you talk about the most successful companies in the past few years having been those that have developed their leaders – as opposed to those who bring in leaders from other areas. Why do you think this is?**

There are costs and benefits to both these methods. The cost of buying in leaders is that if you overdo it the company can lose its way culturally and forget who it is – which is the worst thing a company could do. I have a phrase I like – "The best thing you can give your children is roots and wings." Companies too, should have these.

'Buying in' people from the market can create some lift in the wings, because you can bring fresh ideas and new thinking. But it should be used on a limited basis to not lose the roots.

When companies focus on 'buying in' leaders, they are saying to their staff, "we're not going to take risks with our own people, we're going

“ The best thing you can give your children is roots and wings. Companies too should have these. ”

to the market to get a sure pair of hands." That de-motivates people. In order to have staff that are loyal and motivated you need to show confidence in them – to look at your own staff and really identify those that could potentially make good leaders.

Talent development is hard – getting people into the right jobs and giving them the right coaching – but when you get it right, it can make a huge difference within the company.

**What do you feel is the value of education for business?**

We cannot make it without a steady flow of talent, and we can't afford to provide the kind of education (nor would we do it as well) that a good institution can. We couldn't attract the professors nor keep them satisfied. Companies have tried to be more self-sufficient in the education sector, but it's just not workable.

The necessity to have a supply of talent, and the need for talented individuals to do well, creates a symbiotic, inter-dependent relationship between business and education. That's only at the entry point, but once you have someone within the company, they need experiences with people from other

companies and disciplines through training courses, so that they can develop a broader perspective and bring that back into the company. That's why creating a strategic relationship with a few educational partners is essential for a company like ours – both at the recruitment end and the development end.

**As a member of the advisory board at RSM, what benefit do you think Unilever brings to RSM and vice-versa?**

In the last meeting we were talking about RSM competing on a global scale with schools like Harvard and INSEAD, and in particular about the branding of RSM and how this allows them to compete in this manner. One thing we understand in Unilever is brands – and this is the sort of thing that Unilever can bring to RSM.

If I take a look at what RSM brings to Unilever, well, we certainly employed a great number of RSM graduates – in fact, some of the best talent we have right now studied at RSM I also think that working with RSM, allows us to be an integral part of the business community.

**by Anna Perry**





# Mastery in the Making

When Lars Duursma graduates from RSM's International Business Administration programme next year, he can add entrepreneur, former Editor-in-Chief and world champion debater to his CV

In January this year, Lars Duursma and his partner Sharon Kroes became the world champions in the debating category, English as a Second Language. The first Dutch competitors ever to win the title, the pair beat 324 teams from 161 universities around the world to the title.

They had fifteen minutes to prepare a seven-minute speech in which they had to convince the jury of their opinion. "It is not just about having a good technique," says Duursma. "You have to have wide-ranging interests to debate on any subject. It helps to have empathy. You need to put yourself in someone else's shoes."

Duursma should know. The 24-year-old international business administration student at RSM runs a business called Debatrix, a service offering debating and public speaking training to companies and individuals. Among his clients are the Ministry of the Interior and Kingdom Relations and the Ministry of Transport and Public

Works. Recently he formed a partnership with UK market leader in debate training to create an international master class in the Netherlands.

Duursma began offering professional debate training on a freelance basis in 2003. In 2004 he became editor-in-chief of RSM Erasmus University's student magazine, *Interface* – a bi-monthly publication created and funded by the student association.

As editor-in-chief, he secured interviews with Pat Cox, former president of the European Parliament, Mario Monti, former European Commissioner and Leo van Wijk, CEO of KLM.

His freelance business, however, was gaining momentum, and in 2005 he set up Debatrix, a service offering clients training in public speaking and debating. Now a network organisation consisting of two partners and eight freelance trainers, Debatrix is growing fast, not least because it offers a different spin on the development of communication

and persuasion skills through the use of debate training principles.

"Debating skills are not just useful for people who want to debate," says Lars. "They are applicable to any situation that involves communicating. It teaches you the ability not just to express yourself in front of an audience, but to convince and persuade, and to appreciate different perspectives."

Debatrix now offers everything from workshops on speech-making to effective and persuasive communication training, and tailor-made programmes. "Being able to run my own company and do anything I want to do in terms of business is something I really like," says Lars. "If I see a market that might be interesting, I can just make some phone calls and take action, instead of having to ask permission from a superior."

One of the phone calls he made recently was to the UK market leader in debate training, Debate Chamber. The two companies

have just joined forces to create an international master class for the Dutch market, to be launched in October 2005. The best trainers in Europe will be involved in the programme.

Duursma is enthusiastic about the upcoming opportunities. "One of the things we try to do during training is to make people passionate about giving a speech in front of an audience," he says. "If you're passionate yourself, it's much easier to transfer it."

His next move? "While it's very cool to have your own business and to be able to make the decisions yourself, you are still limited by the size," he says. "I still have the ambition to work for a major company."

by Anna Perry

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