RELEVANT BUSINESS KNOWLEDGE

PRICE PER EDITION €18/\$25



pensation: Solving the Pay Puzzle

Where Best to Invest

ACCOUNTING DEBATE

Did Fair Value Contribute to the **Global Financial Crisis?**

THE HEART OF CONFLICT

How the Red Cross Navigates **Extreme Logistics Challenges**

AFRICAN TASTES

How Should Gallina Blanca Adapt?

- **STRATEGY:** HOW THE CRISIS HAS CHANGED OUR CONCEPTION OF PAY
- **LEADERSHIP:** IS YOUR CEO WORTH IT? DON'T BE SEDUCED BY CHARISMA
- FINANCE: DEBT-BASED PAY MAY GIVE MUCH-NEEDED BALANCE
- PEOPLE MANAGEMENT: THE ART AND SCIENCE OF TARGET SETTING

Redefining X.

When an organization needs more computing power for today's memory-intensive workloads, the conventional wisdom is to buy more servers. This can lead to massive inefficiency and server sprawl, with the majority of servers today running at only 10% utilization¹. As the computational demands of a smarter planet continue to explode, this sort of inefficiency has become a problem—a problem IBM engineers have now solved. The 5th generation of **Enterprise X-Architecture®** from IBM featuring the Intel® Xeon® Processor 7500 Series lets you add memory independently of the processor. As a result, **IBM eX5** systems can leverage 6x more memory than current x86 servers, reduce storage costs by up to 97% and cut licensing fees by 50%².

A smarter business needs smarter software, systems and services.

Let's build a smarter planet. ibm.com/systems/es/x (intel Xeon Powerful. Intelligent.

^{1.} McKinsey study: http://www.datacenterknowledge.com/archives/2009/04/15/mckinsey-data-centers-cheaper-than-cloud/. 2. Comparison of IBM System x3850 X5 + MAX5 with total 96 DIMMs x 16 GB for total 1.5 TB of memory vs. IBM System x3850 M2 with 32 DIMMs x 8 GB = 256 GB. Comparison of processor-based licensing fees on current Generation 4 processor systems with 64 DIMMs vs. the IBM System x3690 + MAX5. IBM exFlash technology would eliminate the need for a client to purchase two entry-level servers and 80 JBODs to support a 240,000 IOPs database environment, saving up to 97% in server and storage acquisition costs. IBM, the IBM logo, ibm.com, X-Architecture, Smarter Planet and the planet icon are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. A current list of IBM trademarks is available on the Web at www.ibm.com/legal/copytrade.shtml. Intel, the Intel logo, Xeon and Xeon Inside are trademarks or registered trademarks of Intel Corporation in the United States and other countries. © International Business Machines Corporation 2010.



FOURTH QUARTER 2010

PERSONAL INSIGHT

Interview with Subodh Bhargava, Tata Communications

Juan Roure tries to find out how India has managed to resist the global meltdown. 43



Adapting to African Tastes

Three executives cook up some tasty propositions for Gallina Blanca in Africa. 64



EDITORIAL

4 Antonio Argandoña says it's time to start rewarding desirable behavior instead.

MY INSIGHT

- **5** *Miguel A. Ariño* reflects on the factors behind the decisions we make.
- 6 Vijay Govindarajan believes we are about to see the phenomenon of reverse innovation take off.

EARLY INSIGHT

7 Emerging markets: a tale of two worlds, social enterprises' higher rates of innovation, absenteeism, job security, and CEO Sam Palmisano on IBM's shift away from PCs.

.



Compensation: Solving the Pay Puzzle

The articles in this executive dossier consider compensation afresh, following the cash crisis.

How Our Conception of Pay Has Changed

Sandalio Gómez and Ignacio Contreras recommend ways in which companies can improve compensation policies that take account of professional and ethical as well as material motivations. 13

Don't Be Seduced by Charisma

Henry L. Tosi and James Van Scotter question whether charismatic CEOs are worth the extra cost. Forget the charm offensive, they say. Pay for performance, not personality. 21

Debt-Based Pay May Give Much-Needed Balance

Alex Edmans proposes a new way to pay: linking executive compensation with debt in proportion with equity-like instruments. 28

■ The Art and Science of Target Setting

Monica Franco-Santos, Javier Marcos and Mike Bourne take aim at performance targets, suggesting a 10-step process to drive superior performance. **34**

EXPERT INSIGHT

48 Why It's Not Fair to Blame Fair Value

Mary E. Barth argues that fair value remains a robust financial reporting measure, and that it is historical cost that leaves something to be desired.



56 In Search of the Secrets to Longevity

Josep Tàpies shatters some clichés about family businesses, revealing that the secret to their longevity is related to the distinct set of values they share.

WIDER INSIGHT

69 The Heart of Conflict

Logistics expert *Christophe Hambye* explains how the Red Cross stays true to its mission while delivering essential on-the-ground assistance in some of the world's most volatile regions.

LAST INSIGHT

74 From Idea to Implementation

Jaume Ribera and Philip Moscoso offer five steps for improving your company's project management.