

SUSTAINABILITY

Cars:
*An electrifying
future*

LEADERSHIP

**Soft skills
gain ground**

CORPORATE

**The multilatina
of the future**

GROUNDBREAKERS

**Recognizing 25
architects of change in
Latin America over
the past 25 years**

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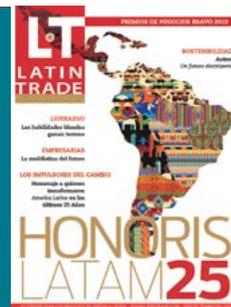
**El placer
de conducir**



ROOF LEVEL

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Marcos Galperín, CEO, Mercado Libre, Argentina
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Singer, songwriter, founder Tras la Perla Initiative

Cristina Junqueira,

Co-founder, Nubank

Susana Balbo,

founder and president, Susana Balbo Wines

Sustainable mobility

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Electric cars are already travelling the roads of Latin America.



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Controlling inflation will be harder in future





Pure transformational action



* By Santiago Gutiérrez

Twenty-five people have helped show us the most far-reaching virtuous changes that took place in Latin America in the last quarter century. They showed us that the region is not irredeemably condemned to grow at rates of 2% less than the average of the emerging world. Condemned to be less productive. Condemned to be unequal. Condemned to be the place with the least respect for human life on the planet. Condemned to have the most unstable and weak rules and institutions. They showed it was possible to advance without leaving social groups behind, without losing years, valuable resources, or, worse, human lives in the process.

It was people who brought about, facilitated, or led many of these transcendental changes. Not political parties or multitudes. Individuals. People like Mauricio Tolmasquim, José Márcio Camargo, Elsa Carbonell, and Gastón Acurio. They were able to make themselves heard by slow and bureaucratic governments, or they converted abstract ideas and plans into actions and results.

Others, like Rodrigo Galindo and Antônio Seabra, understood the enormous importance of including parts of society that were being left behind, and of the sustainable use of natural resources. They stopped repeating tired slogans and instead created budgets, goals, and results for tasks that would create a source of wealth for all.

Pedro Heilbron, Enrique Cueto, and Marcos Galperin made economic integration a reality. They didn't sit around hoping that governments would exchange diplomatic notes, approve treaties, or build bridges and roads to move goods, people, and ideas in the Americas. Alberto Alemán and the China Development Bank integrated us by building infrastructure, and Sergio Moro, with investigations on corruption that now are showing results respect to governments and companies in 14 countries, perhaps opened ways to show us how new highways do not have to be paved with bribes.

Private companies proved to be the most powerful tools for transforming the region. While the real GDP of Latin American and the Caribbean has been growing at an average rate of 2.7% per year since 1994, the real combined sales of Bimbo, Falabella, Embraer, Orbia, and AB InBev were growing by 12.5% per year. It's easy to imagine what would happen to formal employment, managerial skills, and the advancement of knowledge if there were more companies like them. Within those areas, Óscar Salazar and Brian Acton used technology to resolve social problems of mobility and communication. After them came, and will come, many more who will modernize commerce, payments, health, and agribusinesses.

At the same time, McKinsey was bringing ideas from the first world to local businessmen to redesign their businesses when protectionism disappeared in the 1990s, and when the digital revolution arrived in the 2000s.

Jaime Lerner showed that it's the cities,

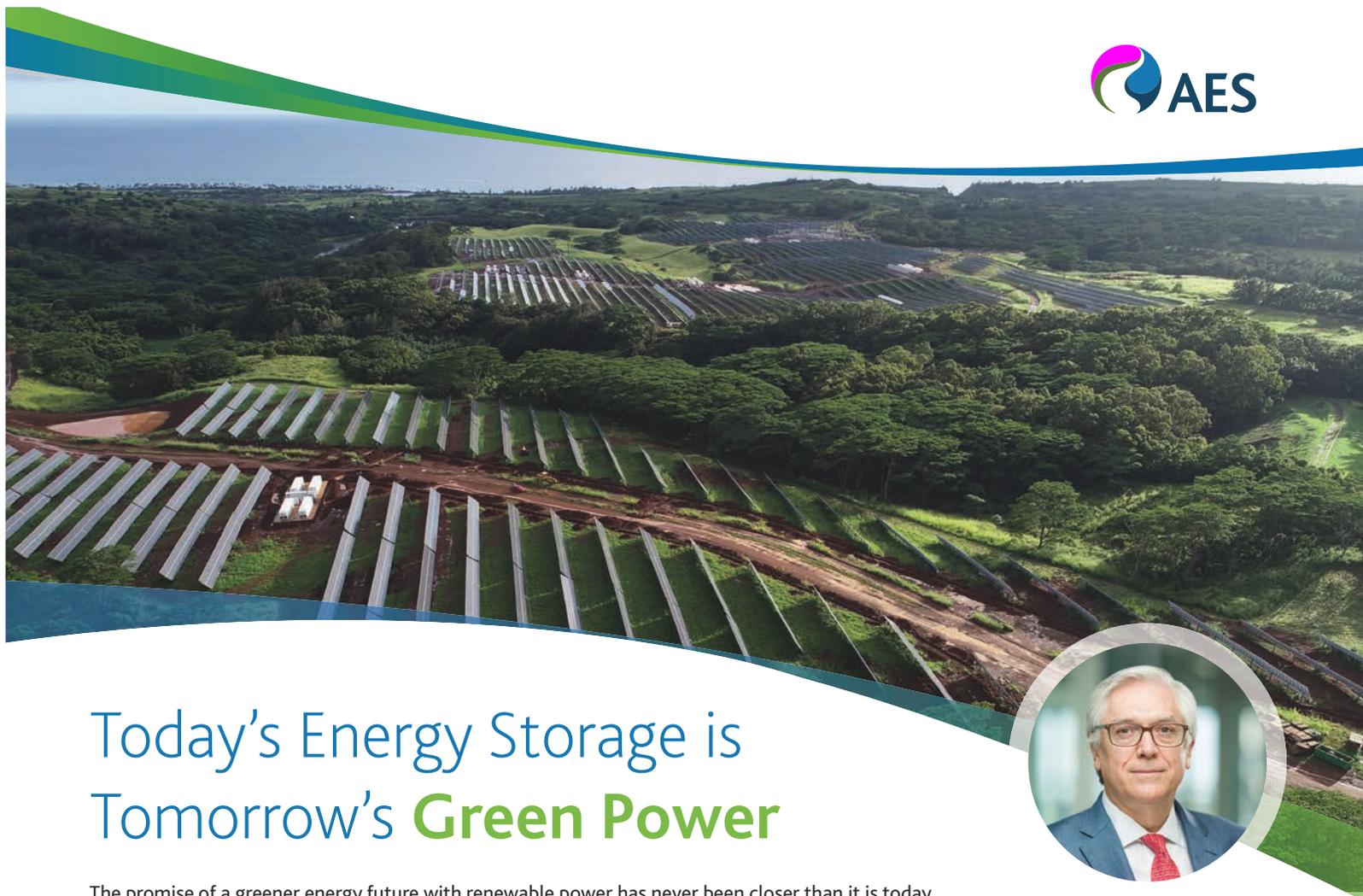
and not the national states, that are the social innovators par excellence. At the same time, Ángel Gurría recommended practices to enable national governments to progress at the same rate as companies and cities.

Lastly, Ruth Shady added almost 2,000 years to the American calendar of civilization with her discovery of Caral, and Nobel Prize winner Mario Molina, precursor of one of the first concerted environmental revolutions in history, will maintain the human species on the face of the planet for thousands of years to come.

The examples are there for us to understand and repeat. With people like this, the future can be different. **LT**

It was people who brought about, facilitated, or led many of these transcendental changes.

* EXECUTIVE EDITOR
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Today's Energy Storage is Tomorrow's **Green Power**



Andrés Gluski
AES President and CEO

The promise of a greener energy future with renewable power has never been closer than it is today. With so much potential in renewables, there is one fundamental challenge that is often overlooked. Renewables only provide intermittent energy, meaning the sun doesn't always shine and the wind doesn't always blow.

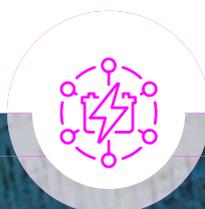
That's why the need to store energy has never been more critical.

Power must be reliable and delivered on demand 24x7, throughout the year. This is where energy storage comes in and how AES has been helping customers with the green transition for more than 12 years—building and operating lithium-ion-based, grid-scale energy storage systems.

The integration of renewables with energy storage increases the stability of the grid. It enables services to be delivered at a lower cost, with zero emissions, much faster construction times, and with fewer permitting requirements than either renewable or thermal generation.

The greener energy future depends on energy storage and we're leading that transition now.

Andrés Gluski
AES President and CEO



Energy Storage in Action

AES made history bringing the world's largest operational solar-plus-storage system online. Winner of the 2019 U.S. Edison Award, the Kaua'i Island Utility Cooperative project will deliver nearly 11 percent of the island's power. The project brings Hawaii another step closer to its goal of 100 percent renewable energy by 2045.

In Chile, AES is bypassing the expense and headache of traditional infrastructure using energy storage to make a "virtual dam." The construction of a battery project is part of its 750 MW Alto Maipo hydropower plant near Santiago—the first power plant of its kind. Initially, it will deliver 10 MW, 50 MWh of energy storage, with plans to scale up to 250 MW, 1,250 MWh once the facility comes online after 2020.

STEEL CONSUMPTION DECLINES

Latin America used less steel during the first half of 2019 compared with the same period last year. The countries where consumption shrunk most were Mexico and Argentina, according to the Latin American Steel Association (ALACERO). The data includes domestic production and imports.



INCREASED MOVEMENT IN LATIN AMERICAN PORTS

	Country	Port and port zone	Throughput (TEU) 2018	Throughput (TEU) 2017
1	Panama	Colon (MIT, Evergreen, Panama Port)	4.324.478	3.891.209
2	Brazil	Santos port area	3.836.487	3.578.192
3	Mexico	Manzanillo, Colima	3.078.505	2.830.370
4	Colombia	Bahía de Cartagena	2.862.787	2.678.005
5	Panama	Panama-Pacífico	2.520.587	2.986.617
6	Peru	El Callao	2.340.657	2.250.224
7	Ecuador	Guayaquil (APG and private terminals)	2.064.281	1.871.591
8	Jamaica	Kingston	1.833.053	1.560.000
9	Argentina	Buenos Aires (Puerto Nuevo, Dock Sud)	1.797.955	1.468.960
10	Chile	San Antonio	1.660.832	1.296.890
11	Puerto Rico	San Juan	1.405.348	1.199.157
12	Colombia	Buenaventura	1.369.139	920.000
13	Dominican Rep.	Caucedo	1.331.907	1.235.801
14	Mexico	Lázaro Cárdenas, Michoacan	1.314.798	1.149.079
15	Costa Rica	Limon-Moin	1.187.760	1.199.628

Source: ECLAC, Port activity report of Latin America and the Caribbean 2018

Container cargo movements in ports and port zones of Latin America and the Caribbean increased by 7.7% in 2018 from 2017, according to a report from the Economic Commission for Latin America and the Caribbean (ECLAC). Almost half of the 118 ports and port zones (66) in 31 countries improved their performance compared with the previous year.

The 10 countries with the largest volume represented 84.1% of total throughput. In 2018, 53.2 million TEU were handled, which represented 7.1% of worldwide operations versus 6.6% the previous year.

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THE CONTRARIAN



MEXICO: RECESSION OR GROWTH?

* By John Price

Is Mexico in a recession? Well, yes ... and no. Ever since joining NAFTA, Mexico has operated two economies. Sometimes, the two economies walk in lock-step, but most of the time they are somewhat out of sync, which has proven to be a comforting source of diversification and stability.

The domestic economy, roughly 60% of the total, is driven by consumption, national government spending, and private investment, led by Mexico's powerful industrial *grupos*. Consumer and government spending are both tied to Mexican oil production and global prices, both of which are soft at present.

Mexico's domestic economy is in recession. Some of its demise is owed to external factors, others to a predictable *sexenio* lull in investment, but also to Mexican investor fear of President López Obrador's administration. As of May 2019, gross fixed investment in Mexico was down 7.4% y-o-y and dropped 3.2% from January to May, according to INEGI (as per Spanish Instituto Nacional de Estadística y Geografía).

Even if López Obrador, widely known by the acronym AMLO, would like to pursue his most ambitious projects (a high-speed train network, new refineries, government decentralization, an alternative Mexico city airport), he lacks the tax revenue to do so. Furthermore, he is at odds with the Central Bank, which has proudly defended its hawkish reputation in spite of AMLO's desire for looser policy. No time soon can the national government be a significant economic lever of growth, fiscally or monetarily, in Mexico.

Cheap oil has been hard on the Mexican peso, but many also speculate that capital flight has weakened the currency. The peso is one of the most liquid currencies in the world, with \$90 billion worth traded each day. Thus, it is hard to detect when capital is sent abroad, as allegedly many wealthy families have done since AMLO was elected.

The sole shining light in Mexico's economic make-up is trade. Exports will grow almost 9% in 2019, thanks to strong U.S. demand and Mexico's ability to

capture manufacturing orders previously sent to China, a trend that may grow in time. In recent years, Mexico has eclipsed Canada as the world's second-largest supplier to the U.S. market and may overtake China if the Trump-Xi showdown becomes more conflictive.

LOOKING AHEAD

In a recent Americas Market Intelligence survey of Latin American divisional heads, Mexico was named as the second most likely market to disappoint in 2020 (after Argentina). Mexico's trade economy is vulnerable to: i) a lengthy debate of the USMCA (United States-Mexico-Canada Agreement) by the U.S. Congress; ii) a slowing of U.S. manufacturing (and thus outsourcing); iii) continued weak oil prices.

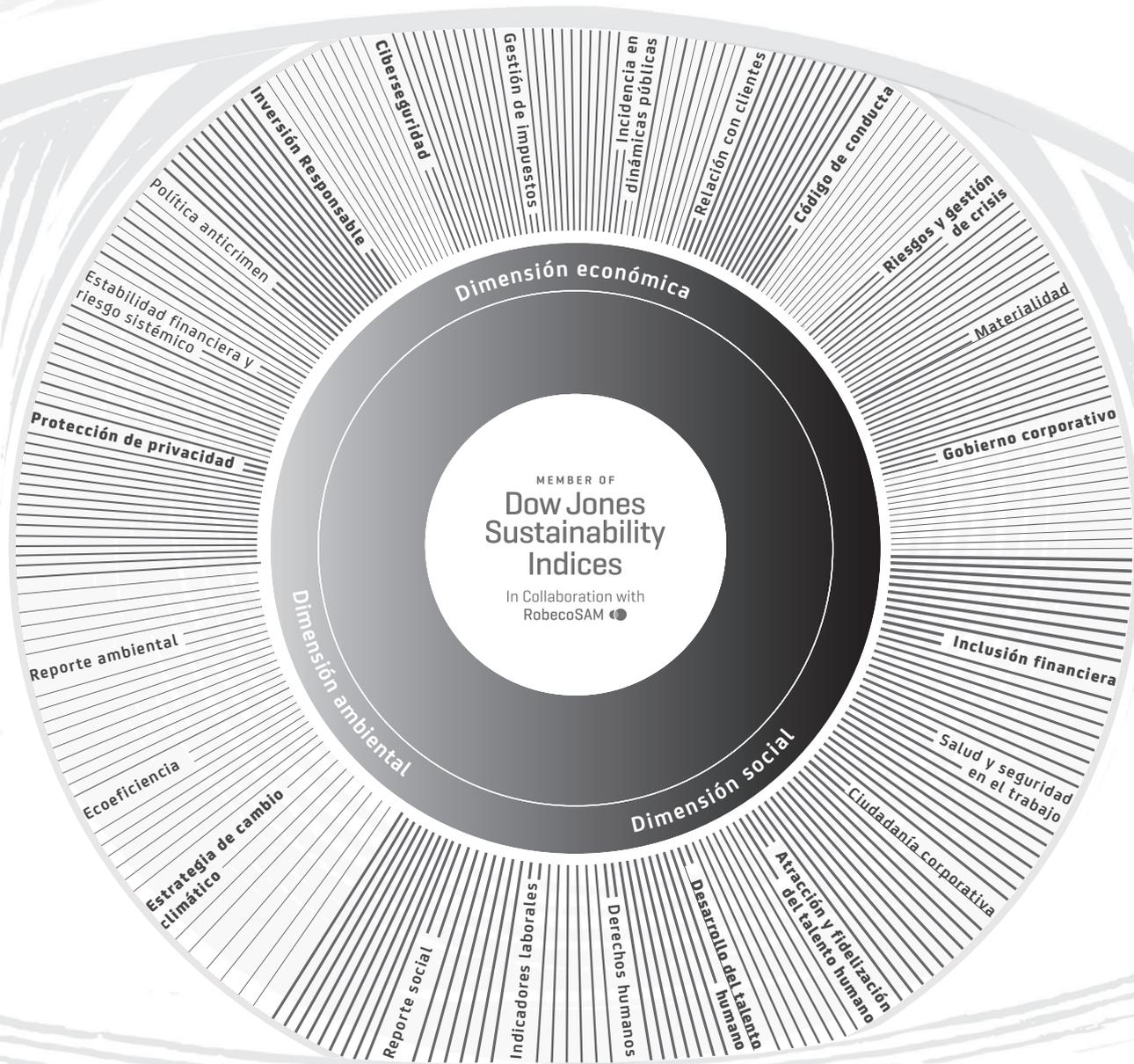
Mexico's elites are worried by what they perceive to be the gradual dismantling of Mexico's institutions. Critics worry that AMLO's infrastructure projects are money misspent. His cabinet may boast academic credentials, but many lack governing experience.

Proposed state-level delegates may undermine Mexico's nascent democracy. Rumored plans to spend less on political parties and lower funding of the INE (Mexico's electoral authority) could weaken political opposition. Senior Morena Senator Ricardo Monreal called for expanding the Supreme Court from 11 to 16 justices to help his party influence the highest court.

Since Mexico first embraced globalization with NAFTA, it has gradually constructed enviable institutions and laws that created Latin America's most competitive export economy. The question facing investors today is whether Mexico's economic growth can withstand six years of populist politics and soft oil prices. **LT**

*JOHN PRICE, managing director of Americas Market Intelligence and a 27-year veteran of Latin American competitive intelligence and strategy consulting. jprice@americasmi.com

**SURA, 9 AÑOS CONSECUTIVOS
EN EL ÍNDICE MUNDIAL
DE SOSTENIBILIDAD DOW JONES**



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Que al observar el entorno, identificamos riesgos y oportunidades,
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ENVIRONMENT

THE AIR WE BREATHE

Country	People exposed to exceeding levels of pollution (% of total)			Mean anual exposure (micrograms per cubic meter)		
	2012	2017	% ch.	2012	2017	% ch.
Argentina	99.22	93.85	-5.72	16.13	13.31	-17.50
Bolivia	100.00	100.00	0.00	26.39	21.57	-18.27
Brazil	86.83	68.14	-27.44	15.29	12.71	-16.87
Chile	99.30	97.66	-1.68	25.05	21.04	-16.01
Colombia	99.86	92.10	-8.42	20.54	16.53	-19.52
Costa Rica	100.00	99.69	-0.31	19.34	15.73	-18.67
Dominican Rep.	100.00	99.91	-0.09	16.15	13.73	-15.02
Ecuador	100.00	98.32	-1.71	19.56	14.89	-23.89
Guatemala	100.00	100.00	0	29.89	24.07	-19.46
Honduras	100.00	99.98	-0.02	27.45	20.63	-24.84
Mexico	99.93	99.66	-0.28	25.98	20.92	-19.48
Nicaragua	99.94	99.90	-0.04	22.35	17.61	-21.20
Panama	96.61	71.64	-34.87	13.97	11.40	-18.41
Peru	100.00	99.96	-0.04	30.49	24.79	-18.72
Puerto Rico	45.87	3.67	-1150	9.97	8.35	-16.23
Paraguay	100.00	99.06	-0.95	13.95	11.91	-14.62
Uruguay	60.51	22.39	-170.30	10.57	9.27	-12.23
Venezuela	100.00	99.93	-0.07	21.25	17.01	-19.94

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Suspended particulates, called PM2.5, represent the worst pollution in terms of health, according to the European Environment Agency. The World Health Organization (WHO) states that the particulates start to be harmful when the average annual concentration in the air exceeds 10 micrograms per cubic meter.

Latin America's population has been severely exposed to poor air quality for decades, though the situation has improved over the past five years. Puerto Rico and Uruguay have the cleanest air and the lowest levels of PM2.5

In the table on the left, 10 indicates the maximum level recommended by the WHO. Anything above that is unhealthy for human beings.

Source: World Bank's Environmental Database 2019

EDUCATION

TOP LAW SCHOOLS IN LATIN AMERICA (2019)

Law School	Country	QS Ranking 2019		Academic Reputation	Employer Reputation	Score
		Latin America	Global			
1 Pontificia Universidad Católica de Chile	Chile	1	40	76.9	83.2	76.25
2 Universidade de São Paulo	Brazil	2	45	74.3	83.5	75.15
3 Universidad Nacional Autónoma de Mexico (UNAM)	Mexico	3	48	78.4	83.7	74.71
4 Universidad de Buenos Aires (UBA)	Argentina	4	50	76.8	80.8	74.07
5 Universidad de los Andes	Colombia	5	51-100	74.3	79.8	73.32
6 Universidad de Chile	Chile	5	51-100	65.8	79.1	68.62
7 Universidad Externado de Colombia	Colombia	7	101-150	72.9	72.0	65.80
8 Pontificia Universidad Javeriana	Colombia	7	101-150	67.2	75.7	65.51
9 Pontificia Universidad Católica del Perú	Peru	7	101-150	67.2	73.5	64.58
10 Universidad Nacional de Colombia	Colombia	7	101-150	65.8	78.6	64.55
11 Pontificia Universidad Católica de Valparaíso	Chile	7	101-150	64.5	67.8	63.71
12 Fundação Getulio Vargas (FGV)	Brazil	7	101-150	62.3	68.4	63.67
13 Universidad Diego Portales (UDP)	Chile	13	151-200	61.7	65.7	62.98
14 Universidade Federal do Rio de Janeiro	Brazil	13	151-200	62.7	66.2	62.90
15 Universidad del Rosario	Colombia	13	151-200	62.5	68.0	62.00

Source: QS World University Rankings 2019

Latin Trade created the ranking of Latin America's Top Law Schools to identify the best institutions that teach law in Latin America. The measurement is based on QS World University Rankings, which evaluates the best universities in the world. From the fifth position in Latin America (51 worldwide), the classification does not specifically identify the ranking of the universities but rather their location in blocks of 50. The LT analysis indicates that the main weaknesses of schools in the region are research and the relevance of published articles. Read the complete ranking at www.latintrade.com

Research: María Fernanda Rodríguez

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Multilatinas have progressed substantially since the year 2000.

A few new ones emerged, many others increased their regional presence, and some consolidated their global status. The international situation, now less favorable than in the past, and the realities of the Economy 4.0, have set new challenges and opportunities for the multilatinas of the future. *Latin Trade* consulted experts to discuss the issue.

The multilatina of the future



The region's 100 largest nonfinancial multilatinas with stock exchange listings generated \$1.05 trillion revenue in 2018, according to an analysis by *Latin Trade* economists. Three quarters of this came from the oil and gas sectors (27% of the total), retail (15%), food and beverages (15%), energy generation (9%), and telecommunications (9%).

While these five sectors also represented about three-quarters of total revenues of multilatinas in 2009, it is noteworthy that the retail and food and beverages sectors were able to increase their participation over the past 10 years while others, such as telecommunications, shrank.

The trend reflects the merger and acquisitions activity in the industry, while the expansion of sectors such as food and beverages and retail were related to the boom in mass consumption.

In addition, figures show the growth of activities such as software and agribusiness, which were not even on the chart 10 years ago.

Geographically, the *Latin Trade* analysis shows the number of multilatinas headquartered in Brazil declined by 11 between 2009 and 2018, basically as a result of mergers and acquisitions. At the same time, the number from Mexico increased by four, from Colombia and Peru by three each, and from Chile by one. Argentine companies remained unchanged at six. At the close of 2018, Mexico, Brazil, and Chile were still dominant, albeit with a reduced combined share, with 82% of the total of multilatinas compared with 88% in 2009.

A study published in early 2018 by The Boston Consulting Group (BCG) confirmed the dynamism of multilatinas in recent years. It found that the revenues of the 100 largest, including financial companies and some that are family owned, grew at an annual average rate of 5.2% in dollars between 2008 and 2016. That was three times faster than the average for the largest companies in Latin America and the Caribbean.

The success of multilatinas is based on their ability to overcome a wide range of obstacles – including regulatory, institutional, and logistical. But it also reflects strategic initiatives, such as moving closer to consumers, increasing brand value, and innovation, according to BCG.

Specialists at Deloitte Consulting said the expansion of multilatinas was based on strategic factors such as the talent of C-suite executives, leadership positions in their domestic markets, internationalization strategies, access to capital, standards of governance, and the political and economic stability of countries in the region. The conclusions come from their study; *“Becoming a Multilatina - Key factors to regionalizing in Latin America,”* published in 2015.

A NEW OPERATING ENVIRONMENT

Today, multilatinas face a changing situation. “We are at an inflection point,” said Omar Aguilar, strategy and operations principal at Deloitte Consulting. Challenges such as slower global growth and the Economy 4.0, which involves the incorporation of new technologies and artificial intelligence, carry with them risks that range from



📷 Omar Aguilar, principal, strategy and operations, Deloitte Consulting.



📷 Oswald Mata, Americas regional consulting leader, Deloitte Consulting.

macroeconomic instability to possible restrictions in access to capital – and even the emergence of disruptive companies, the co-author of the 2015 study told *Latin Trade*.

“At this time, companies should be focusing on what other companies in the world are doing: invest in cybersecurity and digital transformation,” said Aguilar. “They should be changing the technological infrastructure of the company and embedding digital technology.”

Aguilar said this strategy not only allows for company differentiation, but also a broader transformation to improve productivity and efficiency, thereby ensuring market leadership over the long term.

However, a recent study by Deloitte shows the region’s companies do not include technology disruption among their main priorities.

Even so, there has been an emergence of a new generation of technological multilatinas, according to Jorge Becerra, managing director and senior partner at BCG. “They are new companies motivated by new models and an attack mentality that wants to break traditional businesses and reach more segments,” he told *Latin Trade*.

Unicorns such as Brazil’s Nubank and 99 Taxis, as well as Rappi in Colombia, are part of a new generation that are following pioneers like Mercado Libre, Globant, Despegar, Totvs, and OLX in the 2000s.

TALENT AND GOVERNANCE

Today, multilatinas face a wider set of tasks than before. Although talent continues to be the determining factor, Deloitte’s Aguilar stressed

the importance of not only focusing on senior management positions, as was previously the case, but also taking account of the training and educational needs of middle- and lower-level employees.

In addition, the “talent and capabilities we need are more differentiated, technology-enabled, and about new, different things, and no longer about basic education alone,” Aguilar said.

BCG’s Becerra said while he agrees in general with this point of view, “I worry more about the leadership of traditional companies. They are led by people who are now in their 40s and 50s, who have grown in a hierarchical structure, and who are used to having everything right the first time,” he said. “The challenge for current leadership is to learn by doing, as millennials and new generations do. It is first necessary to develop the leadership model, and then the business model, while maintaining a mentality that is capable of relating to the ecosystem.”

Given that many multilatinas continue to be essentially family-owned businesses, the specialists interviewed by *Latin Trade* agreed that they should adopt much stricter standards of governance. That would help give them easier access to new sources of financing, especially when a relative decline in global economic activity could lead to a more restricted access to capital, according to Deloitte’s Aguilar.

THE OPPORTUNITIES ARE THERE

Changes faced by multilatinas are also creating new opportunities. “The challenge is how to build capabilities to differentiate in an environment that changes rapidly,” Oswald Mata, Americas regional



Jorge Becerra, managing director and senior partner, BCG.

COUNTRY	MULTILATINAS 2009
Argentina	6
Brazil	51
Chile	12
Colombia	2
Mexico	25
Peru	2

COUNTRY	MULTILATINAS 2018
Argentina	6
Brazil	40
Chile	13
Colombia	5
Mexico	28
Peru	6

Sources: LatinTrade

consulting leader for Deloitte, told *Latin Trade*. Companies should learn how to react to events such as recent changes of government in several of the region's countries and the trade war between the United States and China, he said. Phenomena like a trade war can also create opportunities for the multilaterals in sectors like commodities and agroindustry, Mata said.

As well as this, multilaterals also have potential in sectors such as mass consumption, manufacturing

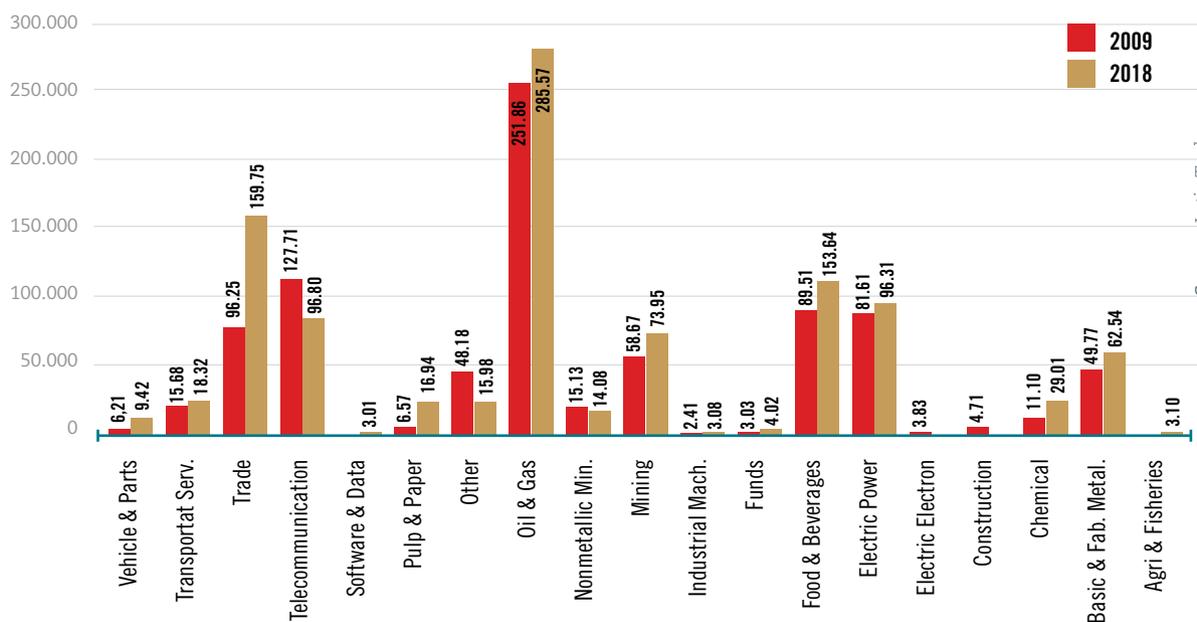
and industry, and even in technology, according to Deloitte's Aguilar.

While Becerra agreed, he emphasized the potential for applying technologies, for example in laboratory-created foods and in digital factoring in the trade sector.

"Opportunities are open, and those firms that have the ability to scale, execute, and align strategies will take advantage and flourish," said Mata. **LT**

DAVID RAMÍREZ REPORTED FROM MIAMI

TRADE, OIL, AND FOOD – THE VANGUARD OF MULTILATINAS (TOP100 companies by revenues, in billion US dollars)



Source: Latin Trade

Research: María Fernanda Rodríguez



ARE LATIN AMERICAN COMPANIES TOO FOCUSED ON DOMESTIC MARKETS?

If that is the situation, it does not bode well for the future competitiveness of the region.

* By Lourdes Casanova

Last year, my friends at ICEX, the Spanish investment promotion agency, invited me to write a chapter in their Global LATAM series about Latin America's international investments.

It was an interesting exercise and it confirmed some of my worries: one, Latin American companies have reduced their overall investments abroad, and two, these investments are concentrated in a small number of large companies.

If Latin America is not able to encourage a broader range of companies to invest abroad, a continued domestic focus does not bode well for the future competitiveness of the region. Some of the findings are below.

While Latin America previously led the investments from emerging markets, its flows have declined since 2010 and have been surpassed by those of China. Most of the biggest economies of the region – Mexico, Brazil, Chile, and Colombia – are also the biggest investors abroad. Brazil represents 31% of accumulated stock from these four countries, while Mexico accounts for 27%, Chile comes third with 20%, and Colombia 9%.

My research team has used data from fDI Markets, which traces greenfield investments (i.e., companies opening a new factory or a new project) and excludes data about mergers and acquisitions, as a good indicator of the leading investors behind the above numbers. We find that only large organizations with access to large sums of capital are investing internationally.

Our data analysis shows that the big companies of the region – Vale in Brazil or América Móvil in México – concentrate a large part of the international investments. In Mexico, América Móvil represented 45%

of all greenfield Mexican investments abroad between 2009 and 2017. If we add Cemex with 11%, the might of these two titans represents more than half of all investments.

In Brazil, the investments are less concentrated than in Mexico. Still, Vale represents 23% of the total, followed by Votorantim with 13%, and Odebrecht with 9%. The three of them represent almost 50% of total Brazilian investments abroad. A more balanced picture emerges from Chile with the three biggest companies: LATAM Airlines with 14%, retailer Falabella with 10%, and Siglo Koppers Group with 9% representing 33% of the total. Still, the concentration persists even in Chile.

As a result of this concentration of power, the overall investments abroad of a country will slow if one of these top companies suffers as it happened in the corruption scandal of Odebrecht or the reputational damage caused to Vale by the Brumadinho dam tragedy. A strong domestic focus can reduce the pressures on the Latin American firms to innovate and can constrain their competitiveness.

To prepare for the future, Latin American countries should encourage big companies to help medium-sized firms to go abroad and provide an ecosystem more conducive to competition and the international expansion. Countries should provide examples and best practices that create opportunities for all.

Chilean firms thrive in the region. Its agency, Prochile, is one of the engines behind that and an example to follow. **LT**

* LOURDES CASANOVA, senior lecturer of management, director Emerging Markets Institute, Cornell S.C. Johnson College of Business, Cornell University. Lourdes.casanova@cornell.edu

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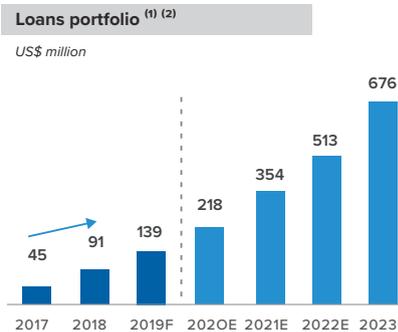
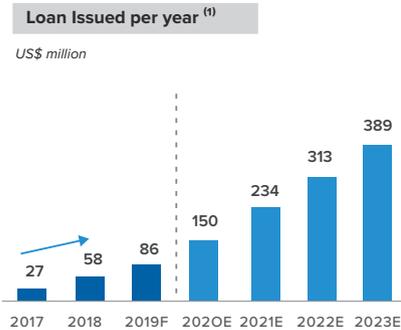
FitchRatings *Finsocial: "Institution that has exhibited a HIGH performance in general functions as an administrator."*
ABPS/S2-(Col)
PERSPECTIVA: POSITIVA

- Earning the trust of investors (Kandéo, I Medici) of multiple sources of institutional funding (Bancoomeva, Bancolombia, Banco de Occidente, Coltefinanciera) and **of great allies who endorse all the loans we issue** (Suramericana Group and Mundial Insurance).

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⁽¹⁾ FX COP/USD = \$ 3,200

⁽²⁾ Outstanding loans portfolio in 2023 represents 5% of total market

August 2019



US\$ 118.0 mill

Outstanding loans portfolio



ROE > 20%



US\$ 32.5 mill

Loans issued ytd



US\$ 55.0 mill

Future income from loans to be issued in 5 yr horizon



0.31%

Portfolio quality index of government payroll deducted payments



EBITDA
US\$ 10.5 mill

Estimate 12/19



Profits
US\$ 3.6 mill

After tax



FROM 100 TO 25 INDIVIDUALS WHO HAVE HELPED TRANSFORM LATIN AMERICA OVER THE PAST 25 YEARS

THE GROUND

They are rule-breakers, non-conformists, curious, and never give up when things aren't working out. They are always trying to go the extra mile. They overcome challenges by leaping over barriers that others never dare to cross or even imagine can be surmounted.

Each one of them leaves a footprint in their field. Some, in education or science, others in business or public affairs. They have transcended, not by words but by deeds, when they tried new ways and put forward their ideas even when the world was against them. With all that passion and hard work they have made their contribution toward transforming and improving Latin America.

Today, *Latin Trade's* editorial board honors these 25 disruptive leaders who opened up unimaginable paths in our region. We will celebrate their achievements at a dinner in their honor on October 15 at the JW Marriot Brickell Hotel in Miami.

Below you will find a brief summary of the 25 people who were selected by *Latin Trade* to commemorate its 25 years.



Arcos Dorados

EDUCATION AND SCIENCE

• RODRIGO GALINDO

He leads Kroton Educacional, the largest private education company in the world. Based in Brazil, Kroton's university programs have expanded the career horizons of millions of people, especially those with low incomes.

• MARIO MOLINA

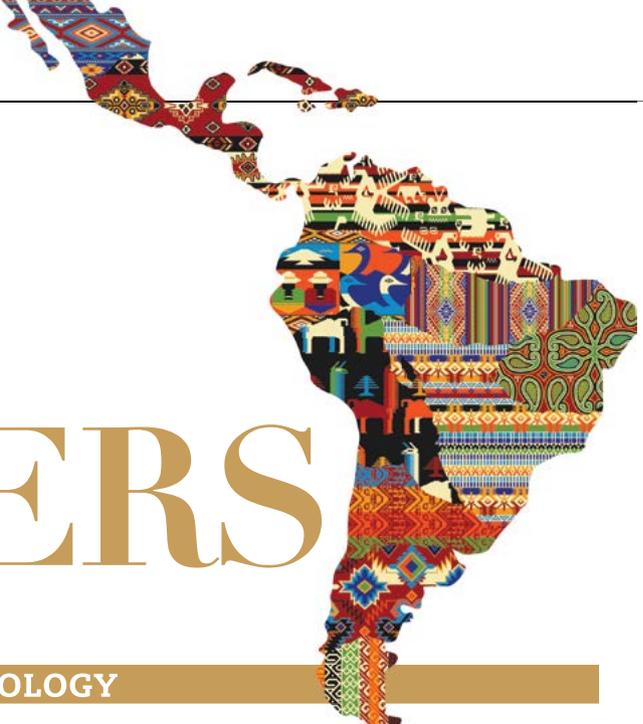
The 1995 Nobel Laureate in Chemistry. He was one of the first researchers of atmospheric chemistry and the thinning of the ozone layer, an early warning on global warming issues. He graduated from the National Autonomous University of Mexico and earned a doctorate in California.

• RUTH SHADY

Peruvian Archaeologist. Discovered the ruins of the oldest civilization in Latin America. The people of Caral, north of Lima, lived around 2900 BC and were contemporaries of the Sumer and Egyptian civilizations.



BREAKERS



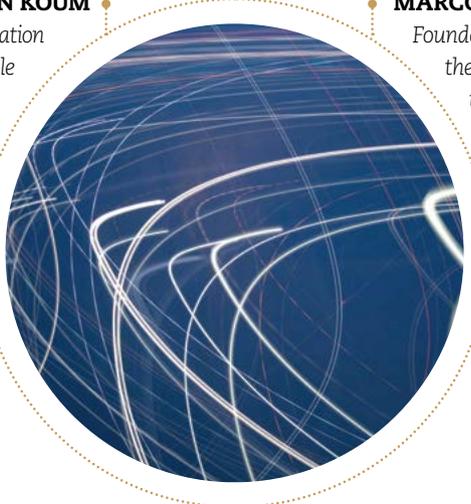
TECHNOLOGY

BRIAN ACTON AND JAN KOUM

Creators of WhatsApp, the application that radically transformed how people communicate in Latin America, where it is used by 60% of the population. In Brazil it has more than 95% of the market and about 70% in Uruguay, Argentina and Chile.

ÓSCAR SALAZAR

Mexican engineer. One of three founders of the Uber platform that transformed mobility across the world, creating thousands of jobs.



MARCOS GALPERIN

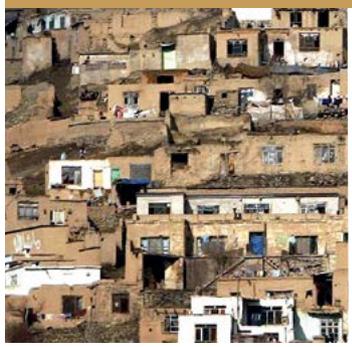
Founder of Mercado Libre in 1999, the first of the 19 Latin American unicorns. The Argentine e-commerce company is a symbol of Latin America's transition to technology.

FREDERICO FLEURY

CURADO Engineer. Converted Embraer into the world's third largest aircraft manufacturer. The company is particularly strong in the regional jets market.



SOCIAL



GASTÓN ACURIO

Leader of the gastronomic revolution in Peru. Taking advantage of the treasure trove of biodiversity of 60 microclimates and 25,000 types of food he put ceviche and causas on the map of global cuisine. The gastronomic cluster generates \$500 million annually in revenues from tourism, and has changed the culture and promoted social inclusion.

JOSÉ MÁRCIO CAMARGO

Economist. Created the conditional transfer mechanisms that lifted millions of Latin Americans out of poverty. The system, which links subsidies to obligations such as attending school or undertaking medical controls, helped the generation that grew up during the 1990s.



CORPORATE

PEDRO HEILBRON AND ENRIQUE CUETO PLAZA *The integrators. Airways, not highways, have united Latin America over the past 25 years. LATAM and Copa have both shown momentous growth during that period. In 1998, under Pedro Heilbron's leadership Copa closed a deal with Continental and later widen its fleet and destinations. Enrique Cueto became general manager at LATAM in 1994. The merger with TAM and the new association with DELTA will consolidate even more its position.*

• **THILO MANNHARDT**

Engineer, Ph.D. One of three executives who, in the 1980s, opened the offices of McKinsey in Brazil and from there expanded across Latin America. He was director & senior partner. The consultancy has transformed the way large companies in the region operate.

• **JORGE PAULO LEMANN**

Businessman. Converted Brazil's Brahma and Companhia Antarctica Paulista into the giant AmBev, which years later would merge with InBev of Belgium. The company, now known as AB InBev, is the world's largest brewer.

• **ANTÔNIO LUIZ SEABRA**

Founder and co-chairman of Natura. The Brazilian cosmetics company is among the 100 most sustainable corporations in the world. Natura has developed a phenomenal sustainability program in the Amazon region. This year's acquisition of Avon turned it into the world's fourth largest cosmetics company.

• **CARLO SOLARI**

Chairman of Falabella. Under the leadership of the Solari family, the company adapted the concept of the department store to make it successful in Latin America. In 25 years, Solari has transformed the business, creating a bank and introducing sales formats that enabled Falabella to become South America's biggest retailer.

• **JUAN PABLO DEL VALLE PEROCHENA**

President of Orbia. A groundbreaking company that grew from a basic chemical business into a global, diversified corporation. With interests in irrigation, infrastructure, fluoride and telecommunications, Orbia sets the standards for other companies and has a clear commitment to sustainability.

• **DANIEL SERVITJE**

CEO of Grupo Bimbo, the largest bakers in the world. Under his management, the company expanded its market beyond Mexico to India, China, the United States, Europe and most of Latin America. It produces 13,000 products and has annual revenues of \$15 billion.

PUBLIC SERVICE

ALBERTO ALEMÁN

Engineer, administrator of the Panama Canal for 16 years. He led the transition from American to Panamanian administration in 1999 and later carried out the megaproject of broadening the canal.

JAIME LERNER

Former mayor of Curitiba, Brazil. He was the driving force behind Latin America's first fast and efficient public transport system. The model was subsequently adopted by Bogota and other cities in the region.

SERGIO MORO

The judge in the Car Wash scandal. He spearheaded one of the deepest anti-corruption drives in the history of Brazil. Revelations about the giant money-laundering scheme shook the country's political structure and led to the imprisonment of dozens of officials

MAURICIO TOLMASQUIM

Brazilian engineer specializing in energy. He worked on the teams that designed a new energy plan for his country. He prepared the contracts that enabled the installation of solar and wind energy generating plants, models that were adopted by Chile and Mexico.

ELSA CARBONELL

Peruvian biologist and researcher. She led the agriculture negotiations of the Free Trade Agreement with the United States. As head of the Agrarian Health Service, she expanded the country's international markets, leading to the creation of Peru's agro-exporting miracle.

ÁNGEL GURRÍA

Mexican economist and current secretary general of the Organization for Economic Cooperation and Development (OECD). He brought about the expansion of the organization so that it includes more countries, including some in Latin America. He has also transformed it into the organization that guides countries in the best practices of public administration.

ZHENG SHIJIE

President of the China Development Bank. Under his management the bank became the largest lender to Latin America. Its Long-term loans, which carry no political conditions, are larger than those granted in recent years by the World Bank, the InterAmerican Development Bank and the Latin American Development Bank (CAF) combined.



Leaders who *inspire*

Today, their best asset is soft skills: communication, openness and a focus on client and employee experience

A decade ago, if a company's president had answered with an honest "I don't know" to a question from a board member, if he had admitted to his staff that he wasn't good at listening to others, or if he had treated employees as colleagues rather than subordinates, it might have put an end to his career.

Nowadays, things are very different. In a world where the only constant is change and volatility, uncertainty, complexity, and ambiguity—known as the VUCA factor—is commonplace, the abilities that define a leader are worlds apart from those of 10 years ago.

The first indispensable quality in today's leader is the ability to adapt to change, according to Tim Robson, global managing partner of HI Executive Consulting (HIEC), an executive headhunter.

"With the speed at which serious changes are taking place, today's leaders have to be transformational, able to motivate and create huge changes very quickly," he said. "Their strongest ability has to be persuading and inspiring their people with a purpose that mobilizes them."

In other words, the individual and hierarchical leadership of executives in the past is no longer appropriate. Today, collective leadership is required. "A great leader is one who creates and stimulates



📷 Tim Robson, managing partner, HI Executive Consulting.



📷 Carlos Rodríguez, director for the Andean region, Egon Zehnder headhunters.

Photos: Courtesy of HI Executive Consulting and Egon Zehnder

leadership among people,” said Mauricio Rodríguez, professor of leadership at the University of the Andes and University Externado of Colombia in Bogota.

“A leader (today) is an inspirer, a coach, an advisor, an ally; not the boss who gives orders and is omnipotent, omniscient, and omnipresent. Leaders today are able to surround themselves with people who are better than they are and share their power with whoever has the best knowledge of the issue,” said Mauricio Rodríguez, who has written several books on leadership.

One of the most far-reaching changes facing today’s CEOs is the way that talented young people view their professional lives.

“The dream of millennials is not to work for a company; it is to do something that will have an impact, that makes a difference, so that their lives have a purpose,” said Carlos Rodríguez, director for the Andean region at the headhunter firm Egon Zehnder.

“It’s not only about doing well. It’s also about doing good. That means the challenge for CEOs is how to make work interesting enough to attract and hold that talent. It’s no

longer enough to answer to the stockholders. It’s indispensable to also answer to the stakeholders. That is a dramatic change,” said Carlos Rodríguez. “For the CEO, it used to be that the only measure was return on investment. Now, he is also measured by the impact on society.”

Egon Zehnder, in partnership with Harvard Business School, has identified the four most important variables for predicting a person’s potential for leadership: determination, curiosity, insight, and engagement – where the ability to bring together and mobilize people toward a single purpose is fundamental. “In English it is called ‘followership,’ the ability to convince people to follow you, to reach their hearts and minds,” said Rodríguez.

This change of parameters has given rise to the so-called “soft skills,” leading to the creation of terms such as CBO (chief behavioral officer) and behavioral fitness, which are increasingly being applied in business.

“Performance is pure behavior, and it’s what produces results,” said Lee Newman,



📷 Lee Newman, dean of the IE School of Human Sciences and Technology, Madrid.



📷 Mauricio Rodríguez, professor of leadership at the University of the Andes, Bogota.

Photos: Courtesy of IE School of Human Sciences and Technology and University of the Andes.

dean of the IE School of Human Sciences and Technology in Madrid. “Thus, every CEO has to be a CBO and must be connected to what is happening with his team day to day and hour to hour.”

“A great CEO is a great CBO, able to understand the behavior of people in the work environment and the relationship between that and their performance,” he said.

What is important is not only CX, or the customer experience, but also that of the employee (EX, employee experience). It is expected that the CEO is a designer of experiences both for their customers and for their employees, “taking advantage of the strengths of each of them so that they feel comfortable and committed, and can perform better,” Newman said.

Today’s leaders, unlike their predecessors, are more “flesh and bone.” Far from being infallible, they recognize their own weaknesses and look to their team for someone who can compensate for them; they talk about emotions and seek feedback from subordinates about their own performance.

“Ten or 15 years ago, the ideal CEO was Superman,” said Carlos Rodríguez. “He knew everything and had all the answers. Today, the most successful ones don’t know everything, and so it’s crucial to have a team with diverse viewpoints and knowledge that complements and supports him or her.”

The main role for company leaders is to organize their teams so that they have all the answers. They should recognize their vulnerabilities and talk about feelings – “something that used to be exotic and unthinkable,” said Carlos Rodríguez.

In the current business environment, good leaders no longer make themselves indispensable. Instead, they train someone from their team to be capable of keeping the business on course in their absence and that “when the leader leaves, the culture stays,” said Newman.

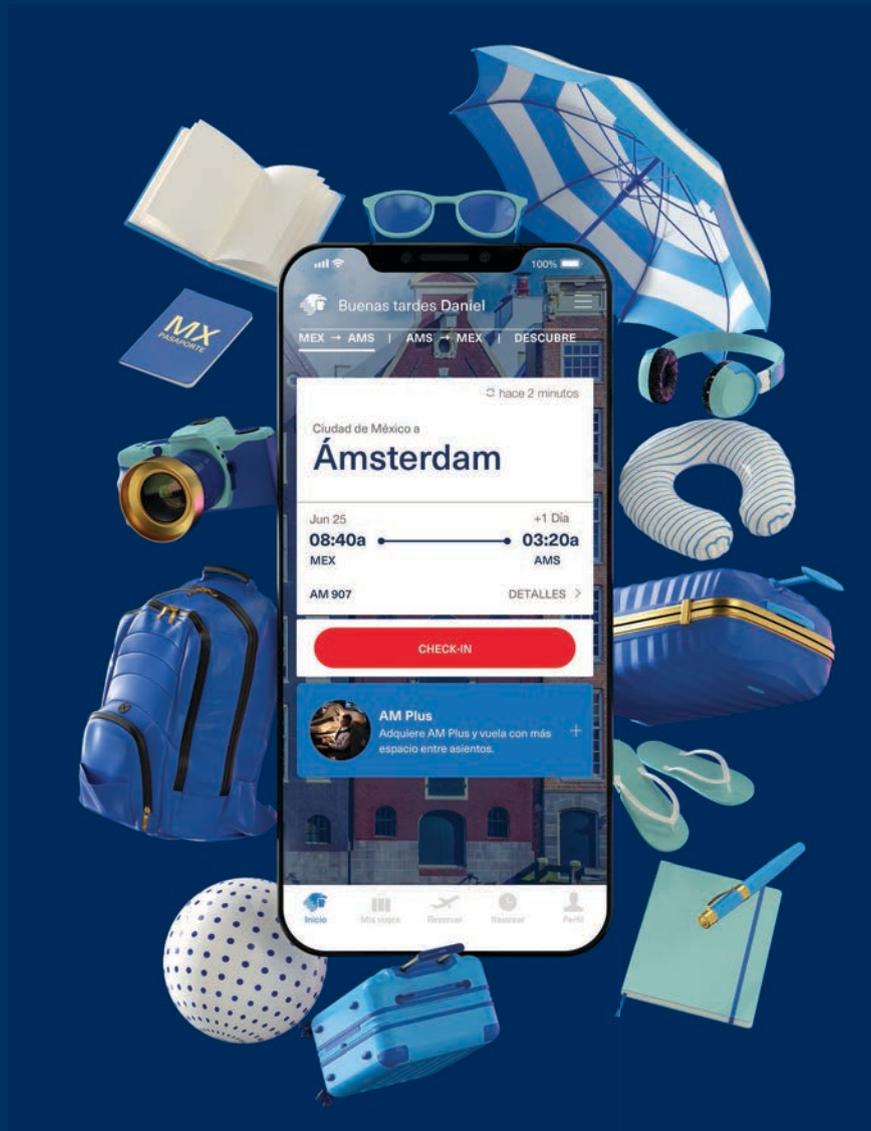
“Good leaders do not concentrate power in themselves; they set an example by dispersing leadership collectively,” added Mauricio Rodríguez. **LT**

PILAR CALDERÓN REPORTED FROM BOGOTÁ.

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25th EDITION COUNCIL OF THE AMERICAS



LUIS ALBERTO MORENO, **IDB**

Legacy Award

JOÃO MIRANDA, **VOTORANTIM**

CEO of the Year

ANDRÉ EL-MANN, **FUNO (FIBRA UNO)**

Investor of the Year

CLAUDIO MURUZÁBAL,

SAP LATIN AMERICA AND CARIBBEAN

Technology Leader of the Year

CARLOS VIVES, **TRAS LA PERLA INITIATIVE**

Social Impact Leadership Award

CRISTINA JUNQUEIRA, **NUBANK**

Visionary Entrepreneur of the Year

SUSANA BALBO, **SUSANA BALBO WINES**

Lifetime Achievement

BRAVO BUSINESS AWARDS 2019

LEGACY AWARD

LUIS ALBERTO MORENO

PRESIDENT, INTER-AMERICAN DEVELOPMENT BANK

When he launched his bid to become president of the Inter-American Development Bank (IDB), Luis Alberto Moreno consulted his friend and former Bank of Israel Governor Stanley Fischer. He told Fischer he was concerned that he wasn't an economist, but had graduated with an MBA. "That's perfect," replied Fischer. To fit in with a tribe of economists by taking part in their discussions, though sophisticated, wouldn't help solve the problems of running a development bank. "If you get involved in that, you'll never get out of it," he said.

Moreno, elected for the first time in 2005, has demonstrated his managerial skills. He focused on being a manager and coach, and surrounded himself with people with such capabilities. "That is fundamental," he said in an interview with *Latin Trade*. "I spend half of the time talking with people."

Moreno described his team as "educated people, smarter than I am." He also drew up a small but effective list of practices that enabled him to run the IDB better. You have to put together a team, delegate, learn to listen, respect disagreement, and promote and not distract, he said.

Intelligent, decisive, clear, straightforward, and deeply pragmatic, Moreno gets to the heart of issues at lightning speed and implements actions just as fast. Maybe these attributions contributed to his being reelected twice, with his present term ending in 2020.

He is proud of having doubled the size of the bank, and of having concentrated the new resources on the poorest 25% of the region.

He highlights the financing of projects of nutrition, maternal and child health, and of conditional cash transfers, such as those for parents who send their children to school or to be vaccinated, which have pulled millions out of poverty. Also important is his contribution to creating strong institutions. "Without them, there is no development," he said.

Moreno brought new talent and technologies to the IDB. His strategy prepared the agency to better confront competition, which in the future he sees coming from private banks and not just other multilaterals. "JP Morgan is setting up a development bank," he noted.

Moreno has strengthened the IDB's relationship with the private sector in order to bring it closer to the problem of development, to reduce poverty, and to help vulnerable groups. That's why he created the

Multilateral Investment Fund and IDB Invest. The biggest error of the private sector in the region has been its failure to assume the challenges of development, he said. "It's not enough that the economies grow if there isn't prosperity among the people."

Social responsibility programs aren't enough to resolve that, and today's companies must try harder than ever, Moreno said. At the same time, the worst error of governments has been their failure to understand the potential of public-private agreements to accelerate investment. "There should be officials who understand that without hobbling it with regulation," he said. "They should attract private interests and offer them legal safeguards."

Under his leadership, the bank has set an agenda for building infrastructure, adopting technology, and introducing digital connectivity. "Latin America and the Caribbean missed out on the Industrial Revolution," Moreno said. "They cannot miss the digital revolution."

He also involved the bank in such crucial issues as climate change and the inclusion of women and the disabled. "We have 8% of the world's land and 43% of its biodiversity," he said. Physically and mentally disabled people comprise about 10% of Latin America's population.

Moreno has built up an incomparable trust between his institution and national governments. He understands how Latin American bureaucracies work and offers them financial services and, above all, the leading-edge knowledge that has been accumulated by the bank. Also, his experience as ambassador of Colombia to the White House means he knows the ins and outs of high politics in the United States, the bank's partner and host country. He's aware that Washington speaks with many voices and understands and handles this like few other Latin Americans.

At the age of 66, Moreno declines to talk about plans for his future. He has repeatedly denied that he wants to be resident of Colombia. He has a passion for horses, is a keen tennis player, and an occasional cyclist. That may stand him in good stead to head the International Olympic Committee, of which he is already a director. For the time being, he insists that he just wants to finish his current term successfully.

Judging by results, he's well on the way to achieving that. **LT**

Intelligent, decisive, clear, straightforward, and deeply pragmatic, Moreno gets to the heart of issues at lightning speed.

Photo: Courtesy IDB

📷 Luis Alberto Moreno, president, Inter-American Development Bank.

CEO OF THE YEAR

JOÃO MIRANDA

CEO, VOTORANTIM

João Miranda is leading the transformation at Votorantim S.A., one of Brazil's largest conglomerates with major stakes in cement, zinc, aluminum, energy, steel, and banking.

Since becoming CEO in 2014, he has presided over strategic changes and achievements, most importantly, a corporate restructuring and, more recently, the reduction of debt ratios.

The restructuring was largely prompted by the effects recession in Brazil and a challenging international environment had on the group. Votorantim, however, is no stranger to change, said Miranda.

"During its history, the company has transformed itself several times and has demonstrated a great capacity to adapt and thrive," he told *Latin Trade*.

Reorganization has led to stronger governance and autonomy for the companies that make up the conglomerate, while the holding acts more like a portfolio investor.

The investment portfolio has been significantly recomposed under Miranda's watch. This includes the widening of the energy business (including the acquisition of Companhia Energética de São Paulo – CESP– and ventures in windfarms), and, more recently, the sales of Brazilian long-steel Votorantim Siderurgia to ArcelorMittal and pulp-producer Fibria to Brazil's Suzano Pulp and Paper.

Miranda has also reduced the conglomerate's debt to EBITDA ratio from more than 3.0 times in 2015 to 1.9 times at end-2018. Furthermore, proceeds from Fibria's sale were used to pay off more debt, cutting the ratio to 1.56 times by June 2019.

Revenue and profitability have risen under Miranda's tenure, helped in part by a relative improvement in Brazil's economy.

In 2018, Votorantim posted consolidated net revenue of R31.9 billion (\$7.7 billion at end-2018 exchange rates), 19% more than the previous year; EBITDA of R6.9 billion (\$1.7 billion), 47% higher than in 2017; and a 141% increase in net income to R1.9 billion (\$458 million).

Miranda's achievements show how the Ermírio de Moraes family, which owns Votorantim, made the right choice when they appointed him CEO. It was a calculated decision; he had shown his worth since joining the company as CFO in 2009 after a career in international banking at Citibank.

He has a degree in economics from the Pontificia Universidade Católica de Rio de Janeiro and an MBA from Universidade do Rio de Janeiro.

Taking charge of Votorantim's finances at a time of economic instability gave him invaluable experience for when he came to manage the conglomerate. "The challenge back then required a great deal of resilience, organization, as well as the ability to communicate effectively with multiple audiences and translate our business strategy into finance strategies," he said.

That crisis also taught him that challenging times, such as those Brazil is still enduring after its biggest recession in years, require "persistence, determination, planning, and the right people," he said.

These principles gave Miranda the conviction to take measures to improve the firm's balance sheet and optimize its portfolio, while ensuring the group maintains significant investment in growth and modernization.

"Conducting a business and investing in a downturn requires a long-term view, conviction that you have capabilities to execute and manage risks, and ability to create consensus around capital allocation," he said.

He defined his leadership style as "a very transparent one," adding: "I like in-depth discussions, and I value interacting with people all the time."

He also believes in empowering employees so that they are "responsible for their own personal development and the development of the company."

Outside the corporate field, Miranda is a champion of education. He is actively involved in initiatives such as *Parceiros da Educação* (Partners for Education), a Brazilian nonprofit organization that aims to improve academic performance of public-school students. "It has been a life-changing, humbling experience for me, bringing out a high sense of fulfillment," he said in the interview with *Latin Trade*.

Miranda said his leadership has been inspired by the history of Votorantim and the legacy of its owners.

"Since its foundation, Votorantim has always carried the family values of integrity, respect, and entrepreneurship, taking a long-term view towards investments," he said.

"As such, I feel a strong sense of responsibility as a CEO and a steward of this great company. I think of that every day and in everything I do." **LT**

“Since its foundation, Votorantim has always carried the family values of integrity, respect, and entrepreneurship. As such, I feel a strong sense of responsibility as a CEO of this great company.”

Photo: Courtesy Votorantim

INVESTOR OF THE YEAR 2019

ANDRÉ EL-MANN

CEO, FUNO (FIBRA UNO)

In just under nine years, FUNO (Fibra Uno) has emerged as the leading and most diversified Real Estate Investment Trust (REIT) in Mexico and Latin America, with revenue growing at an annual pace of 11.5%.

The company owns some of the most recognizable buildings of Mexico City's skyline, including the environmentally friendly Torre Mayor and Torre Diana, and has a portfolio of 537 properties spread across Mexico.

Recent milestones include the signing of Latin America's first sustainability-linked credit line with BBVA.

Behind such impressive growth is CEO André El-Mann, who has been chosen as winner of the BRAVO Investor of the Year 2019 award.

El-Mann began his career in the 1980s. As with all notable business leaders, El-Mann and his family were able to successfully shake up their sector with innovation. "We changed the Mexican real estate market," El-Mann told *Latin Trade*. "First, the industrial warehouse sector, especially in terms of logistics and distribution. We began to incorporate state-of-the-art technology into the warehouses. The technology was very advanced compared to what was available at the time in Mexico."

Fibra Uno is a continuation of the family success story. "Fibra Uno's portfolio is just as diversified as the one we had before – diversified in terms of geography, sectors, and clients," El-Mann said.

Given the risks inherent in the real estate sector, having a diverse portfolio enables the company to cushion potential upsets by not depending on a single location, client, or sector. "When the inevitable crisis comes again, we will be well prepared and will be the last to fall," El-Mann said. "And we will be the first to get back up on our feet."

El-Mann speaks from experience, having navigated through some of Mexico's worst crises. One of the most challenging was the December 1994 peso crash, which became known as the Tequila Crisis.

"When that crisis hit, my brothers and I got together and made a decision that marked our lives. My older brother said, 'Gentlemen, we either sell what we have and see where each of us goes from here, or we stop playing dumb and we give it 100 percent.'"

Though the business climate in Mexico was very

bad in 1995, the family decided to give it all it had, said El-Mann. "That year, we acquired some very good properties; we developed our projects faster than usual. While everyone else was stalled or thinking about selling what they had, we were working full steam."

When looking for potential investments, El-Mann and the FUNO team abide by the tried-and-true real estate mantra: location, location, location.

"When we decide to acquire a property or a portfolio of properties, the first thing we look at is location," he said. "For example, in the U.S. it's normal to have a contract, and that contract lasts for 20 years and nothing much happens in that time.

"But in Mexico, contracts can be hit by several things. We always think, what would happen if the contract ceases to work? Maybe the tenant wants to leave, maybe they go broke, or perhaps even we offer the tenant another option. What would happen if the property was left without tenants? I have to be ready to fill it again. And if that property doesn't have a wide range of possible tenants, due to its location or other characteristics, we'd rather not buy it."

For El-Mann, the main lesson learned during his decades of experience is the importance of always fulfilling obligations. No matter what causes a difficulty, FUNO has a reputation for always meeting its commitments on time.

"Back in the late '90s, there was a shortage of raw materials," El-Mann said. "China was growing and it was buying up steel from all over the world, and we were left with nothing. Mexico was in the process of growing, and so were our clients such as Walmart, Procter & Gamble, and Nestlé, who all needed more warehouses or stores, and if we committed, we had to fulfill."

As a result, the company adopted the policy that, each January, it buys all the steel it's going to need that year, El-Mann said. "Not because we can't get it at a better price, we could, but that's not the driver," he said.

"The driver is having the material available to deliver projects. That's more important than price. If I sign a deal with Walmart where the deadline is March, we will deliver in March. If I sign a deal, I'm ready with the material and financing to deliver, otherwise, I don't sign the deal. This has helped us a great deal, because it's given us a good reputation. That's what I learned since the beginning." **LT**

“If I sign a deal, I’m ready with the material and financing to deliver, otherwise, I don’t sign the deal. This has helped us a great deal, because it’s given us a good reputation. That’s what I learned since the beginning.”

Photo: Courtesy Fibra Uno

📷 André El-Mann, CEO, FUNO (FIBRA UNO)

CLAUDIO MURUZÁBAL

CEO, SAP LATIN AMERICA AND CARIBBEAN

On a recent trip to Buenos Aires, Claudio Muruzábal hit as many bookstores as he could. “I have two hobbies. One is buying books, and the other one is reading them,” he said. “I tend to buy more than I read.”

This affinity for reading everything from fiction to history to books on faith, evolution, and anthropology, plus the odd title on management, may seem unlikely for a 59-year-old who since August 2015 has been leading SAP Latin America and Caribbean, a Miami-based division of the German software developer.

His voracious appetite for reading has improved his performance in business by exposing him to different views and perspectives. “It provides context, and the more context you have to any conversation or any issue you need to deal with, the better,” Muruzábal said. “There is nothing worse than a one-dimensional approach to an issue.”

His way is helping SAP grow in Latin America faster than other regions. Sales of its cloud-based solutions, which help businesses reduce costs, widen their reach, and improve efficiency and productivity, have been growing at double digits for 17 quarters in a row, led by triple-digit growth in products for managing customer experience and e-commerce.

SAP has customers in more than 180 countries and offices in 82. Global revenue rose to \$24.7 billion in 2018 from \$23.5 billion the previous year.

Muruzábal is quick to point out that it is not necessarily the technology that is driving sales growth, but how it is used by businesses. Blockchain, for example, can improve the efficiency and transparency of supply chains, from warehousing to delivery and payment. Machine learning can provide a faster and more accurate diagnosis of cancer.

To find out what a company needs, he said, it is important to listen. That allows him and his 5,000-plus team to understand what customers really need.

Take a retailer entering e-commerce, for example. Many focus on the look and feel of their website, when what customers really want is easy ordering and timely delivery, he said.

And that comes from integrating the back office, logistics, and the front office in order to avoid late (and sometimes unexplained) deliveries or situations that sour the client experience and brand image. “We spend a lot of time trying to help people fix those issues and have a better approach in serving

customers,” Muruzábal said. He has honed these skills by running businesses himself.

After studying accounting and business administration in his native Buenos Aires, Muruzábal took his first managerial post at the age of 26. Six years later he was the general manager of a \$100 million firm, and later, with an MBA from Duke University, he ran NEORIS, a Miami-based global IT consulting business that posted 20% annual growth during his tenure.

At SAP, he covers a market where political leadership tends to swing between left and right, and economies from boom to bust. In the throes of this, or when faced with a challenge at work, Muruzábal said he tries to stay cool so he – and his team – can think through the options to fix the issue.

This calm-under-pressure trait, he said, comes from growing up in Argentina, where, after nearly 80 years of economic volatility, people have learned to be creative, resilient, and resourceful. “You just have to learn very fast how to deal with issues because they come to you every day,” he said.

As co-chair of Junior Achievement Americas, he is passionate about improving education in Latin America. For long, he has been involved in education for young people, in particular the teaching of critical thinking, the development of an entrepreneurial mindset, and ways to build so-called soft skills, such as effective communication, flexibility, and conflict resolution. He enthusiastically promotes his company’s Corporate Social Responsibility programs in the region, which help the young learn these types of skills.

Muruzábal thinks “technology is helping organizations find new ways to be more efficient and profitable while becoming more sustainable and capable of creating long-lasting positive impact on society and the environment”.

As an example of the effective use of technology, Muruzábal cited Stara, a Brazilian company that has equipped its agricultural machinery with internet-of-things technology. This enables farmers to monitor planting, soil preparation, fertilizing, harvesting, and other key processes to better manage their crops.

“This results in increased productivity and sustainable farming to feed the increasing population around the world,” Muruzábal said. “Doing good is good for business. There is no doubt about that”. **LT**

“There is nothing worse than an one-dimensional approach to an issue,” said Muruzábal, explaining his passion for reading.

Photo: Courtesy SAP

SOCIAL IMPACT LEADERSHIP

CARLOS VIVES

SINGER, SONGWRITER, FOUNDER TRAS LA PERLA INITIATIVE

In his native Colombia, Carlos Vives is much more than a music star. He is, as one journalist put it, a kind of priceless heritage for all Colombians.

Ever since he started to work in children's TV programs, the young man with curly hair, a dazzling smile, and infectious happiness has captivated fellow Colombians. He originally wanted to be a doctor like his father, but he was destined for something very different. It would be music – inherited from his grandmother, who taught him to play the piano when he was five years old – that would not only become his reason for being, but would also make it possible for him to work for the people of his hometown and help transform the region of his birth.

From a middle-class family in Santa Marta, the oldest city in Colombia and where the country's highest mountain drops steeply to the waters of the Caribbean, Vives was born to sing. He sang in his house, at school, at parties, and, when he was a bit older, in bars. It was in one of those where he was discovered by a television producer.

That was the start of more than a 20-year artistic career. In those television roles there was always music, and he played a singer more than once. It was one of those roles, that of Rafael Escalona, a folk singer and a renowned composer of a genre known as vallenato, that stirred his passion to rediscover the music of his country, the music he had sung as a child.

The series about Escalona became one of the country's most popular TV programs. It also led vallenato, which until then had been mostly restricted to coastal communities, to sweep across the country. Vives did not stop there. He knew deep down that folk songs were the soul of all music, and that they gave birth to all modern and contemporary styles. He decided to create something new, something that would revive Colombian music.

"I created a new way of interpreting our tropicality from the deepest of the sounds and musical patterns," Vives told *Latin Trade*. "I industrialized Colombian folkloric songs and converted them into a kind of Colombian rock 'n' roll."

With this, Vives and his group, *La Provincia*, touched the hearts of a new generation and created a movement called *tropi-pop*, a sound that revived the folk songs of the different regions of Colombia, from the Pacific to the Caribbean, a fountain from which a whole generation of Latin musicians would drink. Today many have achieved international fame, including Maía, Bacilos, Mauricio

Palodeagua, Fonseca, and, of course, Juanes.

While most artists wanted to travel and learn about music created in other countries, Vives gambled on staying in Colombia and changing the music from within. "I have always been in touch with Colombia, and it has led me to have a deep relationship with my country and to be recognized for this," he said. "We look inside ourselves and change many things from within our own hearts. This has been the most important thing for me as an artist."

It was that profound sense of belonging to his land that led Vives to transfer his inexhaustible energy and charisma for transforming music to transforming the land where he was born.

"I felt that I had been distancing myself from my roots and needed to return," he said. "Santa Marta is a forgotten land. I too had been forgetting about it. And when I returned after traveling, I was always thinking about what I could do to help it – to not be part of the problem but part of the solution." And this was how the initiative *Tras La Perla* (Looking for the Pearl) was born in 2015.

His wife, Claudia Elena Vásquez, was key to achieving that. "I found the ideal person to help me carry out my dreams," he said. "With her organizational knowledge and with her commitment, she has helped me move forward, looking for allies who feel the same for the city as we do."

With the same vitality and openness with which he conquered the hearts of millions (he has sold more than 20 million albums and won two Grammys, 12 Latin Grammys, and dozens of other awards), Vives has placed his city and his zone of influence – one of the prettiest and richest in biodiversity in the Caribbean – in the spotlight of a number of international organizations. For example, the Inter-American Development Bank, which included it in its program of sustainable cities, The Nature Conservancy, and Grupo BFPs (Boston Premier Services) have supported *Tras la Perla* in restoring Santa Marta and its surrounding areas, and help resolve the problems affecting them.

"We are working from the heart, seeking to forget the bad and bring back the good, to help many who are forgotten and poor to dream again," he said. "The challenge now is to make ourselves sustainable and create awareness of the need to take care of our city and our people, so that it can be the community itself that takes care of what we have achieved." **LT**

With the same charisma that enabled him to sell 20 million albums and win multiple Grammy awards, Carlos Vives is working in his **Tras la Perla** initiative to restore one of the most beautiful spots in the Caribbean.

Photo: Courtesy Carlos Vives

📷 Carlos Vives, singer, songwriter, founder Tras la Perla Initiative.

VISIONARY ENTREPRENEUR

CRISTINA JUNQUEIRA

CO-FOUNDER, NUBANK

When Cristina Junqueira runs into former colleagues from Itaú Unibanco, where she worked for five years in consumer loans and credit cards, few are surprised that she left Brazil's biggest bank to co-found Nubank, a competitor.

"Most of them tell me, 'I knew you were going to do something very different,'" she told *Latin Trade*.

After receiving a bonus in March 2013, the São Paulo native quit the bank and busied herself reading articles and books, and watching TED Talks.

But not for long. After two months, she met David Vélez, a Colombian who after several years in investment banking and venture capital in New York and São Paulo, told her he wanted to use technology to improve efficiency and the customer experience in the Brazilian financial system.

Junqueira jumped at the opportunity to do what she hadn't been able to do within the system: to create a financial institution that people could "actually love," even fanatically so, she said.

Edward Wible, an American computer scientist, joined them to create Nubank in May 2013. The three founders (Vélez as CEO, Wible as CTO, and Junqueira in charge of branding and business development) soon raised \$2 million in seed money. A little over a year later, they had their first product: a no-fee credit card fully managed by a mobile app.

It caught on. More than 30 million people have applied. That's nearly a fifth of Brazil's 152 million people aged over 15, according to data from the World Bank.

Still, only 12 million have been accepted for the card. While that number is huge, it could have been bigger, Junqueira said. The setback? Not enough Brazilians have a credit history. That drove Nubank's founders, now aged between 36 and 38, to create a digital bank account with a debit card in 2017.

The product provides money movement data that the bank can use to decide whether customers qualify for a credit card, she said. Ten million such accounts have been opened, making it the fifth-largest bank in terms of customers in Brazil, according to Junqueira.

This year, Nubank started testing a personal

loan product and took its first steps to expand abroad, opening offices in Argentina and Mexico. It is testing an investment product and small business accounts, a strategy that Junqueira says is methodical. When one product works, they move on to the next, she said.

"We work backwards from what people need and the problems that they are facing, and we try to fix that for them," she said. "We are not just creating products to make us money."

Nubank has attracted the attention of venture capital funds like United States-based Sequoia Capital and Chinese internet giant Tencent Holdings, which have put in a combined \$820 million.

To keep pace with growth, the founders have built a team of more than 2,000 people, making leadership a key for them, said Junqueira, who studied industrial engineering and business. "A big piece of leadership for me is to be able to read the context, read the teams, and read the problems that you are trying to solve, and adjust your style to the situation," she said. "Some people are going to need more contact and more hand-holding, and some other people are going to prefer that you are more straightforward and give them more room to work."

Through all of this, she makes an effort to be available, objective, supportive, and a good listener, as well as demanding.

"I have a very high bar, not just for the results but the process they take to get there," she said of her staff. "I tell people that as long as we are making good decisions based on the information we have, I don't really care about the outcome. But I care that people thought through the process."

She thinks a lot about the business, which, along with a young daughter and a second on the way, leaves her little time for anything else. "I have only one sport: I'm a mom," she said.

This has taught her a lot about business. "Being a mom, you learn about how to develop people and how to let go, and understand that you are not going to be in control of every situation," she said. "There is a lot of personal growth that comes with parenthood, and that can definitely be leveraged in leadership." **LT**

“We work backwards from what people need and the problems that they are facing, and we try to fix that for them.”

Photo: Courtesy Nubank



📷 Cristina Junqueira, co-founder, Nubank.

LIFETIME ACHIEVEMENT

SUSANA BALBO

FOUNDER AND PRESIDENT, SUSANA BALBO WINES

Much time has passed since Susana Balbo abandoned plans to study nuclear physics and instead dedicate her life to wine. After becoming the first Argentine woman to become a qualified enologist in 1981, she helped create wines for producers around the world before founding her own winery two decades ago.

Susana Balbo Wines (SBW), based in her home province of Mendoza, now exports to 35 countries. “I never imagined I would get to this point,” the winemaker told *Latin Trade*.

SBW stands out for its top-of-the-line wines. In 2018, it logged the second-highest average sale prices among all of Argentina’s exporting wineries. “The clients come to us,” said Balbo, whose products are frequently recognized by international specialty publications.

Focus, honesty, persistence, quality, and service to clients and to the community are the factors that Balbo considers to be the keys to her success. Those are the principles that have guided SBW in good times, and, above all, in times of adversity, she said.

SBW went through some hard times soon after its beginning in 1999, when it almost went under after a major customer failed to pay for deliveries. It was a particularly tough period for Argentina as the country spiralled toward the economic and social crisis that engulfed it in 2001.

Balbo said it was her resilience that saved the day. “In hard times you have to take crucial decisions very quickly, but you can’t abandon the long-term plans,” she said. To survive, her company adopted a strategy of focusing on the external market.

The change yielded results and, today, the winery sells 95% of its production in international markets, with 215,000 cases exported in 2018.

From the time she was studying physics, Balbo has always been attracted to academic research and, more recently, to technology. She told *Latin Trade* that she was the first Argentine winemaker to be admitted to the Australian Wine Research Institute (AWRI), which allowed her firsthand access to the

latest research and development in the world wine industry.

Throughout her life, that interest and curiosity for research translated into a willingness to innovate, both to continue to attract existing clients and to be able to enter new markets. At present, the company is conducting studies to determine what characteristics its wines will need to successfully enter the Chinese market in 2020.

The launch in China will be through a digital marketing campaign and based on electronic commerce. “I am a technology fanatic,” Balbo said. “It is an indispensable [business] tool.”

Asked to describe her leadership style, Balbo replied, “Above all, I am a leader who shares knowledge. With my team, but also with other companies.” Her response not only underlines the importance she gives to knowledge, but also her spirit of service to the community. Three times since 2006 she has headed Wines of Argentina, the country’s wine exporters’ association, and she has also made a foray into politics as a deputy in the party that is currently in power.

Her management style, which she described as “open-door,” encourages employees – including her son and daughter – to experiment and learn from mistakes. “I also learn from my team,” she said.

Balbo is in frequent and close communication with SBW’s 90 employees, knowing their families and backgrounds. “The face-to-face with my team creates commitment, conviction, and empathy,” she said. For her company, “the greatest corporate social responsibility is with its employees.”

SBW also carries out nutritional training and vaccination programs in communities near where the business is based.

In response to being asked how she would like to be remembered in posterity, Balbo said, “Above all as a mother who is a fighter; as a business woman because of the need to find my independence; and as an enterprising woman capable of creating and showing that it is possible to get where you want to go.” **LT**

“The face-to-face with my team creates commitment, conviction, and empathy.”

Photo: Courtesy SBW



 Susana Balbo, founder and president, Susana Balbo Wines



WALKING THE LINE BETWEEN CREATIVITY AND CHAOS



* By Deborah Ancona & Kate Isaacs

Many leaders want to empower autonomous teams and free the frontline to innovate, yet they are afraid to let go. What will their role be if they lose power? Will chaos ensue if they loosen the reins? These fears often result in inertia, with leaders retaining a command-and-control structure instead of leadership at all levels.

The reality is that it's less about letting go than changing our mental models about leadership to adapt to changing times. Nimble organizations are fueled by three types of leaders: entrepreneurial, enabling, and architecting.

Entrepreneurial leaders fuel a company's innovation engine. They use "sensemaking" to understand external market needs, new technologies, and the competitive landscape – and dream up innovative products and services. They are skillful at selling their idea to others and convincing them to join the effort. The guardrail that keeps chaos at bay is these leaders' strategic mindset: their grasp of how their innovation could align with the company's business model, strategic plans, and unique capabilities. Thus, innovation can align with both external trends as well as internal controls.

Enabling leaders help to guide and focus entrepreneurial leaders. They coach not by telling people what to do, but by asking questions that encourage entrepreneurial leaders to think strategically about innovation while also learning and developing as people. These leaders often have broad networks and create synergies by pointing entrepreneurial leaders to teams working on similar projects, as well as individuals who can provide targeted expertise and assistance.

Enabling leaders function as a guardrail because their experience and relationships help innovators identify challenges and improve strategic alignment early in the process.

Architecting leaders create the "game board" that enables entrepreneurial and enabling leaders to do their jobs well. This might involve providing new leaders with the training they need to work autonomously or creating simple rules to guide innovation efforts. For example, a simple rule could be that new products must make at least \$500,000 in revenues. Architecting leaders also knit together the many ideas emerging from below with their understanding of strategic imperatives. They shape organizational culture, structure, and process guardrails, and they constantly find ways to build solutions that enhance innovation into the very fabric of the organization.

With these three types of leaders, organizations can shift mindsets and move from a bureaucratic, formal structure to become a team-based, nimble organization. Leaders no longer command and control, but rather they innovate, coach, collaborate, and architect the system of both freedom and control. These three types of leaders provide a checks-and-balances structure, which mitigates the risk of chaos if leaders let go and facilitates an agile and innovative culture.

By changing your mental model of what leadership is, you'll be able to transform your organization into a workplace of the future. **LT**

* DEBORAH ANCONA, Seley distinguished professor of management, a professor of work and organization studies, and founder of the MIT Leadership Center at the MIT Sloan School of Management.

KATE ISAACS is an MIT Sloan research scientist.



 **portafolio**
GLOBAL

with Gabriela Frías

MONDAY
THROUGH
FRIDAY **2** PM
ET



allá vamos

An electrifying future

Electric cars are already traveling the highways of Latin America



The poor quality of transportation represents a burden for the business ecosystems of the 10 cities where 30% of Latin America's GDP is concentrated.

Each day, their citizens lose more than an hour to reach their destinations, according to a study by the Inter-American Development Bank (IDB) published at the end of August.

The growth of motorized transportation has also increased congestion, noise, pollution, and emission of greenhouse gases. Such negative factors, however, present attractive market opportunities, according to specialists from the 100 companies from 10 countries that form part of the Latin American Sustainable

Mobility Association (ALAMOS).

"There is a fleet of 200 electric buses in Chile, taxis in Uruguay, charging stations on 'electric routes' in Paraguay, Costa Rica, Uruguay ... Toyota will produce a hybrid Hilux in Argentina in 2025. Renault has been selling electric cars in the region since 2015," Mariano Jimena, president of ALAMOS, told *Latin Trade*.

For Jimena, automakers "do not sell more electric vehicles in Latin America because their initial cost is higher than that of cars with internal combustion engines (ICE)."

Financing the purchase of vehicles is one of the challenges. Another is planning for an energy grid that makes it viable to charge the new electric vehicles without affecting supplies to existing networks. Jimena emphasized that "a liter of fossil fuel is put to better use when used to generate energy for an



"ALL LATIN AMERICA IS GOING FOR ELECTRIFICATION."

📷 Alejandro Pazos, marketing and communications manager for Argentina, Scania

electric vehicle. The efficiency of their motors is about 95%. In ICE autos a large part of that energy is lost in the transmission process," he said.

Claudio Damiano, a founding member of the Latin American Energy Efficiency Forum, headquartered in Quito, Ecuador, said that for this reason "a good program of electrical mobility makes it possible to achieve international financing for government programs."

At the request of governments in the region, the IDB has established an "electric motorizing platform" on which electrical transportation and environmental objectives converge.

Marcelino Madrigal, the IDB's leading energy specialist, said "the operating cost (of electric vehicles) is

as much as 50% less. The price of batteries, which are a third of the cost of the car itself, is still falling."

These technologies are experiencing a year-to-year reduction in costs of 20%. "If we would be able to reduce the cost per kilowatt generated in electric motors to \$80 from the current level of \$176, the Latin American industry will be ready to start competing," he said.

That's why he is so optimistic when he sees electricity companies in South and Central America starting to operate bus lines and install charging stations. "The electricity companies think there is an opportunity in transportation with clean energy," he said.

In Costa Rica, the IDB has financed the design of charging corridors for electric vehicles for the national electricity company, Grupo ICE. In Uruguay this year, the state-owned utility UTE will complete the Colonia-Chuy Electric Corridor, with 21 recharging points every 43 miles. Paraguay is also completing a 186-mile "green



solar corridor” that will enable “the 600 electric and hybrid vehicles that exist in the country to refuel” between Asunción and Ciudad del Este. The refueling points will work with electricity – taking advantage of their excess of hydroelectric energy – and with solar panels.

The long distances that exist in other Latin American countries pose challenges of a larger scale. “They require public policies right from the start and involvement from the industry. Above all, from Argentina, Brazil, and Mexico, which are the main automobile manufacturers,” says Madrigal.

The availability of refueling points in cities and on highways, the recharging time, the value chain of lithium for batteries, their domestic reuse (“your electric car could end up supplying your house,” said Damiano), and the question of their final disposal are among the technical problems still to be solved.

"THE ELECTRICITY COMPANIES THINK THERE IS AN OPPORTUNITY IN TRANSPORTATION WITH CLEAN ENERGY."



📷 Marcelino Madrigal, the IDB's leading energy specialist

In the short term, the transition to electricity will result in a stage of coexistence of ICE motors and those with “decarbonizing” fuel: gas, biodiesel, and hydrogen.

That's the way Scania, a Swedish truck manufacturer with plants in Brazil and Argentina, sees things. Alejandro Pazos, marketing and communications manager for Argentina, explained that “all Latin America is going for electrification.”

In the meantime, the transition should be made by using gas. “It is available, it reduces particulate matter in the city, and it's quiet,” he said.

With that in mind, Scania has launched experimental programs in the region. Motors designed specifically for operating with gas enable its trucks to travel up to 680 miles on a tank of LNG. “They are ideal for carrying passengers and collecting waste,” Pazos said. The company has fleets in Cartagena de Indias and Bogota in Colombia, as



Photo: Pixabay

A LATIN AMERICAN E-AUTO

In his career as an engineer, Javier Moyano acquired the skills needed to develop his own electric car. He was project director for the engine of Argentina's Cónдор missile and then went on to develop ultralight aircraft and to research new materials. This knowledge and experience is brought together at Volt Motors, an automobile company that manufactures and markets three models of electric cars on an industrial scale.

“We have a production plan for 3,500 vehicles per year based on the network factory concept,” he said. “You buy them directly from the webpage.”

The latest model, the **e 1**, for two adults, can reach a speed of 68 miles per hour with a range of as much as 93 miles on a charge that lasts up to five hours. The engineering was developed in Argentina.

“We are developing a car around a person,” Moyano said. “The right electric car for a Latin American country that will not be a competitor for Chinese or Japanese companies. If I make a car and can't sell it to anybody, it doesn't make sense, even if it wins prizes at the Geneva auto show.”

Volt cars have a price advantage (\$20,000), and can be charged by being plugged in at home. “Electromobility is a concept of ecosystem, not just mechanism,” Moyano said. “It not just replacing ICE with cars with electric motors. The social use of the vehicle is what will change.”

well as two vehicles in Buenos Aires, that are monitored for performance and emissions.

The system can identify differences in consumption according to different driving styles. “A good driver lowers consumption,” Pazos said. “This makes a virtuous circle in operating costs and lowers CO₂ emissions.”

His leitmotif is: “If you can’t measure it, you won’t improve it.”

LOOKING FOR A MARKET SHARE

Renault, Nissan, Toyota, Audi, BMW, and even Jaguar with its E-Pace, in the upper price range, are competing for significant slices of the regional market.

BMW has been focusing on sustainability since many years ago. As a result, its plants were able to reduce its CO₂ emissions by more than 42% in Europe since 1995. By the end of the year, the company will have more than 500,000 electric vehicles on the road throughout the world, and it is the No. 1 auto company by electric car sales in Europe.

In Latin America, they sell two electric models (BMW i3 and BMW i3 REX) and eight connectable hybrids, but in each country the offer is different.

The BMW i series “emphasizes sustainability as a central (company) value and so, right from their conception they were thought of as the precursors to emission-free technology,” Vladimir Mello, director

of corporate communications for BMW Group Latinomérica, told *Latin Trade*.

Mello said the German company’s more than 45 years of experience in electro-mobility is summed up in the BMW i3, its first fully electric production-line vehicle, and the BMW i8, its first connectable hybrid vehicle.

Sustainability is also present in the raw materials used in manufacturing – for example, carbon fiber, he said. “BMW i3 is 95% recyclable,” Mello said. “The BMW i’s eDrive technology has gone beyond the traditional BMW series, which gave rise to the BMW iPerformance range, connectable hybrid vehicles, with the latest technology in electrification.”

The company will launch 25 new models between now and 2023, of which at least 12 will be totally electric, though it hasn’t announced which will be sold in the region.

Finally, in context and looking at the whole picture, the success of sustainable mobility in Latin America depends on the construction of an ecosystem that goes far beyond selling vehicles.

It implies a collective effort in which the public sector will have to keep one eye on the market and the other on the environment, adjusting to the energy mix of each subregion. **LT**

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DIEGO LLUMÁ REPORTED FROM BUENOS AIRES.

Technology is becoming 20% cheaper every year, making sales of electric vehicles or hybrids more attractive in Latin America.



Controlling inflation will be harder in future

The worldwide deflationary environment has been benign for price management: **Roberto Rigobón**.



Roberto Rigobón, professor MIT and member of *Latin Trade's* board of economists

Inflation, like measles, appeared to be under control and eradicated from the planet. However, it has reappeared with a vengeance. What's more, inflation expert, MIT professor, and member of *Latin Trade's* board of economists Roberto Rigobón says future bouts of price increases could be worse than before.

"We understand inflation better today. We have managed it with the central bank and the financial system," Rigobón told *Latin Trade*. However, expertise and good management shouldn't take all the credit. "We have been lucky because there is a powerful deflationary force in the world."

Given the benign environment, it has been easy to devise monetary policy. Globalization, along with improved production technology and logistics, have cut costs. Online businesses have increased competition, resulting in deflation.

Rigobón said he thinks that monetary managers have not yet had their baptism of fire. "We have not really tested the system," he said. "Keeping inflation down to about 2% will be harder in the future." With fewer deflationary pressures, "it may be that rates of 8% to 10% will still be rare, but not those of 5%."

Over the past 13 years, Rigobón and his colleague Alberto Cavallo have been building inflation indicators, drawing on enormous amounts of data from the internet.

With their "The Billion Prices Project" they calculated true inflation in Argentina between 2007 and 2016, during most of which time the administration of former president Cristina Fernández de Kirchner had manipulated the data.

They also looked at the accuracy of data from statistics agencies in other countries. Not because their numbers might have been adulterated, but because prices in the online world sometimes diverge from those of the physical world. Cyberprices are adjusted with algorithms that react to, and even anticipate, demand.

The time has come to change the method of measuring inflation.

Today, they are calculating an inflation index for Venezuela, where there are no reliable statistics at all.

Based on their experience, Rigobón said he believes the time has come to change the method of measuring inflation, using a hybrid model of traditional surveys and big data.

Conventional calculations, he said, do not capture online inflation, which affects sectors such as food, clothing, travel, furniture and home products. Together, these comprise 30% to 40% of the Consumer Price Index in Latin America.

A mixed model of online and offline prices is more precise. "You get baskets of goods that are closer to what people are consuming," he said. **LT**

	Venezuela	Arg.	Uru.	Mex.	Hond.	Nica.	Braz	Parag.	Col.
2018	1 698 844	47.6	7.96	4.83	4.22	3.89	3.75	3.2	3.18
2017	2 616	24.8	6.55	6.77	4.1	5.68	2.95	4.05	4.09

Source: EFE/ LT calculations. Venezuela: National Assembly's data. Note: Figures are %

SANTIAGO GUTIÉRREZ REPORTED FROM BOGOTÁ

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