

PRE-PUBLICATION COPY

INCAE MEMORIES 1970 – 1982

Harry W. Strachan



Montefresco Campus in the early 1970s

Harry W. Strachan

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INCAE
1970-1982

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INTRODUCTION

It is early in 1970, and one of my professors in the doctoral program at Harvard is warning me: “Harry, make sure that bussiness school INCAE gives you a return ticket. They are close to bankruptcy. USAID has given them an ultimatum, and they haven’t yet found a way to make the school financially viable.”

It’s late in 1972, during the Christmas vacation. A major earthquake has reduced Managua to a pile of rubble. An INCAE professor, deeply discouraged, is telling me that he’s booking transportation back to the United States for his family and looking for a new job. “It’s all over, Harry, INCAE is done for. Faculty won’t keep their families in a city that will be unlivable for at least a year. Students won’t return; some are already exploring transfers elsewhere. INCAE’s income has been completely disrupted, and in two months, it won’t have the cash to pay salaries. Better start scrambling for another job.”

It’s 1980. The Nicaraguan revolution that deposed Somoza in 1979 has brought the Sandinistas to power and their Communist experiment, while extending health care and education to many, is wrecking the economy and creating inflation. The region is in the grip of violence and a deep recession. INCAE is having trouble paying its bills. Important members of the faculty are leaving. Applications for the MBA and seminars have dropped precipitously. The INCAE faculty is increasingly polarized about how to respond. One national committee has refused to raise money for a school that trains Sandinista managers. President Reagan has announced he will be cutting off United States aid to

Nicaragua. Don Francisco (Chico) de Sola, founding president of INCAE's Board, tells a strategy committee he's asked me to chair, "Unless you can come up with a viable strategy, we're going to have to close down INCAE."

It's the late 1980s. I'm talking with a USAID official who is an old friend of INCAE, discussing the strategic challenges that INCAE had faced in this period of the 1970s and early 1980s. He pays INCAE what I consider to be the greatest compliment it has received. He says, "I don't understand it. INCAE has faced at least three crises that should have killed it; these crises would have killed any other school. Yet not only has it survived, it has come through each one of these twice as big, twice as strong, and twice as relevant as before. What's the secret?"

Today, in 2007, INCAE is a major success story. It is ranked as the number one business school in Latin America. Its alumni have for years occupied key positions in the governments and businesses of the region. It has produced more business cases than any school in Latin America, and these cases are taught around the world. Academics compete for a position on the faculty. It has prestige as an institute for policy research, and it is the forum where both governments and civil society meet for constructive dialogue and problem solving. But in those early years, INCAE's survival was in doubt. Of the many business schools Harvard was helping get started in other parts of the world, INCAE was the one considered most likely to die in infancy.

After 37 years of formal involvement with INCAE, I am struck with how many of the issues the school grapples with remain

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similar to the ones we faced in the 1970s: How do you balance “excellence” with costs? What teaching methodologies produce effective leaders? Where to focus resources?

The case method, on which INCAE is founded, suggests that each generation must answer their challenges alone, must solve the problems they inherit from the past on their own. But the case method also suggests that the experiences of others are relevant, a way to gain insights and sharpen judgment. This collection of memories is intended as one contribution to INCAE’s history.

My principal objective in Part 1: Meeting the Strategic Challenges is to provide a partial answer to the USAID official’s question and tell stories that help explain what happened, how INCAE found a model that was financially feasible, what strategy helped it survive the earthquake, how it dealt with the Sandinista crisis and what in the culture of INCAE has helped the school come through adverse circumstances so successfully.

I also want to remember some of the people involved; that’s the purpose of Part 2: INCAE’s Heroes. Survival and success didn’t just happen. The contributions of many individuals, often at significant personal risk, made the difference. Some, for whom campuses are named, like don Chico and Walter Kissling, the president of the board who succeeded him, are justly remembered. Others, though, are likely to pass into history unrecorded if those of us who knew them don’t tell of their contributions. Initially I tried to combine the strategic stories with anecdotes of the people, but quickly found I wanted to say much more about people than the flow of the stories warranted.

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I have focused on INCAE's early years and more specifically 1970-76, and 1980-82 though I have been involved with the school as visiting faculty and as a board member continuously since 1970¹. I've chosen these years because this was the period I was involved full time with the school, when, so to speak, I was in the kitchen helping prepare the meal. I have been close enough to the school to know of many other critical periods in INCAE history, whose stories are very important. They include:

The earliest years 1963-1970 when the school was being founded including the year Clark Wilson served as first Rector.

The critical period of 1976-1980 during the early Sandinista revolution under Ernesto Cruz' leadership.

¹ From 1970-76, I was a faculty member at Montefresco, Nicaragua. For part of that time, I served as Academic Director. From 1976-1979, as a member of the Harvard Business School faculty, I was a visiting faculty member in INCAE's PAG and seminars and also a member of the Harvard Advisory Committee. In 1979 as I was starting my career with Bain & Co., don Chico asked me to lead the Committee charged with finding a strategy to save the school. This led to my taking a leave of absence to return to Nicaragua as Rector. With Marc Lindenberg as Academic Director, we began implementation of a strategy that included establishing the Costa Rica campus. For the twenty-five years since 1982, when I returned to Bain, I have been a member of INCAE's Board of Directors. From 1982-1993 I lived in Boston and worked in business consulting. In 1993 I returned to Central America and since then have been involved in a variety of activities that include consulting, investment banking with Bain & Co., Mesoamerica Partners and pro bono activities with the Strachan Foundation.

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The years 1982-1987 when Marc Lindenberg and his faculty implemented the turnaround strategy.

The years of 1987-1991, consolidation under Mel Copen.

The years of 1991 – 2007 when Brizio Biondi-Morra and Roberto Artavia's team made the school truly continental, established the executive Masters Program (MAEX), built the Center of Competitiveness and Sustainable Development (CLACDS), greatly improved the two campuses, and achieved a recognized rating as the number one business school in Latin America.

In each period INCAE has faced major challenges. In each, a group of leaders on the board and in the faculty have taken INCAE to a new size, level of excellence and success. I won't try to tell the stories of these periods. Rather I hope those involved will be motivated to add their own recollections to INCAE's institutional memory.

One caveat before I begin. Many of these anecdotes have taken on a mythic quality for me. I'm aware that stories can become so vivid that they sometimes migrate beyond facts. But I have tried to tell the truth to the best of my ability. I will be the first, though, to welcome additions to these important stories that are part of INCAE's heritage. Everyone has a piece of the truth.

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PART I

MEETING THE STRATEGIC CHALLENGES

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Finding the Right Model

I arrived in Managua on September 1, 1970 with my wife, Deirdre. We moved into a small house on the south highway at km 7 ½ next to some family friends, Gustavo and Joan Parajon. I was returning to the region of my birth, but my Spanish was quite poor and I wondered, given my Anglo Saxon personality, if I'd fit in.

INCAE was further up the highway at km 15 ½ in its new Montefresco campus in the foothills southwest of Managua. I was part of the first faculty hired directly by INCAE to begin to take over from the Harvard faculty that had been the core faculty in the early Advanced Management Program (PAG) and first two years of the Masters in Business Administration (MAE). The new INCAE faculty included a group of Central Americans who were returning from graduate studies plus four young U.S. doctoral students from Harvard who came to teach while we also wrote our doctoral theses. The students we were teaching were MAE II, in their second year, and MAE III, in their first year. A number of the students were my age.

Like every generation that has followed, many of us on this new team were both ignorant of and unappreciative of all the work of our predecessors, that is “shoulders on which we were standing.” It felt like we were starting from scratch, had to design new courses and seminars from the ground up, develop a new strategy, build new systems, correct past mistakes, and solve problems in every area of the school's recruitment, administrative, and sales area.

That was both true and untrue. There were problems everywhere to solve, but in fact, we were inheriting a model, a vision, a whole network of contacts and a set of systems that had been built by a dedicated group from Harvard and supporters in the region. Our predecessors had already, against great odds, produced some of the finest PAG and MAE graduating classes that INCAE has had.

That first year I struggled to put my finance classes together and get comfortable in the classroom. I worked to relearn Spanish. I began collecting data at the Central Bank and interviewing business leaders for my thesis on *The Role of Family Business Groups in Development*.

I was put on a committee to work with Dave Korten, the new Academic Director, on a five-year strategic plan we could present for funding to ROCAP (USAID's regional office located in Guatemala). I quickly got a sense for the financial crisis my thesis advisor had feared for INCAE. I gradually became aware that INCAE's sugar daddy, USAID, was fed up with what seemed to them an unending set of deficits they were expected to cover. INCAE's "model" was very expensive. Some questioned whether those costly aspects really were essential to learning management. Who was going to pay for it if the students couldn't afford the tuition? Wasn't INCAE trying to be a Cadillac in a part of the world that needed Volkswagens?

Our Five Year Plan, thus, was really both a defense of the model and a strategy to make it financially viable without continued ROCAP subsidies. INCAE had been born after President Kennedy's trip

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to Central America and his meeting with the Presidents of the Central American countries. He'd promised a group of business leaders help in creating a school that would train professional managers. Harvard, after various study missions had agreed to support a case method-based management institute. They felt that the non-negotiable parts of the model included a Spanish-speaking faculty with doctorates in business-related topics from the world's best universities and this meant an expensive on-going program of doctoral studies. To get this talented faculty to return and teach full time, INCAE had to pay salaries that were competitive with business in the region and schools elsewhere. Study via the case method was critical to behavioral change; as the participants discussed and made their own decisions in hundreds of cases over the two years they would develop judgment which otherwise might take a lifetime in the real world. All this required a residential program, full time study and living on campus. Servicing the regional business community and fund-raising efforts required an office in each country dedicated to sales and external relations. While this was a model no one else in the region came close to having, it was what was needed.

Dave Korten wrote a magisterial 100-page document. It incorporated all the work to develop a model that had been started by the early Harvard teams led by George Lodge, a key promoter of INCAE, first in the Kennedy administration and then as a Harvard professor tasked with helping establish INCAE. It also was built on the thinking of Charlie Savage, the Academic Director for the first two years in Nicaragua. The structure of the strategy that emerged, though refocused over the years for every epoch, remains essentially the same today. The core resident two-

year MBA program would run a deficit. Student tuition with luck would cover 30% of the true costs and even that would require student loans and scholarships. This deficit would be covered in three ways, each of which contributes to the school's mission as well as its finances.

One major financial contributor would be the executive teaching programs for executives: the four-week Advanced Management Program (PAG) each summer; many three-day or week-long seminars on specialized topics like finance or marketing or human resource management. These programs would take the case methodology and best practices from other parts of the world to working managers in the parts of the region where they lived. They would serve important institutions with in-house training programs. They would charge enough to cover all direct costs and make a positive financial contribution to the fixed overhead of the school's full-time faculty and facilities.

A second way the deficit would be covered was through special donor-funded research and teaching programs. These programs would finance a lot of the research, thus permitting a larger faculty than otherwise possible and the development of elective courses. They also contribute to INCAE's mission as a change agent in the region, as we focused resources on the needs of important constituencies such as the health sector, or cooperatives, or government agencies that might not be able to afford INCAE costs. In that first plan there were three special programs: an agribusiness program funded by the Interamerican Development Bank (IADB) and the Nicaraguan Government, a development banking program also funded by IADB and a management of family planning

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program funded by the Ford Foundation. The output of these programs included cases on the problems from all over the region, a series of special seminars for the constituencies, workshops with leaders of these sectors to discuss policy initiatives, and published research to take the learning from these dedicated efforts back to Harvard and the rest of the world. We felt that the small faculty of INCAE could not pretend to leading-edge excellence in every topic of management, but we could be a significant contributor of useful knowledge in important areas where the region is a natural laboratory.

Even if seminars and special programs made a contribution to fixed costs, a deficit remained. This had to be covered by donations. The strategy was to raise donations from businesses, business leaders, alumni and friends in each country of the region. In each of the constituent countries there would be a national committee whose President would also sit on the Board of Directors. This national committee, supported by an office of external relations, led the fundraising in each country. But these committees did more than raise funds. They helped in the recruiting, the sale of the seminars and in our relations with the governments. They identified cases to be studied, problems of priority that we should be focusing on. The objective was to enlist both the money and the personal efforts of our supporters in the larger missions of INCAE.

Even in that first plan we faced the tension between doing what the donors were paying the bill wanted us to do and what the board and faculty believed our priorities to be. I recall heated discussions on whether family planning in Catholic Latin

America was an appropriate focus. Three things led us to accept the Ford Foundation's grant. First, the case writing and teaching was conceived in a broad way to cover management of health care services and nongovernmental organizations, all of whose problems, everyone agreed, were important. Secondly, we recognized that leadership on important developmental challenges required us at times to get out in front of the prevailing consensus. Dave Korten and his wife Fran, who also had a PhD, were willing to bet their academic careers on the area and a majority of us strongly believed family planning was critical to development. Finally, we felt it was both pragmatic and important to listen to the market. The criteria we used to test the suitability of special programs had to answer three questions in the affirmative. Is it important to the development of our region? Do we have the right expertise and capabilities? Do others believe it is important enough to provide funding?

The Five-Year Strategic Plan presented in 1970 asked Region Office Central American Programmes (ROCAP, USAID for Central America) for \$5 million to complete our campus, pay off past debts and included about \$300,000 per year of general budget support. We forecasted by the last year of the plan the school would be at breakeven without further ROCAP support.

We all thought Dave Korten's statement of the strategy was brilliant. It was founded on a solid set of premises, chief of which is that management in developing countries doesn't take less brains or less training or less analysis than management in developed environments. If anything, the problems are more difficult and require superior managers. And this requires a superior education!

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In spite of our enthusiasm for the strategy, this first plan was rejected for a variety of reasons, including some AID regulations that no one had told us about. Dave was incensed that we had been allowed to waste effort on un-doable proposals. Since he was loaded with other tasks, he and Ernesto Cruz, our Rector, asked me to modify the strategy to make it acceptable and to serve as a go-between with ROCAP. I accepted on the condition that ROCAP assign the bright young staff member who had torpedoed the first plan to work with us.

Jerry Wein was that young AID official, and he came down from Guatemala on multiple trips to redo the Plan. He steered us through the regulations and questioned anything that he felt smelled of luxury. When our discussions became too intense, we'd go out and play a fierce game of tennis. We may even have settled one issue of contention by who won a particular set. In the process he became a good friend. Once we agreed upon the strategy, he became its ferocious defender, using all his skills and knowledge of AID to get it approved by ROCAP in Guatemala and later in Washington.



Jerry Wein, Dreire, Harry,
Kenneth and Sarah

As a footnote, if you search the weeds around the back of the campus, you may find a stake planted in 1972 with a handwritten sign that identifies the “Jerry Wein Non-existent Perimeter Road”. This stake and the ceremony of planting it was our way of conceding to Jerry’s opinion that we couldn’t afford a perimeter road. It let him know there were no hard feelings and that we deeply appreciated his contributions.

On our second pass, USAID agreed to almost everything, but made the \$5 million in the form of a loan rather than a grant. We called it our negative endowment and only got out from under it many years later when Rector Brizio Biondi-Morra, together with Arturo Cruz Jr., later one of INCAE’s star professors, and Danilo Lacayo led a successful lobbying effort in the U.S. Congress and the Nicaraguan Government to have it cancelled.

Every one of those early years required a Herculean effort to make the budget. The faculty had to develop new seminars, find new grants. Costs had to be pruned. It felt like we were always pushing a rock up a hill. If we let up for even one semester, the rock would roll down and crush us.

That, I suspect, has also been the experience of all subsequent rectors and their faculty. We have often envied other institutions that were born with adequate endowments. Yet while an adequate endowment would have been great, I believe the financial stress we were under might have been a key ingredient in INCAE’s success. We have had to find relevant and important areas of research and teaching. We’ve had to be productive so the market would buy our services. And as a result INCAE’s productivity has been greater than some other schools that started with a solid financial base.

Visiting Other Business Schools

In 1972 when I was Academic Director-elect, the Ford Foundation financed a month-long trip for me to visit a number of business schools in the U.S. The objectives were to recruit faculty and to understand different models for teaching management, particularly those that combined public management as well as private, something that HBS left to the Kennedy School.

The Ford Foundation's introduction gave me access to faculty and students at Yale, Columbia, University of Michigan, University of Chicago, Northwestern, University of California at Berkeley, Stanford, UCLA and University of Texas. It was eye-opening to discuss strategy with the deans and senior faculty and then to talk with students about their experience in the program.

To my surprise, the three schools that most impressed me were the most dissimilar in their educational models. Harvard Business School, built on the case method, wanted students who had real world experience and invested huge amounts in collecting real world cases. The University of Chicago focused on teaching applied economics and preferred students who came directly from undergraduate programs. Stanford was deeply into quantitative decision-making methodologies. Each school had a different but coherent model that determined curriculum, recruiting, teaching methodologies, faculty selection and even the physical facilities. Faculty understood what they were expected to teach and believed in the model. Students knew what they were getting and felt that the program was designed to give them what they

needed. The result was pride in their approach and usually high morale among both students and faculty.

The schools that least impressed me were the “eclectic” ones that tried to incorporate a bit of everything. Faculty basically did what they felt comfortable doing. The students’ experience was very mixed, often not as intense or enjoyable.

I came away from the trip convinced that there are probably many different models that work, but whichever model is chosen, it must be implemented coherently. It is important that a school have a clear strategy that drives curriculum, hiring, admissions and the student experience. Faculties aren’t invited “to do their thing”; they are part of a team implementing a strategy. The educational model we decided to stick with was the case method-based model of Harvard, feeling it was best suited to the needs of our region and could be expanded to include public management training.

It’s Unfair

In the second year, I was asked to develop a new course called “Management of Financial Institutions.” The materials were to be used in the regular master (MAE) program and in the special seminars of the Development Banking and Finance Program.

Harvard had a solid course on Money and Banking, but it contained virtually nothing on the nuts and bolts of running a bank. However, Stanford had a wonderful course with just the

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materials I needed. They gave me permission to translate and use them. Shortly before the semester was to begin I gave Verona Gurdian, the efficient manager of the translating department, about 15 cases, each with 25 pages of text and 15 pages of dense tables and charts. She told me that a complete translation in the time frame we had was impossible, so we negotiated a deal where they would translate the text and I would provide a Spanish – English key for the labels and words in the tables and charts.

The time frame was so tight that students received their cases damp off the press in the late afternoon of the day before class. The cases generally had not been proofed to ensure the technical terms were accurately translated. Students read late into the night since the cases were much too long. They struggled to make sense of the tables and charts. The next day I pushed them mercilessly in my poor Spanish to not only unravel very complex business models but also discover some of the subtle aspects of each case.

About halfway through the course, thoroughly frustrated, the class persuaded one of the best students to voice their request for a significant lightening of the load and the elimination of the half-translated cases. He was eloquent. He was also right. The cases were confusing. The class was being overloaded with reading and this was negatively affecting their ability to prepare their other classes.

His only mistake was using the argument that it was “unfair” to expect INCAE students, whose university preparation was not at the same level as those at Stanford, to be able to solve these cases. This touched a hot button in me.

Inappropriately in hindsight, without collecting more information from the class or listening well, I soared off on a passionate speech that went something like this. “You’re right--it is unfair! It’s unfair to ask you to work harder than MBA students in the U.S. It’s unfair that you haven’t had access to the university training they have had. It’s unfair that most of the business literature is in English and not Spanish. You are absolutely right. And it’s only going to get more unfair when you interview for jobs or make sales calls and find that you are discriminated against because of your poor English and perhaps the color of your skin or the way you dress. That’s why for you to succeed and for Central America to have any chance of closing the wealth gap with rich countries, you must demand of yourselves more, not less. You have to work harder, read more, analyze better, put in longer hours, INCAE is not here to make it “fairer” for you. We are here to help you overcome the unfairness by demanding levels of effort, skills and work habits you now consider impossible. Now let’s get back to the case and start building the muscles you’re going to need for the unfair journey ahead!”

As I look back on this incident, I’m embarrassed by my insensitivity. I should have asked questions and understood better the situation before responding.

But there was an element in my visceral unreasonable response that was profoundly correct. It reflected an attitude that made INCAE special in those early years for everyone associated with it. Ernesto Cruz, Dave Korten, the faculty from senior to junior, the translators, and the students, we all held ourselves up to standards of excellence measured by comparing ourselves to the

Harvards and Stanfords of the world. We knew we had to work harder, realize much more of our talents and help each other, but we believed we could compete at the highest level. And we felt it was critical to the region's development that we do this. We were unwilling to just be better than the mediocre schools around us. We wanted to be one of the best – but in terms that were relevant to our region.

The Managua Earthquake

At the end of the second year, Dave began planning his return to the U.S. and the school needed to find a new Academic Director. I suspect that Ernesto and Dave tried to persuade a number of others to accept the job, but when they failed, they offered it to me on the condition that I get my thesis completed. I did so in the summer of 1972 and took the job only after getting commitments of support from senior faculty. We also moved further up the south highway to km 11 ½ into the house vacated by Jim and Cathy Austin, a fellow faculty member returning to the U.S. So I was Academic Director living in a house overlooking Managua during the Christmas vacation of 1972, when an earthquake leveled Managua.

Late at night on December 23rd, an hour after having come to bed with a very pregnant Deirdre, we woke up as the bed rocketed back and forth across the room and a roaring sound hit the house. I jumped up only to be thrown to the floor. On all fours I crawled back into bed. Certain that the roof was about to fall, I tried to cover Deirdre with a pillow. (We later found that the roof supports came within an inch of falling down.)



When the quake was over I rushed into my two-year-old daughter's bedroom. By moonlight, I could see the damage in her bathroom---a hole where the toilet had been, two broken pipes where the sink had been torn out. We quickly left the house and put Sarah into the car. The night was filled with barking dogs and down below, you could see the flashes of light where gas stations were exploding. The refrigerator, full of Christmas food, had fallen over and was leaning on the counter with the door open. I persuaded our reluctant gardener/guard to enter the kitchen to help me set it up. At that moment a second tremor hit. Forgetting the refrigerator we bolted outside. Nothing I tried the rest of the night could get him to re-enter the house. When we drove down to check on our friends, the Parajons, we found a big ditch had cut the road in two.

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The following morning, I borrowed Gary Bergthold's motorcycle. Gary, a good friend and fellow faculty member was in the States on vacation. I wanted to check out the hospitals where Deirdre could deliver our second child, but both hospitals were destroyed; each looked like a collapsed accordion. Driving around the town I also saw how much of the city had been destroyed. It seemed to me close to 75%. I visited Dr. Parajon, our former neighbor and medical doctor, to find a book on delivering a baby and get whatever supplies one needs for that job. Gus said, "Harry, if you can get Deirdre out of the country for her delivery, you should. I'm not worried about delivering the baby. It's the diseases in the weeks ahead without water and sanitation that make me fearful."

Mike Dean, one of the doctoral faculty group that had arrived from Harvard, offered to go out to the airport and try to get us passage out. Deirdre, Sarah and I got to the airport around 5 p.m. just at sunset. The airport building was damaged and dark. Mike was on the runway, tall, clothes neat, hair combed, commanding the teams unloading the first supplies coming into the country in military planes. Everyone assumed he was in charge. He had arranged passage in a LACSA airplane in which all but a dozen of the seats had been removed for the stretchers that carried people pulled from the rubble with broken backs.

The plane took off at sunset with a few patients and the three of us sitting in the back with the nurses. When we arrived in San José, we were whisked to the Hospital Clínica Bíblica in an ambulance. Deirdre was in labor and went directly to the delivery room. I was at her side trying to coach her in her breathing when two

reporters came up, microphones extended, and began asking me about the damage to Managua. I later found out that my answers in poor Spanish were going directly out over the radio airways. Deirdre finally ran out of patience. “Either go out and do your interview or stay in here with me, but don’t try to do both!”

Our son Ken was safely delivered in the early hours of the 24th. In spite of the tragedy of the earthquake, it felt special that he was born in same hospital as I, a hospital founded by my grandmother and grandfather and led for many years by my dad.

As soon as arrangements were made for Deirdre, Ken and Sarah to stay with my aunt and uncle, I began to plan my return to Nicaragua. My cousin Bary Roberts, who lived in Costa Rica, and I set out on the 26th in a borrowed jeep. The jeep was loaded with a big drum of gasoline since I had concluded that that food and water weren’t as important as gas. On the dashboard, courtesy of my cousin, was a long-barreled magnum revolver similar to that used in the “Dirty Harry” movie. On the radio we had heard rumors of riots and looting and he wanted us to be prepared.

I was worried about INCAE. I had talked to two faculty members who were convinced the school was finished. Their reasoning was that it would be months before students from other countries (probably 80% of the student body) could return and many would make alternative plans. The cash flow, already quite vulnerable, would dry up. The USAID debt would begin to mount. The faculty would not stay in Managua where their families would be exposed to plagues, hardships and risks, but would seek jobs elsewhere. Several on Christmas vacation in the

U.S. were already exploring alternatives. Two who were in the country were planning their exit. I felt pretty gloomy as I drove through the beautiful agricultural lands of Guanacaste on that sunny day.

But suddenly, a solution appeared. The ideas and suggestions I had been collecting and thinking about fell into a coherent strategy that filled me with a great sense of excitement. Managed correctly, this earthquake could be a motor for development in Nicaragua and a vehicle for INCAE's entry into public, as well as private, management. Nicaragua's main productive capacity was agricultural and that had been unaffected by the earthquake. The reconstruction of the city was a labor-intensive activity that could absorb a lot of the unemployment. Foreign assistance, motivated by an earthquake, could help close the foreign exchange gap. And if we were creative in our planning we might introduce a number of reforms to improve the efficiency of the reconstruction and perhaps lead to greater human capacity and ultimately greater democracy.

INCAE could become the hub of this reconstruction and in the process, save itself. Most of the government buildings had been destroyed, but our campus 15 kilometers outside town was largely intact. We could offer to house the government planning ministry. We could divide the faculty into three teams to simultaneously protect the families, plan the resumption of the master programme and work with the Government on reconstruction planning.

We arrived in Managua at dusk, stopping first at the Korten's house. (After turning over the Academic Directorship, Dave had agreed to stay on a year to complete the Family Planning Research Project.) The house was wide open, but no one was around. Finding no one, I called out and Dave, Fran and their children emerged from the side of the house. They'd received a phone call shortly before I arrived warning them that a band of 50 men with machetes were marching up the highway and they were leaving the house to avoid slaughter. I was sure that wasn't true and angry at rumors that spread the sort of fears that would sabotage our plan. Bary and I decided to drive the jeep down the highway to disprove the rumor. Certain I'd find nothing, I still considered which of two options I should follow if the rumor were true. Should I should put the jeep in reverse and try to back up faster than they could chase me or should I gun the motor and charge through them? Fortunately, I never had to make a choice. The only two things we saw in the next five kilometers of empty highway was one *campesino* trudging home with his machete and what looked like a military truck unloading supplies into a garage.

That night and the next day we visited all the faculty in Managua and everyone agreed to wait on their personal plans until we had a faculty meeting the following afternoon at a convenient faculty member's home. The faculty discussed strategy, and there on the lawn, we agreed to the plan and organized ourselves into three groups:

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One team responsibility for making sure every family had the basic needs of food and water. Any family that felt unsafe would come to stay on the campus in the empty student housing.

A second group would keep the MAE program alive. They would get in touch with every student to assure them of the program's continuation. They would plan to restart at the earliest time possible and figure out how to meet the students' needs.

The third team would offer our campus and services to Somoza's government for an effort to assess the damage, identify the needs of foreign aid, and plan the reconstruction.

That night Ernesto and I visited Somoza's farm on the outskirts of Managua near the country club that served as headquarters for earthquake relief. Walking up the tree-lined drive, we could see military tents on either side and soldiers in fatigues coming and going. In the main house, Somoza was concerned about the distribution of medicines, water and food and in fact Bob Mullins and John Ickis, of the faculty, were helping the Government of Nicaragua coordinate efforts in this area. As best we could tell, no one was preparing for the mission of World Bank and USAID officials due to arrive on January 2nd. After his initial suspicion, Somoza accepted our offer to house his central bank and ministry of economic planning on campus and aid them in preparing a briefing for the visitors on the 2nd. He made it clear, though, that care for the wounded and hungry was his top priority.

The next four days were spent assembling a team of about 20 government officials and faculty. We worked around the clock to get ready. Klaus Sengelmann, a student and rice farmer, offered his plane to fly across the city taking pictures. One team put together an aerial map and used it to estimate the extent of damage. Pedro Belli, an economist on the faculty, and Werner Ketelhöhn, teaching computing on our faculty, used the school's small computer to prepare a macro-economic model to estimate the foreign aid needed and project economic growth with and without the help. Others prepared simple plans to stimulate agriculture and industry and break the bottlenecks in construction. It was my job to stitch together all the pieces and translate the work of others into a 24-page *Assessment of Damages and Plan for Reconstruction*.

At twilight on January 1, we once again walked into Somoza's headquarters. We had a number of copies of the document and some flip charts to present the major findings. We were taken into the main living room. Ernesto Cruz made an introduction and asked me to make the presentation. Somoza and the assembled group of his ministers and generals listened intently. It was hard to read their reactions and I feared they didn't understand what we were talking about. However, when we were through, Somoza expressed his amazement at what had been done, his total support for the plan we advocated and asked us to make the same presentation the next day to the foreign visitors.

The report the next day had a similar impact on the team of visiting experts. It was incorporated almost verbatim into their reports, and within a week, INCAE had received a special grant

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of \$1 million additional support from USAID to set up a center to help the Nicaraguan government in its reconstruction planning. We called it the Centro de Asesoramiento. We had a mandate to bring down a team from the Harvard Development Advisory Service to help in the effort which was led by Olaf Saederstal and later Dick Mallon. To my knowledge this was INCAE's first public policy institute and the grandfather of INCAE's current Latin American Center for Competitiveness and Sustainable Development (CLACDS).

Two months later we resumed the MBA program without losing any students or faculty, but with plans to amplify the INCAE faculty offices and library to accommodate the enlarged faculty needed to staff the new center.

There is no doubt in my mind that the Centro de Asesoramiento saved INCAE. I can't say that it achieved everything we hoped for. Some of the foreign aid that was mobilized appears to have been siphoned into private bank accounts by Somoza and government officials. Special interest groups also blocked some recommendations. But we also learned something that has helped me hugely in a subsequent career of consulting. If as academics we want to have impact, (and we do have a huge amount to contribute by way of diagnosis and solutions), we must adjust our work to the time line of the decision makers and not our own desires for perfection or elegance of analysis. If the government official must make a decision in three weeks, a study that takes two months will be next to useless. Most of us don't realize how constrained most government action is, how decisions must be

opportunistic and accommodate the flow of events. Analysis that supports these decisions effectively must be anticipated in advance and prepared to hit the decision maker's time table.

The Center also brought into INCAE a number of people who otherwise probably never would have become members of the INCAE family. Each one went on to make important contributions. Some like Rene Morales, went on to become successful businessmen in the region. Others like Alejandro Martinez Cuenca and Noel Sacasa became important government officials. Others like Marc Lindenberg were wooed into the INCAE faculty and later played key leadership roles.

Ayagualo

Eduardo Montiel and Mary Ann Lambert, were early case writers in the Development Banking Program who helped write a number of cases that were used not just in the MAE program but in special in-house seminars. One of the cases was on the Banco de Fomento Agropecuario of El Salvador. When the case was completed this state-owned bank asked us to lead a weekend strategy workshop which we did. For the three-day program we combined some cases on strategy with some organizational team building exercises. In breakout sessions we helped the group articulate a strategic plan which we then tested right there in class for financial feasibility on my recently acquired HP calculator. (In these pre-personal computer days, this handheld calculator, which cost as much as today's computers,

was the latest in computing power. Running a simple algebraic financial model on a 90-step computer program and 9 variable storage registers permitted dazzling “what if” analysis right in the middle of the discussion.

The President of the Bank was don Roberto Castillo, a courtly gentleman who was also President of a relatively new foundation established to do community development around housing. He recommended to Alberto Harth, the new General Manager of the Foundation, that this seminar might be a good way to pull together an ambitious strategy for much larger projects using World Bank money.

Fundación de Vivienda Mínima’s first project had been housing fifty families who had lost their homes in a flood. It was an unusual organization in many ways. It conceived of its “product” not as the house but the community that emerged from building the houses together. It was a cooperative effort of a group of people that represented a very broad spectrum of conflicting political ideologies. The promoter and leader, Padre Ibañez, was a Jesuit priest much influenced by the theology of liberation, who later moved to Nicaragua and was a supporter of the Sandinistas. A number of the community organizers or social workers were open “communists”. Management was professionally competent, and in today’s language, technocrats. Alberto Harth, was an architect with a doctorate from MIT. His deputy, Mauricio Silva, was an engineer who later studied at M.I.T. and worked with the World Bank. Padre Ibañez and Alberto had recruited a blue chip board which, in addition to don Roberto Castillo, included a group of young friends

from prominent business families, recently returned from the graduate studies in the U.S.: Roberto (Bobby) Murray Meza, Ricardo Poma, and Francisco de Sola Jr. (don Chico's son).

The strategy workshop was held in a monastic retreat center called Ayagualo, up in the mountains outside of San Salvador.

I was surprised when Mauricio instead of Alberto picked me up at the airport. He explained that we had a slight problem: A group of the community developers had decided to boycott the seminar on account of my Harvard and presumed capitalistic orientation. Alberto was negotiating to get them to at least come to first evening session before walking out.

When we arrived at Ayagualo in mid-afternoon, I first checked on the classroom and was dismayed to find that the sessions were to be held in the chapel. The columns cut off the view of the front. The dim lighting made reading the old blackboards difficult. The reverberating echoes I feared would make any case method dialog hard to understand.

Totally demoralized I went to my bedroom, a monk's cell, lay on a cot so narrow my arms fell off the sides, stared up at a crucifix on the white wall, and wondered if I was in for similar treatment. "What in the world," I asked myself, "leads me to take on these quixotic assignments." Though I tried hard to figure out how to handle the challenge I knew I would face in that evening's case, I was still bereft of ideas when the time came to start.

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The first case was on a development bank in the Dominican Republic. It had nothing, as far as I could see, to do with politics or ideology. Nevertheless, ten minutes into the class, after we had managed to get the major strategic issues of the bank identified, a young man on the second row to my left raised his hands and said, “I don’t think this case can be resolved until the philosophical issues have been addressed”.

I thought “Sh--, here comes the challenge.” Stalling for time I asked, “What do you mean, Carlos?”

“Well, until the bank realizes the underlying class conflict” He continued with a confusing Marxist statement.

On impulse I said “If I understand what you’re saying, Carlos, ...” and I let loose with the best Marxist summary I could on the inevitability of the class conflict between proletariat and bourgeoisie and how this cannot be resolved except by total domination of the proletariat. (At the same time I said a thankful prayer that at one time I’d tried to read and understand Marx and the Communist Manifesto). And I wrote up a quick summary on the board. Carlos, taken aback, stammered that, yes, more or less, that is what he meant.

Among the shocked gasps I turned and walked across the room to stand in front of don Roberto Castillo, who with his wife was a large landowner in El Salvador. “I think he is talking about you, don Roberto. What do you think?”

Don Roberto, caught off guard, started to stammer some conciliatory words, but I stepped in and said, “don Roberto is too much of a gentleman to say it, but I suspect he is thinking ...” And I gave my most eloquent defense of individual freedom and capitalism and wrote it on the right side of the board across from my summary of Carlos’ position.

By now there was total silence in the room and a palpable tension. I walked back over to Carlos’ side and said, “Assuming, Carlos, you could persuade everyone in this room of your position – everyone that is except don Roberto – what would you have the Foundation do next year?” I went to the board while he began, “Well, I’d make a plan to build 1,000 houses, get funding from the World Bank,” These I wrote on the left side of the board right under the Marxist ideology.

Turning to don Roberto I said. “don Roberto, assuming for the minute you could persuade everyone here to your point of view – everyone that is except Carlos – what would you have the Foundation do next year?”

He began, Well, I’d make a plan to build 1,000 houses, get funding from the World Bank,” Before he could finish or I could write up his answer, the room burst into laughter.

I said, “We can use the three days to discuss our political philosophies or we can work on a strategy for the Foundation. What do you want to do?” The vote was unanimous – work on the strategy. We had a great workshop. The Fundación de Vivienda Mínima went on to become an admired and replicated

model of low income housing development in Latin America. And I gained a lot as well.

One result was a deep friendship with the young board members that has lasted to this day. After the seminar they approached me to set up an informal group to read about and discuss the political issues our region was facing. They suggested that when I came to El Salvador we all get together in one of their homes for an impromptu workshop and dinner. The idea was to choose a reading, say on agrarian reform, or design an exercise on personal planning and discuss it. The group disbanded when many of them went into exile and I returned to Harvard, but we kept in touch over the years and when I returned to live in the region, we had a reunion in the house of Ricardo Sagraera, one of my early INCAE MAE students, a close friend of mine and of many in the group. It is because of Ayagualo that I probably have more close friends in El Salvador than in Costa Rica.

Ayagualo also shaped my political thinking and reinforced a propensity toward tolerant pragmatism. When I was back in Boston Alberto Harth became Minister of Planning and head of the economic team in the revolutionary coalition that replaced a military dictatorship in El Salvador. One day he called me in Boston to ask if I could lead an “Ayagualo with the Cabinet” to help the government reach consensus on its program. For this workshop we wrote cases on Castro’s Cuba in the first two years, on Spain and Venezuela. These we team-taught with Ruben Zamora, who later became a leader of the political wing of the FMLN. And this led, along with other experiences, to friendships across the political divide of the 1980s.

Harry W. Strachan

Finally, along with my prior experience in the Centro de Asesoramiento, the Ayagualo experience led me to ask Marc Lindenberg's help in finding useful models of political analysis for a module to teach at the Harvard Business School. He found a model developed by Cornell professors for political mapping that permitted analysis of the "political solvency" of a set of actions. I began to use this in my teaching and consulting. Marc and Ben Crosby, a political scientist from Washington University in St. Louis who had joined INCAE in the late 1970's, also used the model in a line of seminars and projects throughout the region in the 1980s.

The Sandinista Crisis

I left INCAE in 1976 and returned to Boston to teach at the Harvard Business School. I did not lose touch with the school and continued to teach in the summer PAGs and do seminars for INCAE. I was also consulted for advice as a member of the Harvard Advisory Committee.

The Sandinista revolution and their takeover of Nicaragua led to a deterioration in the school's finances and a set of internal conflicts that threatened to end the school's life. There are some wonderful stories of bravery among faculty and staff during this period. I understand that as the rebel armies swept into Managua, Rector Ernesto Cruz remained on campus with John Ickis, other faculty, key staff members and guards, offering food and support to the families of employees, and convincing

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soldiers from both sides that, given INCAE's International Mission status, they should respect the integrity of INCAE's campus.

As the conditions continued to deteriorate to the normal turnover of faculty was added an exodus of some of the Nicaraguan faculty who no longer felt comfortable living in Nicaragua. It was not just that the region was suffering from political and revolutionary turmoil. The oil crisis and the economic depression triggered by the violence were leading to a massive impoverishment. There was hyper-inflation. There were huge devaluations, which incidentally made the repayment of student loan in dollars exceedingly difficult. Even in countries like Costa Rica, not directly hit by political conflict, the devaluation of the colon from about 10 to 80 in the early 1980s wiped out the savings of most of the middle class and greatly reduced the support INCAE received from the business community (I once overlaid U.S. data from the great depression on that data of Central America from this troubled period. The impact on per capita income of this depression in Central America in the late 1970s and 1980s was both deeper and more prolonged than the 1930s depression of the U.S.).

It is not hard in this environment to see why a school like INCAE, dependent on tuition and fees from executive programs and on gifts from the business community, saw its revenues shrink by more than half and its operating deficit balloon in spite of all cost-saving efforts.

The political polarization in the region and the faculty also began to limit the capacity of the school to respond to the growing crisis. Some felt the Sandinistas represented the socialistic solution to poverty and inequality. Others saw it as the first step toward a communism that would destroy the region. Many in the INCAE family felt the school needed to be moved to another country. Others felt this was neither feasible nor desirable. Nicaragua was not lost and if INCAE was to fulfill its mission, it should do everything it could to improve things and find constructive solutions. At one point the National Committee of INCAE in Guatemala threatened to withhold any support for the school if it continued in Nicaragua. It also appeared clear when Reagan was elected President that U.S. support for the new regime was going to be terminated and with it probably any support for activities in Nicaragua, including INCAE. In the midst of this crisis, it became nearly impossible to meet the school's payroll and pay suppliers.

In this deteriorating spiral, don Chico and Dr. Cruz asked me to form a committee to see if a strategy could be developed to save the school. With the help of many people, particularly Marc Lindenberg, who was teaching at the University of Washington, we made trips into the region and tried to understand the problems from the viewpoint of everyone involved. We collected ideas from faculty, national committees and alumni on how the school might be saved. On a flight to Honduras we had one of those "aha!" moments where the pieces of the puzzle, collected from so many people, came together in a strategy that seemed to have promise.

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The strategy had a number of components with the following main ones:

Rather than shrinking the school, we would launch a regional expansion into the Dominican Republic and the Andean region

A new set of special programs would be developed to meet the particular needs of the region---one in public management, one in export promotion, and another to bring the conflictive parties together in constructive dialog and study.

We would confront the political polarization by preemptively indicating to everyone our willingness to work with all regimes and countries.

We would open a second campus without closing the first.

We would recruit the old faculty to come back and help save the school.

We would mobilize a group of influential Republicans who were friends of don Chico and Harvard (Governor Elmer Anderson and Louis Cabot among others) to ensure that Reagan continued to support INCAE as a regional organization.

We would extend our fund-raising in Europe in part for the additional funds and in part to create a countervailing political pressure to those we anticipated would be coming with USAID money.

We would try to make INCAE relevant but not partisan. We would try to mobilize the entire larger INCAE family as a constructive pragmatic force to keep Central America from going under either politically or economically.

The report on the situation and suggestions for the new strategy was first put into a presentation shared with the Harvard Advisory Committee. They enthusiastically endorsed it. Don Chico and members of the Board also agreed to it without modification. It was not that everyone believed it was feasible, but it seemed the only route with any chance of success.

The strategy also called for a new Rector as Dr. Cruz had made clear his desire to turn over the job and move on in his career. I was not a candidate for this position since I had already embarked on my “second career” as a businessman with Bain & Co. I also felt it was important that the new rector be a Latin American.

However, over the next year, the search for a new rector did not have great success. There weren’t many candidates who met the requirements of the job, and those who did could not be persuaded to live in Nicaragua. As the situation deteriorated, don Chico and others began to tell me that I had to accept the position, there was no one else in a position to do the job. The alternative was to close down the school.

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It was a very difficult decision, one I was only willing to consider if I could secure a leave of absence from Bain and if Marc Lindenberg was willing to accompany me as Academic Director. I'd focus on the external tasks of fundraising while he helped in the internal management.

Ralph Willard, the Bain partner most active in recruiting me to Bain, told me that I should submit my resignation in writing and sneak out the back door. Bill Bain would kill me for doing something so personally stupid after Bain had invested so much in me. Instead I walked into Bill Bain's office, explained INCAE's situation and asked him for three things: 1) A donation of \$10,000 from Bain to INCAE; 2) his acceptance of a seat on the Republican Committee to support INCAE with Louis Cabot, Governor Anderson and don Chico to lobby Reagan should it be necessary; and 3) a two-year leave of absence. He told me he thought I was making the wrong decision and a personally dangerous one but he'd support me in all three requests.

Marc, being more analytic and less optimistic than I, was particularly sensitive to the risks. In an attempt to persuade him (and myself) that we weren't committing suicide in a hopeless battle, I suggested an exercise. We would take each of the critical elements of the strategy and give it a probability of success. I was confident the odds were in our favor. In fact when we did the analysis we gave every one of the elements of the strategy a probability of success of between 50-85%. However, when we multiplied them together to get the likelihood that all would succeed, we came up against the sobering fact that there was only a 6% chance of real success.

I scrambled after that analysis to convince both myself and Marc that the factors weren't totally independent. If we had success on the first ones, that would increase the probability of success of the others, so maybe the odds weren't so hopeless. However, the clinching argument for both of us was that "Sometimes it is better to fail gloriously at doing something worthwhile, than to succeed at something small and safe." An outcome like saving INCAE was worth the cost of a couple of years of effort, even if it had a low probability of success.

Another argument that proved true was "Marc, whether we succeed or fail, you'll have opportunities that you'll never get as an assistant professor at the University of Washington. INCAE's future is so precarious that no one really believes we have much of a chance. Just trying to undertake this job will catch the attention of many important people, deans at Harvard, senior USAID officers, prominent business people in the region and open up options for you hard to otherwise imagine." And that's what happened. Marc succeeded me as Rector when I returned to Bain. From INCAE, he went to the faculty of the Harvard Kennedy School, then to Senior Vice President of Programs for CARE, and finally Dean of the Evans School of the University of Washington. On more than one occasion, he reminded me of our estimate of the probabilities. We both learned the important lesson that personal risks in a worthy cause can pay great personal dividends.

In the first week of 1981, our family arrived in Managua. That first week I presented my credentials as rector of an international institution to the Sandinista government. Sergio Ramirez Mercado,

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a noted Nicaraguan novelist and member of the revolutionary junta that governed the country, received us. Roger Quant accompanied me to the meeting and told me that these were symbolic courtesy meetings where one drank a cup of coffee and made small talk. But under the guise of being naïve bumpkins, we'd planned one of our "pre-emptive" confrontations. Shortly after the coffee was served, I said, "I'm not sure whether I'm violating diplomatic protocol, but I'd like to talk to you "calzón quitado", (a vulgar expression for "honestly, with my pants down").

I continued to say to Sergio Ramirez, "I can imagine that with our Harvard Business School heritage you see us as capitalistic and incompatible with what you're trying to do. If that's the case, we're more than willing to turn our campus over to you and leave. However, first let me explain what we do. We are founded on the case method of study that says there is no single way to do things. The student has to figure out what to do by studying the problem. The professor doesn't have the answers, he has the questions. We think this methodology might be particularly suited to the management challenges faced by the Sandinista revolution. For it to work, however, there are a number of conditions that must be met. I have prepared some slides of the principal ones: freedom of coming and going for faculty and students, freedom from government regulation of the school (a law was already being discussed to impose state control on all the universities and schools), adequate compensation as we have no endowment."

I also mentioned that I was sharing the same slides with the President of Honduras the following day, and that I would be asking him the same question (Nicaragua was at war at that time

with Honduras). I added that “We hope to work with all the governments and all the private sector of the region. I’m really here to find out if Nicaragua is for us or against us, whether it wants INCAE to stay or go.”

I was surprised at how quickly and emphatically the answer was. “We don’t want INCAE to leave. We agree on all the conditions.” Later I found that a number of Sandinistas assumed I was a CIA agent but that this open direct approach made a very positive impression in Sandinista circles. “Navegando bajo bandera de pendejo” loosely translated as “Flying under the flag of a fool” was my only hope as Rector. I assumed that my phone was tapped and every conversation reported. Therefore I’d decided on a direct approach with everyone. We knew what we were, a school, open to all, trying to help. INCAE’s stance when faced with the political polarization around us was to be as constructive a force as possible without getting into the ideological debate. We did not pretend direct approval of the Sandinistas, or the military governments of the left or the right. In efforts to grow the economy and solve social problems we tried to help all regimes and all sectors.

During 1981 the faculty was reassembled and took on extra loads of teaching and program development. The Seminar Program was re-energized and extended into the Andean region and the Caribbean. We designed and raised money for new research and teaching programs. Under Walter Kissling’s leadership (who’d replaced don Chico as Board President after his death during this period), the National Committees were reactivated. We reviewed potential campuses in Panamá, Guatemala and ultimately chose

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Costa Rica, accepting the gift from the National Bank of the bankrupt Racket Club in Alajuela for the second campus. In each country business people, like Alberto Motta of Panamá, did an extraordinary job of getting us attractive options. Otto Castro, President of the Costa Rica National Committee and USAID Director in Costa Rica, Dan Chaij were persistent and creative in folding support for INCAE into a program supporting cooperatives. don Julio Matheu persuaded the Guatemalans that our neutral approach was the correct one. Bobby Murray worked tirelessly with the Salvadoreans to get us support. They say that the closest friendships are often made in foxholes. To this day when I meet my comrades-in-arms from this turbulent period, each of whom gave more support than we had any right to expect, we give each other a big *abraço*.

We hoped the strategy would permit INCAE to break even within five years. To our surprise, it worked better than we'd hoped. Not only did all the elements succeed, INCAE actually reached break-even one year earlier than the plan. The special programs from that period helped persuade governments to change to export-oriented strategies. INCAE's campus became the choice spot for dialog in the region, the place where the Presidents of the region met and conducted the peace process that brought democratic regimes back to power. Graduates from INCAE served as government ministers. They also led the process of transforming local companies into effective global competitors. To my knowledge, INCAE was the only organization in the region throughout this period to work every year with the governments and private sectors of every country.

Harry W. Strachan

The credit for all of this goes to rector of that period, Marc Lindenberg, the Board under Walter Kissling and the faculty. I returned to Bain in 1982 though I accepted the invitation to join the INCAE's Board of Directors, where I have served for twenty-five years. My role since then has been mainly to support the leaders of the subsequent periods and to teach occasionally in an INCAE program.

Leadership in Chaos

As the new rector of INCAE in 1981, needing the help of an increasingly dispersed and dispirited alumni group, I had proposed a seminar for former students of INCAE. I asked a small sample of graduates what sort of topics would be most useful to them.

The reply I got was “How do you play your role of manager when the world of your business is turned upside down? When all the patterns have been broken? When your country is in the midst of civil war, when inflation is approaching 100% a month, when the legal system has collapsed? Is anything we learned at INCAE still relevant? That's what we need a seminar on!”

Professor Wick Skinner of Harvard agreed to help me teach this seminar and he queried Harvard's library of 20,000 plus cases for examples of business problems in the sort of chaotic situations Central America was going through. He could find only two cases we could use. We therefore decided we'd use cases from the experiences of the participants the whole second day.

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“We need live cases,” we told the group the first night. “If you’ve seen a very successful or very unsuccessful response to a management challenge in our region, better yet, if you’ve been involved yourself, please talk to us about it.” By the second day we had eight stories, five positive examples and three negative. The presenting participant described the situation and problem without revealing the outcome, let the participants ask



Wick Skinner teaching

questions and then after a brief discussion, described what had been done and the results. The main elements of each case were written on large sheets of white paper pinned to walls.

Four of the cases were especially memorable.

The Car Dealership. “My family’s entire net worth is tied up in about 50 new cars. We have paid the import duty (about 100% of the value of each car). They are in our dealer showroom and lot in Managua. The Sandinistas are marching on Managua, and we know it will fall in a couple of days. No doubt there will be a period of looting and vandalism before the new regime takes charge. What do I do?”

“The options I considered? One was to drive the cars across the border to Costa Rica about four hours away, but I would have to pay Costa Rican duty and would therefore only recoup about

50% of what we have invested in them. Another was to hire a small army to defend the lot and dealership, but that could lead to a lot of bloodshed.”

“What we ultimately did was to drive all the cars out to a ranch of a friend about an hour from town, into the field where two rivers came together. We removed the distributor caps and waited while the Sandinistas entered the Capital. Somoza fell. Three days later when the looting was under control and the newly installed revolutionary government declared that it wasn’t hostile to private business, we brought the cars back into the city. In the early post-revolution euphoria and scarcity of new vehicles, we quickly sold all 50 cars at full price.”

The Textile Factory. “I am the general manager of a factory where we have about 100 women sewing shirts for export. Throughout the civil war, we managed to meet our deliveries but our clients were understandably nervous.

“I am hanging up my coat in my office when a masked *guerrillero* steps out from behind the door, puts a pistol to my head and tells me to go into the factory with him and give all the women in the factory a 200% raise. With his pistol in my back I follow his instructions. We call the women together. He makes his fiery speech about capitalistic exploitation. I promise the women a 200% raise in pay. And he disappears.

“My only options appear to be close the factory and head for Miami or tell the women I can’t afford the raise and taking it back. Neither of these feels right.

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“What I finally decide on is this. I call all the women together. I tell them that I am a man of my word and that if they wish I will honor the pay increase, but I also show them how, within three weeks, the company will be bankrupt and we will have to close. I offer instead to do my best to keep the business going at their regular wages but substitute for the wage increase a share of the profits. I show them how if together we can increase productivity, we can both save their jobs and increase their wages. They vote unanimously to substitute the profit sharing for the wage increase. They thank me profusely for not closing the business and fleeing to Miami the way so many others are doing. I realize that they have been as shaken by the incident as I.”

The High Rise Office Building. “Our family has traditionally focused on agriculture. However, when we have a surplus, we invest it in urban real estate, houses and apartment buildings. Half a year before the FMLN became active and the agrarian reform was passed, we begin a major high-rise office building in San Salvador. As the situation in El Salvador deteriorates and real estate prices begin to go down, it becomes clear that our completed building will probably not be worth what it cost us to build. A debate develops in the family.

“One group feels we should stop the work immediately, sell the unfinished building for whatever we can get (maybe 25% on our investment) and take our proceeds out of the country.

“A second group feels we should accelerate the completion of the building. We should do the best we can to fill it up with renters, recognizing it’s not going to be worth what we’ve invested. We

will wait out the troubled times knowing that they will not last forever and when prosperity returns we'll have an attractive productive building worth what we invested.

“What happened? Unable to agree, we compromise and continue to build but only with a skeleton crew. Our cash flow into the building is reduced by half. But it takes four times longer to complete the building thus increasing the ultimate cost for completing the building. Two years into the troubled times we still haven't finished the building. It stands empty and produces no rent at all. We haven't taken any money out of the country and it's still not clear how the civil war will end. My paralyzed family has gotten the worst of both options.”

The Hardware Stores. “Before the revolution broke out our firm had a chain of hardware stores throughout the country. Our largest store and the wholesale part of the business were located in the capital. We had smaller branches in secondary cities. On leaving INCAE, I became the company's financial director.”

“Paradoxically as the violence increases and the overall economy goes into recession, our business grows. Since people aren't making new investments, the need for repairs increases significantly. The bombings and destruction lead to the need for a lot of hardware. Our competitors also pulled back and disinvested, so our business booms as never before.

“The problem is in our rural branches. At night when the soldiers retreat from the towns into their garrisons, the revolutionaries take over the town and make a practice of breaking into our

stores and cleaning out the shelves for their needs. Our attempts to bar up the stores don't stop them. The insurance companies cancel our policies after the first break-in. You can imagine that while these rural stores are very profitable, it doesn't take a lot of these sackings to wipe out profits.

“Our initial thought is to shut down the rural stores, like the competition have done, and focus on our wholesale business. However, since we give our rural retail clients credit and they've also been robbed, our losses on receivables have increased greatly.

“How did we solve the problem? We bought a number of old buses at very low prices. We took out all the seats and lined the sides with shelves and filled them with our products. When the soldiers entered the towns in the morning, the bus accompanied them, parked in front of our stores, and began to sell. At night we brought the buses back to the capital or to the garrison and restocked them. In this way we continued to make more money than ever in the past.”

Effective leadership in chaos. At the close of the presentations, Wick and I opened the discussion with the question, “What have you learned about managing in times like this? When there is great uncertainty and the rules of the game seem to have been changed, what characterizes effective managers?”

The first answer reflected a lot of the frustration in the group. “What I've learned is that nothing we learned in the MBA program at INCAE is relevant!” There was a nervous laugh throughout

the room. Several more remarks suggested that the analytic tools they had learned didn't seem very relevant and even went so far as to suggest that investing in education when things are going to hell makes no sense.

“Does everyone agree?” we asked. Slowly the direction of the discussion began to change. First one and then another pointed out that in the successful cases the manager had actually been quite analytic. The car dealer's manager had calculated what would be lost if he took the cars to Costa Rica. The CFO of the hardware stores knew that profitability had greatly increased in the hardware stores even if general business had deteriorated. The plant manager had been able to show the women in the factory that with higher wages they would run out of money in three weeks. And it appeared in the unsuccessful case of the building, the family had not estimated the impact of a slowdown on the overall cost of completing the building or taken into account the lost rents.

“Did you notice anything else about the successful cases?” we continued. The white paper on the wall began to fill up with a list of interesting observations.

“There is creativity, audacity and a willingness to experiment with unconventional solutions in the successful strategies.”

“A leader who is honest about the problems and doesn't hide them inspires more confidence than those who whitewash the difficulties.”

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“Successful managers show a “solidarity” with their people. They communicate care and create a sense of ‘we’re all in this together’ and ‘together we can solve it.’”

“Successful leaders seem to have an underlying optimism, an energy, a will to drive forward.”

“The unsuccessful cases seem to be characterized by either an unwillingness to recognize that things have changed or a paralysis in the face of change”

When it came my turn in the wrap-up, I suddenly had an idea. “I’ve been reading a book on the structure of our brains (*Broca’s Brain*) that suggests that people tend to be left or right side dominant.” Using a fresh sheet on the flip chart I drew a two-by-two matrix: analytic vs intuitive on one axis and pessimistic vs optimistic on the other axis.

“If you’re left-brain dominated, you’re likely to be linear logical, in the analytic box. You’re probably inherently more cautious, prone to pessimism, afraid of audacious moves. Strong analytics often have trouble making decisions and taking action based on limited information.

“If you’re right-brain dominant you are likely to be more optimistic, willing to be more audacious, at times impulsive, more optimistic. Your weakness may be in shooting before you aim, in not calculating the cost, anticipating complications, or in following an orderly plan of implementation.

“On a two-by-two matrix because of your inherited makeup, you’re likely to be in either the left upper box (Analytic and Pessimistic) or in the right lower box (Intuitive and Optimistic).

“But note that the characteristics you’ve identified of effective managers, especially in times of chaos, are in the upper right hand box (Analytic and Optimistic). According to my book, we’re not likely to fall naturally into this box. This suggests that if you’re left-brain dominant, you need to cultivate your intuitive optimistic side. If on the other hand you’re right-brain dominant, you need to cultivate your analytic side and learn to aim before you shoot.”

The seminar closed on a “high”. We thanked them for their cases, insights and comments and told them. “This has been a great learning experience for us and the message for INCAE is clear. It’s clear that in rough seas one must keep moving. The boat that is dead in the water is likely to get swamped. You’ve encouraged us to take risk with audacious strategies; there is less to lose and more to gain. And without closing our eyes to the difficulties, we need to remain optimistic and energetic. We can all, INCAE with your support, make a difference in our troubled region!”

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PART 2

INCAE's HEROES

Harry W. Strachan

Working as a team

INCAE was a team in which everyone played a critical role. Behind anything that INCAE accomplished were people -- a lot of people, people working in a synchronized fashion, stepping up to the challenges in crisis, and doing their work with excellence.



Don Chico de Sola, Dean George Baker, and Rector Ernesto Cruz

We gave a lot of publicity to the Harvard Advisory Group and their support was essential. The quality of the business leaders on the board and national committees enhanced INCAE's image and their work in recruiting and placing students, selling our services, raising money and lobbying with support from the external relations staff and country secretaries was essential. We

advertised the doctorates of the teaching and research faculty and we worked hard to help them become first-rate case method faculty. Their ideas for programs and leadership were a big part of what made us unique. Equally critical was the work of the staff in the kitchen, the drivers, the guards and grounds keepers, the secretaries, the library and administrative staff, And of course there were the students and participants in the various programs. But it was all of these together that made INCAE.

I can remember once looking around from the podium at everyone gathered at one of the graduations. The faculty and board members in their outlandish medieval gowns up on the platform, the students seated right in front of us, and the much larger staff standing around the back looking on with interest at the pomp and ceremony. I thought, “None of us on this platform could do what we are doing without the much larger group around us.”

And in my musings I went on to think “And none of us on this platform are individually as smart or as talented as the school advertisements make us seem. We were pretty green when recruited and we were largely unprepared for the tasks we were given. But we all aspire to be the best, and we are working hard to help each other reach that level of play.”

To the extent we reached that level of play I feel it was the teamwork and the extra level of effort; it made the whole greater than the sum of individual talents. That aspiration to be “first world” or “top quality” reached through all levels of staff. I want to use this section to remember the contributions of these heroes of INCAE, but also to describe some of the more personal lessons I learned from them.

The Harvard Faculty

In the early INCAE's catalog there is a now-famous picture of Kennedy with the Presidents of Central American countries. From their overlapping hands, you get the feeling they are celebrating his promise of a school to teach business that the U.S. will help establish in Central America. It's an idea with many fathers, such as Central American's like Juan Maegli, a prominent Guatemalan businessman who had gone to Harvard, USAID officials such as Teodoro Moscoso and possibly members of President Kennedy's cabinet.

To help deliver on his promise, President Kennedy got help from a young former journalist, who was Under Secretary in the Department of Labor. That journalist drafted the letter that Kennedy sent to Dean George Baker asking for participation of the Harvard Business School in a program to strengthen management in Central America. Dean Baker ultimately hired this journalist as a lecturer and one of his jobs was to help deliver on Harvard's promise to help.

That journalist was George Cabot Lodge and he is justly remembered as one of the major founders of INCAE. I don't pretend to know all the things he did in that period from 1963-1970 though I know that INCAE's shape today was strongly influenced by his work.

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He headed up the fact-finding team in the region in 1963 whose key recommendations included setting up an institute separate from the local universities and regional in its charter. He was an advocate for Harvard getting involved with INCAE and with strong backing of Dean Baker and President Pusey, persuaded the faculty to vote to get involved against significant opposition.



George Lodge

He also helped assemble the faculty that taught the Advanced Management Programs from 1964-1966, among others Hugo Uytterhoeven, Renato Tagiuri, Philip Thurston, Dan Throop Smith, Raymond Corey, Tom Kennedy, Robert Anthony. In these special one-month courses, the business leadership of the region learned what the Harvard case method could do. This convinced many of the value of the project. It also created an instant alumni group for INCAE.

George Lodge also led one of INCAE's first major case writing and research programs with a group of Harvard MBAs. They studied change management in the work of Archbishop Marcos McGrath in Varaguas, Panamá, and his efforts to address the problems of poverty.

To this day, George has been, officially or unofficially, in retirement or not, a Harvard advisor to INCAE and one of INCAE's truest

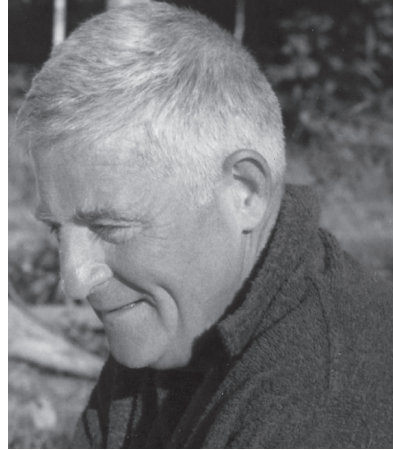
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friends. I had the privilege of occupying an office next to his and sharing the services of his secretary when I taught at Harvard from 1976-1979. We were also in the same teaching group and he helped me with my teaching plans. George is a tall, charming, Bostonian from a prominent Republican family. He is a wonderful storyteller and also one of the business school's most popular teachers. From early on I have admired his unconventional "communitarian" political philosophy and the way he has successfully gotten individualistic, capitalistic students and participants to think about the larger role of business in society.

Another key leader from Harvard was Wick Skinner. Wick's area of work was production. I believe in the critical years when INCAE was getting started he was also Dean of International Affairs. INCAE and the Harvard start-up program required lots of money from USAID. When USAID's regulations and requirements came into conflict with Harvard's way of doing things, a great financial mess ensued. It fell to Wick, working with an entrepreneurial ROCAP official, Jack Moscatelli, to resolve the issues and work out budgets and financial processes that served both their needs.

A Digression on Mentors

Wick Skinner was also one of the best teachers of the case method I ever saw. Early in my tenure, he came to INCAE to help some of us new professors. He would sit in the back row of a class charting how I managed the discussion the way scouts at a basketball game note the exact spot on the floor from which shots are taken. He would write down where and on whom I called. He would watch the sequence



Wick Skinner

of my questions and how they were worded. Afterward we'd have a debriefing session. In a shrewd Socratic manner, he'd go through his notes asking me why I'd done this or that. Had I considered doing something different? His questions would open up possibilities I had missed. We talked about alternative techniques that I'd soon be trying in other sessions. Although I should have been depressed by how much I had missed, I always left a coaching session with him feeling exhilarated. Somehow in all his feedback, most of which had to be about mistakes, he made me feel that I had great potential as a teacher, was in fact already a hell of a teacher and could become even better.

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He was also a skillful counselor and would have made a great psychiatrist. In the period after the trauma of the earthquake we needed team building and wound-healing in the faculty. Wick came down to help us, talking individually with each person and then all of us together. When he left we were a united team once more.

Years later after I had left Harvard to work at Bain, he was the mentor I most frequently called on. When as a family we were facing tough decisions and needed wise advice, we'd call Wick and Alice Skinner in their Maine shore home and get an invitation to come up and have some counseling sessions and great meals. From Wick I learned that mentoring is mainly about "cheerleading". He was discerning. He was not fooled about mistakes or weakness. But you felt he saw gold in you that you were unaware of; he saw potential you didn't know you had.

Now that I occasionally get calls from young people wishing a sounding board, I try to be as generous as he was and follow his example and style: listen carefully, ask good questions, avoid giving advice, but give lots of positive feedback.

More Harvard Faculty

There were many other Harvard professors who made significant contributions to INCAE. Ray Goldberg, the father of agribusiness at Harvard was Jim Austin's mentor. Some were members of the early faculty like Bob Ackerman. Others like Ram Charan, Bob Anthony, Dick Dooley and Jim Heskett helped in the executive programs.

Charlie Savage was the Harvard faculty member who served as INCAE's Academic Director in the period just before I arrived. On a recruiting trip in early 1970, I had the opportunity to have lunch with him. It was inspiring to listen to him describe how business leaders can impact development. He used examples from his research in Medellín, Colombia. Years later George Lombard, academic dean of HBS, described Charlie as "a saint." In both his professional and personal life he focused on helping others.



Charlie Savage

George Lombard may have been another "saint". I never had the opportunity to get to know Dean Lombard well, but two things I've heard about him have made me wish I had taken advantage of the few opportunities I had. In his retirement Dean Lombard undertook the job of getting the research of Charlie Savage (who had died of cancer) into a published book, *Sons of the Machine*. It was an act of unselfishness that deeply impressed me. I was also told that his contributions to INCAE were much greater than publicly realized. "In the early years, Dean Lombard kept INCAE alive with mouth-to-mouth resuscitation. Dean Baker promised Harvard's support. It was Dean Lombard who delivered it."

Key Business Leaders

At the top of INCAE's governance structure is the Board of Directors, composed mainly of the presidents of the each country's National Committee. Particularly in those early years it was the stature and quality of the business leaders on the national committees and the Board that gave students confidence that this really was going to be a top notch school.



Francisco de Sola, father and son

Don Francisco (Chico) de Sola was the first President, INCAE's most tireless supporter. He is justly remembered as INCAE's founder and it is deeply fitting that the Nicaragua campus is named after him.

If ever a man looked like a Chairman of the Board, it was don Chico. He was the epitome of patrician. He and his brother Victor were both great businessmen and complemented each other very well. Don Chico was a visionary; he promoted some of the earliest value-adding industries and one of the most successful multinational partnerships in Central America, Unisola.

But he was also a renaissance man, greatly interested in biology, agriculture and history. I remember accepting the invitation to walk the campus in the early morning with him before a board meeting. He was inspecting the saplings he had sent from various farms to be planted on the campus. He could tell me the name and nature of each. In his mind I felt he was already seeing them full grown. Another time we had breakfast at his home in El Salvador where he had a waterfall wall covered with flowers. He named all the birds hovering about the wall. In retirement he would still go to Harvard for weeklong courses on esoteric subjects. His son Francisco de Sola Jr, whom we called “Chaco” at Ayagualo, shares his father’s wide ranging interest, patrician good looks and commitment to INCAE where he is a long standing board member.

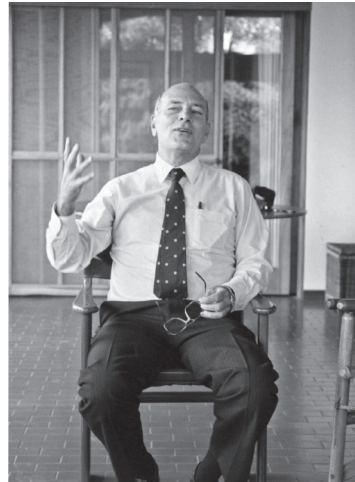
Probably don Chico’s greatest gift was his ability to enlist others in his causes, top of the list being INCAE. I don’t think there has ever been a Central American better connected than don Chico. His network of close friends extended from Oxford to Boston, from the world’s largest insurance companies and major corporations to the halls of the State Department. He was on the numerous other boards, like Zamorano and the International Rice Research Institute in the Philippines. And he knew intimately many of the most successful business leaders in Central America (was even related to some, like the Mottas of Panamá and Maduros in Honduras). Several of his friends admitted to me that they had doubts that don Chico’s dream of a united Central America and a first-rate business school was feasible, but they got involved because they wanted to support don Chico. He made even lowly faculty like myself feel we were important to the venture. The

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main reason I returned in the 1980s was that he would not accept my “no”. INCAE, he argued, was too important, whatever the odds. We all had to do our part to save it. Though sick at the end of his life with the cancer that would ultimately kill him, I felt he made a point of staying alive and involved until he was sure INCAE was going to make it. I will always be thankful for his mentoring and support.

INCAE was lucky that one of the leaders don Chico recruited to INCAE’s board was the Costa Rican Walter Kissling and that he was willing to take over the Presidency after don Chico’s death.

Walter was very different from don Chico in many ways. He rose from sales manager to President of Kativo, a paint company, sold it to a multinational, H.B. Fuller, and then became President and CEO of H.B. Fuller. The many executives he recruited and developed will tell you he was a great boss. He gave honest, direct feedback and sometimes it stung, but he also gave room and support and encouragement. Even with all his other burdens, he was always there for INCAE.



Walter Kissling

As Marc Lindenberg, Brizio Biondi-Morra and Roberto Artavia will attest, he had great judgment and that special managerial instinct for simple, feasible solutions. He also insisted that his

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companies invest in people, follow the highest ethics and practice sustainable development. It is fitting that the Costa Rica campus be named for him.

Over the years serving with him on INCAE's Board and at one time working with H.B. Fuller as a consultant, we became close friends. This friendship grew to include his wife and children, and we became partners in several ventures, particularly with his son Walter. I'll never forget the trip he made to Boston to visit me in the hospital after I'd had a heart attack. When I pulled out a bottle of red wine smuggled in to toast our future adventures together, he laughed with great delight and made a wonderful toast. In his last illness, when I visited him, we reminisced about that visit and had another toast, this time with rum. I felt like I'd lost a older brother when he passed away, and I know this sentiment was shared by many others.

Other giants among the business leaders of Central America played leadership roles on those early national committees and on the Board of Directors. I was lucky to get to know many of them personally through interviews for my doctoral thesis and interactions as Academic Director. Some also gave me the opportunity to do consulting work with them and use parts of the work for INCAE classroom cases. Working closely together only deepened my sense of admiration. Years later, when I returned to live in Central America, many had already passed on. Remembering how much I had learned from just watching them in action, led me to develop a course of "live cases" that involved bringing members of the current generation of business leaders into the classroom. Through the discussion of business

challenges they had faced, we were able to recreate some of the experiences that had so much impact on me.

One of the “giants”, though not a large man, was Dr. Eduardo Montealegre, President of The Banco Nicaragüense Group, whom I got to know while writing my thesis on business groups. He opened many doors for my research and was very thoughtful in the interviews. I had the honor of doing some of my earliest financial consulting with various firms from his group. When I returned to the region in 1993, my friendship with his son Eduardo, Jr. felt like picking up the friendship with his father.



Don Luis and Ricardo Poma

Another was don Luis Poma, a handsome, strong leader, who, though demanding, treated all people with great respect. He had a Midas touch for almost any business he started and early in his career he diversified greatly. By the time I knew him he had focused on three core businesses, which his son Ricardo has continued to

grow greatly. Don Luis learned the importance of focusing, he told me, from a New York banker friend. The banker had listened carefully to his theory of diversification and then gently responded, “Luis, if you have many eggs, it probably makes sense to put them in different baskets, but if you have one egg, it’s generally wise to keep it in one basket.”

I worked with don Luis and his son Ricardo during the early 80s when they were forced into exile after the tragic death of Roberto, don Luis' other son, in a kidnapping. Their strategy was a model for good crisis management. They did not abandon either their people or their businesses in Central America, but neither did they pretend that it was business as usual. They recognized that they had to downsize to save the businesses; at one point closing all but three floors of the five star hotel in San Salvador. They protected their people and set up structures for managing from a distance. They were rewarded with a loyal and talented management team that was ready to immediately re-grow the businesses once the market conditions changed.

While in the U.S. in exile don Luis and Ricardo didn't waste time bemoaning the losses in Central America, but immediately began to build new businesses and make new investments. They were the core of the group of Central American friends who invested in the first Bain Capital fund where Ricardo Poma has served many years on the Investment Committee.

Among that early group of giants who supported INCAE were the Motta brothers, don Roberto and don Alberto, and later, their sons, Roberto Jr, Stanley and Alberto Jr "Pancho". Like many others, I have been fascinated by the business success story of the five Motta brothers, who lost their father at an early age, and who with friendliness and enthusiasm and hard work built a number of Panamá's most successful businesses. Don Roberto was the consummate minority investor, leaving to others the day-to-day management. Don Alberto was more of a hands-on manager who with his sons built and grew businesses that

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came to include a trading company in the free zone, an insurance company, a bank, COPA airlines, real estate projects and many more. One of the most memorable “live” cases at INCAE after I’d returned in 1993 was when don Alberto, Stanley, Pancho and their sons participated in a case on family succession planning and the students were able to witness the wonderful way the three generations worked together.

The most important lesson I learned from don Alberto has to do with job creation. When we worked with his group on some strategy projects for their bank and insurance company, the methodology we used tended to focus on the



Don Bobby, Felipe and Alberto Motta

“financial returns” of each line of business, the IRR, the risks, on cash flow, on competitive pressure. Don Alberto listened to our analysis and then would ask “How many jobs will it create in Panamá? Will it destroy jobs?” My first reaction was “This can’t be the criteria he’s going to use for the decision, is it?” But I came to realize that creating jobs was one of don Alberto’s principal missions in life. It was a genuinely critical factor in his business decisions. There is, I now realize, great wisdom to this approach. Jobs are where products and services are created. Done well, this

is where wealth is created. Ultimately, you make more money when you are making the pie bigger than when you're trying to grab the biggest piece.

Not all the board members were older. Some were rising stars in business. One of these was Danilo Lacayo, active in the early national committee of Nicaragua. He was a fast track executive whose successful career with ESSO, now EXXON, took him down to Chile. On retirement he returned with Claudia, his talented artistic wife, to Costa Rica and Nicaragua and to a second career as Administrative Dean of INCAE and board member. Both of us back in Costa Rica became tennis buddies and co-conspirators on projects to help INCAE. I, like others at INCAE, came to depend on Danilo's cool head for good advice.



Ernesto Fernández,
as professor

Another young superstar was Ernesto Fernández Holmann, who at a young age had a Ph.D. in Economics from Harvard, had played a critical role in helping Nicaragua win the INCAE campus along with Enrique Pereira, Arnoldo Solórzano y don Francisco Laines. Ernesto had taught classes the year before I

arrived. By 1970 he was Executive Director of the Banco de América, already known as an innovator in the financial sector. Though he lost much in the Sandinista Revolution, it did not stop him.

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He continued building one business after another with his partner Rene Morales. Ernesto has also been a creative philanthropist using some of the wealth he has created to republish important historical documents related to Central America and support educational and poverty-reducing initiatives throughout the region.

His first cousin, José Ignacio (Nacho) González, was an INCAE faculty member from 1968-1970. I met him at that time in Nicaragua where he was making a name for himself as an entrepreneur. He also lost virtually everything in the revolution but in exile from a base in Costa Rica has built a number of successful businesses. When I returned to live in Central America, Nacho and Mary Ellen were among the friends who warmly welcomed me and Sandy, my second wife. With Nicolas Marin, a faculty member of INCAE and Danilo Lacayo, we began to play tennis and go out regularly to dinner. When I could no longer play tennis, Nacho's sons Alejandro and Carlos became my golf and poker buddies.

There were two "rising young stars" I got to know in those early years who became close friends and then consulting clients after I returned to live in the region. One was Roberto (Bobby) Murray of El Salvador. He got an MBA from Harvard and returned to El Salvador where he was chosen out of a large family to lead one of the largest family groups in El Salvador with investments in soft drinks and beer. He was also made President of the National Committee of El Salvador. I've already mentioned his name and how I got to know him in the Ayagualo story. The second was Rodolfo (Popo) Jimenez who had an analogous position in the

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largest beer group in Costa Rica and was also president for a while of the Costa Rica National Committee. When I returned to the region in 1993, we worked with both groups to help them prepare for the opening up of their markets, increased competition and on other joint projects that deepened our friendship.

In the tough period of 1980-1982, being President of a National Committee was not much fun. However, Otto Castro and Guillermo Castro Echeverría of Costa Rica, Bobby Motta Jr., Aquilino de la Guardia, and Frank Kardonski of Panamá, and Julio Matheu of Guatemala were wonderfully supportive. They opened doors, traveled with us to review campuses and lobbied their governments on INCAE's behalf.

Teaching and Research Faculty



A faculty meeting: Manuel, Nicolas, Werner, Enrique, Ernesto, Harry, Carlos, Christophe, Gary among others.

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In the early years, a significant distinction was made between “teaching faculty” and “research faculty”, a distinction that is probably not justified by either their relative contributions or importance. The distinction was deliberate since the School wanted to encourage people eager to teach to go through the arduous, expensive process of getting a doctorate from a reputable international university. People with a master’s degree were hired to do case writing and research and help run the special programs. Theoretically they weren’t to get involved in teaching until they’d started their doctoral studies but often they began to teach in seminars and workshops long before these studies. Many of the “case writers” or “research faculty” did go back for doctoral work, returned to the teaching faculty and today are known as INCAE’s elder statesmen.

At the top of the teaching faculty was our rector, Ernesto Cruz. Before joining INCAE, he had been a successful lawyer, who was reputed to have graduated first in his class. Already successful professionally, he went to Harvard for doctorate in political economy. He was eloquent, courteous and dignified. He personified excellence in his use of Spanish, his dress, his writing, his tastes. He was committed to maintaining INCAE’s two-year, full-time MBA program in spite of the financial pressures. His wife Sonya was also elegant and brilliant; she also graduated as a lawyer first in her class and their children have demonstrated that they inherited excellent minds and the drive and discipline of their parents.

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When I was made Academic Director I moved into an office near Ernesto's and began to work more closely with him. There was no question about who was in charge. At the suggestion of Harvard advisors, he ensured that INCAE's legal structure gave the school a strong CEO, the Rector, accountable mainly to the Board. He gave me lots of autonomy, encouraged my many ideas and initiatives. He was always available for advice and I quickly learned to consult him on everything since he always improved any proposal. He had good judgment and was a superb political tactician when it came to selling an idea or mobilizing support for it.



An INCAE reception line with Rector Ernesto Cruz

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For those who didn't know him, he could seem formal and aloof, but he had a great sense of humor. He was well-read and it was a treat to get him talking about Nicaragua's history and his interpretation of what was happening in the political realm.

Looking back I am struck by his courtesy and that of all the Nicaraguan faculty to us foreigners. Most of us were children of the 60s and 70s in the United States. Our facial hair, our clothing, many of our political ideas were affronts to our own parents and were probably even more shocking in the traditional Nicaraguan society. There must have been times when Ernesto and some of our colleagues wished the *gringos* would look and act more traditional and less hippie. But I don't ever recall anyone treating any of the foreign faculty with less than real courtesy.

Dave Korten was the representative of the Harvard Business School faculty and the Academic Director. He looked like a burly lineman on an American football team. He was unstoppable worker and a prolific writer. He and his wife Fran both had doctorates from Stanford. Like Ernesto, he was committed to making INCAE the highest quality business school and brought a moral passion to his work. He could be sharply critical of those he felt were lazy or compromising in their standards, but he was a great tutor and example. From INCAE he went on to an unconventional but successful career in development work overseas. Today, from his home off the coast of Washington state, he is a famous author and one of the most articulate spokesman among those concerned with globalization and the environment.

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Digression on career choices



Venghiattis, Kortens and Strachans:
Christophe, Fran, Harry, Deirdre, Dave and Burdine

Dave Korten and Ernesto Cruz taught me a big lesson about effective recruiting in 1969 when they came to Harvard to recruit faculty for the new campus. I was finishing up my course work and looking for a job where I could complete my doctoral thesis. My thesis advisor wanted me to stay in Cambridge and work full time on the thesis. He believed that if I continued to do good work, I might be offered a teaching position at Harvard. His advice was blunt. “If you’re interested in a successful academic career, start at the top. Professors move down, not up. If you go to INCAE, you’ll be overloaded with teaching and administrative work; your research will not be relevant. You’ll never make it to a top tier school. However, if you insist on going to Latin America, for God’s sake, join

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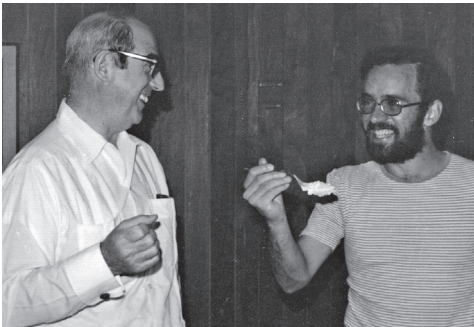
Harvard's Development Advisory Service in Colombia. There you will at least be doing research that should produce a good thesis."

He was referring to the option of working with the Harvard DAS's mission supporting Colombia's Planning Office. They had a project for me with the Central Bank of Colombia. I'd be in the center of economic development thinking and on the side would work on a Ford Foundation project involving law and business with the Universidad de Los Andes. I had pretty much made up my mind to go to Colombia.

When Dave and Ernesto heard that I was taking a trip to Bogotá to accept the Colombia job offer, they insisted that I at least stop by Managua and see INCAE. I told them I felt I'd be wasting their money to do so. They told me not to worry about the money. They set things up so I visited people who could help on my thesis and each one made Central America sound very exciting. I also had lunch with Charlie Savage, then INCAE's Academic Director. Everyone I met with at INCAE had something of great importance they felt I could do. They made me feel that I was critical to the mission. I would not have to wait until I had tenure to make a difference. Right from the start I'd be leading a major new development banking program. INCAE was not just going to be a business school, it was going to be a think tank, a change agent, a developmental motor for the region. It was a heady vision for INCAE and the possibility that I could quickly have impact was what caused me to choose INCAE over Colombia.

I learned that the opportunity to have impact right away is as motivating as the pay check. And it also validated my sense that a cautious political approach to career planning often fails. It was perhaps ironic that of the twenty doctoral students in my vintage at the DBA program, eight years later, the only two teaching on Harvard's faculty were the two who had gone to INCAE, Jim Austin and myself.

More on Teaching and Research Faculty



Bob Mullins and Jack Hastings

The “older” faculty when we arrived, that is those who'd been there the year before, included Bob Mullins, ramrod straight and direct, strong in his opinions, deeply Republican when most of the rest of us reflected Kennedy's Democratic liberalism. He was a retired naval officer who

had come to the Harvard Doctoral Program for a second career. His area was production. He was quick and definite in his judgments. Initially I feared that the students would be put off by his style. But in fact, he and his wife Eleanor, were deeply loved and appreciated by generation after generation of students, first in the Nicaragua campus and later in the Alajuela campus. Bob taught me that if you truly care for your students and they sense this, they will accept a

style that can seem gruff or eccentric. Other professors were more politically correct, better speakers of Spanish, but they were not nearly as successful as Bob with the students.



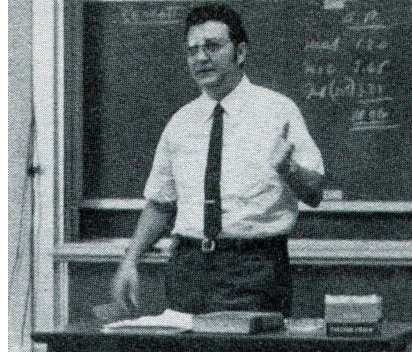
Nicolás Marín

Nicolás and Ligia Marín, were among the first Central Americans to return from getting a doctorate under the program to train a faculty with terminal degrees. His area was finance. In later years I introduced him as “the person who taught me what I know of finance.”

In those early years, Nicolás was already getting top ratings as a teacher. He was also a sought-after consultant, giving much of his time to the Banco de América Group. Ernesto Cruz believed Nicolas had good judgment and put him on the key INCAE committees. In my experience most professors tend to like subtlety and overcomplicate things. We tend to be too “academic”. Nicolás always struck me as someone who practiced got along well with every one.

We remained close friends through my time in Boston and have become even closer since I moved back to Costa Rica. He was one of the faculty members in the poker games we organized to raise the standard of living for the faculty when I would come to town for INCAE board meetings. We both were delighted when our sons also became good friends, visiting each other in college.

Enrique and Gloria Alvarado were from Guatemala. He was a pillar of the Control and Accounting area, an older ex-businessman who had taken the eight-week case method teaching course at Harvard and had been tutored by people like Bob Anthony at Harvard Business School. He was particularly effective in the executive programs.



Enrique Alvarado

For years he ran the PAG and generations of students learned from his “abuelita” stories. I am told that in 1979 when INCAE’s financial crisis was most severe he not only led, but financed out of his own pocket, the PAG in Guatemala, saving for the school a major source of revenue. He loved new technology and was one of the first to adapt Power Point to the classroom. Particularly on those nights when we were stuck in a faraway hotel giving an executive seminar, we had some wonderful talks and I could always count on Enrique for good advice.

Christophe Venghiattis was a part-time member of the INCAE faculty who started teaching when INCAE was in the Nicaragua Central Bank. He was already a successful rice farmer. Though both he and his wife, Burdine, were raised in Houston, Texas, he was and is still at heart French like his parents. He got an MBA at Harvard and for his summer job joined the INCAE case writing effort under George Lodge. Writing cases in Panamá on rice farming he fell in love with the industry, leveraged his

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savings of about \$50,000 with development bank credit, took over a bankrupt rice farm and ultimately built his own farm with his Cuban partner. Though he had an active social life with his polo group, he and Burdine and their three children became key members of our faculty social group that went to the beach, had parties and played poker.

He was also a sophisticated investor in the stock market and oil wells. After he returned to Houston with his family, we stayed in touch, developed a stock-predicting model that never worked as well as we hoped and when he bought his partner's share of the rice farm, I joined him as a junior partner. Throughout the years, his farm has been a regular contributor to INCAE and he a great friend both to me and INCAE.



Mike Dean

Deidre and I were part of four Harvard students who had completed our courses work and exams but were still in the process of writing our doctoral thesis.

Mike Dean taught in the organization area with Dave. Mike was tall, good-looking, always stylish and neat. He and his beautiful wife, Judy, were ahead of us in the children-producing area and they had four handsome sons. Shortly after he arrived, he was drafted into the student recruiting effort,

which was behind target. He had an immediate positive impact. After leaving INCAE, Mike moved to California and ultimately got into real estate development.

Jim Austin and Cathy Overholt came to INCAE with a Peace Corps background in Latin America. He was doing his thesis with Professor Ray Goldberg in the agribusiness area and also taught marketing. He was



Jim Austin in class

a wiry marathoner, disciplined, productive. He made quick progress on his thesis. The Austins had a big house on the hill that our family inherited when he returned to Cambridge. We also inherited his dogs, a Great Dane and a German Shepherd, who proceeded to put a dent in our food budget. Jim had a long and distinguished career on the Harvard Business School faculty, ultimately heading up the social responsibility program. While I was at Bain in Boston we rarely saw each other so he and I would try to get together every fall for a day of sailing on the Charles River just to get caught up on each other's lives. As a member of INCAE's Advisory Committee, he has been an invaluable friend of the school.

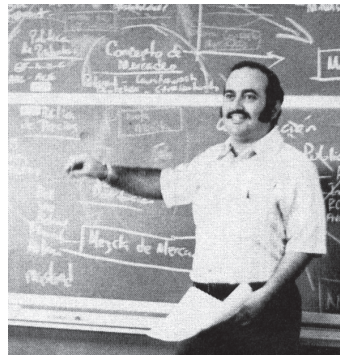
Monty Graham the third of the DBA students taught in the Environmental Analysis area. I lost touch with him after he left

INCAE Memories

INCAE until recently when he visited INCAE, and we found out he was vice president of the Institute for International Economics in Washington D.C. and *The Economist's* guru on globalization.

Pedro Belli, an economist from Berkeley, also arrived in that first year of the new campus. From a prominent Nicaraguan family, he was the first of many economists who have joined the business faculty. As mentioned earlier Pedro and Werner Ketelhöhn developed the macro economic model we used to identify the amounts of foreign aid and loans needed after the earthquake. He went on to have a successful career at the World Bank.

Rodolfo and Maria Olga Paiz returned from the Harvard Doctoral Program in 1971 to teach marketing. Prior to his doctorate he had been the Administrative Assistant to the Rector. His high energy and optimism made him a great success in the classroom, a natural as dean of students, and my successor as Academic Director. When I was close to burning out, I'd go up the road to play a game of chess with Fito, drink rum and cokes, and absorb some of his optimism.



Rodolfo Paiz

In 1971 he persuaded me to join him in a life-planning exercise that required each of us to write up a life strategy. We took our

drafts to the beach one day and over rum and cokes critiqued each other. Though written in the spirit of a game, both his and my life plans were quite similar: ten years in academia; ten in business and then ten in public service. Figuring I'd die young like my dad, I didn't plan past 60. It's amazing to me how closely my life has followed that plan, especially if my return to Central America to help businesses in the region become competitive, to teach at INCAE and to establish the Strachan Foundation, count as public service. When Fito returned to Guatemala and his business and political career there and I to Boston, we continued to get together on a yearly basis to review our plans and keep each other honest. The exercises we have done over the years, some borrowed, some invented, became the basis for a workshop called "Managing Yourself and Your Career" that I've given to new partners at Bain and Bain Capital, to chapters in the Young President's Organization (YPO) and to second-year students at INCAE.

Werner and Margarita Ketelhöhn, were Nicaraguans. Werner, from German descent had suffer severe hardship as a child post wold war, who finally move to Nicaragua. He got his adequacy education and married Margarita, and joined the INCAE faculty. Werner came to teach quantitative methods at INCAE. He had little knowledge of business and I can remember a big discussion as to whether he should be treated as a regular faculty member. However, he was eager to learn the case method, curious about business, enthusiastic, energetic and hard-working. He quickly established himself in the classroom. Over the years he moved from teaching in the quantitative area into strategy. He has been a successful teacher both at INCAE and in Europe and has been

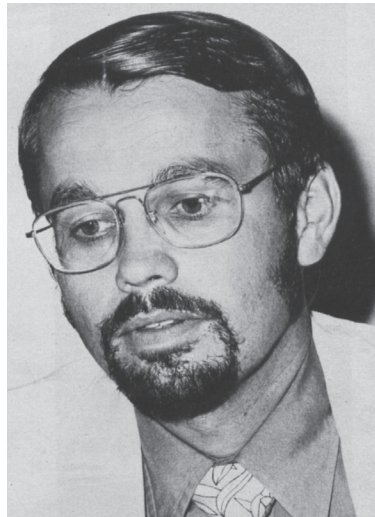
INCAE Memories



Werner Ketelhon

one of the more prolific faculty in writing articles. He was also a charter member of our local poker group. To this day we regularly get together to discuss our aching joints and to try to take each other's money; though it looks more and more as if both of us are giving up that money to the "young Turks" of the faculty like Niels Ketelhöhn, his son, who is carrying on his father's tradition at INCAE.

In 1972 Gary and Linda Bergthold came to INCAE from Ecuador. Gary had a Ph.D. from the Harvard Graduate School of Education, taught in the organizational area and worked with Dave and Fran on the Family Planning Program. Gary had a booming laugh and extroverted style. He was popular with the students, skilled at all sorts of leadership and team building exercises. He helped me develop the in-house strategy seminar for development banks that came

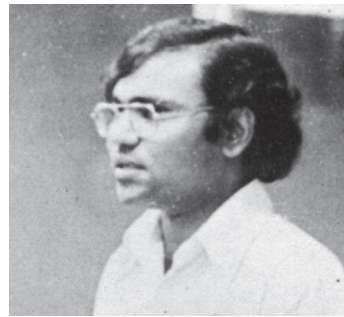


Gary Bergthold

Harry W. Strachan

to be used in a variety of other settings including the Ayagualo seminar I described earlier. He was a leader of our social life, prominent in the skits at faculty go-away parties. He was also a fierce tennis and poker competitor. In 1975 he moved back to California and a successful career in organizational consulting but in the turnaround strategy following the Sandinista Revolution he was one of the older faculty that returned to INCAE to help as a visiting faculty member.

During my six years on the faculty in Nicaragua, recruiting quality faculty was always a challenge. Many came only for a few years, but invariably they made special contributions. Sion Raveed and Bill Renforth helped strengthen the financial and marketing areas. Some like Vihang Errunza, of Indian descent and coming from a non-case based doctoral program



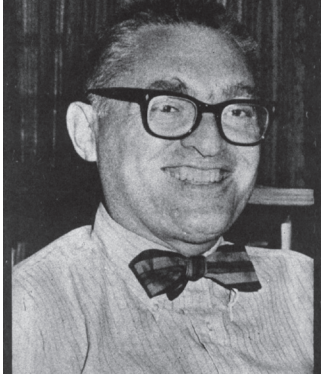
Vihang Errunza

at Berkeley, or Yoon Shik Park, a South Korean and fellow HBS doctoral student who worked in the World Bank, had no Spanish and far more difficult cultural barriers to overcome teaching and living in Nicaragua. Students, though, realized they were smart, brought high energy and new ideas to the classroom. Their research was first rate and we appreciated their friendship and willingness to take on extra work.

Ed Nelson helped in the quantitative methods area. Mike Bernhart and Roger Wickland reinforced the organization area. Doug

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Norvell, Gerrit DeVos and Ed Felton picked up the leadership of the Agribusiness area when Jim Austin returned to Harvard. Glen Kerch in his quiet dependable way taught English, Max Rindl Marketing.



Israel Unterman

There are three professors who brought an older maturity and gravitas to the faculty and in the sometimes short time they were with the school had a big impact. One was Israel and Ruth Unterman who came to INCAE from New York City. He was a retired businessman with both practical and teaching experience who focused on business strategy. He had an extensive storehouse of personal business experiences which enriched his classes. He won

a special place in his students' hearts because of his genuine concern for them and his "real world" knowledge. Another was Guillermo Edelberg, a consummate professional. Though he remained mainly a visiting professor he made such a sustained and lasting contribution that most of us think of him as one of the core full-timers. Another was Gunther and Judy Boroschek who became good friends of everyone. He taught, I believe in the organizational area, though his breadth of knowledge was such that I always felt he could teach anything.

Particularly after the earthquake and with the Centro de Asesoramiento we had faculty that came from disciplines other

than business, economics, and organizational behavior. Glen Dealy was a political scientist whose theories about the difference between North and South America were fascinating. Ben Crosby helped Marc Lindenberg train a whole generation of managers in sophisticated political analysis. Manuel Olave, now Rector of a Bolivian University, also taught public management.



Marc & Cathy Lindenberg
with Robbie and Annie

Even before he became Rector, Marc Lindenberg had made important contributions to INCAE. He arrived in Nicaragua after the earthquake with a Quaker group that contributed to the relief efforts. My sister, Cathy, who met him at that time, claims credit for introducing him to

INCAE. Though he looked even more hippie than the rest of us and though his doctorate was in political science, we asked for his help in the Centro de Asesoramiento. I quickly found he was one of the most dependable and productive of the researchers and a good manager of projects. Soon he was teaching in our Master program and getting top ratings. When he returned to University of Washington to teach, he continued to help INCAE in various ways and became my brother in law.

He played, as I have already described, a critical role in the Institute during the Sandinista revolution and then after his time as Rector of INCAE went on to a successful academic job

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at the Harvard Kennedy School. There he earned top teaching honors and wrote several books. Then restless after five years, he accepted the job of Senior Vice President of Programs at CARE, the largest NGO in development work. His last job was as Dean of the Evans School of Public Affairs of the University of Washington. Having just turned 58, in the midst of numerous projects, he came down to Costa Rica on a pro bono consulting assignment. He had a bad cough, and a few weeks later was diagnosed with lung cancer. It spread quickly, and within four months he died. Two memorial services, one at INCAE in Costa Rica and one in Seattle, attested to his many contributions, but did little to lessen our feeling that his early death robbed INCAE of one its greatest heroes and the Strachan clan of one of its pillars.

The “soul” of INCAE, I often felt, was found more among the research assistants than the faculty. They wrote the cases, did the research and most of the administration. They were the backbone of the special programs, often impressing the business community even more than the senior faculty. They were also the ones who infused our social life and parties with a special energy. Many of them went on to get their doctorates and then returned as teaching faculty and senior positions. Others went on to success as business people.

Two I knew only by reputation. Mary Jane Mulligan was critical in supporting Rodolfo Paiz in ANEC (written analysis of cases). Margaret Hagen wrote notes and cases on the local markets. Both set high standards for others to follow.

Harry W. Strachan

Mary Ann Lambert was one of the early researchers in the Development Banking Program who came to us on the recommendation of José De La Torre, a member of the earliest INCAE faculty. She went on to a successful career in banking and has remained a close friend of INCAE.



Mary Ann Lambert

Eduardo Montiel came from his MBA at MIT to work on the Development Banking Program, then returned for his doctorate at Harvard. He has always been one of INCAE's most highly regarded professors and in great demand as a consultant. He has served as Minister of Finance in Nicaragua. Few know that in the summer of 1979 before I joined Bain & Co, he and I had a small consulting firm that did projects from South Korea to Argentina to Guatemala to Boston. The travel that summer nearly killed both of us. Few also know that he is one of the most deadly INCAE's poker players.

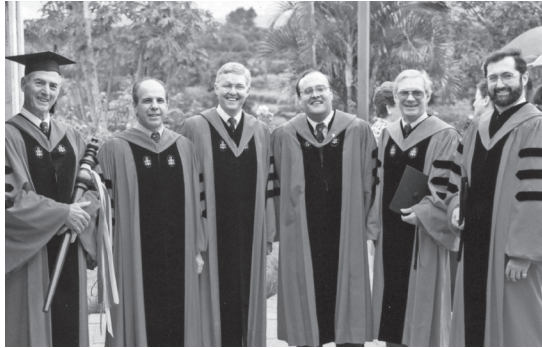


Ken Hoadley and John Ickis in a skit

Two others from that early group, John Ickis and Ken Hoadley, made great contributions in the early Agribusiness and

INCAE Memories

Family Planning Projects, then went back to Harvard for doctorates, and on to varied and successful careers as faculty members. They were both lucky to find their life partners in Nicaragua, Normita Ickis and Leana Hoadley. From the beginning both



Former researchers join Bob Mullins as senior faculty: Bob, Mel Copen, Harry, Eduardo Montiel, John Ickis, Julio Sergio Ramirez

were team players, willing to take extra work if it was required, dependable, committed to INCAE. They were among the bulwark faculty in the 1980s and Marc counted on them greatly. Ken is now Rector of Zamorano in Honduras.

Very quickly INCAE's own top graduates became the major source of case writers and researchers in the special programs. Chosen from the students who graduated with honors, they would work in the special programs for a couple of years, then go for a doctorate and then return to the faculty as key contributors. By 1975, some were already holding down key faculty



Carlos Sequeira

positions and in the difficult years of 1980-1982 these “home-grown” faculty members did much of the heavy lifting at the school. Julio Sergio and Clarita Ramirez and Carlos and Thelma Sequeira were among the first. Francisco and Betty Leguizamon, Jorge Walter Bolaños, Silvio de Franco and German Retana followed in their steps. By the end of the 1970s they were all key contributors and they have been the pillars of later periods.

Starting in 1973 and 1974 a second wave of researchers came that continued the tradition started by John, Ken, Mary Ann, Guayo, Julio Sergio and Carlos Sequiera. Jim Lynch and Joanne Grady, Jack and Dolores



Jim Lynch, Lorna Orr,
Michael Bloom and Jack Hastings

Hastings, Dick and Carolyn Montieth, Lorna Orr, Michael and Lana Bloom, Javier Morales, Guillermo Bolaños and John and Rita Edmunds.

The faculty at the Centro de Asesoramiento also greatly enriched life on campus. Olaf and Barbara Saederstal and Dick Mallon, with experience in government planning, both added their depth to the faculty and gave us tactful role models for dealing with government officials. The Center attracted a wonderfully talented group of people most of whom went on to accomplish great things in either business, government, or academia. I’ve mentioned Rene

Morales, Alejandro Martinez, Noel Sacasa, Others include Edgard Chamorro, Jorge Incer Barquero, and Roberto Salomon.

The Administrative Faculty

The teaching and research faculty might have had higher status but it was generally the people on the administrative staff who made the school work.

In a special category in those early years were the translators. They had to have better Spanish than most of the faculty. In class they had to go from Spanish to English and back to keep the case method exchange going. They often clarified points made by the English-speaking professors who tended to use lots of jargon. Finally, they played the role of facilitating



Jimmy Hirsch, Paul Barnes
y Luis Carlos Saenz

communication between foreign faculty and students, also managing logistics and administration at off-site seminars and working overtime to help INCAE get off the ground. Four of these star translators were Luis Carlos Saenz, Paul Barnes, Olympia Vivas de Nuñez and Jimmy Hirsch. They were coordinated by the ever calm, highly efficient Verona Gurdian whom I described in “It’s Unfair.” Her political sympathies, not that unusual on the staff, were evidenced by a poster of Che Guevara and Ho

Harry W. Strachan



Verona Gurdián

Chi Minh in her office. It also says something of those early years that these posters did nothing to keep her from being named CEO of Xerox in Nicaragua.

Doña Cristina Downing de Vivas was a wonderful woman and supervisor of the kitchens and dining room. She mothered all

of us. She was a published chef, who not only fed us elegant food, but trained the waiters to serve in a manner that reinforced INCAE's image of excellence.

Roger and Mai Quant deserve special mention. He played all sorts of roles during his many years at INCAE. In the early years he worked primarily in external relations with the governments and national committees.



Roger and Mai Quant

He was unflappable; he accompanied me on the key meeting I described earlier with the Sandinista leadership. It was no coincidence that in his later career he gives his diplomatic talents as a Nicaraguan's Ambassador at the European Union.

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Ernesto Morales and Manuel Ortiz, two of our early graduates also played important roles in external affairs, Manuel being one of the best fund raisers INCAE has ever had. He has gone on to a successful, and probably significantly easier career, in the private sector. Pablo Duran, another early graduate, headed up Admissions.



Harvey Leach and Ernesto Morales

The managers at INCAE always had a thankless job. People who were “in the know” knew that the second most powerful person on campus next to Rector Cruz was the Administrator, played often by a graduate from our program. Mariano Buitrago, Roberto Atha and then Harvey Leach played that role in the early 1970s

and Carlos Schiebel in the critical early 80’s. All of them took a lot of abuse in the job but earned the gratitude of those who counted on them to make things work.

Our secretaries also had tough jobs, particularly in those pre-computer days when everything got typed through numerous drafts. My first secretary Gianina Tanzie de Castro, wife of Mario Castro, a student, was the first of many secretaries I have come to depend on to keep me on schedule and out of trouble.



Tom Bloch

Perhaps the best manager INCAE has ever had, certainly the person who has done his job with the quietest competence for the longest time, is Tom Bloch. In whatever campus at whatever period of crisis, the Library has always been a center of order, quietness, and neatness. With budgets that were never enough, he performed miracles. He also trained a whole cadre of other librarians for INCAE like Antonio Acevedo and Denis

Morales . And I understand that USAID has used him in Latin America and Asia as a library consultant.

The Women of INCAE

Although probably politically incorrect, I have often listed the faculty members as couples, but frankly, that's how I've thought of them. The spouses, generally wives, helped us entertain visitors and mentor students. Eleanor Mullins and Ruth Unterman in particular went out of their way on a regular basis to have students in their homes.

Most of us chose those years in Nicaragua to start our families so our wives spent a good deal of time managing our kids and our homes. They were among the early promoters of INCAE, a

INCAE Memories

pre-kinder for our own and the students' young children. Ginger Norvell was a popular teacher in INCAEito. Joanne Grady, who had a background in television production, developed a special dance program for the children and organized activities for the poor children of her *barrio*.



Ginger Norvell with her Kinder Children

But the group was so talented and educated that they quickly threw themselves into a variety of other activities, contributing to Nicaragua and ultimately to their own careers.

Cathy Overholt, Deirdre Strachan, Judy Dean, Burdine Johnson Venghiattis and Ligia Marin were active in Providenic, a rural health program and vaccination program that had been started by Dr. Gustavo Parajon. Linda Bergthold organized an adoption program for children who had lost parents after the earthquake.

Fran Korten was a co-leader with Dave of the Family Planning Management Program and Deirdre worked with them as a researcher and NGO consultant.

Many, like Deirdre, Cathy, Linda and Nancy Felton, found their vocations as a result of this volunteer work. On returning to the United States they went on to get doctorates in public health and then high-powered careers as executives in family planning programs and the health sector.

Digression on the Importance of Fun



Piramid to Sarah:
Joanne (as clown), Lana, Jim, Mike,
Ken y Harry

For many of us INCAE was one of the hardest working periods of our lives. We had full time teaching loads, we were writing doctoral theses or major research projects, and additionally, we taught seminars, did consulting for extra money, and played administrative roles. My guess is that during the six years I was at INCAE, I probably averaged work weeks of seventy to eighty hours. It was a rare evening I wasn't preparing the next

INCAE Memories

day's cases or writing my thesis. Invariably I spent one day of the weekend catching up on work that had accumulated during the week.

But though we worked harder at INCAE than in later jobs, the workload didn't feel as onerous because we also laughed a lot and played hard! Having a maid gave us great freedom. If we had visitors or it looked like a meeting might go late, I'd often call to let Deirdre and the maid know I was bringing home visitors for supper. We'd finish our meeting with cocktails on the porch, then go in to dinner. Afterwards we'd often have an impromptu party. We had a special room in our house, empty of furniture except for Bose speakers and cushions on the rug floor. Heavy with dinner, we'd all go in lie on the rug and pillows and listen to music, some talking, some napping.



A picnic at Pochomil

On weekends a caravan of cars would travel down to Pochomil, a beach about an hour southwest of Managua. We would spend the day in the water playing with our children. Come

the evening sunset we'd be drinking rum and coke and eating red snapper prepared on an outdoor grill. When an occasional music group came to town we'd go to hear them. When the local painting school had an exhibition, we'd attend and buy art. After

Harry W. Strachan

the earthquake we commissioned some art from local artists as a way of getting them started again and were rewarded with pieces that have become quite valuable.

In the years after the earthquake, we adapted to the loss of the concert hall and movie theaters. We took a large cooler of beer and lawn chairs to the outdoor movie theatre and watched spaghetti westerns. It was also in the aftermath of the earthquake that we learned how to play poker.

Most famous of our social activities were the *despedida* parties. It became a tradition when a faculty member left to throw a going away party. For these parties we would generally write a three-act skit around the “this is your life” theme. The scripts for these skits were really skeleton outlines of the



Gary Bergthold

action. The dialog was left up to the imagination of the actors. Everyone at the party was pressed into service as a member of the cast, trading roles during the three acts. The cocktail hour was used to assemble costumes and agree on who was to play what role in what act -- also to get actors oiled up enough to play their roles uninhibitedly. Plot lines were predictable and risqué; the plays something of an affectionate roast.

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The Chorus Line: Dick Kraft, an INCAE friend, Ken Hoadley, Mike Bernhardt, Dick Montieth, Gary Bergthold, and Harry Strachan

The climax to each play was a chorus line, the audience shrieking in support. The chorus line progressed into a line dance snaking through the audience picking up everyone and getting to the dance floor. From there the dancing went on into the night.

Visiting scholars, foundation officials and family visitors, anyone and everyone was invited to these parties. Though I suspect Ernesto Cruz at times worried about the impression of INCAE they created, we soon found they were a great way to make loyal INCAEistas of our visitors. Years later, back in Boston, the friends we could most dependably count on to join in our parties were the friends from the INCAE days.

At Bain years later, another place where people work hard but have a lot of fun together, I confirmed that if a team is to work as hard as we worked in those early years at INCAE, and not burn out, you need to find ways to play together. Having a motivating vision is important, but equally important is having fun trying to achieve it.

Harry W. Strachan

CONCLUSION

INCAE's secret

In the 70s and early 80s we wanted to be the best business school in Latin America. However, I doubt, that most others would have so rated us. INCAE's great luck, which I can bear testimony to from my seat on INCAE's board from 1981 to 2006 is that rectors like Marc Lindenberg, Brizio Biondi-Morra, and Roberto Artavia have continued the special INCAE tradition started by the Harvard advisors and Ernesto Cruz that I have tried to describe in these stories. What is that tradition?

They have continued to recruit and develop the best faculty available. By any objective measure, INCAE's faculty has been stronger each decade, but INCAE's secret is not only having the best teachers or most prolific researchers.

They have invested in facilities and systems, and each decade INCAE's infrastructure and management has improved, but INCAE's secret is not only in its modern facilities or its management.

They have improved student recruiting and financial assistance and each decade has seen better qualified students entering the MAE, the MAEX, and the Seminar Programs but INCAE's secret is not only the quality of its incoming students.

The real secret, I would argue, is that INCAE's leadership and faculty have all shared a vision that INCAE must be more than a school. It must be a major facilitator for problem solving in our region. It is a vision that rests on a belief that development requires more, not less, in the way of excellence in teaching, research and management.

INCAE has also recognized that crises are an inevitable part of our environment and that while the threats are real, each crisis brings unique opportunities. The crisis reveals, often in a stark way, the urgent needs in our societies. INCAE has been a creative participant in solving these needs and paradoxically, it has been strengthened in the process. Because INCAE has been so relevant, people have been unwilling to let it die.

As I pass my 65th birthday and step down from INCAE's board, I want to thank both the School and all my colleagues for what they have meant to me. Most of my closest friends in one way or another have their roots in INCAE. My thinking on education, strategy, government, and development has been decisively shaped by my INCAE experiences. INCAE gave my career a huge boost; it led to opportunities that have greatly exceeded my expectations.

For the rest of my life, many of the contributions made possible by INCAE will be the ones I remember with greatest personal satisfaction.

DEDICATION

To my father, Robert Kenneth Strachan
(1910-1965)



Robert Kenneth
Strachan

A missionary statesmen

*A social entrepreneur, whose legacy
continues to this day*

*An effective leader, mentor and role
model to many*

*A man of deep personal integrity,
humility and warmth*

He died as INCAE was being born. In my early years as Academic Director, I often wished we could meet to discuss the situations I was facing. I tried to imagine how he would respond to them.

One example In early 1981, as Rector, I felt it critical to mobilize the support of the staff under great pressure. Without much thought I set up meetings with each administrative department of the school. Rather than calling everyone to a big meeting in a classroom, I went with the Administrative Director to visit the small groups in their places of work: the cleaning women in

the dorms, the mechanics at the garage, the kitchen staff in the dining room. In each meeting I shook hands with each person. I'd repeat their name and generally try to ask something personal about their job or their family. Then I'd explain to the small group INCAE's situation, which was difficult, as briefly and simply as possible. I'd describe the strategy we were trying to implement, some parts of which might be threatening to them. I'd thank them for what they'd done in the past, re-affirm our commitment to them, explain why their work was important to our success and ask for their support. I also tried to answer their questions honestly.

In one of these sessions, at the car pool with the drivers and mechanics, I saw myself, as if from on high, shaking hands, tilting my head to hear better, asking the personal questions in a humorous way. Suddenly I realized that I was copying my father's style, even down to some of his mannerisms. Unconsciously when I was put in a leadership situation, he was the model I tried to follow. It's a model that has served me well.

In a conventional sense, I did not pick up the family mantle and become a religious missionary, but I recognize that, in ways that go deeper than my consciousness, my involvement with Latin America and INCAE has been a way of adding to his legacy which I admire so much.

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