

Eggert Gudmundsson (MBA '97, AMP '12)

“We’d pay a high price if we joined the EU”

STEPHEN
BURGEN

Eggert Gudmundsson trained as an engineer but shifted into marketing before becoming CEO of one of Iceland’s largest retailers and fuel suppliers. He talks to the magazine about leadership and why Iceland is steering clear of the European Union.

Eggert Gudmundsson is CEO of N1, one of biggest retail, service and distribution companies in Iceland. The company grew out of a chain of gas stations but now includes service stations and a range of retail services, as well as supplying fuel to airlines, the fishing industry and other big companies. He was until recently CEO of HB Grandi, one of the largest fishing companies in Iceland and a leader in its field. **Gudmundsson** is also vice-chairman of the Icelandic chamber of commerce.

What made you change jobs?

I’d been in the old job for about eight years. I was very happy there but when I got the call asking me to make the move I decided I wanted to take on new challenges. The retail aspect is new to me so it’s been a bit of a learn-



ing curve. I've been in the job for four months now and I spent a lot of time visiting all our locations around the country and talked to staff and then I spent time analysing the information to see what could be improved. We have started to reorganize the company to be more customer-focused. My background is in electrical engineering and I worked for five years as an engineer in Iceland. I was developing products and gradually moved towards marketing these products and, although an engineer, I migrated into marketing and then to the MBA at IESE and one thing led to another.

Quite a few CEOs have engineering backgrounds. Why do you think that is?

I think engineering is a good background for anyone who wants to run a company because you are trained to think systematically and not only with numbers but the inter-

relationship between numbers. It's goal-oriented. In engineering you deal with cause and effect and you are trying to achieve a certain result and that is very much what you do in business.

Iceland has a population of some 320,000. What are the pros and cons of being a small country in an increasingly globalized world?

There are benefits to being a small country in that you can be nimble - sometimes too nimble, which is partly what led to the banking crisis. And it's easier to link up with other companies and other countries. We have over capacity in many sectors. For example, we have far too many retail outlets to serve the local market. So to be more profitable you have to look at foreign markets. This is what both the fishing companies and the most advanced industrial companies are doing and in many cases Iceland is just a small

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fraction of their business, although they still have their headquarters here.

Iceland was badly hit by the crisis and yet the nation has responded with what many see as admirable defiance.

What happened here was the banking system had grown completely out of proportion. There was no way the country could take over the banking debt so at the end of 2008, when everything was crashing around us, we had to take some special measures. The authorities have handled the situation reasonably well. We had some emergency loans from the IMF and neighboring countries to help us get through the storm and the clean up act has gone quite well. Iceland didn't default, the banks defaulted. What the country refused to do was to take responsibility for all the banks' debts. The government said it would cover some but not all of it because otherwise both the government and our currency, the krone, would have to default. Many people who put money into Icelandic banks with the hope of high return lost out.

Given the current situation, is it a good thing that Iceland is not in the euro?

Yes. After the crash it's helped us that we have been outside the euro and, although it has meant a drop in living standards, unemployment hasn't risen like in some European countries. This has been achieved through devaluation of the Icelandic krone which means, in terms of foreign currencies, salaries have gone down. It would be beneficial to have a stronger currency because it's difficult to have such a small fluctuating currency when you only have a population of 30,000 people. To get the euro we would have to join the European Union and the Icelandic government does actually have an application pending to join but no one believes this is real, partly because only one of the two coalition parties supports the idea.

What would Iceland gain from joining the EU?

I think it's very clear what we would get out of it. We would be getting the stability of a stronger currency, but

this would be damaging to the fishing industry which is still backbone of the Icelandic economy. I don't think it's in our interests to join, especially not now with all the problems that the European Union has. A majority of people would like Iceland to have the euro but equally a majority is opposed to joining the EU. We'd like to join the euro but the price would be too high. So what people are looking at is the possibility of adopting a different currency such as the U.S. or Canadian dollar or the Norwegian krone.

What have been the milestones in your career?

The biggest change was when I was working in Iceland and wondering whether to go further into marketing. My wife saw an article about IESE which looked very interesting so I decided to apply. I also got accepted by Insead and IMD but decided to go to IESE. After the MBA I was hired by Philips in Belgium where I worked for three years and then a further four with Philips in the States.

And then only last year you returned to do an AMP. Why was that?

I graduated in 1997 and I hadn't done any significant courses since then. I needed some kind of refresher. IESE gives you a broader outlook and helps you to understand a wide range of industries. That makes it easier to make the sort of transition I've made. It's like taking on a big case study – although with a lot more exhibits.

What are the most important qualities that contribute to good leadership?

You need to know where things are going and where they should be going. You can call it mission, vision, strategy – all those fancy names – but basically you need to know where you're going. Then you have to make sure you have the right people and that they make a good team and they have the right tools. And finally you need to let them get on with the job. If all the other things are in place, you shouldn't be micro-managing them and disturbing them in their work.