Journals

Pascual Berrone - Marianna Makri - Luis Gómez-Mejía

Abstract: After reviewing the literature surrounding the link between executive compensation and innovation activities of North American firms, we examine two gaps in the area. First, we analyze how contextual factors can affect CEO pay in high-technology companies. In particular, we study three contextual dimensions: political, economic and social. Second, we consider the specific case of executive compensation in high-technology firms when family ties are present at the helm. Drawing on agency rationale and previous research, we develop a series of instrumental propositions intended to provide the theoretical basis for a future research agenda in the area.

Roberto García-Castro - Miguel A. Ariño - Miguel A. Rodríguez - Silvia Ayuson

Abstract: Corporate governance (CG) can be seen to operate through a ‘double agency’ relationship: one between the shareholders and corporate management, and another between corporate management and the firm’s employees. CG and labour management are closely related. A particularly productive way to study how CG affects and is affected by the employment relationship has been to compare CG across countries. The contributions of our paper to that literature are threefold. 1) We integrate aspects of the labour management literature in the CG debate. 2) Based on a sample of about 1000 firms from 31 countries, we find evidence of complementarities between CG and labour management. Extreme cases tend outperform mixed cases. 3) Firm differences within countries are more important than scholars have assumed so far. We present the results of the study and implications for future research and for practice.

Toni Dávila – Daniel Oyon

Abstract: An important purpose of an applied research field, such as management accounting, is to be of relevance to organizations and society, not only to academic journals. This objective is achieved through the creation and advancement of knowledge regardless of the assumptions about the ontology of the social world, epistemology, methodologies and human nature. Leveraging diversity can only bring richer knowledge. However, as management accounting researchers, we can be criticized for working too much within our silos and attempting to leverage the benefit of specialization in search of an incremental contribution to our particular research school. The fact that conversation across research schools is growing is a hopeful sign for the future of our field in the 21st century. Inspired in the comments that lead to this paper, we argue that serving society starts with grabbing the attention of the people we are supposed to serve. This may be achieved through research journal articles, but it is more likely to happen through teaching and knowledge diffusion that forces journals to open their pages to diverse research traditions.

Pankaj Ghemawat
Abstract: This paper aims to provide a personal perspective on the extent to which business schools have globalized what they teach and to make content- and process-related suggestions about how to make further progress.


Abstract: Using samples of managers drawn from five Western countries, we tested a theoretical model linking employees’ perceptions of their work environment’s family-supportiveness to six different dimensions of work-family conflict (WFC), and to employees’ job satisfaction, family satisfaction and life satisfaction. Our results are consistent with a causal process whereby employees working in an environment viewed as more family-supportive experience lower levels of WFC. Reduced WFC then translates into greater job and family satisfaction, followed by greater overall life satisfaction. These findings were generalizable across the five samples.

Javier Gómez – Germán López


Abstract: We study the importance of homogeneous accounting data when testing international versions of asset pricing models. Specifically, we focus on a pricing model commonly used by practitioners (the Fama-French three-factor model) which uses accounting information and has traditionally performed poorly at the cross-country level. We show that international versions of the model perform significantly better if the accounting information is homogeneous across firms. We apply the model to a set of firms that follow common accounting standards (the IAS/IFRS) and also to firms that have issued ADRs in the US (and that therefore must report following both US GAAP and their own domestic standards). In both cases our results show that the accounting dimension is relevant: the use of homogeneous accounting measures allows for much higher goodness-of-fit of international versions of the three-factor model, at levels similar to those of domestic versions and superior to those of non-homogeneous versions. This suggests that further accounting homogeneity could lead to more accurate pricing and valuation of international assets and to an improvement of the efficiency of international fund allocation.


Abstract: We analyze the effect of cross-country differences in accounting standards on the empirical performance of financial pricing models. We show how the lack of uniform accounting standards across countries generates inconsistent estimates of the model parameters and leads to rejection of the validity of the model. As an empirical application, we analyze how differences in accounting standards affect the performance of the Fama-French (1993) three-factor pricing model. We show that the Fama-French model is accounting-specific: it works better the more homogeneous the data are in terms of accounting standards. This result has an important empirical corollary: the model accounts extremely well for the cross-country returns of firms following IASB standards. Our results have relevant policy implications that underline the advantages of accounting homogenization across countries.

Javier Gómez


Abstract: We examine the predictive power of term spreads as predictors of economic recessions in Europe and the US. Using a battery of methodologies that include endogenous changepoint detection we find that the predictive power of spread-type variables has changed significantly during the 1980s and 1990s: in the most advanced countries the domestic spread has lost its informative content in favor of international (US and German) spreads, whereas in less developed countries this informational content has appeared during the late 1980s. Given the theoretical arguments for the predictive power, these findings suggest that domestic monetary policy may have become less effective in the most developed countries in the sample.

Nuria Mas – Janice Seinfeld


Abstract: This paper examines the effect that managed care activity (aimed at controlling health care expenditure) has on the adoption of technologies by hospitals. We analyze annual data on 5,390 US hospitals for the period 1982-1995 and look at the adoption of 13 different technologies. Our results are threefold: First, we find that managed care has a negative effect on hospitals’ technology acquisition for each of the thirteen medical technologies in our study and that its effect is stronger for technologies that diffused in the 1990s, when the managed care sector was at its largest. If managed care enrollment had remained at its 1984 level, there would be 5.3, 7.3 and 4.1 percent more hospitals with diagnostic radiology, radiation therapy and cardiac technologies, respectively. Second, we find that the rise in managed care leads to long-term reductions in medical cost growth. Finally, we take into account that profitability analysis is one of the main dimensions considered by hospitals when deciding
about the adoption of new technologies. In order to determine whether managed care affects technologies differently if they have a different cost-reimbursement ratio, we have created a unique data set with information on the cost-reimbursement for each of the thirteen technologies and we find that managed care enrollment has a considerably larger negative effect on the adoption of less profitable technologies.

**Domènec Melé - Marcelo Paladino**


**Abstract:** Corporations which provide services such as water, sewage disposal and electricity in poor countries or deprived areas face political, social and economic problems which make it difficult to simultaneously serve the interests of shareholders and other relevant stakeholders. In this paper a case study is presented in which a company, Aguas Argentinas, promoted innovative and participative multi-stakeholder involvement which produced benefits for all parties. Key factors in the model employed were the generation of credibility and trust, the adaptation of management to the specific situation of deprived areas, stakeholder dialogue and participation. It is argued that understanding corporate citizenship as reciprocity and common effort in solving interdependent problems was fundamental to the success of the company in this case.

**Books**

**Joan Amat - Jon I. Martínez - Juan Roure**


**Abstract:** Competir en el siglo XXI exige poseer una dimensión empresarial importante, diversificar las líneas de producción, internacionalizar las actividades, profesionalizar los órganos directivos y de gobierno y ser líderes en I+D+i. Las empresas familiares deben adaptarse a estas exigencias del nuevo entorno económico mundial sin perder sus esencias, lo que supone adoptar estrategias específicas para ser competitivas en el futuro. En esta obra, que incluye una serie de artículos de diversos autores, se analizan en una primera parte las ventajas competitivas de las empresas familiares con el fin de potenciarlas y, en su caso, adaptarlas a los nuevos requerimientos, con especial atención a la renovación del espíritu emprendedor entre generaciones. En la segunda parte, se aborda el diseño de instrumentos estratégicos específicos que permitan dotar a estas empresas de las necesarias capacidades competitivas. Finalmente, en la tercera parte, se ofrecen alternativas para mejorar la posición competitiva, desde el uso de instrumentos financieros a la optimización de los órganos de gobierno de la empresa y la familia, pasando por promover el espíritu emprendedor. La obra incluye, además, la presentación de casos de empresas nacionales e internacionales.

**Cosimo Chiesa**


**Abstract:** ¿Se ha encontrado con que, de la noche a la mañana, decenas de nuevas personas dependen de usted? ¿Ha intentado controlar a un grupo de personas acostumbradas a funcionar por libre? Pedro, el protagonista de esta historia, se topa con estas situaciones cuando la empresa en la que trabaja desde hace cinco años decide ascenderle a director comercial. Pedro aceptará el puesto, pero antes pide ayuda a su amigo Enrique, un experto en la materia que le desgrana las claves del liderazgo comercial. El resultado de sus sesiones de trabajo se traduce en 40 buenos consejos y aparece agrupado en seis capítulos.

**Rafael de Santiago**


**Abstract:** Although the assumption of constant volatility is a reasonable approximation for some markets, in the last two decades the need for more general, non-constant volatility models has been the driving force behind numerous works in Financial Mathematics. In this book we study systems that arise in interest-rate markets when the volatility of the short rate is modeled as a function of two mean-reverting diffusions that vary on different scales. This allows us to capture a rich variety of volatility patterns. In the last part of the book the analysis is extended to other areas, including Value-at-Risk, in which similar systems arise when the volatility is modeled as a stochastic process. The book is aimed at researchers in Mathematical Finance and practitioners who would like to gain a better understanding of how to include stochastic volatility in their models.

**Contributions to books**

**Antonio Argandoña**


**Abstract:** Responsibility is primarily a legal and ethical concept. In the context of corporate social responsibility, which is voluntary (though not discretionary, but normative), the ethical conception predominates. In this article I propose, first, a moral, then a social, foundation for corporate responsibility. I discuss the (economic,
social and ethical) content of that responsibility and toward whom it is to be exercised.


Abstract: Los problemas de la economía mundial no se podrán resolver sin una participación activa de las empresas, que son un importante motor de transformación del mundo en la era de la globalización. Y esto debe concebirse no como un añadido a lo que las empresas deben llevar a cabo por su naturaleza, sino como una parte integral de la misma y, por tanto, dentro de sus responsabilidades. Este trabajo explica en qué consisten esas responsabilidades –lo que se viene llamando desde antiguo la responsabilidad social de la empresa–, a partir de lo que es y lo que lleva a cabo esa institución económica. Se discute el papel del beneficio y la concepción económica de la empresa y los “modelos” de empresa que se proponen en la literatura, para acabar con un análisis de la visión de la empresa en la doctrina social de la Iglesia católica, mostrando su adecuación a los modelos más avanzados mencionados antes.

Manel Baucells - Rakesh K. Sarin

Abstract: Why do we believe that more money will buy us more happiness (when in fact it does not)? In this paper we propose a model to explain this puzzle. The model incorporates both adaptation and social comparison. A rational person who fully accounts for the dynamics of these factors would indeed buy more happiness with money. We argue that projection bias, i.e. the tendency to project our current reference levels into the future, precludes subjects from correctly calculating the utility obtained from consumption.

Projection bias has two effects. First, it makes people overrate the happiness they will obtain from money. Second, it makes people misallocate the consumption budget by consuming too much at the beginning of the planning horizon, or consuming too many adaptative goods.

Kwang-Kuo Hwang - Wei-yuan Cheng - Yih-teen Lee

Abstract: This chapter provides a brief description of Confucian Relationalism and discusses how it can help understand various types of organizational culture in Chinese private and public business. We first present a model of “Face and Favor”, developed by Hwang (1987), in which specific Chinese concepts such as guanxi and renqing are discussed and integrated in the more general framework. Secondly, we use this model to analyze the deep structure of Confucianism. The concept of Confucian relationalism is closely connected with various manifestations of organizational culture. We put forward a classification system for various types of business organization in Chinese society, namely patrilinealism, patriarchalism, paternalism, market despotism and monopoly (oligopoly). Finally, we explain the coexistence of different cultures in large Chinese family businesses in line with the proposed framework.

IESE - Working Papers

NOTE: Working papers may be consulted on the Internet at http://wwwapp.iese.edu/research/res_search_adv.asp?lang=en

No 756 - July 2008
Antonio Argandoña - Joaunt Fontdona - José R. Pin
Pilar García Lombardía
EL PERFIL EMERGENTE DEL DIRECTIVO DE RSC

Abstract: La RSC (responsabilidad social corporativa) constituye un criterio transversal que define una nueva forma de gestionar las organizaciones, mirando más hacia la necesidad de sacrificar eficacia presente a favor de beneficios futuros a largo plazo. ¿Son –o deberían ser– los responsables de RSC agentes de cambio en sus empresas?

No 757 - July 2008
Pablo Fernández
THE EQUITY PREMIUM IN 100 TEXTBOOKS

Abstract: I review 100 finance and valuation textbooks published between 1979 and 2008 by authors such as Brealey and Myers, Copeland, Damodaran, Merton, Ross, Bruner, Bodie, Penman, Weston, Brigham and Arzac and find that their recommendations regarding the equity premium range from 3% to 10%. I also find that several books use different equity premia on different pages.
Some of the confusion arises from not distinguishing among the four concepts that the term equity premium designates: historical equity premium, expected equity premium, required equity premium and implied equity premium. Finance textbooks should clarify the equity premium by providing distinguishing definitions of these four concepts and conveying a clearer message about their sensible magnitudes.

No 758 – July 2008
Federico Marinelli
PERSISTENCE OF OUTSTANDING PERFORMANCE AND SHAREHOLDER VALUE AMONG DIVERSIFIED FIRMS: THE IMPACT OF PAST PERFORMANCE, EFFICIENT INTERNAL CAPITAL MARKET, AND RELATEDNESS OF BUSINESS SEGMENTS

Abstract: The research domain that attempts to study the relationship between diversification and performance has not yet reached definitive and interpretable findings. Recent studies challenge the existence of a “diversification discount” and explain it partially as a data artefact. None of these studies center their research on the question: does a specific performance pattern exist among diversified firms? This research aims to identify persistence in performance heterogeneity by measuring the shareholder value creation of diversified firms using alternative indicators other than the excess value methodology. It also aims to measure how the efficiency of the internal capital market and the relatedness of business segments impacts on performance. We examine a sample of 164 diversified firms with turnover greater than $1 billion during the 1999-2006 period. Because of the presence of the firm-specific effect and the length of the time series, the persistence performance is tested through the instrumental variables (IV) system generalized method of moments (GMM) dynamic panel data, while the persistence of shareholder value creation and destruction is estimated according to different estimators from top tercile and lower tercile portfolios of diversified firms. Some diversified firms persistently create value and beat the market index, while others persistently underperform. Finally, if the efficiency of the internal capital market has some power to explain the performance pattern, albeit limited compared to past performance, important insights may be drawn from the finding that diversified firms with segments in a large number of unrelated industries perform better than others in fewer industries or with a large number of segments; hence, the inverted-U curvilinear relationship between diversification and performance is not confirmed.

No 759 – August 2008
Steven P. MacGregor – Joan Fontrodona
EXPLORING THE FIT BETWEEN CSR AND INNOVATION

Abstract: An exploration of the fit or space between CSR and innovation is presented, based on the RESPONSE project, a 15-month study involving 60 SMEs throughout Europe. The main practical output of the project was the Social Innovation model, yet a conceptual understanding of CSR and innovation is best advanced through the three hypotheses that constitute the conclusions of the project: H1) The diffusion of CSR should be modelled on the diffusion of innovation; H2) CSR implementation and innovation can be configured to form a virtuous circle; and H3) There is a maturity path toward true integration of CSR and innovation. These three hypotheses inform, respectively, on the background, results and development of the project. H1 is framed within the context of the original European Commission call and proposal; H2 ties in with the Social Innovation model; and H3 is discussed in the light of a short case involving a high-performing SME. Since the hypotheses were the result of the project, we do not attempt to prove them here, but discuss their significance, with the idea that further research and community development will fully evaluate their accuracy.

No 760 – August 2008
Pablo Fernández
VALORACION DE OPCIONES REALES: DIFICULTADES, PROBLEMAS Y ERROSORES

Abstract: Las fórmulas de valoración de opciones financieras se basan en el arbitraje (la posibilidad de formar una cartera réplica, esto es, que proporciona unos flujos idénticos a los de la opción financiera) y son muy exactas. Sin embargo, veremos que muy pocas veces tiene sentido utilizar directamente estas fórmulas para valorar opciones reales, porque las opciones reales no son casi nunca replicables. Sin embargo, podemos modificar las fórmulas para tener en cuenta la no replicabilidad (véase Apartado 7). Los problemas con los que nos encontramos al valorar opciones reales son: 1) dificultad para definir los parámetros necesarios para valorar las opciones reales; 2) dificultad para definir y cuantificar la volatilidad de las fuentes de incertidumbre, y 3) dificultad para calibrar la exclusividad de la opción. Estos tres factores hacen que la valoración de las opciones reales sea, en general, difícil, y casi siempre muchísimo menos exacta y más cuestionable que la valoración de las opciones financieras. Además, es mucho más difícil comunicar la valoración de las opciones reales que la de un proyecto de inversión ordinario, por su mayor complejidad técnica.

No 761 – August 2008
Pablo Fernández
PRIMA DE RIESGO DEL MERCADO UTILIZADA: ENCUESTA 2008

Abstract: Este documento resume 424 respuestas a una encuesta por correo electrónico realizada a directivos de empresas, y a profesores de finanzas y escuelas de negocios en su mayoría españoles. Los resultados más relevantes de la encuesta son: gran dispersión de las respuestas (los profesores utilizan primas entre 3,5 y 10%, y las empresas, entre 2 y 30%); un elevado número de empresas no utilizan la prima de riesgo del mercado (bastañas de ellas utilizan un WACC mínimo, una TIR mínima... otras utilizan criterios como ebitda/ventas, PER...); la prima promedio utilizada por las empresas (6,3%) es superior a la utilizada por los profesores (5,5%); muchos profesores y directivos justifican la prima que utilizan con libros y artículos publicados (aunque con la misma
At first glance, it appears that in 2007, as in 2005, large firms give great importance to the total cost of ownership, while SMEs are more concerned about vendor support and vendor reputation. In a more complex analysis, however, focused on SMEs’ decision-making processes, it emerges that technology adoption may be influenced by “informational cascading”, leading to a “follow-the-pack” effect.

(Also available in Spanish.)

**No 67 – July 2008**

**Sandra Sieber – Josep Valor**

**LAS TIC COMO AGENTES DE CAMBIO EN LAS EMPRESAS ESPAÑOLAS Y SU EVOLUCIÓN EN EL PERÍODO 2005 A 2007 Y TENDENCIAS DE FUTURO**

Abstract: El estudio de las TIC como agentes de cambio en las empresas españolas y su evolución en el período 2005 a 2007 y tendencias de futuro, se realiza dentro del marco de un proyecto de escala mundial denominado BIT (Business and Information Technologies), dirigido por la Anderson Business School de UCLA. Tiene como objetivo obtener indicadores globales que permitan describir los cambios que experimentan las empresas y los sectores económicos con la introducción de nuevas tecnologías. Al ser la segunda edición del estudio, permite hacer comparaciones con los resultados del estudio de 2005 y evaluar si se han experimentado cambios significativos en cuanto al uso y adopción de tecnologías en empresas españolas.

**Other publications**

**Antonio Argandoña**


Abstract: Les empreses tenen, cada vegada, una participació més freqüent en la promoció de la cultura, l’art i la ciència; unes vegades finançant projectes i d’altres implicant-se en la promoció directa o en la gestió d’activitats culturals. Aquest article analitza les causes i formes d’aquesta participació de les empreses en la cultura mitjançant tasques de mecenatge, patrocini o filantropia. S’ capacitat, en primer lloc, de les característiques del mercat de la cultura, de les principals formes adoptades i de les explicacions donades per a la participació de les empreses.

**Antonio Argandoña - Joan Fontrodona - José R. Pin - Pilar García Lombardía**


Abstract: Recoge un resumen del trabajo: “El perfil emergente del directivo de RSC”, publicado en 2008 por la Cátedra “la Caixa” de Responsabilidad Social de la Empresa y Gobierno Corporativo” y
el IRCO (International Research Center on Organizations). El directivo de RSC debe ser una persona con visión estratégica, capacidad de innovación, orientada al diálogo y el consenso, con gran capacidad de motivar y convencer.

Pankaj Ghemawat

Abstract: Los expertos sobre la globalización de los negocios rara vez examinan la cuestión de por qué son tantos los que siguen el impulso de la globalización. Aunque hay varios motivos para ello, quizás el más importante sea la tendencia generalizada a creer en un escenario apocalíptico en el que la globalización borra las fronteras o, de acuerdo con la jerga popular, aplanan el mundo. De ser cierto, esto habría obviado la pregunta "¿por qué?": piense en un océano azul que sumerge un mundo plano y promueve la expansión hacia todos los mercados principales simplemente porque están allí. No obstante, hablar de un mundo sin fronteras se convierte, tras el examen de los datos, en una gran torpeza global o "globaloney".

Luis M. Huete – José A. Segarra

Abstract: In its second season, Port Aventura faced the “champagne effect": a drop in the number of visitors, which is something that all theme parks and amusement parks tend to experience in their second year of operations, once the novelty has worn off. Port Aventura decided to try to avoid this effect. In fact, their plans were more ambitious: to attract more than 3 million visitors, improve the yield of the project and create the best possible conditions for shareholders, so that they would be willing to support the next steps in the project. The case allows for discussion of the business initiatives and service improvements implemented at Port Aventura and compares the approaches adopted by Port Aventura and Disneyland Paris.

José R. Pin – Pilar García Lombardía – Angela Gallifa – Miguel Quintanilla


Joan E. Ricart – Pablo Agnese
"La deslocalización de servicios: una perspectiva global y local", Nota d’Economia, Departament d’Economia i Finances, Generalitat de Catalunya, No 90, 1r quadrimestre, 2008, pages 69–83.

Abstract: En els darrers anys s’ha parlat molt sobre el offshoring i el outsourcing; no obstant, encara només molts antics del consens empresarial d’acord amb el que realment vol significar. A més a més, els treballs empírics son pocs ara per ara, i fins i tot ambigus, en especial en allò que fa referència a les conseqüències sobre l’ocupació. Del que no hi ha dubte és que la tendència en dècades recents d’un offshoring esbiaxat vers el sector serveis, com etapa ulterior del fenòmen. Aquesta evolució suposa l’implicació d’activitats de més gran valor agregat en les estratègies d’offshoring de les empreses. Es en aquest context que intentem traçar algunes impressions generals per els àmbits espanyols i catalans a partir d’un estudi portat a terme a l’IESE que recull, entre altres coses, les percepcions dels empresaris en quant als principals perills i determinants associats al offshoring de serveis.

Conferences and Seminars

Aïfrica Ariño
On July 1–3, attended the 2008 AIB Annual Meeting in Milan, where she acted as panelist of the Academy of International Business PhD Consortium and spoke about "Academic life (in Europe)".

She has also been elected a member of the Executive Committee of the Academy of Management Business Policy and Strategy Division.

Julie Battilana
On July 9–12, attended the 24th EGOS Colloquium in Amsterdam, where she presented the paper "The embeddedness of social entrepreneurship: Understanding variation across geographic communities", co-authored with Tina Dacin, Johanna Mair and Christian Seelos.

The same paper was presented on August 3–6 at the 2008 AOM Annual Meeting in Anaheim.

Manel Baucells
On July 13–18, attended the 2008 IFORS Annual Meeting in South Africa, where he presented the paper "Predicted and actual utility in consumption-payment decisions", co-authored with Silvia Bellezza.

Abstract: We introduce a formal model of anticipation and recall utility. The model integrates three behavioral findings: hyperbolic effect in anticipation of an event, reference dependence for the event utility, and peak effects on recall utility. As utility from
anticipation elevates expectations, the event utility is lower. As the utility from recall is driven by surprise (reality minus expectations), increasing utility from anticipation may reduce utility from recall. Under certain parameters, we find that holding negative utility from anticipation may maximize total utility. This optimal solution is consistent with the hubris-catharsis pattern, which has been ubiquitous since the times of the Ancient Greek tragedies, in literature, movies, even theme park design.

Pascual Berrone
On July 9-12, attended the 24th EGOS Colloquium in Amsterdam, where he presented the paper “Strategic use of CSR as a signal for good management”, co-authored with Anil Akpinar, Yiyi Jiang, Luis Gómez-Mejia and Judith Walls.

Abstract: More than thirty years of research exploring the link between corporate social responsibility (CSR) and corporate financial performance (CFP) could not provide a satisfying resolution to the tension between economic and social objectives. In this paper, we contribute to the existing CSR literature both theoretically and empirically. On the theoretical side, we challenge the assumption that managers consider all stakeholders equally important, contending instead that managers prioritize stakeholders. We also extend agency theory by suggesting that CSR may actually reduce monitoring costs, as it has informative value about the quality of management. On the empirical side, we propose a stakeholder-weighted CSR which will alleviate the “stakeholder misalignment” problem, which is said to be one of the reasons why the results about the relationship between CSR and CFP are inconclusive.

Rolf Campos
On July 10-12, attended the Society for Economic Dynamics Annual Meeting in Cambridge (MA), where he presented the paper “Risk-sharing and the probability of crises”.

Abstract: This paper finds that heterogeneity in risk aversion within the population amplifies the effect of the business cycle on the probability of a bank run. In particular, risk-sharing enhances the likelihood of bank runs during bad times. The novel insight is that when there is a risk-sharing motive, fundamentals drive not only individual behavior, but also which individuals are more relevant for the likelihood of a crisis. Additionally, the paper characterizes the bias in the estimation of the probability of a banking crisis when heterogeneity is neglected and shows how to correctly calculate the social value of deposit insurance when depositors differ in their risk aversion.

Marlene Castro (PhD Student)
On August 5-8, attended the 3rd World Conference on Production and Operations Management in Tokyo, where she presented the paper “A framework for assessing the impacts of customer contributions in service delivery”, co-authored with Alejandro Lago and Philip Moscoso.

Abstract: Services use customer inputs and require customer involvement throughout the production process. Recent developments in ICT have diversified service interaction modes and amplified the scope for operations to be transferred to the customer. However, this can be a complex decision because increasing customer participation frequently implies tradeoffs between process efficiency and customer perceived value. We still lack a comprehensive approach to deal with decisions about the optimal extent of customer participation in service operations. In this paper we develop a framework to support such decisions. We organize the paper in three parts. First we identify the characteristics of services that are relevant from an operations point of view. In the second part we characterize service delivery alternatives regarding their requirements for customer contribution and effort. Finally, we identify the main decision variables involved in the evaluation of customer participation alternatives.

Fabio Z. Cerquinho (PhD Student)
On August 5-8, attended the 3rd World Conference on Production and Operations Management in Tokyo, where he presented the paper “The supply risk construct and measurement issues”, co-authored with Marc Sachon.

Abstract: Risk management applied to upstream industrial relationships is an urgent and incomplete topic of research. Among others, Ritchie and Brindley (2007) concur that “the incorporation of risk constructs and risk management responses into supply chain management is timely and reflects both theoretical imperatives and practitioner requirements”. Starting from the traditional and widely used Kraljic portfolio model (Kraljic, 1983) for segmenting and evaluating suppliers, we tackle the unsolved problem of supply risk measurement (Gelderman and Van Weele, 2003). First, we review the literature regarding conceptual and empirical studies of supply risk (e.g., Zsidisin, 2003) and propose an alternative definition for this construct. We try to avoid the ambiguity that often is present in studies related to risk analysis (Aven et al., 2004) and take a supply risk definition that is compatible with a classic quantitative risk approach: Risk = f (probability, losses) (Kleindorfer and Saad, 2005). Second, drawing on diverse theoretical streams of buyer-seller relationship studies taken from the strategy and marketing fields (e.g., Heide and John, 1992; Dyer and Singh, 1998; Grover and Malhotra, 2003), we offer propositions about antecedents and/or substitutes for the supply risk construct. The empirical part is carried in the context of a multinational firm in the cosmetics industry, with a supply base of 400 direct material suppliers and about fifteen thousand SKUs. We collected a very comprehensive amount of qualitative and quantitative data, taking critical direct items and related main supplier as our unit of analysis. The data analysis was done with cluster statistical techniques in order to calculate and compare five alternative options for the supply risk construct. To the best of our knowledge, this is the first attempt to apply a solid theoretical lens to define, calculate and compare a variety of supply risk constructs. Conclusions, managerial recommendations and research limitations are offered at the end.
Fabrizio Ferraro
On August 3–6, attended the 2008 AOM Annual Meeting in Anaheim, where he presented the following papers:


Abstract: This paper contributes to the literature on industry architecture by focusing on the emergence of “architectural advantage” and proposing a model of endogenous industry evolution. To understand how one firm can shape the industry architecture in its favor, we conduct a historical case study of the role played by Lew Wasserman and Music Corporation of America in the evolution of the motion picture industry in the United States. We focus on two major disruptive events: the 1948 “Paramount Decree”, which forced vertically integrated movie studios to divest their theaters, and the explosion of television as a novel form of entertainment in the 1950s and its diffusion as an alternative channel for the exhibition of movies. In both these cases, one company, Music Corporation of America, led by a very entrepreneurial CEO, Lew Wasserman, managed to substantially improve its standing in the industry by occupying and consolidating a position of advantage in the industry, in other words, an “architectural advantage”. We show how, in both these cases, this was the result of the interaction of the actions of the studios, constrained by the institutional logic of the industry and the regulatory framework, and Lew Wasserman’s introduction of novel industry practices (profit-sharing and packaging), which both consolidated his grip on talent and facilitated the growth of independent production and TV production.

"Sustainability reports and the material construction of socially responsible investment", co-authored with Daniel Beunza.

Abstract: Lodged at the difficult intersection of financial investment and social activism, the field of socially responsible investing has enjoyed phenomenal growth and popularity in this past half decade. The assets under management held by responsible funds in the United States have risen from $639 billion in 1995 to $2.29 trillion in 2005. Indeed, almost ten percent of the assets under management held by responsible funds in the United States have risen from $639 billion in 1995 to $2.29 trillion in 2005. Indeed, almost ten percent of the assets under management held by responsible funds in the United States. We focus on two major disruptive events: the 1948 “Paramount Decree”, which forced vertically integrated movie studios to divest their theaters, and the explosion of television as a novel form of entertainment in the 1950s and its diffusion as an alternative channel for the exhibition of movies. In both these cases, one company, Music Corporation of America, led by a very entrepreneurial CEO, Lew Wasserman, managed to substantially improve its standing in the industry by occupying and consolidating a position of advantage in the industry, in other words, an “architectural advantage”. We show how, in both these cases, this was the result of the interaction of the actions of the studios, constrained by the institutional logic of the industry and the regulatory framework, and Lew Wasserman’s introduction of novel industry practices (profit-sharing and packaging), which both consolidated his grip on talent and facilitated the growth of independent production and TV production.

Joan Fontrodona
On July 15–18, attended the 14th ISBEE World Congress in Cape Town, where he presented the paper “FC Barcelona and Unicef: An Innovative Sponsorship Alliance in favor of the Development Millennium Goals”, co-authored with Alejo J. Sison.

Abstract: In 2003, following the election of a new management team and in a very delicate financial situation, FC Barcelona’s members, who owned and governed the club, authorized management to actively seek and sign a sponsorship deal for the team’s shirt. The case presents the history of FC Barcelona, the recent events that brought in a new management team and the strategic plan that was implemented to improve the sporting and financial results. The case focuses on the decision to seek a sponsorship contract for the team’s shirt and the process of selecting the partner. It illustrates the reputational risk involved in choosing a partner for a strategic alliance and the innovative approach adopted in the agreement between FC Barcelona and Unicef.

Roberto Galang (PhD Student)
On August 3–6, attended the 2008 AOM Annual Meeting in Anaheim, where he presented the paper “State regulation and market development: Why markets exist in certain countries but not in others”.

Abstract: This paper extends arguments on why markets develop in certain countries but not in others by analyzing how state regulation moderates the impact of transaction costs on market development. I argue that by controlling corruption, defining property rights, enforcing contracts and reducing uncertainty, efficient state institutions facilitate market development by changing the relative governance costs of markets versus hierarchies, leading to an increased likelihood that parties will transact in the market. However, this relationship is only relevant for goods that have substantial inherent transaction costs.

Using a seven-year, 40-country dataset on three types of financial cards with differing levels of asset specificity and uncertainty, I find empirical evidence suggesting that improved regulatory efficiency increases per capita circulation of credit cards and, to a lesser extent, debit cards, but not ATM cards. This result provides empirical support for the premise that state regulation affects the development of markets for goods with significant transaction cost characteristics.

Javier Gómez
On August 3–6, attended the 2008 American Accounting Association Annual Meeting in Anaheim, where he presented the paper “Accounting measures and international pricing models: Justifying accounting homogeneity”, co-authored with Germán López.

Abstract: (See page 2).
Lisa Hehenberger (PhD Student)
On July 9-12, attended the 24th EGOS Colloquium in Amsterdam, where she presented the paper "How resources are mobilized when logies are transferred from one field to another".

Abstract: The overall aim of my research is to connect institutional theory and social movement literature. Social movement literature on resource mobilization adds a strategy dimension to institutional theory, sometimes criticized for its lack of attention to agency in general (DiMaggio, 1988) and strategic behavior in particular (Covaleski and Dirsmith, 1988).

There are numerous studies of logic transfer (Rao et al., 2003; Scott et al., 2000), but few take into account the possible co-existence of various logics within a single field. I view an organizational field as a complex arena of discourse, including various groups of actors who promote and defend multiple logics (Lounsbury, 2007). My study addresses the gap in the literature of studying how a new logic is introduced into a field without displacing the old "dominant" logic. Specifically, I look at the strategic action in terms of resource mobilization when a new logic is introduced into a field. My aim is to unpack the strategies of resource mobilization in a field where some actors are promoting a new logic, some actors are defending the old logic and others are borrowing parts of the new logic, combining them with the old logic. My research question is thus: How do organizations mobilize resources when an external logic is introduced into an organizational field?

On August 3-6, attended the 2008 AOM Annual Meeting in Anaheim, where she presented the paper "From concept to field: The evolution of venture philanthropy", co-authored with Johanna Mair.

Abstract: In this paper, we explore the role of professions and trade associations in theorizing new practices in an emerging field. Using a qualitative approach, we study the evolution of venture philanthropy from concept to field, a process that is led by venture capitalists. Central to the institutional work of these venture capitalists is the adaptation of practices that are familiar to them from the venture capital field to a new context, namely the social sector. We discover that whereas venture capital professionals create and use separate identities when moving from their original field to the new field but stick to adaptations of one set of practices, grant makers retain their original identity although they use venture philanthropy practices. A trade association, together with boundary spanners such as consultants and volunteers, tie together these two groups of professionals, so that despite divergent conceptualizations of venture philanthropy, common theorization of practices may occur and legitimacy of the field is raised. Our study informs our understanding of the interplay between professions and the theorization of practices during the evolution of a new organizational field.

Yih-teen Lee
On July 1-3, attended the 2008 AIB Annual Meeting in Milan, where he presented the paper "Toward a multilevel dynamic model of intercultural competences: an application for foreign students pursuing business education abroad", co-authored with Luciara Nardon.

Abstract: Following and supporting the globalization of business activities, an increasing number of students seek higher education abroad. We argue that their success in the foreign environment is not only dependent on their academic competences, but also on how well they can adapt to the new cultural context. A significant body of literature points to several complementary concepts dealing with individual competences required to navigate a global and/or multicultural environment, most of it focusing only on individual level constructs. In this paper we elaborate on this literature and introduce a multilevel dynamic model of intercultural competence, incorporating individual, group, institutional and national levels of analysis. We review current theories of cultural intelligence and intercultural competences and propose a multilevel model of intercultural competence, focusing on the special case of foreign students seeking higher education abroad. Implications for theory and practice are discussed.

On August 3-6, attended the 2008 AOM Annual Meeting in Anaheim, where he presented the paper "Exploring the relationship between dual cultural identities and intercultural effectiveness".

Abstract: The paper examines the relationship between dual cultural identities and intercultural effectiveness of international managers. According to the theory of biculturalism, individuals with dual cultural identities (biculturals) are supposed to adapt better to and perform more effectively in a culturally new environment because they may develop higher levels of cognitive complexity and flexibility, stronger motivation, and a wider behavioral repertoire for intercultural interaction, which represent three underlying dimensions of cultural intelligence/competences. On the other hand, it is hypothesized that improving one identity alone while the other identity is extremely weak may have a negative effect on performance. I investigated in particular the possible non-linear and non-compensatory effect of dual cultural identities (i.e., identity derived from one's culture of origin and identity acquired from host culture) on intercultural effectiveness in communication, cultural appropriateness, individual performance and group performance. I collected empirical data from managers with intensive international experiences in Switzerland (n = 84). Polynomial regression and the response surface method were applied to scrutinize the relationship between two cultural identities and various types of intercultural effectiveness. The hypotheses are generally supported. Possible ways to link dual cultural identities and theory of cultural intelligence/competences so as to render it dynamic and multilevel are discussed.

Heinrich Liechtenstein
On August 27-30, attended the 35th Annual Meeting of the European Financial Association in Athens, where he presented the paper "The attractiveness of Central Eastern European..."
countries for venture capital and private equity investors", co-authored with Alexander Groh and Karsten Lieser.

Abstract: We address the attractiveness of Central Eastern European countries for VC/PE investors by constructing a composite index. For the index composition we refer to the results of numerous prior research papers that investigate relevant parameters determining entrepreneurial activity and/or the engagements of institutional investors. We aggregate the index via five different methods and receive country rankings that vary only slightly, signalling a robust index calculation. We clearly identify six tier groups of attractiveness for all of our sample countries. We compare our index with actual fundraising activities in each country and find a reasonable correlation of both figures. The engagement of institutional investors. We aggregate the index via parameters determining entrepreneurial activity and/or the composite index. For the index composition we refer to the results European countries for VC/PE investors by constructing a single-period principal-agent setting, where the principal has two different relative performance weights for the two divisional performance measures.

Kandarp Mehta (PhD Student)
On August 3-6, attended the 2008 AOM Annual Meeting in Anaheim, where he presented the paper "Organizational creativity: Situation, system and sensemaking. A review of different theories".

Abstract: This review paper looks at all major theoretical approaches that address the question of how organizational creativity happens. The social-psychology approach emphasizes the impact of different contextual variables on individual creativity within an organization or a group. The system view and the multi-domain creative action theory (Ford, 1996) focus on how perception about receptivity of a field to new ideas influences an individual to take a creative action or a routine action. Sensemaking multi-level theory addresses the question of how periods of crisis change the frames of references of different groups and individuals and eventually motivate them to engage in or refrain from a creative problem-solving process. More recent approaches develop new taxonomies of creative behavior, link social network theory with individual creativity and differentiate collective creativity from individual creativity.

Domènec Melé
On June 30-July 2, attended the workshop "Humanizing the firm and the management profession", organized by the “la Caixa” Chair of Corporate Social Responsibility and Corporate Governance at IESE in Barcelona, where he presented the paper "Stakeholder-oriented management. Towards a more complete approach".

Abstract: The debate between shareholder and stakeholder normative theories for management has been going on for years but is far from over. This paper seeks to clarify the debate. Both approaches have their own view of the firm, which is closely related to their respective views regarding the purpose of the firm in society and their angle on corporate governance. This article suggests that, while both approaches present interesting insights, they are incomplete in their anthropological and ethical grounds. New directions are suggested, which would include a more complete model of the human being and a different view of the
firm and its purpose. Consequently, new orientations for corporate governance would be needed.

Antonio Moreno
On August 27-31, attended the 2008 European Economic Association Annual Meeting in Milan, where he presented the paper "Money demand accommodation in the US", co-authored with Javier Gómez and Fernando Pérez de Gracia.

Abstract: In this paper we account for the US Fed's response to money demand shocks by allowing for less-than-complete accommodation in the estimation of its monetary policy rule. We identify the path of money demand and money supply shocks and show their effects on the money market, output and inflation. Both money demand and money supply shocks have been considerably less destabilizing since 1984. We also find that monetary policy was significantly pro-cyclical in the '70s. Additionally, the price puzzle disappears for two of the three subperiods considered in the study.

Pinar Ozcan
On August 3-6, attended the AOM Annual Meeting in Anaheim, where she presented the paper "Origin of alliance portfolios: Entrepreneurial firms and strategic action".

Abstract: Portfolios of alliances are ubiquitous and influential for firm performance. Previous research indicates the attributes of high-performing portfolios and offers a deterministic account of which ties form and with whom. But it does not address how executives originate high-performing portfolios. We address this gap with an inductive case study of how six entrepreneurial rivals in the wireless gaming industry originate high- (and low-) performing portfolios. Our emergent theoretical framework emphasizes the role of agency and strategic action – i.e., how executives who visualize their portfolios in the context of the entire industry (not as a series of single ties) and form multiple, simultaneous ties are more likely to originate high-performing portfolios. In contrast, executives who follow the well-known deterministic account of dyadic interdependence and social embeddedness build mediocre portfolios. We also note insights into key concepts of resource dependence and network theories. We conclude that portfolios are grounded in the strategic choices that firms make to form ties with one another.

Fernando Peñalva
On August 3-6, attended the 2008 American Accounting Association Annual Meeting in Anaheim, where he presented the paper "The economic determinants of conditional conservatism", co-authored with Beatriz García Osma and Juan M. García Lara.

Abstract: We study the economic determinants of conditional conservatism. Consistent with prior literature, we find that contracting induces only conditional conservatism and litigation induces both conditional and unconditional conservatism. We extend prior evidence by Qiang (2007) by showing that taxation and regulation induce not only unconditional conservatism, but conditional conservatism as well. We show that in certain scenarios taxation and regulation create incentives to shift income from periods with high taxation pressure and high public scrutiny to periods with lower taxation pressure and lower public scrutiny. These income shifting strategies are implemented by recognizing current economic losses which, given their incentives to report aggressively, managers would not have recognized otherwise, or by delaying the recognition of current economic gains that they would have recognized had circumstances been different.

Matteo Prato (PhD Student)
On August 3-6, attended the 2008 AOM Annual Meeting in Anaheim, where he presented the paper "Standing out from the crowd: Exclusivity and community effect in security analysts' recommendations", co-authored with Fabrizio Ferraro.

Abstract: The network created by securities analysts and the stocks they evaluate functions as a prism, signalling and magnifying differences across stocks and analysts, and therefore operates as a platform to help both stand out. We argue that network positions affect analysts' propensity to positively value firms' stocks. More specifically, we uncover two structurally triggered evaluation biases (a "community effect", in which stocks are highly covered by analysts who themselves tend to cover the same firms, and an "exclusivity effect", in which fewer analysts cover a focal stock) which lead to higher average analyst ratings. These findings indicate that in mediated markets, in which critics intervene in the relationship between supply and demand by providing recommendations, firms may be better off building a selective community of analysts.

B. Sebastian Reiche
On June 30-July 3, attended the AIB Annual Meeting 2008 in Milan, where he presented the paper "Inpatriates' knowledge sharing at the HQ: The moderating effects of HQ absorptive capacity and inpatriate mentoring". This paper was selected for the Best Paper Proceedings and was nominated for the "Haynes Prize for the Most Promising Scholar".

Abstract: Viewing knowledge as rooted in individuals, this study investigates knowledge sharing in multinational corporations (MNCs) from an individual-level perspective. Specifically, I focus on inpatriates as a particular group of knowledge actors in MNCs and examine the role of inpatriates’ boundary spanning between their home unit and headquarters social ties for knowledge exchange. Based on a sample of 269 inpatriates in ten German MNCs, the study demonstrates that inpatriates’ individual efforts and perceived HQ staff efforts for knowledge sharing are positively influenced by inpatriates’ boundary spanning and that both perceived HQ absorptive capacity and inpatriate mentoring by HQ staff moderate this relationship.
On August 3–6, attended the 2008 AOM Annual Meeting in Anaheim, where he presented the following papers:

“A social capital perspective of knowledge sharing and career outcomes of international assignees”, co-authored with Anne-Wil Harzing and Maria L. Kraimer. This paper was selected for the Best Paper Proceedings.

Abstract: We propose that international assignees' social capital at MNC headquarters will have implications for their knowledge sharing and career outcomes. Drawing on a longitudinal study of 260 inpatriates assigned to MNC headquarters, we examined the antecedents of structural, relational and cognitive social capital within the headquarters and demonstrated that all social capital dimensions positively related to knowledge sharing mediated by inpatriates’ boundary spanning. We also found that inpatriates’ relational and cognitive social capital influenced their perceived career opportunities, which, in turn, affected their on-going organizational membership. The abovementioned relationship held over time, although in the case of relational social capital it was mediated by the on-going value of inpatriates' social capital.

“Knowledge and social dimensions of the innovation process: Individual and group-level perspectives”, co-authored with Eric Quintane and Mitch Casselman.

Abstract: Groups innovate through the exchange and recombination of knowledge as well as coalition building to promote new ideas. We conceptualize innovation as a process of idea substantiation that entails both a knowledge dimension, concerned with individuals’ accessing and recombining knowledge for content development, and a social dimension, aimed at reaching social acceptance of an idea within the group context. As such, we propose an innovation model that integrates knowledge-based and social perspectives and explores how knowledge and social network characteristics interact in influencing both substantiation processes.

He also organized and chaired the symposium "The emics and etics of trust building in manager-subordinate relationships: A cross-cultural journey". This symposium was selected as finalist for the Best International Symposium Award.

Alberto Ribera
On July 1–4, attended the 4th European Conference on Positive Psychology in Opatija, where he presented the paper "Personality development and management education", co-authored with Florencia Sortheix.

Abstract: This paper presents some results of a psychometric study using the Minnesota Multiphasic Personality Inventory (MMPI) in a population of 950 MBA students from 49 different countries and relating its major findings to the basic hypothesis of positive organizational scholarship and positive psychology. We emphasize the importance and relevance of character building and virtues development for young managers undertaking MBA programs. In particular, we refer to certain habits included in the list of “Character Strengths and Virtues” described by Peterson (2004) which, judging by our psychometric results, seem to need reinforcing and enhancing in this population: humility, modesty, kindness, generosity, loyalty, teamwork, equity, gratitude, forgiveness, sense of purpose, and spirituality. Furthermore, we present some results that indicate a poor level of self-knowledge in a significant percentage of our sample and other traits that may lead to self-deception. Thus, the orientation towards positivity should not neglect supportive feedback about weaknesses and limitations.

Jaume Ribera
On August 5–8, attended the 3rd World Conference on Production and Operations Management in Tokyo, where he presented the following papers:

“The evolution of the hospital accreditation system in Catalonia (Spain): A review of 26 years of experience”, co-authored with Mª Lluïsa López and Rafael Manzanera.

Abstract: The paper describes the 26 years’ experience in acute hospital accreditation in Catalonia, an autonomous community in Spain whose government has full responsibility for health care policy making and implementation. The accreditation program, which is voluntary, was initially linked to the purchasing of publicly funded but largely privately provided health care services. The paper starts by reviewing the concept of hospital accreditation, a process that is key to improving the quality of the services provided to citizens. The first regional accreditation program in Europe started in Catalonia in the 1980s and such programs have grown faster in WHO/Europe than in any other region in the world. We review the context in which this initial program started and how it developed, focusing on the results obtained over the years. The paper also looks at the most recent accreditation model, which differs in significant respects from earlier versions. The current program, based on continuous improvement, is modeled on similar systems in other industries in Europe and has been adapted to the health care industry to provide both accreditation standards and improvement guidelines. The paper describes the adaptations required to transform an administrative process, traditionally performed by national health system personnel, into one that involves outsourcing key public administration roles. It describes how the bodies tasked with auditing the accreditation process in public and private hospitals were created and explains the supervisory role retained by the Catalan Department of Health.

“Learning points in the process of implementation of a hospital accreditation system in Catalonia (Spain)”, co-authored with Mª Lluïsa López and Rafael Manzanera.

Abstract: The paper examines the experience of implementing a hospital accreditation system based on the EFQM model for
continuous improvement in Catalonia. Accreditation is voluntary in theory but is required for any hospital that wishes to act as a provider to the national health service, which makes it compulsory for most hospitals in practice.

The original accreditation system, established in 1982, was one of the earliest such systems in Europe. At the beginning of the 21st century, the Catalan government decided to overhaul it and launched a project, first, to define a new system and, then, to roll it out to all the region’s hospitals. The authors have been actively involved in this process from the outset.

The study reported in this paper was designed as an observational investigation. A group of eight hospitals (later expanded to ten) was selected from the outset and has been closely followed in the implementation process. We conducted interviews with the managers in charge in each hospital at the beginning of the accreditation process, questioning them about the organization, scope and personnel involvement. These initial interviews were followed by extensive in-depth, semi-structured interviews of top managers and a group of involved staff during the process to assess the degree of quality improvement implementation. The process concluded with a third round of interviews after the submission of the accreditation application. The research showed very different initial quality cultures in the hospitals in the sample and covered a wide range of implementation arrangements, from a centralized approach involving only the top management team to a very decentralized one, from top-down to bottom up, from a closed format based on a questionnaire to open formats asking the different services and units to apply the model and report on the results, etc. Based on the knowledge collected, a framework for analyzing the success of the change process has been developed.

A questionnaire to all hospitals in Catalonia is under way at the time of submitting this abstract, but the results will be available in time to complete the paper. The research will shed light on how best to undertake accreditation processes in hospitals.

**Tomislav Rimac (PhD Student)**

On July 10-12, attended the 24th EGOS Colloquium in Amsterdam, where he presented the paper “Theorizing the social movement organization revenue-generation resource mobilization strategy through the example of cross-sector business groups”, co-authored with Johanna Mair.

Abstract: The concepts of resources and social movement organizations (SMOs) play a central role in the organizational-entrepreneurial tradition of research mobilization paradigm of social movements. Despite the extensive scholarly work, our understanding of SMO resource mobilization processes is beset by empirical and conceptual ambiguity. In this paper, we draw attention to cross-sector business groups (CSBGs), an emerging organizational form that is becoming ubiquitous in many emerging economies. We conceptualize CSBGs as SMOs that are engaging in revenue-generating activities as their resource mobilization strategy, with the main objective to ensure groups’ financial self-sustainability. Using two-level theorizing, we develop a model that focuses on two elements -organizational control over resources and organizational capacity– that we see as individually necessary and jointly sufficient conditions leading to CSBGs’ financial self-sustainability.

On August 3-6, attended the 2008 AOM Annual Meeting in Anaheim, where he presented the paper “Organizational form: A useful concept or an outdated label?”, co-authored with Johanna Mair.

Abstract: The concept of organizational form plays a central role in research on organizations. Despite extensive scholarly work, no generally accepted definition of organizational form has emerged, leading to considerable variations in the use and conceptualization of the term. In this paper, by bridging debates on organizational form in research on organizations and cross-disciplinary research on business groups, we emphasize the importance of the precise conceptualization and use of the term “organizational form”. Drawing on the authors’ case studies, we conceptualize organizational forms as mutable and recognize the purposiveness and efficacy of organizational agents. Starting from the identity-based organizational form conceptualization, we show that a causal determinism often employed in the discourse on organizational form may be too rigid and that the organizational form ambiguity that may arise in some socioeconomic contexts can be managed and exploited through the creation of organizational form portfolios.

**Carlos Rodríguez-Lluesma**

On June 28, attended the 38th World Congress of the International Institute of Sociology in Budapest, where he presented the paper "Reflexive consumers: Between global trends and local practices", co-authored with Pablo García Ruiz.

Abstract: In Making our Way through the World (2007), M.S. Archer shows how “internal conversations” guide which occupations people seek, keep or quit; how social context constrains or enables their projects, and how patterns of social mobility emerge. This paper asks whether, and to what extent, the same concepts can be applied to consumer behavior. Are there “reflexive consumers”? Are some of them “communicative”, some “autonomous” and others “meta-reflexives”? If so, there must be different types of related concerns, projects and practices that constitute their different “modi vivendi” (or “life styles”). Some studies, such as Miller’s A Theory of Shopping (1998), suggest that consumption practices are a privileged means of understanding people’s social relationships because they reveal what people care most about. We build on this insight to inquire into the meaning and components of the modus vivendi developed by consumers as diverse as “fashion victims”, “free software users” and “fair trade shoppers”. While authors like George Ritzer (2000) argue that structural forces induce similar consumption practices around the world, other theorists such as Francesco Morace, in his 2007 Real Fashion Trends, emphasize the differential local receptions of the same global structural and cultural trends. As a result, consumption practices cannot be regarded simply as “hydraulic” consequences of social forces, but rather as emergent outcomes of the (more or less)
reflexive (fallible) choices of people trying to live up to their own social relations and value commitments.

Pedro Saffi
On July 31, attended the 8th Meeting of the Brazilian Finance Society in Rio de Janeiro, where he presented the paper "Price efficiency and short selling", co-authored with Kari Sigurdsson.

Abstract: This paper investigates the effect of short-sale constraints on price efficiency. We use a unique global dataset collected from several custodians, with over 85.7 million lending supply postings and 46.4 million lending transactions from January 2004 to June 2006. This information is available weekly for 17,015 stocks in 26 markets around the world. Our main findings are as follows. Stocks with limited lending supply and high borrowing fees respond more slowly to market wide shocks. Second, short-sale constraints have a small impact on the distribution of weekly stock returns. Limited lending supply is associated with higher skewness, but not with fewer extreme negative returns. Third, stocks with limited lending supply and higher borrowing fees are associated with lower R2s on average.

Marc Ventresca
On August 1-4, attended the American Sociology Association Annual Meeting in Boston, where he presented the paper "Institutional voids and the building of markets: A tale of rural Bangladesh", co-authored with Ignasi Marti and Johanna Mair.

Abstract: This paper problematizes and unpacks the concept of institutional voids. While current work starts by focusing on what business groups do when confronted with institutional voids in emerging economies, in this paper we argue that it is necessary to move one step back if we want to better understand why institutional voids come into existence in the first place. In doing so, we join efforts by economic sociologists, institutionalists, and political scientist to dig deeper into the institutional infrastructure of markets. In particular, we complement and extend current uses of the term by studying how the co-existence of contending, shifting and colliding institutions helps to explain the presence of institutional voids and, at the same, suggests ways to address them. To this end, we look at how the political, cultural, economic and social institutions of rural Bangladesh impact on four focal modern market institutions: property rights, matching mechanisms, autonomy and monetarization of exchanges.

Xavier Vives
On July 20-25, attended the European Summer Symposium in Financial Markets (ESSFM), organized by the Centre for Economic Policy Research (CEPR) and Study Center Gerzensee in Gerzensee, where he presented the paper "Competitive rational expectations equilibria without apology", co-authored with Alexander Kovalenkov.

Abstract: In a standard financial market model with asymmetric information with a finite number N of risk-averse informed traders, competitive rational expectations equilibria provide a good approximation to strategic equilibria as long as N is not too small: equilibrium prices in each situation converge to each other at a rate of 1/N as the market becomes large. The approximation is particularly good when the informationally adjusted risk-bearing capacity of traders is not very large. This is not the case if informed traders are close to risk-neutral. Both equilibria converge to the competitive equilibrium of an idealized limit continuum economy as the market becomes large at a slower rate of 1/N and, therefore, the limit equilibrium need not be a good approximation of the strategic equilibrium in moderately large markets.

Awards

Markus Maedler
In August, received the 2008 Outstanding Doctoral Dissertation Award (runner-up) given by the American Accounting Association’s Management Accounting Section and the Institute of Management Accounting. The award recognizes outstanding dissertation research in the field of management accounting and was given to Markus Maedler for his thesis “Essays on Task Assignment and Performance Measurement”, which he completed at Columbia University in 2007.

Doctoral theses

Marc Badía
"PROBABILITY THRESHOLDS AND EQUITY VALUES" (Columbia University)

Abstract: Some accounting standards specify probability thresholds to determine recognition and measurement of assets and liabilities (e.g., SFAS No 5). This requirement is meant to communicate information to investors about the uncertainty of future benefits and obligations. I identify a unique setting to test whether investors make use of these probability thresholds for equity valuation. A recent regulatory change in Canada requires oil and gas firms to break down their estimates of natural reserves into proved and probable, depending on the probability of eventual production (i.e., P[proved]>90%, P[proved+probable]>50%). I find that investors consistently attach a higher market value to proved reserves with a simple expected value model. Lower measurement error in past reserves estimates and the presence of a reserves committee strengthen these results. The market value weight of proved reserves tends to be larger for small firms with a lower ratio of proved to probable reserves. The market value weight of probable reserves tends to be larger for large firms with a higher ratio of proved to probable reserves.
This study is relevant to regulators and investors. The FASB and the IASB are currently discussing the role of probability thresholds in their joint Conceptual Framework project. My findings offer support for the use and disclosure of probability thresholds in asset measurement to inform investors. The incremental value relevance of the new oil and gas reserves classification is also informative for the IASB in their on-going development of a new standard for the extractive industries.

Gonzalo León
A COLLECTION OF PAPERS IN DECISION ANALYSIS
(IESE, thesis director: Josep M. Rosanas)

Abstract: This paper studies the different concepts of rationality found in the academic literature. We start with the concepts of rationality implicit in neoclassical economics and Subjective Expected Utility (SEU) theory. We then move on to the concept of rationality as proposed by Herbert Simon. We show that Simon's rationality is radically opposed to that of neoclassical economics. However, we suggest that although Simon's rationality and the SEU theory are not inconsistent, they are entirely independent and very different. We further show that one limitation shared by all three definitions of rationality (neoclassical, SEU, Simon) is that they are all instrumental. Based on Nozick (1993), who claims that “rationality may be valued for its own sake”, we look at Weber's double definition of rational acts. We claim that Weber's “wertrationality” offers a new perspective not found in the previous definitions. Later on, we delve into the concept of rationality as implied in the theory advanced by Pérez López (1994) and suggest that his concept includes almost all the definitions of rationality previously mentioned.

Markus Maedler
ESSAYS ON TASK ASSIGNMENT AND PERFORMANCE MEASUREMENT
(Columbia University)

Abstract: This thesis develops principal-agent models to investigate how imperfect performance measurement in organizations influences the simultaneous decisions about the assignment of tasks and the provision of incentives to managers. Chapter 1 provides a performance-measurement-based explanation for job rotation. When performance is measured in part with a time lag, job rotation can be an efficient means of incentive alignment if and only if: 1) the lag measurement is sufficiently strong to exceed a specific threshold, and 2) the principal can sign long-term contracts with the agents. Given these conditions, the benefit of job rotation—a more congruent inter-temporal effort allocation—outweighs its cost—a lowered pre-rotation effort and a higher wage payment that follow because the lag measurement cannot be used in the incentive provision to the agents. Chapter 2 studies congruity with multiple tasks and performance metrics when the principal assigns the tasks to either one or two agents. I develop a measure of congruity that generalizes and combines the measures of Datar, Kulp and Lambert (2001) and Baker (2002) and that highlights how the intensity and the allocation of hidden efforts determine congruity. Consistent with prior literature, I find that for a given task assignment, congruity increases with a greater intensity and a less distorted allocation. However, when the principal maximizes congruity between two task assignments, then she may need to trade off greater intensity against a less distorted allocation, or vice versa.

IESE - Research Seminars

Marketing
July 9
Speaker: Michael I. Norton, Harvard Business School
“From wealth to well-being: How spending money on others promotes happiness”.

Abstract: Although much research has examined the effect of income on happiness, we suggest that how people spend their money may be at least as important as how much money they earn. Specifically, we hypothesized that spending money on other people may have a more positive impact on happiness than spending money on oneself. Providing converging evidence for this hypothesis, we found that spending more of one's income on others predicted greater happiness both cross sectionally (in a nationally representative survey study) and longitudinally (in a field study of windfall spending). Finally, participants who were randomly assigned to spend money on others experienced greater happiness than those assigned to spend money on themselves.

Miscellaneous

José R. Pin
On July 2, attended the conference titled “Los Centros de Formación como fuentes de eficacia, salud laboral y seguridad organizacional”, organized by Instituto Valenciano de Administración Pública (IVAP) and Instituto Nacional de Administración Pública (INAP), in Valencia, where he gave the lecture “Los procesos de formación como instrumentos de cambio en la Administración Pública”.

Abstract: La ponencia destacaba las características de los cambios en las Administraciones Públicas, que se pueden definir como: cambios proactivos. Dentro de este tipo de cambios, la comunicación es vital y la formación es un poderoso instrumento para ello. La ponencia también describe las condiciones para que la formación sea eficaz dada la naturaleza de las personas a las que va dirigida. Entre otras condiciones están: la autoridad política y la autoridad técnica de quienes imparten la formación, que siempre debe contar con métodos activos y participativos. La ponencia fue la inaugural de las jornadas que abrieron la Directora General del INAP y el Conseller de Justicia y Administración Pública de la Generalitat Valenciana.
Book reviews

B. Sebastian Reiche

Teaching materials

NOTE: The updated bibliography may be consulted on the Internet at http://wwwapp.iese.edu/research/res_search_adv.asp?lang=en

Analysis of Business Problems

Now what?: Management tensions at Elecsoft (ASN-43-E - 0.308.024)
Dieter is facing the decision of what to do on the Monday after the resignation of the CEO of the company where he is Sales Manager. A conflict between the five partners blew up, with accusations of disloyalty and mishandling of the business. The whole business has been put at risk, given that all the partners are important for its development. The case sets out a discussion of the future of the business and of management alternatives to make it viable.
(Also available in Spanish.)
García Pont C.; Palencia L.; 15 pages.

Entrepreneurship

Claris Lifesciences Ltd. (E-113-E - 0.608.011)
The case charts the history of Claris Life Sciences from 1999, the year it was founded, to 2007. Claris is the second entrepreneurial venture of Sushil Handa, whose first venture ended in failure. The case outlines how Sushil Handa explicitly incorporates lessons learned from his first venture into the strategy and operations of Claris and grows it at a compounded annual rate of 40% between 2000 and 2006. He has set himself the ambitious goal of reaching US$1bn in revenues by 2012 and must overcome challenges in a number of different areas if he is to be successful: recruiting, developing and retaining managerial talent, new product development, regulatory compliance and financial management.

Financial Management

Goodyear Dunlop Europe: A Week in the Life of Maria, a Sales Executive (A) (F-824-E - 0.208.011)
This case tracks a week in the life of Maria, a European Goodyear Dunlop sales executive. During each day, Maria is confronted with different decisions, which require financial analysis. There are five decisions which touch on different accounting and finance themes such as working capital, financing, net present value, economic value added (EVA), and fixed versus variable costs.
(Also available in Spanish.)
Mitchell J.; Rahnema A.; 17 pages.

Goodyear Dunlop Europe: A Week in the Life of Maria, a Sales Executive (B) (F-825-E - 0.208.012)
See case A.
Mitchell J.; Rahnema A.; 3 pages.
Goodyear Dunlop Europe: A Week in the Life of Maria, a Sales Executive (A and B) – Teaching Note
(FT-74-E - 5.208.013)

Cases F-824-E and F-825-E.
(Also available in Spanish.)

Use is restricted to Academic Institutions.

Mitchell J.; Rahnema A.; 8 pages.

MiFID (Market in Financial Instruments Directive)
(FN-550-E - 0.208.007)

The so-called MiFID (Markets in Financial Instruments) Directive, effective November 1, 2007, has revolutionized capital markets. Its objectives are to protect individual customers and investors, regulate the behavior of investment service companies and complete the single European market for financial services. The main points are: client classification; product classification (by complexity); separation of investment advice and selling of investment products; pre-trade transparency; expansion of number of markets in which stocks can be quoted; responsibility of government bodies in overseeing investment service companies.
(Also available in Spanish.)

Soley J.; Zozaya E.; 13 pages.

Managing People in Organizations

Profile of an Orator: John F. Kennedy
(DPO-103-E - 0.407.018)

The Kennedy case is about how a shy and distant person, in poor health and with little self-confidence in public speaking, became one of the best-remembered political orators of the 20th century. The details of his poor health and shyness are not well known. Kennedy worked hard to overcome his shyness and to keep his medical records out of the public domain. He gained enormous credibility through his campaigns and when in office. But did the later attacks on his personal credibility (after his death) undermine his reputation as an orator for posterity?

Leggett B.; Salvia A.; 17 pages.

Profile of a Forensic Speaker: Margaret Thatcher
(DPO-109-E - 0.408.005)

This case looks at Margaret Thatcher’s communication style in the unsettled environment of the mid-seventies and eighties in the United Kingdom, when she became leader of the Conservative party and Prime Minister. It looks at how she developed her communication style and her message. It also looks at the mimetic style and content of the speech of one of her cabinet colleagues, who was instrumental in eventually bringing her down, using the same hallmark forensic style.

Leggett B.; 17 pages.

A Trader Gone Mad?: The Mess at Société Générale
(DPO-115-E - 0.408.013)

The case gives an account of the events that led to a multimillion loss at Société Générale in January 2008. It analyses the behavior of Jérôme Kerviel, the young trader accused of causing the loss. The case focuses on Kerviel’s biography and personality traits and raises questions regarding the relative responsibility of employees, managers and the corporate environment for this situation. It also raises various questions concerning cultural influences in the financial sector and the French recruiting system.

Sortheix F.; Ribera A.; 15 pages.

Basket CAI Zaragoza 2008: La encrucijada de un presidente
(DPO-120 - 0.408.022)

El caso presenta la encrucijada del presidente del Club Basket Zaragoza 2002, que en junio de 2007 está considerando presentar su dimisión definitiva al consejo de administración. Partiendo de esta situación, se presenta la historia del club desde su fundación, en la temporada 2002-2003, hasta la temporada 2007-2008. A través de la figura del presidente, el lector se va introduciendo en el club y entenderá los objetivos, la filosofía de actuación, la estrategia y las decisiones de la dirección del club en las distintas situaciones que se fueron produciendo a lo largo de las temporadas. Después de tres años duros en los que no consigue una estructura sólida del club (confusión y mezcla de los órganos de gobierno y los ejecutivos del club) y, sobre todo, tras no alcanzar los objetivos de ascenso a la ACB, se contrata a un director general, que consigue establecer una dirección profesionalizada y un mayor rigor en el funcionamiento. Pero tras dos años sin conseguir el deseados ascenso, el acoso mediático se agrava buscando la cabeza del presidente y/o del director general y enturbiando el buen hacer del club. La situación se vuelve tan hostil que el presidente se ve obligado a poner su cargo a disposición del consejo, quien le pide que lo reconsidera antes de tomar la decisión definitiva.

Contreras I.; Gómez S.; 30 pages.

Laszlo and his Paradoxical Relationships
(DPO-126-E - 0.408.028)

This case is based on a compilation of self-development exercises and reflections by a successful 35-year old manager. It describes his interpersonal skills and attitudes, both for professional and personal relationships. It focuses mainly on his concerns about his close intimate relationships and their influence on work-life balance and personal well-being. It may be used to discuss...
personality traits such as attachment, dependence and emotional maturity.

Sortheix F.; Ribera A.; 7 pages.

Communication in Coaching
(DPON-67-E - 0.408.002)

A coach uses a variety of techniques, tools and processes, but they all use the same medium: communication. Communication is a key competency for any coach. In this note we explore the communication process and the variables involved. We review the techniques available in the different phases of coaching: understanding (active listening and analysis), making oneself understood (feedback and interpretation) and making the other person act (action plan).

(Also available in Spanish.)

Larburu A.; Poelmans S.; 18 pages.

Change Management in Coaching
(DPON-68-E - 0.408.003)

A key competency for any coach is the ability to manage change in others. The goal is to get other people to change or “learn”. In this note we discuss how to manage: 1) circumstances (the “real world” of action in which the coachee must act); 2) the mental plane (the coachee’s perceptions, built on reality and thought, and 3) the interaction between these two.

(Also available in Spanish.)

Larburu A.; Poelmans S.; 26 pages.

The Action Orientation of the Coach
(DPON-69-E - 0.408.004)

Agroinnovation is a European business belonging to a worldwide group that is the market leader in seed and plant protection, producing products that are essential to modern agriculture. In recent years there have been two important changes: the introduction of new technologies in the client interface (B2B) and the move to an open-plan office. Technological change has simplified and streamlined many of the company’s systems, creating new ways of delivering services to customers and providing better information. However, the new system does not benefit all customers and has teething drawbacks, preventing loss evaluation and effective planning. Furthermore, technology is no match for personal contact. The new office arrangement has led to increased strain in inter-departmental relations.

(Also available in Spanish.)

Larburu A.; Poelmans S.; 20 pages.

Strategic Management

Norio Ohga: The Fifth President of Sony Corporation
(DG-1481-E - 0.305.056)

The case analyzes the conceptual scheme or model identified in Norio Ohga’s management style, which we call the proto-image of the firm (PIF) approach. Sony’s success in its diversification strategy is explained on the basis of PIF.

(Also available in Spanish.)

Kase K.; Riquelme H.; Sáez F.J.; 22 pages.

Chihiro Kanagawa, President of Shin-Etsu Chemical
(DG-1483-E - 0.305.058)

This case examines the professional career of Chihiro Kanagawa and shows how he turned Shin-Etsu Chemicals into a major international player in a sector in which Japanese companies had traditionally been uncompetitive. The case illustrates Kanagawa’s dynamic management style and the value system on which it is based, which we call the profit-arithmetic (PA) approach. Shin-Etsu Chemical’s success by not spending money on projects that do not generate immediate cash flow is explained.

(Also available in Spanish.)

Kase K.; Riquelme H.; Sáez F.J.; 20 pages.

SAFE and Travis: Strategies for Growth
(DG-1522-E - 0.308.001)

Forty-five miles apart from each other in Northern California, two not-for-profit credit unions, SAFE and Travis, had successfully transitioned from military segment-based to community charter credit unions. Both had grown to over $1 billion in assets via a combination of organic growth, mergers and acquisitions. Above all, both had injected an unwavering commitment to member service. As of 2007, SAFE and Travis faced several questions: What would be the most appropriate avenue for future growth? Were any changes necessary to operations to support the growth? How could the credit unions continue to foster their cultures of member service?

Cardona P.; Mitchell J.; Rosenberg M.; 33 pages.

Somali, S.A.
(SM-1527 - 0.308.021)

Este caso presenta la necesidad de disponer de sistemas profesionales de evaluación y valoración de la gestión directiva, tanto para los directivos familiares como no familiares, basados en objetivos y presupuestos dentro de la empresa familiar, así como la necesidad de disponer de instrumentos y órganos formales adecuados para
debatir los temas empresariales (junta de accionistas, consejo de administración, comité de dirección) por un lado, y los temas que afectan a la familia (consejo de familia), por otro.

Chiner A.; Vallejo L.C.; 7 pages.

El consejo de familia: cómo se organiza y cómo trabaja
(SMN-660 - 0.308.017)

La forma de organizarse y de trabajar de un consejo de familia dependen totalmente del grado de desarrollo en el tiempo de este órgano familiar, de si existe o no un protocolo familiar vigente, de las generaciones que están involucradas en el mismo, de si se trata de una etapa de inicio del propio consejo de familia o, por el contrario, ya existe un hábito de reuniones y un track record, de las características y perímetro familiar (no es lo mismo un consejo de padres e hijos, o sólo de hermanos, o un consejo entre primos, y en su caso con tíos, etc.), de si existe una mayor o menor coincidencia de los miembros del consejo de familia con los miembros del consejo de administración, etc. La razón de ser y las consiguientes funciones del consejo de familia deben derivarse del protocolo o constitución familiar. El protocolo familiar incorpora en buena parte de su contenido los principios y criterios del sistema de gobierno de la familia en relación a los aspectos familiares y personales que el consejo de familia debe desarrollar y seguir, aspectos concretos y específicos para cada familia.

Chiner A.; 12 pages.

Personalidad y empresa familiar
(SMN-661 - 0.308.018)

Si se logra que cada uno de los miembros de la empresa familiar alcance un cierto grado de autoconocimiento, se facilitará que las relaciones interpersonales dentro de la familia sean positivas y cuidadas, propiciando así un clima emocional positivo, el cual facilitará el éxito del negocio familiar. Dada la importancia que tiene el autoconocimiento para lograr un clima emocional en la empresa familiar, esta nota técnica recoge algunas nociones fundamentales de la psicología y la psiquiatría sobre la personalidad.

Ceja L.; de Dou J.; 10 pages.

El consejo de familia
(SMN-662 - 0.308.019)

El sistema de gobierno corporativo ha sido muy estudiado en los últimos años; por el contrario, el sistema de gobierno familiar sigue siendo un tema poco explorado y escasamente desarrollado en términos conceptuales. Esta nota pretende aportar algunas ideas acerca de este sistema abordándolo con la sistemática siguiente: –Razón de ser del consejo de familia. –Concepto y proceso de implantación del consejo de familia. –El consejo de familia: concepto y fines. –Programa de actuaciones del consejo de familia. –Quiénes participan en el consejo de familia. –Temas-clave de un consejo de familia. –Otros órganos de gobierno del sistema familiar. –Condiciones para el éxito del consejo de familia.

Tàpies J.; 13 pages.

Aspectos relacionales en la familia empresaria
(SMN-663 - 0.308.020)

Si no se atiende a los fundamentos que consolidan las relaciones intrafamiliares, las ventajas de la familia empresaria pueden convertirse en un lastre para la propia empresa. En esta nota técnica se repasan algunos conceptos clave para entender las relaciones familiares: una empresa familiar con éxito en el negocio se apoya en una familia con éxito como familia.

Vallejo L.C.; de Dou J.; 9 pages.

Occasional Papers

NOTE: Occasional papers may be consulted on the Internet at http://wwwapp.iese.edu/research/res_search_adv.asp?lang=en

OP-154 – July 2008
Brian Leggett – Josep M. Rosanas
RHETORIC AND PERSUASION IN MANAGEMENT

Abstract: The paper first looks at the economics-based models that have come to dominate much of management literature and shows how they are incompatible with the idea of persuasion. Next, it examines how, in contrast, one of the management classics (Chester Barnard) considered persuasion one of the key elements for an effective organization. Then, it goes on to look at our uncertain environment and offers a way of dealing with uncertainty. It connects this uncertainty with our need to be persuasive and, finally, offers a practical orientation on how to be persuasive.