In this issue

Journals

Miguel A. Ariño - África Ariño - Roberto García-Castro

Abstract: In this paper we present a model to evaluate transient industry effects, that is, the impact of business cycles on the industry. While the importance of the economic cycle for industry and firm performance is widely recognized, we do not know much about how much the business cycle influences industry activity. The aim of this paper is to present a method that helps to understand the relationship between the business cycle and an industry’s level of activity.

Manel Bauceells - Juan A. Carrasco

Abstract: We study the effectiveness of simple heuristics in multiattribute decision making. We consider the case of an additive separable utility function with nonnegative, nonincreasing attribute weights. In this case, cumulative dominance ensures that the so-called cumulative dominance compliant heuristics will choose a best alternative. For the case of binary attribute values and under two probabilistic models of the decision environment generalizing a simple Bernoulli model, we obtain the probabilities of simple and cumulative dominance. In contrast with the probability of simple dominance, the probability of cumulative dominance is shown to be large in many cases, explaining the effectiveness of cumulative dominance compliant heuristics in those cases. Additionally, for the subclass of the so-called fully cumulative dominance compliant heuristics, we obtain an upper bound for the expected loss that only depends on the weights being nonnegative and nonincreasing. The low values of the upper bound for cases in which the probability of cumulative dominance is not large provide an additional explanation for the effectiveness of fully cumulative dominance compliant heuristics. Examples of cumulative dominance compliant heuristics and fully cumulative dominance compliant heuristics are discussed, including the deterministic elimination by aspects (DEBA) heuristic that motivated our work.

Juan A. Carrasco - Manel Bauceells

Abstract: Tight upper bounds for the expected loss of the DEBA (Deterministic-Elimination-By-Aspects) lexicographic selection heuristic are obtained for the case of an additive separable utility function with unknown non-negative, non-increasing attribute weights for numbers of alternatives and attributes as large as 10 under two probabilistic models: one in which attributes are assumed to be independent Bernoulli random variables and another one with positive inter-attribute correlation. The upper bounds substantially improve previous bounds and extend significantly the cases in which a good performance of DEBA can be guaranteed under the assumed cognitive limitations.

Joey F. George - Kent Marett - Gabriel Giordano

Abstract: Many of the ideas we take for granted about group support systems originated from
work conducted at the University of Minnesota by DeSanctis and colleagues. One of the lesser known concepts is an analysis of the theoretical basis for group support system research. This analysis groups five theories that support GSS research into two camps: individualistic and collective. Individualistic theories are seen as prevalent in GSS research. From the individualistic perspective, technology is an active tool that works to enhance individual power. Our recent work has focused on deception and its detection, including deception stemming from individual agendas among group members in a GSS setting. This work demonstrates how group members can take advantage of the individually-focused emphasis in GSS design to successfully advance their own agendas. The purpose of this paper is to further examine the individualistic theoretical underpinnings of GSS research. To do so, we examine deception and explore its implications for groups and for GSS.

**Johanna Mair – Kate Gantly**


Abstract: Together the Freeplay Energy Group and Freeplay Foundation represent an exciting and dynamic case of social innovation and entrepreneurship. We have observed the Freeplay business model grow and change over the past five years, since we began teaching this case study in courses on entrepreneurial strategies for social impact at IESE Business School in 2003. The case is an important one for several reasons. As a complex illustration of social innovation in practice, it helps us to understand the ways in which business and social goals can be both simultaneous and complementary. It generates insights for education and for the next generation of managers and entrepreneurs to adopt out-of-the-box thinking and to make the ‘social’ in social entrepreneurship (SE) obsolete as entrepreneurship naturally comes to involve ‘social’ opportunities. As a relatively new field of research, social entrepreneurship offers scholars a ‘source of explanation, prediction and delight’; a unique opportunity to rethink assumptions and concepts from different fields of management and social science research. Theorists working on SE will find that the Freeplay case helps us to identify key features of the phenomenon, each of them providing stimulating spaces for researchers, not only to contribute to emerging theory, but also to enlighten and challenge our existing paradigms.

Caterina Moschieri – Johanna Mair


Abstract: Divestitures, understood as the parent company’s disposal and sale of assets, facilities, product lines, subsidiaries, divisions and business units, are emerging as a central topic of research in several areas. Yet our understanding of these operations is still limited. For example, it is still not clear whether divestitures are merely a reflection of the economic cycle, a means to correct or reverse previous strategic decisions, or a proactive strategic option. Integrating literature in finance, strategy and organizational behavior, this paper offers a comprehensive picture of divesting modes and the antecedents, mechanisms and outcomes of divestitures. It integrates empirical findings and theoretical contributions into a researchable whole in order to identify common themes and gaps in existing research. The final objective of this analysis and review is to propose meaningful avenues for future research to improve knowledge on divestitures.

**Javier Quintanilla – Lourdes Susaeta – Rocío Sánchez-Mangas**


Abstract: Drawing on several theoretical perspectives, including institutionalism and strategic choice, this article examines the impact of home and host country national business systems on the diffusion of human resource management practices by American multinational corporations to their subsidiaries in Spain. Our evidence suggests that the tight control that American multinational corporations usually exert over their subsidiaries has recently increased. In most of the case studies, successful implementation of corporate human resource policies has mainly been achieved due to the degree of malleability and openness that characterized the Spanish business system. However, increased control also reflects the legitimacy given to managerial human resource practices originating in the United States and the willingness of host country managers to implement corporate policy. To this extent, it can be argued that subsidiary management plays a critical role in the configuration and implementation of human resource management and industrial relations policies and practices in multinational corporations.

**B. Sebastian Reiche**


Abstract: This paper contributes to turnover research by deriving a typology of retention practices and investigating their applicability in multinational corporations’ (MNCs) foreign subsidiaries in the light of home- and host-country effects. Linking institutional and strategic HRM perspectives, the paper then proposes a conceptual framework examining how MNCs can maximize their retention capacity. Specifically, MNCs need to align their transferable home-country retention practices with overall strategy and complement them with flexible context-specific practices to allow for adaptability across different subsidiaries. It is further argued that characteristics of the headquarters-subsidiary relationship will influence the relative importance of context-generalizable versus context-specific retention practices and that the relevant set of
practices for each subsidiary then needs to be configured individually.

**Rafael de Santiago** - Jean-Pierre Fouque - Knut Solna


*Abstract:* This paper analyzes stochastic volatility effects in the context of the bond market. The short rate model is of the Vasicek type and the focus of our analysis is on the effect of multiple scale variations in the volatility of this model. Using a combined singular-regular perturbation approach, we can identify a parsimonious representation of multiscale stochastic volatility effects. The results are illustrated with numerical simulations. We also present a framework for model calibration and look at the connection to defaultable bonds.

**Books**

**Miguel A. Gallo**


*Abstract:* Las dificultades que deben resolver las empresas familiares en el transcurso de su ciclo de vida son bien conocidas, como también lo son las trampas en las que caen y originan sus generalmente inferiores niveles de viabilidad. La consecución de la unidad, fortaleza esencial de las buenas empresas familiares, es un esfuerzo de cada uno de los miembros de la familia. Los propietarios, como accionistas activos y serenos; los consejeros y directivos, como profesionales en el desempeño de sus responsabilidades, y todos los miembros de la familia como personas respecto a los compromisos que les unen por medio de los estatutos y los acuerdos de familia. El objetivo de llegar a ser una empresa multigeneracional, propiedad de una familia unida, es un objetivo a proponer a las empresas familiares. Para su consecución es necesario ver la empresa como una comunidad de personas, lograr el compromiso de los miembros de la familia con su desarrollo, ejercer el poder con moderación y transmitir responsablemente la propiedad.

**Guido Stein**

"El arte de gobernar según Peter Drucker. Aprendiendo a dirigir en tiempos turbulentos" (3ª edición, renovada y ampliada), Gestión 2000, November 2008, 256 pages.

*Abstract:* Partiendo de una aproximación general a su figura científica, se expone una visión de la sociedad industrial, describiendo el papel que en ella juega la corporación y desemboconando en una concepción práctica: management, concebido como una institución básica y esencial del sistema industrial y expresión de la creencia occidental en la libertad de las personas y en su aspiración al progreso económico y a la justicia social.

**José L. Suárez**


*Abstract:* The book takes a comprehensive and fresh look at the different real estate markets in Europe, with a thorough description of the various sectors: residential, offices, retail, and industrial and logistic. In each category both the development and investment sides are covered. The financing side of the industry is also fully detailed, including the origination side (mortgage lending) and the funding of the institutions (securitization and capital markets). The recent disturbing events in the real estate industry and its interrelationship and repercussions on the adjacent financial industries are also addressed.

**Julián Villanueva** - José Mª Irisarri - Eva Campos - Fernando Baz


*Abstract:* España cuenta hoy con una de las mejores parrillas televisivas europeas. Esto plantea que la TDT traerá mucha más oferta televisiva y, hasta cierto punto, una distinta manera de ver y hacer televisión. La TDT: ¿Un negocio imposible?, analiza el posible cambio de statu quo de operadores, proveedores de contenido y anunciantes, así como de las principales oportunidades y amenazas que rodean este medio de comunicación.

**Contributions to books**

**Antonio Argandoña**


*Abstract:* El formidable crecimiento de la inmigración en España en los últimos años ha dado lugar a importantes cambios sociales, económicos y humanos. La integración de los inmigrantes se concibe aquí como una tarea de todos; primero, de los propios inmigrantes, como personas, pero también de la comunidad de inmigrantes llegados antes, que facilita sus primeros pasos y, sobre todo, de la sociedad que los recibe y de todas las comunidades en los que aquellos inmigrantes acabarán integrándose. Se señala el papel importante que tienen esas comunidades de inmigrantes, tanto para facilitar la integración como, en ocasiones, para dificultarla. Se pone énfasis en dos condiciones de esa integración, la movilidad y la reciprocidad, y se señalan las limitaciones de un enfoque puramente empresarial, que busca inmigrantes como
Abstract: Firms at the BoP need to develop novel business models that make BoP businesses more profitable and truly contribute to alleviating poverty in a sustainable manner. The main conclusions suggest a need to integrate two different but complementary approaches. The first approach creates value for individual development and the other for social games. Both approaches focus on strategic urban environmental planning as a tool to address environmental and poverty-reduction issues in urban environments in a systematic and planned manner.

**Steven Poelmans - H.N. Odle-Dusseau – B. Beham**  

Abstract: The issues surrounding work and family interactions have received increasing attention over the past 20 years and have become a major concern for both employees and their employers. Today’s workforce includes many working mothers and fathers, who strive to find a balance between work and family roles. We still need to come to grips with the consequences (both beneficial and harmful) of the massive influx of women into the workforce. Among the positive effects are the increase in nations’ productivity and in household wealth and consumption power, the financial independence of women, and an improvement in gender equity. On the other hand, as both men and women go out to work, family time has come under pressure. In families with growing caring responsibilities, working men and women are facing an intensification of work-family conflict. In sum, although the incorporation of women into the workforce has improved productivity in the short and mid-term, it may have the opposite effect in the long term unless solutions can be found to combine work and caring responsibilities. In this chapter the authors define some basic concepts (work-family conflict, work-family enrichment and work-family balance) and their causes and consequences. This allows them to focus on what can be done to alleviate conflict and promote enrichment, as they review work-life policies and ways of creating a family-friendly workplace.

**Joan E. Ricart - Juliana Mutis**  

Abstract: Firms at the BoP need to develop novel business models to satisfy customer needs and become catalysts for sustainable development. The purpose of this chapter is to explore the antecedents and consequences that have shaped the BoP projects of two utility companies, Unión Fenosa and Suez. Results of our case analyses suggest that an understanding of BoP business models, innovative strategies to provide value to clients, and the amount of value captured in the process are fundamental issues in understanding how to design and implement superior business models that make BoP businesses more profitable and truly contribute to alleviating poverty in a sustainable manner. The main conclusions suggest a need to integrate two different but complementary approaches. The first approach creates value for individual development and the other for social games. Both approaches focus on strategic urban environmental planning as a tool to address environmental and poverty-reduction issues in urban environments in a systematic and planned manner.

**IESE – Working Papers**

No 770 – November 2008  
**Pablo Fernández**  
160 PREGUNTAS SOBRE FINANZAS

Abstract: Este documento contiene 160 preguntas que me han formulado en los últimos años alumnos, antiguos alumnos y otras personas (jueces, árbitros, clientes…). Se han recopilado para ayudar al lector a recordar, aclarar, reforzar, matizar y, en su caso, discutir, conceptos útiles en finanzas. Las preguntas tienen una respuesta clara, pero otras son matizables. Las preguntas se agrupan en once apartados: contabilidad y finanzas, flujos, endeudamiento, tasas de descuento, valoración, transacciones, divisas, bolsa e inversión, intangibles, creación de valor y noticias de prensa. A todas las preguntas les sigue una respuesta breve.  
El Anexo 1 contiene un índice de términos y 150 preguntas de autoevaluación.

No 771 – November 2008  
**Pablo Fernández**  
METODOS DE VALORACION DE EMPRESAS

Abstract: La valoración de una empresa es un ejercicio de sentido común que requiere unos pocos conocimientos técnicos y mejora con la experiencia. Ambos (sentido común y conocimientos técnicos) son necesarios para no perder de vista: ¿qué se está haciendo?, ¿por qué se está haciendo la valoración de determinada manera? y ¿para qué y para quién se está haciendo la valoración? Casi todos los errores en valoración se deben a no contestar adecuadamente a alguna de estas preguntas, esto es, a falta de conocimientos o a falta de sentido común (o a la falta de ambos). Los métodos conceptualmente “correctos” para valorar empresas con expectativas de continuidad son los basados en el descuento de flujos de fondos: considerar a la empresa como un ente generador de flujos de fondos y, por ello, sus acciones y su deuda son valorables como otros activos financieros. Otro método que tiene lógica y consistencia es el valor de liquidación, cuando se prevé liquidar la empresa. Lógicamente, el valor de las acciones será el mayor entre el valor de liquidación y el valor por descuento de flujos.  
Comentamos brevemente otros métodos porque –aunque son conceptualmente “incorrectos” y carecen de sentido en la mayoría de los casos– se siguen utilizando con frecuencia. En ciertos casos, los múltiplos pueden utilizarse como aproximación (si se requiere una valoración rápida o si los cash flows son muy inciertos) o como contraste del valor obtenido por descuento de flujos.
Abstract: En este documento se lleva a cabo un estudio de tipo cuantitativo, con el objetivo de conocer, a través de la percepción de sus altos directivos, los distintos aspectos y factores que conforman la reputación del CEO, y analizar las diferencias que existen entre los diferentes sectores. El análisis empírico se basa en un estudio cuantitativo de los datos obtenidos en una encuesta realizada en marzo de 2007 en España.

El documento concluye que las tres características más relevantes del perfil reputacional del CEO son: la credibilidad, la visión estratégica y la comunicación externa, constituyendo la mayor aportación de este trabajo, las características diferenciadoras y comunes entre unos sectores y otros.

No 773 - November 2008
Alexander P. Groh - Heinrich Liechtenstein - Karsten Lieser
THE EUROPEAN VENTURE CAPITAL AND PRIVATE EQUITY COUNTRY ATTRACTIVENESS INDEX(ES)

Abstract: We calculate composite indexes to compare the attractiveness of 25 European countries for institutional investments into the Venture Capital and Private Equity asset class. To achieve this we use 42 different criteria and propose an aggregation structure that allows for benchmarking on more granular levels. The United Kingdom leads our ranking, followed by Ireland, Denmark, Sweden and Norway. While Germany is slightly above the average European attractiveness level, the scores for France, Italy, Spain, and Greece are rather disappointing. Our analyses reveal that while the United Kingdom is similar to the other European countries with respect to many criteria, there are two major differences which ultimately affect its attractiveness: its investor protection and corporate governance rules; and the size and liquidity of its capital market. The state of the capital market is likewise a proxy for the professionalism of the financial community, deal flow and exit opportunities. We determine a reasonable correlation between our attractiveness index scores and actual Venture Capital and Private Equity fundraising activities and prove the robustness of our calculations. Our findings across all the European countries suggest that while investor protection and capital markets are in fact very important determinants of attractiveness, there are numerous other criteria to consider.

No 774 - November 2008
Xavier Vives
STRATEGIC SUPPLY FUNCTION COMPETITION WITH PRIVATE INFORMATION

Abstract: A Bayesian supply function equilibrium is characterized in a market where firms have private information about their uncertain costs. It is found that with supply function competition, and in contrast to Bayesian Cournot competition, competitiveness is affected by the parameters of the information structure: supply functions are steeper with more noise in the private signals or more correlation among the costs parameters. In fact, for large values of noise or correlation supply functions are downward sloping, margins are larger than the Cournot ones, and as we approach the common value case they tend to the collusive level. Furthermore, competition in supply functions aggregates the dispersed information of firms (the equilibrium is privately revealing) while Cournot competition does not. The implication is that with the former the only source of deadweight loss is market power while with the latter we have to add private information. As the market grows large the equilibrium becomes competitive and we obtain an approximation to how many competitors are needed to have a certain degree of competitiveness.

No 775 - December 2008
Daxue Wang
ARE ANOMALIES STILL ANOMALOUS? AN EXAMINATION OF MOMENTUM STRATEGIES IN FOUR FINANCIAL MARKETS

Abstract: In this paper we test the profitability of momentum strategies in the United Kingdom, Germany, Japan and China over the period 1991 to 2006 and sub-periods. Both RSS (Relative Strength Strategies) and WRSS (Weighted Relative Strength Strategies) are used to form the momentum portfolios. We find that the United Kingdom and Germany exhibit rather stable medium-term return continuation for both RSS and WRSS over the entire sample period and sub-periods, while Japan shows a medium-term return reversal over the sub-period 1991-1998. For China we report momentum profits over the period 1995-2006 and the sub-period 2001-2006 with RSS. Furthermore, we use the results of RSS to check the influence of risk factors and transaction costs on the momentum returns, as well as calendar effects and other characteristics of momentum portfolios reported in the literature. With the results of WRSS, we examine the relative importance of time-series predictability and cross-sectional variation in accounting for the profits of momentum strategies.

No 776 - December 2008
Daxue Wang
HERD BEHAVIOR TOWARDS THE MARKET INDEX: EVIDENCE FROM 21 FINANCIAL MARKETS

Abstract: This paper uses the cross-sectional variance of the betas to study herd behavior towards the market index in major developed and emerging financial markets (categorized as Developed group, Asian group, and Latin American group). We propose a robust regression technique to calculate the betas of the CAPM and those of the Fama-French three-factor model, with the aim of diminishing the impact of multivariate outliers in return data. Through the estimated values obtained from a state space model, we examine the evolution of herding measures, especially their pattern around sudden events such as the 1997-1998...
financial crises. This 1997-1998 turmoil turns out to have formed a turning point for most of the financial markets. We document a higher level of herding in emerging markets than in developed markets. We also find that the correlation of herding is higher between two markets from the same group than between two markets from different groups. This paper sheds light on the calculation of beta and on the financial policy to understand the dynamics of herding in financial markets.

IESE - Studies and Monographs

No 79 - November 2008
Marc Sachon - Jesús A. Orozco
BAROMETRO DE LA LOGISTICA EN ESPAÑA

Abstract: Este estudio toma la temperatura del sector de logística en España en el año 2008. El estudio se efectuó durante los meses de julio y agosto de dicho año, justo antes de la manifestación de falta de liquidez en los mercados financieros de España, Europa y mundial. Por tanto, algunos de sus resultados no reflejan la realidad actual (por ejemplo, previsión de ventas para el periodo 2008-2009). Pero en su gran parte, los resultados del estudio no se ven afectados por la crisis financiera, sobre todo cuando se habla de las tendencias y desafíos actuales en logística.

Other publications

Nuría Chinchilla - Max Torres
"Liderazgo personal (II)", Acofar, No 479, October 2008, pages 50-53.

Abstract: El autorlíderazgo –el liderazgo de uno mismo– es absolutamente necesario para poder liderar a otros. Este autorlíderazgo se nutre de competencias tales como el autoconocimiento, la inteligencia emocional, la proactividad, la gestión del tiempo y del estrés, la gestión de la trayectoria personal y profesional, y la madurez afectiva, que es fruto del aprendizaje evaluativo generado a través de la resolución de conflictos intermotivacionales.

Pablo Fernández

Abstract: Este documento contempla con perspectiva histórica el reciente descenso de la bolsa española. El IBEX cayó un 50,4% desde su máximo histórico (15.945,7 puntos el 8 de noviembre de 2007) hasta 7.905 puntos el 28 de octubre de 2008. Pero el mayor descenso del IBEX (58%) se produjo entre el 6 de marzo de 2000 (12.816,8 puntos) y el 1 de octubre de 2002 (5.368,6 puntos). El IGBM descendió un 72,9% entre abril de 1973 y abril de 1980 (el IGBM deflactado descendió un 92,6%), y el S&P 500 descendió un 84,8% desde agosto de 1929 hasta junio de 1932. En 2008 (hasta el 31 de octubre), la rentabilidad de la bolsa española fue –38%, sólo hubo tres empresas (entre 121) con rentabilidad positiva y 60 empresas tuvieron una rentabilidad inferior a –40%. Las 121 empresas analizadas destruyeron valor para sus accionistas por importe de 366 millardos de euros. Esta crisis ha sido causada por la sorprendente falta de sentido común de algunos directivos (no sólo estadounidenses) que han tomado decisiones irresponsables (no confundir con equivocadas) y son causantes, en gran medida y entre otras cosas, del desempleo y de la situación crítica de muchas personas y familias, de poner en peligro la continuidad de sus empresas y de causar un importante perjuicio a sus accionistas. Esta crisis se superará, como todas, cuando el sentido común y el trabajo bien hecho vuelvan a ser la tónica dominante.

Juliana Mutis - Joan E. Ricart

Abstract: To understand the challenges companies at the BoP are facing and the capabilities they need, it is essential to look at the dynamics between the choices and consequences that enable the project’s sustainability and efficiency. The focus should also be on how it can commit itself to inclusive business models that really work towards reducing poverty.

Pedro Nueno
Abstract: El autor plantea a los emprendedores una reflexión desde un enfoque de iniciativa empresarial, basada en su amplia experiencia profesional a nivel internacional, incluida China. China posee ya el potencial de fabricar con calidad, les dice a los empresarios, pero el fenómeno chino no es nuevo en la historia, y el éxito en la exportación no depende sólo de los precios o el nivel tecnológico, sino también de la capacidad de gestión.

José R. Pin

Abstract: Se analiza la influencia del llamado Plan Bolonia en los posgrados universitarios. Indica los cambios que deben hacer las universidades clásicas si quieren competir con las escuelas de negocios en la impartición del MBA y concluye que habrá dos tipos de MBA. Uno que será el que suponga la continuación de la carrera y otro de carácter más profesional y características similares a los actuales de las business school. Dos trenes de distinto recorrido y estación final, con diferentes requisitos y resultados.

Conferences and Seminars

Africa Ariño

On November 17–18, attended the 2nd Annual Conference on Partnerships, “Creating innovative solutions through collaboration", in Copenhagen, where she gave the lecture "Strategic alliances: Structure and process".

Abstract: In this talk I address the interactions between alliance structure and managerial processes, with particular emphasis on the formation stage.

Pablo Cardona – Helen Wilkinson

On November 6, attended the III Congreso Diálogo y Acción, organized by Fundación Bertelsmann in Madrid, where they presented the paper “La cultura empresarial, llave para el éxito”.

Abstract: Muchas empresas están enfocadas exclusivamente al beneficio económico y éste por sí solo no es capaz de motivar. Numerosos estudios, como los de Collins y Porras, demuestran que las empresas de éxito se distinguen por ser capaces de combinar objetivos exigenes y ambiciosos con un sentido de misión y unos valores que van más allá del beneficio y estimulan el cambio a través de la mejora continua.

La cultura empresarial comprende tres ejes fundamentales: misión, valores y competencias (comportamientos), que deben estar alineados para crear una cultura consistente. Una misión con un contenido motivador y creíble; unos valores que han de guardar coherencia con esa misión y con los objetivos corporativos, y unas competencias que secunden el compromiso de quienes trabajan en la empresa con la misión de la misma. La cultura empresarial es algo vivo, que sólo se construye con un liderazgo comprometido.

Adrian Done

On November 23, attended the 39th Annual Meeting of the Decision Sciences Institute in Baltimore, where he presented the paper "An empirical study of supply chain champions", co-authored with Mark T. Frohlich.

Abstract: Supply chain integration and maturity typically result from “champion” companies cooperating with their up- and downstream partners. We investigated these champions in a survey of over 150 companies. Findings suggest that companies in supply chains led by champions have better performance than those in leaderless networks.

Evgeny Kaganer


Abstract: Although ethical decision making is a key concern of organizations, the impacts of IT on ethical discourse is an underexplored topic. The laboratory experiment reported in this paper examines the impacts of the use of group support systems (GSSs) on moral discourse. Drawing upon Toulmin’s (1958) model of argumentation and Kohlberg’s (1976) framework of stages of moral reasoning, we used the technique of argumentation mapping (Fletcher and Huff 1990) to analyze group discussions of scenarios involving music piracy and hacktivism (computer hacking for a social cause) by GSS-supported and face-to-face groups. The results indicate that use of GSS can have a significant impact on the extent and diversity of the argumentation contributed during group discussion involving ethical dilemmas, including the number of grounds and rebuttals and the number of unique stages of moral reasoning underpinning the argumentation.

Núria Mas

On November 13, attended the Jornada técnica on "Modelos de incentivación en el ámbito de la salud", organized by the University of Navarra in Pamplona, where she presented the paper "Incentivando a los profesionales de la Sanidad".

Abstract: El documento analiza los distintos incentivos utilizados internacionalmente en el sector de la salud, tanto para motivar a profesionales sanitarios como a pacientes. En particular, se centra en la evidencia del efecto del uso del co-pago y concluye que en general consigue disminuir la utilización de salud, pero esto es cierto tanto para los tratamientos necesarios como para los menos necesarios.

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Javier Quintanilla
On November 13-15, attended the International expert workshop on comparative case study research, Forschungs- und Beratungsstelle Arbeitswelt (FORBA), Working Life Research Centre, in Vienna, where he presented the paper "Crafting a successful international comparative research group: evidence from practice. Multinationals and the Construction of Transnational Employment Practices".

Abstract: The paper presents preliminary findings from two research projects on the behavior of US multinationals in Europe with respect to employment relations. It explores how the interaction between different national institutional business regimes works through into employment practice, focusing on modes of ‘transmission’ of employment relations philosophies and practices internationally and on the processes of adaptation and transformation or hybridisation that occur in different host settings. These issues are primarily examined through two related substantive issues: the management of employee representation and the management of pay and performance.

Elena Reutskaja
On November 14-17, attended the 2008 annual meeting of the Society for Judgment and Decision Making (SJDM) in Chicago, where she presented the paper "Economic decision making under conditions of extreme time pressure and option overload: an eye-tracking study".

Abstract: We study the computational processes used to make real choices among familiar snack foods under extreme time pressure (<= 3 seconds) and option overload (4-, 9-, or 16-item budget sets). Surprisingly, given the speed of the process and the fact that subjects only fixate on a subset of the items, we find that average choice efficiencies in all choice sets are large (about 80%). To explore why this is the case we use eye-tracking data. We find that choices are well-described by a sequential search model in which subjects randomly fixate on items in order to measure their values and then choose the best item that they have seen. We also find that the process exhibits significant display-driven biases that can be potentially exploited by sellers to manipulate choices.

Juan Roure
On October 29, attended the Research and Education Symposium in London, where he presented the paper "Building a family office unit from within: How family and business dynamics influence the process of development".

Abstract: The development of family offices or "new business development units" has proved a highly effective means of promoting and catalyzing entrepreneurship in enterpreneurial families. Benchmarking provides families in search of an organizational unit to manage the businesses, investments and services for the family with extremely powerful knowledge and is a valuable source of insights and comparables to help match actions to specific family needs and the business development stage. It can also help active family offices improve their capabilities and their functional and investment approach. The purpose of this presentation is to share the results of an exploratory study on how family and business dynamics determine the development of a family office. The paper focuses on some fundamental issues involved in building a family office unit as an entrepreneurial endeavour by the family ownership group, rather than on the benefits such a unit may have for family wealth management purposes. It also establishes some fundamental implications for research in this field, using a conceptual framework of entrepreneurship.

Sandra Sieber

Abstract: In 2006, Indo, an optics manufacturer, decided to change the working method of its sales division for glasses. Physical material was replaced with online information that
facilitated the work of the sales personnel and ensured they always had the most up-to-date information. But the new system was not completely accepted by clients, who were used to touching the product. Even some members of the sales staff were wary about changing an effective way of working.

Awards

The IESE Alumni Association has announced the Seventh Edition of the Research Excellence Awards. This year, awards have been granted to the following professors:


Pedro Nuño, in the Best Course category, for the “Entrepreneurship” course that he has been teaching in several programs since 1973.


Doctoral theses

Kerem Gurses
**ESSAYS ON CHANGE IN CULTURAL INDUSTRIES**
*(IESE, thesis director: Fabrizio Ferraro)*

Abstract: This dissertation investigates how industry practices and technologies change. Efforts to address how industry technologies and practices change encompass a great deal of industry change work. For instance, in recent work, technology scholars have focused significantly on the processes through which actors champion the technologies in a given industry. However, most empirical research has overlooked the political aspects of industry change. As a consequence, we may arguably end up with a rather narrow and partial view of why, when and how actors change industries. In response, I try to add to our understanding of industry change by investigating how powerful and resourceful actors initiate or try to impede processes of industry change. First, I study the activities of an executive who could change industry practices by managing dependencies with the help of his firms’ practices. Second, I study the activities of industry incumbents that tried to fight a novel business model with an emerging technology. Efforts to address how industry change work. For instance, in recent work, technology scholars have focused significantly on the processes through which actors champion the technologies in a given industry. However, most empirical research has overlooked the political aspects of industry change. As a consequence, we may arguably end up with a rather narrow and partial view of why, when and how actors change industries. In response, I try to add to our understanding of industry change by investigating how powerful and resourceful actors initiate or try to impede processes of industry change. First, I study the activities of an executive who could change industry practices by managing dependencies with the help of his firms’ practices. Second, I study the activities of industry incumbents that tried to fight a novel business model with an emerging technology. In doing so, I contribute in two ways: by bringing power, agency and politics into research on industry change; and by discussing how firms may gain competitive advantage by political means, spanning different research streams. In this dissertation I advance theory by bridging resource dependence, technology and social movement literatures. I bring a more agency and process-oriented explanation, focusing on managers’ and social movements’ influence on industry forces, to understand how disruptive technological and regulatory changes affect industry dynamics. Another important aspect of this work is that it responds to recent calls for more organization studies to understand cultural industries better. The focus on cultural industries, often highly regulated and largely unexplored by organization theorists, allows me to study how managers and organizations in these industries cope with new technologies and regulation when the resulting changes shift the very foundations of their industry. Future research into other cultural industry phenomena may yield insights that are valid for other industries.
Abstract: Whereas people are typically thought to be better off with more choices, large sets may lead to “choice paralysis”. This thesis explores the processes underlying the choice from multiple alternatives in different settings. First, we propose that satisfaction is an inverted U-shaped function of the number of alternatives. This proposition is derived theoretically by considering the benefits and costs of different numbers of alternatives and is validated empirically. Second, we investigate the computational processes used to make choices from multiple alternatives under extreme time pressure using an eye-tracking technique. We find that choices are well-described by a sequential search model in which people randomly fixate on items, measure their values and choose the best item seen. Third, we study the neural bases of choice from multiple alternatives using fMRI. The results demonstrate that brain activity is modulated by the number of choice items and people’s subjective choice experience.

IESE - Research Seminars

Financial Management

November 5
Speaker: Paolo Fulghieri, University of North Carolina
"Employee incentives and teamwork in human capital intensive firms"

Abstract: This paper studies employee incentives to exert innovative effort and the importance of encouraging teamwork to promote innovation in human capital-intensive firms where firm value primarily depends on employee-generated innovations. In today’s knowledge-based economy, ownership of physical assets is no longer a source of comparative advantage for firms since developments in financial markets and easier access to capital markets significantly increase firms’ ability to invest in physical assets. Firms’ (especially entrepreneurial and innovative firms’) value-generating ability depends much more on the human capital they employ than on the physical capital they own. Thus, recruiting, retaining and motivating employees become critical requirements for value creation.

November 7
Speaker: Marco Becht, ECARES, Université Libre de Bruxelles and ECGI
"Returns to shareholder activism: Evidence from a clinical study of the Hermes UK focus fund"

Abstract: This article reports a unique analysis of private engagements by an activist fund. It is based on data made available to us by Hermes, the fund manager owned by the British Telecom Pension Scheme, on engagements with management in companies targeted by its UK Focus Fund. In contrast with most previous studies of activism, we report that the fund executes shareholder activism predominantly through private interventions that would be unobservable in studies relying exclusively on public information. The fund substantially outperforms benchmarks and we estimate that abnormal returns are largely associated with engagements rather than stock picking.

November 17
Speaker: Tom Berglund, Swedish School of Economics and Business Administration
"Do large broker-specific order imbalances dictate affiliated analysts’ recommendations?"

Abstract: Analysts should be important in making stock prices properly reflect changes in the value of listed firms’ operations. Yet research shows that there are systematic biases in analysts’ forecasts and recommendations. This report looks for evidence of biased recommendations in the response of brokerage firms’ clients to changes in analysts’ recommendations on the Helsinki Stock Exchange from 1995 to 2004. We focus on whether there is evidence that recommendation changes are used to facilitate execution of trades for important clients rather than as pointers to misvaluations in the stock market. Our results reveal that some recommendation changes more likely reflect an attempt to execute a sizeable order than a genuine revision of expectations concerning the future profitability of the analyzed firm.

November 28
Speaker: Yuval Millo, London School of Economics and Political Science
"The usefulness of inaccurate models: Towards an understanding of the emergence of financial risk management"

Abstract: Is the growth of modern financial risk management a result of the accuracy and reliability of risk models? This paper argues that the remarkable success of today’s financial risk management methods should be attributed primarily to their communicative and organizational usefulness and less to the accuracy of the results they produced. This paper traces the intertwined historical paths of financial risk management and financial derivatives markets. Spanning from the late 1960s to the early 1990s, the paper analyses the social, political and organizational factors that underpinned the exponential success of one of today’s leading risk management methodologies, the applications based on the Black–Scholes–Merton options pricing model. Using primary documents and interviews, the paper shows how financial risk management became part of central market practices and gained reputation among the different organisational market participants (trading firms, the options clearinghouse and the securities regulator). Ultimately, the events in the aftermath of the market crash of October 1987 showed that the practical usefulness of financial risk management methods obscured the fact that when financial risk management was critically needed the risk model was inaccurate.
Managerial Decision Sciences
November 18
Speaker: Matthias Seifert, London Business School
"Individual and collective intuition in managerial forecasting: The case of the music industry"

Abstract: This paper examines the role of intuition in judgmental forecasting. It contributes to the existing decision-making literature by testing the effects of task ambiguity, domain-specific expertise and individual and group judgments on the efficiency of intuition in model-manager predictions. Results from an experimental field study carried out in the music industry indicate that task ambiguity moderates the performance of managers and of rational forecasting models. Also, the true value of expert intuition only unfolds when managers with high levels of domain-specific expertise make predictions in highly ambiguous contexts. The study goes on to delineate the conditions in which the predictive power of collective intuition is most likely to increase judgmental accuracy. Finally, key findings challenge the robustness of previous research proposing a 50:50 split between rational and intuitive cognition in order to engineer higher quality decisions. For managers in the “big four” record companies the split shifts to 80:20 in low and 40:60 in high task ambiguity contexts. For managers in smaller, independent labels, the optimal split is 90:10 when ambiguity is low and 56:44 when it is high. These differences further illustrate the importance of considering the external environment and internal task-relevant expertise for making statements about the rationality of managerial judgments.

Marketing
November 6
Speaker: Joseph Lajos, INSEAD
"CAM: A spreading activation network model of subcategory positioning when categorization uncertainty is high"

Abstract: Many new products (e.g., PDA phones) share features with multiple categories, but are also substantially different from each of these categories. When consumers encounter such a product, they may create a new subcategory (e.g., smart phones) to accommodate it. In such situations, consumers must decide where within the category structure to position the new subcategory (e.g., under the PDA category or under the phone category). We develop a spreading activation model that we call the Category Activation Model (CAM) to predict where within a category structure consumers are likely to position a subcategory that they have created to accommodate a new, hybrid product. Based on this model, we hypothesize that the probability that an individual will position a new category subordinate to a particular category i is proportional to the relative number of categories that are already subordinate to i. We report the results of two studies that support this hypothesis and provide evidence that accessibility is an underlying mechanism.

Research Seminars

Javier Estrada
On November 18, at Cantonal Bank of Geneva, Geneva, presented the paper “Black swans and market timing: How not to generate alpha"

Abstract: Do investors obtain their long-term returns smoothly and steadily over time or is their long-term performance largely determined by the return of just a few outliers? How likely are investors to successfully predict the best days to be in and out of the market? The evidence from 15 international equity markets and over 160,000 daily returns indicates that a few outliers have a massive impact on long-term performance. On average across all 15 markets, missing the best 10 days resulted in portfolios 50.8% less valuable than a passive investment; and avoiding the worst 10 days resulted in portfolios 150.4% more valuable than a passive investment. Given that 10 days represent less than 0.1% of the days considered in the average market, the odds against successful market timing are staggering.

Miscellaneous

Antonio Argandoña
On November 13, attended the Homenaje póstumo al Excmo. Sr. Dr. D. Raymond Barre, organized by the Real Academia de Ciencias Económicas y Financieras in Barcelona, where he gave the lecture "El economista práctico, gestor de la política económica".
On November 25, gave the lecture "La responsabilitat social de les empreses en un món en constat canvi", at the headquarters of Crèdit Andorrà, Andorra la Vella.

On November 27, attended the "Foro Ethos de Empresas", organized by the Universitat Ramon Llull in Barcelona, where he gave the lecture "Valores humanistas y responsabilidad social corporativa".

On November 29, attended the XIV Seminario AEDOS, Capítulo de Economía, “Antropologías subyacentes a algunas concepciones de ‘finanzas’ y ‘prosperidad’” in Madrid, where he moderated a roundtable on "Algunas concepciones notables presentes en la actual crisis financiera y económica".

Africa Ariño
Last November attended the Jornada dels Economistes, organized by the Col·legi d'Economistes de Catalunya in Barcelona, where she was a panelist in the session "La direcció de la empresa de valor: oportunidades y retos de las alianzas estratégicas".

Steven Poelmans

Abstract: Steven Poelmans is an expert on the frontiers of work-family research, contributing to theoretical and practice advancements. He is the Academic Director of the International Centre of Work and Family (ICWF) at IESE Business School in Barcelona, Spain, which has worked for more than a decade with numerous organisations in Spain, Latin-America and various countries around the globe to create a family-responsible environment.

In this conversation, Steven Poelmans responds to questions from Thomas Kalliath and Paula Brough (Guest Editors) on a range of theoretical and practice issues currently facing the field, including measurement of work-life balance, work-life balance theory, engagement with industry, the role of organisational culture and strategic management in influencing work-life balance.

Joan E. Ricart
Last October was appointed president of the Strategic Management Society (SMS).

Julián Villanueva
His article "Customer equity: An integral part of financial reporting" was a finalist for the Journal of Marketing’s 2008 MSI/H. Paul Root Award.

Book reviews

Guido Stein

Abstract: Era necesario un libro serio, profundo y comprometido sobre un tema tan de moda como manipulado y tergiversado. El autor acaba de llenar ese vacío con 264 páginas serenas, esclarecedoras y doctrinales sobre las relaciones del consejo de administración y el primer ejecutivo de una compañía, y su impacto en la compañía, en todos los que tienen relación con ella y en la sociedad en la que desarrolla sus actividades.

Teaching materials

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

Accounting and Control

Caja Navarra: Reporting Customer Profitability... to Customers (C-747-E - 0.108.010)

The case can be used to teach customer profitability analysis in a service firm (bank). The case describes the decision of a bank (CAN) to disclose customer profitability to its customers. It describes how customer profitability is estimated and alternatives to this approach to estimating it. It also describes the bank’s strategy that led to its decision to report to customers how much the bank makes on each one of them.

(Also available in Spanish.)

Aranda C.; Arellano J.; Dávila A.; 15 pages.

Caja Navarra: rentabilidad de cliente... para el cliente - Nota del instructor (CT-21 - 5.108.018)

Case C-747-E.
Use is restricted to Academic Institutions.

Aranda C.; Arellano J.; Dávila A.; 6 pages.
Entrepreneurship

elBulli's Magic Recipe
(E-116-E - 0.608.017)

Early in 2008, Juli Soler and Ferran Adrià, co-owners of one of the world's most renowned restaurants, elBulli, located at Cala Montjoi outside Roses on Spain's Costa Brava, were weeks away from opening for another season. As usual, the reservation lines had been inundated immediately for the 2008 season. Each year, elBulli served 8,000 people from nearly one million reservation requests. How could you explain such unassailable demand? Perhaps the endless press reports declaring Adrià the “best chef in the world”? Maybe the fact that all respected food guides placed elBulli at the top? Did it have to do with elBulli's menu, with its startling creativity? Whatever the answer, it was undeniable that Adrià and elBulli represented the Spanish vanguard. The venture had grown to include countless books, a catering service, cooking classes around the world, a hotel, a franchise fast-food concept, and collaboration with multinationals marketing products. What was elBulli's magic recipe? What made the restaurant a central piece of the Ferran mythology, although – to the surprise of many outsiders – it was not that profitable? In thinking about the 2008 season, the question for Soler, Adrià and others on the team was: what next?
(Also available in Spanish.)

Mitchell J.; Prats M.J.; Quintanilla J.; 31 pages.

Financial Management

Accent 2003 Equity Fund (A): Accent Capital Partners Presenting to Titanic Investments (TI)
(F-828-E - 0.208.016)

This two-part case series allows students to role-play from two different perspectives: the General Partner and the Limited Partner. Part A shows the perspective of the General Partner (Accent) as they prepare to present their private placement memorandum (PPM) for their first fund (targeted at EUR 200 million). Part B shows the Limited Partner’s (Titanic) perspective as they receive the pitch for Accent's new fund.

Grabenwarter U.; Liechtenstein H.; Mitchell J.; 91 pages.

Accent 2003 Equity Fund (B): Titanic Investments Ltd. Evaluating Accent
(F-829-E - 0.208.017)

See case A (F-828-E).

Grabenwarter U.; Liechtenstein H.; Mitchell J.; 2 pages.

Information Systems

PRECON: integración del conocimiento a nivel corporativo
(SI-158 - 0.107.002)

PRECON es una compañía española que produce y comercializa productos prefabricados de hormigón para grandes proyectos de construcción como puentes, carreteras, vías de ferrocarril o naves industriales. PRECON ha crecido a través de la adquisición, en un corto período de tiempo, de diferentes empresas que operan en la misma industria. Sus diferentes formas de realizar los distintos procedimientos y procesos del negocio hacen que los resultados y el rendimiento sean diferentes entre ellas. Esto se debe a que cada unidad tiene sus características propias: tamaño, tradición, cultura y condiciones técnicas. Para solucionar este problema, PRECON se plantea diseñar un conjunto de acciones encaminadas a homogeneizar e integrar los distintos procedimientos, potenciar las posibles sinergias y conseguir una mejor gestión del conocimiento entre las diferentes unidades.


PRECON: Integración del conocimiento a nivel corporativo – Nota del instructor
(SIT-12 – 5.107.003)

Case SI-158.
Use is restricted to Academic Institutions.

Managerial Decision Sciences

Dealing with Conflicting Objectives: Multicriteria Analysis and Heuristics
(ADN-271-E - 0.106.038)

The note is divided in two parts. The first part of this note explains how to apply a standard methodology to make explicit trade-offs between conflicting objectives. The second part, explores decision rules or heuristics that people often use to avoid making trade-offs, and discusses the reliability of such rules.

Baucells M.; Lobanova A.; 10 pages.

Managing People in Organizations

What is Cheating?
(DPO-118-E - 0.408.019)

The case illustrates the behavior of an MBA student facing a situation that compromises his integrity in his current academic environment.

Sortheix F.; Ribera A.; 4 pages.

Makonsa’s Mission (Boss’ Role), (D1)
(DPOE-8-E - 0.408.051)

This exercise is useful for learning how to use mission statements in management as a way of implementing a mission in a company. The participants divide into four teams, representing the four main departments in the company. Each team has to develop shared missions, indicators and objectives to contribute to the company’s mission statement.
(Also available in Spanish.)

Cardona P.; Rey C.; 3 pages.

Makonsa’s Mission (Subordinate’s Role), (D2)
(DPOE-9-E - 0.408.052)

See exercise D1 (DPOE-8-E).
(Also available in Spanish.)

Cardona P.; Rey C.; 3 pages.

Classics and Management

(A noble appeal based on the speaker’s credibility demands respect, but respect does not necessarily arouse the right emotional response. We know that persuasion in a crisis situation has more to do with action and emotion than rationality. Reason, therefore, must be highly tempered with emotion to achieve the right action. In Shakespeare’s Julius Caesar, Brutus’ speech fell widely off the mark. Mark Anthony’s funeral speech, on the other hand, is one of the best examples of a crisis speech that one can find because it arouses the right emotions in the audience while providing them with the hard evidence they need to be convinced. The result we all know.

Leggett B.; 9 pages.

Production, Technology and Operations Management

Car Sharing in Barcelona: Avancar
(P-1088-E - 0.608.029)

Avancar started offering car sharing services in Barcelona in 2004. As in most car sharing businesses, customers would typically make car reservations by the hour and pick up and drop off the cars on their own (self-service). By 2008, the company had 2,000 customers sharing more than 100 vehicles. As Avancar kept growing, it had the possibility of modifying the design of the service process and the management of its capacity. This was especially important since some traditional rental companies were launching similar services in the city.

Alegre M.; Lago A.; Martínez de Albéniz V.; 14 pages.

The Steele Production Planner
(PE-72-E - 0.608.025)

The Steele Production Planner is a case-simulation that describes the production scheduling problem of a medium-size steel company located in northern Spain. After describing the industry (steel) and the production technology (mini-mills), the students are put in charge of managing the production of five steel products. The simulator is provided together with the case. It allows the students to try different production policies and simulate how these perform, in terms of profits, inventory levels and machine set-ups. Based on their experience, students should suggest future directions for improving the company’s sales and production policies.

Lago A.; Martínez de Albéniz V.; Sabrià F.; 16 pages.

The Steele Production Planner - Teaching Note
(PT-48-E - 5.608.024)

Exercise PE-72-E.
Use is restricted to Academic Institutions.

Lago A.; Martínez de Albéniz V.; Sabrià F.; 6 pages.
Queue Management: Methodology for Basic Queue Analysis
(PN–441-E - 0.606.048)

This technical note summarizes the methods for analyzing and approaching stochastic queuing problems, offering a step-by-step guide. It is complementary to technical note PN-427-E, which provides a more detailed description of queuing phenomena.
(Also available in Spanish.)

Lago A.; Martínez de Albéniz V.; 8 pages.

Strategic Management

A Puma vs. Giants: The rise of David
(DG–1519-E - 0.307.036)

At the beginning of 2007 –for the first time in his 13 years at the helm of Puma– Jochen Zeitz was able to take a deep breath, reflect on the company’s successful turnaround and, most importantly, contemplate the way ahead. After reinventing itself, creating a new market segment and demonstrating that the company could compete with its bigger brother, Adidas, Puma was at a crossroads.
It had become very profitable in the past decade and the stock price had also done well. Analysts considered Puma a jewel. It was therefore not a real surprise that rumors began to circulate within the industry that two firms were flirting with the idea of buying the company: Nike and Pinault-Printemps-Redoute (PPR). Mr. Zeitz and Puma needed to make a decision: 1) sell out to the leader in the sports industry, 2) join a conglomerate of luxury brands and run with a herd, or 3) remain solitary like a Puma in the wild? What should be the next step to grow the company, keeping in mind the interests of Puma’s shareholders, employees and other stakeholders?

Fruechtnicht M.; Mair J.; 11 pages.