**Journals**

**Bruno Cassiman – Giovanni Valentini**

Abstract: Through a stylized model of the R&D process, we show how the strategic organization of R&D should simultaneously affect the choice of the type of R&D to be performed and the choice about the exposure of the R&D project to knowledge from outside the firm. We identify how each of these decisions influences the expected benefits and costs (production, transaction and coordination costs) of R&D projects and formally derive how these decisions interact. The fact that these decisions are customarily allocated to different agents with misaligned incentives forces top management to optimally adjust the R&D strategy (i.e., the type of R&D performed). The goal is to affect the exposure to the external environment of the R&D project, a decision taken by a decentralized project manager. From the model, we develop several implications for theory and novel testable implications and explain some observed empirical regularities in the management of R&D.

**Carmelo Cennamo – Pascual Berrone – Luis R. Gómez-Mejía**
"Does stakeholder management have a dark side?", Journal of Business Ethics, online, December 2008.

Abstract: This article is a first attempt to outline the conditions under which executives might have a real self-interest in pursuing a broad stakeholder management (SM) orientation to enlarge their power. We suggest that managers have wider latitude of action under an SM approach, even when this is instrumental to financial performance. The causal ambiguity of the performance effects of idiosyncratic relationships with stakeholders not only makes SM strategy difficult for competitors to imitate but also increases managerial discretion. When managers use this situation for their own benefit, they can undermine the purported goals of the SM approach. By analyzing some of the factors that might lead to such dysfunctionalities, this article advances a theory of the potential dark side of SM.

**Bruno Cassiman – Chiara Di Guardo – Giovanni Valentini**
"Organising R&D projects to profit from innovation: Insights from co-opetition", Long Range Planning, online, February 2009.

Abstract: Increasingly technological innovation results from the joint creation effort of different players in the value chain, such as suppliers, customers, research centers and universities. Balancing cooperative and competitive forces in the innovation process to co-create value and to capture part of this value has therefore become crucial to profit from innovation. In this article, we show that this tension between value creation and value capture is present within each R&D project. Drawing on the case of STMicroelectronics, we show that the balance of cooperative and competitive forces in R&D projects is made through the careful alignment of three variables: project knowledge attributes, project governance structure (internal development, cooperation or contracting), and project partner selection (firm or university). A capability to match these three elements in the R&D process explains the success of the innovation process of STMicroelectronics. Building on the experience of STMicroelectronics we provide some practical guidance on how managers should trade off these cooperative and competitive forces in organizing their R&D projects.

**Pascual Berrone – Luis R. Gómez-Mejía**
"Environmental performance and executive compensation: An integrated agency-institutional
Abstract: El estudio de empresas familiares exitosas que han superado más de tres generaciones de la familia, permite afirmar que el hecho diferencial que explica su supervivencia como empresa reside en las características de las familias propietarias, a las que con propiedad se las puede calificar como familias empresarias comprometidas.

En estas familias se observan, por una parte, importantes esfuerzos para establecer las estructuras de pertenencia a la familia y de representación en la empresa familiar adecuadas a cada generación y época, y, por otra parte, el fomento constante de medios prácticos para el aprendizaje de sus miembros, de manera que sea verdadera su libertad, real su participación y continuado el ejercicio de sus capacidades de emprendimiento.

Beatriz Muñoz-Seca – Josep Riverola

Abstract: This is a book about Operations Management. Operations can cover everything from the germ of an idea to a satisfied customer and, in the 21st century, Operations need a drastic change. The most important resource that a company has is the brains of its people. And people with talent cannot be managed like the traditional manual workforce, "man power".

This book imparts experiences from the theatre world to show a concrete method of Operations Management in the 20th century. The theatre has always relied on "brain power", it has never had "man power" to exploit.

This book provides the key ideas necessary to implement a "new" Operational Culture that will lead to excellence in service, by showing how to make the best use of the talent that is to be found in companies in the 21st century.

Pedro Nuñez

Abstract: Después del éxito de “Emprendiendo hacia el 2010”, llega la nueva versión revisada y totalmente actualizada de este clásico del management. Se trata de un análisis riguroso pero muy ameno al proceso de crear empresas, que repasa el ciclo vital de una empresa, comenzando por la concepción del proyecto y la elaboración del plan de negocio, siguiendo con la puesta en funcionamiento de la misma y su madurez, y terminando con la formulación de estrategias de crecimiento. Nuñez pone al alcance de directivos y gerentes todas las herramientas necesarias para llevar a cabo una tarea sólida y segura, en un contexto inestable que se encamina hacia un futuro con muchas incógnitas.

El autor pone al día el libro con nuevos casos prácticos de gran utilidad para toda persona que se encuentra al frente de un equipo humano. Encuadrado en la escuela de pensamiento empresarial de Harvard y el IESE, se trata de una aproximación humana, realista y ambiciosa.
Contributions to books

Antonio Argandoña

Abstract: Este capítulo es el texto editado de una conferencia pronunciada en enero de 2008. El tema –el papel de la ética en las empresas– se desarrolla en tres bloques. En el primero se discute qué es la ética, diferenciándola de concepciones de la ética que no son las adecuadas. En el segundo bloque se explica con detalle por qué una empresa debe ser ética, más allá de la optimización económica que se espera de ella. Y, finalmente, se comenta el papel que los directivos deben tener en la creación de un ambiente moral en sus organizaciones.

Joan E. Ricart – José Luis Alvarez

Abstract: The purpose of this chapter is to analyze the role of consultants, professional service firms and, in general, knowledge intermediaries in articulating the collective action of shareholders. The regulatory background is the current proposals for the reform of General Meetings of Shareholders in Spain. General meetings are particularly revealing of shareholder activism, as they are the forum in which shareholders’ actions can be most effective. This assessment and the arguments that follow appear, to a very large extent, equally applicable to other European countries, as these proposals have been put forward in Spain within the context of the wider governance reforms promoted by the Winter report in Europe and other national and supranational regulatory efforts.


Abstract: In recent years, social entrepreneurship (SE) has emerged as a popular term used by politicians, businesspeople and institutions alike to describe businesses that give back to society. Johanna Mair, Jeffrey Robinson and Kai Hockerts first made waves in 2006 by exploring this topic in their book, “Social Entrepreneurship”, born as a result of research presented at IESE’s first International Entrepreneurship Research Conference in 2005. Since then, the concept has gained ground and legitimacy as an up-and-coming area of research. Now the authors are back with “International Perspectives on Social Entrepreneurship”, a sequel that pushes SE research forward in an effort to move towards a mainstream context. This new volume draws from research presented at the second International Entrepreneurship Research Conference, held at the Berkley Center for Entrepreneurial Studies at NYU Stern School of Business. Featuring 20 global scholars, this follow-up seeks to provide new directions to existing theories.

“Our goal is to move the conversation beyond the discussion of definitions toward a discussion of constructs, concepts, frameworks and theories of social entrepreneurship,” explain the authors.

The book include the following chapter:

Ignasi Martí – Johanna Mair
"Social entrepreneurship as institution building", pages 144–159.

Abstract: One factor that prevents many developing countries from advancing along the road towards social and economic development is the weakness or complete absence of supportive institutions (World Bank, 2002). By creating and transforming institutions, social entrepreneurial actors can enable the excluded to participate in markets and society and so create the conditions for developing countries to enter the virtuous circle of economic and social development. However, we still know relatively little about why and how these actors attempt to build new institutions and transform existing ones, particularly in developing countries where institutional voids are ubiquitous and shape both social and economic reality. We also lack a good understanding of the implications of this process.

IESE – Working Papers

No 777 – January 2009
Antonio Argandoña
THE COMMON GOOD OF THE COMPANY AND THE THEORY OF ORGANIZATION

Abstract: The concept of common good occupies a prominent place in political and social philosophy, yet it has had little impact on the theory of the firm. This is despite some recent attempts to restate the theory of the firm on broader and therefore more fruitful anthropological and social foundations than those of traditional economic theory. The present study connects with other discussions of organization theory based on the ideas of Aristotle and Thomas Aquinas and is an attempt to explain how the concept of common good may be used to broaden the foundations of organization theory.

(AAlso available in Spanish.)

No 778 – January 2009
Pascual Berrone – Liliana Gelabert – Andrea Fosfuri
THE IMPACT OF SYMBOLIC AND SUBSTANTIVE ACTIONS ON ENVIRONMENTAL LEGITIMACY
Abstract: Drawing on institutional theory and insights from stakeholder theory and impression management, we empirically analyze the impact of both environmental symbolic policies (participation in voluntary environmental programs, green trademarks, environmental-dedicated board committees, environmental pay policies and community communication) and substantive actions (environmental patents and pollution prevention practices) on environmental legitimacy. We show that 1) symbolic actions have a weaker positive effect on legitimacy than substantive actions; 2) that the impact of symbolic actions is greater when they are combined with substantive actions, and 3) that this impact is only short-term while substantive actions have both short- and long-term effects.

No 779 – February 2009
Alexander P. Groh
PRIVATE EQUITY IN EMERGING MARKETS

Abstract: Why is there such a strong private equity market in the United States or the United Kingdom? Why is activity relatively low in several other economically important countries? And why is it zero or close to zero in many emerging regions? Spatial variations of private equity activity result from numerous factors. In this paper I summarize the literature contributions on the determinants of national private equity activity and comment on the consequences for the development of the private equity asset class in emerging markets.

No 780 – February 2009
Alexander P. Groh – Oliver Gottschalg
THE OPPORTUNITY COST OF CAPITAL OF US BUYOUTS

Abstract: This paper addresses the problem of accurately determining buyout opportunity cost of capital for performance analyses. It draws on a unique and proprietary set of data on 133 United States buyouts between 1984 and 2004. For each buyout, we determine a public market equivalent that matches the buyout in timing and systematic risk. We show that under realistic mimicking conditions, the average opportunity cost of capital is below the commonly used benchmark S&P 500. The surprising result has a simple explanation: ex post, many of the transactions mimicking the buyouts would have defaulted in the public market. Only under relaxed assumptions, is the average opportunity cost of capital close to the average index return. Our sensitivity analyses highlight the need for a comprehensive risk adjustment that considers both operating risk and leverage risk for an accurate assessment of buyout performance. This finding is particularly important as existing literature on this topic tends to rely on benchmarks without a proper risk adjustment.

No 781 – February 2009
Christoph Zott – Raphael Amit
DESIGNING YOUR FUTURE BUSINESS MODEL: AN ACTIVITY SYSTEM PERSPECTIVE

Abstract: Building on the received literature, we conceptualize a firm’s business model as a system of interdependent activities that transcends the focal firm and spans its boundaries. The activity system enables the firm to create value in concert with its partners but also to appropriate a share of the value created. Anchored on theoretical and empirical research, we suggest two sets of parameters that activity systems designers need to consider: design elements – content, structure and governance – that describe the architecture of an activity system; and design themes – novelty, lock-in, complementarities and efficiency – that describe the sources of the activity system’s value creation.

No 782 – February 2009
Núria Mas
RESPONDING TO FINANCIAL PRESSURES. THE EFFECT OF MANAGED CARE ON HOSPITALS’ PROVISION OF CHARITY CARE

Abstract: The United States relies on charitable medical care to serve the uninsured, most of which is offered by hospitals that act as providers of last resort and that constitute the safety net. Traditionally, these hospitals have been able to finance their provision of unfunded care through a complex system of cross-subsidies. The objective of this paper is to analyze the effects that financial pressures have on the provision of charity care by hospitals. To do so we look at the effect of price pressures and at the cost-controlling mechanisms imposed by managed care. Our hypothesis is that price competition and other forms of financial pressures undermine hospitals’ ability to cross-subsidize and so challenges their survival. Our results show that managed care has a disproportionately negative effect on the closure of safety net hospitals. Moreover, amongst those that remain open, in areas where managed care penetration increases the most, safety net hospitals react by closing the health services most commonly used by the uninsured (emergency rooms, obstetrics, and alcohol and drug treatments).

IESE - Studies and Monographs

No 80 – January 2009
Guido Stein – Alvaro San Martin
LA SUcesion DEL CEO

Abstract: Gobernar la continuidad en el liderazgo al frente de una compañía es una de las responsabilidades más importantes que deben asumir el consejo de administración y el CEO. Para evitar discontinuidades en la dirección que afecten negativamente al rendimiento, es preciso inculcar a todos los niveles una auténtica cultura de sucesión en los puestos clave. Estas páginas tratan específicamente la puesta en práctica de un plan de sucesión del CEO, como figura de mayor impacto en toda la organización. En primer lugar, se examinan las ventajas e inconvenientes de dicho plan; a continuación, se hace un repaso de algunos factores contextuales
en los procesos de sucesión, como las distintas causas de las salidas de los CEO; también se estudian las fases más relevantes del proceso de sucesión: elección, nombramiento, primera etapa en el cargo y vuelta al comienzo; por último, se hace referencia al caso particular del relevo del CEO en una empresa familiar.

Other publications

Pablo Fernández
"Rentabilidad y creación de valor en la bolsa española", Consejeros, No 36, February 2009, pages 52-60.

Abstract: En 2008, la rentabilidad de la bolsa española fue -40%, sólo hubo tres empresas (entre 136) con rentabilidad positiva y 61 empresas tuvieron una rentabilidad inferior a -50%. Las 136 empresas destruyeron valor para sus accionistas por importe de 420 billones de euros. También se muestra que el descenso de 2008 fue menor que los de 2002, 1974 y 1980; y similar a los de 1958 y 1992. Esta “crisis” se superará cuando el sentido común, el trabajo bien hecho, la competencia profesional y la veracidad vuelvan a ser la tónica predominante en la sociedad (dirigentes políticos, directivos de empresas, organismos reguladores, empleados...). Entretanto, serenidad para aprovechar las oportunidades que ofrece el mercado, para trabajar al margen de lo que dicen los “clarividentes” mentirosos o incompetentes (versión moderna de los vendedores de crecepelo en el Oeste) y para otras cosas mucho más importantes que éstas.

Guido Stein

Abstract: Dirigir equipos es una pieza cada vez más crítica del puzzle directivo actual. Los cambios tecnológicos y la globalización conducen a los directivos a vérselas con una complejidad e interdependencia crecientes en el manejo de los roles de los equipos. Hoy han de gestionar variedad de experiencias, de edades, de backgrounds, multiculturalidad, virtualidad, redes horizontales y equipos interfuncionales frente a estructuras jerárquicas y organizaciones funcionales.


Abstract: Being a manager means setting an example and creating a business. Certainly, what leaders do is always a message; that is why they should never be chosen for what they think, but for what they are. Their example consists of always striving to improve, while remaining one among equals, willing to share risks and difficulties. This is precisely how others learn the best competencies.

Conferences and Seminars

Toni Dávila
On January 8-10, attended the 2009 Management Accounting Section Research and Case Conference and Doctoral Colloquium in St. Pete Beach, Florida, where he presented the paper “Performance measurement of innovation and entrepreneurship”.

Abstract: The relevance of accounting and control to entrepreneurship and innovation has become more salient over the last few years. The traditional paradigm that identified accounting and control as merely detrimental to these two aspects of management has been challenged both through new concepts and recent empirical evidence. This paper presents a review of this emerging literature. It examines the theoretical concepts that are shaping these fields as well as the evidence that is accumulating. It also presents a framework to structure the study of management control systems in innovative settings and future opportunities for research.

Markus Maedler
On January 8-10, attended the 2009 Management Accounting Colloquium, organized by the American Accounting Association in St. Pete Beach, Florida, where he presented the paper “Congruity, performance measurement and task assignment”.

Abstract: This paper studies congruity in a principal-agent model with multiple tasks and performance metrics in which the principal chooses to assign 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. Both the specification of the measure and the intensity-allocation tradeoff are new to the literature and extend our understanding of congruity.

Fernando Peñalva
On February 2-3, attended the XII Semana Interdepartamental de Contabilidad on “La crisis financiera: Valoración de los instrumentos financieros y la regulación de las agencias de calificación crediticia” in Cauterets, France, where he presented the paper “La crisis económica: Impacto de los instrumentos financieros”.

Abstract: The presentation analyzes the role of financial instruments in the current economic crisis. In particular, it shows how financial instruments magnified the consequences of the burst of the housing bubble in the United States. Other factors are
also analyzed: a) inadequate regulation of financial markets; b) lack of transparency; c) poor performance of credit rating agencies, and d) inability to detect the growing correlation among the different risks assumed, which rendered the current models of diversification and insurance ineffective.

Mª Julia Prats
On February 11-12, attended the “Alternative Business Models for Professional Service Firms” Conference, organized by the Harvard Business School in Boston, where she acted as a panel expert.

Abstract: In recent years a number of new and interesting business models have been created for professional service firms. The conference, organized by the Leadership Initiative at Harvard Business School, gathered founders of these firms, select faculty at HBS and invited scholars, who explored issues such as the phenomena that have led to the recent formation of these firms, the scalability of these business models and the implications for the industry.

Guido Stein
On February 26, attended the Conference on “Problemas con las personas en tiempos de crisis económica. Causas y modos posibles de gestión”, organized by the Instituto de Empresa y Humanismo in Madrid, where he presented the paper “La Sucesión del CEO: Claves para dirigir en la incertidumbre”.

Abstract: (See page 4).

Lourdes Susaeta
On January 22-23, attended the 6th ADERSE (Asociación para el Desarrollo de la Responsabilidad Social de las Empresas) conference in Pau, France, where she presented the paper “Diversidad y generación de valor: Claves de gestión”, co-authored with José R. Pin, Pilar García Lombardía and M.J. Belizón.

Abstract: La inversión en políticas de diversidad es cada vez más frecuente en las empresas, que afirman encontrar en esta implantación beneficios en cuestiones tales como incrementos en la creatividad, mejora de la imagen y la reputación corporativas, mejora del clima laboral, etc. La mayoría de las empresas, sin embargo, no utilizan ningún sistema de evaluación del impacto de las políticas de diversidad. Además, desde el ámbito académico, los numerosos estudios empíricos realizados en los últimos 20 años no han logrado ofrecer resultados concluyentes acerca de una posible relación positiva entre la introducción de la diversidad en las empresas y el aumento del beneficio, el desempeño de los empleados o el compromiso y la cohesión interna. Esta situación procede en gran parte de la inexistencia de un criterio riguroso y consensuado de diversidad. En Europa, y especialmente en España, las políticas de diversidad siguen los criterios legales, superándolos en muchos casos y entrando así en el plano de la responsabilidad social corporativa, pero manteniendo los atributos de diversidad marcados por la ley. Tales atributos, precisamente por deriva del marco legal, tienen más que ver con la integración y la no discriminación que con una acepción de diversidad más próxima a lo que algunos autores norteamericanos denominan variedad: heterogeneidad respecto a competencias, habilidades, experiencia, etc. Esta diversidad entendida como variedad sí puede generar valor en la organización, siempre que sea bien gestionada.

Xavier Vives
On January 2-6, attended the American Meeting of the Econometric Society Annual Meeting in San Francisco, where he presented the paper “Dynamic trading and asset prices: Keynes vs. Hayek”.

Abstract: We investigate the dynamics of prices, information and expectations in a competitive, noisy, dynamic asset pricing equilibrium model. We look at the bias of prices as estimators of fundamental value in relation to traders’ average expectations and note that prices are more (less) biased than average expectations if and only if traders over- (under-) rely on public information with respect to optimal statistical weights. We find that prices are biased in relation to average expectations whenever traders speculate on short-run price movements. In a market with long-term traders, over-reliance on public information obtains if noise trade increments are correlated enough and/or there is low enough residual uncertainty in the payoff. This defines a “Keynesian” region; the complementary region is “Hayekian” in that prices are less biased than average expectations in the estimation of fundamental value. The standard case of no residual uncertainty and noise trading following a random walk is on the frontier of the two regions. With short-term traders there typically are two equilibria, with the stable (unstable) one displaying over-(under-) reliance on public information.

Doctoral theses

Raúl Ibáñez
POSIBILIDADES Y LIMITACIONES DE LOS INDICADORES DE GESTIÓN EN LA TAREA DIRECTIVA. ESTUDIO CLÍNICO DE UN CASO DEL SECTOR DE LAS TIC
(IESE) thesis director: Josep M. Rosanas

Abstract: Con la metodología de un estudio clínico y el apoyo de un modelo propuesto para el análisis, en esta investigación se va a estudiar el sistema de indicadores de gestión de una empresa específica, para identificar posibles disfunciones o inconsistencias en su proceso, ensayar un diagnóstico sobre sus causas y apreciar el impacto que estas disfunciones o inconsistencias pueden tener en la tarea directiva y en el desempeño (performance) de la organización, aportando también algunas reflexiones orientadas a subsanarlas o evitarlas. Las conclusiones de este estudio tienen el propósito de hacer una contribución a la literatura tanto teórica como empírica en el
Hernan Etiennot

PERFORMANCE MEASUREMENT SYSTEMS: A MECHANISM TO INFLUENCE AND PROMOTE BEHAVIORS

Abstract: The purpose of this thesis is to understand how performance measurement systems are used to influence and facilitate decisions at the corporate and divisional level. The first paper is a literature review, which analyzes the use of performance measures to enhance innovation, focusing on their decision facilitation role. The next two papers are empirical and focus on the decision-influencing role of performance systems through their link with incentive systems. I conclude that there is no universal measurement system, nor any universal criteria that model the differences. For innovation activities the role of performance measurement is mainly to facilitate decisions, while for corporate and divisional performance its role is to influence activities by aligning executives with shareholder interests. However, the rules for developing measurement systems recommended by theory find no empirical support in my dataset. Additionally, companies with performance measurement systems that promote cooperation instead of competition between executives seem to be the ones with the higher corporate return.

Mario Capizzani

DO AUCTIONEERS MATTER IN DETERMINING AUCTION OUTCOMES?

Abstract: In common value auctions an auctioneer can enhance the seller's revenue by making all the private information she possesses with respect to the item's value available to bidders before the bidding takes place. This prediction relies on the bidders being rational. On the other hand, if bidders have naïve beliefs regarding the item's value and suffer the winner's curse, an auctioneer would maximize the seller's revenue by not making any information publicly available to bidders before the bidding takes place. In other words, conditional on the auction mechanism, an auctioneer only affects auction results by her choice of public information disclosure policy. This paper tests the above prediction in first-price common value auctions in a laboratory setting and demonstrates that, contrary to the theoretical prediction, the mere presence of an auctioneer reduces occurrences of winner's curse and so lowers the seller's revenue. We fit a structural level-k model of reasoning which confirms that players apply more cognitive effort (i.e. “thinking steps”) to formulate their bids in auctions with the presence of an auctioneer and behave more in accordance with Nash equilibrium predictions.

IESE - Research Seminars

Economics

February 4

Speaker:Arthur Campbell, MIT

“Tell your friends! Word of mouth and percolation in social networks”

Abstract: This paper studies the optimal strategies of a monopolist selling a good to consumers who engage in word of mouth communication. In the model, consumers may spread news about the monopolist’s good to uninformed consumers through a social network. The monopolist may use the price it charges to influence both the proportion of the population that is willing to purchase the good and the pattern of communication that takes place within the social network.

I find a number of results: i) demand is more elastic in the presence of word of mouth and this induces a downward bias in estimates of consumers’ valuation for the good which ignore word of mouth; ii) the monopolist reduces the price to induce additional word of mouth for regular goods; however, for goods whose valuation is greater for well connected individuals the price may, in fact, be greater; iii) the optimal pattern of diffusion involves introductory prices which fluctuate up and down, and iv) exclusive (high priced) products will optimally target advertising towards individuals with many friends, whereas common (low priced) products will target individuals with fewer friends.

January 13

Speaker: Luis Cabral, New York University

“Spin-offs: Theory and evidence from the early U.S. automobile industry”

Abstract: We develop a “passive learning” model of firm entry by spin-off. Firm employees leave their employer and create a new firm when a) they learn they are good entrepreneurs (type I spin-offs) or b) they learn their employer’s prospects are bad (type II spin-offs). Our theory predicts a high correlation between spin-offs and parent exit, especially when the parent is a low-productivity firm. This correlation may correspond to two types of causality: spin-off causes firm exit (type I spin-offs) and firm exit causes spin-off (type II spin-offs). We test and confirm this and other model predictions on a unique data set of the United States automobile industry. Finally, we discuss policy implications regarding “covenant not to compete” laws.
January 20
Speaker: Gonzalo Islas, Universidad Adolfo Ibáñez
"Does regulation matter? An analysis of corporate charters in a laissez-faire environment"

Abstract: Are laws that protect minority investors a necessary condition for the development of stock markets? This paper attempts to answer this question using data on the origins of the corporate sector in Chile and an empirical analysis of the contractual provisions included in charters of corporations from the nineteenth century. I find that, even though the corporate law at the time was silent with respect to governance rules and investor protection, a significant number of corporations were created and their shares traded. Empirical analysis of the corporate charters reveals that these contracts frequently included provisions favorable to outside investors and the use of these provisions is consistent with the predictions of a simple agency model.

January 23
Speaker: Joaquin Poblete, Northwestern University
"Financing start-ups"

Abstract: This paper provides a framework for understanding the relationship between investors’ involvement and the financial claims used to finance the establishment of the firm. We use a state space representation agency model with moral hazard to derive optimal contracts for passive investors, involved investors, and acquirers that take over the management. The main results are that passive investors use debt, involved investors use convertible securities and acquirers use cash or option contracts. The paper also studies how entrepreneurs choose among these three types of investors depending on the characteristics of their projects. The result is that entrepreneurs with small safe projects get financing from passive investors, entrepreneurs with large, risky projects obtain financing from involved investors and entrepreneurs in industries with weak property rights protection obtain financing from acquirers.

January 30
Speaker: Mai Dao, Columbia University
"Labor market frictions and international spillovers"

Abstract: This paper analyzes the role of labor market frictions in determining the international spillover effects of country-specific shocks. I develop a model that integrates search unemployment in a dynamic general equilibrium two-country model. To analyze the mechanism, I consider the effect of a unilateral tax shock that directly affects the return to job creation and hence, country-specific productivity. With search frictions, a tax cut in the foreign country leads to an increase in employment and output in the home country, instead of a decrease as in a model with full employment. This outcome is due to the positive terms of trade effect on the home country’s return to job creation, and the rent sharing nature of the wage bargaining process. I present empirical evidence in support of this positive spillover effect and its dependence on trade openness.

This is done by a panel regression with instrumental variables that estimates the effect of exogenous variations in foreign unit labor costs on domestic employment and output.

Entrepreneurship
January 19
Speaker: Hakan Ener, INSEAD
"Top management experience and organizational learning"

Abstract: How can firms achieve high performance as they develop new lines of business? A widely used practice is to draw upon incumbent rivals’ knowledge and expertise by recruiting their experienced executives. This practice is underpinned by theories of organizational learning and top management teams, which suggest that executives’ contribution to firm performance is an increasing function of their managerial experience in the same business domain. In this study, I present large-scale empirical evidence suggesting that this widely held assumption is often counterproductive and that firms led by highly experienced executives are actually more likely to underperform as they develop new businesses. Using fine-grained longitudinal data on more than a thousand top executives’ career experiences working at entrepreneurial ventures in the United States biopharmaceutical industry, I find that firms with highly experienced executives are only better at rapidly achieving initial project milestones after entering a new business domain (i.e. developing new drugs in different therapeutic domains such as heart disease or cancer), but lose their competitive edge in subsequent years by failing to improve performance beyond the initial post-entry period. Highly experienced executives who have greater diversity of career experiences across multiple organizations constitute the major exception to this trend. My findings suggest a new understanding of how managerial experience relates to organizational learning and the formation of new capabilities. Practical implications include making timely changes in the leadership team as firms build new businesses.

January 21
Speaker: Aleksandra Kacperczyk, University of Michigan
"Should I stay or should I go? Informal social ties and entrepreneurship choices: Evidence from the mutual fund industry"

Abstract: Although new organizations typically emerge from existing organizations, the conditions under which nascent entrepreneurs create new ventures outside, as opposed to inside, remain less well understood. I propose that the entrepreneur’s choice between internal and external venture formation is affected by formal organizational structures (i.e., incentive systems) and informal social structure extending beyond the parent organization. Using unique data on the mutual fund industry over the period 1979-2006, I show that the parent organization induces internal venture formation by providing fund managers with higher compensation and greater discretion.
However, the impact of incentives is limited by the fund manager's informal social network of preexisting ties to her school colleagues. Specifically, I find that fund managers imitate previous entrepreneurship choices of other school network members. Additional analyses show that the effect of school ties is amplified by the spatial proximity of school network members, and is greater within same-gender school ties – providing support for inter-actor influences rather than isomorphism. Together, the study offers important theoretical implications for understanding the entrepreneurship process and how it interacts with the boundaries of a modern organization in a knowledge-based economy.

January 26
Speaker: Santiago Mingo, Harvard Business School
"Acquisitions of industrial units and the evolution of operational performance across the firm"

Abstract: Manufacturing firms frequently expand their production capacity through the acquisition of industrial units. How are the different existing units in the acquirer company affected by the acquisition of another facility? I argue that two important factors to understand the effects of acquiring another unit are geographic proximity and operational similarity. Using a unique dataset from a family-owned Brazilian agribusiness company, I find that an existing unit that is geographically close to a recently acquired unit experiences a decrease in its performance. In contrast, an industrial unit that is operationally similar to an acquire experiences an increase in its operational performance. The evidence also shows that these two effects tend to decrease over time. Finally, the size of the existing unit counteracts these effects. The results illustrate the complexity of the relationship between acquisition events and performance across the firm. The acquisition of an industrial unit has different effects on the existing units in the acquiring company.

Finance
January 26
Speaker: Maria Cecilia Bustamante, University of Lausanne
"What do frictions mean for Q theory testing?"

Abstract: This paper develops and empirically tests a model designed to distinguish the role of real and financing frictions on firms' investment, debt financing and equity financing policies. Real frictions include fixed costs of investment and adjustment costs. Financing frictions include taxes, collateral constraints, flotation costs of equity and dividend constraints. Because of financing frictions, all corporate policies are interrelated and depend on average Q. Due to fixed costs of investment and binding financing constraints, the sensitivity of corporate policies to Q is non-linear. The empirical tests demonstrate that both the endogeneity and non-linearities created by real and financing frictions are economically significant. The model then relates the effects of real and financing frictions on corporate policies to stock returns. The paper provides a rationale for the documented poor performance of Q-theory in explaining investment and for the differential performance of the neoclassical investment model in explaining investment and stock returns. The paper extends Q-theory to explain debt and equity issues and shows that market-to-book sorts control for non-linearities in investment policies.

January 30
Speaker: Miguel Palacios, Haas School of Business, University of California, Berkeley
"The value and the risk of aggregate human capital. Implications from a general equilibrium model"

Abstract: This paper derives the value and the risk of aggregate human capital in a dynamic equilibrium production model. The model shows that, under parsimonious assumptions, the relationship between consumption growth and the ratio of wages to consumption is counter-cyclical. As a result, human capital is less risky than equity, implying that the risk premium of human capital is lower than that of equity. With lower expected returns than equity, human capital has a weight in the aggregate wealth portfolio that exceeds the ratio of wages to consumption. Calibrating the model, I find three key results. First, the weight of human capital in the aggregate wealth portfolio is 85%. Second, a portfolio invested 35% in equity and 65% in risk-free bonds approximately replicates aggregate human capital returns. Third, the covariance between equity returns and human capital returns is higher as large as the covariance between equity returns and wage growth. Based on the results of the model, I estimate human capital returns between 1959 and 2007 and conclude that this estimate of returns to human capital better explains the cross-section of asset returns than an estimate based on aggregate wage growth.

February 6
Speaker: Wenjie Chen, University of Michigan
"Does the country of origin of the acquiring firm impact performance?"

Abstract: This paper evaluates how the post-acquisition performance of United States public firms depends on the geographic origin of the acquiring firm. The empirical analysis uses new data on a comprehensive sample of public United States firms acquired during 1979-2006. To account for the possibility that performance differences arise due to the selection of superior targets rather than the change in ownership, I use propensity score matching to create similar comparison groups of target firms prior to acquisitions. The analysis reveals three major findings. First, targets acquired by firms from industrial and developing countries increase profits by 10 and 6 percentage points, respectively, compared with firms acquired by a buyer from the United States. Second, United States targets acquired by firms from industrial countries exhibit higher profits than those acquired by firms from developing countries. Third, compared with domestic acquisitions, foreign industrial firm acquisitions of United States companies tend to increase their targets' employment and sales. However, targets acquired by firms located in developing countries experience a decrease in both revenues and total number of
employees. These findings suggest that target firms are subject to significantly different restructuring processes depending on the nationality of the acquiring firm. Whereas industrial country acquirers increase profits in their targets by increasing revenues, developing country acquirers are more likely to reduce the labor costs of target firms.

This new evidence demonstrates how, by accounting for the acquirer’s country of origin, we can more accurately identify the size and channels of gains from mergers and acquisitions. Finally, the propensity score matching results are substantially different from those obtained when not controlling for selection, suggesting that causal inference based on studies that do not use appropriate comparison groups may yield misleading conclusions.

February 16
Speaker: Pedro Santa-Clara, Universidade Nova de Lisboa
"Forecasting stock market returns: The sum of the parts is more than the whole"

Abstract: We propose forecasting separately the three components of stock market returns: dividend yield, earnings growth, and price-earnings ratio growth. We obtain out-of-sample R-squared coefficients (relative to the historical mean) of nearly 1.6% with monthly data and 16.7% with yearly data using the most common predictors suggested in the literature. This compares with typically negative R-squares obtained in a similar experiment by Goyal and Welch (2008). An investor who timed the market with our approach would have had a certainty equivalent gain of as much as 2.3% per year and a Sharpe ratio 77% higher relative to the historical mean. We conclude that there is substantial predictability in equity returns and that it would have been possible to time the market in real time.

Managing People in Organizations
January 27
Speaker: Anabella Dávila, Escuela de Graduados en Administración y Dirección de Empresas
"Sistemas de empleo en México: Una perspectiva de redes sociales"

Abstract: Los negocios en América Latina se han caracterizado como enraizados dentro de un gran sistema social basado en una red compleja de relaciones personales (Elvira y Dávila, 2005; Jones, 2005; Martínez y Dorfman, 1998). Estas redes están, generalmente, compuestas por grupos sociales compactos y homogéneos que se reproducen a través del tiempo, pues comparten valores culturales (por ejemplo: la elite política o la clase trabajadora) (Camp, 1988; Davis y Coleman, 1986; Murillo y Schrank, 2005). Dada esta estructura social, las prácticas organizacionales merecen una atención especial para su investigación. Esta investigación está enfocada en el estudio de las prácticas de empleo de las empresas en México.

Los estudios de recursos humanos en México han demostrado que éstos están influenciados, en gran medida, por redes sociales de vínculos fuertes que se basan en relaciones personales, esto es, parientes, amigos cercanos o colegas que pertenecen al mismo grupo socioeconómico (Elvira y Dávila, 2005). Sabemos, por ejemplo, que las prácticas de contratación se basan, en primera instancia, en recomendaciones de los mismos empleados, y éstos recomiendan a sus parientes y amigos cercanos que pertenecen al mismo grupo socioeconómico (Dávila y Elvira, 2005; Hualde, 2001). El Instituto Nacional de Estadística, Geografía e Informática (INEGI) reportó en el tercer trimestre de 2006 que el 55% de todos los trabajadores asalariados obtuvieron su empleo actual a través de amigos o por sus relaciones familiares (Rivero, 2006).

La perspectiva actual de redes sociales propone que los vínculos débiles (compuestos por conocidos distantes que se contactan esporádicamente) actúan como puentes entre redes de vínculos fuertes y facilitan a los individuos interactuar con el sistema social más amplio y así llegar a ser parte de la sociedad moderna. Dado esto, el rol de los vínculos débiles se convierte en instrumental, específicamente al servir de medio para intercambiar recursos sociales, tales como información acerca de posibles empleos (Granovetter, 1973, 1983) o lograr acceso a personas de poder (Lin, 1982, citado en Bian, 1997). Esta perspectiva es frecuentemente utilizada para entender mercados laborales (v. g. Montgomery, 1994) o la forma en que los individuos obtienen empleo (v. g. Brown y Hrond, 2001). El supuesto principal en estos estudios es que los mercados laborales están subordinados a asimetrías del mercado, y que la información necesaria para que los individuos encuentren empleo es a través de mecanismos informales tales como las redes sociales. Sin embargo, pocos estudios han examinado las redes sociales que existen dentro y fuera de las organizaciones o su relación con las prácticas de empleo de recursos humanos (algunas excepciones son: Castilla, 2005; Fernández, Castillo y Moore, 2000; Petersen, Saaporta y Seidel, 2000). Es más, se ha puesto poca atención a explorar la correlación que existe entre los conceptos de cómo los individuos buscan empleo y el éxito en las prácticas de contratación de las empresas. En la hipótesis de trabajo de este estudio se plantea de qué manera las prácticas actuales de contratación de personal incluyen el uso de redes sociales y cómo esto influye en el desempeño e integración de los empleados. El modelo que se explora es el siguiente:

Modelo 1. Redes sociales, prácticas de contratación y desempeño e integración

En esta investigación se presentan los resultados de tres estudios de casos realizados en México. Dos empresas mexicanas multinacionales (una de servicio y otra de manufactura) y una empresa danesa multinacional (de manufactura) participaron en este estudio. Se entrevistaron aproximadamente a 15 empleados de cada empresa, con un instrumento computacional que contiene los siguientes tipos de preguntas: demográficas, descripción y satisfacción en el trabajo, personas que ayudaron al individuo en conseguir el empleo y el tipo de relación personal que el empleado tiene con éstas, así como la relación de estas personas entre sí. Las
Organizational structure as a determinant of performance: Evidence from mutual funds

Speaker: Felipe Csaszar, The Wharton School, University of Pennsylvania

Abstract: This paper develops and tests a model of how organizational structure influences organizational performance. Organizational structure, conceptualized as the decision-making structure among a group of individuals, is shown to affect the number of initiatives pursued by organizations, and the omission and commission errors (Type I and II errors, respectively) made by organizations.

The empirical setting are over 150,000 stock-picking decisions made by 609 mutual funds. Mutual funds offer an ideal and rare setting to test the theory, as detailed records exist on the projects they face, the decisions they make and the outcomes of these decisions. The independent variable of the study, organizational structure, is coded from fund management descriptions made by Morningstar and the estimates of the omission and commission errors are computed by a novel technique that uses bootstrapping to create measures which are comparable across funds. The findings suggest that organizational structure has relevant and predictable effects on a wide range of organizations. Applications include designing organizations that compensate for individuals’ biases and that achieve a given mix of exploration and exploitation.

Social and economic exchange in the employee-organization relationship: The moderating role of reciprocation wariness

Speaker: Lynn M. Shore, San Diego State University

Abstract: Impacts of social and economic exchanges, two elements of the employee-organization relationship (EOR), on affective commitment, turnover intentions, employer trust and altruism were examined. We also determined whether reciprocation wariness, reflecting fear of exploitation in reciprocation, moderated relationships that exchange elements had with outcomes. Four hundred and fifty-three employees participated in the study. Results showed that reciprocation wariness moderated relations that social exchange had with commitment, turnover intentions and trust, and that economic exchange had with turnover intentions. The significance of examining social and economic exchange and of developing conceptualizations of the EOR that incorporate individual differences is discussed.

January 27
Speaker: Norihito Furuya, IGB Network Co. Ltd., Tokyo
"Managing the learning and transfer of global management competence: Antecedents and outcomes of Japanese repatriation effectiveness"

Abstract: This study examines predictors that lead to effective individual learning of global management competencies on expatriate assignments and the transfer (i.e., the application of those competencies) in new assignments upon repatriation. A structural equation model based on data from 305 Japanese repatriates identifies linkages from organizational support, intercultural personality characteristics, self-adjustment and repatriation policies to outcomes of global competency learning and transfer, which in turn lead to heightened job motivation and performance.

January 13
Speaker: Samira D. Reis, Bocconi University
"Organizational experience in the US TV industry, 1950-2002"

Abstract: This study uses data on United States television production companies from 1950 to 2002 to analyze how organizational experience affects the likelihood of a future sale and product performance. In contrast to prior studies, which have analyzed selling and production processes separately, I propose that product performance emerges from both processes. Faced with uncertainty about the quality of ideas on the basis of organizational experience affects the likelihood of a future sale and the organizational experience of the companies introducing them. Companies with the experience that buyers prefer nevertheless do not necessarily perform better than otherwise comparable organizations without such experience. Results of an empirical examination reveal that past success and diverse experience affect in distinct ways the likelihood of selling an idea for a new show and the performance of those shows. These two types of experience can, however, act as complements. These findings highlight the key role buyers’ perceptions play in product performance.

Status and surprises: Causes of overreaction to new information about firm performance

Speaker: Daniela Lup, University of Chicago

Abstract: A wide range of evidence confirms that in markets characterized by high informational uncertainty a firm’s status position is a signal of that firm’s quality and that resource holders are more likely to select and invest in high status firms. The central question of this paper is whether status, as a signal of the quality
of the firm, remains relevant when more informative data about the firm’s performance becomes public and, if so, how a firm’s status affects market reaction to new information.

To answer this question I draw from status literature, economics of information and signalling, and from decision making theory. I propose that under uncertainty investors are attentive to status as a signal of quality, but once new information becomes public there is a shift in attention from the content of the signal to the accuracy of the signal. I also propose that the perceived accuracy of the signal is positively correlated with the status position and that the reaction to surprises depends on the perceived accuracy. As a result the magnitude of the market reaction to new information is moderated by the status of the firm.

I use this framework to analyze a phenomenon which has generated a wide debate across disciplines, namely the reaction to earnings announcements released by public firms at the end of the financial periods. I provide evidence that status magnifies the reaction to surprises by showing that the return on the stock of high status firms which deliver negative (positive) surprises is lower (higher) than the return on the stock of lower status firms which deliver similar results.

January 16
Speaker: Elisa Alvarez-Garrido, The Wharton School, University of Pennsylvania
“Smart money? Investors’ experience and the performance of entrepreneurial firms”

Abstract: Research has documented a wide variation in investor mix across firms, countries and industries. This paper investigates the mechanisms by which experienced investors influence the likelihood of a venture going public or being acquired. Drawing on resource-dependence and relational theories, I argue that there is a direct, immediate effect on performance, but also an indirect effect that requires either the investor or the firm, or both, to be proactive. I hypothesize that investors in earlier rounds take advantage of direct and indirect mechanisms, while investors in later rounds only exert a direct effect. Thus, I expect the impact of early-round investors to be greater. In addition, I argue that when financial markets are less developed, experienced investors have a greater effect on firm performance. I test these hypotheses using a sample of 689 biotechnology firms from 31 countries founded between 1990 and 2004. I find support for the hypotheses in two-stage models that control for the probability of a matching between investor and venture.

January 19
Speaker: Alexander R. Oettl, Rotman School of Management, University of Toronto
“Productivity, helpfulness and the performance of peers: Exploring the implications of a new taxonomy for star scientists”

Abstract: It is surprising that the prevailing performance taxonomy for scientists (Star versus Non-Star) focuses only on individual output and ignores social behavior since, despite popular examples of Edison-like lone inventors, innovation is most often characterized as a communal process. The community benefits are largely due to common gains from specialization (innovation as the recombination of ideas) and the social mediation of knowledge flows (geographic proximity, ethnicity and social networks mediate flows). Furthermore, knowledge transfer is famously difficult to contract for, heightening the value of conditions that favor the sharing of knowledge. Moreover, most strategy and economics research is less interested in innovative output at the individual level and instead focuses on aggregate output at the firm or regional level. To address this deficiency I expand the traditional taxonomy that focuses solely on productivity and add a second, social dimension to the taxonomy of scientists: helpfulness to others.

Using academic paper citations to capture scientist productivity and the receipt of academic paper acknowledgements to measure helpfulness, I classify a group of 415 immunologists into four distinct categories of human capital quality: All-Stars who have both high productivity and helpfulness, Lone Wolves who have high productivity but average helpfulness; Mavens who have average productivity but high helpfulness; and Non-Stars who have both average productivity and helpfulness. Looking at the change in quality-adjusted publishing output of an immunologist’s co-authors after the immunologist’s death, I find that the productivity of co-authors of All-Stars decreases on average by 35%, co-authors of Mavens by 30% on average, and the co-authors of Lone Wolves by 19%, all relative to the decrease in productivity of co-authors of Non-Stars. These findings suggest that our current conceptualization of star scientists, which solely focuses on individual productivity, is both incomplete and potentially misleading, as Lone Wolves may be systematically overvalued and Mavens undervalued.

January 22
Speaker: Rosa M. Dangelico, Politecnico di Bari
“Green product strategy and capabilities development”

Abstract: Environmental sustainability is becoming a compelling challenge for both society and business. Responsible use of natural resources, reduction of pollution and waste, the increased recycling of materials are becoming increasingly important issues for firms. Developing products with reduced environmental impact is a way to meet the environmental sustainability challenge and satisfy the growing demand for environmentally sustainable products. A growing number of companies have launched new green products or product lines. However, not all succeed. Even successful companies have experienced product failures when launching new green products. Why does this happen?

Adopting a resource-based view of the firm, this study proposes that the differences in green product innovation performance among competing firms lies in the firms’ capacity to develop specific capabilities which make them able to respond to the environmental sustainability challenge by means of green product innovation. In particular, a set of capabilities useful for new product development, proposed in the literature, has been considered. The capabilities are: technological, marketing, external integrative and
internal integrative. This paper next presents a theoretical framework linking green product strategy to capabilities development and highlighting the development of specific capabilities as a determinant of green product innovation success. Moreover, some moderating variables have been included in the model. In particular, the explorative or exploitative orientation of the firm is included in the model as a moderating factor explaining the choice of the specific capabilities to develop. Finally, three dimensions of uncertainty (linked to technologies, consumer demand and regulations) have been considered as factors moderating the link between the specific capabilities developed and green product innovation performance.

Key research questions of this study are:
RQ1: Does the adoption of green product strategy require the development of specific capabilities?
RQ2: Which capabilities are the most important to achieve high performance of green product innovation?
RQ3: Does green product innovation performance positively influence a firm's overall market and financial performance?
RQ4: Does a firm's orientation towards exploration or exploitation influence the extent to which the specific capabilities are developed?
RQ5: Does uncertainty related to changes in technologies, customers' demand and regulations affect the relationships between capabilities development and innovative performance?

January 23
Speaker: Marco Tortoriello, HEC School of Management
"Not all ties are equal: Temporal and historical dynamics of professional networks on law firm growth"

Abstract: In this paper we focus on the temporal and historical conditions under which bridging ties from the past affect current organizational outcomes. Whereas previous research has shown that bridging ties have high decay rates and short-term effects, we explore the possibility that bridging ties may produce benefits over an extended period of time. In particular, we contrast the conventional view of bridging ties having a contemporaneous effect with two alternative perspectives suggesting “persistent” and “imprinted” effects. We propose that bridging ties may have a persistent effect due to redeployment of cumulated knowledge. We also predict that bridging ties may exhibit an imprinted effect whereby the founding conditions surrounding the formation of some, but not all, ties yield long-lasting network benefits. We test our theory in the context of Nashville’s legal industry, studying the formation and evolution of the professional network of lawyers’ co-employment ties between 1933 and 1978. Consistent with our theory, we find that bridging ties produce network benefits over an extended period of time and trace back to the point of tie formation. Surprisingly, we also find that the imprinted effect overwhelmed the contemporaneous effect of bridging ties.

Research Seminars

Manel Baucells
On February 3, at INSEAD, Fontainebleau, presented the paper “Reference point formation and updating: Theory and experiments”

Abstract: Reference-dependent preferences have been very well accepted in behavioral economics, behavioral finance and marketing. Still, we know very little about how decision makers form and update their reference points given a sequence of information.

Our paper provides both a new theoretical framework and some novel experiments in a finance context to understand reference point formation over time. The theory is based on the information weighting function, which is a reinterpretation of the probability weighting function. We document our student subjects’ reference points to be best described by the first and the last price of the time series, with intermediate prices receiving smaller weights. The data fits very well with the theoretical predictions.

On February 11, at London Business School, London, presented the paper “Probability time trade-off”

Abstract: Probability and time are integral dimensions of any non-trivial decision. We consider preference conditions in the domain of simple prospects with delay, that is, of receiving outcome x with probability p at time t. The functional representation we obtain is determined by three real valued functions: the value function, v, the weighting function, w, and the fade rate function, r. In the probability domain, the value function and the weighting function operate as in prospect theory. A sub-proportional weighting function, which affects both time and risk preference, will induce simultaneously the common ratio effect (typical of prospect theory) and the common difference effect (typical of hyperbolic discounting models). The trade-off between time and probability is outcome dependent. The function r(x) reflects this trade-off, and at the same time satisfactorily accounts for the magnitude effect in time preference.

Miscellaneous

Antonio Argandoña
On January 29, gave the lecture “Las perspectivas económicas para el año 2009”, in the Club de Marketing de Barcelona.

On February 10, attended the Conference “La situación económica global. A la recerca d’uns criteris ètics”, at the Facultat de Teologia de Catalunya, where he gave the lecture “A la recerca d’uns criteris ètics”.

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Bruno Cassiman
Has become the Department Editor for the Business Strategy Department at Management Science.

Domènec Melé
On January 31, attended the Conference “Ética, empresa y finanzas” at the Centro Internacional Calarossa-Terrasini in Sicily, Italy, where he gave the lecture “Perspectivas éticas de la crisis financiera”.

José R. Pin
On January 30, attended the IV Jornada Técnica, organized by the Asociación de Letrados y Auditores del Tribunal de Cuentas, on “Los nuevos retos de control”, where he gave the lecture “Una visión desde la ética empresarial”

Abstract: Disertación sobre la explicación de la crisis en base a un entorno de gran liquidez internacional, con tipos de interés reducidos y una cultura del corto plazo, que empujó a los directivos financieros a realizar operaciones arriesgadas y “paquetizar” bloques de ellas para venderlas fuera y, en su caso, sacarlas del balance. La explicación teórica la hizo en base a las teorías de las dimensiones de la acción directiva (visión de negocio, habilidad psico-social y carácter ético-moral) y la teoría de la Agencia. Después se enumeraron las posibles soluciones que se desprenden de este análisis.

Book reviews

Guido Stein

Teaching materials

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

Entrepreneurship

Ivor Spencer: Putting a Price on Knowledge: The valuation of intangibles
(E-89-E - 0.606.001)

BMW: Currency Hedging 2007
(F-807-E - 0.207.002)

The BMW Group continued to perform successfully in 2005 by achieving record figures for sales volume and revenues, but profits were down nearly 6% due mainly to high raw materials costs and currency fluctuations. The company had substantial United States revenues, with nearly 25% of its sales taking place in the United States, and, although the company had production facilities in North America, local sales were higher than production, resulting in an estimated positive revenue exposure to the United States dollar of 6.8 billion. The deterioration in the effective transaction rate for its United States dollar-denominated volumes when it came to conversion of its United States dollar net exposure to the euro had a major impact on profitability. In 2005 the company estimated that currency movements had contributed some 677m to its earnings before tax and was expecting currency fluctuations to have a similar negative impact the following year.

Mitchell J.; Prats M.J.; 20 pages.

Ivor Spencer: Putting a Price on Knowledge - Teaching Note
(ET-9-E - 5.606.054)

Oleaga M.; Campa J.M.; 9 pages.

BMW: Currency Hedging 2007 - Teaching Note
(FT-73-E - 5.208.009)

Use is restricted to Academic Institutions.
ExSight IV European Private Equity Fund: To Invest or Not?  
(F-826-E - 0.208.014)

This case introduces an in-class analysis of a private placement memorandum (PPM) of a new private equity fund. Students will evaluate the PPM according to the following criteria: the fund's investment strategy, past financial performance, expected returns, the size of the fund's targets, the regions and sectors, holding periods, governance issues, the fund's team and benchmark data.

Grabenwarter U.; Liechtenstein H.; 112 pages.

ExSight IV European Private Equity Fund: To Invest or Not? - Teaching Note  
(FT-75-E - 5.208.044)

Case F-826-E.  
Use is restricted to Academic Institutions.

Grabenwarter U.; Schuster J.; Liechtenstein H.; 19 pages.

Durable Capital Partners (A): The Hidden Beauty of Investment Memoranda  
(F-827-E - 0.208.015)

A senior manager at Durable Capital Partners (DCP) must decide between two investments for the company's seventh private equity fund by evaluating each investment memorandum. The first investment calls for DCP to be a junior partner in a syndicated deal. By investing in the first company, DCP's fund would be fully invested and the company could begin to fundraise for its eighth fund. The second investment is in DCP's ideal range in terms of size and would allow DCP to have a more diversified portfolio. In his deliberations, the fund manager must consider his company's investment approach, the current market and the appropriateness of both potential investments for the fund's current portfolio.


Goodyear Dunlop Europe: The Private Label Decision  
(F-840-E - 0.208.036)

Maria Rano, a European Goodyear Dunlop sales executive, must decide whether to accept a proposal from her third largest customer to manufacture private label tires. In the class exercise, students must consider a number of elements such as cannibalization, variable vs. fixed costs, investments, sunk costs, discount rates and other qualitative factors.  
(Also available in Spanish.)

Mitchell J.; Rahnema A.; 9 pages.

Managerial Decision Sciences

Dealings Behind a Services Outsourcing Experience, The: The Case of SELLYBYTEL Singular  
(AD-312-E - 0.107.011)

With the advent of globalization and global communication, Spain provides an interesting location to do business offshore. A wage level that lags behind other developed countries, as well as its geographical location and culture, make the country a natural choice for firms considering an offshoring location.

Agnese P.; Ricart J.E.; 21 pages.

Managing People in Organizations

Flexible Working Time Policy at Nike Iberia: Request for Flexi-Time (A)  
(DPO-134-E - 0.408.046)

The case discusses a request from Ramón, an employee, to use the company's flexi-time policy. Ramón is doing well in his job and wants to continue with advanced studies, which is why he needs a more flexible work schedule. The case focuses on the perspectives of two different people, Ramón and his manager, who is debating whether or not to allow Ramón to do it.  
(Also available in Spanish.)

Poelmans S.; Segria M.; 4 pages.

A Question of Professional Credibility: the Case of Brendan Bracken  
(DPO-136-E - 0.408.050)

If one has professional credibility and is charming and articulate, does personal credibility, in so far as one's private life is concerned, really matter in the long run? This case is not only about the balance between professional and personal credibility, but concerns the importance of perception in the communication process. The world has known many great survivors and certainly our protagonist in this case, Brendan Bracken, was one of them. Like Evelyn Waugh's character, Rex Mottram, in “Brideshead Revisited”, there was an air of mystery about Bracken. Many things were unexplained about Bracken's private life. Bracken's preposterous lies were renowned. When caught out, he simply laughed and waved people away. Some people such as Evelyn Waugh thought him scandalous. But Bracken, during his professional life, was favorably perceived in business and politics. The birth and flourishing of the Financial Times, as we know it today, was his creation. He was also responsible for The Banker and in a large measure for the continuance of The Economist. As Winston Churchill's parliamentary secretary and later as Minister of Information, he was highly successful and trusted, especially in persuading media people to cooperate with the government during the emergency years of the war.

Leggett B.; 11 pages.
Coaching en el Banco Ganadero-BBVA (B)
(DPO-143 - 0.408.060)

El caso B recoge lo ocurrido después de los errores cometidos por el director de zona en el caso A. Se relata la reacción positiva del director de zona, que supone la asimilación del nuevo proceso de evaluación del desempeño establecido por el banco. Se narran las segundas entrevistas con dos de sus colaboradores y con su propio jefe.

Susaeta L.; Pin J. R.; 10 pages.

La política de horario flexible en Nike Iberia: petición de horario flexible (B)
(DPO-144 - 0.408.061)

El ejercicio se enfoca en la negociación entre un mánager y su colaborador en la obtención del permiso de horario flexible.

Segria M.; Poelmans S.; 4 pages.

Workaholism
(DPON-34-E - 0.406.008)

This note defines the term “workaholism”, or addiction to work. It analyses the symptoms, outlines different types of workaholics, according to different authors, and explains the consequences of this addiction and the options available for solving it.

Olafsdottir B.; Poelmans S.; Torres E.; 23 pages.

Marketing

Triumph: Marketing British Steel (A)
(M-1217-E - 0.508.030)

In early 2007, Tue Mantoni, commercial director for Triumph, opened up the Financial Times and read: “Triumph, the manufacturer of iconic British motorcycles, has raised sales thanks partly to ‘born-again bikers’ – older customers trying to recapture the carefree spirit of their youth.” Triumph’s unit sales had increased by 18.3%, growing from 31,600 units in 2005 to 37,400 units in 2006. Over the past five years, the company’s sales had grown at a compound annual growth rate (CAGR) of 11.2%. Consumers over 35 years old had doubled to represent a quarter of Triumph’s consumer group. At the same time, Triumph was experiencing strong growth in Asia (quadrupling unit volume in 2006) and North America (unit sales increases of nearly 50% in 2006). As Mantoni put down the newspaper, his mind turned to some of the company’s current marketing challenges. Having conducted a series of consumer surveys, the company saw that one of its major issues was the low conversion from consideration to purchase in comparison to its competitors. Mantoni was also interested in evaluating the dealer strategy and considering ways in which dedicated Triumph dealers could become more profitable. Lastly, many industry experts had commented on Triumph’s brand image being too closely tied to its past.

Iniesta F.; Mitchell J.; Villanueva J.; 21 pages.

Production, Technology and Operations Management

Nike Football Team Sports: Agility as an Engine for Growth
(P-1089-E - 0.608.031)

In 2007 Nike EMEA decided to significantly grow Football Team Sports (FTS, people playing football in amateur clubs), which up to then had been a small part of its business. Nike had to face the challenge of how to serve the growing FTS business with a supply chain that traditionally relied on demand generation via marketing. Amateur clubs, on the other hand, would be heavily influenced by the popularity of the professional clubs –or latest results of the Champion’s League etc. FTS customers typically needed their uniform before season started. Retailers had very limited space and thus could not store the more than 1000 SKU of the product catalog. Other key differences between FTS and other apparel categories were the frequency of purchasing (once per year vs. all year around), the seasonality (in the summer vs. all seasons) and elasticity of price (fairly inelastic vs. more elastic). To develop an operations strategy for the FTS business, a team of Nike managers had analyzed the value chain and uncovered some issues that needed to be addressed, e.g., a six-month lead time or the forecasting method used for FTS sales. Management at EMEA HQ now had to decide how best to meet the aggressive sales target of 40% CAGR for FTS.

Mitchell J.; Sachon M.; 25 pages.

Process Analysis in Service Delivery Operations. Workbook
(PN-437-E - 0.606.017)

This technical note contains a workbook for analyzing a service delivery process. Breaking the process down into acts and scenes, as if it were a play, the reader is asked to identify the “opportunities to annoy the user” (OAsUs) and, on that basis, profile the “ideal” service. The exercise concludes with a choice of quality measurement procedures and metrics and “PokaYoke” (mistake proofing) mechanisms for the most critical points in the process.
(Also available in Spanish.)

Ribera J.; 17 pages.
Strategic Management

Fiat’s Strategic Alliance with Tata
(SM-1528-E - 0.308.023)

This case looks at the automotive industry and Fiat and Tata’s corporate background and provides an in-depth description of how these two sides came together, including the entire pre- operational negotiation process. The case is set as of October 2007, immediately after the companies had finalized a joint venture for the manufacturing of passenger cars, engines and transmissions in India for national and international markets. The alliance also includes additional agreements to jointly manufacture pick-up trucks in Fiat’s Argentinian facility and a distribution arrangement between Fiat’s commercial vehicle subsidiary, Iveco, and Tata’s commercial division. Students will be exposed to the key issues in negotiating alliances, such as timing, readiness, management opinions, cultural learning, due diligence and ownership structure.

Hohl B.; Mitchell J.; Ariño A.; Ozcan P.; 30 pages.

Fiat’s Strategic Alliance with Tata – Teaching Note
(SMT-60-E - 5.308.024)

Case SM-1528-E.
Use is restricted to Academic Institutions.

Mitchell J.; Ariño A.; Ozcan P.; 15 pages.

Grolsch: Growing Globally
(SM-1529-E - 0.308.029)

This case looks at the Dutch brewer Grolsch and its process of internationalization over the last 35 years. Set in early 2008, Grolsch executives are wondering if any changes should be made to their global strategy given the recent takeover by SABMiller. This case is intended as an introductory lesson to illustrate how a company develops and executes upon its global strategy. By the end of the class, students will have debated the appropriateness of Grolsch’s historical attempts to internationalize, understanding the why (using the ADDING framework), where (CAGE framework), when (competitive history mapping), what (AAA framework), how (marketing methods) and who (HR checklist).

Ghemawat P.; Mitchell J.; 33 pages.

Banco Santander: CEOs as Leaders and Strategy Designers
(SM-1534-E - 0.308.036)

The case describes Santander’s three-pronged business model, including the strategic use of IT and the pursuit of growth in size through cross-border M&A, while concentrating single-mindedly on retail banking activities. The CEOs’ cognition process is analyzed based on Kase and Jacopin 2007 and Kase et al. 2005.

Kase K.; Marinelli F.; 29 pages.

Banco Santander – Teaching Note: CEOs as Leaders and Strategy Designers
(SMT-62-E - 5.308.037)

Case SM-1534-E.
Use is restricted to Academic Institutions.

Marinelli F.; Kase K.; 29 pages.

Occasional Papers

OP-162 – February 2009
Pablo Fernández – Vicente J. Bermejo
SHAREHOLDER VALUECreators AND Destroyers IN THE Dow Jones: YEAR 2008

Abstract: During 2008, the 30 companies included in the Dow Jones destroyed $1.6 trillion for their shareholders. Only two companies (Walmart and McDonalds) created value. The top shareholder value destroyers were General Electric ($233 billion) and Microsoft ($178 billion). The market value of the 30 companies was $2.9 trillion in 2008 and $4.4 trillion in 2007. The price of the shares of each company had a big dispersion: on average, the maximum price in 2008 was 2.6 times the minimum price. 2008 had 11 of the 20 days with the lowest returns in the period 1963-2008 and 8 of the 20 days with the highest returns in the same 45-year period.

The average return in 2008 was -32.3% (6 companies had returns below -50% and 20 below -20%). However, the investors that bought shares in the years 1987-1998 and 2001-2002 had positive returns in December 2008.

OP-163 – February 2009
Antonio Argandoña
EL PANORAMA MACROECONOMICO DE LA ECONOMIA OCCIDENTAL Y LA CRISIS FINANCIERA

Abstract: Las crisis y las recesiones no aparecen súbitamente: las claves de cada etapa del ciclo económico se encuentran en las fases anteriores. Esto se ha vuelto a cumplir en la crisis financiera de 2007. El objeto de este artículo es mostrar cómo un largo período de estabilidad macroeconómica, alto crecimiento y bajos tipos de interés generaron la burbuja inmobiliaria que está en el origen de la crisis. ¿Por qué se produjo aquella etapa de política monetaria permisiva, dinero barato, especulación en los mercados inmobiliarios y optimismo? ¿Fue la crisis el resultado inevitable de
los desarrollos anteriores? Y, ¿volverán a presentarse esas circunstancias, una vez que hayamos salido de la recesión?
(Disponible en catalán.)

**OP-164 – February 2009**
**Antonio Argandoña**
**LA ETICA PERSONAL, LOS VALORES Y LA RESPONSABILIDAD SOCIAL CORPORATIVA**

Abstract: La responsabilidad social corporativa (RSC) viene a ser cosas distintas para distintas personas. Pero, en todo caso, como responsabilidad de las organizaciones y de los que las dirigen, debe ser una responsabilidad ética. En este trabajo se discute qué significa ser responsable de algo, desde el punto de vista legal y moral, qué añade el calificativo “social” a la responsabilidad ética, cuáles son los contenidos de esa RSC y, finalmente, qué debemos entender por ética, de modo que la responsabilidad social sea capaz de generar autónomamente normas que sean obligatorias para los que la ponen en práctica, sin la coactividad de la ley.

**OP-165 – February 2009**
**Nuria Chinchilla – Maruja Moragas**
**TIPOS DE CARACTERES HUMANOS Y FELICIDAD**

Abstract: Los planteamientos individualistas, utilitaristas y hedonistas de esta cultura no son neutros, sino que tienen consecuencias directas en la felicidad de las personas, conduciéndolas a la soledad y al desamor. La felicidad humana depende de cuán humanos somos, es decir, cuánto más capaces seamos de conocer y amar de modo alineado, equilibrando inteligencia, sentimientos y voluntad, más felices seremos y encontraremos el balance armónico entre lo que aportamos y lo que recibimos de la sociedad.