Antonio Argandoña – Francesc Prior

Abstract: What are financial institutions' social responsibilities in developing countries? On the one hand, they have the generic responsibilities of all human organizations and business enterprises. On the other, their specific social responsibility is to perform the social function of financial intermediaries, which in the case of emerging countries is mainly to contribute to economic growth and help solve the problem of poverty. In this paper we describe a number of technical-economic and moral problems and consider the performance of banking operations in microfinance, with special reference to Latin America. We also offer a series of recommendations which, in addition to contributing to solving the development and poverty problems in emerging countries, help define financial institutions' social responsibility in such countries.

Vincent Calvez – Yih-teen Lee

Abstract: The paper aims to provide a framework for developing cultural competences in organizational contexts. We start by arguing that companies should pay more attention to such issues for legal reasons, to attract talent in the labor market and to stimulate creativity and competitiveness in their employees. We then discuss ways of developing cultural competences at company and individual level, giving specific examples, including Verizon, Google, l’Oréal, and Sodexo. At the individual level we suggest that a certain identity strategy may facilitate the development of cultural competences. In particular, individuals who identify strongly both with their own cultural origin and with their host culture are more likely to demonstrate multicultural competences in performing their tasks in a culturally diverse environment. Finally, we discuss companies’ responsibility to create a favorable context for the development of such competences, for the benefit of individual workers and of organizations.

Thomas Drape – Javier Quintanilla

Abstract: Research suggests a margin exists between headquarter policy and subsidiary implementation of standard practices within multinational corporations (MNCs). Combining institutional and strategic choice theory, this paper focuses on the transfer of individual pay-for-performance practices. The evidence suggests that U.S. MNCs “continue to stand apart” in the transfer of these practices. However, a gap exists in the literature, as the majority of this research relies on large-scale surveys. In this paper we use multiple case studies of three Spanish subsidiaries of one U.S. MNC to determine whether a margin exists and to measure the resistance by subsidiary managers that creates this margin. We find that several subsidiary managers try to block the transfer of the pay-for-performance practice. Contrary to expectations, the greatest modification of the practice is within the most integrated ‘poster-child’ subsidiary, which produces two of the company’s flagship products.
Johanna Mair – Ignasi Martí

Abstract: In many developing countries those living in poverty are unable to participate in markets due to the weakness or complete absence of supportive institutions. This study examines in microcosm such institutional voids and illustrates the activities of an entrepreneurial actor in rural Bangladesh aimed at addressing them. The findings enable us to better understand why institutional voids originate and to unpack institutional processes in a setting characterized by extreme resource constraints and an institutional fabric that is rich but often at odds with market development. We depict the crafting of new institutional arrangements as an ongoing process of bricolage and unveil its political nature as well as its potentially negative consequences.

Víctor Martínez de Albéniz – David Simchi-Levi

Abstract: This paper develops a multiattribute competition model for procurement of short life-cycle products. In such an environment, the buyer installs dedicated production capacity at the suppliers before demand is realized. Final production orders are decided after demand materializes. The buyer is naturally reluctant to bear all the capacity and inventory risk and so signs flexible contracts with several suppliers. We model the suppliers’ offers as option contracts, where each supplier charges a reservation price per unit of capacity and an execution price per unit of delivered supply. These two parameters illustrate the trade-off between total price and flexibility of a contract, which are both important to the buyer. We model the interaction between suppliers and the buyer as a game in which the suppliers are the leaders and the buyer is the follower. Specifically, suppliers compete to provide supply capacity to the buyer and the buyer optimizes its expected profit by selecting one or more suppliers. We characterize the suppliers’ equilibria in pure strategies and an institutional fabric that is rich but often at odds with market development. We depict the crafting of new institutional arrangements as an ongoing process of bricolage and unveil its political nature as well as its potentially negative consequences.

Kandarp H. Mehta

Abstract: An individual’s role in a team undergoes several changes. While working in a team, individuals engage in a constant sensemaking process and choose their actions as team members according to their interpretation of their environment. The changes in an individual’s role either motivate the person to express new ideas or to hold them back. Highlighting the limitations of the existing creativity literature, this paper invites researchers and scholars to assess the creativity of a team in terms of the team’s potential to generate new ideas, rather than in terms of the creative results achieved by the team to date. The paper offers a new taxonomy of creativity, defined on three levels: i) Null Creativity; ii) Nascent Creativity, and iii) Nurtured Creativity.

David Pastoriza – Miguel A. Ariño – Joan E. Ricart

Abstract: There is a need for further research to understand how social capital in the workplace can be promoted. This article studies the generation of social capital from a comprehensive perspective that integrates ethics and general management. We propose the concept of “ethical work context” as an influential antecedent of social capital in the firm. An ethical work context, aligned with the “humanizing culture” approach proposed by Melé (Journal of Business Ethics, 45(1), pp. 3-14, 2003a), allows a broader comprehension of the concrete management practices and organizational dynamics that generate organizational social capital. We argue that social capital, understood as a by-product of an ethical work context, results both from organizational design and ongoing managerial activity. Creating an ethical work context brings ethics and social capital into the realm of the general manager, a figure that has remained absent from the social capital literature.

He was also the guest-editor of this volume of the Journal of Business Ethics, a special issue of the Journal of Business Ethics with a collection of articles from the 15th IESE International Symposium Ethics, Business and Society, May, 2008.
**Joan E. Ricart**


**Abstract:** Artículo introductorio a este número especial sobre modelos de negocio, donde se define el concepto y se elabora su relación con estrategia y con competencia en general. También se resumen y contextualizan los artículos de este número.

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**Stefan Stremerch – Aurélie Lemmens**


**Abstract:** Prior marketing literature has overlooked the role of regulatory regimes in explaining international sales growth of new products. This paper addresses this gap in the context of new pharmaceuticals (15 new molecules in 34 countries) and sheds light on the effects of regulatory regimes on new drug sales across the globe.

Based on a time-varying coefficient model, we find that differences in regulation substantially contribute to cross-country variation in sales. One of the regulatory constraints investigated, namely manufacturer price controls, has a positive effect on drug sales. The other forms of regulation such as restrictions on physician prescription budgets and the prohibition of direct-to-consumer advertising (DTCA) tend to hurt sales. The effect of manufacturer price controls is similar for newly launched and mature drugs. By contrast, regulations on physician prescription budgets and DTCA have a differential effect for newly launched and mature drugs.

Whereas regulations on physician prescription budgets hurts mature drugs more, DTCA has a greater effect on newly launched drugs. In addition to these regulatory effects, we find that national culture, economic wealth and lagged sales also affect drug sales. Our findings may be used as input by managers for international launch and marketing decisions. They may also be used by public policy administrators to assess the role of regulatory regimes in pharmaceutical sales growth.

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**Heidi von Weltzien Hoivik – Domènc Melé**


**Abstract:** Global Corporate Citizenship (GCC) is becoming increasingly popular in large corporations, yet it has rarely been considered in small and medium size enterprises (SMEs). A case study of a Norwegian clothing company illustrates how GCC can be also applied to small companies. This case study also shows that SMEs can be very innovative in exercising corporate citizenship, without necessarily following the patterns of large multinational companies. The company engaged studies as partner in some voluntary labor initiatives promoted by the Norwegian government, employs people in marginal situations and exerts influence for the adoption of good working conditions in its supply chain. Environmental issues and actions of solidarity are also considered within a global scope. Crucial GCC drivers in this company include an ethics of care and a concern for specific aspects of the common good, along with personal values, character and leadership on the part of the firm’s owner-manager.

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**Christoph Zott – Raphael Amit**


**Abstract:** Se hace hincapié en la innovación del modelo de negocio como una forma para que los directores generales y los empresarios generen nuevos ingresos y conserven los márgenes, concretamente en tiempos de cambios económicos. La innovación del modelo de negocio reside en la recombinación de los recursos existentes de una empresa y sus socios, y no precisa de una inversión significativa en I+D. Ofrecemos a los directivos y a los investigadores un manual básico sobre la innovación del modelo de negocio y ponemos énfasis en la importancia del pensamiento a nivel de sistema.

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**Books**

**Antonio Argandoña – Joan Fontrodona – Pilar García Lombardía**

"Libro Blanco del consumo responsable de alcohol en España", *IESE, Center for Business and Society* y *Diageo España S.A.*, 2009. 76 pages.

**Abstract:** Este libro blanco es un estudio sobre la situación actual del consumo de alcohol en España, de sus problemas, de las políticas que se han puesto en práctica y de las acciones de las empresas del sector, co-organizado por el Center for Business in Society del IESE y por Diageo España S.A. El consumo responsable de alcohol es el centro de la responsabilidad social de las empresas del sector, pero depende de muchos *stakeholders*, empezando por los propios consumidores, siguiendo por sus familias, las escuelas, los distribuidores, los establecimientos de ocio, las autoridades (educativas y de tráfico, principalmente), etc. Por ello, para la elaboración de este libro blanco se organizaron reuniones con los principales *stakeholders*, para conocer mejor los problemas, las soluciones adoptadas y sus limitaciones.

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**José Carrascosa – Yolanda Damiá – Kimio Kase – Ignacio Urrutia**


**Abstract:** Los autores del libro han identificado en la metodología del trabajo de Juande ideas perfectamente exportables al ámbito de
la gestión organizativa. Destacan la eficiencia y efectividad del “método Juande” a corto y medio plazo, aspecto muy considerable desde el punto de vista empresarial en tiempo de crisis.
En la obra se ofrecen recursos para una organización inmersa en plena crisis y promover cambios efectivos que optimicen con rapidez el clima interno para obtener resultados. Se trata del análisis de un probado liderazgo que se ha forjado progresivamente a partir del esfuerzo diario.

Jaume Llopis

Abstract: La contribución del libro a la teoría de la gestión, vista desde el enfoque temático de Management by lies, pasa por una visión humana, frágil y perfectible de los que ejercen la gestión, basada en los 40 años de experiencia del autor como primer ejecutivo de todo tipo de empresas y también como docente. El libro pretende provocar y suscitar discusiones acerca de las mentiras y los mitos que se han creado alrededor de la gestión. A través de calificar cada uno de estos mitos como verdades o mentiras y los mitos que se han creado alrededor de las prácticas de gestión. Se derrumban conceptos como la valoración de la publicidad o de los estudios de mercado, y se es muy crítico en el marketing y en las finanzas se entra a discutir sobre la eficacia de la publicidad o de los estudios de mercado, y se es muy crítico con el mundo financiero, criticando conceptos como la valoración de empresas o algunos términos que se han popularizado en la gestión, como el EBITDA, que el autor califica como una trampa. Por último, se dan unas recomendaciones y consejos prácticos para no caer en los errores y en las malas prácticas ampliamente denunciados en el libro.

Domèneç Melé

Abstract: The book brings together a number of readable and accessible short cases with a solid theoretical foundation. It is in five parts: foundations; the individual within the organization; managerial ethics and corporate governance ethics; organizational ethics; and societal business ethics. The book adopts what we call the Person-Centered Approach, in which human virtues are central because they shape character and bring about human excellence. This approach also considers principles and rules for good behavior and for harmonious and just human relations. It has been written mainly for teaching purposes and is addressed to undergraduates, graduates and executives, although it could also be used for consulting and for incorporating ethics into different management areas.

Josep Tàpies

Abstract: El libro es fruto de varios años de investigación y en él se abordan la edad y la importancia de la empresa familiar en el tejido empresarial español. Se determina que para empresas a partir de cierto tamaño (50 millones de euros de facturación en el año 2005), la edad promedio de las empresas familiares supera la de las empresas no familiares. Asimismo, la investigación llevada a cabo pone de manifiesto que no hay ninguna empresa no familiar en España que haya nacido con anterioridad al siglo XIX, mientras que hay cuatro empresas familiares que superan los ochocientos años de antigüedad. En el siglo XIX nacieron 32 empresas familiares que siguen en plena actividad.

También estudia la presencia de las empresas familiares en los distintos sectores de la economía española. Así, cabe destacar que en el sector de la construcción, ocho de las diez empresas españolas más grandes son familiares, del mismo modo que en el sector de la madera, ocho de las diez mayores empresas españolas son familiares, y en alimentación y bebidas, cinco de las diez principales empresas en función del volumen de facturación son familiares. Por todo ello, y por muchos otros datos aportados por este libro, cabe concluir que empresa familiar no es sinónimo de Pyme, si bien la mayoría de Pymes son familiares, pero esto es sólo una cuestión del grado de desarrollo en el tiempo de este tipo de empresas y no una cuestión de vocación, como algunas veces se ha insinuado.


Abstract: This volume takes stock of the development and implementation of competition policy in the European Union fifty years after the Treaty of Rome and also looks ahead. Competition policy has emerged as a key policy in the EU, with competition acting as the driving force for economic efficiency and citizen welfare. Case law has been established to control and prevent anti-competitive behavior; state aid control has consolidated and evolved towards a more economic approach; and the authority of the EC and judicial review by the Court of First Instance (CFI) and the European Court of Justice (ECJ) are firmly established.

The book takes an economic approach to competition policy and discusses the main areas of interest, open issues and progress in the area. It examines the design of competition policy institutions, the implementation of competition policy over time and its convergence or divergence with US practice, restrictive practices, cartels, abuse of dominance, merger control and state aid. It also analyses the interaction of competition policy and regulation and studies its application to the telecom, banking and energy sectors. All chapters are written by leading specialists, combining theoretical with practical knowledge and discussing the underpinnings of the application of law.
The book contains the following chapters:

**Xavier Vives**

*Abstract:* There has been an evolution in the way competition policy is studied, from a naive perfect-working-markets approach to game-theoretic and empirical analyses of industrial organization. One of the keys in the study of this process has been the establishment of strong European competition institutions. Various authors (Philip Lowe, Jorge Padilla and Matthew Bennett, John Vickers, Massimo Motta, Bruce Lyons, David Spector, Martin Hellwig, Jordi Gual and Sandra Jodar-Rosell, Richard Green, Elena Carletti and Xavier Vives and, finally, Bill Kovacic) deal with a range of subjects related to competition institutions and rules: a review of EC experience in the design of competition policy institutions; an overview of the structure, goals and implementation of Article 81 of the EU Treaty; a study of exclusionary abuse of dominance according to Article 82; an analysis of the economics of collusion through European cases; merger control in the EU; a study of state aid control; a discussion of the relationship between sector-specific regulation and competition policy in network industries; a survey of regulation and competition policy with respect to the energy, telecommunications and banking industries; and lastly, some reflections on whether competition policy in the EU and the US are converging or diverging.

The tendency to make efficiency and consumer surplus the central objectives of competition policy and to use economic tools to assess the effects of agreements and practices has been consolidated. However, the tension between market integration and competition objectives, although increasingly resolved in favor of the latter, persists.

**Xavier Vives - Elena Carletti**
"Regulation and competition policy in banking", pages 260-283.

*Abstract:* The banking sector has long been exempted from the application of competition policy because of the potential trade-off between competition and stability. In this paper we review the academic literature on this issue and describe the design of competition policy in Europe and its application in the EU in the last two decades. The analysis highlights that competition policy is now taken seriously in the financial sector. The European Commission has by now investigated mergers, cartels, abuses and state aids in this sector and has taken some landmark decisions. Still, much remains to be done in terms of academic research and the role the European Commission can play in fostering competition in banking in Europe.

**Contributions to books**

**Xavier Vives - Gianandrea Staffiero**

*Abstract:* In July 2001 the European Commission (EC) declared the merger between General Electric (GE) and Honeywell "incompatible with the common market". The EC argument was that a dominant position, created or strengthened by horizontal overlaps and vertical and conglomerate integration, would significantly impede effective competition and lead to the monopolization of certain markets (such as engines for large regional jet aircraft), vertical foreclosure in engine starters, and the foreclosure and eventual exit of rivals of the merger entity. The decision was appealed by GE and Honeywell to the Court of First Instance (CFI), which in December 2005 (with the merger long "dead") decided to uphold it, but supporting only the "horizontal overlap" part of the reasoning behind the decision. By contrast, the arguments relating to vertical effects and, most notably, conglomerate effects were found to be "vitiated by manifest errors". The EC decision sparked a lively debate in economic and policy circles, not least because the merger had previously passed the scrutiny of the US Department of Justice (DOJ), subject only to the divestiture of the military helicopter engine business and other minor requirements.

**IESE - Working Papers**

**No 816 – September 2009**
Sjaak Hurkens – Doh-Shin Jeon
MOBILE TERMINATION AND MOBILE PENETRATION

*Abstract:* In this paper we study how access pricing affects network competition when subscription demand is elastic and each network uses non-linear prices and can apply termination-based price discrimination. In the case of a fixed per minute termination charge, we find that a reduction of the termination charge below cost has two opposing effects: it softens competition but helps to internalize network externalities. The former reduces mobile penetration while the latter boosts it. We find that firms always prefer termination charge below cost for either reason, while the regulator prefers termination below cost only when this boosts penetration.

Next, we consider the retail benchmarking approach (Jeon and Hurkens, 2008), which determines termination charges as a function of retail prices, and show that this approach allows the regulator to increase penetration without distorting call volumes.
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No 817 – September 2009
Pablo Fernández
100 QUESTIONS ON FINANCE

Abstract: This paper contains 100 questions that students, alumni and other (judges, arbitrageurs, clients…) have posed to me over the past years. They were recompiled so as to help the reader remember, clarify and, in some cases, discuss some useful concepts in finance. Most of the questions have a clear answer but others can receive several emphases. A short answer to all of the questions is provided at the end of the paper.

No 818 – September 2009
Pablo Fernández – Vicente J. Bermejo
RENTABILIDAD Y CREADION DE VALOR DE 136 EMPRESAS ESPAÑOLAS EN EL PRIMER SEMESTRE DE 2009 Y EN 2008

Abstract: En el primer semestre de 2009, la rentabilidad de la bolsa española fue del 6,9%, y 81 empresas (entre 136) tuvieron rentabilidad positiva. Considerando conjuntamente los años 2008 y 2009, sólo cuatro empresas (Funespaña, CAF, Viscofán y Tecnocom) tuvieron rentabilidad positiva.


Se muestra un hecho preocupante: el aumento de la rentabilidad adicional que los inversores internacionales exigen a los bonos del Estado español con respecto a los emitidos por el Estado alemán. Este diferencial fue prácticamente cero en 2003-2006 y aumentó sustancialmente en 2008 y 2009.

El último anexo contiene algunos apuntes sobre la “crisis”.

No 819 – September 2009
Pablo Fernández – Vicente J. Bermejo
RENTABILIDAD DE LOS FONDOS DE PENSIONES EN ESPAÑA. 1991-2008

Abstract: En los últimos 3, 5 y 10 años, la rentabilidad promedio de los planes de pensiones fue sensiblemente inferior a la inflación y a la inversión en bonos del Estado a cualquier plazo. Ninguno de los fondos de pensiones del sistema individual con 15 años de historia tuvo una rentabilidad superior a la del bono español a 10 años. Sólo 12 de los 587 planes con 10 años de historia y 2 de los 1.520 planes con 5 años de historia tuvieron una rentabilidad superior al Índice de la Bolsa de Madrid.

El 31 de diciembre de 2008, 10,6 millones de participes tenían un patrimonio de 78,5 millardos de euros en 3.293 planes de pensiones. El decepcionante resultado global de los fondos se debe a las elevadas comisiones, a la composición de la cartera y a la gestión activa. En 2008, las comisiones de los fondos fueron de 1 millardo de euros.

El resultado global de los fondos no justifica en absoluto la discriminación fiscal a favor de los mismos. En muchos casos, los inversores perdieron la desgravación fiscal con la que el Estado les indujo a invertir en fondos de pensiones en menos de 5 años (vía comisiones e ineficiencias en inversión y gestión). Parece obvio que el Estado tiene alguna responsabilidad en las pérdidas que millones de contribuyentes han sufrido y siguen sufriendo.

No 820 – September 2009
Pablo Fernández
17 PROBLEMAS DE FINANZAS BASICAS RESUELTOS Y 307 RESPUESTAS ERRONEAS

Abstract: Este documento contiene 17 preguntas sencillas de exámenes de finanzas básicas. También contiene sus respuestas y 307 respuestas erróneas que, por respeto a sus autores (todos ellos poseían títulos universitarios superiores de diversos países), se denominan soluciones “innovadoras”, “progresistas” o “innovadoras y revolucionarias”.

Los objetivos de este documento son:
- Refrescar al lector algunos conceptos
- Observar la variedad de respuestas
- Procurar no repetir errores cometidos en el pasado

El documento también ayuda a calibrar la capacidad de asimilación de las cuestiones financieras y contables por parte de los directivos.

No 821 – September 2009
Pablo Fernández – Javier Aguirre Malloa – Heinrich Liechtenstein
THE EQUITY PREMIUM PUZZLE: HIGH REQUIRED EQUITY PREMIUM, UNDERVALUATION AND SELF-FULFILLING PROPHECY

Abstract: We argue that the equity premium puzzle may be explained by the fact that most market participants (equity investors, investment banks, analysts, companies…) do not use standard theory (such as a standard representative consumer asset pricing model) for determining their Required Equity Premium, but historical data and advice from textbooks and finance professors. Consequently, ex-ante equity premia have been high, market prices have been consistently undervalued and the ex-post risk premia have also been high.

In class and in their textbooks professors use high equity premia (average around 6%, range from 3 to 10%), and investors use higher equity premia for valuing companies (average around 6%).

The overall result is that equity prices have been, on average, undervalued in recent decades. Consequently, the measured ex-post equity premium is also high. As most investors use historical data and textbook prescriptions to estimate the required and the expected equity premium, the undervaluation and the high ex-post risk premium are self-fulfilling prophecies.

No 822 – September 2009
Pablo Fernández
BETAS USED BY PROFESSORS: A SURVEY WITH 2,500 ANSWERS

Abstract: We report 2,510 answers from professors from 65 countries and 934 institutions. 1,791 respondents use betas, but 107 of them do not justify the betas they use.
97.3% of the professors who justify the betas use regressions, websites, databases, textbooks or papers (the paper specifies which ones), although many of them state that calculated betas “are poorly measured and have many problems”. Only 0.9% of the professors justify the beta using exclusively personal judgment (named “qualitative”, “common sense”, “intuitive”, and “logical magnitude” betas by different professors). The paper includes interesting comments from 160 professors. We all admit that different investors may have different expected cash flows, but many of us affirm that the required return should be the same for everybody: this is a kind of schizophrenic approach to valuation. Most professors teach that the expected cash flows should be computed using common sense and good judgment about the company, its industry, the national economy, etc. Many professors, however, teach a formula for calculating the discount rate (instead of, once again, using common sense).

No 823 – September 2009
Pablo Fernández
LA PRIMA DE RIESGO DEL MERCADO SEGÚN 100 LIBROS

Abstract: Las recomendaciones sobre la prima de riesgo del mercado de los 100 libros sobre valoración y finanzas analizados (publicados entre 1979 y 2008 por autores como Brealey y Myers, Copeland, Damodaran, Merton, Ross, Bruner, Bodie, Pennman, Arzac…) oscilan entre el 3% y el 10%. Varios libros utilizan distintas primes de riesgo del mercado en distintas páginas. En valoraciones de proyectos de inversión de las empresas, en informes de valoración, y también en sentencias judiciales, se observa cierta confusión sobre la magnitud razonable de la prima de riesgo del mercado. Parte de la confusión se debe a no distinguir entre las cuatro acepciones de la prima de riesgo del mercado: histórica, esperada, exigida e implícita. De estos libros, 98 identifican la prima de riesgo del mercado esperada y la exigida, y 59 identifican la esperada y la histórica. Los libros de finanzas deberían definir claramente las cuatro acepciones de la prima de riesgo del mercado, aclarar a cuál de ellas se refieren en cada momento e incorporar mensajes más claros sobre sus magnitudes razonables, especialmente sobre la prima exigida.

No 824 – September 2009
Pablo Fernández – Vicente J. Bermejo
BETAS UTILIZADAS POR DIRECTIVOS Y PROFESORES EUROPEOS EN 2009

Abstract: Este documento resume 1.466 respuestas a una encuesta por correo electrónico realizada a directivos de empresas y a profesores de finanzas europeos. En total, 1.143 personas utilizan rentabilidad exigida y 824 utilizan betas para calcularlas. La mayoría (717) de estas 824 personas justifican las betas que utilizan con regresiones, webs, bases de datos, libros o artículos. Solamente 70 personas justifican las betas que utilizan empeñando únicamente el sentido común. La proporción de directivos que utilizan rentabilidad exigida pero no utilizan betas para su cálculo (44%) es muy superior a la de los profesores (8%). La proporción de directivos que utilizan sólo el sentido común para justificar las betas que utilizan (15%) es muy superior a la de los profesores (2%). Sorprende que, con los problemas que presentan las betas calculadas por regresión, un gran porcentaje de los profesores y directivos todavía las utilicen para calcular la rentabilidad exigida. La mayoría admite que hay muchos problemas en su determinación, pero continúan enseñándola y utilizándola por diversas razones: «"Ha obtenido el Premio Nobel en Economía", “se utiliza mucho”, “permite defender una valoración, impresionar a la dirección y parecer un gurú financiero»…

No 825 – September 2009
Pablo Fernández – Vicente J. Bermejo
β = 1 DOES A BETTER JOB THAN CALCULATED BETAS

Abstract: We compute the correlations of the annual stock returns (1989-2008) of Dow Jones companies with a) β Rm, and b) Rm and find that the second correlation (assuming beta = 1 for all companies) is higher than the first, on average, for all companies except Caterpillar and General Motors. Rm is the return of the S&P 500. Thus, beta = 1 works better than calculated betas! Not surprisingly, adjusted betas (0.67 calculated beta + 0.33) have higher correlation than calculated betas, but adjusted betas have lower correlation than beta = 1.

We do the exercise with 4 calculated betas every year-end vs. the S&P 500, using: a) monthly data for the last 5 years, b) monthly data for the last 2 years; c) weekly data for the last 5 years; and d) daily data for the last 5 years. We find similar results with the four betas. Despite these results, Fernández (2009) reports that 97.3% of professors who justify the betas use regressions, websites, databases, textbooks or papers (the paper specifies which ones), although many of them admit that calculated betas “are poorly measured and have many problems”. Only 0.9% of the professors justified the beta using exclusively personal judgment.

No 826 – September 2009
Pablo Fernández – Vicente J. Bermejo
SHAREHOLDER VALUE CREATORS 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 2 companies (Wal-Mart 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 showed high dispersion: on average, the highest price in 2008 was 2.6 times the lowest 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 of 2008 was -32.3% (6 companies had returns below -50% and 20 below -20%). However, investors who bought shares in the years 1987-1998 and 2001-2002 had positive returns by December 2008.
Finance textbooks should clarify the equity premium by incorporating distinguishing definitions of these four concepts and conveying a clearer message about how they are measured.

Studies and Monographs

No 90 – October 2009

Sandalio Gómez – María Dolores Gracia – Magdalena Opazo

EL MERCADO DE TRABAJO ESPAÑOL ANTE UNA NUEVA REFORMA LABORAL

Abstract: La crisis económica y financiera que se inició en el año 2007 ha tenido unas consecuencias muy graves sobre el mercado de trabajo español: la tasa de paro aumentó del 8,3% en 2007 al 17,4% en el primer trimestre de 2009, y el número de parados ronda los 4.000.000. Esta realidad se hace aún más grave cuando se compara la evolución sufrida en España con la del resto de los países europeos, ya que España llega a doblar la media europea. Ellos también han sufrido la crisis con caídas del PIB y, sin embargo, han logrado mantener la tasa de paro sin grandes variaciones. Este hecho nos ha motivado a estudiar aquellas variables que distinguen a España dentro de Europa y que reflejan las particularidades del mercado de trabajo español. Entre los temas que destacan a España en el contexto europeo, nos encontramos con la relevancia del sector de la construcción, la dificultad de la contratación, la alta proporción de trabajos temporales y baja de contratos a tiempo parcial, el elevado coste de la Seguridad Social, el atractivo del seguro del desempleo, la baja representatividad sindical y cobertura de la negociación colectiva; mientras que como particularidad de España nos encontramos con la baja participación feminina en el mercado laboral, la relevancia de la inmigración y el bajo nivel de cualificación. A partir del análisis se obtienen un conjunto de propuestas para enfrentar el problema del paro en el contexto actual.

Other publications

Pascual Berrone

“Green keys to unlock competitive advantage”, IESE Insight, No 2, 3rd quarter 2009, pages 50–57.

Abstract: By studying polluting industries in the United States the author discovers a better way of engaging with the growing green movement. Managers need to take a hybrid approach: paying attention to external influences, while also looking inside the company’s own resources for inspiration. This powerful combination grants social legitimacy, affects business performance and can set a company apart from the rest.
Bruno Cassiman


Abstract: With so much belt-tightening going on, pouring precious financial resources into partnerships with universities might seem an unnecessary extra. But think twice before cutting these long-term R&D investments: the money you save today could be the innovation, and consequently, the competitive edge you lose tomorrow. The author examines the integral role university research can play in industry innovation. To enjoy the fruits of your alliance, your firm and your research partners must share complementary goals – and carefully lay the groundwork for a healthy and productive long-term relationship. The long haul is essential, the author stresses, as the real value of these university links can be the unexpected results yielded over time. What is needed is a proper framework to balance the myriad issues involved, so that you can protect your firm from the competitive issues while leveraging the cooperative ones in these testing times.

Pablo Fernández


Abstract: Este documento resume 1.466 respuestas a una encuesta por correo electrónico realizada a directivos de empresas y a profesores de finanzas europeos. De ellos, 1.143 personas utilizan rentabilidad exigida y 824 utilizan betas para calcularlas. La mayoría (717) de estas 824 personas justifican las betas que utilizan con regresiones, webs, bases de datos, libros o artículos. Solamente 70 personas justifican las betas que utilizan empleando únicamente el sentido común. La proporción de directivos que utilizan rentabilidad exigida pero no utilizan betas para su cálculo (44%) es muy superior a la de los profesores (8%). La proporción de directivos que utilizan sólo el sentido común para justificar las betas que utilizan (15%) es muy superior a la de los profesores (2%).

Surpríe que, con los problemas que presentan las betas calculadas por regresión, un gran porcentaje de los profesores y directivos todavía las utilizan para calcular la rentabilidad exigida. La mayoría admite que hay muchos problemas en su determinación, pero continúan enseñándola y utilizándola por diversas razones: “ha obtenido el Premio Nobel en Economía”, “se utiliza mucho”, “permite defender una valoración, impresionar a la dirección y parecer un gurú financiero”…

Eduardo Martínez Abascal


Abstract: There is no question about it: If we look at the size of the rescue packages and the diversity of financial institutions affected during the past year, we have just witnessed the most serious financial crisis since the Great Depression. And the epicenter of the crisis is located in the United States and the United Kingdom, the two economies that were once considered the pillars of the global financial system. By analyzing the causes of the problems we may learn some lessons for the future.

Juliana Mutis – Joan E. Ricart


Abstract: Más allá de las iniciativas de responsabilidad social corporativa y de los proyectos exclusivamente filantrópicos, se encuentran los negocios dirigidos a la base de la pirámide. Éstos, desarrollados por empresas del sector privado, tienen la doble virtud de buscar el beneficio de la empresa y de causar un impacto social positivo. Los autores presentan dos ejemplos de modelos de éxito y hacen especial hincapié en una de sus cualidades más notorias: la capacidad de réplica.

Pinar Ozcan – Kathleen M. Eisenhardt

“Forming ties that will free your firm”, IESE Insight, No 2, 3rd quarter 2009, pages 13-20.

Abstract: Strategic alliances provide opportunities to strengthen your market position, gain new capabilities and resources, and enable you to grow and expand during difficult times. Many large, highly resourced companies already know this and are leveraging it to their advantage. But how can a small firm with fewer resources obtain and manage a high-performing alliance portfolio? Getting the alliance portfolio you dreamed of and then managing it well over time is not as difficult as it may seem, provided you act early, make multiple approaches to various partners, give sequential attention to each and generally avoid alliances with competitors.

Conferences and Seminars

Antonio Argandoña

On September 10-12, attended the 22nd EBEN Annual Conference, in Athens, where he presented the paper “The ethical dimension of microfinance”.

Abstract: Microfinance has seen tremendous growth in recent years and is seen as an effective way of promoting personal independence and solving the problems of underdevelopment. It consists of the granting of small loans on terms adapted to the needs of entrepreneurs who have no assets to secure the loan. There have been numerous studies on microfinance, but the ethical dimension has been largely ignored. The purpose of this paper is to discuss the economic, social, political and human characteristics of microfinance, with special emphasis on the ethical problems it creates and the social responsibility of microfinance institutions.
Africa Ariño
On October 11–14, attended the Strategic Management Society Annual Meeting in Washington, where she acted as moderator of the Common ground session on “Uncertainty and the leveraging of relational mechanisms in alliances”.

Jordi Canals
On September 17, attended the Transatlatic Corporate Governance Conference, organized by the Columbia Law School, The Brooking Institution, the European Corporate Governance Institute and the Securities and Exchange Commission in Washington, where he took part in the roundtable on “The future of government intervention in the economy: Implications for corporate governance”.

Bruno Cassiman
On September 3–5, attended the 36th annual conference of the European Association for Research in Industrial Economics, in Ljubljana, where he presented the paper "International exposure, (product) innovation and productivity".

Abstract: We find strong evidence that product innovation—and not process innovation—induces small non-exporting firms to enter the export market. This finding has important policy implications for the relative importance of export promotion policies versus innovation promotion policies to simulate productivity growth in the economy. Clearly, the fact that the more productive firms select into the export market already invalidates many arguments in favour of current export promotion activities. Nevertheless, as the firm decisions driving these productivity effects are not explicated, alternative policies have not been advanced. Our results suggest that a stronger focus on innovation would provide a more productive investment for policy makers.

On September 24–25, attended the 4th Annual Conference of the European Policy for Intellectual Property Association in Bologna, where he presented the paper "Tracing the effect of links between science and industry: The role of researcher interaction and mobility between firms and research organizations", co-authored with Sam Arts and Reinhilde Veugelers.

Abstract: Scientific research creates spillovers. While at the macro-level these spillovers seem to stimulate economic growth and increase welfare, the effects of science and the mechanism through which firms benefit from scientific research are less clear at the micro-level. In this paper we examine researcher interaction and cross-institutional mobility as an underlying mechanism through which such industry-science links affect the innovation performance of organizations and inventors in the semiconductor industry. The paper studies the role of IMEC, a world leading independent research institute in the area of nano-electronics and nanotechnology. The IMEC Industrial Affiliation Program (IIAP) allows researchers from participating companies to conduct research at the IMEC laboratories in collaboration with other researchers. We use patent information of participating and non-participating researchers and institutions to the IIAP program to map the technology development activities which are IMEC-related and attempt to evaluate the results of various types of IMEC links.

On October 11–14, attended the 2009 INFORMS Annual Meeting in San Diego, where he presented the paper "Linking science and industry in micro-electronics: The case of IMEC", co-authored with Sam Arts and Reinhilde Veugelers.

Toni Dávila
On September 23–25, attended the XV Congreso AECA in Valladolid, where he presented the paper "Budget ratcheting versus reversión a la dificultad media de los objetivos presupuestados: Un análisis empírico".

Abstract: De acuerdo con el fenómeno del “ratcheting”, los objetivos que se fijan en el presupuesto anual, y que sirven de base para los sistemas de incentivos, no son estáticos, sino que varían en función del nivel de performance alcanzado en el periodo anterior. Tomando como base los datos históricos de objetivos presupuestados y resultados reales de 432 sucursales de una agencia de viajes durante el periodo 2002-2006, este artículo a) cuantifica los elementos que determinan el patrón de ratcheting; magnitud y asimetría; b) discute y contrasta la existencia de un segundo fenómeno según el cual en la revisión presupuestaria existe la tendencia a revertir a la media la dificultad relativa de los objetivos, y c) explora la relación entre ambos fenómenos y sus implicaciones.

This paper won the award for the best paper presented to the conference.

On September 23–25, attended the Performance Measurement and Control Conference in Nice, where he preseted the following papers:

"Management systems and complimentary elements for radical innovation: a case study", co-authored with Félix Cardenas and Daniel Oyon.

Abstract: Few companies distinguish incremental vs. radical ideas. More importantly, most manage them through the same innovation process. Such a one-size-fits-all approach is almost guaranteed to sub-optimize certain systems and resources and delay new product development and commercialization. Leading innovative firms have the necessary measurement control systems (MCS) to manage and monitor progress for radical innovation. This article is based on a case study carried out at Alcan Engineered Products (EP), a provider of fabricated aluminum, composites and other lightweight solutions for global markets in aerospace, automotive, mass transportation, marine, building, electrical, cable and other specialty segments. The study resulted in a set of key findings that emerged from our observation. We suggest that the organization project structure, MCS and complementary elements should activate on a per project requirement basis, rather than a control system that may hinder creative radical innovation.
"Performance consequences of balanced scorecard adoptions: claim for large-scale evidence and propositions for future research", co-authored with Michael Burkert and Daniel Oyon.

Abstract: Since the introduction of the concept of the Balanced Scorecard (BSC) in the early 1990s, researchers and practitioners have been discussing its impact on managerial and organizational performance. This article reviews existing empirical work on BSC adoption and concludes that little large-scale evidence is currently available to justify the high rate of diffusion of this concept. Moreover, we present recommendations for future empirical work to test the potential effects of the BSC on performance.

"Landscape scorecard: a field study", co-authored with Daniel Oyon.

Abstract: Existing performance measurement systems such as the Balanced Scorecard focus on implementing intended strategies and the feedback process associated with these strategies. These systems measure the execution of processes according to plan. Their significant level of adoption speaks to their relevance. However, these systems reflect the expectations and outcomes of processes framed within the intended strategy, potentially ignoring significant dynamics and innovations that may redefine the environment. Based on field research in seven companies in dynamic environments, this paper describes various practices that these companies are taking to measure and track dynamics and the associated innovations. In contrast to the similarities that we observed in the design of performance measurement systems to implement strategy across these companies, their practices to monitor sources of innovation within and outside the company are diverse – suggesting a pre-paradigm stage in the measurement of the dynamics of the environment. The framework that emerges from the observations at these companies – labeled Landscape Scorecard – maps the actors in the landscape, analyzes their actual and potential moves, and prepares the company to act on them. It also describes how objective measures are combined with alternative sources of information, taking a broader perspective on the design of performance measurement systems.

He also chaired the plenary session "Performance measurement, control and innovation".

Roberto Galang (PhD Student)
On October 11-14, attended the SMS 28th Annual International Conference, in Washington, where he presented the paper "Institutional, industrial and firm-level determinants of international technology diffusion: The case of airline e-tickets".

Abstract: The paper focuses on the impact of institutions on the decision of firms to adopt beneficial technologies. Rooting the analysis in new institutional economics and the economics of diffusion, I analyze how country-specific factors such as regulatory quality, proximity, economic development and cultural and trade ties affected the pace at which airlines headquartered in each country adopted electronic ticketing systems, controlling for industry- and firm-level factors that are salient in influencing this adoption process. With the help of IATA, data for approximately 250 airlines from 120 countries have been collected, providing sufficient scope for institutional variance. Based on data on hand, I anticipate results suggesting that airlines headquartered in states with linguistic, economic and trade relations with the sources of technology adopt technologies faster than those in countries merely sharing geographic proximity. Controlling for firm size and domestic competition, I expect to find that airlines operating in more effectively governed states opt to invest in technologies more rapidly.

Pankaj Ghemawat
On September 4-6, attended the EARIE Annual Conference in Ljubljana, where he presented the paper "Bridging the 'Globalization gap' at top business schools".

Abstract: Top business schools talk a great deal about globalization, placing particular emphasis on their students’ diverse national origins and on international partnerships. Yet a closer look at what they actually do raises questions about whether these scope expansions are matched by adequate attention to globalization-related knowledge and course development activities. Put differently, there seems to be a gap between the reach and the grasp of top business schools’ globalization efforts: their global reach seems to have outrun their grasp of the explicitly global content to be taught to students from different countries about different locations. Such a globalization gap should not be too surprising: the stereotypical trajectory in international business is still one of firms starting to move abroad as domestic markets mature yet often failing, at least initially, to pay adequate attention to differences between home and abroad in changing what they offer. But that said, the globalization gap does have to be bridged! A survey of academic thought leaders suggests that business schools’ efforts to globalize educational content should focus on cross-country differences and their business implications. This essay concludes by presenting one action proposal along these lines, for a globalization module with the suggested crosscountry focus that is designed to be inserted into the core MBA curriculum.

Alexander Groh
On October 21-24, attended the 209 Annual Meeting of the Financial Market Association in Reno, where he presented the paper "International allocation determinants for institutional investments in venture capital and private equity Ltd. partnerships", co-authored with Heinrich Liechtenstein.

Abstract: We examine the determinants of institutional investors when deciding about international capital allocation in Venture Capital and Private Equity Limited Partnerships through a questionnaire addressed to Limited Partners world-wide. The respondents provide information about their criteria for international asset allocation. The protection of property rights is the dominant concern, followed by the need to find quality local General Partners, and the quality of management and skills of
local entrepreneurs. Furthermore, the expected deal flow plays an important role in the allocation process, while investors fear bribery and corruption. Public funding and subsidies play no role in the international allocation process. Hence, private money does not follow public money. The IPO activity and the size of local public equity markets are not as relevant as proposed by other researchers. Our results can help policymakers make their countries more attractive to institutional investors and so receive more risk capital for innovation, entrepreneurship, employment and growth.

Franz Heukamp
On October 10–14, attended the INFORMS Annual Meeting in San Diego, where he presented the paper “An fMRI evaluation of the probability-time tradeoff”, co-authored with M. Pastor and M. Aznarez.

Abstract: We document an fMRI study on choice between risky delayed prospects (i.e., an amount x to be received at time t with probability p, or otherwise nothing). The study investigates the tradeoff between the delay and probability dimension of tasks and compares the brain networks that are involved. We test whether delay and probability are treated in similar ways, as suggested by different authors in the literature. The study involves thirty subjects. Thirty right-handed healthy volunteers (mean age 22 years +/- 1.94 SD) participated in the study. We used a 3T scanner (Siemens Trio). The functional images sensitive to BOLD were acquired by T2*-weighted echoplanar imaging. During fMRI scanning, subjects were asked to make decisions on a set of tasks consisting of a choice between two alternative prospects, A and B. A typical prospect is an amount x, to be received at time t with probability p. We presented 36 questions in pairs, A and B, made of combinations of 6 different time durations and 6 levels of risk. For the experimental task, the volunteer was asked to choose between prospects A and B (x, t, p) (decision making, DM). For the control of task, the subject was requested to perform a simple mathematical operation. Subjects reported their choice by a motor response with the right-hand. The contrast during the decision-making task activated areas that included regions of frontal cortex, predominantly in the left; the cingulate cortex in anterior middle and posterior regions, parieto-occipital regions and temporop-basal regions and subcortical activation in the caudate nuclei and visual cerebellum (Crusi). These activations include areas related to different aspects of making financial decisions: nucleus accumbens and anterior insula with risky choices (Kuhnen and Knutson, 2005; Critchley et al., 2001), the prefrontal, orbitofrontal cortex and ventral striatum during reward delay (Hariri et al., 2006) and medial prefrontal and posterior cingulate cortex with subjective value (Kable and Glimcher, 2007).

In our decision making design, time and risk dimensions were mediated by the same neuronal network. This result supports the PTT model, which assumes symmetry between the time and risk dimension of a decision.

Víctor Martínez de Albéniz
On October 11–14, attended the INFORMS Annual Meeting in San Diego, with the following papers:

“Sourcing strategies for short life-cycle goods”, co-authored with Eduard Calvo.

Abstract: A buyer can source a product from different suppliers, each one having a different price and lead-time. A faster supplier provides the advantage of using a more accurate forecast, but this usually involves a higher cost. We characterize the optimal sourcing strategy under different scenarios such as single-sourcing and sequential multi-sourcing. In addition, we study the suppliers’ competitive dynamics and find the prices that suppliers with different lead-times will quote in equilibrium.

“Connecting lead-time and sales in fast fashion”, co-authored with Alejandro Lago and Phillip Moseco.

Abstract: The paper studies empirically whether differences in supply lead-times exert an influence on product sell-thru in fast fashion companies. POS sell-thru data for over a thousand SKUs in one particular company are analyzed. We show that shorter supply lead-times generally improve product sales, but assortment decisions may mitigate the effect.

“Strategic assortment rotation”, co-authored with Felipe Caro.

Abstract: Fast fashion retailers are known for their quick response to market changes. This allows them to change the assortment more frequently, which induces repeated visits to the store, which in turn increases sales. We propose a customer consumption model with satiation and multiple competing retailers. The model implies that consumers will spend more at retailers that revise their assortment more often. We then determine the competitive equilibrium and the optimal assortment duration.

“Optimal inventory policies when purchase price and demand are stochastic”, co-authored with Peter Berling.

Abstract: We consider the problem of a firm that faces a stochastic demand (Poisson) and must replenish from a market in which prices fluctuate, such as a commodity market. Using the single-unit decomposition approach, we explicitly characterize the optimal base-stock level using a series of threshold prices. We show that the base-stock level is first increasing and then decreasing in the current purchase price, and obtain closed-form solutions when price follows a Geometric Brownian Motion.

“Optimal procurement design in the presence of supply risk”, co-authored with Aadhaar Chaturvedi.

Abstract: This paper analyzes optimal auctions when the delivery of supply is not certain. We consider a buyer facing multiple potential suppliers, each having an associated (exogenous) risk of supply failure. We design optimal mechanisms in presence
of informational asymmetry for different scenarios, dependent on the buyer's level of information regarding the suppliers' reliability.

"Safety stock or excess capacity: Trade-offs under supply risk", co-authored with Aadhaar Chaturvedi.

Abstract: This paper investigates the trade-off between carrying high safety stock and planning for excess capacity when a firm faces uncertain demand and supply. We use results from queueing theory to characterize a buyer's optimal strategy for the amount of capacity that it should contract from a supplier and the corresponding inventory that it needs to hold. Typically both are higher when demand or supply variability are higher. In addition, we apply our model to optimize multi-sourcing strategies.

Domènech Melé
On September 24–26, attended the conference "The Business of Practical Wisdom. An Exploration of Virtue and Business within the Catholic Social Tradition" at the Catholic University Eichstätt-Ingolstadt, in Germany, where he presented the paper "Practical wisdom in the managerial decision-making process".

Abstract: The aim of this article is to contribute to a better understanding of how practical wisdom can help in managerial decision-making. Firstly, it discusses the problem of making decisions exclusively based on instrumental rationality, assuming, at least implicitly, the dichotomy between facts and values. This approach has as a consequence that ethics is neglected completely or that normative theories are accepted as a mere addition to a managerial theory. Secondly, it introduces the notion of practical rationality and the virtue of prudence or practical rationality as a more complete alternative for decision-making. Thirdly, it discusses eight aspects of practical wisdom which are highly significant for moral reasoning in decision-making. Finally, the article reviews the main stages commonly proposed in managerial decision-making and how practical wisdom could contribute at each stage. The article concludes by affirming that practical wisdom is highly valuable for sound decision-making and stresses the necessity that it be included in business education.

Fernando Peñalva
On September 23–25, attended the XV Congreso ABECA (Asociación Española de Contabilidad y Administración) in Valladolid, with the paper "Conditional conservatism and firm investment efficiency", co-authored with Beatriz García Osma and Juan Manuel García Lara.

Abstract: Conditional conservatism, through the timelier recognition of losses in the income statement, is expected to increase firm investment efficiency through three main channels: 1) by decreasing the adverse effect of information asymmetries between outside equity holders and managers, facilitating the monitoring of managerial investment decisions; 2) by increasing managerial incentives to abandon poorly performing projects earlier and to undertake fewer negative net present-value investments; and 3) by facilitating access to external financing at lower cost. Using a large United States sample for the period 1975–2006 we find a negative association between conditional conservatism and measures of over – and under – investment, and a positive association between conservatism and future profitability. This is consistent with firms reporting more conditionally conservative numbers investing more efficiently and in more profitable projects. Our results add to a growing stream of literature suggesting that eliminating conservatism from accounting regulatory frameworks may lead to undesirable economic consequences.

B. Sebastian Reiche
On September 25–26, attended the EIASM Workshop on International Strategy and Cross-Cultural Management in Helsinki, where he presented the paper "Inpatriation and repatriate knowledge transfer: The roles of social capital, and perceived repatriation and career support".

Abstract: This paper investigates inpatriates' social capital at the MNC headquarters and their perceived repatriation and career support for their knowledge transfer upon completion of their assignments. Drawing on a longitudinal inpatriate sample, I demonstrate that inpatriates' social capital, operationalized as their number of work group contacts at the headquarters and their interpersonal trust with headquarters staff, positively relates to their access to knowledge from former headquarters colleagues two years later, whereas inpatriates' interpersonal trust also positively relates to their sharing of knowledge with new colleagues two years later. I also find that inpatriates' perceived repatriation and career support compensates for their smaller number of work group contacts in both accessing and sharing knowledge after their assignment.

Joan E. Ricart
On October 11–14, attended the Strategic Management Society Annual Meeting in Washington, where he presented the paper "Business model innovation and sources of value creation in low-income markets", co-authored with Pablo Sánchez.

Abstract: We explore seven business ventures in low-income markets in order to understand the factors influencing business model innovation in this context. Grounded in the rich data obtained from multiple case study analyses and the received theory on strategy in low-income markets and business models, we identified a set of contingency factors that permitted us to distinguish between isolated and interactive business models. Isolated business models widen a firm's entry into new markets by leveraging the firm's current resources and capabilities to take advantage of existing opportunities. Interactive business models require a firm to combine, integrate and leverage both internal resources and the ecosystem's capabilities to create new business opportunities. Finally, we discuss the main implications for value creation from these business models.
Tomislav Rimac (PhD Student)
On October 11–14, attended the SMS 28th Annual International Conference, in Washington, where he presented the paper “Heterarchies as a solution for environmental uncertainties and ambiguities”, co-authored with Johanna Mair.

Abstract: We draw attention to cross-sector business groups (CSBGs), a nascent organizational form in the domain created by the blurring of the dividing line between private and public sectors. We argue that, as sites of competing and coexisting value systems, CSBGs adopt a heterarchical mode of organizing in order to enhance their ability to respond to unpredictable changes in their environments and to modify these environments. Based on CSBGs’ heterarchical attributes – decentralization of responsibilities, normative integration, diversity of governance models and radical problem orientation – we develop a typology of CSBGs.

Xavier Vives
On September 26, attended the CEPR/ESI 13th Annual Conference in Venice, where he presented the paper “Competition and stability in banking”.

Abstract: The potential trade-off between competition and stability in banking has long been debated. It is worth recalling that not so long ago competition was thought to be detrimental to stability. Indeed, until relatively recently many central banks and regulators were complacent with collusion agreements among banks. This has changed and competition policy is now taken seriously in the banking sector. Now, the present financial crisis has questioned the view that banking should be treated like any other sector in terms of competition policy attention and enforcement. Indeed, the pressure to suspend competition policy enforcement in banking has been formidable. For example, the UK’s OFT recommendation to refer the HBOS-Lloyds TSB merger to the UK Competition Commission was overturned by the UK’s OFT recommendation to refer the HBOS-Lloyds TSB merger to the UK Competition Commission was overturned by the government on the grounds that the stability of the UK financial system was an overriding concern. There are two basic channels through which competition may increase instability: by exacerbating the coordination problem of depositors/investors on the liability side and fostering runs/panics and by increasing incentives to take risk on the asset side and raising failure probabilities. In this paper we review the academic theoretical and empirical literature on this issue and present a simple crisis model in which runs can happen independently of the level of competition but in which stronger competition worsens investors’ coordination problem by increasing potential instability (the multiplicity of equilibria region), the probability of crisis, the range of fundamentals for which there is coordination failure of investors (and where the bank is solvent but illiquid), and the impact of bad news on fundamentals. This provides a characterization of the trade-off between competition and stability from which implications for competition policy can be derived. The underlying issue is whether there are grounds for competition policy to consider the uniqueness of the banking sector.

Christoph Zott
On October 12–15, attended the SMS Strategic Management Society Annual Conference in Washington, where he presented the following papers:

“Designing the business model: An activity system perspective”, co-authored with Raffi Amit.

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.

“Founder’s emotion regulation versatility and differential resource creation: The affective roots of firms’ heterogeneous resources”, co-authored with Quy Huy.

Abstract: Why do firms differ, and where do firms’ heterogeneous resources come from? Surprisingly, a satisfactory answer to this seemingly simple, yet important question still eludes the field of strategic management. To address it, we adopted an inductive theory-building research design and conducted an eight-year real-time study of six young firms. Our analysis revealed that founders’ differential use of emotion regulation behaviors can explain differential levels of resource creation at the firm level. Founders’ emotion regulation behaviors include actions to deliberately maintain or modify their self emotional experiences during the business-building process. Our data suggest two qualities of emotion regulation – which we call “richness” (i.e., drawing on a broad emotion regulation action repertoire) and “other-orientation” (i.e., considering other people’s concerns, needs and preferences in regulating one’s own emotions) – that shape the relationship between emotion regulation of the founder and resource creation at the firm level. In particular, we posit that other-orientation moderates the positive relationship between emotion regulation richness and the creation of resources from others. Our emerging theory establishes a link between (micro-) behaviors of entrepreneurs and (macro-) resource creation outcomes, and provides insight into the affective foundations of resource-based strategy.

Awards

Marta Elvira
She was awarded a Marie Curie Reintegration Grant from the European Commission for the research proposal entitled: “Emergent health care occupations and quality of life: A study of the US, Italy and Spain”.
Pedro Nuño
The Chinese government has awarded him the “Friendship Award”, the highest award China gives to a foreigner, now given for the first time to a Spaniard. The award ceremony took place in Beijing on October 1, chaired by the Chinese president Hu Jintao.

Doctoral theses

Wei He
DYNAMICS OF TRUST AND DistrUST IN HIERARCHICAL RELATIONSHIPS IN CHINA
(IESE) thesis director: Pablo Cardona

Abstract: The aim of this dissertation is to advance our knowledge on trust and distrust in hierarchical relationships in China, in response to the increasing importance of trust and distrust in interpersonal relationships. In particular, we focus on three issues under discussion in current literature: universal trust-building processes across cultures (etic construct), culture-specific differences in trust-building processes in China (emic construct), and distrust-developing processes in China. For this purpose we perform three different studies, which I present as independent essays in this dissertation.

In our first essay we replicate Elola and Cardona’s “reciprocal” trust model in the Chinese context. We address two questions: 1) can we generalize Elola and Cardona’s trust model in the Chinese context?, and 2) are models with data from China and Latin America identical, or they are different? Results suggest that we could generalize the “reciprocal” trust model in the Chinese context. Although the “reciprocal” trust model works in China, results also show that some parameters are not equivalent when we compare models with data from China and Latin America. Because we measure the same items in our study and the only difference is the location of samples, one possible explanation of the difference is cultural differences.

The second essay explores the impact of national culture on the “reciprocal” trust model. It addresses different findings with data sets from China and Latin America. We argue that guanxi, a specific Chinese concept, has different impacts on components in hierarchical trust relationships in China. We first develop a new Chinese trust scale, which includes “harmony”. Results show that we could add “harmony” as an item to measure trust in the Chinese context. When we introduce the concept of guanxi in our “reciprocal” trust model, results show that guanxi has different impacts on all components of the model. Guanxi has direct and indirect effects on different paths of the model. The indirect effects can either amplify or weaken the impact of behaviors on trust.

In the third essay, we move our study from trust to distrust. This essay aims to identify antecedents and outcomes of distrust in hierarchical relationships in China. We first develop a theoretical model of distrust-building and then empirically test the model. Results show that managers’ distrusting behaviors (managers’ inappropriate behaviors that may violate the psychological contract in hierarchical relationships) lead to subordinates’ distrust. Subordinates’ distrust in managers is positively related to subordinates’ job dissatisfaction, which is negatively related to their organizational citizenship behaviors (OCBs).

Finally, we present some conclusions regarding all three essays. We then propose some directions for future research, aimed at overcoming certain limitations of the present study. We also state the implications for managers who are concerned with issues of trust and distrust in hierarchical relationships in China.

Kandarp Mehta
ROLE EVOLUTION AND IDEA GENERATION. EXPLORING THE PROCESS OF CREATIVITY THROUGH ETHNOGRAPHY
(IESE) thesis director: Toni Dávila

Abstract: One of the major limitations of creativity research is that there is too much emphasis on the creative product. This ethnographic research in relation to various “(motion picture) shooting sites” explores the creativity process by focusing on the expression of ideas by individuals within a team. By first identifying different idea generation tendencies within a group, the study establishes a relationship between the development of an individual’s role within a team and the idea generation tendency. The process of role evolution is described in four stages: 1) identification of role space; 2) initial role enactment; 3) role realignment, and 4) negotiated role enactment. Through a sensemaking process, individuals remove or add idea expression in their work space, contributing directly to the flow of idea generation at the team level. It is equally interesting and important to note what happens to the team in this process. When individual roles change, the structure of roles is also liable to be affected. Teams are a structured role system, so they can be disrupted by role realignment of individuals. Based on collective changes in the team, a new taxonomy based on teams’ creative potential is proposed.

IESE - Research Seminars

Accounting and Control
September 14
Speaker: Wayne Landsman, Kenan-Flagler Business School
"Are international accounting standards-based and US GAAP-based accounting amounts comparable?"

Abstract: We address whether IAS as applied by non-US firms results in accounting amounts that are comparable to those resulting from US GAAP as applied by US firms. We assess comparability using value relevance of equity book value and net income, and the correlation between net incomes. We find US firms applying US GAAP generally have higher value relevance of accounting amounts than non-US firms applying IAS. Value relevance generally became more comparable after non-US firms applied IAS than when they
applied non-US domestic standards; we find more consistent evidence for an increase in net income comparability. We also find that value relevance and net income comparability are higher for both IAS adoption and IAS sample years after 2005. Findings indicate that value relevance is more comparable for firms in common law countries; the increase in net income comparability after non-US firms apply IAS holds for both common and code law IAS firms. Our findings suggest that widespread application of IAS by non-US firms has enhanced financial reporting comparability with US firms, but differences remain.

October 26
Speaker: Jasmijn C. Bol, University of Illinois at Urbana-Champaign
"Supervisor discretion in target setting: An empirical investigation"

Abstract: In a setting where the levels of total regional sales targets are dictated by corporate headquarters, we study how supervisors break regional sales targets down into store-specific sales targets. Specifically, we analyze how supervisors strategically use their discretion in the target-setting process to deal with compensation contracting issues. First, we examine whether supervisors use their discretion to manage compensation risk. Consistent with predictions based on agency theory, our results show that supervisors provide stores that face higher levels of store-specific risk with more attainable targets. Second, we examine whether discretion is used to mitigate fairness concerns. Drawing on behavioral theory, we predict that supervisors will provide stores managers that perceive certain elements of the compensation plan as unfair with more attainable targets. Our results show that supervisors use their discretion to improve fairness perceptions, even if the area in which the supervisor is granted discretion is not causing the fairness concerns. Finally, our study analyzes whether supervisors use their discretion in the target-setting process to improve their own standing within the company. Consistent with agency predictions and research in psychology, we show that supervisors provide easier targets to store managers who are perceived as more powerful because of their social status.

Business Ethics
October 7
Speaker: Dirk Matten, Schulich School of Business, York University
“The emergence of corporate citizenship: Historical development and alternative perspectives”

Abstract: The assumption that corporations have economic, legal and even social roles but, beyond these, no political role or significance is becoming increasingly untenable. In the seminar I turn attention to my more recent work in this area, focusing on identity-based citizenship, cosmopolitan citizenship and ecological citizenship. I sketch out the basic ideas and instill a discussion about the relevance, emergence and potential future avenues of these phenomena in the Spanish-speaking world, most notably Spain and Latin America. Although conventional economic theory continues to be based on a clear divide between economic and political domains, where the state sets the rules within which business must act, a blurring of boundaries between the two domains is clearly in evidence. Wittingly or otherwise, corporations are becoming much more part of politics. They are now more engaged in governmental and inter-governmental rule making, at one extreme, and community-level issue resolution at the other. The social and economic fortunes of whole communities are subject to corporate discretion to invest or divest and the power that corporations necessarily possess in these decisions has increasingly brought them into the political sphere. Indeed, global political debates about climate change, conflict, poverty, human rights, equality and social justice now rarely take place without some consideration of, or input from, corporations or their representatives. Corporations have even become embroiled in the expression or suppression of particular racial or cultural identities, not only among their workers and consumers, but also among other humans with no obvious interest in their products or services.

For some, then, corporations should self-evidently be considered as political actors. In the language of politics, I mean by this that they are increasingly part of the authoritative allocation of values and resources. The question then is how to make sense of these roles, both in themselves and in the contexts of changing global governance and of the economic roles and responsibilities of business.

In my work I have turned to the concept of citizenship in order to make sense of these political aspects of corporations. Citizenship is widely regarded as one of the key features of western political thought. Citizenship offers a way of thinking about roles and responsibilities among members of polities and between such members and their governing institutions. It therefore offers an opportunity to evaluate certain aspects of the political roles and significance of corporations, both in terms of their strategies towards governments and communities and in terms of their consequences for the policies and political aspirations of people and societies.

Finance
September 21
Speaker: Robin Greenwood, Harvard Business School and NBER
“Agency costs, mispricing, and ownership structure”

Abstract: Standard agency theories of corporate ownership assume that insiders bear the costs of diverting resources from outside investors because markets are efficient. We develop an alternate view in which trusting investors bear some of these costs because they overvalue the equity and underweight the potential for expropriation when shares are listed. We test predictions that are implied by this view by analyzing the public listing of corporate subsidiaries in Japan. In the two years following their listing, subsidiaries with greater scope to invest or divest and the power that corporations necessarily possess in these decisions has increasingly brought them into the political sphere. Indeed, global political debates about climate change, conflict, poverty, human rights, equality and social justice now rarely take place without some consideration of, or input from, corporations or their representatives. Corporations have even become embroiled in the expression or suppression of particular racial or cultural identities, not only among their workers and consumers, but also among other humans with no obvious interest in their products or services.

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Research Seminars

Luis Cabral
On September 15, at Toulouse School of Economics, presented the paper "Dynamic price competition with network effects".

Abstract: I consider a dynamic model of competition between two proprietary networks. I derive a series of results pertaining to monotonicity of the pricing function (Do larger networks set higher prices?) and network size dynamics (Do large networks tend to become even larger?). I apply my general framework to the study of termination charges in wireless telecommunications.

The same paper was presented on September 28 at Universitat Pompeu Fabra in Barcelona, October 28 at University of Warwick in Coventry, and October 30 at University of East Anglia in Norwich.

On October 26, at Universidad Carlos III in Madrid, presented the paper "Aftermarket power and basic market competition".

Abstract: Many industries are characterized by a basic market for a durable good (e.g., Nespresso machines) and an associated aftermarket for a non-durable good (e.g., Nespresso coffee capsules). I show that, under certain conditions, an increase in aftermarket power (e.g., monopolization) leads to greater competition but ultimately to greater concentration in the basic market.

The same paper was presented on October 29 at University of East Anglia in Norwich.

Bruno Cassiman
On October 22, at Wharton School, presented the paper "Tracing the effect of links between science and industry: The role of researcher interaction and mobility between firms and research organizations", co-authored with Sam Arts and Reinhilde Veugelers.

Abstract: (See page 10).

The same paper was presented on October 23, at Harvard Business School in Cambridge.

Javier Estrada
On September 24, at Instituto de Estudios Bursátiles in Madrid, presented the paper "Geometric mean maximization: An overlooked portfolio approach?"

Abstract: Academics and practitioners usually optimize portfolios on the basis of mean and variance. They set the goal of maximizing risk-adjusted returns measured by the Sharpe ratio and thus determine their optimal exposures to the assets considered. However, there is an alternative criterion that has an equally plausible underlying idea; geometric mean maximization aims to maximize the growth of the capital invested, thus seeking to maximize terminal wealth. This criterion has several attractive properties and is easy to implement, and yet it does not seem to be very widely used by practitioners. The ultimate goal of this article is to explore potential empirical reasons that may explain why this is the case. The data, however, does not seem to suggest any clear answer, and, therefore, the question posed in the title remains largely unanswered: Are practitioners overlooking a useful criterion?

On October 23, at FMA (Financial Management Association) in Reno, presented the paper "The gain-loss spread: A new and intuitive measure of risk".

Abstract: The standard deviation, arguably the most widely-used measure of risk, suffers from at least two limitations. First, the number itself offers little insight; after all, what is the intuition behind the square root of the average quadratic deviation from the arithmetic mean return? Second, investors tend to associate risk more with bad outcomes than with volatility. To overcome these limitations, this article introduces a new measure of risk, the gain-loss spread (GLS), which is both intuitive and based on magnitudes that investors consider relevant when assessing risk. The evidence reported below shows that the GLS is highly correlated with the standard deviation, thus providing basically the same information about risk; and more correlated to mean returns than both the standard deviation and beta, thus providing a tighter link between risk and return.

José R. Pin
On October 22, at IHE Africa (Institute D'Hautes Etudes Africa) in Abidjan, presented the paper "El nuevo papel estratégico de la dirección de recursos humanos".

Abstract: Se desarrolla la filosofía y las prácticas de la nueva dirección de recursos humanos. Estudia los procesos de cambio reactiva en el campo de la dirección de personas mediante el caso "Manufacturas Riaño"; luego continúa con el análisis de la retribución: ¿los puestos o las personas? Mediante un caso y una conferencia-coloquio. Continúa con un debate sobre la apreciación del desempeño y la dirección por competencias mediante el estudio del caso "Coaching en el Banco Ganadero BBVA (A)", y una conferencia-coloquio sobre la dirección por competencias. Finaliza con dos sesiones sobre la dirección estratégica de los recursos humanos desde la alta dirección con el análisis del caso “DMR-Everis” y la conferencia "La consistencia, clave en la dirección de personas en la organización", todo él impartido en idioma francés.

Carles Vergara
On October 9, at Universidad del País Vasco in Bilbao, presented the paper "Optimal portfolio choice with predictability in house prices and transaction costs", co-authored with S. Corradin and J. Fillat.
Abstract: We study a model of portfolio choice with durable consumer goods (e.g., housing) that incorporates transaction costs and price predictability. We find that consumers consider two variables in making their decisions: 1) the ratio of total wealth to housing asset holdings, and 2) the expected growth rate of housing prices. Consumers will increase (decrease) their housing asset holdings only when this ratio reaches an optimal upper (lower) boundary. These boundaries are time-varying and will decrease (increase) when the housing prices are expected to rise (fall). Numerical simulations show how small transaction costs and low levels of price predictability can generate portfolio allocations that are consistent with the data. Finally, we use PSID data to test the existence and the main characteristics of the upper and lower boundaries.

The same paper was presented on October 22 at the Economic Research Seminars at the University of Navarra in Pamplona.

On October 16, at Seminars in Economics at “la Caixa” in Barcelona, presented the paper “The term structure of interest rates in an equilibrium economy with short-term and long-term investments”.

Abstract: This paper develops an equilibrium model in which agents’ heterogeneous investment horizons determine the dynamics of the real term structure of interest rates. The model endogenizes agents’ decisions on consumption and investments with short and long-term horizons. There are two production technologies that generate a time-varying market price of risk: one that is short-term and fully reversible, and one that is equivalent to a long-term time-to-build technology. The paper shows that the ratio of long to short-term capital invested in these technologies is a key factor that influences the term structure and provides specific formulas for the equilibrium real short interest rate, bond prices, and consumption dynamics that are functions of this ratio. The model is calibrated with United States data from 1970 to 2007 using the Simulated Method of Moments and captures realistic means and volatilities of consumption, investments and real short-term and long-term interest rates.

Xavier Vives
On September 15, at the US Department of Justice, Washington, presented the paper “Strategic supply function competition with private information”.

Abstract: A finite number of sellers (n) compete in schedules to supply an elastic demand. The costs of the sellers have uncertain common and private value components and there is no exogenous noise in the system. A Bayesian supply function equilibrium is characterized; the equilibrium is privately revealing and the incentives to acquire information are preserved. Price-cost margins and bid shading are 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 when 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. Private information coupled with strategic behavior induces additional distortionary market power above full information levels and welfare losses which can be counteracted by subsidies. As the market grows large the equilibrium becomes price-taking, bid shading is of the order of 1/n, and the order of magnitude of welfare losses is 1/n^2. The results extend to demand schedule competition and a range of applications in product and financial markets are presented.

On September 16, at International Monetary Fund Brown Bag in Washington, presented the paper “Asset auctions, information and liquidity”.

Abstract: A model of a uniform price auction where bidders compete in demand schedules which allows for common and private values and no exogenous noise is presented. It is shown how private information induces market power above standard full information levels. The results obtained are broadly consistent with evidence from asset auctions, may help explain the response of central banks to the crisis and suggest potential improvements in the auction formats of asset auctions.

The same paper was presented on September 18 at the Board of Governors of the Federal Reserve System in Washington and on October 26 at the European Central Bank in Frankfurt.

On October 15, at the Comisión Nacional de la Competencia in Madrid, presented the paper “Competencia y estabilidad en el sector bancario”.

Abstract: The potential trade-off between competition and stability in banking has long been debated. It is worth recalling that not so long ago competition was thought to be detrimental to stability. Indeed, until relatively recently many central banks and regulators were complacent with collusion agreements among banks. This has changed and competition policy is now taken seriously in the banking sector. The present financial crisis has questioned the view that banking should be treated like any other sector in terms of competition policy attention and enforcement. Indeed, the pressure to suspend competition policy enforcement in banking has been formidable. For example, the UK’s OFT recommendation to refer the HBOS-Lloyds TSB merger to the United Kingdom Competition Commission was overturned by the government on the grounds that the stability of the United Kingdom financial system was an overriding concern. There are two basic channels through which competition may increase instability: by exacerbating the coordination problem of depositors/investors on the liability side and fostering runs/panics; and by increasing incentives to take risk on the asset side and raising failure probabilities. In this paper we review the academic theoretical and empirical literature on this issue and present a simple crisis model in which runs can happen independently of the level of competition but in which stronger competition worsens investors’ coordination problem by increasing: potential instability (the multiplicity of equilibria region), the probability of crisis, the range of fundamentals for which there is coordination failure of...
investors (and where the bank is solvent but illiquid), and the impact of bad news on fundamentals. This provides a characterization of the trade-off between competition and stability from which implications for competition policy can be derived. The underlying issue is whether there are grounds for competition policy to consider the uniqueness of the banking sector.

Miscellaneous

Antonio Argandoña
On October 23, attended the 17ª Convención de Catalunya Qualitat in Lérida, where he gave the lecture “Anàlisi econòmic de l’evolució del consum de les families”.

On October 29, attended the 19 Jornada Anual de Finanzas y Tesorería de Empresa de ASSET, in Barcelona, where he gave the lecture “La coyuntura actual: una oportunidad de futuro. La economía española”.

Joan E. Ricart
On October 8, attended the Conference “Negocios en la base de la pirámide y creación de empleo”, organized by the Instituto Complutense de Estudios Internacionales (ICEI) in Madrid, where he gave the lecture “El mercado de la base de la pirámide. Un nuevo modelo de negocio”.

Josep Tàpies
On October 30, attended the Conference “Global revolution endurance and transformation of large family firms in the world”, organized by the Facultat d’Economia i Empresa at Universitat de Barcelona, where he gave the lecture “The importance of values in family-owned firms”.

Abstract: In most organizations today, people no longer know—or even care—about “why” their companies exist. Corporations are neglecting the core of their reason for existence. In this context, leaders have an urgent role to play; they must retain control over the processes that forge companies’ strategic priorities. Strategies can develop enduring, strong emotional bonds only when they are supported by broader organizational values. Solid, clear values at the foundation will develop corporations in which every member shares a sense of pride of belonging, promoting not only economic efficiency but also the well-being of the community in which corporations operate. Strong values can convert contractual employees of an economic enterprise into committed members of a principle-value driven corporation. This is an area in which family-owned firms have excelled for years. This presentation addresses the meaning of values from a philosophical and psychological perspective and how the values of family firms are often more human, more emotional and more fundamental than those encountered in non-family businesses, which are more transactional, more impersonal and directed towards economic outcomes (Ward, 2008). This difference is the one that provides family businesses with stronger corporate cultures.

Teaching materials

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

Analysis of Business Problems

BEMBI. A Modern Indian Culinary Experience? (A)
(ASN-44-E - 0.308.034)

The case narrates the opening of an Indian restaurant in Barcelona. One of the key players is Indian and has done his MBA in Barcelona. Other members of the team are from India with experience in the restaurant business in London and Hungary. The case deals with all the typical issues of setting up a new restaurant such as location, pricing, ambience, etc. In addition, it opens up to a cross-cultural discussion as Indian food and traditions have to cater for a Spanish audience. Also, the dynamics within the founding team with respect to the diversity of their experience and educational backgrounds can be discussed.


BEMBI. Modern Indian Culinary Experience? (B)
(ASN-45-E - 0.310.001)

This case describes the situation following the opening of the BEMBI restaurant, described in the A-case (ASN-44-E). Different ways to expand are described, along with the difficult external economic environment, which puts a strain on the team of founders.


BEMBI. A Modern Indian Culinary Experience? – Teaching Note
(ASNT-10-E - 5.309.091)

Cases ASN-44-E and ASN-45-E.
Use is restricted to Academic Institutions.

Heukamp F.H.; Lee Y.T.; 5 pages.
Entrepreneurship

Luis Canto
(E-131-E - 0.609.070)

Up until the accident (in which his bicycle was hit by a car) he had been on a successful, six-year consulting run at Benson & Company. However, post-accident and two surgeries later, Luis Canto had plenty of free time on his hands. The accident had forced him to re-evaluate what he was doing with his life and, almost at once, he knew that he would not go back to the job at Benson.

(Also available in Spanish.)


Managing People in Organizations

López Cobos: la dirección de artistas
(DPO-167 - 0.408.094)

El caso gira en torno a las claves de la dirección de orquesta. Se analiza la esencia, el reto y coordinación de profesionales con talento, en este caso músicos, desde las reflexiones e historia personal del maestro López Cobos, acutal director musical del Teatro Real.

Alvarez de Mon S.; 16 pages.

Valentín Fuster: directivo e investigador: la importancia de conocerse
(DPO-168 - 0.408.095)

El caso versa sobre la carrera profesional del doctor Valentín Fuster, en su triple condición de médico, investigador y director del departamento de cardiología del Monte Sinai en Nueva York. El desafío de cómo gestionar el talento de profesionales de prestigio, así como fomentar el espíritu emprendedor, son dos de los aspectos más relevantes del caso.

Alvarez de Mon S.; 9 pages.

Financial Management

EADS: Flying Between the Euro and Dollar Zone
(F-834-E - 0.208.023)

As of late 2007, EADS (European Aeronautic Defence and Space Company) is undergoing a restructuring plan to cut €2.1 billion in annual costs by 2010. However, the plan is been based on an exchange rate of $1.35, whereas the exchange parity has since climbed to $1.48. Given that most of EADS’ costs are in euros while its revenues are in U.S. dollars, EADS has signalled that it will be trying to move production to the U.S. Students are confronted with understanding EADS’ exchange rate risk and its approach to dealing with the weakening of the U.S. dollar.

Mitchell, J.; Rahnema A.; 18 pages.

Banking Industry Analysis

(FN-569-E - 0.209.059)

This technical note aims to give an explanation of the state of play of the banking sector after the current financial crisis. It analyses the causes and how banks have tried to solve their problems of capital and financing needs. The financial crisis has led to the disappearance of the investment banking model (but not of investment banking as such), affecting levels of own funds, funding policy, product pricing, ways of increasing entities' efficiency and consolidation processes. The technical note finishes with an in-depth analysis of the parameters of the main global banks.

Where does the Balance Lie? (B)
(DPO-179-E - 0.409.112)

This case illustrates the decision taken in the face of the dilemma described in part (A). A manager who works for a family business in London and lives in Paris receives a job offer to go back to the company he used to work for in Paris. Accepting this offer would mean being closer to his wife and children. On the other hand it would imply a lower salary, less responsibility and status and less visibility.

Ribera A.; 2 pages.

Where does the Balance Lie? (C): New Insight
(DPO-180-E - 0.409.113)

This case illustrates the internal process of self-discovery that led to solving the dilemma described in parts (A) and (B). A manager who works for a family business in London and lives in Paris receives a job offer to go back to the company he used to work for in Paris. Accepting this offer would mean being closer to his wife and children. On the other hand it would imply a lower salary, less responsibility and status and less visibility.

Ribera A.; 2 pages.

Marketing

AéroTec’s Systèmes Navigateur: A travel experience from out of this world
(M-1225-E - 0.508.039)

A group of engineers at AéroTec has finalized the design of a space vehicle called the Navigateur and they must now devise a marketing plan for this innovative new experience. The Navigateur differs from currently available offerings in commercial space travel in that it provides a highly superior visual experience, greater comfort, and lower training and physical fitness requirements. AéroTec, a business-to-business firm with no experience in consumer markets, must now devise a commercial strategy to market this luxurious experience to end-users.
(Also available in Spanish.)

Capizzani M.; Guitart, I.; López-Urdiales, J.M.; Rocha e Oliveira P.; 18 pages.

Caesar IT Services: Marketing Multiple Value Propositions
(M-1227-E - 0.508.042)

Caesar, a professional IT services firm, has competed in the Dutch IT market since 1993. Its initial value proposition was providing its customers with qualified human capacity at a low hourly or daily rate (often referred to as “body-shopping”). To escape the increasing commoditization of this type of service, in 2003 the company formulated a new value proposition, TimeValue projects, consisting of the delivery of complete IT projects, guaranteed on time and within budget, at a premium price. In 2005 Caesar marketed these two value propositions using integrated organizational routines and one brand name. This led to three main problems, causing significant stress and frustration among company management. First, the integrated brand name led to a diffuse marketing proposition towards prospective customers. Second, sales managers had difficulties selling the two products in the same portfolio. Third, the stress in organizational procedures gave rise to conflict, frustration and lack of collaboration among employees.

Belleza S.; Stremersch S.; 21 pages.

Occasional Papers

OP-179 – October 2009
Angel Luis López

COMPETENCIA Y REGULACION EN LOS MERCADOS ESPAÑOLES DE LAS TELECOMUNICACIONES

Abstract: Este trabajo resume los resultados principales del informe “Competencia y regulación en los mercados españoles de las telecomunicaciones” del Centro Sector Público-Sector Privado. El informe describe la evolución y situación actual del sector español de las telecomunicaciones, y realiza un análisis económico del mismo, incluyendo aquellas cuestiones de regulación y política de la competencia más relevantes. El informe también pretende contribuir al debate en curso sobre qué medidas de regulación deben adoptarse en un futuro próximo.