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Journals

Chris Armstrong - Toni Davila - George Foster

"Venture-backed private equity valuation and financial statement information", *Review of Accounting Studies*, Vol. 11, No 1, March 2006, pages 119-154.

Abstract: Our study assesses whether SFAS No 131 improved disclosure about the diversity of multiple segment firms' operations. We find a post-SFAS No 131 increase in cross-segment variability of segment profits, an increase in the association between reported and inherent cross-segment variability, and an increase in association between reported variability and capital market incentives to disclose. We interpret the results as evidence that SFAS No 131 increased the transparency of segment profitability disclosures, and as indicating that SFAS No 131 allowed firms depending more on external financing to disclose more about differences in segment profitability.

Jordi Gual - Francesc Trillas

"Telecommunications Policies: Measurement and Determinants", *Review of Network Economics*, Vol. 5, No 2, June 2006, pages 249-272.

Abstract: This paper presents new data on telecommunications reform for a cross-section of countries. We measure telecommunications reform along two dimensions: entry barriers and regulatory independence. This data set is combined with a comprehensive set of performance, institutional and political data to analyze the determinants of telecommunications policies. We find that entry barriers are positively associated with the degree to which countries have an interventionist legal tradition, but unrelated to the partisan ideology of reforming governments. We also find that countries with weak protection of investors' quasi-rents by other means and countries with a larger

incumbent are more prone to create independent regulatory agencies, although the latter is a weaker result.

Jeffrey Reuer - Africa Ariño - Thomas Mellewig

"Entrepreneurial alliances as contractual forms", *Journal of Business Venturing*, Vol. 21, No 3, pages 265-400.

Abstract: Advancing upon taxonomical research on interfirm alliances, we investigate the design of entrepreneurial firms' alliances in more fine-grained terms by focusing on the specific contractual provisions that firms negotiate into their alliance contracts. Drawing upon transaction cost arguments, we examine the determinants of the contractual complexity of collaborative agreements in the German telecommunications industry. The findings reveal that alliance contracts vary greatly in their complexity, yet contracts for non-equity alliances tend to be no more nor less complex than those for equity alliances on average. Furthermore, multivariate findings on the roles of transaction-specific investment, relational capital, search costs, and so forth demonstrate that firms' contractual and governance choices have distinct antecedents.

Books

Palgrave Macmillan has published the book "Social entrepreneurship", edited by **Johanna Mair**, Jeffrey Robinson and Kai Hockerts, May 2006, 280 pages.

Abstract: Social entrepreneurship has become a global phenomenon that impacts the lives of citizens by using innovative approaches to solving social problems. This book offers an in-depth and comprehensive discussion of this vibrant area of research and broadens the up until now limited understanding of the



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theoretical foundations of this phenomenon. Social entrepreneurs use business and entrepreneurial skills to address issues such as poverty, education, environmental protection or health. They achieve this through for-profit, not-for-profit and a number of hybrid organizational forms.

Academic interest has generally focused on practitioner achievements and teaching in MBA electives, yet new avenues of research provide insights into some of the fundamental questions about the field: how social entrepreneurs identify and evaluate opportunities, social and institutional barriers to markets, strategic orientation, resource deployment and innovation. The rigorous academic analyses in this book provide an excellent introduction to social entrepreneurship theory and a framework for future research.

The book contains, among others, the following chapters:

Johanna Mair - Ernesto Noboa

"Social entrepreneurship: How intentions to create a social venture are formed", pages 121-135.

Abstract: Social entrepreneurship has aroused increasing interest among scholars, yet we still know relatively little about the particular dynamics and processes involved. This paper is intended to contribute to the field of social entrepreneurship by clarifying key elements, providing working definitions, and illuminating the social entrepreneurship process. In the first part of the paper we review the existing literature. In the second part we develop a model of how intentions to create a social venture –the tangible outcome of social entrepreneurship– are formed. Combining insights from traditional entrepreneurship literature and anecdotal evidence from the field of social entrepreneurship, we propose that behavioral intentions to create a social venture are influenced, first, by perceived social venture desirability, which is affected by attitudes such as empathy and moral judgment; and second, by perceived social venture feasibility, which is facilitated by social support and self-efficacy beliefs.

Christian Seelos - K. Ganly - Johanna Mair

"Social entrepreneurs directly contribute to global development goals", pages 235-275.

Abstract: This chapter assesses whether social entrepreneurs have found ways to contribute directly to established sustainable development goals and whether they are able to operate in the least developed countries. Development programs, designed and driven by multinational organizations and governments, in particular those of the OECD countries, have failed to change the lives of more than 2 billion people who continue to survive in severe poverty. The need to find new solutions to numerous human and social problems is urgent. Social entrepreneurs have found novel ways to provide services that cater to basic human needs which governments and markets have been unable to satisfy. We show that their initiatives help to achieve millennium development goals even in the least developed countries. Therefore, we see them as models that could inspire or

complement efforts by multilateral development organizations. Furthermore, because social entrepreneurs create both human and social capital and innovative service delivery models, they provide fertile ground for corporations to enter developing markets and contribute to economic development.

The *European Observatory on Health Care Systems*, has published the book "Patient mobility in the European Union. Learning from experience", edited by **Magdalene Rosenmöller**, Martin McKee and Rita Baeten, May 2006, 187 pages.

Abstract: Nowadays people can travel across Europe with greater ease than ever before. In much of the Continent, border checks are a thing of the past. Budget airlines have brought cheap foreign holidays and some people have even decided that their quality of life is improved if they work in one country and spend the weekend in another. Also, more and more people from northern Europe have opted to retire in the warmth of the Mediterranean.

All these developments have implications for health systems. The freedom of movement granted to Europe's citizens by the European Treaties can only be a reality if those citizens know that they will receive high-quality, appropriate care if they fall ill when abroad. And those responsible for delivering health care may want to take advantage of the opportunities created by the European Union, sharing capacity in sparsely populated border areas or ensuring access to highly-specialized care for people living on small islands. The Europe for Patients project, financially supported by the European Union's Sixth Framework Programme for Research, is seeking to understand how the opportunities offered by the European Union can be maximized, and how any potential problems can be overcome. This collection of case studies provides a wealth of experience of collaborating across borders in all parts of Europe.

The book contains, among others, the following chapters by **Magdalene Rosenmöller:**

"Patient mobility: the context and issues", coauthored by Martin McKee, Rita Baeten and Irene A. Glinos, pages 1-7.

Abstract: These first results of the Europe for Patients project are a continuation of a series of research publications developed under the EU Framework Programmes, including the BIOMED 2 project "Impact of the Single European Market on Member States", which substantially contributed to the health policy process at European level. The patient mobility issue was brought to the fore through findings that identified four main areas requiring attention. These were: waiting lists and free capacities; centres of excellence/reference centres; closer cooperation in border regions; and health care for persons undergoing long-term stays. The project also builds on earlier work by the high-level reflection process on patient mobility and health care developments in the European Union and its follow-up by the European Commission. The first chapter describes the policy process around patient mobility and the European health policy agenda and presents categories of patient mobility, as addressed in the case studies.

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"Meeting the needs of long-term residents in Spain", coauthored by María Lluch, pages 59-80.

Abstract: The Spanish case study describes the situation of Spain as a country of passage, a tourist destination, and a retreat for long-term residents. It gives details of the incongruence between the decentralized level (care provision) and the centralized administrative process of European cooperation. It lays out the specific facilitating and hindering factors for (potential) patients among long-term residents. The conclusion is that better coordination at European level would benefit patients and health care systems.

"Conclusions", coauthored by Rita Baeten and Martin McKee, pages 179-187.

Abstract: While the case studies do not claim to be comprehensive, they paint a very broad picture of contemporary developments. Each case study describes the extent of patient mobility between the featured countries, the scale and nature of mobility, the reasons why mobility exists, the factors that either facilitate or hinder it, and the potential impact on the health care systems concerned. The book concludes by drawing lessons learned and giving practical recommendations on patient mobility, the most important being that mobility needs to be managed in a well defined overall European framework. Based on trust and transparency, specific arrangements for cooperation and integration and defined benefit packages and eligibility criteria would minimize wrong incentives and distortions of the market for the benefit of health systems and, above all, the patients.

The patient mobility issue is one that will remain on Europe's agenda for years to come and increase in importance. EU research funding is ideally placed to serve the needs of policy-makers in this domain and we look forward to further results and policy contributions from the SSP activity and under the new direction provided for in the Seventh Framework Programme.

Contributions to books

Antonio Argandoña

"Despre sisteme de management etic, social si de mediu" (On ethical, social and environmental management systems), in the book "Frontiere etice ale capitalismului", edited by Daniel Daianu and Radu Vranceanu, Polirom, Bucharest, May 2006, pages 187-203.

Abstract: There are three types of solutions to the problems deriving from companies' ethical, social and environmental responsibilities: those based on regulation by an authority or agency; those designed to create market incentives; and those that rely on self-regulation by companies themselves. In the specific field we are concerned with here, regulation has significant costs and drawbacks that make it particularly desirable that companies

should set up their own ethical, social and environmental management systems or programmes. The purpose of this article is twofold. On the one hand, it explains how implementing voluntary ethical, social and environmental management systems or programmes may help to develop and sustain ethical behavior in organizations, overcoming the conflict between compulsory regulation and occasional ethical practices. On the other, it shows what conditions must be met for an ethical management programme to be effective.

"Conflicto de intereses: El punto de vista ético", in the book "El paradigma de la ética económica y financiera", edited by Pilar Gómez, Javier Ibáñez and Antonio Partal, Marcial Pons, June 2006, pages 33-55.

Abstract: Los conflictos de intereses son problemas éticos muy generalizados que, precisamente por esta razón, merecen una atención especial, tanto desde el punto de vista legal como del de la ética aplicada a las organizaciones y profesiones. En este trabajo se explica la naturaleza de los conflictos de intereses utilizando el marco conceptual de la teoría de la agencia, lo que nos permite identificar sus causas y analizar los criterios éticos y las soluciones que suelen ofrecerse a las situaciones de conflicto de intereses. La existencia de importantes sesgos inconscientes y no intencionados en la manera de procesar la información, juzgar y decidir nos lleva a poner énfasis en las condiciones que debe reunir la decisión de un agente éticamente correcto en una situación de conflicto de intereses.

Jordi Canals

"Strategic and organizational challenges in European banking", in the book "Competition and profitability in European financial services", edited by Morten Balling, Frank Lierman and Andy Mullineux, Routledge, 2006, pages 8-21.

Abstract: In the early 1990s, European banks seemed to be in big trouble. The creation of the European Single Market in 1992, the collapse of the European Monetary System, the economic slowdown, the deregulation in financial markets and the emergence of new competitors were factors that created a sense of uncertainty among many European banks. However, most banks have survived, banking restructuring has been implemented in several countries, and most are in a stronger position now than they were in the early 1990s. This paper discusses some strategic and organizational challenges that European banks are facing today, in particular, the performance gap with US banks, strategic renewal, organizational complexity and corporate governance.

Alejandro Lago - Philip Moscoso - Isabel Menchero

"Impact of customer satisfaction, loyalty, and recommendation in the Spanish service sector", in the book "Moving up the value chain", edited by Kepa Mendibil and Alina Shamsuddin, Vol. 2, Strathclyde University Press, Glasgow, June 2006, pages 877-886.



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Abstract: The relationship between customer satisfaction, loyalty and recommendation is empirically tested for some key service industries in Spain, using data from a large customer survey (20,000+ customer evaluations in 11 service industries). The impact of these three measures on the economic performance of companies is also tested. We find that for the average Spanish consumer, higher satisfaction leads to higher degrees of loyalty and recommendation. However, this relationship is neither linear nor symmetrical, as only customer with high levels of satisfaction (i.e., 8-10 on a 10-degree scale) show consistently high levels of recommendation and loyalty. For retail banking and insurance, we further show that company growth correlates with the level of customer loyalty and recommendation. Small differences in the average customer recommendation level may result in significant differences in the average growth rate, although this relationship varies among the industries studied.

Domènec Melé

"Humanismo cristiano en dirección de empresas. Reflexiones desde la enseñanza social de la Iglesia", in the book "Cristianismo en una cultura postsecular", edited by J. Borobia, M. Lluch, J.I. Murillo and E. Terrasa, *Eunsa*, May 2006, pages 313- 329.

Abstract: La empresa, en último término son personas interrelacionadas, y dirigir empresas es dirigir personas. El valor de las personas está en la base de las enseñanzas sociales de la Iglesia, y valorar a las personas coincide plenamente con las mejores contribuciones del *management*. Se argumenta sobre la necesidad de organizar el trabajo desde una correcta antropología que lleve a dirigir con sabiduría práctica, y no sólo con técnicas, y de buscar simultáneamente el bien de las personas y las ganancias económicas. Se presenta también la exigencia de dirigir con competencia y profesionalidad, de fomentar la unidad en la organización y de construir estructuras y culturas empresariales humanas y humanizantes.

Yanfeng Ouyang - Alejandro Lago - Carlos F. Daganzo

"Taming the bullwhip effect: From traffic to supply chains", in the book "Bullwhip effect in supply chains: A review of methods, components and cases", edited by Octavio A. Carranza and Felipe A. Villegas, *Palgrave-McMillan*, June 2006, pages 123-151.

Abstract: This paper examines the bullwhip effect in multi-echelon supply chains by exploiting an analogy to traffic flow. It shows that the bullwhip effect invariably arises if suppliers increase their seasonal inventories during periods of high demand and decrease them when the demand is low. The paper also explains that every inventory management policy either consistently produces the bullwhip effect in a long chain for all realistic demand patterns, or consistently avoids it. Tests to certify the (bullwhip/non-bullwhip) character of arbitrary policies are briefly introduced. The paper also shows that if advance demand information (ADI) is introduced into the ordering process, then suppliers can adapt their seasonal inventories as they wish without producing the bullwhip effect.

José Ramón Pin

"Introducción", in the book "La antigua Roma. Valores para el éxito empresarial", edited by A. Ortega Parra, *Pearson Education*, 2006, pages XV-XXI.

Abstract: Esta introducción recoge la importancia de los valores para el éxito de una empresa haciendo referencia al libro de O'Reilly y Pfeffer "Hidden Value". Describe cómo lograr un liderazgo institucionalizado que genere dirigentes, como lo hizo la Roma republicana frente al liderazgo personal de Aníbal en Cartago. Acaba distinguiendo entre la institución y el líder, haciendo referencia al cesarismo y sus manifestaciones como errores a detectar y corregir si la organización quiere sobrevivir.

Lourdes Susaeta - Angela Gallifa

The following chapters in the book "Microfinance: Text and cases", edited by Marco Elia, *SAA, School of Management, University of Turin*, May 2006:

"The Microcredit in Tunis: Enda Interarabe-Tunisia", pages 421-452.

Abstract: Enda is the only microfinance institution in Tunis offering microcredits, through a microcredit program launched in 1995. Enda currently serves 17,124 active customers through 28 branches and 7 "governadores", run by a staff of 138. The methodology they use is based on rapid and flexible procedures, with guarantees provided by borrower groups or existing customers. The customers have access to a progressive line of credit and the average repayment period is 7 months. The interest rate is calculated to cover operating costs and ensure the bank's survival.

"A microcredit experience in South Lebanon: Association D'aide au développement rural (ADR)-Lebanon, pages 487-510.

Abstract: ADR is a Lebanese NGO whose mission is to develop the human and natural resources of rural areas in South Lebanon. ADR's three main aims are: to develop human capacity, to strengthen economic capacity and to strengthen association and cooperation. The goal of the microfinance program is to help small microenterprises that do not have access to bank credit due to lack of the necessary guarantees and that are forced to turn to usurers for funds. At present ADR has 696 active borrowers. The average loan per loan recipient is \$1,357. Currently, the program is fully sustainable and is continuously developing.

Rama Velamuri - Marc Sosna

"European entrepreneurship: From deterministic government policy to market experimentation", in the book "Strategic management. New rules for old Europe", edited by Christian Scholz and Joachim Zentes, *Gabler*, March 2006, pages 83-119.

Abstract: We start off by evaluating the magnitude of the challenge facing Europe in its quest to achieve the goals articulated

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in the March 2000 Lisbon EU Summit of becoming the most competitive and dynamic knowledge-based economy in the world. Given that high-growth regions are critical elements in the economic growth strategies of EU member states, we examine some of the world's high-growth regions –Silicon Valley, Route 128, Shanghai, Bangalore, and Washington DC/Maryland– and explore the influence of factors such as military spending, immigration, entrepreneurship education, bankruptcy legislation and culture, and government intervention in driving regional growth. We conclude with some reflections on the stages at which government intervention may be necessary to drive regional growth and those in which market forces may produce the best results.

IESE – Working Papers

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

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Pablo Fernández

THE CORRECT VALUE OF TAX SHIELDS. AN ANALYSIS OF 23 THEORIES

Abstract: This paper provides guidelines for evaluating the appropriateness of 23 different valuation methods for estimating the present value of tax shields.

We first show that the value of tax shields is the difference between the present values of two different cash flows, each with its own risk: the present value of taxes for the unlevered company and the present value of taxes for the levered company. This implies, as a first guideline, that for the particular case of a perpetuity and a world without costs of leverage, the value of tax shields is equal to the tax rate times the value of debt. The value of tax shields may be lower when costs of leverage exist. In that case, we show that, since the existence of leverage costs is independent of taxes, a second guideline for the appropriateness of the valuation method should be that the value of tax shields when there are no taxes is negative. We then look at the case of constant growth and derive similar conclusions.

Second, we identify 23 valuation theories proposed in the literature to estimate the present value of tax shields and illustrate their performance relative to the proposed guidelines. Eight of these theories do not satisfy the two proposed guidelines for the case of perpetuities. Only one of the valuation methods is consistent with these restrictions when we look at the case of constant growth and no leverage costs. Two theories provide consistent valuations when we allow for leverage costs and growth.

Finally, we use the 23 theories to value a hypothetical firm and show the remarkable differences in the values obtained, which demonstrates the importance of using a method consistent with the proposed guidelines.

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Pablo Fernández

CASH FLOW IS CASH AND IS A FACT. NET INCOME IS JUST AN OPINION

Abstract: A company's profit after tax (or net income) is quite an arbitrary figure, obtained after assuming certain accounting hypotheses regarding expenses and revenues. On the other hand, its cash flow is an objective measure, a single figure that is not subject to any personal criterion.

In general, to study a company's situation, it is more useful to operate with the cash flow (equity cash flow, free cash flow or capital cash flow), as it is a single figure, while the net income is one of several that can be obtained, depending on the criteria applied.

Profit after tax (PAT) is equal to the equity cash flow when the company is not growing, buys fixed assets for an amount identical to depreciation, keeps debt constant, and only writes off or sells fully depreciated assets. Profit after tax (PAT) is also equal to the equity cash flow when the company collects in cash, pays in cash, holds no stock (this company's working capital requirements are zero), and buys fixed assets for an amount identical to depreciation.

When making projections, the dividends and other forecast payments to shareholders must be exactly equal to expected equity cash flows.

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Jordi Gual – Francesc Trillas

TELECOMMUNICATIONS POLICIES: MEASUREMENT AND DETERMINANTS

Abstract: (see page 1).

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Pablo Fernández

102 ERRORES EN VALORACIONES DE EMPRESAS

Abstract: Este documento de investigación es una recolección de 102 errores cometidos en distintas valoraciones de empresas. La mayor parte de las valoraciones que aparecen referidas en el documento proceden de valoraciones a las que el autor ha tenido acceso al colaborar en procesos de compra venta de empresas, en arbitrajes y en procesos judiciales. Todos los nombres de personas, empresas y ciudades se han modificado.

El siguiente refrán aclara la intención con la que el autor escribió estas páginas: "Cuando veas a un sabio echar un borrón, cuida tú de no echar dos".

Los errores se clasifican en seis categorías: 1) errores acerca de la tasa de descuento y del riesgo de la empresa; 2) errores al calcular o prever los flujos esperados; 3) errores al calcular el valor terminal; 4) inconsistencias y errores conceptuales; 5) errores al interpretar la valoración, y 6) errores de organización.

El Anexo 1 contiene la lista de los errores.



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Nuria Chinchilla - Consuelo León - Elizabeth Torres - Miguel A. Canela

CAREER INHIBITORS AND CAREER ENABLERS FOR EXECUTIVE WOMEN

Abstract: This paper is intended to contribute to the study of career inhibitors and career enablers for women. The analysis is based on data obtained from a survey conducted by the International Center of Work and Family at IESE Business School. The main conclusions of the analysis are:

- Women have readier access to general management posts in small companies.
- The feeling of working a "double work day" is widespread among women managers, especially in large companies.
- Lack of sympathy on the part of colleagues and superiors when women give priority to their family responsibilities undermines women managers' satisfaction with their professional life.
- The main career inhibitor is corporate culture (the "glass ceiling").
- The importance that executive women ascribe to career inhibitors decreases with age and professional rank.
- The average woman manager's main support is her husband, who in most cases is also a manager.
- The principal career enablers are: motivation, training, mental strength and value system.

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Silvia Ayuso - Miguel A. Rodríguez - Joan E. Ricart
USING STAKEHOLDER DIALOGUE AS A SOURCE FOR NEW IDEAS: A DYNAMIC CAPABILITY UNDERLYING SUSTAINABLE INNOVATION

Abstract: This paper attempts to gain a deeper understanding of the firm's ability to integrate stakeholder insights into the process of organisational innovation within the context of sustainable development. Given the early stage of empirical research on the topic, we used an exploratory case study of two Spanish companies that have successfully learned from stakeholder dialogue and have generated innovations that are beneficial both to the company and to sustainable development in general. The evidence from the two case studies suggests that there are two simple capabilities –stakeholder dialogue and stakeholder knowledge integration– for generating innovations in accordance with stakeholder needs. Whereas stakeholder dialogue leverages organisational resources that promote two-way communication, transparency and appropriate feedback to stakeholders, stakeholder knowledge integration relies on non-hierarchical structures, flexibility and openness to change. The paper sheds some light on the under-researched issue of linking stakeholder dialogue and sustainable innovation, and contributes to opening the 'black box' of dynamic capabilities and advancing in the understanding of this fundamental organisational concept.

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Xavier Vives

INNOVATION AND COMPETITIVE PRESSURE

Abstract: The effects of competition on process and product innovation are analyzed, obtaining robust results that hold for a range of market structures. It is found that increasing the number of firms tends to reduce R&D effort, whereas increasing the degree of product substitutability, with or without free entry, increases R&D effort –provided that the total market for product varieties does not shrink. Increasing the total market size increases R&D effort and has ambiguous effects on the number of varieties offered, while decreasing the cost of entry increases the number of entrants and varieties but reduces R&D effort per variety. The framework and results shed light on empirical strategies to assess the impact of competition on innovation.

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Pablo Fernández - José María Carabias

CREACION DE VALOR PARA LOS ACCIONISTAS DE TELEFONICA

Abstract: En este documento se define y analiza la creación de valor para los accionistas de Telefónica entre diciembre de 1991 y diciembre de 2005. En ese periodo, el aumento de la capitalización de Telefónica fue de 55.695 millones de euros; el aumento del valor para los accionistas fue de 45.153 millones de euros, y la creación de valor para los accionistas fue de 12.442 millones de euros (expresado en euros de 2005).

Telefónica fue, entre las mayores empresas de telecomunicaciones, la tercera empresa más rentable en el periodo 2003-2005. Fue la duodécima empresa por capitalización bursátil en 1998 y la séptima en 2005.

La rentabilidad media anual de Telefónica en este periodo de catorce años fue del 16,8%, superior a la del IBEX 35 (13,7%). La rentabilidad de Telefónica en estos catorce años fue del 783,9% (cada euro invertido en acciones de Telefónica en diciembre de 1991 se convirtió en 8,84 euros en diciembre de 2005), mientras que la rentabilidad del IBEX 35 en estos catorce años fue del 506,1%. La inflación acumulada alcanzó el 58,8% (lo que, en media, costaba 1 euro en diciembre de 1991, costó 1,59 euros en diciembre de 2005).

La rentabilidad de Telefónica fue superior a la del IBEX 35 todos los años, con excepción de 1994, 1995, 2000, 2001, 2002 y 2005.

La capitalización de Telefónica durante estos catorce años osciló entre el 11,2% y el 27,6% del total de la capitalización del IBEX 35.

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Johanna Mair - Ignasi Martí

ENTREPRENEURSHIP IN AND AROUND INSTITUTIONAL VOIDS: A CASE STUDY FROM BANGLADESH

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

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microcosm such an institutional void and illustrates the activities of an entrepreneurial actor in rural Bangladesh aimed at addressing it. The context enables us to examine processes where resources are scarce and the institutional fabric inchoate. We depict the crafting of new institutional arrangements as a process of resource and institutional "bricolage" occurring in parallel and thereby facilitating the creation of platforms for participation in markets and broader society by those previously excluded.

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Pablo Fernández - José María Carabias

CREACION DE VALOR PARA LOS ACCIONISTAS DEL BANCO SANTANDER

Abstract: En este documento se cuantifica la creación de valor para los accionistas del Banco Santander (BSCH) entre diciembre de 1991 y diciembre de 2005. En ese período, el aumento de la capitalización de BSCH fue de 67.070 millones de euros, el aumento del valor para los accionistas fue de 32.114 millones de euros, y la creación de valor para los accionistas fue de 4.158 millones de euros (expresado en euros de 2005).

La rentabilidad media anual de BSCH fue del 17,9%, sensiblemente superior a la del IBEX 35 (14,0%): cada euro invertido en acciones de BS en diciembre de 1991 se convirtió en 10,06 euros en diciembre de 2005, mientras que 1 euro invertido en el IBEX 35 se convirtió en 6,26 euros. La inflación media fue del 3,4%, y la rentabilidad media de todas las empresas del IBEX, exceptuando BSCH, fue del 13,6%.

La capitalización de BSCH durante estos años osciló entre el 5,2% y el 17,4% de la capitalización del IBEX 35. En diciembre de 1991, BS fue la séptima empresa por capitalización (tras Telefónica, Endesa, Repsol, BBV, Iberdrola y Banco Central). En diciembre de 2005, BSCH fue la empresa con mayor capitalización del IBEX 35. BSCH pasó de ser la 35ª empresa del EuroStoxx50 por capitalización en 1996 a ser la 4ª en 2005.

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Pablo Fernández - José María Carabias

CREACION DE VALOR PARA LOS ACCIONISTAS DE BBVA

Abstract: En este documento se cuantifica la creación de valor para los accionistas de BBVA entre diciembre de 1991 y diciembre de 2005. En ese período, el aumento de la capitalización de BBVA fue de 47.386 millones de euros, el aumento del valor para los accionistas fue de 35.001 millones de euros, y la creación de valor para los accionistas fue de 15.617 millones de euros (expresado en euros de 2005).

La rentabilidad media anual de BBVA fue del 19,8%, sensiblemente superior a la del IBEX 35 (14,0%).

La rentabilidad de BBVA en estos catorce años fue del 1.151,1% (cada euro invertido en acciones de BBV en diciembre de 1991 se convirtió en 12,51 euros en diciembre de 2005), mientras que la rentabilidad del IBEX 35 en estos catorce años fue del 526,3%. La inflación acumulada fue del 58,8%. La rentabilidad media de todas las empresas del IBEX, exceptuando BBVA, fue del 13,5%.

La capitalización de BBVA durante estos años osciló entre el 5,6% y el 16,5% sobre el total de la capitalización del IBEX 35.

En diciembre de 1993, BBV fue la séptima empresa por capitalización (tras Telefónica, Endesa, Repsol, Iberdrola, Argentaria y Banco Santander). En diciembre de 2005, BBVA fue la tercera.

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Pablo Fernández - José María Carabias

CREACION DE VALOR PARA LOS ACCIONISTAS DEL BANCO POPULAR

Abstract: En este documento se cuantifica la creación de valor para los accionistas del Banco Popular entre diciembre de 1991 y diciembre de 2005. En ese período, el aumento de la capitalización del Banco Popular fue de 10.713 millones de euros, el aumento del valor para los accionistas fue de 12.682 millones de euros, y la creación de valor para los accionistas fue de 9.027 millones de euros (expresado en euros de 2005).

La rentabilidad media anual para los accionistas del Banco Popular fue del 18,1%, sensiblemente superior a la del IBEX 35 (14,0%): cada euro invertido en acciones del Banco Popular en diciembre de 1991 se convirtió en 10,66 euros en diciembre de 2005, mientras que 1 euro invertido en el IBEX 35 se convirtió en 6,26 euros. La inflación media fue del 3,4%, y la rentabilidad media de todas las empresas del IBEX, exceptuando el Banco Popular, fue del 13,9%. La rentabilidad para los accionistas del Banco Popular fue positiva todos los años.

La capitalización del Banco Popular durante estos años osciló entre el 2,4% y el 4,6% de la capitalización del IBEX 35. En diciembre de 1991, el Banco Popular fue la octava empresa por capitalización (tras Telefónica, Endesa, Repsol, BBV, Iberdrola, Banco Central y Banco Santander). En junio de 2006, el Banco Popular fue la séptima empresa por capitalización del IBEX 35 (tras BSCH, Telefónica, BBVA, Endesa, Repsol e Iberdrola).

IESE - Studies and Monographs

NOTE: Studies may be consulted on the Internet at

http://wwwapp.iese.edu/research/res_search_adv.asp?lang=en

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Sandalio Gómez - Diego Barceló - Carlos Martí

EL TRABAJO A TIEMPO PARCIAL EN LA COMUNIDAD DE MADRID: ANALISIS COMPARATIVO

Abstract: El trabajo a tiempo parcial se ha convertido en una de las modalidades contractuales más extendidas en una gran mayoría de países de la Unión Europea, en los que las tasas de parcialidad alcanzan a más de la mitad de la población ocupada. En España, y en la Comunidad de Madrid, el nivel de ocupación a tiempo parcial en el año 2004 apenas representaba el 8,7% y 7,6%, respectivamente, del total de la población ocupada.



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El presente trabajo analiza la situación del trabajo a tiempo parcial en el mercado laboral de la Comunidad Autónoma de Madrid, y compara la realidad de este tipo de jornada de trabajo en esta Comunidad con otras comunidades autónomas y con otros países de la Unión Europea.

En el informe se presentan, en una primera parte, los principales rasgos que caracterizan el trabajo a tiempo parcial y las principales variables cualitativas que permiten estudiar las diferencias que existen entre distintos países. En la segunda parte se presentan los resultados del análisis cuantitativo de los datos estadísticos facilitados por la Consejería de Empleo y Mujer de la Comunidad de Madrid, el Instituto Nacional de Estadística y EUROSTAT.

Studies and Monographs

Adrian Done – Niels G. Rytter – Chris Voss

"Sustaining manufacturing improvement: A study of sustainability based on the engineering employers federation south manufacturing advisory service programme", *Advanced Institute of Management Research*, May 2006, 37 pages.

Abstract: There are many practices that are considered to have a positive impact on organisations, but there is also evidence that in many organisations these practices, although adopted, have not been sustained. Poor sustainability is probably higher than is commonly believed, as the impact of new practices is often reported soon after implementation. In the longer term their impact may decrease as well as be sustained or even improved. The issue of sustainability is important both to organisations trying to implement good practice, and to organisations seeking to deliver support for companies. In order to study sustainability, we have chosen as the subject a set of practices, and a process for delivering that set of practices, that has been shown to be effective in the short term –lean manufacturing practices delivered by franchisees for the UK Manufacturing Advisory Service (MAS). The particular franchisee in the study was the Engineering Employee Federation (EEF) South. The main question addressed in the study was: What factors lead to or inhibit long term sustainability and deployment of manufacturing improvements from the EEF MAS interventions?

Other publications

Antonio Argandoña

"Economía de mercado y responsabilidad social de la empresa", *Papeles de Economía Española*, No 108, May 2006, pages 2-9.

Abstract: *The Economist* publicó en enero de 2005 un *survey* sobre la responsabilidad social corporativa (RSC), uniéndose a un debate, que viene ya de antiguo, sobre el sentido y la necesidad de

la RSC en una economía de mercado. La tesis del semanario inglés, ampliamente compartida entre los economistas, fue enunciada hace años por Milton Friedman (1962): una empresa que maximiza sus beneficios actuando dentro de la ley y de las reglas éticas que son propias de una economía de mercado, está cumpliendo todas sus responsabilidades sociales y morales, y no tiene por qué someterse a otro tipo de restricciones o demandas. Pero esta tesis es discutida por otros muchos autores.

Este artículo trata de responder a la pregunta de si hay un papel para la RSC a partir del paradigma de la economía. No pretende, por supuesto, dar una respuesta definitiva, sino, simplemente, presentar las razones que permitan a cada uno llegar a su respuesta. En la primera parte se discuten los argumentos económicos acerca de la maximización del valor para el propietario y para la sociedad y el tratamiento de la empresa como nexo de contratos. En la segunda parte se discuten los distintos argumentos acerca del posible papel de la RSC en el paradigma económico. El artículo acaba con las conclusiones.

Pere Condom – Juan Roure

"Los parques científicos y tecnológicos: herramientas para la construcción de la economía del conocimiento", *Iniciativa Emprendedora*, No 50, January-March 2006, pages 85-101.

Abstract: Con este estudio de las características del Parque Tecnológico de Heidelberg, el AREA Science Park de Trieste, el Manchester Science Park y el Parque Científico de Barcelona, los autores buscan identificar los elementos de reflexión para facilitar el diseño de este tipo de herramientas de fomento del desarrollo económico.

Pablo Fernández

"Métodos para estimar la prima de riesgo de mercado", *Estrategia Financiera*, No 227, April 2006, pages 26-32.

Abstract: En este artículo se resalta que el término "prima de riesgo de mercado" (*market risk premium*) se utiliza para definir tres conceptos distintos: a) la rentabilidad incremental que un inversor exige a las acciones por encima de la renta fija sin riesgo (prima de riesgo del mercado, *required market risk premium* o *market risk premium* en sentido estricto); b) la diferencia entre la rentabilidad histórica de la bolsa (de un índice bursátil) y la rentabilidad histórica de la renta fija (rentabilidad diferencial o *historical market risk premium*), y c) el valor esperado de la diferencia entre la rentabilidad futura de la bolsa y la rentabilidad futura de la renta fija (expectativa de la rentabilidad diferencial o *expected market risk premium*). Muchos autores y muchos profesionales de las finanzas suponen que esta expectativa es igual a la rentabilidad diferencial y a la prima de riesgo del mercado.

Posteriormente se analizan los métodos propuestos por la literatura financiera para medirlo y se analiza la rentabilidad diferencial histórica de España y Estados Unidos.

La conclusión principal del artículo es que es imposible determinar la prima de riesgo "del mercado", porque tal número no existe debido a las heterogéneas expectativas de los inversores.

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Philip Moscoso - Alejandro Lago

"Pongamos al cliente a trabajar: La mejor externalización", *Executive Excellence*, No 33, June 2006, pages 6-8.

Abstract: Integrar al cliente en la prestación de un servicio, pasando a asignarle un rol activo, en vez de considerarle un mero consumidor del mismo, es una oportunidad de la cual cada vez más empresas han tomado buena nota. Las ventajas de una integración bien concebida van más mucho más allá de un simple ahorro de costes, como se busca con el autoservicio tradicional. Puede ser una manera importante de generar ventaja competitiva, como han demostrado empresas como Ikea o eBay.

Fernando Peñalva

"Principales diferencias entre las NIIF y las US GAAP", *Harvard Deusto Finanzas & Contabilidad*, No 70, March-April 2006, pages 46-55.

Abstract: En octubre de 2002, el IASB (International Accounting Standards Board) y el FASB (Financial Accounting Standards Board) firmaron un acuerdo de cooperación para formalizar el propósito de ambos organismos de alcanzar la plena convergencia en las normas contables. A raíz del acuerdo se iniciaron diversos proyectos para eliminar las diferencias entre sus normativas. En este artículo se describen las principales diferencias entre las Normas Internacionales de Información Financiera (NIIF), emitidas por el IASB, y las normas contables estadounidenses (US GAAP), emitidas por el FASB.

José R. Pin

"Tendencias del mercado laboral europeo", *Capital Humano*, No 199, May 2006, pages 12-20.

Abstract: El artículo analiza la situación del mercado laboral europeo, basándose en el estudio "Euroíndice Laboral". Este informe se elabora trimestralmente por investigadores de la escuela de negocios IESE para Adecco. En él se valora el comportamiento del empleo en siete países europeos por separado, y se pone en relación con el conjunto de Europa, para identificar las diferencias y similitudes en las dinámicas laborales y poder así hacer proyecciones sobre las tendencias del mercado en los próximos meses. Sus autores, expertos reconocidos en el mercado laboral, identifican las razones y consecuencias de los datos obtenidos en este informe.

Rosa Nelly Trevinyo-Rodríguez - Josep Tàpies

"Transmisión de conocimiento intergeneracional: un reto para las empresas familiares", *Iniciativa Emprendedora*, No 50, January-March 2006, pages 149-159.

Abstract: Para lograr el éxito en un proceso de sucesión, los predecesores deben transmitir a la siguiente generación la propiedad, la responsabilidad administrativa y la capacidad. Este artículo se centra en este tercer apartado, concretamente en cómo se realiza la transferencia intergeneracional de experiencia, bajo

qué condiciones y a través de qué variables y relaciones en el sistema que forman la familia, la empresa y los continuadores.

Ignacio Urrutia

"El nuevo código de buen gobierno: críticas y alabanzas", *Partida Doble*, No 177, May 2006, pages 88-95.

Abstract: El fenómeno del buen gobierno parece ser el tema que más preocupa a los responsables de los mercados de valores, debido a que durante los últimos años (Jordi Canals, 2004) hemos observado con pasmo la caída de empresas conocidas como Arthur Andersen, Enron o Parmalat, entre otras. Los graves problemas de estas entidades vienen provocados por un exceso de apego y desvelo de la alta dirección por sus propios intereses, que les conducen a conseguir sus objetivos a toda costa, sin el temor de que se pueda descubrir su forma de actuar; es tanta la ansiedad que se olvidan que el negocio que gestionan puede estar financiado con fondos que proceden de los ahorros de muchas personas honradas. Por tanto, mejorar las prácticas de buen gobierno debe ser una aspiración de cualquiera de los *stakeholders* de una empresa; la presentación del proyecto de código unificado de recomendaciones sobre buen gobierno de las sociedades cotizadas parece un acierto si de él se desprende que lo que va a mejorar es el buen gobierno; el objetivo del artículo es criticar y alabar el proyecto a la luz del modelo teórico planteado por Jordi Canals en su artículo "Pautas de buen gobierno en los consejos de administración".

Conferences and Seminars

Antonio Argandoña

On June 15-17, attended, in Saint Petersburg, the Research Conference "Normative Foundations of Corporate Responsibility", organized by EBEN, where he presented the paper "The ethical foundations of corporate social responsibility".

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

He presented the same paper on June 22-25, in Rome, at the IV European Symposium of University Professors, organized by Università Cattolica del Sacro Cuore.

Africa Ariño

On June 22-26, attended, in Beijing, the AIB 2006 Conference, where she presented the following papers:



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"A model to evaluate transient industry effects: crossborder comparison", co-authored with Miguel A. Ariño.

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

"Contracting costs in outsourcing partnerships: An investigation of termination provisions", co-authored with Jeffrey J. Reuer (University of North Carolina), Kyle J. Mayer (University of Southern California) and Juan Jané (Hewlett Packard).

Abstract: We analyze the influence that the complexity of termination provisions and the existence of prior ties between partners have on outsourcing partnerships' contracting costs, as reflected in their negotiation time. We examine the dimensionality of the complexity of termination provisions, and the findings reveal distinct classes of termination provisions, the negotiation of which have differential effects on contracting costs. The evidence also indicates that prior ties have no direct influence on negotiation time, but they moderate the effects of negotiating termination provisions into outsourcing agreements.

"Cross-border alliance negotiations: The role of fairness", co-authored with Peter S. Ring (Loyola Marymount University).

Abstract: We report data from a revelatory qualitative case study of a failed attempt to negotiate an international joint venture agreement. We analyze issues of justice and the role that their occurrence in the course of the negotiations might have played in this outcome. These potential antecedents of the failure were derived from theories of organizational justice. The results support the argument that organizational justice theory, particularly interactional justice, can play an important role in explaining alliance negotiation outcomes.

Manel Baucells - Franz H. Heukamp - Antonio Villasís

On June 22-26, attended, in Rome, the Foundations of Utility and Risk Conference, organized by LUISS (Libera Università Internazionale degli Studi Sociali), where they presented the paper "Time and uncertainty integrated".

Abstract: We propose a model that integrates risk and time preferences. The representation we obtain is compatible with both prospect theory and hyperbolic discounting. The model has a natural interpretation in which time is intrinsically uncertain, and the discounting of certain (or uncertain) future events is the result of attaching a probability less than one to their occurrence. Under

this interpretation, hyperbolic (non-exponential) discounting is the result of having a non-linear probability weighting function.

Similarly, the common difference effect is the result of the common ratio effect. Our model is compatible with the available empirical results on delayed lotteries and on sign effect. The key behavioral axiom for our representation is that additive increments in time are treated as multiplicative increments of uncertainty, at an exchange rate that is independent of the delay and the probability level. We test experimentally this behavioral axiom. Our method yields the intrinsic discount rates with no assumptions regarding the value function, which permits a parameter free estimation of the magnitude effect.

Pablo Cardona

On May 5-7, attended, in Dallas, the SIOP 2006 Conference, where he presented the paper "Gender and culture: Emerging directions for organizational citizenship research".

Abstract: During the last twenty years, academic interest in Organizational Citizenship Behavior (OCB) has constantly increased, establishing this concept as a central element for the study of employee behaviors. The vast majority of this research has studied possible antecedents of OCB such as job satisfaction, organizational commitment, trust, and organizational justice. Studies on consequences of OCB have focused on the impact of OCB on performance evaluations and on group performance. A critical issue that has started to receive attention lately is the effect of cultural characteristics on OCB. Cultural effects may influence OCB in different ways: the forms of OCB, the mean levels of OCB, the strength of the relationships between OCB and its antecedents and consequences, and the mechanisms through which OCB is generated. However, little research has been done on OCB outside the United States. The purpose of this paper is to study OCB and its antecedents across nations using Hierarchical Linear Models.

Bruno Cassiman

On June 15-17, attended, in Atlanta, the 2006 Atlanta Competitive Advantage Conference (ACAC), where he presented the paper "Building competitive advantage through links with science", co-authored with Chiara di Guardo and Giovanni Valentini.

Abstract: Links with science have been said to improve firms' (innovation) performance. However, as most studies have been conducted at the firm level, little is known about why and how these links actually affect firm performance. This paper advances our knowledge about which project characteristics lead to the inclusion of a university as a partner in a research project. Firms partner with universities in projects aimed primarily at developing new knowledge. Furthermore, we establish that the real performance effect of these linkages runs through their learning effect –new potential applications for knowledge– rather than through their efficiency in new knowledge generation.

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Javier Estrada

On June 7-10, attended, in Stockholm, the annual conference of the Financial Management Association, where he presented the paper "The Fed model: The bad, the worse, and the ugly".

Abstract: The negative relationship between stock market P/E ratios and government bond yields seems to have become conventional wisdom among practitioners. Both limited empirical evidence and a misleading suggestion that the model originated in the Fed are used to support the model's plausibility. This article argues that the Fed model is flawed from a theoretical standpoint and reports evidence from 20 countries that seriously questions its empirical merits. Despite its widespread use and acceptance, the Fed model is found to be a failure both as a normative and as a positive model of equity pricing.

He also chaired the panel "Financial asset pricing".

Joan Fontrodona

On June 15-17, attended, in Saint Petersburg, the Research Conference "Normative Foundations of Corporate Responsibility", organized by EBEN, where he presented the paper "Organizational models and corporate social responsibility: A preliminary framework for analyzing CSR approaches", co-authored with Iñaki Velaz.

Abstract: Conceptions of the nature and scope of Corporate Social Responsibility (CSR) differ depending on the underlying concept of the firm. In other words, our understanding of companies' social impact and responsibility depends on how we define the nature and mission of the firm. The controversy over proposals to implement CSR initiatives in companies needs to be situated within the wider debate about the role of the company in society. Only from this latter debate will we be able to deduce how best to integrate CSR in corporate strategy and management. In the first section of this paper we present a typology consisting of three models of the firm. After that we briefly describe the three models. In the third section we analyze various approaches to CSR in light of the three models of the firm.

Roberto García (PhD Candidate)

On June 15-17, attended, in Atlanta, the 2006 Atlanta Competitive Advantage Conference, (ACAC), where he presented the paper "Is sustained superior economic performance the same as competitive advantage? The case of Southwest Airlines", co-authored with Miguel A. Ariño.

Abstract: Southwest Airlines has enjoyed a long period of more than thirty years of consistent profitability. The impressive record in multiple measures of performance achieved by this company has been widely celebrated in both academic and non-academic works and publications. Surprisingly enough, in a recent test of the resource-based view and sustained competitive advantage, Wiggins and Ruefli (2002) found no empirical evidence of

sustained superior economic performance by any firm for a period of at least ten years within the airlines industry. In this paper we investigate the origins of such irregularity. In order to solve this "paradox" we propose a measure of firm autonomy (exposure and intensity) as a dependent variable that takes other dimensions of sustained competitive advantage and firm heterogeneity into account. We show empirically how Southwest Airlines, over a period of 20 years (1982-2002), achieved a statistically significant level of firm autonomy in relation to its immediate competitors in the US airline industry. We suggest a simple but powerful way of assessing firm autonomy within an industry. Finally, we discuss the perils of using superior economic performance as the only parameter to study sustained competitive advantage.

Jorge González

On June 8-10, attended, in Pittsburgh, the Marketing Science Conference, organized by INFORMS (Katz Business School), where he presented the paper "Assessing store-advantage in the motion picture exhibition market", co-authored with Catarina Sismeiro (Imperial College, London).

Abstract: In this study, I develop a methodology to assess the relative sales potential of movie theaters competing in the same area. When they design the launch of a new movie or negotiate the contract terms of an exhibition agreement, film distributors may want to accurately estimate the difference between releasing a movie in two nearby theaters. Direct sales comparisons between theaters can be misleading, as those theaters very likely have exhibited a different set of movies. For these reasons, I develop a model to measure the relative performance of competing theaters that takes into account the differences in the assortment of movies. This model accounts for changes in box-office revenues over time and the exhibitor's decision to show a movie for another week or change it for a new release. I use this model to compare the relative performance of two chains of theaters in a Spanish city. Further analyses suggest that not all movies benefit equally from being released in a better theater. I find that blockbusters tend to perform more similarly in both chains than less popular movies. This further highlights the importance of distribution decisions for "good, but not that well-known, films", where positive spill-over from exhibition in a good theater could be more likely to enhance a movie's performance.

Tanguy Jacopin

On May 31-June 3, attended, in Fairmount, the North American Society for Sport Management (NASSM) Conference 2006, where he presented the paper "Why non-governmental organizations (NGOs) matter for the success of sport events. The case of the America's Cup", co-authored with Ignacio Urrutia.

Abstract: The aim of this paper is to investigate the benefits of considering Non-Governmental Organizations (NGOs) as key drivers of the success of sporting events. The growing influence of NGOs has favored a shift from Corporate Governance to "Civil



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Society Governance", where social and environmental criteria have taken on a new role. Indeed, NGOs have already become important stakeholders of companies, and the benefits corporations can obtain from strategic alliances with NGOs have been studied in major contributions such as Drumwright (1994 and 1996), Waddock and Smith (2000) and Austin (2000). In this paper, collaboration with NGOs is seen from a multistakeholder dialogue perspective, introducing a new figure between the sports event and the NGO: the activist. We consider every NGO member an activist. And as all activists are also consumers and citizens, some of them are potential future spectators and consumers for the sports event. Activists are not only a threat to sporting events but can also be an intangible asset. Therefore, sports event planners should consider getting NGOs involved to increase their chances of success.

Alejandro Lago

On June 19-20, attended, in Glasgow, the EurOMA International Congress "Moving up the value Chain", where he presented the paper "Impact of customer satisfaction, loyalty, and recommendation in the Spanish service sector", co-authored with Philip Moscoso and Isabel Menchero.

Abstract: (see page 4).

Johanna Mair

On June 2-3, attended, in Edmonton, the conference "The Present and Future Status of Institutional Theory", organized by School of Business, University of Alberta, where she presented the paper "Entrepreneurship in and around institutional voids: A case study from Bangladesh", co-authored with Ignasi Martí.

Abstract: (see page 7).

Víctor Martínez de Albéniz

On June 18-20, attended, in Atlanta, the Multi-Echelon & MSOM 2006 Conference, where he presented the paper "Pricing in a duopoly with a lead time advantage".

Abstract: We analyze the price competition between two suppliers offering two different lead-times to a buyer. The buyer replenishes inventory in an infinite horizon context, using a base-stock policy with each of the suppliers. Based on the buyer's behavior, the suppliers set static prices that maximize their long-term average profit. We study the equilibrium of the pricing game.

Núria Mas

On May 22-23, attended, in Bonn, the conference "The well-being of the elderly: Income, consumption, and health - Cross-country perspectives", organized by the Institute for the Study of Labor, where she presented the paper "Comparing non-fatal health across countries: Is the US better off?", co-authored with David Cutler (Harvard University).

Abstract: We propose a new health investment model based on a new methodology for measuring QALYs (quality adjusted life years). The primary focus of this paper is to assess whether the US, which spends significantly more on health than any other country, has better health outcomes. We focus on non-fatal health diseases since we believe that looking only at mortality is not a good measure of the outcomes of a medical care system for a developed country, given that most of the medical services are designed not to extend life but to improve the quality of it. Our results show that the US does not have uniformly better outcomes for all diseases. In particular, it does clearly better in conditions such as heart problems or cancer, while it reports worse results in diseases such as diabetes. We consider three possible explanations. The first explanation is that this might reflect a problem with our self-reported-health variable (people in some countries may be less likely to report themselves in poor health). However, we repeat our analysis using a more objective measure of health: the number of impairments in basic Activities of Daily Living (ADLs) and our results are virtually identical. The second hypothesis we consider is that the US does better for richer, well insured people, than for poorer, uninsured ones. However, we show that our results are the same when we divide each country into rich and poor as when we consider them together. Lastly, we propose and provide evidence for a third explanation: the US does much better for conditions where high-tech medicine is the key to better health, and worse in conditions where low-tech management of chronic disease is more important.

On June 4-7, attended, in Madison, the 1st ASHE Meeting (American Society of Health Economics), where she presented the paper "Managed care and the safety net. More pain for the uninsured?".

Abstract: The introduction of managed care has dramatically changed the US health care market. However, most of the literature has concentrated on analyzing the role of managed care in bringing efficiency to the market or on studying the effect of managed care on the service utilization and quality of care of their enrollees compared to traditional health insurance plans. Research focusing on the impact of managed care on the uninsured has been minimal. This paper contributes to fill this gap and proposes a model of a hospital's decision to provide charity care. We then analyze the change in incentives introduced by managed care and its impact on hospitals' provision of uncompensated care. Finally, we assess the impact of managed care on access to care and quality of care for the uninsured. We expand Frank and Salkever's (1991) model to analyze hospitals' decision to provide charity care and use a probit model to test the results empirically. Traditionally, hospitals in the US had been able to finance charity care through a complex system of cross-subsidies, with privately insured patients being charged higher prices. By imposing tighter financial restrictions on hospitals and doctors, managed care reduces the prices charged to insured patients, making it very difficult for hospitals to obtain excess funds to pay for uncompensated care. Our results show that managed care has negatively affected both access to care and quality of care for the uninsured by increasing the probability of closure of safety

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net hospitals and the services most used by the uninsured and by negatively affecting the quality of government hospitals. Uninsured patients in areas with a high proportion of managed care enrollees also have a disproportionately high probability of dying after a heart attack (our quality measure).

Domènec Melé

On June 15-17, attended, in Saint Petersburg, the Research Conference "Normative Foundations of Corporate Responsibility", organized by EBEN, where he presented the paper "Principles of corporate social responsibility: An Aristotelian-personalistic approach".

Abstract: We can distinguish three principles. The legitimacy principle, considered in its ethical perspective (moral legitimacy), is given by the orientation of business to the common good. The organizational principle establishes priorities among social responsibilities. Primary responsibilities are obligations of strict justice toward the company's people and specific business activity; secondary responsibilities consist of solidarity with people and groups affected by the company's business activity –they entail an effort to legitimize a company's stakeholders' interests beyond the bare minimum. And tertiary responsibilities have to do with actions the company undertakes, beyond the sphere of its specific activity, to improve certain aspects of its social environment (philanthropy, sponsorship, etc.). The individual principle establishes the need for managerial discretion and prudence in deciding the details of social responsibility.

Edward Mungai (PhD Candidate)

On May 17-20, attended, in Oslo, the EURAM Annual Conference, where he presented the paper "The credibility of staged financing and convertible preferred securities in venture capital financing".

Abstract: This paper argues that venture capitalists (VCs) use staged financing and convertible preferred securities to address two different issues in the financing of entrepreneurial firms. While staged financing aims to ensure that agreed goals are met, convertible preferred securities are aimed at encouraging entrepreneurial firm value maximisation. The credibility of staged financing stems from VCs' ability to stop subsequent funding of the entrepreneurial firm. However, the paper argues that the credibility of convertible preferred securities depends on the availability of an IPO exit market, which is something VCs cannot control. Thus, while staged financing is widely used by VCs, convertible preferred securities are used almost exclusively in the United States, where there is an active IPO exit market. There is a need to investigate how VCs in countries with relatively inactive IPO markets motivate value maximization in entrepreneurial firms.

Pinar Ozcan

On June 18-20, attended, in Copenhagen, the Summer Conference 2006, organized by the Danish Research Unit for

Industrial Dynamics (DRUID), where she presented the paper "Alliance portfolios of entrepreneurial firms in nascent markets: Coevolution with firm growth and competitive dynamics".

Abstract: This multiple-case inductive study is centered on the question of how alliance portfolios change over time. Tracing five entrepreneurial firms in the wireless gaming market over a span of 30 months, I show that firms find themselves in a positive or negative spiral that further strengthens or weakens their portfolio by creating a feedback loop with portfolio strength and overall firm growth. Moreover, the results reveal that while focal firms in a positive spiral use strategies to fuel the positive spiral, firms in a negative spiral can make certain changes in their portfolio to lessen/escape the negative spiral.

Fernando Peñalva

On May 31-June 2, attended, in Burgos, the XII Encuentro de la Asociación Española de Profesores Universitarios de Contabilidad, where he presented the paper "Coste de capital y conservadurismo contable", co-authored with Beatriz García Osma (Lancaster University) and Juan Manuel García Lara (Universidad Carlos III de Madrid).

Abstract: Se espera que la información contable de alta calidad reduzca el coste de los recursos propios al reducir el riesgo percibido, incrementar la liquidez y reducir los costes de transacción. Coincidiendo con este postulado, pruebas empíricas previas documentan una relación negativa entre el coste de los recursos propios y varias medidas de la calidad de los beneficios. Aunque el conservadurismo suele considerarse una propiedad deseable de la información contable, las pruebas respecto a sus efectos sobre el coste de los recursos propios son escasas y contradictorias. Aplicando distintas medidas representativas del conservadurismo contable, encontramos que las medidas del conservadurismo condicional presentan una asociación negativa estrecha con el coste del capital *ex ante*. Nuestros resultados se mantienen tras excluir factores de riesgo conocidos y determinantes intrínsecos de las empresas que favorecen elecciones contables conservadoras. Ello sugiere que los inversores prefieren cifras contables conservadoras. También encontramos una asociación negativa, aunque más débil, entre el conservadurismo incondicional y el coste de los recursos propios, lo que también concuerda con nuestras conclusiones globales.

José R. Pin - Lourdes Susaeta

On May 10-14, attended, in Lima, the Annual Conference organized by The Business Association of Latin American Studies (BALAS), where they presented the paper "Sub-standard careers in the banking sector".

Abstract: Banco Heredia is carrying out a program to monitor career development. The aim is to compare the career potential and actual career development of recently employed staff members. The procedure is as follows: 1) Establish a standard rate of career progress. 2) Select employees who joined the



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organization between 1995 and 2001 and identify those that have a substandard rate of progress, creating lists of substandard careers. 3) With this list and an analysis of each employee's personal abilities, make a diagnosis.

A plan of action is developed to find solutions for each case. This normally results in geographic mobility if the employee has been held up for lack of opportunities, functional mobility if there is a mismatch between the employee's abilities and position, or a proposal to dismiss the employee if he or she lacks potential.

The goals of the paper were narrowed down to three: 1) Know and understand the philosophy behind the substandard career program and career development at the bank. 2) Identify the main advantages and problems arising from it. 3) Analyse and reflect on the responsibility that all managers have in developing their subordinates' careers.

Joan E. Ricart

On May 17-20, attended, in Oslo, the EURAM Annual Conference, where he presented the paper "Social embeddedness in low-income markets: Influential factors and positive outcomes", co-authored by Pablo Sánchez and Miguel A. Rodríguez.

Abstract: Because low-income markets remain mostly unexplored and most companies do not know them, it has been argued that developing embedded ties and alliances with traditional and non-traditional partners is critical in order to better understand customer needs and market characteristics. Following this logic, in this paper we explore the antecedents and consequences of becoming socially embedded in low-income markets. Our findings suggest that a firm has a bigger incentive to build embedded ties and partnerships under three conditions: underdeveloped market-oriented ecosystem; high psychic distance of a firm with respect to low-income markets; and high number of product complementarities offered by the firm. In turn, becoming socially embedded can be beneficial for obtaining fine-grained information, increasing operational efficiency, gaining trust and legitimacy and having prior access to new markets. At the same time, the social network in which a firm is embedded provides network resources that can be a source of competitive advantage.

He also chaired the panel "Board behavior and trust", gave the Presidential Address and chaired the Board Meeting and General Assembly.

Joaquim Vilà - Juan Ignacio Canales

On 22-23 May, attended, in Toulouse, the Toulouse Colloquium on "The Crafts of Strategies", where they presented the paper "Strategic planning serves different purposes as it grows".

Abstract: This paper builds on a detailed case study of how strategic planning in a middle-sized company has changed to pursue different purposes over time. The evolution from a mechanistic approach (back in 1997) to a singular approach, balancing aspects of the planned and emerging approaches to

strategizing (in the 2000-05 period), sheds light on the interdependencies among components of a planning system. Over time, the company has changed the nature of top management intervention and has placed increasing emphasis on the role of middle managers. More importantly, changes seem to be driven by more elaborate responses to the central issue of 'why do we want a strategy in the first place?'. Finally, strategy, conceived as a shared framework in the mind of strategists, is subsequently linked with strategic initiatives and also policies for daily action at lower layers.

The approach is developed in a way that responds to CEO concerns about managing by strategy in a rapidly changing environment. The framework seems to help top management efforts in building a shared understanding of strategic issues and encouraging actions at the front line that are consistent with the strategy pursued by the firm.

On May 18-19, the 14th International Symposium on "Ethics, Business and Society", led by Domènec Melé, was held at IESE in Barcelona, on the theme "Toward a comprehensive integration of ethics into management: Problems and prospects", at which, among others, the following papers were presented:

Rafael Andreu: "Knowledge, learning and the management profession: Some ethics issues"

Abstract: The question of how to develop and effectively use firm-specific knowledge in an organization becomes a fundamental issue when it comes to sustainable competitive advantages. The process unavoidably touches upon management and ethics. In particular, how do we adequately compensate employees who make a learning effort to develop knowledge which, to the extent that it is firm-specific, is of no value outside that firm? We argue that economic compensation is not enough, precisely because firm-specific knowledge is highly intermingled with the firm's essence and consequently "interferes" with employee values in dimensions that are not always reducible to economic terms. This reflection, in turn, raises basic ethical issues regarding the management profession.

He also chaired the panel "Ethical and social dimensions of management: Practical perspectives".

Antonio Argandoña: "Ethics in economics and in organizations: Can they be fully integrated?"

Abstract: When he died, Professor Juan Antonio Pérez López (1934-1996) left a body of writing on decision and organization theory that represents a break with current scholarly thinking on these subjects. The purpose of this paper is to explain some of the most significant aspects of his theories, relating basically to his recourse to ethics as what defines the characteristic behavior of human beings, considered as individuals and as members of organizations. Pérez López used the anthropological conception

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underlying the ethics of Aristotle and Thomas Aquinas to build a solid base for that ethics, starting from the decision-making process. He then used that ethical base to point to the kind of action theory and organization theory that could most effectively assist the human development of people and organizations.

He also chaired the panel "Ethics in corporate governance".

Miguel A. Ariño: "Managerial decision making and long-term effectiveness"

Abstract: In this paper, we argue that one of the main sustainable competitive advantages in any company is the way the company is managed. A company's performance depends on many variables, including the external environment, the industry in which the company competes, the company's strategic positioning within its industry, etc. These factors, however, are not company-specific, so they cannot account for differences in performance across companies. What is specific to a company is its management and its managerial decision-making process. We present a managerial decision-making model that establishes the characteristics a decision must have in order to be effective. These characteristics are: operability, instrumentality and validity. Effectiveness of a decision, however, does not guarantee long-term organizational effectiveness. For long-term effectiveness, management must account for the organizational learning that decisions produce in organizational members. We argue in the paper that this learning can be operational or relational. At the end of the paper, taking all this into account, we deduce the three characteristics that measure the quality of an organization: effectiveness, attractiveness and unity.

He also chaired the panel "Humanistic management: Developing insights from Prof. Juan Antonio Pérez López".

Joan Fontrodona - Iñaki Velaz: "Organizational models and corporate social responsibility: A preliminary framework for analyzing CSR approaches"

Abstract: (see page 11).

He also chaired the panel "Ethics, models and management theories".

Roberto García - Miguel A. Ariño - Miguel A. Rodríguez: "Corporate governance and labor management: A cross-national study of firm governance and employment contracts"

Abstract: Corporate governance can be seen to operate through a "double agency" relationship: one between shareholders and corporate management and one between corporate management and employees. Corporate governance and labor management, far from being independent, are closely related. A particularly productive way to study how corporate governance affects and is

affected by the employment relationship has been to compare corporate governance across countries. This paper makes three contributions to that literature. 1) It brings aspects of the labor management literature to bear on the corporate governance debate. 2) Based on a sample of nearly 1,000 firms from 31 countries, we found evidence of complementarities between corporate governance and labor management. Extreme cases generally outperform mixed cases. 3) Firm differences within countries are more important than scholars have assumed so far. In conclusion we suggest that corporate governance theory and practice should pay more attention to labor management and the different kinds of employment contracts.

Josep M. Rosanas: "Beyond economic criteria: A humanistic approach to organizational survival"

Abstract: There are many theories about organizations, most of them inconsistent with each other and explaining phenomena to a similarly limited extent. Most of them ignore ethical issues completely. In this paper I put forward the basic principles for a theory of decision-making in organizations that has ethics at its core. This theory is based on the work of Juan Antonio Pérez López and is essentially a humanistic extension of agency theory. First, I show how, in the relationship between any two people, what each one learns from the relationship is crucial to the duration of the relationship. I also expand on the different aspects of the learning that takes place. Second, I apply the theory to the organizational context as a guide to organizational decision making, showing how any decision in an organization needs to be analyzed in terms of three criteria: short-run effectiveness, development of distinctive competences, and unity and identification of employees with the organization.

He also chaired the panel "Management theory and practice".

Nuria Chinchilla, Fabricio Ferraro, Alberto Ribera and Rama Velamuri, chaired various presentations.

Awards

Erica Salvaj (PhD candidate) - Fabrizio Ferraro

Won the Best Paper Award in the Corporate Governance Track at the European Academy of Management (EURAM) Annual Conference in Oslo, May 17-20. They presented a paper entitled "CEOs' structural holes and corporate governance provisions" in which they explore how the relationship between CEOs and boards of directors in the United States are affected by the CEO's position in the social networks of corporate relations.



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Pedro Nueno

On May 18, received the "Prize for the best piece of journalistic writing on the subject of economics", awarded annually by the Catalan SME association Pimec. The ceremony, organized by Pimec, was attended by several members of the Spanish and Catalan governments and prominent businesspeople.

Ignacio Urrutia

Was awarded the Emerald Literati Network Awards for Excellence 2006 for his paper "Building an activity-based costing hospital model using quality function deployment and benchmarking", published in *Benchmarking: An International Journal* (formerly "Benchmarking for Quality Management and Technology").

Giovanni Valentini (PhD candidate)

Won the INFORMS Technology Management Section Best Dissertation Award for his dissertation "Dynamic competitive advantage through innovation: M&A, cooperation, contracting and technological performance".

Thorsten Wiesel – Bernd Skiere – Julián Villanueva

Received the European Marketing Academy (EMAC) Award for best conference paper based on a doctoral dissertation for the paper "Decomposition of changes in customer equity over time".

Doctoral theses

NOTE: Doctoral theses may be consulted on the Internet at http://www.wapp.iese.edu/research/res_search_adv.asp?lang=en

Jacqueline Mariela García Rojas

ESTADO DE LA RELACION TRABAJO/FAMILIA EN EL PERU A TRES NIVELES: DIRECTIVO, ORGANIZATIVO Y DE TOMA DE DECISIONES. REFLEXION A PARTIR DE UNA TEORIA ANTROPOLOGICA DE LA ORGANIZACION Y LA DIRECCION (IESE)

Abstract: La presente investigación pretende ser un trabajo inicial en la exploración de las características que adopta la problemática de conciliación trabajo-familia en un país latinoamericano (Perú). La investigación abarca el desarrollo conceptual de los distintos enfoques de trabajo-familia y los tipos de relación directivo-trabajador que se suscitan ante distintas concepciones acerca de la persona, la empresa y la tarea de gobierno con miras a favorecer el entendimiento racional del directivo ante el fomento de una cultura familiarmente responsable. Las deducciones a las que se llegan en este trabajo demuestran la aplicación y las bondades de usar la teoría antropológica de la organización y la dirección del Prof. Juan Antonio Pérez López como enfoque alternativo a la

literatura académica existente para la exploración de la cuestión trabajo-familia.

A su vez, se realiza un análisis descriptivo del conflicto trabajo-familia, aportando respuestas a tres distintos niveles: 1) Evaluación de la relación entre las horas de dedicación al trabajo y a la familia, la sobrecarga laboral y familiar y los conflictos de trabajo-familia de tiempo y familia-trabajo de tiempo, con miras a determinar su impacto en el deterioro de la salud y el bienestar personal. Los resultados a los que se llegan tomaron como base la percepción y experiencia de 177 directivos peruanos frente al balance trabajo-familia. 2) Validación de la correspondencia entre un modelo antropológico de organización y una cultura familiarmente responsable, luego de un diagnóstico de base a través del uso de herramientas de diseño propio. La información, obtenida vía encuestas y entrevistas en profundidad, fue producto del estudio centrado en una empresa de prestigio nacional e internacional por sus buenas prácticas de recursos humanos. 3) Exploración de las características del *decision making* ante un caso que muestra un planteamiento de conciliación trabajo-familia por parte de un trabajador, a partir de una muestra de 250 directivos intermedios. Este estudio permitió el análisis de la relación entre la calidad motivacional, los valores y los criterios de eficacia y consistencia presentes en las decisiones directivas.

En una sociedad que se caracteriza por la preeminencia del valor trabajo, respaldamos una mirada humanista de la empresa que favorezca la configuración de un modelo proactivo de organización que valore la integración trabajo-familia y fomente la capacidad de la empresa para "anticiparse a", y no limitarse a "esperar, reaccionar o responder" ante las leyes y regulaciones que puedan darse en la materia, propiciadas por los diversos agentes del entorno.

Magdalene Rosenmöller

CONTEXTUAL FACTORS OF HEALTH CARE REFORM. THE CREATION OF A NETWORK OF INDEPENDENT PHYSICIANS IN TWO COUNTRIES: CZECH REPUBLIC AND ESTONIA

(London School of Hygiene and Tropical Medicine, University of London)

Abstract: The thesis examines the contextual factors that influence health care reform, through the lens of the creation of a network of independent physicians in two countries, the Czech Republic and Estonia. These analyses are then used to develop the Policy Context Framework (PCF), an approach that allows contextual factors to be taken into account explicitly in the policy-making process.

The creation of a network of independent physicians as a specific reform element served as a proxy for health reforms undertaken in Central and Eastern Europe, moving towards more decentralised systems containing free market elements, permitting a focus on concrete issues. The study countries –the Czech Republic and Estonia– were chosen for being similar but sufficiently different to be able to draw conclusions. Data gathered were analysed using grounded theory and then with the Policy Context Framework. This was developed based on a model presented by Leichter and

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comprises two parts: the first considers elements of "reality" (policy content, process and players); the second takes contextual factors themselves into account –political, economic, social, infrastructure, cultural and external context.

Reforms in the two countries started from a similar base, with similar processes and players showing many similarities, but with different results, particularly regarding the extent and pace of implementation. These differences could be explained by contextual factors, some exerting a similar influence, while many were different in nature, or in the way they affected policy making; political and cultural factors were the most influential. Hence, taking contextual factors more actively into account would have allowed a better realisation and implementation of the reforms in both countries.

The study's main conclusion is that the complex undertaking of reforming health systems will be made more feasible when the usually-overlooked context is taken into account. This is facilitated by using the Policy Context Framework, a solid and comprehensive tool, developed here, to enable the explicit consideration of a wide range of contextual areas in different settings, allowing for comparisons, and facilitating the transfer of good practices from one country to another. It is a useful tool for policy makers and serves as basis for identifying steps for taking contextual factors better into account in health reform.

IESE – Research Seminars

On May 12, the Research Workshop on Portfolio Performance Evaluation and Asset Management was held at IESE in Madrid, organized by **José Manuel Campa**, in which the following seminars were given:

Speaker: Russ Werners, University of Maryland
"False discoveries in mutual fund performance: Measuring luck in estimated Alphas" (coauthored with L. Barras and O. Scaillet, University of Geneva).

Discussant: Javier Gil, Universidad Carlos III

Abstract: Standard tests designed to identify mutual funds with non-zero alphas are problematic in that they do not adequately account for the presence of lucky funds. Lucky funds have significant estimated alphas, while their true alphas are equal to zero. To address this issue, this paper quantifies the impact of luck with new measures built on the False Discovery Rate (FDR). These FDR measures provide a simple way to compute the proportion of funds with genuine positive or negative performance, as well as their location in the cross-sectional alpha distribution. Using a large cross-section of US domestic-equity funds, we find that about one fifth of the funds in the population truly yield negative alphas. These funds are dispersed in the left tail of the alpha distribution. We also find a small proportion of funds with truly positive performance, which are concentrated in the extreme right tail of the alpha distribution.

Speaker: Francesco Franzoni, HEC School of Management
"Pension plan funding and market efficiency" (coauthored with José Marín, Universitat Pompeu Fabra).

Discussant: Miguel A. Martínez, Universidad del País Vasco

Abstract: The paper argues that the market significantly overvalues firms with severely underfunded pension plans. These companies earn lower stock returns than firms with healthier pension plans for a least 5 years after the first emergence of the underfunding. The low returns are not explained by risk, price momentum, earnings momentum, or accruals. Further, the evidence suggests that investors do not anticipate the impact of the pension liability on future earnings and are surprised when the negative implications of underfunding ultimately materialize. Finally, underfunded firms have poor operating performance and earn low returns, although they are value companies.

Speaker: Martin Eling, Universität St. Gallen
"Does the choice of performance measure influence the evaluation of hedge funds? (coauthored with Frank Schumacher, University of Leipzig).

Discussant: Pablo Fernández, IESE

Abstract: The classic Sharpe ratio is adequate in evaluating investment funds when the returns of those funds are normally distributed and the investor intends to place all his risky assets in just one investment funds. Because hedge funds returns differ significantly from a normal distribution, other performance measures have been proposed and encouraged in both academic and practice-oriented literature. In conducting an empirical study based on return data of 2,763 hedge funds, we compare the Sharpe ratio with twelve other performance measures. Yet despite significant deviations of hedge fund returns from a normal distribution, our comparison of the Sharpe ratio to the other performance measures results in virtually identical rank ordering across the hedge funds.

Speaker: Juan P. Gómez, Instituto de Empresa
"Market timing under portfolio constraints: Do benchmarks matter?" (coauthored with Richard Priestley, Norwegian School of Management).

Discussant: Manuel Moreno, Universidad Castilla-La Mancha

Abstract: We study the effects of relative (to a benchmark) performance evaluation on the provision of incentives for the search of private information. In the presence of moral hazard and short selling constraints we show that the effort exerted by a risk-averse manager increases monotonously with the benchmark's portfolio (absolute) percentage invested in the market. However, if a manager is both short selling and margin purchase constrained, we prove the existence of an optimal benchmark that yields a local maximum for the constrained manager's effort. We derive explicitly the benchmark's optimal portfolio investment in the market and show that it is independent of the manager's disutility of effort. For



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reasonable values of the manager's risk aversion coefficient numerical solutions show that the constrained effort under optimal benchmarking converges, as the risk aversion increases, to the effort the manager would exert in an unrestricted portfolio setting. The model's implications for the evaluation of timing and selectivity skills in the mutual fund industry are also explored.

The workshop ended with a panel discussion on "The practice of active asset management", with the participation of León Bartolomé (BBVA Partners) and Francisco García Paramés (Bestinver) and with **José Manuel Campa** as moderator.

Accounting and Control

May 24

Speaker: Ane Tamayo, London Business School

"What makes a stock risky? Evidence from sell-side analysts' risk ratings".

Abstract: We examine the determinants of and the informativeness of financial analysts' risk ratings using a large sample of research reports issued by Salomon Smith Barney, now Citigroup, over the period 1997-2003. We find that the cross-sectional variation in risk ratings is largely explained by variables commonly viewed as risk proxies, such as idiosyncratic risk, size, leverage, and accounting losses. We also find that the risk ratings can be used to predict future return volatility after controlling for other predictors of future volatility. Both findings establish the important role of financial analysts as providers of information about investment risk.

Business Ethics

May 16

Speaker: Edwin M. Hartman, Rutgers University

"Can we teach character? An Aristotelian answer".

Abstract: Business ethics courses can help improve our students' ethics by teaching them about character, as opposed to just principles, the application of which creates difficulties. In particular, we can help our students consider their values and realize them in practice. According to Aristotle, ethics is about virtue, which is a matter of one's own well-being primarily, but as we are rational and social creatures, this state of well-being entails having what we would consider good moral values. Does good character really serve the agent's interests? Yes, if the agent has the right interests, and interests can be cultivated to some degree. One's values must be coherent, and one must be able to discern the salient moral features of the situations with which one deals. These are marks of good character, which the culture of one's organization may nurture or undermine. We arrive at principles supportive of good character by reflective equilibrium, a process like what Aristotle calls dialectic. Case studies assist our students in developing good character and learning to bring it to bear in complex situations, as some recent research has suggested is possible. One way to

protect one's character, our students may learn, is to choose a workplace that does not undermine it.

May 16

Speaker: Craig Smith, London Business School

"Why we boycott: Consumer motivations for boycott participation".

Abstract: Although boycotts are increasingly relevant for management decision making, there has been little research into individual consumers' motivation to boycott. Drawing on the helping behavior and boycott literature, the authors take a cost-benefit approach to the decision to boycott and present a conceptualization of motivations for boycott participation. The authors tested their framework during an actual boycott of a multinational firm that was prompted by factory closings. Consumers who viewed the closures as egregious were more likely to boycott the firm, though only a minority did so. Four factors are found to predict boycott participation: the desire to make a difference, the scope for self-enhancement, counterarguments that inhibit boycotting, and the cost to the boycotter of constrained consumption. Furthermore, self-enhancement and constrained consumption are significant moderators of the relationship between the perceived egregiousness of the firm's actions and boycott participation. The authors also explore the role of perceptions of others' participation and discuss implications for marketers, nongovernmental organizations, policymakers, and researchers.

Economics

May 16

Speaker: Albert Saiz, The Wharton School, University of Pennsylvania

"Immigration and the neighborhood".

Abstract: What impact does immigration have on neighborhood dynamics? While there is evidence of a strong positive effect of immigration on average housing values at the metropolitan area level, we do not know much about its relative impact at the neighborhood level.

Immigration raises the demand for housing in the metropolitan areas where immigrants concentrate, but immigrant enclaves may be perceived by some natives as relatively less attractive neighborhoods. Within metropolitan areas, we find evidence that housing prices have grown relatively more slowly in areas of dense immigrant settlement. We propose three nonexclusive explanations for this fact: changes in quality, reverse causality (immigrants are attracted by areas where housing prices are declining in relative terms), or the hypothesis that natives find immigrant enclaves relatively less attractive. We find that the three explanations are quantitatively important. We deploy a "social diffusion" model based on a gravity equation that predicts the number of new immigrants in a neighborhood using past densities of the foreign-born in the surrounding neighborhoods.

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We use the predictions of this "diffusion" model to instrument for the actual number of new immigrants in a census tract. Subject to the validity of our instruments, the evidence is consistent with a causal interpretation of a modest impact from growing immigration density to relatively slower housing price appreciation, but this impact is smaller than what OLS results would suggest. Further results indicate that these results may be more driven by the fact that immigrants are of low socio-economic status than by nationality per se. Given the growing demographic importance of immigration in the US, the results do not bode well for the expeditious disappearance of the new "immigrant ghetto".

June 1

Speaker: Andrea Mantovani, Università degli Studi di Bologna
"Identifying reaction functions in differential oligopoly games".

Abstract: We investigate the issue of strategic substitutability/complementarity and define the concepts of best reply function and dominant strategy in deterministic differential games. We prove that if a player's Hamiltonian is additively separable w.r.t. controls, then players follow dominant strategies at every instant. Otherwise, if the Hamiltonian is not additively separable w.r.t. controls, instantaneous best replies can be properly characterised. However, under additive separability, we show that strategic interaction via best replies can still be characterised at the steady state. Illustrative examples are Ramsey and Solow's growth models, reformulated as oligopoly games, and a Cournot differential game with sticky price.

Financial Management

June 12

Speaker: Luis Viceira, Harvard Business School
"The term structure of the risk-return tradeoff".

Abstract: We develop an analytical solution to the dynamic portfolio choice problem of an investor with power utility defined over wealth at a finite horizon who faces an investment opportunity set with time-varying risk premia, real interest rates and inflation.

The variation in investment opportunities is captured by a flexible vector autoregressive parameterization, which readily accommodates a large number of assets and state variables. We find that the optimal dynamic portfolio strategy is an affine function of the vector of state variables describing investment opportunities, with coefficients that are a function of the investment horizon. We apply our method to the optimal portfolio choice problem of an investor who can choose between value and growth stock portfolios, and among these equity portfolios plus bills and bonds. For equity-only investors, the optimal mean allocation of short-horizon investors is heavily tilted away from growth stocks regardless of their risk aversion. However, the mean allocation to growth stocks increases dramatically with the investment horizon, implying that growth is less risky than value at

long horizons for equity-only investors. By contrast, long-horizon conservative investors who have access to bills and bonds do not hold equities in their portfolio.

These investors are concerned with interest rate risk and, empirically, growth stocks are not particularly good hedges for bond returns. We also explore the welfare implications of adopting the optimal dynamic rebalancing strategy vis a vis other intuitive, but suboptimal, portfolio choice schemes and find significant welfare gains for all long-horizon investors.

General Management

April 25

Speaker: Andrea Fosfuri, Universidad Carlos III, Madrid
"The penguin has entered the building: The commercialization of open source software products".

Abstract: Open Source Software (OSS) has traditionally been considered a bottom-up movement where most of the significant activity took place within a community of independent developers. In fact, due to the peculiar nature of the intellectual property rights regime, firms' interest in OSS products defies traditional wisdom. However, contrary to this view, this paper provides specific evidence of the commercialization of OSS products by profit-oriented organizations. Using a unique database of firms that announced releases of OSS products between 1995 and 2003, we find that the rate of OSS product introduction is correlated positively with hardware downstream assets and negatively with software downstream assets. Moreover, a large endowment of pre-entry software technology assets favors the shift to the new paradigm. The fear of cannibalization, the crucial role of absorptive capacity, and complementarities between hardware and software are plausible explanations for our findings.

May 2

Speaker: Manuel Becerra, Instituto de Empresa
"Revisiting the diversification-performance relationship: Some new evidence about diversifiers and specialists".

Abstract: In this set of three papers we argue that the effect of diversification on performance is not homogeneous across industries, as previously assumed in the literature on diversification in strategy and finance. We provide empirical evidence that some industries are more friendly environments for diversified firms than for specialists, or viceversa, and explore its implications for the literature on diversification. The empirical results clearly show that the number of specialists in an industry is an important moderator of the diversification-performance relationship and it determines the existence of a diversification discount or a premium. In industries dominated by diversifiers, we find evidence of a diversification premium using different statistical methods than seem to be robust. However, the effect of diversification on performance becomes negative as the number of specialized firms in the industries in the sample increases. Although we find clear



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evidence of the curvilinear relationship between diversification and performance frequently found in strategy research and the diversification discount widely accepted in finance (until recently) using traditional methodologies in these fields, the empirical findings in earlier research seem to be the result of not accounting for the relative dominance of diversifiers versus specialists in the industries in the sample.

May 15

Speaker: W. Richard Scott, Stanford University
"The maturation of institutional theory".

Abstract: Dick Scott has shaped Institutional Theory. In this session he will attempt to describe developments and improvements over time in Institutional Theory and address, in particular, the correction of earlier "errors".

May 17

Speaker: Mark Zbaracki, The Wharton School, University of Pennsylvania
"Pricing structure and structuring price".

Abstract: A longstanding problem for sociology is how to define a stance towards economics. We treat market forces as social forces that actors construct. We study price adjustment where economic theory would predict that a firm should reduce prices. We use economic and marketing models of pricing to define ostensive routines and study how firm members use those models to develop performative routines through which they interpret the market. Adjusting prices introduces a moment of interpretive flexibility when the pricing process is negotiated. The abstract concepts of economics and marketing are used to interpret the market, define instrumental action, and structure the organization.

June 6

Speaker: Carlos Rufin, Babson College
"MNE-NGO alliances in developing countries".

Abstract: We have identified the development of alliances between MNEs and NGOs in developing countries as a theoretically and empirically important phenomenon that has received limited attention so far. Drawing on such limited research, current knowledge about MNEs and NGOs, and the large body of research on business alliances, we have developed a set of propositions concerning the motivations of MNEs to enter into alliances with NGOs, the motivations of NGOs to enter into alliances with MNEs, the organizational mechanisms likely to be used in MNE-NGO alliances in developing countries—especially mechanisms to build and maintain trust—and the dynamics of these alliances over time. We have illustrated some of the motivational and dynamic issues through the examples of two sets of alliances between electricity supply MNEs and local NGOs in Brazil. Our analysis shows that there are a variety of motivations for MNEs and NGOs to pursue alliances. However, the mechanisms

for alliance control that are found in business alliances are in most cases unlikely to work well in alliances with NGOs, due to the specific characteristics of NGOs. As a result, trust acquires a paramount importance in MNE-NGO alliances relative to business alliances, and with it the development of organizational mechanisms to build and maintain trust.

June 14

Speaker: Gerald Davis, Stephen M. Ross School of Business, University of Michigan
"Implications of recent changes in US corporate ownership".

Abstract: Corporate ownership has changed in dramatic ways in the US since 1990, as mutual funds have become the largest concentrated owners of corporate America, yet this change has received surprisingly little academic attention. This talk addresses four questions: 1) How has US corporate ownership changed since 1990? 2) How does ownership by mutual funds influence corporate governance? 3) How stable is block ownership by mutual funds?, and 4) Does buying mutual fund shares turn you Republican?

Managerial Economics

April 27

Speaker: Rakesh K. Sarin, The Anderson School at UCLA
"Does more money buy you more happiness".

Abstract: We introduce a discounted utility model that combines a reference point and satiation to model life cycle planning and life-satisfaction. We show that both satiation and reference points are important, and account for different aspects of dynamic preferences. Both features incorporate state variables that induce changes in preferences as those states vary. Hence, we can naturally insert projection bias in our model. In doing so, we formalize many of the ideas discussed in Loewenstein et al. (2003). We argue that projection bias successfully explains the hedonic treadmill, and several other observed phenomena in the research area of happiness and life satisfaction.

May 31

Speaker: Canan Ulu, Fuqua School of Business, Duke University
"Information acquisition and technology adoption".

Abstract: In this paper, we consider a technology adoption model where the firm is offered a technology whose benefits are uncertain. In each period, the firm can choose to adopt or reject the technology or gather information to reduce the uncertainty about the benefits of the technology. We generalize previous technology adoption models to allow more general distributions on benefits and to allow the benefits of the technology to be changing over time. We characterize the optimal value function and optimal policies in this general setting. We show that as the firm becomes more optimistic about the value of the technology,

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the optimal action moves towards adoption. We also show that gathering information from a more precise source increases the value to the firm. The ordering of distributions on "optimism" requires likelihood ratio dominance and the notion of "precision" uses Blackwell's notion of sufficiency.

"Interior additivity and subjective probability assessment of continuous variables".

Abstract: One of the goals of psychological research on subjective probability judgment is to develop prescriptive procedures that can improve such judgments. In this paper, our aim is to reduce partition dependence, a judgmental bias that arises from the particular way in which a state space is partitioned for the purposes of making probability judgments. We explore a property of subjective probabilities called interior additivity (IA). Our story begins with a psychological model of subjective probability judgment that exhibits IA. The model is a linear combination of underlying support for the event in question and a term that reflects a prior belief that all elements in the state space partition are equally likely. The model is consistent with known properties of subjective probabilities, such as binary complementarity, subadditivity, and partition dependence, and has several additional properties related to IA. Using experimental evidence, we provide strong support for our model. The model further suggests a simple prescriptive method based on IA that decision and risk analysts can use to reduce partition dependence, and we present preliminary empirical evidence demonstrating the effectiveness of the method.

June 13

Speaker: Alessandra Cillo, INSEAD

"Disappointment without prior expectation: A unifying perspective on decision under risk".

Abstract: The central idea of Disappointment theory is that an individual forms an expectation about a risky alternative, and is liable to experience disappointment to the extent that the outcome eventually obtained falls short of the expectation. We abandon the hypothesis of a well-defined prior expectation and start from a different assumption: disappointment feelings may arise from comparing the outcome received with any outcome of the gamble that the individual failed to get, rather than a single prior expectation. This leads to a new, general form of Disappointment model, which includes Rank Dependent Utility (RDU) and Risk-Value models as particular cases. In the case of RDU, it yields an explicit mathematical family of cumulative probability transformations. In the case of Risk-Value, it yields a general measure of the dispersion of a probability distribution that includes variance as a special case. Thus, Disappointment without Prior Expectation offers a clear behavioral link among landmark theories of decision under risk that have evolved from distinct intellectual paths.

Managing People in Organizations

June 9

Speaker: Spela Trefalt, Harvard Business School

"Working 9 to 5, what a way to make living!: How professionals negotiate boundaries around work".

Abstract: Many professionals struggle to combine their careers with their obligations and interests outside of work. These difficulties cause stress and conflict for the professionals and expensive employee turnover for firms. However, professionals vary in how successful they are in combining work and non-work. While most professionals feel that in order to perform well at work, they have to sacrifice work-life balance; some are able to achieve fairly good results on both simultaneously. In this paper I focus on the process of work-life balancing as a potential source of these differences. I develop a conceptual model of the work-life balancing process. I suggest that different choices in the work-life balancing process lead to different allocations of boundaries around work and have different consequences for one's professional image.

Boundaries and image, in turn, affect work-life balance and performance. I propose that the literatures on impression management, speaking up, decision making, and negotiations provide useful insight into the balancing process. I develop propositions about the factors influencing speaking up at work about work-life issues, and about creating and claiming value in the negotiations regarding these issues. I conclude with practical and theoretical implications and propose some directions for future research.

June 21

Speaker: Paula Brough, School of Psychology, Griffith University
"Studies on stress, work-family conflict, and psychological health".

Research Seminars

José M. Campa

On May 26, at Universidad de Valladolid, presented the paper "Integración y consolidación en el sistema financiero europeo".

Abstract: Este artículo ofrece un panorama de la evolución de la actividad de fusiones y adquisiciones en el sector financiero europeo en el período transcurrido desde la introducción de la moneda única, y analiza sus implicaciones sobre el grado de integración del sistema financiero europeo y sobre la rentabilidad, evaluada a distintos horizontes, de las empresas involucradas en los procesos de fusión. La actividad de fusiones y adquisiciones se ha caracterizado por un claro predominio de las operaciones de consolidación de carácter nacional, de modo que, hasta fechas recientes, han sido muy escasas las grandes operaciones de reestructuración transfronteriza. El análisis de la reacción del mercado ante los anuncios de fusión no revela una generación de



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valor neta alrededor de los anuncios. Sí se detecta, sin embargo, una transferencia de valor desde los accionistas de las empresas compradoras a los de las empresas adquiridas. Tampoco se aprecia una diferencia significativa en la creación de valor entre operaciones nacionales e internacionales, lo que sugiere que aun cuando la existencia de diversas barreras a las operaciones de consolidación internacional ha podido disuadir de su realización en algunos casos, las que finalmente se han anunciado no han sido, en promedio, peor valoradas por el mercado que las operaciones de carácter nacional.

On June 2, at European University Institute, in Florence, presented the paper "Current accounts in the euro area: An intertemporal approach".

Abstract: The dispersion of current account balances of member countries has increased since the creation of the euro. Some member countries have reached deficits at historical highs and concerns have been raised about their sustainability. This paper presents an intertemporal model of the current account and tests it using data for six euro area countries from the last three decades. The model is not rejected by the data. The relative contributions to current account balances of expectations about output growth and relative price changes differ among member countries. Net output was expected to increase in Southern European countries at the creation of the euro. In 2005, current account balances for all countries but Spain and the Netherlands were within 15% of those implied by the model. Expectations of net output growth were also at a historical high in 2005.

On June 30, at Universidad de Zaragoza, presented the paper "The reaction by industry insiders to M&As in the European financial industry".

Abstract: This paper looks at the reaction by industry insiders, industry analysts and competing firms to the announcement of M&As that took place in the European Union financial industry in the period 1998-2002. Analysts covering firms involved in a M&A transaction do not significantly alter their recommendation. Although acquiring firms tend to have a slightly better recommendation by analysts, their mean recommendation does not change around the announcement of an M&A transaction. Target firms have analyst recommendations similar to the average firm in the industry and these recommendations are also not significantly altered around the announcement of a transaction. This lack of reaction by analysts is consistent with the hypothesis that the transaction on average is "fairly priced" and that stock market prices after the announcement reflect all relevant information on the assets. The stock market reaction of competing firms around a merger announcement is often used as an indication of the likely impact of the transaction on competition. We find evidence of a different reaction by returns to competing firm upon announcement of domestic and international mergers. The correlation between excess returns for acquirers and competing firms is positive for domestic mergers and significantly higher than for international mergers. This is consistent with the

hypothesis that domestic mergers are more likely to decrease industry competition.

Adrian Done

On May 23, at London Business School, in London, presented the paper "Sustaining manufacturing improvement: A study of sustainability based on the Engineering Employers Federation South Manufacturing Advisory Service programme", co-authored with Niels G. Rytter and Chris Voss.

Abstract: (see page 8).

Javier Gómez Biscarri

On June 16, at Universidad de Alicante, presented the paper "The influence of accounting standards on valuation models: An application to the Fama-French model" (co-authored with Germán López Espinosa (NYU and Universidad de Navarra).

Abstract: In this paper we analyze the effect of cross-country differences in accounting standards on the performance of valuation models from a theoretical and empirical point of view. We show how the lack of uniform accounting standards in the world generates misleading international comparisons of firm-level data. A unified framework of accounting reporting would facilitate these comparisons and improve the efficiency of the global financial market. As an empirical application, we analyze how differences in accounting standards affect the performance of the Fama-French (1993) three-factor valuation model. We show that the F-F model is not only country-specific (Griffin, 2002) but also accounting-specific. In other words, the model works if the data are homogeneous in terms of accounting standards. This result has a very important empirical corollary in that the three-factor model accounts extremely well for the cross-country returns of firms following IASB standards.

On June 19, at Servicio de estudios, BBVA, presented the paper "The predictive power of the term spread revisited: A change in the sign of the predictive relationship".

Abstract: In this short paper we qualify some of the traditionally accepted results on the predictive power of the term spread over output. We show that in the case of short-term spreads, the direction of the predictive power may be the opposite to that usually found in the empirical literature, which has mostly rested on the use of long spreads, and in theoretical results, which tend to neglect the consideration of multiperiod dynamics. An analysis of data on Germany and the US confirms that short-term spreads have low predictive power and sometimes in the opposite direction to the traditional argument.

On June 28, at the University of Maastricht, presented the paper "Financial development and the asymmetry of monetary policy", co-authored with Luis Carranza (BBVA) and José Enrique Galdón-Sánchez (UPNA).

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Abstract: In this paper we develop a simple model of the relationship between financial market development and investment by entrepreneurs in the presence of a Central Bank. The model analyzes how the level of financial development affects the way credit spreads, and therefore the volume of credit and output, react to monetary policy actions. We show that in countries where financial markets are poorly developed, lending rates may react in an asymmetric manner to monetary expansions and contractions; i.e. monetary contractions generate a larger impact on credit than expansions. Other implications of the model are in line with those in the literature. Cross-country empirical evidence for this asymmetry is obtained from a large panel dataset.

Miscellaneous

Antonio Argandoña

Chaired the commission that prepared the report "Informe de la Comissió encarregada d'identificar i proposar mesures correctores del diferencial d'inflació de Catalunya. Conclusions i recomanacions", in the book "La inflació a Catalunya. Anàlisi de les causes i recomanacions per a l'acció de govern", published by Generalitat de Catalunya, May 2006, pages 31-48.

José M. Campa

On May 16, in Frankfurt, attended the Conference on Corporate Finance and Monetary Policy, organized by the European Central Bank, where he took part in the closing roundtable on "Current issues and new developments in corporate finance in the euro area".

Bruno Cassiman

On May 12-13, attended, in St. Louis, the Second Annual Foundations of Business Strategy Conference, organized by the Olin Business School, Washington University St. Louis, where he was discussant of the paper "Absorptive capacity and innovation: Evidence from pharmaceutical and biotechnology firms" by Kira Fabrizio (Emory University Goizueta School of Business).

Johanna Mair

On May 12-14, attended, in Philadelphia, the Strategy Research Forum (SFR) 2006, organized by RH Smith School of Business, where she was chair and discussant of the paper "Designing contracts that help develop inter-firm relationships: The use of extendibility provisions in information technology contracts" by Kyle Mayer and Libby Weber.

Abstract: Although most contracting studies focus on safeguards, we evaluate a clause that serves as more than just a safeguard: extendibility. Extendibility provisions can provide the means to continue the working relationship after the initial task is

completed, at a lower cost than negotiating an entirely new contract. We examine extendibility using a sample of 388 contracts from the information technology services industry. We find that more prior interaction, the existence of knowledge spillovers, geographic proximity between the firms, and the use of a time and materials contract lead to a greater likelihood of observing an extendibility provision, while the supplier's capabilities have no effect. These results suggest that managers use contracts strategically to manage inter-firm relationships and not just as enforcement mechanisms.

Philip Moscoso

On May 24-26, attended, in Madrid, the II Annual Conference on "The Art and Science of Service: Managerial Research Issues in Services", organized by Bentley College and Instituto de Empresa, for which he was a member of the scientific committee and where he participated in the roundtable "How can global companies ensure a consistent level of service quality across various cultures and national borders?"

Book reviews

José R. Pin

Reviewed the book "Resultados extraordinarios", by R. Ortega Llavador, ESIC, 2005, *Capital Humano*, No 199, May 2006, pages 44-46.

Abstract: Entre otras cosas, se resalta que para entrar en conexión con el auditorio no es bueno definirse demasiado pronto. En los mensajes de alto impacto las personas esperan recibir información relevante antes de treinta segundos. Para que una comunicación tenga alto impacto no pueden dispersarse los mensajes. Es mejor un solo objetivo (real o manifestado).

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

Vicarsa (A): What Went Wrong with the Sale
(ASN-36-E - 0.306.009)

A sales representative sees what could have been an important contract running the risk of being cancelled due to the rush to try to close a related sale. The analysis of the sales process and the identification of the mistakes made provide the basis for proposing



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a solution. The information available is limited, and this should be taken into account during the discussion.
(Also available in Spanish.)

Torres O.; Palencia L.; 7 pages.

Vicarsa (B): What Went Wrong with the Sale

(ASN-37-E - 0.306.010)

Part (B) of this case provides information not previously available in Part (A), offering the chance to reflect on the caution needed in solving problems with incomplete information.
(Also available in Spanish.)

Torres O.; Palencia L.; 1 page.

Think for Yourself

(ASNN-7-E - 0.305.021)

The complexity and discretionary nature of management decisions requires leaving aside preconceived mental schemas and, using their strong points, generating one's own window on the world for non-technical or highly uncertain questions.
(Also available in Spanish.)

Fraguas R.; Palencia L.; Rosenberg M.; Vázquez-Dodero J.C.; Weber E.; 8 pages.

You are not a technician

(ASNN-8-E - 0.305.022)

Managers take decisions whose contents are the everyday work of the people they manage. By their very nature, managers deal with their subordinates' liberty; their decisions must therefore be prudential.
(Also available in Spanish.)

Fraguas R.; Palencia L.; Rosenberg M.; Vázquez-Dodero J.C.; Weber E.; 7 pages.

Entrepreneurship

Kubi Wireless (B)

(E-87-E - 0.605.034)

July 15, 2005 was a red-letter day in the short history of Kubi Wireless. The WiFi service at Madrid Barajas and Barcelona El Prat airports had finally been launched. It was a big victory for Kubi, and the management team had reason to be satisfied. It was the culmination of four years of hard work and perseverance. Revenues had grown at a fair clip over the previous year, and profitability was even closer with the service launch at the airports.

Kubi had achieved a tremendous amount in its four years of existence. It had correctly focused on business travelers, building a network of hotspots along their work-based travel routes. This focus was reinforced with products, pricing and user experience tailored to their needs. It pioneered the demand for hotspot services in Spain, focusing on quality of service to the hotspot owners and the end-user. Kubi had successfully raised capital during a phase in the industry in which accessing seed and early stage capital had been very complicated, and it seemed to have got the timing just right to make the most of the hotspot access market. In spite of achieving so much in so little time, the company was still burning cash, although at a much lower rate. Reaching breakeven was the management team's number one priority. With that in mind, the immediate challenges facing the company were to close remaining national and international wholesale agreements, ensure the promotion of the service by all the "WiFi Ecosystem" players, particularly the big telecommunications operators, promote national roaming and complete its network with the few remaining "strategic" hotspots.
(Also available in Spanish.)

Fité R. M.; Ghosh A.; Nueno P.; 16 pages.

Windward Investment Management Inc.

(E-90-E - 0.606.016)

The case describes the integration of two small entrepreneurial private banking services companies. Issues such as growing alone, compensation and career development are presented. The facts described in the case take place in Boston area, in the US, in 2005.
(Also available in Spanish.)

Loosens R.; Nueno P.; 28 pages.

Aqueduct Medical

(E-92-E - 0.606.025)

Aqueduct is a start-up that designs and manufactures a medical device to apply cold temperature after esthetic or traumatic surgery. Two MBAs from MIT and IESE and the team they put together are going through the initial steps of the venture through medical trials. In parallel they need to raise capital for the company. Different funding alternatives are assessed. The location of Aqueduct Medical is San Francisco and the venture is addressed primarily to the US market.
(Also available in Spanish.)

Rodríguez A.; Nueno P.; 22 pages.

Vivace Logistica S.A. (II): Preparing Orders à la Carte

(E-95-E - 0.606.028)

Two businessmen have founded a logistics company with innovative services that allows them to offer their clients added

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value. The company has grown fast, forcing them to take on new investments more quickly than they had foreseen, in order to absorb the growing demand. Despite not having funds available, the businessmen are able to pull it off.

(Also available in Spanish.)

Fité R. M.; Nueno P.; 17 pages.

Don't Begin Your Business Plan Project Without Addressing These Issues!

(EN-8-E - 0.605.010)

The note discusses important management team issues that should be sorted out when starting a new venture.

Johnson R.; 6 pages.

Financial Management

Valoraciones de una empresa de tecnología de telecomunicaciones en un proceso de arbitraje

(F-750 - 0.203.031)

Este caso presenta tres valoraciones de una empresa de tecnología de telecomunicaciones en el marco de un proceso de arbitraje. El caso permite discutir las diferencias entre los métodos utilizados en las tres valoraciones (múltiplos y descuento de flujos) y las diferencias entre los resultados (12,6 millones, 1,35 millones y 2,4 millones de euros). El caso incluye un resumen de la sentencia de la corte de arbitraje.

Fernández P.; 11 pages.

Tales of a Trader

(F-785-E - 0.205.026)

This case is an introduction to the money markets from the viewpoint of a bank trader. It gives the opportunity to discuss the characteristics of the overnight market and the swap market, and instruments such as certificates of deposit and repurchase agreements. The case also introduces well-known trading techniques such as interest carry trading.

Trauffer P.; Santomá J.; 14 pages.

Diagonal Mar (B)

(F-787 - 0.205.038)

Tres años después de haber tomado la decisión de adquirir el terreno para la promoción del complejo Diagonal Mar de

Barcelona [véase caso (A)], la filial española de la multinacional Hines se plantea diversas opciones para el desarrollo del proyecto. Este es de tal envergadura que ni una organización como Hines puede financiar toda la inversión. Alternativas: Asociarse con otros promotores, vender enteras determinadas fases del proyecto para financiar otras, etc. Están también presentes consideraciones de tipo urbanístico, social, relaciones con las diversas Administraciones públicas, etc.

Mendicute J.; Ramos M.A.; Faus J.; 17 pages.

General Management

The Agnellis and the Fiat Group: The Story of a Family Empire (A)

(DG-1475-E - 0.305.029)

These cases sum up the most important events and turning points in the history of Fiat, one of the largest companies in Italy, and addresses the issues the Agnellis faced in order to maintain control of the company despite financial crises and tragic family events. In particular, they can be used to reflect on the typical issues faced by family-owned businesses, such as how to manage succession (in Fiat, there are now representatives of the fifth generation sitting on the board of directors); succession planning; how to control and manage conflict among family members; how to avoid dilution of ownership and loss of control even in periods of financial hardship; and how to regain effective control from CEOs and management teams that do not belong to the family.

(Also available in Spanish.)

Toninato F.; Tàpies J.; 15 pages.

The Agnellis and the Fiat Group: The Story of a Family Empire (B)

(DG-1476-E - 0.305.030)

Supplements the (A) case.

(Also available in Spanish.)

Toninato F.; Tàpies J.; 13 pages.

The Agnellis and the Fiat Group: The Story of a Family Empire (C)

(DG-1477-E - 0.305.031)

Supplements the (A) case.

(Also available in Spanish.)

Toninato F.; Tàpies J.; 10 pages.



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The Agnellis and the Fiat Group: The Story of a Family Empire - Teaching Note

(DGT-39-E - 5-305-032)

Cases DG-1475-E, DG-1476-E, DG-1477-E.

Use is restricted to Academic Institutions.

(Also available in Spanish.)

Toninato F.; Tàpies J.; 11 pages.

Strategic Alliances: An Option to Enable Corporate Growth

(DGN-648-E - 0.306.014)

This technical note presents strategic alliances as a growth option for family businesses. It discusses the advantages and disadvantages of alliances and the most important points to consider at the various stages of the life of an alliance. Together with general considerations applicable to alliances involving any kind of company, it addresses specific issues concerning family businesses in particular.

(Also available in Spanish.)

Ariño A.; 37 pages.

Changing the Role of the General Manager. An Evolutionary Perspective

(DGN-650-E - 0.306.017)

We are constantly bombarded with news stories about managerial excellence and ineptitude, executives saving or destroying companies, or shareholders calling for the replacement of chief executives with new talent capable of turning the firm around. As Mintzberg said, "No job is more vital to our society than that of the manager. It is the manager who determines whether our social institutions serve us well or whether they squander our talents and resources". Companies are fundamentally different because of choices made by general managers acting on the basis of their individual, idiosyncratic experience, knowledge and values. In the last few decades, however, despite this recognition of general managers' influence on firm performance, managerial practice has reflected a lack of consensus on what are the key managerial functions that add value to the organization. It is the goal of this technical note to study what should be the role of the general manager today.

Pastoriza D.; Ricart J.E.; 11 pages.

Information Systems

Unión Fenosa Corporate University: Teaching and Learning from Experience

(SI-146-E - 0.104.027)

This case describes the creation of a corporate university at Unión Fenosa, a Spanish utility company, in a way that is consistent with

the company's intellectual capital model and its commitment to knowledge and training. The company has successfully transformed itself from a regional utility into a multinational energy business. In the process, the workforce has tripled, while the number of employees engaged in the original business activities has halved. Also, a corporate university has been created, which has made a very positive contribution to Unión Fenosa's success. The challenge it now faces is how to sustain the company's growth without deviating from its main goals –sharing and learning from the experience of every employee in the firm.

Grau A.; Lara E.; Andreu R.; Sieber S.; 36 pages.

Unión Fenosa Corporate University: Teaching and Learning from Experience - Teaching Note

(SIT-7-E - 5.104.028)

Case SI-146-E.

Use is restricted to Academic Institutions.

Andreu R.; Sieber S.; 12 pages.

Fixing the Payment System at Alvalade XXI

(SI-153-E - 0.106.007)

This case outlines the situation at the Alvalade XXI football stadium in Lisbon, with the planned introduction of an electronic payment system in the restaurant concessions. The system is based on networked technology to avoid the use of cash payment in any of the stadium's facilities.

(Also available in Spanish.)

O'Callaghan R.; 19 pages.

The Apple ROKR: Fusing the Music and Wireless Industries

(SI-156-E - 0.106.014)

Telefónica Móviles, S.A. is deciding whether to subsidize the purchase of ROKR, a hybrid "telephone-iPod" which can be used as a phone and also as a music player, for listening to music previously downloaded from a computer. The case describes the structure of the music industry and the revolution brought about by music exchange systems. It also provides material for the study of the effects of digitalization on the structure of the music sector.

(Also available in Spanish.)

Comín M.; Sieber S.; Valor J.; 23 pages.

The Media Industry

(SIN-42-E - 0.101.058)

The technical note explains the changes that are taking place in the media environment. The note, which is divided into 3 chapters,

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gives first a brief introduction to the Media industry. Secondly, it gives examples of technological changes affecting the industry, such as the Internet, different types of broadband technology (cable, DSL, satellite, MMDS & LMDS, mobile broadband, fiber optics etc.), streaming technology and interactive TV. Finally, an example is given of a traditional media company, Bertelsmann AG, and how the Internet revolution is affecting each of its business units.

Sigurdardottir S.; Ricart J.E.; Sieber S.; 20 pages.

e-Learning: Introducción a los sistemas de información (SIN-45 - 0.103.010)

Como consecuencia de la creciente importancia del conocimiento, el aprendizaje y la formación, así como las crecientes posibilidades de las nuevas tecnologías de información y comunicación, se ha producido un espectacular auge de iniciativas de *e-Learning*. Sin embargo, la novedad del fenómeno impide que existan pautas o reglas metodológicas que puedan guiar proyectos de *e-Learning* con firmeza. Por tanto, la mayoría de los proyectos que existen en la actualidad son pioneros en este campo. Ante la posibilidad de desarrollar un proyecto propio de *e-Learning* en el IESE, que consiste en una sesión introductoria previa a impartir las clases presenciales de un curso de sistemas de información, se ha analizado el proceso metodológico que se lleva a cabo, con el objetivo de conseguir un marco de guía para proyectos futuros.

Cáliz C.; Sieber S.; 9 pages.

Managing People in Organizations

Trust In Boss-Subordinate Relationships (DPON-12-E - 0.404.022)

This note explains how trust between bosses and subordinates is gained and lost. It analyzes the personal factors and key forms of behavior that result in trust. It also explains the impact of trust on bosses' power and authority.
(Also available in Spanish.)

Eloa A.; Cardona P.; 12 pages.

The Non-verbal Aspects of Speeches (DPON-36-E - 0.406.012)

Studies have found that people who communicate non-verbally through active movement tend to be rated as warm, more casual, agreeable and energetic, while those who remain still are seen as logical, cold and analytic. Our audience's interpretation of our non-verbal communication is not only very important but also the largest element of the communication process. Non-verbal communication is all forms of communication other than by the

use of words. Jules Rose wrote, "The exact words you use are far less important than the energy, intensity and conviction with which you use them".

Leggett B.; 9 pages.

Audience-Building for Speeches (DPON-37-E - 0.406.014)

Classical rhetoric tells us that we can partly construct our audiences before we get to our feet. Seldom is there a situation when we know absolutely nothing about them. We can do this through the way we select and deploy our arguments and the emotional environment we create in order to meet their needs. However, where an issue and its solution are common to the whole audience, we don't have a problem of audience building. On the other hand, where our audience is likely to be divided, opposed, or simply undecided, reaching them is more complicated. This is what this note is about.

Leggett B.; 13 pages.

Marketing

Santander-Serfin: Revitalizing the Payment Systems Business (M-1190-E - 0.506.001)

In June 2001, Ramón Tellaeche, director of products and marketing at Banco Santander Serfin in Mexico, was considering what marketing strategy the payment systems division should adopt over the next few months in order to meet its ambitious sales targets. The goal set by Marcial Portela, general manager of Grupo Santander's Americas Division, was to double the bank's credit card market share in a year and a half and acquire 250,000 new customers by year-end. The management team thought this goal could only be achieved by developing a price-positioned product, with an interest rate 40% below that of other banks' cards. However, the results of product concept testing showed a low level of interest in the product, due to skepticism among potential customers, who suspected that the low interest rates would not last long. Tellaeche and his team had to decide whether or not to launch the product, and if so, how to launch it in such a way as to minimize responses from the competition.
(Also available in Spanish.)

Díez J.; Nueno J.L.; Villanueva J.; 17 pages.

The anatomy of diffusion (MN-349-E - 0.505.017)

This note introduces the theory of innovation diffusion, using a range of diffusion curves to illustrate the dynamics. The case explains how these forms (and consequently the speed of



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diffusion) depend on product-related factors (relative advantage, compatibility, complexity, ease of trying out the product, observability and risk) and word-of-mouth from innovators to imitators. By explaining how these factors affect the speed of diffusion and using examples of how other companies have managed this situation, this note is intended to establish a predisposition to diffusion management in managers' minds, particularly in the early phases of a product's life cycle. (Also available in Spanish.)

Sánchez H.; Nueno J.L.; Villanueva J.; 12 pages.

Crisis del deudor y su insolvencia. El concurso (MN-351 - 0.505.018)

Descripción pormenorizada de la crisis del deudor y del procedimiento concursal, con reflexiones de orden práctico sobre la aplicación de sus puntos más críticos.

Roig T.; Morera E.; Segarra J.A.; 28 pages.

Production, Technology and Operations Management

Petróleos del Mediterráneo, S. A.: Systems Department (P-1074-E - 0.606.015)

This case presents the situation in the information systems department of a small gasoline supply company, which receives a large number of requests for projects and has a hard time prioritizing, planning and controlling them. The departmental manager decides to create a projects office to help him manage the project flows and put the department in order. The case offers a snapshot of the department's situation, with the list of outstanding projects, which can be used to quantify and evaluate the problem. This case can be used in the part of the operations course devoted to projects, both aggregate planning and organization, and specifically to analyze the role of a projects office. (Also available in Spanish.)

Ribera J.; 6 pages.

The IESE Beer Game – Exercise (PE-65-E - 0.606.034)

The production-distribution game (or "beer game") has been used in management education since the late 1960s. It is a role-playing game in which participants (individually or in teams) have to minimize costs by managing orders in a production-distribution chain that includes a brewery and several distribution levels. (Also available in Spanish.)

Martínez de Albéniz V.; 7 pages.

Occasional Papers

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

OP-06/9 - May 2006

Pablo Fernández - José M. Campa

UNA VALORACION DE ENDESA EN ENERO DE 2006

Abstract: Este documento es una recolección de tres artículos publicados por los autores en la prensa económica nacional en los meses de enero y febrero de 2006 sobre el valor de las acciones de Endesa.

El 6 de enero de 2006, cuando la cotización de Endesa era de 21,95 euros, publicamos en *Expansión* un artículo titulado "Endesa y sus accionistas", en el que sosteníamos que una valoración conservadora de la acción de Endesa era 28 euros. En el artículo titulado "Una valoración de Endesa", publicado por *Gaceta de los Negocios* el 18 de enero de 2006, detallamos cómo llegamos a dicha cifra. Tras la OPA de E.ON por 27,5 euros del 21 de febrero, el diario *Expansión* reprodujo el 22 de febrero el artículo del 6 de febrero, porque según el director del periódico, "apuntaba algunas de las grandes claves de la OPA".

Tras la oferta de E.ON, publicamos el 28 de febrero de 2006, en *Cinco Días*, el artículo titulado "Las OPAs sobre Endesa".

OP-06/10 - May 2006

Nicolás Muñoz - Brian Subirana - Lluís G. Renart

RFID IN JUNE 2005: A FUNDAMENTAL INNOVATION FOR THE RETAIL INDUSTRY

Abstract: In 2005, Radio Frequency Identification (RFID) was quite new in the way it could be applied massively to supply chains. RFID is based on a small computer chip, no bigger than a grain of sand, with an antenna, called an "RFID tag" or "smart chip". The chip stores a number sequence somewhat similar to a barcode. The numerical code is read by a special reader that "wakes up the tag" without being in the line of sight. The reader is connected to a database that decrypts the number and categorizes the smart chip accordingly. The system then provides information on product-specific properties such as manufacturer, price, weight, best-before date or any other relevant data that has been recorded on the chip. The smart chip goes beyond traditional barcodes by adding the possibility of individually encoding each product unit with specific attributes.

A number of clear benefits of this technology emerged automatically. With the smart chip different stakeholders could control the path of the goods from production to store shelves. This capacity could make the vision of a perfectly demand-driven supply chain a reality. RFID could also provide better quality assurance in logistics operations; efficient warehouse management; and faster and more accurate inventory control. RFID could offer consumers comprehensive service information on



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product characteristics or accelerate checkouts for a more convenient shopping experience. If smart chips could be implemented at item level, they would open up an amazing variety of possibilities for customization of the shopping experience while improving retailers' processes.

OP-06/11 - May 2006

Josep M. Rosanas

INDICADORES DE GESTION, INCENTIVOS, MOTIVACION Y ETICA EN EL CONTROL DE GESTION

Abstract: Los escándalos recientes en el mundo de los negocios han tenido un efecto desfavorable en la confianza de las personas y las instituciones hacia las empresas en general y a la forma en que son dirigidas. En muchos países se ha elaborado legislación adicional, con controles más estrictos, que se supone mejorarán el futuro. Este trabajo argumenta que es difícil que así sea si no se cambian otras cosas que tienen que ver no tanto con el gobierno de las empresas al nivel del consejo de administración como con el sistema de control diario que evalúa las personas y les da premios y castigos. Los sistemas actuales, que han puesto mucho énfasis en incentivos monetarios elevados, son una de las raíces del problema. Lo que realmente se necesita es un cambio de mentalidad por parte de los directivos y de los académicos, que ponga más énfasis en la cooperación entre las personas que en los modelos basados en variables económicas únicamente.

OP-06/12 - June 2006

Kimio Kase - Sandalio Gómez - Ignacio Urrutia - Magdalena Opazo - Carlos Martí

REAL MADRID CF - FC BARCELONA: ANALISIS DE LAS ESTRATEGIAS ECONOMICA Y DEPORTIVA DEL PERIODO 2000-2006

Abstract: En el período 2000-2006, el Real Madrid CF y el FC Barcelona han desarrollado estrategias distintas con resultados dispares. El primero, después de unos años triunfales en el plano deportivo, no ha conseguido en los tres últimos años triunfo deportivo alguno, pero ha sido reconocido como el club de fútbol más rico del mundo. Por lo que respecta al FC Barcelona, después de un inicio algo desconcertante, ha sido capaz de ganar en las dos últimas temporadas una UEFA Champions League y el Campeonato nacional de Liga dos años consecutivos, al tiempo que debe enfrentarse a una situación económica delicada.

El análisis de las estrategias del Real Madrid CF y el FC Barcelona en el período señalado, así como de los resultados obtenidos en términos deportivos y económicos, permite profundizar en las diversas formas en que una entidad deportiva puede obtener éxito y en qué términos se puede medir esto.

El presente trabajo trata de responder a las siguientes preguntas: ¿Qué tipo de estrategias han seguido el Real Madrid CF y el FC Barcelona para conseguir invertir los éxitos de uno y otro tan sólo en unos años? ¿Qué variables permiten explicar esta diferencia? ¿Existen acaso diferencias en sus estrategias empresarial y deportiva? Al final se presenta una matriz que permite analizar y poner en relación la estrategia económica-empresarial y la deportiva para los clubes deportivos.

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