



University of Navarra

Newsletter Research Division

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Journals

Antonio Argandoña

"Economic ethics and institutional change",
Journal of Business Ethics, Vol. 53, No 1-2,
August 2004, pages 191-201.

Abstract: Our economic system, the market economy, is a part of a broader system or "society". We frequently study the operation of the market economy as if it were autonomous, even though there are many complex and mutual relationships between society, the economic system and the other systems –political, cultural, religious, legal, etc.– that form part of society.

In a market economy we may identify several components: a frame or background in which the economic activity takes place; a set of ideas and theories; the values shared by this society; the set of institutions, norms and rules that control the economic behavior of people; and the incentives or motivations of the economic agents. The play of these elements defines the operation of a market economy.

Is ethics an institution, or does it belong to the set of values and ideas? In this paper I discuss the role of institutions, norms and rules in society, with special reference to the economic system, in order to gain insight into the relationship between institutions and ethics. I study, first, the concept and features of social institutions and norms; second, institutional change; and third, the relationship between ethics and institutions.

Pablo Fernández

"How to value a seasonal company by discounted cash flows", *ICFAI Journal of Applied Finance*, May 2004.

Abstract: The correct way to value seasonal companies by discounted cash flows is to use monthly data. It is possible to use annual data, but some adjustments are required. When using annual data in the context of the adjusted present value, the calculations of the value of the unlevered equity and the value of the tax shields must be adjusted. We derive the adjustments to be made. Errors due to using annual data without making the necessary adjustments are big. Adjusting merely by using average debt and average working capital requirements does not provide a good approximation. When inventories are a liquid commodity such as grain or seeds, it is not correct to consider all of them as working capital requirements. Excess inventories financed with debt are equivalent to a set of futures contracts. We show that not considering them as such leads us to undervalue the company. This paper includes a valuation of a company in which the seasonality is due to purchases of raw materials: The company buys and pays for all raw materials in December. We show that the equity value calculated using annual data without making the necessary adjustments understates the true value by 45% if the valuation is done in December, and overstates the true value by 38% if the valuation is done in November. The error due to adjusting only by using average debt and average working capital requirements ranges from 17.9 to 8.5%.



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"Valuation of brands and intellectual capital", *ICFAI Journal of Management Research*, Vol. 3, No 5, May 2004, pages 17-37.

Abstract: In this paper, we revise several methods used for valuing brands. Among them, those of Interbrand, Damodaran, Financial World, Houlihan Valuation Advisors, Market Facts, Young & Rubicam, and CDB Research & Consulting.

In particular, we analyze in depth the valuations of Kellogg's and Coca-Cola performed by Damodaran and the method proposed by Interbrand. Damodaran valued the Coca-Cola brand at 24.6 billion dollars in 1993 and at 102.6 billion dollars in 1998.

In recent years, a lot has been said about the value of companies' intellectual capital. However, almost all of the studies on the subject are highly descriptive and a long way from obtaining a quantitative valuation. It is by no means clear what the company's intellectual capital is, and even less so if we wish to value the company's brand and intellectual capital separately.

Our goal is to show the limitations of a number of the methods proposed for valuing brands and intellectual capital and, within the limits imposed by the brand's intrinsic reality, establish guidelines for value creation through the study of brands and intellectual capital. We also propose a scheme for identifying brand value drivers, that is, the parameters influencing the brand's value.

"The value of tax shields is NOT equal to the present value of tax shields", *Journal of Financial Economics*, Vol. 73, No 1, July 2004, pages 145-165.

Abstract: The value of tax shields is the difference between the present values of two different cash flows, each with their own risk: the present value of taxes for the unlevered company and the present value of taxes for the levered company. For constant growth companies, the value of tax shields in a world with no leverage cost is the present value of the debt, times the tax rate, times the unlevered cost of equity, discounted at the unlevered cost of equity. This result arises as the difference of two present values and does not mean that the appropriate discount for tax shields is the unlevered cost of equity.

Elisabet Garriga - Domènec Melé

"Corporate social responsibility theories: Mapping the territory", *Journal of Business Ethics*, Vol. 53, No 1-2, August 2004, pages 51-71.

Abstract: The Corporate Social Responsibility (CSR) field presents not only a landscape of theories but also a proliferation of approaches, making it controversial, complex and unclear. This article tries to clarify the situation, "mapping the territory" by classifying the main CSR theories and related approaches in four groups: 1) instrumental theories, in which the corporation is seen as merely an instrument for wealth creation, and its social activities are simply a means to achieve economic results; 2) political theories, which concern themselves with the power of

corporations in society and a responsible use of this power in the political arena; 3) integrative theories, in which the corporation is focused on the satisfaction of social demands; and 4) ethical theories, based on ethical responsibilities of corporations to society. In practice, each CSR theory presents four dimensions related to profits, political performance, social demands and ethical values. The findings suggest the need to develop a new theory of the business-society relationship to integrate these four dimensions.

Javier Gómez

"Structural changes in volatility and stock market development: Evidence for Spain", *Journal of Banking & Finance*, Vol. 28, No 7, July 2004, pages 1745-1773, co-authors Juncal Cuñado and Fernando Pérez de Gracia.

Abstract: In this paper we review the factors that lead to changes in stock market volatility and use alternative methodologies of endogenous breakpoint detection to analyze whether the volatility of the Spanish stock market has changed significantly over the period 1941-2001. This period corresponds to years of profound development of both the financial and the productive sides of the economy in this country. The analysis of the Spanish stock market suggests that the behavior of volatility has changed over the period 1941-2001: After three decades of low volatility, a structural break in volatility is detected in 1972, coinciding with the opening of the Spanish economy. From 1972 to 2001, years of intense financial development, the stock market presents a higher level of volatility and lower persistence. This effect is partly attributable to the rapid growth in trading volume that came with economic development.

"Stock market cycles and stock market development in Spain", *Spanish Economic Review*, Vol. 6, No 2, July 2004, pages 127-151, co-author Fernando Pérez de Gracia.

Abstract: In this paper we use Spanish stock market data to identify the bull and bear phases of the market and to analyze market characteristics during the period 1941-2002. We compare these characteristics with those of the US and two other European countries (Germany and the UK). Our sample is divided in two subperiods in order to account for differences induced by the process of development undergone by Spanish capital markets in the late 1980s and early 1990s. We find that the Spanish stock market has become increasingly similar to those of the more developed countries, although some differences still persist. Additionally, we show that concordance of the Spanish stock market with other developed markets has increased quite significantly.



Books

Sandalio Gómez

"La retribución y la carrera profesional: Teoría y práctica", EUNSA, 2004, 195 pages.

Abstract: Este libro facilita las claves para que la empresa pueda definir un sistema de retribución ligado a la carrera profesional, en el que la persona conoce las reglas de juego y encuentra la motivación que le permite avanzar en su desarrollo personal y profesional. Por esta razón, la transparencia de los sistemas es el primer paso para gestionar la retribución con justicia (tanto conmutativa como distributiva) y para transmitir e impulsar los valores de la empresa a toda la plantilla.

También se presentan y analizan los distintos conceptos que, teniendo en cuenta las tres dimensiones que intervienen en el sistema de retribución (material, profesional y de los valores), soporta la retribución fija, la variable y la evaluación de las personas.

Por último, se analizan tres casos reales a través de los cuales se comprueba cómo se puede llevar a la práctica.

Jorge Soley - Ahmad Rahnema

"Basilea II: Una nueva forma de relación banca-empresa", McGraw-Hill Internacional, 304 pages.

Abstract: Se estudia y comenta el nuevo Acuerdo de Capitales, conocido como Basilea II, que desarrolla las Normas Prudenciales de 1988, o Basilea I. Se trata de conseguir que las entidades crediticias, en el ámbito mundial, operen de acuerdo a los riesgos que se asumen.

El libro se centra en la gestión y estrategia de las entidades bancarias y en los métodos y efectos de la evaluación crediticia considerando la probabilidad de impago del prestatario. Asimismo, se presentan ejemplos prácticos de cómo efectúa la entidad crediticia sus cálculos y le ofrece una guía de cómo tiene que gestionar su estrategia empresarial, financiera y contable.

La empresa se encuentra, pues, ante dos procesos paralelos: la armonización contable y su evaluación crediticia, con una fecha de aplicación, en la mayoría de los casos, en 2008. Ante esta realidad, el empresario deberá adecuar sus procesos internos y sus modos de actuación con el sistema financiero y económico en general a unas normas de actuación mucho más "sensibles" que en la actualidad.

El Grupo **i** ha publicado el libro "El mercado de vivienda vacacional: situación actual y perspectivas", edición dirigida por **José L. Suárez**, *Grupo Planner*, June 2004, 357 pages.

Abstract: Dicho estudio define un marco conceptual: la vivienda vacacional más allá del concepto de segunda residencia. Además,

define un marco geográfico, la zona VIVE, compuesta por los municipios de la costa mediterránea y las islas. A partir de estas definiciones se analiza la evolución del mercado de vivienda vacacional en los últimos años y se hace una previsión de la futura demanda de viviendas. También se analizan mediante diversas encuestas la opinión y preferencias del comprador extranjero, así como del comprador nacional, contrastándolo con la opinión de las principales empresas promotoras de España.

Contributions to books

Javier Quintanilla - Lourdes Susaeta - Luis López

"Personalmanagement amerikanischer MNU in spanischen Tochtergesellschaften: vorläufige Ergebnisse der Fallstudien", in the book "Personalpolitik amerikanischer Unternehmen in Europa", edited by Hartmut Wächter and René Peters, Rainer Hampp Verlag, München und Mering, 2004, pages 129-152.

Abstract: This chapter presents the preliminary findings of an empirical study, based in several case studies, exploring the reasons that have led US MNCs to transfer their HRM practices to their Spanish subsidiaries. Special attention is given to the current debate in the literature regarding the tensions between global convergence versus national diversity of organizational forms and practices.

First, we analyze the features of the Spanish and US businesses systems, as the institutional frameworks which influence this process of transference. The specific and distinctive characteristics of the US business system, and the opportunities and barriers presented by the business system of Spain as a destination country, are highlighted. Second, mechanisms of coordination and control, corporate culture, and prevailing HRM practices are examined. In conclusion, the authors observe a tendency toward homogenization of organizational forms and practices as a consequence of US MNCs' centralizing stance.

Martin McKee - Magda Rosenmöller - Laura MacLehose - Monica Zajac

"The process of enlargement", in the book "Health policy and European Union Enlargement", edited by Martin McKee, Laura MacLehose and Ellen Nolte, Open University Press, New York, 2004, pages 6-23.

Abstract: The chapter describes the transition of the countries in central eastern Europe, their preparation for accession to the European Union in health related fields, and the challenges related to health services and European law which added to the complexity of the health enlargement process. The chapter describes the multi- and bilateral arrangements to facilitate transition and accession, and reproduces views and expectations of health policy makers in the new EU Member States.



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Sandra Sieber - Josep Valor

"Competitive dynamics of general portals", in the book "Web portals: The new gateways to Internet information and services", edited by Arthur Tatnall, *Idea Group Publishing*, pages 64-79.

Abstract: The arrival of the Internet offers opportunities for both incremental efficiency gains and complete industry redefinition by presenting new value propositions and hence leading to the emergence of new businesses and industries. One particular case is that of the general portal industry, portals being consistently the most visited sites on the Web. Nevertheless, despite the ongoing concentration of the market, overall profitability remains low. In this paper we argue that, although the industry has great potential for value creation, value appropriation in information-based businesses remains problematic. Interest in this industry is huge, however, and understandably so, if one analyzes the industry within its online value network. As we show, horizontal portals are a critical link in this network, as they are both a way of organizing content, which seems to be the king of the future, and a way of capturing and channeling traffic from Internet Service Providers. All the same, they still have a number of hurdles to overcome before they can capture the value they generate and become profitable.

IESE - Working Papers

NOTE: Working papers may be consulted on the Internet at <http://wwwfm.iese.edu/research/rp.html>

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Pablo Fernández

SHAREHOLDER VALUE CREATION OF MICROSOFT AND GE

Abstract: In this paper, we define and analyze shareholder value creation. To help us understand this concept better, we use the example of two listed companies, General Electric and Microsoft, between 1992 and 2003.

To obtain the created shareholder value, we first define the increase of equity market value, shareholder value added, shareholder return, and required return to equity.

A company creates value for shareholders when the shareholder return exceeds the required return to equity (Ke). In other words, a company creates value when it outperforms expectations.

Created shareholder value is quantified as follows: Created shareholder value = Equity market value x (Shareholder return - Ke)
Created shareholder value can also be calculated as follows: Created shareholder value = Shareholder value added - (Equity market value x Ke).

We also calculate the created shareholder value of 400 American companies during the eleven-year period 1992-2003.

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Pablo Fernández

MOST COMMON ERRORS IN COMPANY VALUATION

Abstract: This paper contains a collection and a classification of the 12 most common errors seen in company valuations performed by financial analysts, investment banks and financial consultants. The author had access to most of the valuations referred to in this paper when consulting in company acquisitions, sales and mergers, and in arbitrage processes. Some of the errors are from public reports by financial analysts.

Other publications

Pablo Fernández

"La creación de valor para los accionistas en empresas cotizadas", *Finanzas y Contabilidad Harvard-Deusto*, No 59, May-June 2004, pages 64-72.

Abstract: En este artículo se define y analiza la creación de valor para los accionistas. Para entender mejor este concepto, se utiliza el ejemplo de Telefónica.

Entre diciembre de 1991 y diciembre de 2003, el aumento de la capitalización de Telefónica fue de 50.834 millones de euros; el aumento del valor para los accionistas, 32.580 millones de euros, y la creación de valor para los accionistas, 8.117 millones de euros (expresado en euros de 2003).

También se muestra que el ROE (el beneficio del año dividido entre el valor contable de las acciones) no es la rentabilidad para los accionistas.

Johanna Mair - Ernesto Noboa

"A new kind of company", *Strategy+Business*, No 35, summer 2004, pages 138-139.

Abstract: Recent dynamics in the social and economic environment have facilitated the emergence of new, hybrid organizational forms, a phenomenon that frequently has been associated with the blurring of boundaries among the for-profit, public and nonprofit sectors. Focusing on social enterprises, a particular type of hybrid organizations emerging in the nonprofit sector, this paper suggests that the appearance of hybrid organizational forms triggers behavioral changes at the micro- or organizational- level, but hardly affects sector boundaries. The paper offers a fresh conceptualization of social enterprises, and furthermore presents an original way to classify traditional and new organizational forms according to economic, public and social authority. The new organizational landscape is illustrated.

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Francisco J. Landa - Manuel Velilla - Nuria Chinchilla (et al.)
"El poder del trabajo", *Empresa & Humanidades*, 2004, 113 pages.

Abstract: El trabajo tiene un poder transformador. Transforma la realidad, la sociedad y la personalidad. El trabajo sólo tiene sentido si nos transforma en personas mejores y nos permite generar recursos y beneficios para la empresa.

Trabajamos para crecer. Pero el trabajo que hace crecer es sólo el trabajo bien hecho. Por eso no es deseable ni viable una empresa si los que trabajan no mejoran en ella, porque trabajo bien hecho y crecimiento (empresarial y personal) van de la mano. De ahí, que entender el sentido de la vida es entender el trabajo: si no se trabaja para ser mejores, la vida no tiene sentido. Podemos medir la eficacia y el valor de las empresas por el grado de madurez que alcanzan los que trabajan en ellas.

Conferences and Seminars

Africa Ariño

On August 6-11, attended, in New Orleans, the *Academy of Management Annual Conference*, where she presented the paper "Entrepreneurial alliances as contractual forms".

Abstract: Building on 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, on average, contracts tend to be no more nor less complex for non-equity alliances than for equity alliances, which challenges the view that equity alliances unambiguously afford firms greater control than non-equity alliances. 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.

She also chaired the session "Doctoral Student Consortium", and the Professional Development Workshop on "Getting published from outside North America," organized by the International Management Division of the Academy of Management.

Manel Baucells - Franz Heukamp

On June 30-July 3, attended, in Paris, *11th International Conference on the Foundations & Applications of utility, risk and decision theory*, organized by the Groupe de recherche sur le risque, l'information et la décision (GRID), where they presented the paper "Stochastic dominance and cumulative prospect theory".

Abstract: Stochastic dominance definitions are a useful tool to draw qualitative conclusions in economics of information, finance, and decision analysis. It is also a guideline to design experiments that test qualitative features of individual preferences. Based on recent theoretical and empirical results about the significance of Cumulative Prospect Theory (CPT), we define RWc-SD, an extended notion of stochastic dominance that captures both the reflection effect (R) and an empirically relevant class of probability weighting functions. A second definition of stochastic dominance (R*Wd-SD) for preferences with reverse reflection effect (R*) (Markowitz 1952) is presented. Using these definitions, we empirically discriminate between two competing explanations of behavior under risk, namely, CPT and Markowitz. Our experiments reject the reverse reflection effect recently advocated by Levy and Levy (2002a) and offer insight into the relevance of the weighting function in empirical research on choice under risk. We present an additional definition of stochastic dominance that embodies loss aversion, an important feature of CPT.

Marco Bertini

On June 23-26, attended, in Rotterdam, the *Marketing Science Conference*, where he presented the following papers:

"Marketing sequels of creative goods: The role of bundling", co-author Anita Elberse.

Abstract: In many creative industries (including motion pictures, television, books, and video games), developing 'sequels' to successful original concepts is a popular strategy.

Anecdotal evidence suggests that the establishment of franchises through the marketing of 'tweaked versions of established formats' is increasingly regarded as a rewarding route to sustaining value in such industries.

However, the success of sequels is far from guaranteed. In this study, we aim to provide insights that can aid managers seeking to increase the hit rate of sequels and, in doing so, develop a sustainable franchise based on an original creative concept.

We operate on two levels. First, working directly with a video game publisher, and using data on unit sales for an original concept and a series of sequels launched over a 4-year period, we develop an econometric model to understand what drives the success of this franchise. Second, focusing more on individual consumer behavior driving aggregate sales dynamics, we conduct a series of experiments to understand how certain marketing actions, such as bundling a sequel with an original concept, can stimulate consumer adoption. We discuss key results and managerial implications.

"The impact of price differentials on consumer aspirations", co-author Luc Wathieu.

Abstract: In many categories, one or several brands are viewed as more 'aspirational' than others. Usually, aspirational brands are much more expensive than other alternatives, while displaying comparable levels on the core product attributes. According to



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conventional wisdom, aspirational brands are those brands normally favored by consumers of higher economic status, whose lesser price sensitivity justifies higher pricing.

In contrast, this research investigates how the presence of high price brands in a set of comparable alternatives can cause a process of abstraction, leading to new aspirations (where initial goals are replaced by super-ordinate goals), ultimately reducing the importance of price as a choice criterion. Symmetrically, this research also suggests that lowering the price of some otherwise comparable brands can induce consumers to strip down their initial goals and precipitate price sensitivity.

A formal model is introduced to capture the impact of price differentials on the stimulation of consumption purposes away from basic levels of functional categorization. Consumers are assumed to approach a choice set with a goal in mind, but they are allowed to adjust their goal upon observation of the actual alternatives. The presence of unexpectedly high prices induces consumers to consider whether additional super-ordinate goals might be satisfied within the inspected product category. Conversely, the presence of unexpectedly low prices induces consumers to focus on particular sub-ordinate goals that would have otherwise remained neglected.

Adrian Caldart

On August 6-11, attended, in New Orleans, the *Academy of Management Annual Conference*, where he presented the paper "Corporate level decisions in turbulent environments: A view from complexity theory".

Abstract: This paper approaches the field of Corporate Strategy from the perspective of a recently developed framework, the Corporate Strategy Triangle, rooted in Complexity Theory. It conceives the corporate level of the organization as the driver, pacer and framer of the overall firm's evolution process. A set of agent-based simulations was developed to capture, explain and generalize the relationships between the building blocks of the framework. Simulated corporate strategies differ in the quality of the cognitive representation and the degree of strategic discipline. I found that the importance of cognition is contingent to the degree of environmental turbulence. In stable environments, strategic discipline is highly rewarded, even if the quality of the cognitive representation is just mediocre. However, as the environment becomes more turbulent, firms "loyal" to a mediocre cognitive representation showed poor performance.

He also chaired the session "Diversification Strategies", organized by the Business Policy and Strategy Division of the Academy of Management.

Ramón Casadesus-Masanell

On August 6-11, attended, in New Orleans, the *Academy of Management Annual Conference*, where he presented the paper "Dynamic mixed duopoly: A model motivated by Linux vs. Windows", co-authored by Pankaj Ghemawat.

Abstract: This paper analyzes a dynamic mixed duopoly in which a profit-maximizing competitor interacts with a competitor that prices at zero (or marginal cost), with the cumulation of output affecting their relative positions over time. The modeling effort is motivated by interactions between Linux, an open-source operating system, and Microsoft's Windows, and consequently emphasizes demand-side learning effects that generate dynamic scale economies (or network externalities). Analytical characterizations of the equilibrium under such conditions are offered, and some comparative static and welfare effects are examined.

Javier Estrada

On June 30-July 3, attended, in Basel, the *2004 EFMA (European Financial Management Association) Annual Meeting*, where he presented the paper "Countries vs. industries in emerging markets: A normative portfolio approach".

Abstract: Should investors in emerging markets focus on diversifying across countries or diversifying across industries? This question, widely debated in developed markets, and particularly in Europe, has received little attention in emerging markets. Using a normative approach that disentangles the impact of investor behavior from the opportunities offered by capital markets, we find that country effects dominate industry effects. It follows from our results that, despite the increasing globalization of emerging markets, investors should focus their diversification efforts on countries rather than on industries.

He also chaired the session "Portfolio theory and asset management IV" and was a discussant in the session "Optimal portfolio allocation under higher moments" by Eric Jondeau and Michael Rockinger.

Pablo Fernández

On June 30-July 3, attended, in Basel, the *2004 EFMA (European Financial Management Association) Annual Meeting*, where he was discussant and chair the session "Main errors in company valuations".

Fabrizio Ferraro

On August 6-11, attended, in New Orleans, the *Academy of Management Annual Conference*, where he presented the paper "Managing the boundaries of an open software project".

Abstract: This research uses a multi-method approach to understand how one community-managed open source software project, Debian, develops a membership process. We examine the project's face-to-face social network over a five-year period (1997-2002) to see how changes in the social structure affect the evolution of membership mechanisms and the determination of gatekeepers. While the amount and importance of a contributor's work increases the probability that a contributor will become a

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gatekeeper, those most central to the social network are more likely to become gatekeepers and thus influence the membership process. A greater understanding of the mechanisms that open projects use to manage their boundaries has critical implications for knowledge producing communities operating in pluralistic, open and distributed environments.

He also was discussant in a panel on "Alliances and Networks", organized by the "Business Policy and Strategy Division" of the Academy of Management.

Joan Fontrodona

On July 14-17, attended, in Melbourne, the *third ISBEE World Congress on "Freedoms and responsibilities in business. Ethics, leadership and corporate governance in a global economy, organized by the International Society of Business, Economics and Ethics (ISBEE), where he presented the paper "Implementing corporate ethics practices in large organizations: The Spanish and the Argentinean experience", co-authored by Patricia Debeljuh and Javier de los Santos.*

Abstract: The objective of the study is to compare and contrast the results and findings of two field research projects conducted among major Spanish and Argentinean companies. The goal is to measure the ethical sensitivity of executives from both countries and to evaluate the design, implementation and follow-up of ethical practices that shape the organizational ethical climate. The results show various similarities between both countries regarding the level of development in companies with respect to the implementation of ethical practices. The study also shows a growing interest among companies that currently do not have formal ethical practices and policies in place to incorporate them in the future.

Carlos García Pont

On July 9-11, attended, in Stockholm, the *AIB 2004 Annual Meeting, organized by the Academy of International Business, where he presented the paper "Is centralization good for performance? A subsidiary perspective", co-authored by Fabrizio Noboa.*

Abstract: Subsidiaries are paramount to multinational corporation (MNC) performance. Subsidiary economic and/or financial performance has to be combined with subsidiary initiative to be able to contribute to overall MNC performance. The trend to centralization, whether regionally or globally, changes the embeddedness of a subsidiary, particularly its interdependence along global, local, and internal markets, and, by extension, decreases the subsidiary's organizational slack. Changes in organizational slack and level of embeddedness reduce the resources available for innovation and the development of subsidiary initiatives. The paper presents a longitudinal case study, based on personal interviews and a network analysis of subsidiary relations at two points in time (1998 and 2003), that shows how the division's centralization process affected the subsidiary's overall

capabilities, reducing its strategic contribution to the overall division. Proposals for further research are developed.

Johanna Mair

On August 6-11, attended, in New Orleans, the *Academy of Management Annual Conference, where she presented the following papers:*

"Corporate entrepreneurship: Linking strategic roles to multiple dimensions of performance".

Abstract: Using data from a large European financial services firm which engaged in an entrepreneurial initiative to enhance its competitiveness, this paper explores the strategic role of middle managers in the context of corporate entrepreneurship and its link to multiple dimensions of performance. The findings indicate that middle managers' role can be decomposed along four reliable and stable dimensions that are consistent with those suggested by the literature. Building on a stakeholder approach, the paper relates the identified roles to multiple dimensions of performance, namely to financial performance, customer satisfaction and employee satisfaction. Canonical correlation analysis –a useful and powerful method to explore relations among multidimensional variables– indicates a significant but weak relationship.

"Social entrepreneurship: What are we talking about? A framework for future research".

Abstract: This paper introduces a framework to guide research and systematically enhance our understanding of social entrepreneurship. Drawing from traditional entrepreneurship literature, the paper presents social entrepreneurial "opportunities" as an important concept to differentiate social entrepreneurship from other social initiatives as well as from business entrepreneurship. It also addresses important issues –level of analysis, methods, and performance measures– that the field will have to address if it is to become an independent field of research. Finally, the paper argues that a dual approach –combining analytic and systemic thinking– is required to capture the complexity of the phenomenon.

She also was a panelist in the session "Social entrepreneurship: Delivery system for dreams".

Domènec Melé

On August 6-11, attended, in New Orleans, the *Academy of Management Annual Conference, where he presented the paper "Ethics in corporate governance reports: The case of Spain".*

Abstract: In Spain, two major reports on Corporate Governance (CG) have been published to date: the "Olivencia Report" (1998) and the "Aldama Report" (2003). Some recommendations from the latter have been incorporated in a specific Spanish statute,



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although the report consists mainly of voluntary standards for companies. The Spanish reports on CG parallel the European reports, and yet certain aspects of them are worthy of closer inspection. This paper critically examines significant ethical aspects of these reports, including the concept and purpose of corporate governance, corporate social responsibilities, bylaws versus personal behavior, shareholder versus stakeholder orientation, and duties of diligence and loyalty (conflict of interests).

This paper argues that the Aldama Report offers a better ethical model than the Olivencia Report, since, leaving other aspects aside, it explicitly presents an ethical framework for CG, and above all, adopts an idea of corporate governance based on the long term and on the interest of the company as a whole. Furthermore, it emphasizes rules and legislation, on the one hand, and ethical behavior, on the other, to create a comprehensive ethical approach to corporate governance.

He also was a discussant in the session "Religion in the workplace: Opiating or optimizing?", organized by the Management Spirituality and Religion (MSR) division of the Academy of Management.

Ramón O'Callaghan

On June 14, attended, in Seville, the *10th International Conference on Concurrent Enterprising (ICE 2004)*, where he presented the paper "Innovations in business networking: Lessons from the past and bridges to the future".

Abstract: One of the most significant industry-level transformations in the last decade has been the shift from supply-driven to demand-driven supply chains. This transformation has been enabled by past innovations such as: Real-time demand monitoring per product and per location; high frequency deliveries; inter-organizational data exchange (EDI), and direct ERP-ERP links; Collaborative Planning, Forecasting and Replenishment; and vendor-managed inventory. In addition to this "reversal" of the value chain, the advent of the Internet and e-business applications has empowered consumers in ways that were unimaginable just some years ago. Not only has the supply chain been reversed, but it is increasingly being designed around consumers, as these create virtual communities and engage in an active dialogue with manufacturers of products and services. Increasingly, firms find themselves collaborating with other firms in order to provide a comprehensive range of solutions and experiences for consumers. The role of the individual firm is diluted as it becomes a node in the network. The traditional notion of "core competence" becomes less relevant. Competence now becomes a function of the collective knowledge available in the new ecosystem, i.e. the enhanced network comprising the company, its suppliers, its distributors, its partners, and its consumer communities. The significance of this trend has been discussed in recent academic publications (e.g. Prahalad and Ramaswamy, 2001 and 2003). In this consumer-centric ecosystem, the locus of innovation shifts from products developed by individual firms to "consumer experiences" jointly created by all players in the ecosystem.

Fernando Peñalva

On August 8-11, attended, in Orlando, the *Annual Meeting of the American Accounting Association*, where he presented the paper "Stock option incentives and firm performance", co-authored by Stephen Hillegeist (Kellogg School of Management, Northwestern University).

Abstract: This paper analyzes the performance consequences of employee stock option (ESO) compensation for a broad sample of firms in the period 1996-1999. Our tests are performed separately for the top-5 executives and for the rest of employees. The results confirm that ESO incentives are associated with firm performance, as measured by future returns, future return on assets, and firm value. The evidence is consistent with firms not yet being in equilibrium with respect to their optimal level of ESO compensation. Firms closer to (farther away from) the equilibrium level, exhibit better (worse) performance. Our findings are not consistent with rent extraction.

Fernando Pérez de Gracia

On July 8-10, attended, in Amsterdam, the *10th Annual Conference on Computing in Economics and Finance*, organized by Amsterdam University and the Society for Computational Economics, where he presented the paper "Financial liberalization and emerging stock market volatility", co-authored by Javier Gómez and Juncal Cuñado.

Abstract: In this paper we test whether volatility in six emerging markets has changed significantly over the period 1976:2001-2002:2003. This period corresponds to the years of most profound development of both the financial and the productive sides in emerging countries. We use alternative methods of endogenous breakpoint detection to estimate the dates at which the behavior of stock market volatility changed. The analysis suggests that volatility has behaved very differently over the period, with episodes of instability frequently coinciding. However, the moments of structural change in volatility behavior tend to be country-specific and related to major structural reforms.

Julia Prats

On June, attended the *Clifford Chance 2004 Boston Conference on Professional Service Firms*, organized by the Boston College, where she presented the paper "Sustaining superior performance through a boom and bust period: The investment management industry in the 1920s."

Abstract: This paper examines how early strategies and organizational resources affect the performance of firms in the context of an Entrepreneurial Boom and Bust period (EBB). EBB is defined as "a context of rapid expansion of the industry in terms of number of players, fueled by expectations of high returns (and consequently the infusion of a significant amount of resources) followed by a sudden change in industry prospects (and consequently the reallocation of those resources)." An analysis of the performance drivers of 85 investment management firms from

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January 1927 through December 1931 suggests that new firms that succeed in the long term follow growth and long-term organizational strategies distinctly different from those of new firms that succeed only when the industry expands. Results are consistent with previous research on intra-firm differences in a boom and bust period. Building on the extant literature on strategy and entrepreneurship, this paper augments our understanding of survival mechanisms among firms and expands the limited number of studies on entrepreneurial activity among professional service firms.

On August 6-11, attended, in New Orleans, the *Academy of Management Annual Conference*, where she presented the following papers:

"Sustaining performance through a boom and bust".

Abstract: This paper examines how early strategies and organizational endowments affect firm performance in the context of a boom and bust period. An analysis of the performance drivers of 104 e-consulting firms from January 1998 through December 2001 shows that in comparison to short term successful but long-term failure firms, new firms that are successful in the long term follow distinctly different growth and long-term organizational strategies than new firms that are successful only when the industry is expanding but fail when declining. The long-term successful firms tend to grow less rapidly and more through organic and local development than through acquisitions and international expansion. These companies specialize more and offer wider service portfolios. Finally, founders from industry-related backgrounds are able to enhance firm survival.

"Does stardom affects entrepreneurial mobility?"

Abstract: Our study empirically tests ideas developed in Lucas (1978), Rosen (1982) and Irigoyen (2002), and contributes to the studies on the relationship between workers' human capital and their decision to become self-employed (Evans and Leighton, 1989; Taylor, 1999; Dunn and Holtz-Eakin, 2000; Burke et al., 2000) and their probability to survive as entrepreneurs (Holtz-Eakin et al., 1994). Analysis from a panel data set of equity research analysts in investment banks over 1988-1996 reveals that star analysts are more likely than non-star analysts to become entrepreneurs. Furthermore, we find that ventures started by star analysts have a higher probability of survival than ventures established by non-star analysts.

Joan E. Ricart

On July 9-11, attended, in Stockholm, the *AIB 2004 Annual Meeting*, where he organized and moderated the panel "The Base of the Pyramid and Sustainable Growth: Concepts and Experiences", with the participation of, among others, **Miguel A. Rodríguez** and **Jan Oosterveld**.

On August 6-11, attended, in New Orleans, the *Academy of Management Annual Conference*, where he was panelist in the session "European Management Sciences, European Scholarly Associations and Traditions, and the AOM".

Rama Velamuri

On August 6-11, attended, in New Orleans, the *Academy of Management Annual Conference*, where he presented the following papers:

"Resisting the resistance: An empirical study of organizational defiance and institutional response," co-authored by Jerry Goodstein.

Abstract: Recent work within institutional theory, while drawing attention to organizational agency, has failed to consider how institutional actors respond to varying organizational strategies. Specifically, this literature has not addressed how institutional actors respond when organizations avoid or directly resist institutional influence. In this research we examine the evolution of Econet Wireless Zimbabwe, a telecommunications company that challenged the legitimacy of critical practices and regulatory/licensing decisions supported by the Zimbabwean government. Integrating insights from this case study, institutional theory, and the social movements literature, we draw attention to the strategies institutional actors use to counter challenges to institutional practices and processes.

"Member checking challenges: Reflections from a qualitative case study", co-authored by Karen Locke.

Abstract: This article offers an account of the experience of conducting member checks in the context of qualitative case studies of two companies that had been successful in resisting corruption in countries where it is widespread. Focusing on challenges to the research, the paper details the strikingly different responses of members of the two companies to case study write-ups of their firms. In the case of the first company, member checking was essentially a non-event; in contrast, in the second company it was an intensive and detailed process. The article concludes by reflecting on this experience of member checking in practice as an occasion for generating new data, generating researcher anxiety, and for reconsidering representations made of the researched.

On July 3-5, the *8th International Conference of the Decision Sciences Institute*, led by **Jaume Ribera** and **Marc Sachon**, was held at IESE in Barcelona, on the theme "Decisions for economic development: Improving management for a better world".

This international conference of the DSI takes place every two years and is attended by researchers from many different areas of interest.



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On July 15-17, the *International Conference on "Multinationals and the international diffusion of organizational forms and practices: Convergence and diversity within the global economy"*, led by **Javier Quintanilla** and Anthony Ferner (De Montfort University), was held at IESE in Barcelona.

The conference, which drew 60 academics from Europe, North America, Asia and Australia, was the second time that IESE has collaborated with Leicester Business School, De Montfort University, England.

On July 19-22, the conference "How Companies Shape 21st Century Society", organized by Josep M. Lozano (ESADE), **Joan Fontrodona** (IESE), and Angel Cabrera (Instituto de Empresa), was held in the context of the *Universal Forum of Cultures - Barcelona 2004*.

The following, among others, acted as moderators:

Jordi Canals: plenary session "Corporate Governance: Perspectives, Challenges and Responsibilities"; in the closing session, he gave the lecture "What Sort of Leaders do Companies Need in the 21st Century?"

Joan Fontrodona: session "Personal Ethics, Leadership and Good Governance"

Jordi Gual: session "Perspectives on Regulation"

Johanna Mair: session "The Social Entrepreneur as a Model for the Future"

Alfredo Pastor: session "The Base of the Pyramid and Disruptive Innovations"

Joan E. Ricart: session "Perspectives on Business and Civil Society"

Awards

Rafael Termes

On June 30, received the 2003 "Gold Mercury" award for Economics, granted to individuals, institutions and states in recognition of their efforts and achievements in ensuring economic and social prosperity.

Doctoral theses

Marcela Porporato

CONFIGURATION, DESIGN AND USES OF MANAGEMENT CONTROL SYSTEMS IN INTERNATIONAL EQUITY JOINT VENTURES: A THEORETICAL AND EMPIRICAL STUDY (IESE)

Abstract: Strategic alliances are consolidating as a key point in the strategies of many companies; however, the issue of control still offers contradicting results. There are indicators that such operations are not so successful; problems rooted in management accounting information systems are mentioned as typical causes of failure. This problem underlies the motivation to study management control systems in the context of international equity joint ventures (JVs) from the accounting literature perspective. This study attempts to examine the configuration, design and uses of management control systems in international equity JVs. This examination is based on a management control systems configuration and design that relies on Contingency Theory to build the conceptual framework that identifies components and contingent factors that generate different configurations in JVs, and also is based on an approach to the uses of management control systems rooted in Transaction Cost Economics that differentiates monitoring from coordination purpose of use. This dissertation consists of three papers with increasing degrees of complexity, each contributing with different elements to clarify the problem of management control systems in equity JVs. The results reported here support the predictions in the existing literature that management control systems are used mainly to reduce uncertainty in highly uncertain environments such as JVs, providing some evidence on how management control systems are configured, designed, and used to improve JV performance.

Luis Vives

A COEVOLUTIONARY PERSPECTIVE ON INTERNATIONALIZATION (IESE)

Abstract: The main objective of this dissertation is to enhance understanding of the importance of context –institutional and social environment– and interactions between institutions and organizations contributing to the development of a coevolutionary perspective of firms' internationalization.

A core focus of the International Business (IB) literature is to understand the influence of the context in which international business activities take place (Toyne, 1989; Peng, 2000, 2001). International firms are embedded in a number of different institutional contexts, thus increasing the complexity these firms face and affecting the way in which Multinational Enterprises (MNEs) can and should be managed (Melin, 1992).

In order to emphasize the influence of context, this dissertation aims to develop and apply a coevolutionary perspective on firm internationalization. This perspective focuses both on the interactions of the firm with its environment, as well as on the strategies that firms

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design in order to succeed and maximize their performance. Coevolution explicitly analyzes strategic interactions among firms, and between firms and governments, providing a dynamic view of firms' internationalization (Porter, 1991; Murtha & Lenway, 1994; Baum & Korn, 1996; Fuentelsaz et al., 2002).

The dissertation examines three different aspects of internationalization: preparing to become an international player; the internationalization process; and performance implications of international expansion. These aspects are explored in separate papers, which, taken together, constitute this dissertation.

IESE - Research Seminars

Managing People in Organizations

July 16

Keynote speaker: Charlotte Fritz, Technical University of Braunschweig, Germany

"Recovery, well-being, and job performance: The role of leisure experiences"

Abstract: Two studies were presented that extend research on respites by examining the effects of weekend and vacation experiences on employee well-being and job performance. In the first study, longitudinal data from medical emergency service workers indicate that non-work hassles, positive work reflection and social activity during the weekend predict burnout and job performance after the weekend.

The second study examined the effects of vacation experiences and workload directly after vacation on employee well-being and job performance. Data from civil service employees again show significant effects of leisure experiences on the outcomes.

Results of both studies reveal practical implications for the optimization of individual leisure experiences and recovery processes. In addition, suggestions for future research on specific recovery processes and the effects on individual well-being and performance will be presented.

Research Seminars

Javier Gómez

On May 26, at the Economics Faculty of the University of Navarra, presented the paper "Maastricht Central Banks, nonlinear monetary policy and threshold behavior in interest rates", co-authored by Fernando Pérez de Gracia.

Abstract: In this paper we examine the evidence of nonlinear interest rate rules for the EMU countries during the years before the establishment of the single currency in 1999. We use a simple dynamic model with nominal rigidities to derive optimal central

bank reaction functions in the context of the Maastricht Treaty convergence requirements. We find significant evidence that the behavior of the interest rates of some EMU countries is consistent with the nonlinear reaction functions implied by the model, although less inertial: domestic central banks seemed to take the German rate as a reference rate and try to close the spread between the domestic and the German interest rates when it became too large.

Miscellaneous

José Ramón Pin

On July 25-31, attended, in Golitsyno, Russian Federation, the seminar "Law, politics, economy, mass media", organized by the Moscow School of Political Studies and sponsored by the Council of Europe, where he gave the lecture "The effectiveness of state management in the modern world".

Book reviews

Antonio Argandoña

Reviewed the book "Business, religion, and spirituality: A new synthesis", by Oliver F. Williams, *Markets and Morality*, Vol. 7, No 1, 2004, pages 146-149.

Teaching materials

NOTE: The updated bibliography may be consulted on the Internet at <http://www.iese.com>

Business Ethics and Theology

Services de Sûreté
(TD-107-E - 0.396.024)

A French company that is the world leader in the electromechanical industry considers hiring the services of a group that specializes in industrial security. The company's President must decide about the possible adoption of systems to palliate threats, both external (industrial espionage, for example) and internal (from the company's own employees and associates), and prevent crime.

(Also available in Spanish).

Sabrià F.; 7 pages.



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Decision Analysis

Martins S/A
(AD-285-E - 0.103.028)

The case sets the problem of reducing distribution costs. Different locations have to be served, but the revenues accrued in each location vary, as well as the distances and the transportation costs.

Baucells M.; Brandao G.; 5 pages.

Miguel Castaño en Seat
(AD-286 - 0.103.036)

Previsión de ventas para una empresa del sector automovilístico basada en ventas pasadas y en datos macroeconómicos relacionados.

Ballabriga A.; Guasch J.; Heukamp F.H.; Montoliu A.; Torrents J.; 4 pages.

Housing Prices in Barcelona
(AD-287-E - 0.103.039)

Real estate price forecasting in the case of Barcelona. Based on ~600 data points.

Carbó D.; Heukamp F.H.; Roses J.; Villavieja D.; Vázquez I.; 3 pages.

Advanced Water Solutions, Inc.
(AD-289-E - 0.104.004)

The case describes the problem of how to arrange a combination of pipes into containers of fixed dimensions, each container also having a maximum space and weight allowance. This problem can be solved using linear programming (LP). The application of LP is not trivial because it requires a technique called column generation, or listing all the feasible combinations that might be used.

Baucells M.; Chatburn L.; 3 pages.

Credit Risk Analysis at ICAX Bank and Trust
(AD-290-E - 0.104.008)

The case demonstrates the method used by banks to model risk associated with their loan portfolio. The model consists of two parts: the first calculates RAROC (Risk Adjusted Return on Capital) and the second part models the risk and return associated with the whole portfolio of loans assuming that part of the default risk is

correlated, to take into account common factors affecting risk, in this case the economy.

Baucells M.; Chatburn L.; 8 pages.

Financial Management

The Martí Pig Farm Investment Decision
(F-757-E - 0.204.014)

Analysis of the investment in a 3 million euro pig farm financed with debt and equity. Main hypothesis for the income statement and balance sheet forecast of the project. Cash flows of the project and cash flows for the shareholders.

NPV and IRR calculation. Sensitivity analysis. Other criteria for the decision apart from NPV and IRR.

(Also available in Spanish).

Martínez Abascal E.; 8 pages.

Interpretación de indicadores económicos aplicados a la renta fija
(FN-497 - 0.202.031)

Esta nota analiza los principales indicadores económicos que siguen los operadores e inversores del mercado de renta fija. El objetivo de este análisis es extraer indicios sobre la teórica evolución de la curva de tipos de interés.

Guasch J.; Martínez Abascal E.; 23 pages.

General Management

Ficosa International. International Expansion
(DG-1415-E - 0.303.072)

The case centres around the decision facing auto components manufacturer Ficosa International with respect to the possible acquisition of the rearview mirrors division of its rival Magneti Marelli. It describes how the company's strategy evolved from a position of operating exclusively in the Iberian Peninsula to one of expanding internationally, first to the main automobile producing countries in the EU and later to the rest of the world (NAFTA, Mercosur, Eastern Europe, India, Korea, Japan and Turkey). It also explains how the company reorganized to adapt to its new positioning.

(Also available in Spanish).

Caldart A.A.; Canals J.; 25 pages.

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Hindustan Lever Re-invents the Wheel (A) (DG-1424-E - 0.303.085)

This case series deals with the pioneering experience of Unilever at the "base of the pyramid" (BOP). The BOP consists of those 4 billion people excluded from the market economy and living in poverty. The BOP is a new management concept that conveys the promise to fulfill a twofold objective: promote social development, and allow companies to regain double digit growth rates. For almost 100 years, Hindustan Lever (HLL), a subsidiary of Unilever, had been operating in the Indian sub-continent with a virtual monopoly of the Fast-Moving Consumer Goods (FMCG) market. In the early '70s, a small start-up, Nirma, began producing detergents to sell to the rural poor; it grew fast, to seize a 35% market share in detergents, tapping into the otherwise neglected mass markets of the rural and urban low-income areas. This case series explores the FMCG market in India and looks at how a small local company caused a large competitor not only to respond, but also to reconsider its approach to all its markets. With accompanying video.

(Also available in Spanish).

Ellison B.; Rodríguez M.A.; 12 pages.

Hindustan Lever Re-invents the Wheel (B) (DG-1425-E - 0.303.086)

Case B describes how HLL created a brand new business model to compete in the BOP market and the outstanding results it obtained. It concludes by posing the following questions: Are these growth rates sustainable? And if they are, can they be replicated with Unilever's Multi-local, Multi-national approach? (Also available in Spanish).

Ellison B.; Rodríguez M.A.; 10 pages.

Hindustan Lever Re-invents the Wheel (C) (DG-1426-E - 0.303.087)

Case C ends the case series with information on how Unilever approached BOP markets in Indonesia and Brazil and broadens the question further, to ask: How can Unilever benefit from the lessons learned at HLL? Has Hindustan Lever found a new strategy to gain larger markets globally in its quest to meet the everyday needs of everyday people everywhere? Or has it merely found a way to push out a young competitive upstart in India without there being any scope to replicate the strategy? (Also available in Spanish).

Ellison B.; Rodríguez M.A.; 4 pages.

Grupo Chávez, S.L. (DG-1456 - 0.304.036)

El caso presenta una situación de empresa familiar con consejo de administración legalmente establecido al que se han incorporado consejeros externos y que está tratando de separar las tareas de gobierno de las propias de dirección. Asimismo, se introduce el tema de cuál debe ser el perfil y la formación de los miembros de la familia que habrán de sustituir a los de la actual generación en los puestos que les corresponden en el consejo de administración.

Tàpies J.; 9 pages.

Empresa familiar y consejo de administración (DGN-540 - 0.398.073)

En la nota se describe, en primer lugar, la situación de las empresas familiares españolas importantes en relación con la existencia o no de un consejo de administración. Una condición para que el consejo de administración gobierne acertadamente la empresa es que esté "activo", para lo cual se requiere una selección cuidadosa de los consejeros y una elección acertada de sus normas de funcionamiento. Otra condición es que el tiempo del consejo se emplee en lo que se debe, entrando de verdad en los puntos críticos de la dirección estratégica, evitando presentaciones elegantes pero inútiles y protagonismos impropios.

Gallo M.A.; 4 pages.

Information Systems

Glosario de términos informáticos y de comunicación (SIN-46 - 0.103.025)

Este trabajo tiene como objetivo brindar una guía de definiciones de los términos más utilizados en el sector de la informática y las telecomunicaciones, sin pretender ser una divulgación científica, sino una herramienta de ayuda para el participante.

Armellini G.; Valor J.; 16 pages.

Managing People in Organizations

Readers Press - Roger Marshall's First 1000 Days (DPO-18-E - 0.403.036)

The case describes the changes that Roger Marshall initiated at Readers Press Services Division between 2000 and 2003. Some of his key initiatives were to recruit a new management team, thin out the organization substantially, administer a very deep



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objective-setting process, and establish improved lines of communication both within the Services Division (SD) and between SD and the rest of Readers Press. This case reviews his tenure in the job of Director of SD and raises some questions about whether he has done a good job or not.

Levy J.; Miller P.; 14 pages.

Marketing

Fronda, S.A.
(M-1158 - 0.503.029)

Fronda es una empresa familiar del sector de jardinería que se encuentra en plena fase de consolidación de su crecimiento y expansión. Las decisiones se presentan desde el punto de vista de varios actores (accionistas, familiares, empleados de la familia, accionistas externos), en el marco de continua profesionalización de la empresa, pero sin perder de vista su distintivo carácter familiar.

Capizzani M.; Segarra J.A.; 21 pages.

Mármoles del Sur, S.A. (A). Novamármol
(M-1162 - 0.503.033)

Un grupo de empresarios, asesorados por una gestora de patrimonios, debe decidir la entrada en el capital de una empresa elaboradora de mármol. La compañía posee una patente y un proceso productivo que pueden revolucionar el mundo del mármol tradicional. Los puntos de partida del valor del negocio son contrapuestos entre la actual familia propietaria y el grupo de empresarios-gestores interesados. Hay que valorar la oportunidad comercial de esa nueva iniciativa, su ritmo de introducción en el mercado y la capacidad de Mármoles del Sur para desarrollarlo con éxito. Las condiciones específicas de la ampliación de capital y el proceso de "due diligence" legal y financiero son otros aspectos críticos a considerar.

González J.; Segarra J.A.; 22 pages.

Production, Technology and Operations Management

Travel Club España
(P-1051 - 0.603.008)

El director general de Travel Club se plantea las principales líneas de actuación que debe recoger el nuevo plan estratégico

quinquenal. Dentro de las líneas de actuación hay un capítulo dedicado a la eficiencia de la organización, así como a las posibles vías de diversificación del negocio. Crear el negocio de viajes "on-line" aprovechando la plataforma y el conocimiento que ya tienen de los clientes, se empieza a discutir como un posible nuevo negocio.

Además de abaratar los costes operativos del programa, Travel Club estaba trabajando en personalizar mejor la propuesta de valor a los patrocinadores, integrarse mejor en sus políticas comerciales y en añadir nuevos patrocinadores para completar la oferta que Travel Club hacía a sus consumidores. Lo que había empezado como una empresa de gestión de programas de fidelización multipatrocinador, se podía convertir en una empresa de gestión de inteligencia de clientes para sus patrocinadores.

Huete L.M.; de Ros B.; 27 pages.

Netflix: Online Rental of DVDs - From Clicks to Bricks & Flix
(P-1057-E - 0.603.025)

Netflix offers online rental of movie DVDs. The company was founded in 1998 and within 5 years had acquired more than one million subscribers (growing faster than AOL). Its new model for value appropriation in the entertainment sector has strategic implications for movie studios and for the big movie rental chains. Netflix uses the flexibility and adaptability of the Web to tailor its service to customers. Customers can build up lists of movies they would like to watch. The powerful Netflix database software analyzes customer profiles and offers suggestions for new movies. An agreement with the United States Postal Service allows the company to diversify the logistics risk. And revenue-sharing agreements with the major movie studios allow both partners to appropriate more value than under traditional set-ups (i.e., upfront payment of copies). The case demonstrates that Netflix depends for its success on a thorough understanding of underlying customer needs, and flawless operations management.

The case analyzes Netflix's demand-based management of its delivery and return logistics in the context of the company's revenue-sharing agreements with the movie studios. It shows how a very lean structure and a mix of "old" and "new" economy can be used to design a very successful business model.

(Also available in Spanish).

Sachon M.; 20 pages.

Enbos
(P-1060-E - 0.603.030)

Enbos was the successor to a state-owned Dutch energy company that was partly privatized in 1994, although the state continued to control energy prices and the geographic market to which it could be supplied. From 2003 the energy sector would be wholly

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privatized and companies would have to compete for customers. The leader of the software implementation and development project at Enbos organizes and supervises the team whose job it is to deal with shortcomings in the customer service department. Two weeks into the project the project leader and his boss disagree about the way the project is developing.
(Also available in Spanish).

Bol J.; Ribera J.; 12 pages.

Project Simulation

(PN-429-E - 0.603.017)

This note allows the simulation of a PERT-CPM network system, using Montecarlo techniques. It has been limited in scope, and deals only with Beta or triangular, Normal and Uniform duration probability density functions. The workbook assumes that the basic CPM data on activity durations and precedence relations have been entered and saved in a standard MS-Project format. The user is expected to import the data from the corresponding MS-Project file and complement them with the estimates on the duration of the activities subject to uncertainty.
(Also available in Spanish).

Grasas A.; Ribera J.; 16 pages.

Optimal Cost Calculator (PN-431-E - 0.603.019)

This workbook contains a calculator sheet to find the minimum cost of a project. It considers the delay costs of finishing the project after a deadline and the costs of reducing activity times to meet this deadline.

(Also available in Spanish).

Grasas A.; Ribera J.; 6 pages.

Occasional Papers

NOTE: Occasional papers may be consulted on the Internet at <http://wwwfm.iese.edu/research/op.html>

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José Luis Suárez

EL MERCADO DE VIVIENDA VACACIONAL EN ESPAÑA: SITUACION ACTUAL Y PERSPECTIVAS

Abstract: (See page 3).

Research Newsletter

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