



University of Navarra

Newsletter Research Division

No 126

July - August 2005

In this issue

Page

- | | |
|----|--------------------------|
| 1 | Journals |
| 2 | Books |
| 4 | Contributions to books |
| 4 | Working Papers |
| 7 | Other publications |
| 8 | Conferences and seminars |
| 12 | Doctoral theses |
| 13 | Research Seminars |
| 13 | Miscellaneous |
| 13 | Teaching materials |
| 17 | Occasional Papers |

Journals

Rafael Andreu - Sandra Sieber

"Knowledge integration across organizations: How different types of knowledge suggest different 'Integration Trajectories'", *Knowledge and Process Management*, Vol. 12, No 3, July/September 2005, pages 153-160.

Abstract: In this paper we establish a framework for analysing knowledge integration across organizations. In particular, we look at knowledge integration from a corporate perspective, to pinpoint the main challenges for a firm wishing to effectively integrate knowledge among its business units in order to contribute either to its efficiency as a unique firm or to its effectiveness in the form of improved competitive positioning and advantage. Knowledge integration considerations are important in today's business landscape, where the so-called knowledge economy progresses. We argue that by thinking in terms of knowledge integration trajectories that can be derived from firms' different knowledge needs, it becomes easier to understand how, over time, knowledge integration processes and relationships evolve and emerge in different forms. Our conceptualization offers some key insights into the effective management of knowledge integration across organizations.

Javier Estrada

"Countries versus industries in Europe: A normative portfolio approach", *Journal of Asset Management*, Vol. 6, No 2, August 2005, pages 85-103, co-authored with Mark Kritzman, Simon Myrgren, and Sebastien Page.

Abstract: The relative benefits of country diversification and industry diversification are critical for investors, portfolio managers, and investment banks. The unification of Europe has had a substantial impact on these relative benefits, and the ultimate goal of this article is to evaluate their temporal evolution. We find that although a country approach outperformed an industry approach in the early 1990s under three different performance measures, the opposite was the case in the late 1990s and early 2000s. We also find that this shift does not seem to be a temporary phenomenon associated with the TMT bubble. Overall, our results validate both the increasing emphasis on industry diversification and the recent reorganization of investment banks' research departments, previously organized along country lines and currently organized along industry lines. There seems to be little question that, in Europe, industry expertise has become more important than country expertise.

Kimio Kase - H. Riquelme - F. Sáez - K. Kutsuwada

"Transformational CEOs", *Nanyang Business Review*, Vol. 4, No 1, July 2005, pages 45-70.

Abstract: During the 1970s and 1980s, the success of Japanese corporations meant that Western executives and business school academics looked to Japan for lessons on management. Total quality management, quality circles, lean production, etc. were avidly learned from Japan.

By the 1990s, the appeal of the Japanese model had been severely dented by the increasingly mediocre performance of the Japanese economy. The fact that the problems were more



Newsletter

July - August 2005 - No 126

attributable to ineffective government policies and that the performance of many leading Japanese firms continued to be strong had scarcely impacted the shifting ground of management thought.

In support of the argument that many of Japan's top firms continue to be world-class competitors and have consolidated and extended their international leadership, the authors conducted five in-depth case studies and identified two different management approaches: Proto-image of the firm (PIF) and Profit arithmetic (PA) styles.

They hold that a central tension in the CEO's role needs to be handled differently, depending on the business environment and the CEO's cognitive process, as well as his/her belief system. Neither of the two styles can be said to be better than the other – their usefulness is contingent on the above factors.

Joan E. Ricart – Miguel A. Rodríguez – Pablo Sánchez
"Sustainability in the boardroom: An empirical examination of Dow Jones sustainability world index leaders", *Corporate Governance*, Vol. 5, No 3, July 2005, pages 24–41.

Abstract: Purpose – Although an extensive body of research treats the fields of corporate governance and sustainable development separately, less attention has been paid to the interaction between the two. This paper attempts to bridge that gap by examining how corporate governance systems are evolving in order to take account of sustainable development thinking. Design/methodology/approach – Drawing from corporate governance, sustainable development, and stakeholder theory literature, an analysis is performed of the governance systems of the 18 corporations heading the market sectors included in the Dow Jones Sustainability World Index. Findings – The results of our in-depth analysis of the 18 cases are presented and the sustainable corporate governance model that emerges from that analysis is described. Research limitations/implications – This model is not intended to question or replace the recommendations and frameworks suggested previously in the literature on corporate governance and codes of governance. On the contrary, it should be viewed as a way of integrating sustainable development/corporate responsibility into the fabric of existing governance models. Originality/value – The suggested model seems to be a good framework both for managers and for researchers because it can be used to improve firms' governance systems and as a guide for future research on sustainable corporate governance.

Marvin E. González – Gioconda Quesada – Rhonda Mack – Ignacio Urrutia
"Building an activity-based costing hospital model using quality function deployment and benchmarking", *Benchmarking: An International Journal*, Vol. 12, No 4, April 2005, pages 310–329.

Abstract: Purpose – To use quality function deployment (QFD)/benchmarking to build an optimal activity-based costing (ABC) model using baseline information from five different

Spanish hospitals. Design/methodology/approach – The customer satisfaction benchmarking process in QFD is discussed, along with the benefits of hierarchical benchmarks in specifying areas of strategic competition and the logically ensuing product/service strategic decision-making requirements. A case study is presented to illustrate the use of two methodological approaches: benchmarking and QFD to obtain the final product of the paper: an optimal ABC. Findings – The resulting outcome from the QFD/benchmarking analysis is an ABC model which has the customer expectations and the requirements that hospitals are looking for. Research limitations/implications – Future research can benefit from this study by expanding the scope from hospitals to other industries in order to comparatively analyze the applicability of the proposed tools, and by applying the same methodology to other hospitals in order to develop a model for a standardized costing system in the health care industry. Practical implications – The outcomes obtained using the methodology applied in this paper give hospital strategic decision makers specifics on which to base their decisions regarding the allocation of time and human and capital resources. Originality/value – The paper presents a new approach for developing an optimal ABC for healthcare by applying two important methodologies: benchmarking and QFD. The use and modification of these methodologies in healthcare is new to research for achieving a final ABC model that will easily identify any performance improvements.

Books

Toni Dávila – Marc Epstein – Robert Shelton
"Making innovation work: How to manage it, measure it, and profit from it", *Wharton School Publishing*, July 2005, 368 pages.

Abstract: The truth is that not much is truly new about innovation. The basics have not changed for centuries. However, we have gotten smarter about innovation. By analyzing what has worked really well and what has not, "Making Innovation Work" provides new insights into how to execute innovation. It breaks things into manageable pieces that can be applied in any company. There is no silver bullet for innovation. No one formula or structure for innovation will work for every organization. However, our research has shown that there are clear ways in which companies can improve their innovation results, create value, and grow. "Making Innovation Work" goes beyond ideas and inspiration to offer practical, tested advice on how to create value from the innovation investment on the level of day-to-day processes, as well as at the strategic level. It describes how to maximize your company's value by integrating the different types of innovation –incremental, semi-radical and radical– and creating a balanced portfolio of innovations. The book covers the entire chain of innovation tools from A through Z, so it is possible to troubleshoot your company's situation and identify what needs to be improved to maximize value for your company's particular situation and need.

Newsletter

July - August 2005 - No 126



Pablo Fernández

"Guía rápida de valoración de empresas", Ediciones Gestión 2000, June 2005, 282 pages.

Abstract: El libro proporciona al lector los conocimientos necesarios para comprender y utilizar los distintos métodos de valoración con sensatez. También dota al lector de las herramientas necesarias para valorar cualquier empresa por compleja que sea.

El autor pretende explicar los conceptos desde el sentido común; con rigor y al mismo tiempo simplificando el álgebra lo más posible. Este libro contiene material de los cursos que el autor imparte a directivos de empresas y a los alumnos del Programa Master en el IESE. Los capítulos se han reformado varias veces como consecuencia de las sugerencias de sus alumnos y de su experiencia como consultor: más de cien valoraciones, arbitrajes y compraventas de empresas.

Los primeros nueve capítulos son una descripción de los métodos de valoración más utilizados, analizando especialmente el PER, la relación entre el valor de mercado y el valor contable, los dividendos, la influencia de los tipos de interés en la valoración y la valoración por múltiplos. Los capítulos 10, 11 y 12 tratan con mayor profundidad las valoraciones por descuento de flujos. En los capítulos 13 y 14 se calcula la creación de valor de Telefónica y de las principales empresas españolas. El capítulo 15 muestra métodos para valorar marcas y sus limitaciones. El capítulo 16 contiene errores habituales en valoraciones de empresas.

El lector puede encontrar todos los cálculos que se presentan en el libro y datos actualizados de las tablas y figuras en la página web: <http://web.iese.edu/PabloFernandez/>

Eduardo Martínez Abascal

"Finanzas para directivos", McGraw-Hill Interamericana de España, May 2005, 304 pages.

Abstract: Este libro intenta explicar de la manera más sencilla y práctica posible, lo que un directivo –no financiero– debe saber sobre finanzas. Pretende mostrar cómo afectarán sus decisiones –en marketing, producción, etc.– a la cuenta de resultados, al balance y, por tanto, a la imagen financiera de la empresa.

In June 2005, Pearson-Prentice Hall published the book "Gestión en el sector de la salud", Vol. 1, "Gestión del sistema y de sus instituciones", edited by **Jaume Ribera**, José A. Gutiérrez and **Magda Rosenmöller**, which contains the following chapters:

Eduard Ballarín – David Young

"Dirección estratégica en instituciones sanitarias", pages 311-340.

Abstract: El sector de instituciones sanitarias no es sustancialmente distinto de otros sectores económicos desde el punto de vista del análisis competitivo y estratégico. La metodología que hemos dado en llamar "cuenta de resultados subyacente" es de aplicación también en este caso. Es preciso diagnosticar el atractivo estructural del entorno desde el punto de vista de la consistencia externa,

interna y dinámica. Luego se estudia el posicionamiento en términos de su énfasis en la diferenciación (Clínica Mayo, por ejemplo) o en el coste (Shouldice Hospital, por ejemplo). En tercer lugar, se diagnostica la sostenibilidad del posicionamiento en términos de su vulnerabilidad a la imitación o a la sustitución. Por último, se diagnostica la flexibilidad de la estrategia en términos de su contenido motivador para las personas que deben ejecutarlas. Todo ello en el contexto del cambio acelerado que está experimentando el sector de la salud.

Lluís Bohigas – Núria Mas

"Planificación y definición de políticas sanitarias", pages 291-308.

Abstract: En este capítulo los autores, basándose en el ejemplo español, analizan las diferentes funciones de regulación, planificación y gestión, en un sistema descentralizado de salud. En particular, se centran en la racionalidad presentada en la literatura económica para la distribución de funciones entre el Gobierno central y las Comunidades Autónomas, así como en la importancia de la coordinación entre niveles. En el caso español, la función de coordinación está en manos del Consejo Interterritorial, cuya composición y acciones son analizadas en más detalle. Finalmente, en este capítulo, los autores también hacen una evaluación de los pros y contras de la descentralización, poniendo especial atención en el control de calidad de un sistema de salud descentralizado.

Núria Mas – Alfred Pastor

"Entorno socio-económico de los sistemas de salud", pages 2-22.

Abstract: Este capítulo tiene dos objetivos principales: el primero consiste en establecer y definir los conceptos clave de los sistemas de salud (acceso, efectividad, eficiencia, necesidad), y el segundo consiste en constatar que existe una gran variedad de sistemas de salud, y en evaluar sus diferencias. En particular, se centran en el análisis de las discrepancias existentes entre el gasto en salud y el estado de salud de la población en diferentes países. El análisis empírico ha confirmado dos aspectos comúnmente analizados en la literatura de la economía de la salud: que los países que más gastan no son necesariamente los que presentan una mejor salud en su población, y que el gasto en salud en los países desarrollados ha experimentado en considerable crecimiento en los últimos 25 años. En el capítulo se analizan también las diferencias internacionales en los factores que la literatura considera como los principales causantes del incremento en el gasto sanitario: la adopción de nuevas tecnologías, el envejecimiento de la población y el tipo de financiación (pública frente a privada).

Isabel Morán – José R. Pin

"Capital humano en el sector sanitario", pages 343-368.

Abstract: Definido el concepto de capital humano en sus tres componentes: inteligencia tecnológica, emotividad humana y sentido de servicio, el capítulo describe la situación actual de la sanidad española y las recomendaciones para el futuro. En



Newsletter

July - August 2005 - No 126

particular, aborda los cambios necesarios en los cuatro sistemas de dirección de personas en las instituciones sanitarias: sistema de retribución, el diseño de las carreras, el de los puestos de trabajo y el control, influencia y comunicación. Todo ello con el objeto de aumentar el capital humano del futuro y, en especial, el capital directivo.

José R. Pin

"Ética en el sistema sanitario", pages 425-451.

Abstract: Definida la ética como ciencia que conduce a la perfección del ser humano como tal, se describe la razón de su reaparición con fuerza en la nueva economía. La explicación de la corriente posmoderna como causa lleva a la teoría de los *stakeholders* y de *Corporate Citizenship*, que se concreta en la llamada responsabilidad social corporativa. La segunda parte del capítulo trata de cómo realizar el razonamiento para la evaluación ética de las acciones y la ayuda que pueden aportar los códigos de comportamiento. Acaba con un apunte sobre los nuevos problemas éticos del sector sanitario, como la bioética en la investigación, los xenotransplantes... El último apunte afirma que la ética de la excelencia debe superar a la ética de mínimos o ética de la justicia.

Contributions to books

Antonio Argandoña

"La Unión Económica y Monetaria en el nuevo contexto constitucional europeo", in the book "Una Constitución para Europa", published by Real Academia de Ciencias Económicas y Financieras, 2005, pages 19-28.

Abstract: La estabilidad macroeconómica ocupa un lugar importante en el Tratado por el que se establece una Constitución para Europa (2004), reproduciendo –casi siempre al pie de la letra– los textos de tratados anteriores, sobre todo del de Maastricht (1992). Este trabajo discute la relevancia de dicha estabilidad en la construcción europea y analiza los distintos textos de la Constitución en que se desarrolla dicha estabilidad, centrada en la política monetaria y en los elementos que la hacen posible y creíble.

Africa Ariño - Jeffrey J. Reuer

"Alliance contractual design", in the book "Handbook of Strategic Alliances", edited by Oded Shenkar & Jeffrey J. Reuer, Sage Publications, August 2005, pages 149-167.

Abstract: Our purpose in this chapter is to provide an overview of what we know about alliance contracts from the alliance-management literature. After a short introduction to the contents of alliance contracts, we start by contrasting alliance contractual form and governance form. Next, we focus on two related

concepts: contractual complexity and contractual completeness. We suggest that, in the absence of detailed information about the transaction contemplated in the contract, contractual complexity is a theoretically more appropriate construct to investigate. After that, we discuss the measures of contractual complexity used in previous studies. We then go over the determinants of contractual complexity by considering their influence on contracting costs and benefits in light of the environmental and behavioral uncertainties faced by collaborators. Conclusions and suggestions for future research are offered at the end. Although we focus here on the management literature, we also draw some ideas from the literature on the economics of contracting.

Pablo Fernández

"Valuation of brands and intellectual capital", in the book "Brand valuation concepts and applications", edited by Shyam Sunder Kambhammettu, Le Magnus University (India), January 2005, pages 122-159.

Abstract: We review several methods used for valuing brands. Among them are those used by Interbrand, Damodaran, Financial World, Houlihan Valuation Advisors, Market Facts, Young & Rubicam, and CDB Research & Consulting.

In particular, we analyze in depth the valuations of the Kellogg's and Coca-Cola brands 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 come nowhere near providing a quantitative valuation. It is by no means clear what a company's intellectual capital is, and even less so if we propose 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 a brand's value.

IESE - Working Papers

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

No 596 - July 2005

Núria Mas

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

Newsletter

July - August 2005 - No 126



literature has focused on analyzing the performance of managed care relative to other types of health insurance, while research focusing on its impact on the uninsured has been minimal. This paper contributes to fill this gap and analyses 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. We find that managed care has negatively affected both aspects of the uninsured's health, by increasing the probability of closure of the safety net hospitals and the services most used by the uninsured, and by negatively affecting the quality of government hospitals. Therefore, the impact of managed care goes beyond its effect on its enrollees and on efficiency. In fact, by increasing price competition and reducing hospital revenues, managed care penetration has affected the overall health care market.

These results have important policy implications. With the introduction of managed care, the health gap between socioeconomic groups will widen and more public subsidies will be needed in order to guarantee the provision of basic health care to the growing uninsured population. The results also bring a new perspective on managed care. Its impact on American health should be analyzed beyond its efficiency implications and more research should be done into its effects on the overall health care market.

No 597 - July 2005

Bruno Cassiman - Chiara Di Guardo - Giovanni Valentini
ORGANIZING FOR INNOVATION: R&D PROJECTS, ACTIVITIES AND PARTNERS

Abstract: We explore how R&D project characteristics condition the governance of an R&D project and its individual activities. Prior literature has sought to explain the factors –both at the industry and at the firm level– that influence the way in which firms partner for innovation. In this paper, by analyzing detailed data from a subsidiary of STMicroelectronics, we identify the main drivers of partner selection for innovation. Partnering or contracting with universities for innovation is common practice for developing new –original– knowledge (as opposed to applying existing knowledge to a problem). But firms are more reluctant to partner, especially with other firms, when that knowledge directly enhances their competitiveness. However, conditional on cooperation, partners are more likely to act individually when the project is strategically important. Contracting for innovation to universities or research centers, as opposed to partnering, is usual in more experimental projects in which highly original knowledge is developed, and typically early on in the project.

No 598 - July 2005

Toni Dávila - George Foster - Mu Li
DESIGNING MANAGEMENT CONTROL SYSTEMS IN PRODUCT DEVELOPMENT: INITIAL CHOICES AND THE INFLUENCE OF PARTNERS

Abstract: Management control systems can hinder innovation. However, recent theoretical and empirical work indicates that they can also enhance it. In this paper, this question is investigated using two sequential empirical studies. In the first, a field research design is used to examine the adoption of management control systems in the product development function of entrepreneurial firms. The data are obtained from questionnaires and interviews with the CEOs, financial officers, and business development managers of 69 firms. Analysis of the qualitative data indicates that managers adopt management control systems not so much to fulfill a particular role as to solve particular needs that they face. These needs range from external contracting and legitimizing the process with external parties to internal drivers such as managers' background, learning by doing, need to focus, or reaction to problems. Furthermore, these reasons are associated with faster adoption of management control systems and with product development performance. The objective of the second study is to extend and generalize the finding regarding the influence of external parties on management control system adoption to a population of mature firms. Using a survey design, the study finds an association between the importance of partners to product development and the level of formalization of management control systems.

No 599 - July 2005

Chris Armstrong - Toni Dávila - George Foster - John R. M. Hand

U.S. PUBLIC AND PRIVATE VENTURE CAPITAL MARKETS, 1998-2001: A FUNDAMENTAL INFORMATION ANALYSIS

Abstract: Systematic analysis of U.S. capital markets reveals important empirical facts that analytical modeling or empirical research seeking to explain the 1998-2001 movements needs to recognize. There is no single "bubble point" at which U.S. capital markets had an epiphany in which they realized that valuations required a sharp downward re-evaluation. Rather, different sectors had different points after which ex post sustained declines occurred. For the NASDAQ/NYSE/AMEX public capital markets, the sustained ex post declines occurred starting in March 2000 for the computer software industry and in September 2000 for the computer hardware industry. Private venture capital investment in new ventures peaked in the March 2000 quarter for software and in the September 2000 quarter for hardware and communications. Four sectors exhibiting extreme price movements are identified – computer hardware, computer software, telecommunications, and biotech/pharmaceuticals. These sectors had observable characteristics prior to 1998 that implied higher risk – they had higher relative risk (CAPM beta), higher standard deviation of security returns, more extreme revenue growth increases (decreases) in the upper (lower) tails, and a higher propensity for negative net income. During the 1998-2001 period, companies in these sectors had abnormally high revenue growth rates. An Internet sample of companies exhibits even higher abnormal revenue growth rates relative to either prior periods or other companies in the 1998-2001 period. The large relative increases and decreases in the market capitalization of U.S. capital markets



Newsletter

July - August 2005 - No 126

in 1998-2001 may well have more grounding in risk-reward asset pricing theory than many commentators have recognized.

No 600 - July 2005

Antonio Argandoña

FIRM, MARKET ECONOMY AND SOCIAL RESPONSIBILITY

Abstract: In January 2005, *The Economist* published a survey on corporate social responsibility (CSR), joining a long-running debate on the meaning and need for CSR in a market economy. The British weekly's thesis, widely accepted among economists, was first stated years ago by Milton Friedman (1962): a firm that maximizes its profits while acting within the law and the ethical rules that are intrinsic to a market economy is fulfilling all of its social and moral responsibilities and need not abide by any other type of constraint or demand. However, this thesis is disputed by many other authors.

This article seeks to answer the question of whether there is a role for CSR in the economic paradigm. Obviously, it does not claim to give a final answer but simply to set forth the reasons that will enable each person to form his or her own opinion. The first part discusses the economic arguments about maximizing value for the owner and society and viewing the firm as a nexus of contracts. The second part discusses the different arguments about the possible role of CSR in the economic paradigm. The article ends with the conclusions.

(Also available in Spanish.)

No 601 - July 2005

Toni Dávila - Fernando Peñalva

GOVERNANCE STRUCTURE AND THE WEIGHTING OF PERFORMANCE MEASURES IN CEO COMPENSATION

Abstract: We empirically examine how governance structure affects the design of executive compensation contracts and, in particular, the implicit weights of firm performance measures in CEO compensation. We find that compensation contracts in firms with higher takeover protection and where the CEO has more influence on governance decisions put more weight on accounting-based measures of performance (return on assets) than on stock-based performance measures (market returns). In additional tests, we further find that CEO compensation in these firms has lower variance and a higher proportion of cash (versus stock-based) compensation. We further find that CEOs' incentives (measured as changes in CEO annual wealth, which includes changes in the value of CEOs' equity holdings, in addition to yearly compensation) do not vary across governance structures. These findings are consistent with CEOs in firms with high takeover protection and high CEO influence on governance being able to influence the contracting.

No 602 - July 2005

José L. Suárez - Amparo Vassallo

INDIRECT INVESTMENT IN REAL ESTATE: LISTED COMPANIES AND FUNDS

Abstract: In Europe today, there are two main vehicles for indirect investment in real estate: real estate investment funds and listed real estate companies. With these instruments, the investor not only takes a position in the real estate market, but also acquires different risk/return structures, which may vary according to the instrument being used. In some European countries, real estate companies have modified their financial structure and tax position by adopting a legal form based on REITs (Real Estate Investment Trusts), which originated in the US; this puts them in a different position compared to real estate funds. In this document we compare real estate funds and listed real estate companies and analyse the appearance of REITs in Europe and their impact on the real estate industry.

(Also available in Spanish.)

No 603 - July 2005

Tony Dávila - George Foster

STARTUP FIRMS' GROWTH, MANAGEMENT CONTROL SYSTEMS ADOPTION, AND PERFORMANCE

Abstract: Startup firms face a significant managerial challenge when they grow beyond the boundaries of informal interactions. This transition point has often been identified with a significant crisis in the growth path of these firms. An important aspect of this transition is the adoption of management control systems that leverage top management attention and provide the infrastructure to scale up the business model. Using a multi-method, multi-case field research design in a sample of 78 startup firms, we examine the relevance of the adoption of financial systems compared to other management control systems. We find that financial planning –including cash budget, operating budget and sales projections– is the first set of systems to be adopted. We also look at the association between the adoption of management control systems and startup firm growth. We model this association using a simultaneous equation specification to capture the theoretical arguments that posit the endogeneity of these variables. We find a positive and significant association in both equations among these variables. We further examine whether the often argued CEO replacement at this transition point is associated with the level of adoption of management control systems. We find that CEOs that have adopted fewer systems have shorter tenures. Taking advantage of the intimate knowledge that venture capital investors have about the management processes (and management systems, in particular) of the firms they invest in, we examine the association between company valuation and the adoption of management control systems. We find evidence consistent with this association. Finally, we examine the association between the adoption of financial planning systems and the adoption of strategic and human resource planning systems.

Newsletter

July - August 2005 - No 126



No 604 - July 2005

Pablo Fernández

DISCOUNTED CASH FLOW VALUATION METHODS: EXAMPLES OF PERPETUITIES, CONSTANT GROWTH AND GENERAL CASE

Abstract: This paper explores the discounted cash flow valuation methods. We start the paper with the simplest case: no-growth, perpetual-life companies. Then, we study the continuous growth case and, finally, the general case.

The different concepts of cash flow used in company valuation are defined: equity cash flow (ECF), free cash flow (FCF), and capital cash flow (CCF). Then, the appropriate discount rate is determined for each cash flow, depending on the valuation method used.

Our starting point is the principle that the value of a company's equity is the same, whichever of the four traditional discounted cash flow formulae is used. This is logical: given the same expected cash flows, it would not be reasonable for the equity's value to depend on the valuation method.

No 605 - July 2005

Bruno Cassiman - Chiara Di Guardo - Giovanni Valentini THE ORGANIZATION AND PERFORMANCE EVALUATION OF R&D PROJECTS IN A DYNAMIC ENVIRONMENT

Abstract: Faster technological development, shorter product life-cycles, and more intense global competition have transformed the current competitive environment for most firms. This new competitive landscape forces organizations to actively acquire knowledge, as a firm's competitive advantage is now more dependent on continuous knowledge development and enhancement. Therefore, knowledge has become a central theme in strategic management. Against this background, we argue that the knowledge characteristics of R&D projects are fundamental variables to explain governance decisions. Drawing upon the case of STMicroelectronics, we provide evidence that partnering or contracting with universities for innovation is common practice for developing new –original– knowledge, as opposed to applying existing knowledge, for solving a problem. However, the firm is more reluctant to partner, especially with another firm, when this knowledge directly enhances its competitiveness. Moreover, we find that R&D project performance is a bi-dimensional construct. One dimension picks up project efficacy and immediate benefits, while the other includes learning and long-term benefits. Though spanning firm boundaries for innovation does not seem to have appreciable effects on perceived project efficiency, it nonetheless brings about intertemporal benefits related to learning and capabilities development. In a dynamic environment, building knowledge may be more important than protecting it. Thus, an open innovation process may be an exceptionally effective way to build and develop the firm's technological future.

No 606 - July 2005

Pablo Fernández

FINANCIAL LITERATURE ABOUT DISCOUNTED CASH FLOW VALUATION

Abstract: There is a wealth of literature about discounted cash flow valuation. In this paper, we will discuss the most important papers, highlighting those that propose different expressions for the value of the tax shield (VTS).

The discrepancies between the various theories on the valuation of a company's equity using discounted cash flows originate in the calculation of the value of the tax shield (VTS). This paper illustrates and analyzes 7 different theories and presents a new interpretation of the theories.

Other publications

Rafael Andreu

"El oficio de dirigir y el aprendizaje de las personas", *Empresa & Humanidades*, June 2005, pages 17-27.

Abstract: El artículo parte de la siguiente reflexión: si las ventajas competitivas se basan en conocimiento, el concepto de aprendizaje es fundamental, porque desarrollar conocimiento significa aprender. Distintos tipos de conocimiento precisan distintos tipos de aprendizaje. Consecuentemente, es básico plantearse qué consecuencias tienen para la organización determinados procesos de aprendizaje. Una conclusión es la siguiente: Para que el aprendizaje sea beneficioso en una organización, debe desarrollar las personas en un sentido amplio. Así, en cualquier empresa con fines "respetables", los resultados beneficiosos y el aprendizaje de desarrollo personal se refuerzan mutuamente.

Antonio Argandoña

"Economía, teoría de la acción y ética", *Información Comercial Española*, No 823, June 2005, pages 29-38.

Abstract: La economía tiene como punto de partida una teoría de la acción humana. El paradigma neoclásico, el más ampliamente desarrollado, pone énfasis en los aspectos de la acción más acordes con la elección de fines alternativos para la consecución de fines dados, según la definición tradicional de la ciencia económica, y con su objetivo, la eficiencia. Esa concepción ha llevado a un desarrollo ajeno, en buena medida, al de la ética, la ciencia normativa de la acción humana orientada a la consecución de los fines del hombre. No hay acuerdo entre los expertos en ética sobre cuáles son esos fines –y es muy dudoso que ese acuerdo se pueda conseguir. Pero esos fines deben comprender los de la acción económica, al menos como parte de la conducta humana más general. De modo que la reflexión sobre la teoría de la acción, en la que ha destacado la economía, debería ser capaz de iluminar la reflexión de la ética sobre la conducta humana. E, igualmente, las aportaciones de la ética deberían orientar la reelaboración del paradigma económico de la acción humana. El objeto de este artículo es, precisamente, desarrollar los distintos aspectos de la teoría de la acción que pueden ayudar,



Newsletter

July - August 2005 - No 126

desde la ética, a reescribir los fundamentos de la ciencia económica, y desde la economía, a entender mejor los caracteres de la ética, como ciencia normativa de la acción humana.

found a positive effect of intrinsic motives on self-rated OCBO, and a negative effect of relational motives on superior-rated OCBT.

Conferences and Seminars

Manel Baucells

On July 3-7, attended, in Barcelona, the *DSI Conference*; where he presented the paper "Cumulative dominance and heuristic performance in binary multiattribute choice", co-authored by Juan A. Carrasco and Robin M. Hogarth.

Abstract: In multi-attribute decision making, several studies report high performance rates of some simple heuristics. To understand this surprising performance, we observe that these heuristics are guaranteed to be correct in the presence of simple and cumulative dominance. While the rate of simple dominance decays quite rapidly as the number of attributes increases, the rate of cumulative dominance decays slowly. We conclude that the high persistence of cumulative dominance is the key explanatory factor of the performance success of these heuristics.

He presented the same paper at the *IFORS Annual Meeting*, July 11-15, in Oahu (Hawaii), and at SPUDM20, organized by the European Association for Decision Making, August 22-24, in Stockholm.

Pablo Cardona

On August 5-11, attended in Honolulu, the *Annual Meeting of the Academy of Management*, where he presented the paper "Motivation to perform organizational citizenship behaviors".

Abstract: We present a map of possible motives for performing organizational citizenship behaviors (OCBs) and study empirically the effect of these motives on different types of OCB. We distinguish four basic motives: extrinsic, intrinsic, contributive, and relational. Extrinsic motives appeal to the rewards an individual expects to receive from others in exchange for a certain behavior. Intrinsic motives appeal to the satisfaction an individual expects to experience from performing that behavior. Contributive motives appeal to the benefits the individual expects others to experience as a consequence of the behavior. Relational motives appeal to the expected impact of the behavior on the relationship between the individual and the other party. Using self-ratings and supervisor-ratings, we measure three OCB dimensions: OCB directed toward other individuals (OCBI), OCB directed toward the organization (OCBO), and OCB directed toward the task (OCBT). Our results show that different motives may be associated with citizenship behaviors. We found a positive effect of contributive motives on self-rated OCBI and superior-rated OCBO. We also

Toni Dávila

On August 7-10, attended, in San Francisco, the *Annual Meeting of the American Accounting Association*, where he presented the paper "Internal control mechanisms, decentralization of decision rights, and performance", co-authored by Mahendra Gupta (Washington University) and Richard Palmer (Eastern Illinois University).

Abstract: Over the last few years, a number of significant company failures have been related to a lack of adequate internal control mechanisms. These mechanisms are fundamental to organizational governance and in particular to the agency relationship associated with decentralization of decision rights. Internal controls are intended to limit potentially harmful behavior without sacrificing the benefits associated with decentralization. In this paper, we model managers' choice of these two organizational design variables as jointly related. Using a simultaneous equation model, we find that decentralization and internal control design are endogenous design variables. We take advantage of a unique database of control practices in the purchasing and payment process within the procurement function. The research setting not only allows cross-sectional comparability, but holds constant economic incentives, which is a variable that may potentially affect the relationship examined. Finally, the paper also examines the joint impact of these two variables upon performance and finds that decentralization and tight control mechanisms are associated with superior performance.

Thomas Drape

On August 5-11, attended in Honolulu, the *Annual Meeting of the Academy of Management*, where he presented the paper "The legitimacy of U.S. pay-for-performance practices in Spanish subsidiaries", co-authored by Javier Quintanilla.

Abstract: Institutional theory highlights competing "isomorphic pulls" for the legitimacy of organizational practices within subsidiaries, and the role of different structural factors in influencing that legitimacy. However, those structural factors do not have a determining effect, as key subsidiary actors may override their influence to affect the legitimacy of the practices. U.S. multinational companies (MNCs) "continue to stand out" for their transfer of standard individual pay-for-performance practices to subsidiaries, but most studies on this topic rely on large-scale surveys. A couple of single case studies point to resistance by employees of U.S. MNC subsidiaries to individual pay-for-performance practices, supporting a recent argument that often there is a margin between headquarter policy and actual subsidiary practice.

Using multiple case studies, this paper analyzes the legitimacy of headquarter-mandated standard pay-for-performance practices in three Spanish subsidiaries of one U.S. MNC. The findings support the view that there is a margin between the standard policy and

Newsletter

July - August 2005 - No 126



actual practice, and suggest that a number of structural factors such as the manner in which the subsidiary was founded and its role within the MNC greatly influence that margin. At the same time, this study underscores the powerful role that certain actors within the subsidiaries, especially subsidiary managers, can have in establishing and maintaining the legitimacy of pay-for-performance practices. Contrary to expectations, these practices were found to be most heavily modified in the most integrated, "poster-child" subsidiary, which produces two of the MNC's flagship products.

Pablo Fernández

On June 29-July 2, attenden, in Milan, the 2005 FMA Annual Meeting, organized by the European Financial Management Association, where he presented the paper "The value of tax shields and the risk of the net increase of debt".

Abstract: The value of tax shields depends on the nature of the stochastic process of the net increase of debt; it does not depend on the nature of the stochastic process of the free cash flow.

The value of tax shields in a world with no leverage cost is the tax rate times the debt, plus the tax rate times the present value of the net increases of debt. This expression 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.

For perpetual debt, the value of tax shields is the debt times the tax rate. When the company is expected to repay the current debt without issuing new debt, the value of tax shields is the present value of the interest times the tax rate, discounted at the required return to debt.

Fabrizio Ferraro

On August 5-11, attended in Honolulu, the Annual Meeting of the Academy of Management, where he presented the following papers:

"Hacking alone? The effects of online and offline participation on open source project governance".

Abstract: Research on the complementary effects of online and offline forms of community participation has not linked these effects to the social structure of online communities. Most of what we know about social structure in terms of status, participation and leadership in online communities comes from studies of computer mediated communication in small groups. This research integrates these literatures with research on open source software projects to understand how different forms of online and offline engagement influence patterns of influence and social order. Open source software projects are typically described as distributed online communities engaged in collaborative nonproprietary software development. However, we find that open source projects have robust face-to-face social networks and that these networks are predictive of the emergence of the leadership team. With data from one open source project's online and offline

networks, we find that the more developers one has met face to face, the more civic engagement one has with the project. Controlling for contributions of code and participation in online discussions, the more developers one has met face to face, the more likely one is to hold a top leadership position. This research suggests that if we are to understand the emergent order of distributed communities, we must examine how different forms of online and offline engagement affect patterns of influence. We conclude with theoretical implications for governing other types of distributed knowledge-producing communities.

"Where the money center still holds: Ownership and interlock networks in the Spanish economy".

Abstract: The paper reports preliminary results of a study of the changes in corporate networks in Spain during the 1990s. The paper focuses on the role of banks in the network, and the emerging role of savings banks in particular, showing how banks have strengthened their central position in the network despite a decade of privatization, internationalization and deregulation of the Spanish economy.

Javier Gómez

On August 24-27, attended, in Amsterdam, the 20th Annual Congress of the European Economic Association, where he presented the paper "Exchange rate and inflation dynamics in dollarized economies", co-authored by Luis Carranza and José Enrique Galdón.

Abstract: In this paper we analyze exchange-rate pass-through coefficients and qualify the common view that countries with higher dollarization exhibit higher pass-through. We build a simple model of a dollarized economy with imperfect financial markets. We show that the classic inflationary effects of a real depreciation –higher internal demand and imported inflation– can be offset or diminished in a dollarized economy by higher financial costs and a balance-sheet effect. We test the implications of the model using a panel of a hundred-plus countries with differing degrees of dollarization. The results confirm that pass-through coefficients are higher in more dollarized economies, but they also show that large depreciations tend to generate a negative impact on the pass-through coefficient, this impact being higher the higher the level of dollarization of the economy.

Juan Jane - Alejandro Lago - Africa Ariño

On July 9-12, attended, in Quebec, the Annual Meeting of the Academy of International Business, where they presented the paper "Measuring international logistics partnerships' performance: A dyadic perspective analysis".

Abstract: This paper analyzes the validity of measures of performance in international logistics alliances, using a survey that gathered information from both parties in 95 alliances. Based on previous literature, five different measures of performance are



Newsletter

July - August 2005 - No 126

proposed: overall satisfaction, global fulfillment of initial expectations, strategic goal fulfillment, process performance, and net spill-over effects. Our empirical analysis shows that each party's satisfaction can be explained by a single construct that underlies all the measures considered, but that such underlying construct may not be common to both parties (i.e., alliance performance may be perceived differently by each partner). We therefore examine each party's perception of the other party's satisfaction and show that these inter-party perceptions are an unreliable measure of actual satisfaction. We conclude that a valid assessment of the performance of logistics strategic alliances can only be obtained using direct information from both parties.

Víctor Martínez de Albéniz

On July 11-15, attended, in Honolulu, the *IFORS 2005 Conference*, where he presented the paper "Inventory allocation policies for multiple customers with different service levels".

Abstract: We consider a firm serving different retailers, each of which generates random demand. Service is performed from a common pile of inventory, and the service level guaranteed by the firm may vary from retailer to retailer. The problem faced by the company is to fulfill its customers' requests with the least possible cost. The objective is thus to minimize inventory, while satisfying the service level constraints.

Antonio Moreno (Universidad de Navarra)

On August 19-24, attended, in London, the *9th World Congress of the Econometric Society*, where he presented the paper "Money shocks and the macroeconomy: 1970-2000", co-authored by **Javier Gómez** and **Fernando Pérez de Gracia (Universidad de Navarra)**.

Abstract: In this paper we account for the U.S. Fed's response to money demand shocks by allowing for less-than-complete accommodation in its monetary policy rule. We identify the path of money demand and money supply shocks and show their effects on the money market, output and inflation. We find that both money demand and money supply shocks have been considerably less destabilizing since 1984. We also find that monetary policy was significantly pro-cyclical in the 1970s. Additionally, the price puzzle disappears for two of the three subperiods considered in the study.

Domènec Melé

On August 4-6, attended, in Honolulu, the *Annual Meeting organized by the Society of Business Ethics*, where he presented the paper "Justice in international transfer pricing", co-authored by **Ramón Paz-Vega**.

Abstract: International intra-firm trade is an increasingly important phenomenon in the global economy, in which transactions are governed by transfer pricing policies mandated by parent companies. Economic and accounting theories have prescribed

policies that maximize parent company short-term profits. Various abuses of justice can take place on that ground. This paper focuses on the normative study of justice in international transfer pricing, beyond profit maximization concerns. After reviewing justice considerations in welfare economics and Rawls's theory of justice, which are shown to be useful but ethically insufficient, an analysis based on the Aristotelian theory of justice is presented. Parent company managers are shown to have the responsibility to use practical wisdom to make the best decisions with respect to transfer pricing, by seeking justice and contributing to the common good. Specific implications for managers are presented, discussing the limits to the amount of income that can justly be shifted out of subsidiaries and host countries.

On August 5-11, attended, in Honolulu, the *Annual Meeting of the Academy of Management*, where he presented the paper "Corporate community involvement promoting a multi-stakeholder commitment", co-authored by **Marcelo Paladino**.

Abstract: Corporate Community Involvement (CCI), broader in scope than corporate philanthropy, includes situations in which the firm takes a proactive role in promoting multi-stakeholder commitments that favor all participants' interests. This is exactly what is suggested by a case study, presented in this paper, of a water service company in Argentina that operates in poor communities. The case corroborates several propositions of current theories; additionally, it provides several insights which call for further theoretical developments in both normative and instrumental perspectives. Among them is a reinforcement of the justification for CCI: the role of firms in seeking a convergence of interests and actively promoting partnership commitments with community groups, nongovernmental organizations and governmental agencies, and the consequences of certain types of CCI, which can be multiple and complex.

He also took part, as speaker, in the Academy of Management Doctoral Consortium (Social Issues Management), where he gave the lecture "Business ethics and social issues in Europe".

Caterina Moschieri

On August 5-11, attended, in Honolulu, the *Annual Meeting of the Academy of Management*, where she presented the paper "Research on corporate unbundling: A synthesis", co-authored by **Johanna Mair**.

Abstract: Unbundling operations, understood as the parent company's disposal and sale of assets, facilities, product lines, subsidiaries, divisions and business units, are emerging as a central topic of research in several areas. Yet a synthesis is still lacking, and differences of terminology have created confusion. This paper stimulates and facilitates future research by unpacking the nature of unbundling operations. We suggest that outcomes of unbundling may be mediated by variables that have been greatly neglected in existing research, including process- and

Newsletter

July - August 2005 - No 126



management-level factors. The paper builds a framework on antecedents, process and outcomes of unbundling by integrating empirical findings and theoretical contributions. Furthermore, it identifies gaps in the existing literature and offers suggestions for future research on unbundling.

Philip Moscoso - Alejandro Lago

On July 3-6, attended, in Barcelona, the *8th International Conference of the DSI*, on the theme "Decisions for economic development: Improving management for a better world, operations and global competitiveness", where they presented the paper "An input-output model for effective synchronization of sequential manufacturing processes.

Abstract: In a sequential manufacturing process, the individual process steps can be highly interdependent. Local optimization (e.g. capacity utilization) or incidents (e.g. machine downtimes) in a single process step can have a significant impact on previous or subsequent steps. With increasing automation, this phenomenon has become even more marked. The paper presents an input-output model for evaluating the synchronization of two sequential manufacturing processes coupled through an intermediate (or buffer) stock. The primary goal is to provide a methodology for modeling the relationships between key performance measures across process steps (i.e. a descriptive tool). Modeling the interdependency of process steps and the impact that performance adjustments in one step have on later steps provides the basic information required for process synchronization and subsequent optimization.

Philip Moscoso

On August 1-4, attended, in Salerno (Italy), the *18th International Conference on Production Research*, organized by the International Foundation for Production Research, where he presented the paper "Design of integrated management systems for the extended shop-floor", co-authored by **Alejandro Lago**.

Abstract: In today's globalized and dynamic business environment, proper production management systems (PMS) have become a critical success factor for manufacturing companies. In practice, however, designed PMS are often unsatisfactory, especially for shop-floors that are part of larger supply chains. In this paper we postulate that this is fundamentally the result of using very technocratic models for PMS design. A dual modeling framework is introduced to achieve a more integrated and holistic PMS design. A holistic design acknowledges that social and technical sub-systems, through their interaction, can achieve better management performance than each one individually. An integrated design does not artificially separate the PMS from the shop-floor it manages, but rather considers the two as intertwined and complementary parts of an organizational whole. Finally, a case study helps to illustrate the practical application of the framework.

Fernando Peñalva

On August 7-10, attended, in San Francisco, the *American Accounting Association Annual Meeting*, where he presented the paper "Governance structure and the weighting of performance measures in CEO compensation", co-authored by **Toni Dávila**.

Abstract: (see page 6).

Steven Poelmans

On August 5-11, attended in Honolulu, the *Annual Meeting of the Academy of Management*, where he chaired the symposium "The impact of globalization on the work-family interface of vulnerable groups".

Abstract: To date, research has examined the work-family interface on both a national and international level. However, a major limitation is that it has focused mainly on white-collar employees and has failed to examine the impact on less privileged, vulnerable groups such as immigrant and temporary workers. Only a small number of studies have looked at the impact of work-family issues on these groups. Globalization, new technologies, downsizing and the shift from manufacturing to service-based economies has brought about a far-reaching change in the development of the workforce. This new workforce has, on the whole, lower pay and poorer job quality and job content. As a result, these workers are more susceptible and vulnerable to the negative effects of work-family issues.

In this symposium, the phenomenon was examined from an international perspective, with three papers being presented. Lewis, Rapoport and Gambles look at the interaction between globalization and national culture in seven countries, and the impact of globalization on the workforce. Sahibzada and Hammer examine the role of locus of control in determining the relationship between job insecurity and work-family conflict among temporary employees in Spain. And Kossek, Meece, Barratt and Prince examine the work and family experiences of low-income Latino migrant farm-working mothers in the USA. These papers add to the existing literature by examining more diverse samples and presenting data on new ways of conceptualizing the work-family interface.

Julia Prats

On July 3-5, attended, in Oxford, the "Chance Oxford conference on professional service firms", organized by Saïd Business School, University of Oxford, where she presented the paper "Entrepreneurship among knowledge workers: Evidence from equity analyst market", co-authored by **Boris Groyberg** and **Ashish Nanda**.

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; Zucker, et al., 1998; Dunn and Holtz-Eakin, 2000; Di Gregorio and Shane, 2003] and their chances of surviving as entrepreneurs [Holtz-Eakin, et al., 1994]. Analysis from a panel



Newsletter

July - August 2005 - No 126

data set of research analysts in investment banks over 1988-1996 reveals that star analysts are more likely than non-star analysts to become entrepreneurs. Furthermore, ventures started by star analysts have a higher probability of survival than ventures established by non-star analysts. The probability of venture survival is also procyclical with the performance of the economy. Extending traditional theories of entrepreneurship and labor mobility, our results also suggest that drivers of turnover vary by destination: a) turnover to entrepreneurship, and b) other turnover. In contrast to turnover to entrepreneurship, star analysts are less likely to move to other firms than non-star analysts. Whereas the probability of entrepreneurial turnover is not driven by situational factors, the probability of turnover to other firms is inversely affected by the quality of the research department and firm performance.

Joan E. Ricart

On August 5-11, attended in Honolulu, the *Annual Meeting of the Academy of Management*, where he presented the conclusions of the symposium "Strategic capabilities and knowledge transfer within and between organizations", led the workshop on "Establishing collaboration with international associations and entrepreneurship division", presented the Doctoral Consortium "Finding a Job - The Schools' perspective", and took part in the Research Discussion Session "International strategy and multinationals".

Marc Sachon

On July 11-15, attended, in Honolulu, the *IFORS 2005 Conference*, where he presented the paper "Value appropriation and the organization of innovation".

Abstract: We present a simple and tractable model to identify optimal budgeting strategies for development efforts in a multiple period decision problem with different probabilities of development success for internal and external projects in the presence of knowledge diffusion. The results indicate that optimal investment strategies are not time-invariant. The paper is part of a larger research project funded by the Spanish government.

On June 16-18, the 5th International Workshop on Strategic Alliances: Governance and Contracts, organized by **Africa Ariño** and Jeff Reuer (University of North Carolina), was held at IESE in Barcelona.

Doctoral theses

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

Alvaro Espejo

ORGANIZATIONAL CITIZENSHIP BEHAVIORS: NATURE, CULTURAL CONTEXT, AND MOTIVATIONAL BASIS (IESE)

Abstract: The purpose of this dissertation is to contribute to knowledge on organizational citizenship behaviors (OCBs). In particular, we tackle three important issues that remain unresolved in the existing literature: the nature of OCB as a multidimensional construct; cultural elements in OCB; and employees' motivation to engage in OCBs. For this purpose, we performed three different studies, which are presented in this dissertation as independent essays.

In our first essay, we examine the nature and dimensionality of organizational citizenship behavior, using multitrait-multimethod techniques. In particular, we use hierarchical confirmatory factor analysis (HCFA) to control for method effects (rating sources) in OCB. Results using data from three sources in the Spanish branch of a multinational food company support the conception of OCB as a latent rather than an aggregate construct.

In our second essay, we use hierarchical linear models to analyze the effect of organizational commitment on OCB in Iberoamerican nations and the cross-level moderator effect of the nation's externality of control on this relationship. Results show that managers in more external nations (where people see their work as a result of external forces) tend to engage less in OCB than managers in less external nations.

In our third essay, we present a map of possible motives for engaging in OCB and study empirically the effect these motives have on different types of OCB. We distinguish four basic motives: extrinsic, intrinsic, contributive, and relational. Extrinsic motives appeal to the rewards an individual expects to receive from others in exchange for a certain behavior. Intrinsic motives appeal to the satisfaction an individual expects to experience from behaving in that way. Contributive motives appeal to the benefits the individual expects others to experience as a consequence of the behavior. Relational motives appeal to the impact the behavior is expected to have on the individual's relationship with the other party. Using self-ratings and supervisor-ratings, we measure three OCB dimensions: OCB directed toward other individuals (OCBI), OCB directed toward the organization (OCBO), and OCB directed toward the task (OCBT). Our results show a positive effect of contributive motives on self-rated OCBI and superior-rated OCBO. We also found a positive effect of intrinsic motives on self-rated OCBO and a negative effect of relational motives on superior-rated OCBT.

After presenting these three essays, we discuss some issues affecting the three papers as a whole. Next, we present a future research project, in which we aim to overcome some of the limitations of this study. Finally, we draw out some implications for

Newsletter

July - August 2005 - No 126



managers who wish to encourage citizenship behavior in their organizations.

IESE - Research Seminars

Economics

July 4

Keynote speaker: Laura Romeu, Max Planck Institute

"Compression of morbidity and the labor supply of older people"

Abstract: The objective of the paper is to test whether there is evidence of compression of morbidity using data from the Health and Retirement Study (HRS) and to analyze the effects on the labor supply of older people. Younger cohorts suffer less from functional problems than older cohorts at given ages. From our analysis it can be concluded that this will have positive effects on the labor participation of older people.

Self-reported life expectancy is also analyzed. There is an improvement in the self-reported life expectancy for younger cohorts, which has a negative effect on retirement.

Miscellaneous

Antonio Argandoña

On July 14, attended, in Lisbon, the Encontro Internacional de Escolas de Negócios Comemoração dos 25 annos da AESE, where he gave the lecture "Multiplicando conhecimento em direcção de organizações".

Last June he was appointed a Member of the Tribunal Arbitral Tècnic de Catalunya.

Carlos García Pont

On July 9-12, attended, in Quebec, the AIB 2005 Annual Meeting, organized by the Academy of International Business, where he acted as discussant in the session on "Entry and expansion strategies".

Abstract: The session included different contributions on FDI Theory. It was argued that organizations are more likely to make foreign direct investments later in their life cycle, when they have a significant amount of unobserved organizational slack. It was also shown that traditional firms are lower performers than "international new ventures" or "born global" firms in the international arena. "Born globals" or "international new ventures" rely on their international partners to develop the resources and capabilities that will be key to their international development. Contrary to traditional FDI theories, according to

which the key to any firm's international development is the firm's endowment of proprietary technologies or know-how, for born global firms from developing countries the ability to learn from initial international relations is even more important. The fact that the entrepreneurs in such firms have an international orientation from the start opens their eyes to a wider set of customer demands. This stretching of their capabilities opens the way for international expansion.

Brian Leggett

On July 6-10, attended, in Koblenz (Germany), a conference, organized by the University of Purdue (USA) and the University of Innsbruck (Austria), on the theme "The mimetic theory". The main speaker was René Girard, one of today's foremost philosophical thinkers.

Teaching materials

NOTE: The updated bibliography may be consulted on the Internet at:

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

Accounting and Control

Deckard Ltd. Company

(C-729 - 0.105.003)

This armchair case presents a situation in which growth in a company can lead to financial distress. It is simple enough to isolate and analyze each of the effects (profitability, liquidity, growth, contribution margin, cumulative vs. non recurrent effects...).

Palencia L.; 2 pages.

Fantasia, SpA

(C-732-E - 0.105.013)

This case examines a successful medium-sized company in the toy sector. It illustrates the preparation of the three basic financial statements: balance sheet; income statement; and cash flow statement. It helps students to integrate these three main financial statements and shows how they can be used to support economic decision making. It also helps students to understand the relationship between strategy and financial statements, and demonstrates the importance of monitoring cash flow when profits are high.

(Also available in Spanish.)

Peñalva F.; 8 pages.



Newsletter

July - August 2005 - No 126

Fantasia, SpA - Teaching Note (CT-17-E - 5.105.029)

(Case C-732-E).
(Also available in Spanish.)

Use is restricted to Academic Institutions.

Peñalva F.; 17 pages.

Carmen Braun (A) (C-736-E - 0.105.023)

This is a basic case to introduce students to financial accounting. It describes the set-up and first year of operations of a commercial company. It defines the following basic concepts: assets, liabilities, equity, revenues, and expenses. It shows how the main financial statements –balance sheet, income statement and cash flow statement– are prepared and used.

(Also available in Spanish.)

Peñalva F.; 4 pages.

Carmen Braun (B) (C-737-E - 0.105.024)

See case A.
Case B also looks at the following issues: inventory valuation (FIFO, average, etc.) and expense classification (by function or category). It follows on from Case A, but may be used independently.

(Also available in Spanish.)

Peñalva F.; 4 pages.

Carmen Braun (B) - Teaching Note (CT-16-E - 5.105.028)

(Case C-737-E).
(Also available in Spanish.)

Use is restricted to Academic Institutions.

Peñalva F.; 16 pages.

El "Balanced Scorecard". Ayudando a implantar la estrategia (CN-215 - 0.105.030)

La nota analiza los elementos que deben conformar un "Balanced Scorecard" para que pueda ser un modelo de planificación y gestión que permita alinear a la organización con su estrategia. A continuación se exponen las claves para una implantación exitosa basada en experiencias de buenas y no tan buenas implantaciones. Es clave tener un modelo simple y que priorice lo importante, un lenguaje común, un equipo líder al máximo nivel que empuje el proyecto, un equipo de trabajo adecuado, una

buena comunicación y la participación de diferentes personas de la organización. Por último, se da respuesta a algunas dudas que suelen plantearse en los procesos de implantación.

Fernández A; 15 pages.

Entrepreneurship

Soluziona: The Success of Entrepreneurial Initiative (E-71-E - 0.605.001)

Soluziona was a consulting company belonging to the Unión Fenosa group; it had been created through the merger of the group's service enterprises. With more than 8,000 employees, Soluziona was present in 28 countries on four continents. The crisis of 2002 had slowed its growth, but the company had been able to maintain its profits thanks to a cost optimization plan. During this period, it also underwent a major business integration process. In July 2004, Soluziona CEO Santiago Roura was concerned about the integration process and had decided to reconsider the possibility of taking the company public. He felt that a public offering would help to consolidate the company, force it to operate to even stricter standards, and give it a visibility that would likely boost sales. Business opportunities were starting to appear in other countries and industries. Santiago Roura was wondering how best to sustain the entrepreneurial initiative and optimize the joint position of the company's four businesses in each industry.

(Also available in Spanish.)

Fité R.; Nueno P.; 28 pages.

Financial Management

Carrefour Spain (F-768-E - 0.204.056)

This case examines the growth and financing strategy of the Spanish subsidiary of a major multinational retail food chain. It provides an opportunity to explore the main advantages and disadvantages of using high levels of short-term trade debt to finance growth. The case discusses the major threats and risks to which this financial strategy exposes the company.

(Also available in Spanish.)

Almansa F.; Rahnama A.; 10 pages.

Wal-Mart's Value Creation (F-769-E - 0.204.057)

This case focuses on the evaluation of Wal-Mart's outstanding growth and financial performance. It describes the company's recent attempts to diversify into other businesses in order to

Newsletter

July - August 2005 - No 126



maintain its remarkable growth and profitability. The case provides an excellent context for applying the Economic Added Value (EVA) model as a basis for measuring corporate financial performance. It also explores the key benefits of EVA, and reviews the limitations of such a system.

Krogh J.; Rahnema A.; 13 pages.

Saga Falabella: Investing in a New Store (F-776-E - 0.205.003)

Saga Falabella, the largest department store chain in Latin America, is considering opening a new store in Arequipa. The income statements, balance sheets, and asset and shareholder cashflows are analyzed, as well as profitability, project risks, and other factors which could influence the decision. There is discussion of which cashflows should be included in the project, and which not.

(Also available in Spanish.)

Hepp R.; Prada A.; Martínez Abascal E.; 16 pages.

Nokia's Growing Cash Mountain (F-777-E - 0.205.004)

In mid-November 2002, Jorma Ollila, CEO of Nokia, and his management team must decide what to do with the company's growing "cash pile" of €8 billion. The company does not have any immediate acquisitions on the horizon and boasts a low debt load: €450 million in long-term debt and €2.6 billion in customer financing exposure. Ollila has recently ruled out a share buy-back after credit agencies like Moody's threatened to downgrade the company from its current A1 credit rating. Ollila needs to come up with a plan for the cash within two weeks that will suit shareholders. In devising his plan, Ollila and his management need to consider the environment and Nokia's potential future investment and financing needs.

Mitchell J.; Rahnema A.; 25 pages.

Nokia's Growing Cash Mountain - Teaching Note (FT-65-E - 5.205.005)

Case F-777-E.

Use is restricted to Academic Institutions.

Mitchell J.; Rahnema A.; 11 pages.

General Management

Agbar Automotive (B) (DG-1441-E - 0.304.018)

The case illustrates the brand creation process and how it relates to the company's strategy.

(Also available in Spanish.)

Rosenberg M.; 31 pages.

Bankinter 2002 (DG-1451 - 0.304.031)

En mayo de 2002, Jaime Echegoyen, de 45 años, es nombrado consejero delegado de Bankinter. Echegoyen sustituía a Juan Arena, "alma mater" del banco desde hacía 17 años. El sector bancario había sufrido un año complicado, y la competencia era cada vez más intensa. Bankinter era el quinto banco de España, pero estaba muy lejos en tamaño de los dos grandes del sector, SCH y BBVA. Bankinter siempre había apostado por una estrategia diferente a la de los otros bancos, basada en la innovación y la tecnología, y mantenía también una especial cultura. Hasta el momento parecía haberle funcionado, ya que habían conseguido resultados positivos a pesar de la mala situación del sector. El nuevo consejero delegado había propuesto un cambio organizativo importante, y se enfrentaba al reto de seguir manteniendo esos resultados y de consolidar su liderazgo.

Blázquez M.L.; Ballarín E.; 16 pages.

Banco Popular 2004 (DG-1473 - 0.305.027)

En enero de 2004, el consejero delegado del Grupo Popular, tercer banco español por volumen de negocio, presentaba los resultados del año. El Grupo había experimentado crecimientos sustanciales en todas las magnitudes de negocio y seguía muy por delante del resto de los bancos en cuanto a rentabilidad y eficiencia. Sin embargo, el Popular se planteaba un cambio en la estrategia de crecimiento orgánico que venía manteniendo desde hace años. Algunos analistas se preguntaban si este cambio era una reacción ante un entorno cada vez más competitivo o si el modelo del grupo se había agotado.

Blázquez M.L.; Ballarín E.; 30 pages.



Newsletter

July - August 2005 - No 126

Information Systems

Knowledge Management at Siemens Spain (SI-145-E - 0.104.025)

This case describes knowledge management initiatives at Siemens Spain, with a special emphasis on building communities of practice. The case also examines how this approach fits with the global Siemens strategy, and with the group's commitment to knowledge sharing and continuous innovation. This case won the "2005 ECCH/Business Week European Case Awards" in the category "Knowledge, Information & Communication Systems Management".

(Also available in Spanish.)

Grau A.; Lara E.; Andreu R.; Sieber S.; 24 pages.

Knowledge Management at Siemens Spain - Teaching Note (SIT-6-E - 5.104.026)

Case SI-145-E.

(Also available in Spanish.)

Use is restricted to Academic Institutions.

Andreu R.; Sieber S.; 9 pages.

Shen Huan's Linux Decision (SI-148-E - 0.105.005)

Shen Huan, CIO of a joint venture between a Chinese and a Spanish company, has to form his own opinion about the most appropriate platform to implement in his company. On the one hand, he knows that the Spanish partner works with Microsoft-based software; on the other, Linux and open source software applications have been growing in China due to the Chinese government's decision to foster and support open source initiatives.

Armellini G.; Valor J.; 8 pages.

Managing People in Organizations

Rosa García, CEO at Microsoft España (DPO-48-E - 0.405.003)

This case follows the career of Rosa García, currently director of Microsoft in Spain. Among the challenges and reflections discussed in the case are her years of academic training, her first professional experiences, her spell in Redmond, where she worked with Steve Ballmer, her return to Spain to manage Microsoft, and her search for a balance between work and family, and between the world of new technologies and education.

(Also available in Spanish.)

Sánchez M^a J.; Alvarez de Mon S.; 19 pages.

Marketing

Redes de Campo (M-1170 - 0.504.011)

La actividad principal de Redes de Campo, S.A. es la organización y dirección de redes de ventas externas, también denominado fuerzas de ventas externas (FVE). Se basa en el *outsourcing* de la actividad comercial para la venta de un determinado producto o servicio de una compañía durante un tiempo determinado, ofreciendo un servicio completo de acción comercial requerido por los clientes.

Lozano V.; Milán B.; Iniesta F.; Toro J.M.; 23 pages.

Real Madrid Club de Fútbol (M-1184 - 0.505.015)

En junio de 2000, Florentino Pérez, un conocido empresario español, fue elegido presidente del Real Madrid, uno de los principales clubes de fútbol del mundo, con 101 años de antigüedad, propiedad de sus socios y con alrededor de 93 millones de hinchas en todo el mundo. Durante su campaña, Florentino Pérez prometió sanear las finanzas del club, realizar un fichaje estrella y extender la marca del club por el mundo entero a través de diferentes canales. La elección presidencial de junio de 2004 equivaldría a un referéndum sobre la transformación del club y la sostenibilidad del modelo de negocio creado por el presidente y su equipo de directivos.

Knoop C.I.; Quelch J.A.; Nueno J.L.; 30 pages.

La marca: forma, contenido y gestión (MN-347 - 0.505.008)

Se trata de dar una definición del activo marca que se ha convertido hoy en día en uno de los principales de toda empresa. También se definen los componentes que aportan valor a dicho activo, como son el nombre, el símbolo, el lema, los colores, los envases, las personas y los personajes, las canciones, etc.

Pérez Castro C.; Toro J.M.; 15 pages.

Production, Technology and Operations Management

The Amango Project: Taking Online DVD Rental to Germany (P-1068-E - 0.605.009)

The case describes an innovative approach to online DVD rental pioneered by Netflix in a sector hampered by short life-cycle products (movies). The industry has a supply chain that is prone to misaligned incentives between echelons, resulting in product shortages and poor customer satisfaction. Amango hopes to



University of Navarra

Newsletter Research Division

import this business concept pioneered by Netflix to Germany. To be able to do so, the company must copy Netflix's operating system and manage to solve its working capital problem. At first glance this seems to be an easy thing to do, but an analysis will show that several pieces must fall into place so that Amango can have the same success. The case will fit very well in a module about demand-driven supply chains or a module about new concepts in supply chain management. It can also be taught as a stand-alone case on strategic shifts in the entertainment industry, particularly with regard to the Internet.
(Also available in Spanish.)

Sachon M.; 13 pages.

The Amango Project: Taking Online DVD Rental to Germany - Teaching Note (PT-44-E - 5.605.022)

Case P-1068-E.

(Also available in Spanish.)

Use is restricted to Academic Institutions.

Sachon M.; 23 pages.

Occasional Papers

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

OP-05/15 - July 2005

Josep M. Rosanas

LOS PRESUPUESTOS: ¿HERRAMIENTA CRUCIAL DE DIRECCION O REQUISITO BUROCRATICO INUTIL?

Abstract: De unos años a esta parte se dan a la vez dos circunstancias con respecto a los presupuestos que son, si

no contradictorias, por lo menos paradójicas. Por una parte, a los presupuestos les caen críticas de todas partes. Por otra parte, las empresas de unas ciertas dimensiones (y no digamos ya el sector público) siguen usando los sistemas presupuestarios como siempre ha sido, aunque quizá con alguna evolución significativa. Una segunda paradoja está en que lo que todos estos artículos sugieren que habría que hacer, coincide en un porcentaje importante con las ideas que han sido propuestas tradicionalmente como finalidades básicas de los presupuestos.

Esta breve nota trata de poner estas cuestiones en su contexto, mostrando cómo los presupuestos siguen siendo hoy tan necesarios como lo han sido siempre, pero respondiendo a sus finalidades originales y no como requisito burocrático complejo; a la vez que deben complementarse (también, como siempre) con otras herramientas y procesos.

OP-05/16 - July 2005

Lluís G. Renart - Carles Cabré

LAS CLAVES DEL MARKETING RELACIONAL BIEN HECHO

Abstract: Los autores proponen que las claves del éxito en el diseño e implantación de una estrategia de marketing relacional se encuentran en: 1) tener en cuenta tres premisas antes de iniciar el proceso, y 2) llevar a cabo un proceso de diseño e implantación en tres etapas: a) definir la misión, los valores y la cultura de la empresa; b) diseñar una estrategia relacional, y c) y sólo en tercer lugar, asignar las personas y poner en juego los recursos informáticos o de otro tipo (páginas web, bases de datos, tarjetas de fidelización, centros de llamadas, etc.) necesarios. Finalmente, los autores señalan otras siete claves del marketing relacional bien hecho: 1) que el modelo transaccional básico funcione con la necesaria eficacia y calidad; 2) implantarlo con gradualidad; 3) que tenga auténtica bilateralidad y orientación al cliente; 4) superar las reticencias de los clientes a mantener una relación; 5) potenciar la aparición de círculos virtuosos; 6) asegurar el apoyo de la dirección general, y 7) ofrecer a los clientes una experiencia multicanal, integrada y coherente. Terminan señalando que la estrategia relacional perfecta y permanente no existe.

Research Newsletter

Editor: Silvia Jiménez, Research Division

Published: IESE Business School, University of Navarra

Av. Pearson 21 - 08034 Barcelona, Spain

Tel.: (+34) 93 253 42 00 / Fax: (+34) 93 253 43 43

E-mail: silvia@iese.edu

