Journals

Laura-Isabel Arranz – Magda Rafecas – Miguel A. Canela

Abstract: Many people suffer from fibromyalgia (FM), without receiving effective treatment. They do not have a good quality of life and cannot maintain normal daily activity. Oxidative stress is one of the hypotheses for its ethiopathophysiology.

Non-scientific information addressed to patients regarding nutrition is widely available, and patients commonly try non-evidence-based strategies. The aim of this paper is to find out what we currently know from scientific studies about fibromyalgia and nutritional status, diet and food supplements. A systematic search was conducted on Medline, using a wide range of search terms related to nutritional issues. The search was conducted, during 2009, for articles published between 1998 and 2008.

Vegetarian diets may have some beneficial effects, probably due to the increase in antioxidant intake. There is a high prevalence of obesity and overweight in patients, and weight control seems to be an effective tool to improve the symptoms. Some nutritional deficiencies have been described, but it is not clear whether they are directly related to fibromyalgia or not.

We found very little data about the usefulness of food supplements and it seems that more studies are needed to prove which ones could be of help. Dietary advice is necessary for these patients to improve their diet and maintain normal weight. It would be interesting to investigate more in the field of nutrition and FM to reveal any possible relationships.

Bruno Cassiman – Elena Golovko
“Innovation and internationalization through exports”, Journal of International Business Studies, online September 2010.

Abstract: Successful product innovation leads to the decision by small and medium enterprises (SMEs) to enter the export market. We argue that in addition to a direct effect of innovation on exports, product innovation, through its effect on firm productivity, increases the likelihood of the firm entering the export market. Using a panel of Spanish manufacturing firms, we show that the strong positive association found between firm productivity and exports in the literature relates to the firms’ earlier innovation decisions, and that, when controlling for product innovation, the relationship between productivity and exports vanishes for these innovating firms.

Dror Etzion – Fabrizio Ferraro

Abstract: We study institutional entrepreneurship in an emergent field by analyzing the case of the Global Reporting Initiative (GRI) and its efforts to purposefully institutionalize the practice of sustainability reporting. We suggest that analogies affect institutionalization processes through two mechanisms. In the early stages of institutionalization, analogy operates primarily as a normative mechanism, and adoption is driven mainly by an instrumental logic. This emphasis on similarity to existing institutions stresses conformity and promotes legitimacy. Yet analogies can also have a cognitive effect on institutional design, especially once initial acceptance from the environment has been secured, by
directing attention toward incongruences between the emergent institution and its analogical source. Institutional entrepreneurship can spur innovation and departure from existing institutions by highlighting limitations of the analogical source and providing a compelling value-rational argument that underscores the worth of the new institution. This theoretical contribution helps explain how analogies to existing institutional practices can both provide legitimacy to novel institutions and constitute the basis for a creative process of institutional design.

**Victor Martínez de Albéniz – Alejandro Lago**


**Abstract:** In this paper, we investigate the optimality of myopic inventory replenishment policies in a periodic-review single-echelon system, with nonstationary, correlated, stochastic demand and cost, and nonincreasing stochastic prices. Using the single-unit decomposition approach, we provide certain general conditions on the demand and cost processes under which a myopic policy is optimal. Under these conditions, the optimal policy is a myopic state-dependent base-stock policy, which can be expressed in closed form as a base-probability policy. Specifically, the order associated with a given customer should be placed if and only if its arrival probability within the leadtime is higher than a threshold. Our results generalize earlier conditions for the optimality of myopic policies. Namely, we show that myopic policies can be optimal even when the demand is nonstationary or stochastically decreasing.

**Domènec Melé**


**Abstract:** The aim of this paper is to present the need for practical wisdom in the managerial decision making process and its role in that process. The paper seeks to contrast the position with two conventional approaches based on maximizing and satisficing behaviors, respectively. Following Aristotle and Thomas Aquinas, it is argued that a correct decision should consider an “integral rationality”, which includes not only “instrumental rationality” but also “practical rationality”. The latter permits the evaluation of both means and ends from the perspective of the human good. Practical wisdom helps the decision maker to determine how a decision will contribute to the human good in each particular situation. Maximizing and satisficing behaviors are based on the facts-values dichotomy, which separates business and ethics and presents a rationalistic and incomplete view of reality. The alternative presented here sees the decision as a whole, and this is a more comprehensive understanding of reality. Ethics is better integrated into the decision making process, since it is an intrinsic part of that process, not an extrinsic add-on. Every decision has an ethical dimension, which managers must take into account in order to make good decisions. Practical wisdom is essential in perceiving the ethical dimension and making sound moral judgments. Managers need not only skills for making correct decisions, but also practical wisdom and moral virtues. The approach presented in the paper defeats the conventional but narrow views of managerial decision making based on maximizing or satisficing behavior and introduces the categories of good and evil as the main drivers of managerial decision making.


**Abstract:** Focusing on the virtue ethics tradition, this article analyzes the practice of networking in the business context. First, it distinguishes three types of networking: utilitarian, emotional, and virtuous. Virtuous networking does not exclude utilitarian and emotional networking, but these latter forms should be practiced with reciprocity. It is argued that virtuous networking requires: 1) acting with good faith, sharing honest goals, and participating in licit activities; 2) sharing information, knowledge, and resources reciprocally and even gratuitously; 3) serving with justice in asymmetrical power relationships, and 4) exercising a positive ethical influence within the network. Specific forms of unethical behavior in networking practice include: 1) bad faith or abuse of trust; 2) opportunism; 3) abuse and misuse of power; 4) network cronyism; 5) networking as disguised bribery, and 6) cooperating in the wrongdoing of other actors in the network. The article concludes with some remarks about the role of ethics in social networks.


**Abstract:** Polyploidy is a key factor in the evolution of higher plants and plays an important role in the variation of plant genomes, leading to speciation in some cases. During polyploidisation, different balancing processes take place at the genomic level that can promote variation in nuclear DNA content. We estimated genome size using
flow cytometry in 84 populations of 67 Artemisia species and one population of Crossostephium chinense. A total of 73 sequences of nrDNA ITS and 3'-ETS were newly generated and analysed, together with previously published sequences, to address the evolution of genome size in a phylogenetic framework.

Differences in 2C values were detected among some lineages, as well as an increase of genome size heterogeneity in subgenera whose phylogenetic relationships are still unclear. We confirmed that the increase in 2C values in Artemisia polyploids was not proportional to ploidy level, but 1Cx genome size tended to decrease significantly when high ploidy levels were reached. The results lead us to hypothesise that genome size in polyploids tends to a maximum as it follows saturation behavior, in agreement with the Michaelis–Menten model. We tested different arithmetic functions with our data set that corroborated a non-linear relationship of genome size increase in polyploids, allowing us to suggest a theoretical upper limit for the DNA content of this genus.

Rebecca Piekkari – B. Sebastian Reiche – Markus Pudelko – Chris Carr

Pablo Sánchez - Joan E. Ricart

Abstract: We explored different business ventures in low-income markets in order to understand the factors influencing business model innovation in this context. Grounded in the rich data obtained from multiple case study analyses and in the received theory in strategy in low-income markets and business models, we identified a set of contingency factors that permitted us to distinguish between isolated and interactive business models. An isolated business model widens a firm’s entry into new markets by leveraging the firm’s current resources and capabilities to take advantage of existing opportunities. An interactive business model requires a firm to combine, integrate and leverage both internal resources and the external ecosystem’s capabilities to create new business opportunities. Finally, we discuss the main implications of these business models for value creation.

Stefan Stremersch - Eitan Muller – Renana Peres

Abstract: The academic literature on the growth acceleration of new products presents a paradox. On the one hand, the diffusion literature concludes that more recently introduced products show faster diffusion than older ones. On the other hand, the technology generation literature argues that the new product growth rate, at least as measured by diffusion parameters, remains constant across generations. We resolve this apparent paradox by testing whether growth acceleration occurs across technology generations while controlling for the passing of time. We check acceleration across 39 distinct technology generations in 12 product markets. The results show that intergeneration acceleration occurs in time to takeoff but not with respect to diffusion parameters (i.e., p and q). We show that takeoff acceleration is mostly driven by technology vintage (i.e., the passage of time) rather than generational shifts. Thus, time is a factor that accelerates early growth, but generational shifts do not. This result also holds when controlling for the effects of market vintage when the market is either business-to-business or business-to-consumer as well as when the technology is process or product-based.

Antonio Vaccaro – Dalia Patiño

Abstract: How can firms support their customers’ collaborative, social responsibility initiatives – especially pro-environmental, firm-customer collaborations? Does corporate transparency affect customers’ willingness to undertake pro-environmental collaborative programs? This study addresses these questions in relation to the United States residential electricity market. It focuses on the impact of customers’ perceptions of the utility’s degree of transparency and on the willingness to engage in pro-environmental behavior (PEB) related to electricity consumption. The responses of 1257 interviewees from United States households to questions related to their electricity suppliers are analyzed through structural equation models (SEMs) using latent variables. Results show that customers’ perceptions of an electricity utility’s transparency affect their willingness to collaborate in environmental programs, and that the degree of perceived transparency of the utility is related to customers’ environmental awareness.
Antonio Vaccaro – Ronaldo Parente – Francisco M. Veloso

Abstract: The business value of information technology is an enduring research question. This research provides new insights to better understand the mechanisms supporting this relation by analyzing the impact of knowledge management tools (KMTs) on the performance of business units involved in inter-firm collaborative innovation projects. We extend current literature by developing and empirically testing a model where: 1) the use of KMTs is affected by critical organizational variables, and 2) KMTs can impact the innovation and financial performance of business units. We find that mutual trust and culture for change do not affect the extent of the use of KMTs, while collaborative experience and naturalness of using ICTs as substitute for face-to-face contact have a significant impact. Moreover, we show that a more intense use of KMTs has a direct positive effect on new product performance and speed to market, as well as on financial performance. Yet, only new product performance acts as an indirect conduit linking KMT use and financial performance. This article provides a discussion and perspectives for further research concerning the impact of KMTs on innovation practices in inter-firm collaborative environments.

Josep M. Rosanas
“Més enllà de l’eficàcia: Un punt de vista humanista i realista de la presa de decisions, les organizacions i les persones”, Crèdit Andorrà, October 2010, 158 pages.

Abstract: El llibre tracta de ser una introducció a la presa de decisions tant per directrius d’empresa com per qualsevol altra persona, ja que no exigeix cap coneixement previ. El punt focal del llibre és l’efecte que les decisions tenen sobre les persones i la manera d’analitzar-les sistemàticament. Totes les decisions que pren qualsevol persona afecta els altres. Però en ocasions és només d’una manera impersonal i gairebé indirecta: la primera part del llibre està dedicada a l’estudi d’aquestes decisions. Primer s’examina les decisions basades en criteris quantitatius i en el risc, i a continuació es veu com incloure també els criteris no quantitatius. La segona part, molt basada en l’obra de Juan Antonio Pérez López, tracta de posar de manifest l’impacte que directament tenen les decisions sobre altres persones concretes, per mostrar com: 1) l’aprenentatge n’és un element crucial, i 2) que les decisions que es prenen a les organizacions no poden basar-se únicament en el criteri d’eficàcia: l’aprenentatge de les persones i la mesura en la que es desenvolupa una manera de fer les coses i una identificació i lleialtat amb l’empresa en són els elements crucials.

Contributions to books

Antonio Argandoña

Abstract: La economía sumergida es un concepto caleidoscópico, rico en variedades y matices, que tiene, principalmente, dos causas: la necesidad de ajustarse a una situación difícil, creada, por ejemplo, por la aparición de competidores agresivos o por una recesión grave, y una manera habitual de trabajar, total o parcialmente fuera de la ley, a fin de evitar algunos costes o regulaciones. Este artículo trata de analizar el fenómeno de la economía sumergida desde un punto de vista ético: ¿es moralmente aceptable que una empresa lleve a cabo prácticas de economía sumergida, bien de modo permanente, bien ocasionalmente, ante un entorno económico adverso? Y, ¿son válidos los argumentos que suelen darse para justificar la economía sumergida?

Books

Joan Fontrodona - Manuel Guillén - Alfredo Rodríguez

Abstract: La ética es necesaria en la empresa, pero no cualquier ética vale. En este libro se lleva a cabo una revisión de las principales teorías éticas a la luz de la ética de bienes, normas y virtudes, lo que permite explicar mejor qué es la empresa y cómo actúa el directivo. La empresa y el directivo necesitan de la ética. Sin embargo, no siempre la organización y el directivo tienen en cuenta la ética en la actividad empresarial. Una ética con un claro fundamento antropológico es capaz de integrarse en la estrategia de la empresa y en la conducta del directivo.
Jordi Canals

Abstract: La actual crisis financiera ha puesto en entredicho el funcionamiento de las economías de mercado y de los mercados financieros. Desde la óptica de esta crisis, el artículo pretende replantear algunas nociones de gobierno corporativo. La primera es que la crisis tiene algunas de sus raíces en negligencias importantes en el gobierno de la empresa. Por tanto, mejoras en el gobierno corporativo, por ejemplo en la gestión de riesgo o en la mejor supervisión de decisiones de diversificación empresarial, hubieran podido limitar el impacto negativo de la crisis en las empresas. La segunda es que la mejora del gobierno corporativo no consiste sólo en completar el modelo de regulación, sino una nueva noción de la función de la empresa, un concepto más integrador del gobierno corporativo y una mejor articulación de los órganos de gobierno de la empresa –el consejo de administración y el primer ejecutivo con su comité de dirección–, cuyo trabajo debería orientarse a la proyección de la empresa a largo plazo.

IESE – Working Papers

No 877 – September 2010
Antonio Argandoña
POSIBILIDADES Y LIMITACIONES DE LAS REFORMAS ESTRUCTURALES

Abstract: La economía española se enfrenta a un conjunto de reformas estructurales, de gran importancia para su capacidad de crecimiento futuro y para la consecución de una sociedad cohesionada e ilusionada con su futuro. Pero esas reformas no son fáciles de diseñar ni de poner en práctica. En este artículo se pasa revista a algunos caracteres de esas reformas, empezando por cómo debe plantearse el debate sobre las mismas, siguiendo por la discusión del marco conceptual en que se deben establecer y discutiendo los argumentos de eficiencia, equidad y conveniencia que las inspiran, para acabar discutiendo algunos aspectos prácticos de su desarrollo.

No 878 – September 2010
Antonio Argandoña
CORPORATE SOCIAL RESPONSIBILITY IN THE ENCYCLICAL “CARITAS IN VERITATE”

Abstract: The encyclical “Caritas in veritate” contains a scant two allusions to corporate social responsibility (CSR). Yet it is full of suggestions and ideas about how Benedict XVI sees CSR, namely as an ethical responsibility (though not every ethics is valid for determining the responsibility) that does not come from abstract principles and is not limited to management techniques; that derives from the goal or purpose of the firm and its role in society; that is based on justice and charity; that is voluntary; that is centred on the human person; that is not to be confused with social action or philanthropy; and that places great demands on the leader who wishes to put it into effect.
(Also available in Spanish.)

No 879 – September 2010
Paddy Miller - Azra Brankovic
BUILDING A “CREATIVE CULTURE” FOR SUSTAINABLE INNOVATION

Abstract: Innovation has shifted from being about one-off phenomena to being a continuous effort requiring creative engagement and alert responsiveness from organizational actors. As more companies face the need to build a system-wide and sustainable capacity for innovation, creating a “culture of innovation” is becoming a priority. The concept of an “innovation culture” remains undertheorized in the literature, however. We offer a conceptual and practical framework for building an innovation culture in an organization. Specifically, we show
how a cultural infrastructure that orients actors in the practices of creativity and improvisation combines with individual meaning-making processes to simultaneously generate innovation and an innovation culture across an organization.

No 880 – October 2010

Antonio Argandoña

LAS VIRTUDES EN UNA TEORÍA DE LA ACCIÓN HUMANA

Abstract: La economía convencional se basa en una teoría de la acción humana sencilla, que ha mostrado ser eficaz en muchos casos, pero que presenta también inconvenientes importantes. Este capítulo presenta una teoría de la acción más rica, desarrollada con categorías económicas pero inspirada en la filosofía y la teología de base aristotélico-tomista, que permite superar esos inconvenientes, abriendo una vía natural, no forzada, al papel de los hábitos operativos (virtudes) en la acción y, por tanto, a la introducción de la ética en la acción humana.

No 881 – October 2010

Kerem Gurses - Pinar Ozcan

SOCIAL MOVEMENTS, POLITICAL BATTLES, AND NEW MARKET EMERGENCE IN PAY TELEVISION

Abstract: This paper documents the development of pay TV in the United States. We show that when the first version of pay TV, over-the-air pay TV, came to the market, a social movement started by movie theatres and TV broadcasters to “protect free TV” blocked the emerging market. Later on, however, another technology with a similar business model, pay cable TV, became successful. A closer look into the factors leading to this success shows that regulatory voids, the ambiguity of the public interest frame, and the influence over public opinion can create windows of opportunity for a technology to emerge despite strong opposition from incumbent firms. We argue that in highly regulated industries, technology dominance can arise from windows of opportunity emerging amidst political battles.

No 882 – October 2010

Pinar Ozcan – Filipe Santos

THE MARKET THAT NEVER WAS: CLASHING FRAMES AND FAILED COALITIONS IN MOBILE PAYMENTS

Abstract: In this paper, we focus on a key, but understudied process that affects the development of a new market: the interim negotiation process through which the interested parties agree on a business model to exchange resources in order to create the new product or service. We observed this process in the case of an emerging market around mobile payment services for over 40 months between 2006 and 2009. The results that emerge from our data illustrate that when several of the negotiating parties come from dominant positions in their distinctive markets, the development of the new market may come to a complete halt despite the readiness of the technology and proven consumer interest. We also show that when such deadlocks occur, the commercialization of the product may stop at the global level, but continue locally in places where the interdependency problem can be solved. By observing various countries, we describe three local pathways to commercialization: intrafirm coalitions, M&A, and the mediation of a trusted third party.

No 883 – October 2010

Marian Moszoro

QUALITY OF GOVERNMENT REGULATED GOODS

Abstract: Regulators face the difficult task of determining the sets of price and quality of government-regulated goods. While the profit-maximizing monopoly always produces less in quantity than under free competition, the level of quality produced by the monopoly is not unequivocal: it depends on its cost and demand functions. The social effect of quality change is not unequivocal either, because it depends, apart from the cost function change, on the shift and tilt change of the demand curve. The problem lies in determining how the price elasticity of basic need goods responds to quality change and whether this change of quality is socially desirable. This paper analyzes quality as a decision variable in the government-regulated goods sector. Because the quality of government-regulated goods remains an externality, in particular cases the optimal level of the quality of these goods can be determined. Paradoxically, rate-of-return regulation may even make it impossible to achieve Pareto-efficient contracts for government-regulated goods.

No 884 – October 2010

Marian Moszoro

EFFICIENT PUBLIC-PRIVATE PARTNERSHIPS

Abstract: This paper presents a model to assess the efficiency of the capital structure in public-private partnerships (PPP). A main argument supporting the PPP approach to investment projects is the transfer of managerial skills and know-how from the private partner to the investment vehicle. The paper shows how different managerial skills and knowledge transfer schemes determine an optimal shareholding structure of the PPP. Under the assumption of lower capital cost of the public
partner and lower development outlays when the investment is carried out by a private investor, an optimal capital structure is achieved with both the public and the private parties as shareholders, i.e. a mixed public-private capital structure makes it possible to internalize the financial advantage of the public sector and the managerial advantage of the private sector.

No 885 – October 2010
**Rafael Andreu – Josep M. Rosanas**
MANIFIESTO PARA UN **MANAGEMENT MEJOR. UNA VISION RACIONAL Y HUMANISTA**

*Abstract:* Al final de la primera década del siglo XXI, una lamentable crisis económica mundial está causando situaciones muy difíciles a multitud de personas. Sus causas son varias y complejas. El economicismo reinante busca causas mecánicas (tipos de interés excesivamente bajos, el comportamiento “de manada” en las burbujas inmobiliaria y financiera, etc.). Sin embargo, la mala gestión de personas que estaban a cargo de muchas de las instituciones afectadas ha resultado crucial. Paradójicamente, el management puede ser a la vez responsable de grandes éxitos y de grandes fracasos; bajo la misma palabra pueden esconderse conceptos muy diferentes. Y con frecuencia olvidamos el viejo principio de que la virtud está en el centro. El acento en la eficacia inmediata en términos de resultados financieros (que siempre son al final a corto plazo) como único fin, dibuja un concepto pesimista de un ser humano que sólo reacciona a estímulos económicos, ha olvidado otras dimensiones fundamentales para un buen management y nos ha conducido a la crisis.

Este documento pretender establecer los puntos de partida de un buen management, explicar su importancia para la sociedad, analizar críticamente la crisis actual y las prácticas y conceptos que han conducido a ella, y proponer los fundamentos de una concepción del management mejor cara al futuro. Levantamos nuestra voz contra la cultura de la cortedad de visión y nos unimos así a Philip Selznick (1957) en su lucha ya entonces mal comprendida. Para ello ponemos de manifiesto: a) los conceptos de empresa y de management que conducen a buenas prácticas desde el punto de vista de la sociedad en su conjunto; b) las razones por las que el management es importante para el desarrollo de las sociedades humanas en general; c) qué está bien y mal en las prácticas y las teorías habituales en el mundo del management, y finalmente, d) cómo evitar que las malas prácticas, tanto en la teoría como en la práctica, y las malas aplicaciones de buenas teorías, tengan impacto en las grandes tendencias.

No 886 – October 2010
**Rafael Andreu – Josep Riverola – Josep M. Rosanas – Rafael de Santiago**
A SIMULATION APPROACH TO A WORLD WITH LEARNING

*Abstract:* The main objective of the firm in economics-based models is to maximize profit. Dropping this objective in order to make the models more realistic complicates the analysis and is seldom done, thus leaving management action out of the picture. In this paper we try to understand how management decisions give rise to aggregate results. In particular, we develop a simulation model of an economy in which emphasis is placed on managers’ decision-making criteria. The key decision managers have to make is which projects their firms will undertake. Project selection has an impact on the firm, as the firm’s profile may change through learning.

No 887 – October 2010
**Marian Moszoro**
OPPORTUNISM IN PUBLIC-PRIVATE PROJECT FINANCING

*Abstract:* Opportunism, either governmental or private, may become a powerful deterrent against public-private project financing, especially considering the scale of the investment in infrastructure. The parties can secure themselves against counterparty opportunism by assigning the investor an exit (put) option and the public agent a bail-out (call) option on the private investor’s shares. This paper presents a mechanism for converting natural monopolies into contestable markets using over-the-counter option contracts that combine the stability of long-term contracts and the flexibility of short-term contracts. The exit/bail-out option mechanism reduces entry barriers by streamlining incomplete long-term contracts and avoiding contractual problems related to bounded rationality and opportunism.

Other publications

**Ahmad Rahnema**

*Abstract:* More than two years on from the crisis, with several European countries slowly emerging from recession, it is an opportune time to understand how the market and economic environment are likely to evolve and how businesses and final
consumers are likely to react and respond. The author provides a perspective on the prospects for Europe’s economy and the evolving business environment.

**Guido Stein**

*Abstract:* The author elucidates Drucker’s thinking in a way that emphasises its relevance for today and tomorrow.

**Guido Stein - Miguel López Remiro**
“Creatividad en la empresa, siete elementos clave”, *ISTMO* 310, September/October 2010, pages 28-36.

*Abstract:* Los autores abordan la innovación con un enfoque y perspectiva singular. Al enlazar dos mundos aparentemente tan distantes, pretenden que las características clave de la creación artística ayuden a fomentarla en el ámbito de la empresa. Desde una disciplina en la que la innovación parte de su propia esencia, el arte, intenta acercarnos a la creatividad y a la innovación en otros entornos. Para ello se sirven del criterio planteado por el pintor Mark Rothko, que ayuda a entender cómo opera un artista y se plantea como una fórmula para establecer un modelo de creatividad para entornos no artísticos.

**Conferences and Seminars**

**Antonio Argandoña**
On September 9-11, attended the 23rd EBEN Annual Conference in Trento, where he presented the paper “Corporate social responsibility in the tourism industry: Some lessons from the Spanish experience”, and moderated a plenary session and a parallel session.

*Abstract:* Tourism has been, and still is, a very profitable industry in Spain. But the Spanish model of tourism development, following a pattern set in the 1950s, is now in crisis. The crisis is apparent in the widespread overdevelopment of tourist resorts and residential facilities in coastal areas, generating high environmental, social and economic costs. In this paper, we describe the Spanish model of tourism, the results it has achieved, the reasons for its longevity and the obstacles facing any attempt to change it. Given the failure of individual, collective and political action to solve the problems of overdevelopment, we ask whether corporate social responsibility and its theoretical foundations and instruments offer a solution.

On October 15-16 attended the International Conference “Free markets and the culture of common good” in Rome, where he presented the paper “Corporate social responsibility in the encyclical ‘Caritas in veritate’”.

*Abstract:* (See page 5.)

**Pascual Berrone**
On October 21-22, attended the 2010 Family Business Conference in Montreal, where he presented the paper “Socio-emotional wealth in family firms: A review and agenda for future research”, co-authored with Cristina Cruz and Luis Gómez-Mejía.

*Abstract:* This paper assesses major theories used in family business research and makes the case for the Socioemotional Wealth (SEW) approach as the potentially dominant paradigm in the field. We argue that SEW is the most important component of the family firm’s identity and, as such, helps explain why family firms behave distinctively. In doing so, we review the concept of SEW, its different dimensions, and its links with other theoretical approaches. We also address the issue of how to measure this construct and offer different alternatives to operationalize it. Finally, we offer a set of topics that can be pursued in future studies using the SEW approach.

**Javier Estrada**
On September 27-28, attended the 2010 Annual Meeting, of the CFA Institute in Johannesburg, where he presented the paper “Black swans and market timing: How not to generate Alpha”

*Abstract:* Some investors view high volatility as an opportunity to make large short-term profits and trade actively; others view it as a risk that can only be borne with a long-term perspective and invest their portfolios passively. The fact is, equity markets are populated by black swans. These large, unpredictable swings have a massive impact on long-term performance and are concentrated in a negligible proportion of days. Therefore, predicting them successfully and consistently over time is virtually impossible. In this session we quantify and discuss the impact that black swans have on long-term performance in both developed and emerging markets and draw some useful lessons for investors.
On October 20-23, attended the FMA Annual Meeting in New York, where he presented the paper “Geometric mean maximization: An overlooked portfolio approach?”

Abstract: Academics and practitioners usually optimize portfolios on the basis of mean and variance. They set the goal of maximizing risk-adjusted returns measured by the Sharpe ratio and thus determine their optimal exposures to the assets considered. However, there is an alternative criterion that has an equally plausible underlying idea, namely geometric mean maximization, aimed at maximizing the growth of the capital invested and thus maximizing terminal wealth. This criterion has several attractive properties and is easy to implement, and yet it seems to have taken a back seat to the maximization of risk-adjusted returns. The ultimate goal of this article is to compare the two criteria from an empirical perspective. The results reported and discussed leave the question posed in the title largely intact: Are academics and practitioners overlooking a useful portfolio approach?

He also acted as discussant in the session “Idiosyncratic volatility”.

Franz Heukamp
On October 15-17, attended the Annual Meeting of the Neuroeconomics Society in Chicago, where he presented the paper “Should I risk or wait? Probability-Time trade-off and its dopaminergic modulation”, co-authored with Maite Aznárez-Sanado, María A. Fernández-Seara, Francis R. Loayza, Ewa Salamon-Klobut, and María A. Pastor.

Abstract: Delay and risk are attributes of virtually any economic decision. Some have considered them substitutes for each other and the trade-off between the two dimensions is little explored. We tested the hypothesis that: 1) delay and risk can be traded off, and 2) are fundamentally the same thing and so are mediated by the same neurological pathway. Moreover, we study how this trade-off is modulated by the dopaminergic system. The results suggest that: 1) the trade-off between delay and risk is natural for subjects, and 2) the same neurological pathways mediate risk and delay when a direct trade-off between the two dimensions, albeit with distinct intensity. The trade-off between delay and risk is very sensitive to a pharmacological manipulation; this makes the experimental task a good test for the onset of changes in the human dopaminergic system.

Johanna Mair
On September 12-15, attended the SMS Annual Conference in Rome, where she presented the following papers:


Abstract: We investigate the challenge of how the outcomes of innovation for inclusive growth, the novel organizational recipes, can be scaled to match the dimension of poverty. We conceptualize scaling as sustained event regularities between action A and expected outcomes B. Building on a critical realist perspective, we develop an analytical framework of organizational closure and apply it to an extreme case, an organization with an inclusive growth model that has sustained event regularities for more than two decades. Our analysis reveals closure as an organizational competence with important implications for achieving scale in the context of poverty. We develop a number of propositions about the link between organizational closure and scaling, with implications for practice and further academic research.

“Multi-business organizations: Creating value by shaping the parent-unit relationship”, co-authored with Caterina Moschieri.

Abstract: Companies restructure their architecture as a reaction to increasingly dynamic markets and changing production environments. Modifications of a company’s architecture can take the form of disposals of activities, mergers, and acquisitions. Current literature sees these modifications as a series of discrete, independent events, offering a limited view of the process of how companies design and shape their architecture. This study analyzes the process of shaping organizational architecture through divestitures and reacquisitions. This analysis is particularly relevant in light of recent evidence that parent companies may be willing to retain a relationship with their divested units and eventually to reacquire them. In 2006-2007, 3,504 divestitures where the parent retained at least 20% ownership over the divested unit took place worldwide, for a total value of $293,035m.

She also organized and chaired the panel discussion “The transformative potential of social entrepreneurship: Implications for changing the agenda in strategy and entrepreneurship research and practice”.

On September 12-15, attended the SMS Annual Conference in Rome, where she presented the following papers:


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Franz Heukamp
On October 15-17, attended the Annual Meeting of the Neuroeconomics Society in Chicago, where he presented the paper “Should I risk or wait? Probability-Time trade-off and its dopaminergic modulation”, co-authored with Maite Aznárez-Sanado, María A. Fernández-Seara, Francis R. Loayza, Ewa Salamon-Klobut, and María A. Pastor.

Abstract: Delay and risk are attributes of virtually any economic decision. Some have considered them substitutes for each other and the trade-off between the two dimensions is little explored. We tested the hypothesis that: 1) delay and risk can be traded off, and 2) are fundamentally the same thing and so are mediated by the same neurological pathway. Moreover, we study how this trade-off is modulated by the dopaminergic system. The results suggest that: 1) the trade-off between delay and risk is natural for subjects, and 2) the same neurological pathways mediate risk and delay when a direct trade-off between the two dimensions, albeit with distinct intensity. The trade-off between delay and risk is very sensitive to a pharmacological manipulation; this makes the experimental task a good test for the onset of changes in the human dopaminergic system.

Johanna Mair
On September 12-15, attended the SMS Annual Conference in Rome, where she presented the following papers:


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She also organized and chaired the panel discussion “The transformative potential of social entrepreneurship: Implications for changing the agenda in strategy and entrepreneurship research and practice”.

On October 20-23, attended the FMA Annual Meeting in New York, where he presented the paper “Geometric mean maximization: An overlooked portfolio approach?”

Abstract: Academics and practitioners usually optimize portfolios on the basis of mean and variance. They set the goal of maximizing risk-adjusted returns measured by the Sharpe ratio and thus determine their optimal exposures to the assets considered. However, there is an alternative criterion that has an equally plausible underlying idea, namely geometric mean maximization, aimed at maximizing the growth of the capital invested and thus maximizing terminal wealth. This criterion has several attractive properties and is easy to implement, and yet it seems to have taken a back seat to the maximization of risk-adjusted returns. The ultimate goal of this article is to compare the two criteria from an empirical perspective. The results reported and discussed leave the question posed in the title largely intact: Are academics and practitioners overlooking a useful portfolio approach?

He also acted as discussant in the session “Idiosyncratic volatility”.

Franz Heukamp
On October 15-17, attended the Annual Meeting of the Neuroeconomics Society in Chicago, where he presented the paper “Should I risk or wait? Probability-Time trade-off and its dopaminergic modulation”, co-authored with Maite Aznárez-Sanado, María A. Fernández-Seara, Francis R. Loayza, Ewa Salamon-Klobut, and María A. Pastor.

Abstract: Delay and risk are attributes of virtually any economic decision. Some have considered them substitutes for each other and the trade-off between the two dimensions is little explored. We tested the hypothesis that: 1) delay and risk can be traded off, and 2) are fundamentally the same thing and so are mediated by the same neurological pathway. Moreover, we study how this trade-off is modulated by the dopaminergic system. The results suggest that: 1) the trade-off between delay and risk is natural for subjects, and 2) the same neurological pathways mediate risk and delay when a direct trade-off between the two dimensions, albeit with distinct intensity. The trade-off between delay and risk is very sensitive to a pharmacological manipulation; this makes the experimental task a good test for the onset of changes in the human dopaminergic system.
Domènec Melé
On September 9-11, attended the 23rd EBEN Annual Conference in Trento, where he presented the paper “Toward a humanistic management: The business firm as a community of persons”.

Abstract: Some see the corporation or the business firm as a nexus of contracts, while others consider it a set of stakeholder interests. This paper argues that these are narrow views of the human being and that the relational dimension of humans should be re-discovered as a necessary way toward a humanistic management. At present, there are many different types of unifying relationships in business firms beyond contractual relationships and concurrent interests. Without denying the existence of contracts and stakeholder interests, it is argued that the firm would be better understood as a community based on human sociability and a shared activity for common goals. Drawing from the Aristotelian and phenomenological-personalist philosophies, we go into the concept of "community of persons" in depth, provide philosophical ground and discuss its axiological meaning. We conclude with some key ethical implications for managing organizations.

José L. Moraga
On October 14-15, attended the Center for Industrial Economics Workshop in Copenhagen, where he presented the paper “Do firms sell forward for strategic reasons? An application to the market for natural gas”, co-authored with Remco van Eijkel.

Abstract: Building on a model of the interaction of risk-averse firms that compete in forward and spot markets, we develop an empirical strategy to test whether oligopolistic firms use forward contracts for strategic motives, for risk-hedging, or for both. An increase in the number of players weakens the incentives to sell forward for risk-hedging reasons. However, if strategic motives are also relevant, then an increase in the number of players strengthens the incentives to sell forward. This difference provides the analyst with a way to identify whether strategic considerations are important in motivating firms to sell forward. Using data from the Dutch wholesale market for natural gas, where we observe the number of players, spot and forward sales, and churn rates, we find evidence that strategic reasons play an important role in explaining the observed firms’ (inverse) hedge ratios. The data also lend support to the existence of a learning effect by wholesalers.

Petra Nylund (PhD student)
On September 12-15, attended the SMS Annual Conference in Rome, where she presented the paper “Microfoundations of governance: Upper echelons and leadership”, co-authored with Jonathan Raelin.

Abstract: This paper contributes to extant theory about emotional displays, knowledge transfer, and firm performance by exploring the linkages between the three concepts. We ask if and how knowledge transfer in the form of emotional displays affects firm performance. The concept of emotional knowledge transfer is introduced, capturing the impact that individuals’ emotional displays have on the marketplace. Testable hypotheses are derived that explore the relationship between emotional and explicit knowledge transfer and the effects they have on firm performance. We use a combinatorial methodology to explore the impact of emotional knowledge transfer by analyzing a sample of recorded CEO interviews. Emotional knowledge transfer affects firm performance even in the presence of contradictory explicit knowledge transfer. In other words, emotionally transferred knowledge takes precedence over explicit knowledge.

Joan E. Ricart acted as facilitator of this session.

Javier Quintanilla
On September 16-17, attended the Conference on Employment Relations in Multinationals at Cornell University, Ithaca, where he presented the following papers:


Abstract: Drawing on a unique international dataset of multinational companies’ employment practices, two aspects of variability in social dialogue through European Works Councils (EWCs) are addressed, utilizing logistic regression analysis. Only four out of every ten multinationals covered by the EU’s regulatory measure have actually established an EWC. The degree of internationalization of companies’ operations, production and management organisation, and the presence of workforce organization, are found to exercise a strong influence on the incidence of EWCs. Concern has also focused on minimalist management practice toward EWCs. It is shown that this is less likely to be the case where the HR function is internationalized.

Abstract: This paper uses data on MNCs’ subsidiaries in the United Kingdom, Canada, Ireland and Spain. It deploys the ‘system, society and dominance’ model to develop propositions concerning the take-up of ‘best’ human resource management practices. System effects would be indicated by widespread take-up, and also by adoption through similar mechanisms in different countries. The evidence supports this view. Dominance effects are generally expected to be exerted by United States firms, which will have more practices than firms from other countries. This expectation is also met. Societal effects have traditionally been seen as constraints on global models, in particular where national business systems are institutionally distant from the dominant model. Here, take-up would be expected to be lowest in Spain. The evidence does not support this view. The explanation is that national business systems are not fixed things but have multiple features; in this case, the Spanish system has an openness to new managerial models. Overall, the paper develops the approach to MNCs in terms of their dynamic interplay with, and active shaping of, influences from global and dominant models and national-level forces.

“US MNCs and the control of subsidiary human resource and employment practice”, co-authored with Anthony Ferner, Jacques Bélanger, Michael Morley, and Olga Tregaskis.

Abstract: This paper examines whether United States multinational companies (MNCs) are distinctive in the degree to which they control employment practices in their foreign subsidiaries. This paper attempts to do four things. First it explores differences between United States and non-United States firms in the control of subsidiaries’ policies on HR and employment practice. Second, the paper explores the way in which the impact of country of origin on control of employment practice is expressed through the mediation of ‘organizational capabilities’. Third, the paper investigates the influence of the host country context on the relationship between national origin and control of HR policy. And fourth, the size of the dataset allows investigation of ‘intra-model variation’. If United States MNCs are distinctive in their control of subsidiaries’ employment practice, their distinctiveness is likely to take the form of overlapping distributions rather than clear-cut, across-the-board differences from other firms. If United States MNCs are not homogeneous in their approach, what factors explain the observed pattern of control?

B. Sebastian Reiche
On October 8-9, attended the 8th EIASM Workshop on International Strategy and Cross-Cultural Management in Tübingen, where he presented the paper “Developing effective global relationships through staffing with inpatriate managers: The role of interpersonal trust”, co-authored with Michael Harvey and Miriam Moeller.

Abstract: International human resource managers are progressively encountering new challenges pertinent to the manageability of multiculturalism when staffing global positions. The literature indicates that trust in the global organization context increases subsidiary acquiescence to cooperation with the headquarters, making this concept an important component in developing inpatriates’ relationships with the headquarters organization. The purpose of this article is to examine a range of antecedents to trust building, distinguish between two different types of trust (affective vs. competence-based), and examine key outcomes of inpatriates’ trust building in global organizations. Reference point theory is used as the foundation for an analysis of the deliberate choice of the inpatriate manager and parent organization alike to adjust to new organizational conditions. In addition to that, it provides guidance in examining the effects of assignment longevity. The authors propose that through the development of competencies such as trust building, an organization is better able to implement global learning and talent management and in turn develop more effective and ongoing global relationships based on trust.

Joan E. Ricart
On September 12-15, attended the 30th Annual Conference of the Strategic Management Society in Rome, where he presented the paper “Technology-driven organizational innovation at the Barcelona subway: Efficiency, commitment, and firm boundaries”, co-authored with Rafael Andreu.

Abstract: Operational technical innovations at the Barcelona subway made it possible not only to improve the efficiency of the transportation infrastructure, but also to organize its exploitation in a radically new way, including new work practices and an organizational structure which facilitates employee development and motivation, and improves effectiveness beyond the obvious consequence of train automation. The new firm “configuration” redefines the firm’s “natural” boundaries in such a way that later, apparently unrelated decisions become counterproductive. The underlying phenomenon shows how technology-based innovations can influence firm structure and boundaries while at the same time attaining counter-intuitive results in
task automation that do not impoverish job content, thus avoiding decreasing employee motivation and commitment. Organizational culture can also be reinforced in the process.

He also organized the workshop “Business models”, with Govert Vroom.

On September 17, attended the 30th Annual Conference of the Strategic Management Society in Catania, where he presented the paper “Business model innovation and sources of value creation in low-income markets”, co-authored with Pablo Sánchez.

Abstract: We explored different business ventures in low-income markets in order to understand the factors influencing business model innovation in this context. Grounded in the rich data obtained from multiple case study analyses and in the received theory in strategy in low-income markets and business models, we identified a set of contingency factors that permitted us to distinguish between isolated and interactive business models. An isolated business model widens a firm’s entry into new markets by leveraging the firm’s current resources and capabilities to take advantage of existing opportunities. An interactive business model requires a firm to combine, integrate and leverage both internal resources and the external ecosystem’s capabilities to create new business opportunities. Finally, we discuss the main implications of these business models for value creation.

Govert Vroom
On September 12-15, attended the 30th Annual Conference of the Strategic Management Society in Rome, where he presented the paper “Entrepreneurship education and overconfident entrepreneurs”, co-authored with Brian McCann.

Abstract: While entrepreneurship is generally perceived to bring about innovation and economic growth, research suggests that the entrepreneurial creation of firms is a costly and risky process, with potential for substantial losses. However, overly optimistic beliefs among prospective entrepreneurs seem to lead to continued high rates of entrepreneurial activity. We investigate the potential role of entrepreneurship education in the formation of beliefs about entrepreneurship. Drawing from the theory of planned behavior, we argue that students who receive positive information about entrepreneurship will have more positive attitudes toward entrepreneurship, perceived entrepreneurial self-efficacy, and entrepreneurial intentions. We discuss the potential consequences of our study for educators, policymakers, and entrepreneurship students.

He also participated as panelist in the SMS Doctoral Workshop and organized the following workshops: “Competition between for-profit and not-for-profit organizations”, with Trish Clifford, “Business models”, with Joan E. Ricart, and “Formal approaches to management theory”.

Christoph Zott
On September 12, attended the 30th Annual Conference of the Strategic Management Society in Rome, where he presented the paper “Business models: What’s new?”.

Abstract: Scholars still do not agree on what a business model is, and that the literature on business models is developing largely in silos. However, there is some emerging common ground. Specifically, 1) the business model is emerging as a new unit of analysis; 2) business models emphasize a system-level, holistic approach toward explaining how firms do business; 3) organizational activities play an important role in the various conceptualizations of business models that have been proposed, and 4) business models seek to explain how value is created and captured. These emerging themes could serve as important catalysts toward a more unified study of business models.

He was also Associate Program Chair for the “Entrepreneurship and strategy” track.

Awards

Fabrizio Ferraro
His research project on “The role of technology, models, and metrics in the socially responsible investing field”, was recently awarded the European Research Council’s prestigious Starting Grant. This was the only proposal retained for funding in the field of management, and one of only three selected among European Business Schools. The European Research Council is the first pan-European organization dedicated to research at the frontiers of knowledge financed through the IDEAS Program within the 7th Framework Program of the European Union.

Elena Reutskaja
Her thesis recently received the “Premi del Consell Social de la UPF a la Transferència de Coneixement en l’àmbit de les Ciències Socials i les Humanitats”, a prize for the year’s best doctoral thesis in the field of social sciences and humanities awarded by Universitat Pompeu Fabra.
Doctoral Theses

No 205 – September 2010
Aadhaar Chaturvedi
SOURCING STRATEGIES FOR SUPPLY RISK MANAGEMENT
(IESE) thesis director: Víctor Martínez de Albéniz

Abstract: Efficient logistics networks and easier flow of goods across borders have given procurement managers greater flexibility in selecting suppliers, enabling them to better manage significantly high procurement costs. However, extended supply chains have also brought about increased supply risk and reduced visibility (incomplete information) down the supply chain. It is therefore crucial, in the interests of firm competitiveness and profitability, that procurement managers take risk management and supplier strategic behavior into account when formulating their sourcing policy. Focusing on supply risk and incomplete information, this dissertation develops models and strategies to help procurement managers make these sourcing decisions. First, in chapter two of this dissertation we study sourcing strategies for a single period procurement event in which the buyer faces random demand and risk of supply failure. We design optimal auctions to balance the tension between procuring from multiple suppliers (in order to diversify supply risk) and procuring from only the cheapest supplier. Second, in chapter three of this dissertation we study, for a multi-period setting, how the cost of qualifying suppliers into the firm’s base of qualified suppliers affects auction design when suppliers’ likelihood of staying in the supply base depends on the amount of business awarded to them. We design optimal split award auctions that balance the trade-off between the price at which the buyer purchases the material in the auction and the future cost of qualifying suppliers into the supply base. Finally, in chapter four of this dissertation we study, for a multi-period setting in a centralized supply chain, how the buyer can manage supply risk and minimize long-term procurement costs by balancing inventory costs, supply capacity investment costs and supply chain diversification costs to match supply with demand, when supplier production capacity and buyer demand are uncertain. Overall, this research provides some useful guidelines for controlling supply risk and procurement costs. It hence contributes to the supply risk management and procurement literature.

No 206 – September 2010
Petra Nylund
Individual heterogeneity and the knowledge-based view of the firm
(IESE) thesis director: B. Sebastian Reiche

Abstract: This dissertation explores the individual-level foundations of the knowledge-based view of the firm, from both a theoretical and an empirical perspective. Using a three-essay format, I study the effects of individual-level constructs on organization-level, knowledge-based phenomena. In a theoretical essay I identify the relevant constructs and effects. In the first of two empirical essays, I focus on effects of motivation and attention on the locus of knowledge transfer and on firm boundaries. I find that the motivation initiated by the knowledge directs attention and causes knowledge to be transferred outside firm boundaries, which in turn reduces firm size. In the second empirical essay, I analyze the role of the individual in organizational knowledge creation, using quantitative data on organizational involvement in the strategy process. I find that the benefits of organizational involvement vary with the phase of the strategy process.

IESE – Research Seminars

Managing People in Organizations
October 15
Speaker: Paul Osterman, MIT, Sloan School of Management “Institutional labor economics, the new personnel economics and internal labor markets: A reconsideration”

Abstract: The goal of this paper is to reconsider institutional labor economics and make a renewed case for it. Two recent developments motivate this effort: the rise of New Personnel Economics (NPE) as a significant subfield of labor economics and the very substantial shifts in work organization that have taken place in recent years. Understanding how and why firms have reorganized work opens the door for a renewed interest in institutional approaches. The focus is upon how organizations structure their internal labor market (ILM) rules. The argument is that these rules emerge from the interplay of competing groups and competing views of legitimate objectives. As such, the role of power and influence in establishing work rules is central, although more conventional NPE considerations also remain important. The paper illustrates the utility of institutional labor economics by reviewing evidence regarding features of ILMs and how they are changing. The empirical material includes the emergence of ILMs, patterns of diffusion of high performance work organization, variation across firms in obtaining effort and commitment from their workforce, the use of contingent labor, and the rise of equal employment opportunity and due process functions. The final section
draws together the argument and its implications and discusses limitations and possible next steps.

Marketing
September 16
Speaker: Pavlidis Polykarpous, Simon Graduate School of Business, University of Rochester
“Brand loyalty induced price promotions: An empirical investigation”

Abstract: Various explanations have been put forward in the academic literature for the use of price promotions by profit maximizing manufacturers of frequently purchased consumer goods. From a review of the literature we classify these explanations into two basic theoretical frameworks: the notion of mixed-strategy equilibria with several variations and the “try it, you will like it” idea, which is based on post-promotion state dependence effects.

We focus on the latter idea, which was developed and theoretically analyzed in Freimer and Horsky (2008) and which presents a new and under-emphasized perspective compared to the mixed-strategies case. Based on this idea, a price promotion by a brand is assumed to also attract buyers that otherwise would have bought another brand or not bought in the category at all. Some of these buyers may like the brand upon trying it and develop a loyalty toward it, which is not bought in the category at all. Some of these buyers may like the brand upon trying it and develop a loyalty in the sense that when the brand resumes its regular high price, they will buy it again.

The theoretical analysis shows that if state dependence is strong enough, it can make price promotions optimal (lead to profits which are higher than those attained with a single price). We investigate empirically the above notion with a sample of brands from twenty product categories which are part of the household panel data of “The IRI Marketing Data Set”. We develop a measure of the marginal effect of brand loyalty (AMEL) in logit-based models. Using demand estimates to compute brand level AMELs, we empirically assess their impact on the frequency of price promotions. We also assess hypotheses based on alternative explanations behind price promotions.

We propose a novel MCMC algorithm that handles the estimation of all twenty categories demand models and the price promotions model jointly, accounting for interdependence. Our algorithm is based on the general econometric framework of Manchanda, Rossi, and Chintagunta (2004), which addresses the issue of “non-random” marketing mix variables. This framework is necessary in our case because demand coefficients partially determine price promotions and this needs to be addressed econometrically.

Overall, in this work we provide rich empirical evidence that dynamics of the “try it, you will like it” type are a significant driver of brands’ price promotions in frequently purchased consumer goods. Specifically we find that, controlling for category, store and brand factors, brands with higher re-purchase effects are on average offered on price promotion more frequently. This finding is robust to a number of model/sample perturbations and brings forward a new understanding of motivation behind the widely observed practice of price promotions.

September 16
Speaker: Pedro Gardete, University of California, Berkeley
“The role of market information in the dynamics of a capital-intensive industry: The case of DRAM manufacturing”

Abstract: A number of managerial decisions hinge on the available information about the economic conditions. This paper investigates the role of market information in the DRAM manufacturing industry. Much like in other semiconductor environments, DRAM manufacturers face significant demand uncertainty before production and capacity decisions can be fully implemented. These characteristics are incorporated into a dynamic oligopoly model of competition under capacity constraints, where firms hold public and private demand information.

The static quantity equilibrium is solved through a flexible approximation of the firms’ actions conditional on the market information. The value functions characterizing the dynamic problem are approximated by a polynomial expression that implies first-order conditions for the equilibrium capacity levels under private information. I use the simulated method of moments to estimate the model parameters by setting up orthogonality conditions informed by the industry characteristics as well as by the Bellman equations and their first-order conditions. The model recovers the market information that rationalizes firm decisions, and reveals that most firms in the industry were overly optimistic about the economic conditions in late 2008. Through considering the alternative scenario of absence of market information, I estimate the net ex-post cost to the industry of the misleading demand information to have been $10 billion between the last quarter of 2008 and the third quarter of 2009.

September 16
Speaker: Eelco Kappe, Erasmus University Rotterdam
“Bucking the trend in pharmaceutical detailing: Enriching data to gauge a policy shift”

Abstract: This study evaluates the arms race in pharmaceutical detailing and gauges the consequences of various policy shifts that may be able to buck the trend. It provides an alternative decision support tool for firms and public policy makers that aids in gauging the implications of a policy shift ex ante. The approach combines revealed
prescription and detailing data, with stated detailing data obtained from managers through a conjoint experiment. It provides an alternative to either an all reduced-form approach or a fully structural approach to analyze policy shifts. It also provides a more detailed and quantitative assessment of a policy shift than the general scenario planning approach. The results show that small detailing changes are not able to buck the trend, but a drastic reduction in detailing by the market leader is needed to generate a profitable market outcome for all players. The initiator of the shift is always better off and the followers show mixed outcomes on profitability. Furthermore, initiating a downward policy shift always reduces the size of the market. Given the controversy surrounding this arms race, the results imply that market leaders should take responsibility, otherwise the government should consider intervention in the market.

September 17
Speaker: Elisabeth Honka, University of Chicago
“Quantifying search and switching costs in the United States auto insurance industry”.

Abstract: Consumers making purchases in service categories such as insurance potentially face search and switching costs. On the one hand, incomplete information about the various alternatives necessitates search behavior which could lead to consumers switching from the current provider to a different provider. On the other hand, brand loyalty, the prospect of dealing with a new provider, and other psychological factors result in switching costs that introduce frictions in the market. Both search and switching have been studied in the empirical literature, albeit separately. In this paper, our objective is to distinguish empirically between search and switching costs in the context of consumers’ choices in the United States auto insurance industry. Our data contain information on respondents’ search behavior in terms of their consideration set of insurance providers; the corresponding premia for those providers; the actual provider chosen; the identity of the previous insurer; and the demographic and psychographic characteristics of the consumers and their policies. The unique aspects of this information enable us to identify separately both search and switching costs. To quantify the magnitudes of these costs, we develop an integrated utility-maximizing model of consumers’ decisions of how many companies to search; the identities of these companies; and from which company to purchase. Our modelling approach rationalizes the observed consideration set as being the outcome of a search process by a consumer. Using this approach, we learn about the levels of search and switching costs, and their relative magnitudes. Taking our model to the data, we find that there are substantial search and switching costs in the United States auto insurance industry. The cost of collecting a price quote through an online channel are about $45, the cost of collecting a price quote offline vary from $70 to $110. The average switching costs a consumer incurs are about $85. We find consumer search costs and customer satisfaction to be the two main drivers of the high retention rate observed in the United States auto insurance industry. To support managers in their decision making about investments in measures to increase customer satisfaction, we calculate additional profits resulting from a maximization of customer satisfaction. And finally, we study whether insurance companies should increase or decrease insurance premia to new and existing customers. We find that insurance companies lose money by offering discounts to new customers and increase their profits by increasing premia to existing customers. Our results are consistent with the “invest-harvest” strategy found in the switching cost literature.

September 17
Speaker: Nuno Camacho, Erasmus University Rotterdam
“Predictably Non-Bayesian: Quantifying salience effects in physician learning about drug quality”.

Abstract: Experimental and survey-based research suggests that consumers often rely on their intuition and cognitive shortcuts to make decisions. Intuition and cognitive shortcuts can lead to suboptimal decisions and, especially in high-stakes decisions, to legitimate welfare concerns. In this paper, we propose an extension of a Bayesian learning model that allows us to quantify the impact of salience – the fact that some pieces of information are easier to retrieve from memory than others – on physician learning. We show, using data on actual prescriptions for real patients, that physicians’ belief formation is strongly influenced by salience effects. Feedback from switching patients – the ones the physician decided to switch to a clinically equivalent treatment – receives considerably more weight than feedback from other patients. In the category we study, salience effects slowed down physicians’ speed of learning and the adoption of a new treatment, which raises welfare concerns. For managers, our findings suggest that firms that are able to eliminate, or at least reduce, salience effects to a greater extent than their competitors can speed up the adoption of new treatments. We explore the implications of these results and suggest alternative applications of our model that are relevant for policy makers and managers.
Production, Technology and Operations Management
September 8
Speaker: Zhixi Wan, HEC
“Bargaining power and supply base diversification”

Abstract: We examine a supply base diversification problem faced by a buyer who periodically holds auctions to award short-term supply contracts among a cohort of suppliers (i.e., the supply base). To mitigate significant cost shocks to procurement, the buyer can diversify her supply base by selecting suppliers from different regions. We find that the optimal degree of supply base diversification depends on the buyer’s bargaining power, i.e., the buyer’s ability to choose the auction mechanism. At one extreme, when the buyer has full bargaining power and thus can dictatorially implement the optimal mechanism, she prefers to fully diversify. At the other extreme, when the buyer uses a reverse English auction with no reserve price due to her lack of bargaining power, she may consider protecting herself against potential price escalation from cost-advantaged suppliers by using a less diversified supply base. We find that, in general, the more bargaining power the buyer has to control price escalation from cost-advantaged suppliers the more she prefers a diversified supply base. This insight is shown to be robust to correlation between regional costs, asymmetry across regions, and intermediate levels of bargaining power.

Research Seminars

José L. Moraga
On September 21, at the University of Mannheim, presented the paper “Do firms sell forward for strategic reasons? An application to the market for natural gas”, co-authored with Remco van Eijkel.

Abstract: (See page 10.)

Miscellaneous

Pascual Berrone
Attended the “2010 Family Business Conference” in Montreal, where he presented the study “Socio-emotional wealth in family firms: A review and agenda for future research”.

Johanna Mair
On October 22, took part in the 14th International Meeting in the Dialogue in the Dark series, in Barcelona. She delivered the keynote speech “From Philanthropy to Social Business”.

José L. Moraga
On October 29-30, attended the Annual Meeting of the Association of Southern European Economic Theorists in Alicante, where he gave the lecture “Asymmetric price effects of competition”.

Teaching Materials

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

Analysis of Business Problems

Eólica de Composites, S.A. (ECSA)
ASN-47 - 0.310.046

Una compañía gana precipitadamente un sustancioso contrato, pero no tiene espacio en sus plantas actuales para ejecutarlo. En la búsqueda para localizar una nueva planta aparecen dos alternativas finales de posible ubicación, con costes parecidos pero situaciones muy distintas, cercana una de ellas a la política de desconcentración, pero con escasez de personal cualificado, y la otra, contraria a dicha política. La explicitación, priorización y análisis de criterios de elección afloran sucesivamente muchos aspectos relevantes inicialmente ocultos y que ponen de manifiesto la necesidad de discurrir explícitamente para conocer mejor las consecuencias de cada alternativa de una decisión.
(Also available in Spanish.)

Palencia L.; Vázquez-Dodero J.C.; 7 pages.

Eólica de Composites, S.A. (ECSA) - Nota del instructor
ASNT-12 - 5.310.047

Case ASN-47
Use is restricted to Academic Institutions.

Entrepreneurship

Integromics: Science in Search of Business
(E-139-E - 0.610.041)

In June 2000, to much excitement and fanfare, scientists announced the completion of the first working draft of the entire human genome. The high-quality reference sequence was completed in April 2003, marking the end of the Human Genome Project. Available to researchers worldwide, the human genome reference sequence provided a magnificent and unprecedented biological resource. Scientists reported that the human genome contained 3.2 billion chemical nucleotide bases (A, C, T, and G), and the average gene consisted of 3000 bases. They had identified millions of locations where single-base DNA differences occur in humans. This information promised to revolutionize the processes of finding DNA sequences associated with such common diseases as cardiovascular disease, diabetes, arthritis, and cancers. However, how is it possible to manage all this information? How can a scientist search for the right data? How can a pharmaceutical company manage drug trials based on this discovery? José María Carazo and his research team thought that they had the best solution. Thus, in 2002 they created Integromics, a bioinformatics firm that specialized in software development for data management and analysis. Its focus was on genomics and proteomics, two sciences that study gene sequencing and that generate large volumes of data, which must be ordered and analyzed in order to obtain results.

Bercetche M.; Prats M. J.; 24 pages.

BrapoTech (A): Building to Scale: A small mobile solutions company must decide how to make global a smart destination
(EFC-4-E - 0.610.027)

This FocusCase is about a small Portuguese start-up, with a young founder directly out of university, which is focused on the rapidly expanding mobile market. The firm is developing innovative mobile solutions which large firms can use to do mobile business with their customers, offering them mobile applications and services (e.g., mobile banking). Within a short period of time, BrapoTech manages to work with the largest Portuguese firms in four different sectors (TelCo, retail, utility, and banking). However, the mobile market is growing so rapidly that more focus is necessary. At the same time, the company wants to further scale and also embark on an international growth strategy. The main strategic questions the CEO has to deal with is whether they should take the risk of building only one off-the-shelf product or rather continue to build tailor-made solutions for large clients. On a related matter, should they continue to grow in all verticals or focus only on one. And if they focused, on which one? Another important decision needed to be taken with regard to financing: should they raise venture capital to finance rapid growth in this exploding market or grow only by their own means, based on own profits? To complicate matters, the Board and the CEO are not fully aligned as to which is the best way forward. Multiple crucial decisions regarding the firm’s (growth) strategy need to be taken quickly in a complex mix of strategic factors, limited resources, emerging trends, and various external influences.

Prats M.J.; Sosna M.; Darsch D.; 10 pages.

Financial Management

Faser y Fiskandia: Sindicación de acciones
(FE-38 - 0.210.018)

Una compañía de seguros se asocia con una red de una entidad financiera para distribuir su producto. Transcurrido un tiempo, deciden vender su participación accionarial, que está sindicada.

Sancho C.; Santomá J.; 7 pages.

Farmaprice.com: Compraventa de empresa
(FE-39 - 0.210.019)

Un grupo de farmacéuticos constituye una sociedad dedicada al comercio electrónico de productos farmacéuticos. En un momento determinado, deciden incorporar una empresa dedicada a la informática.

Sancho C.; Santomá J.; 4 pages.

Ticio, S.A.: Presupuestos de concurso
(FE-40 - 0.210.020)

Una empresa de inyección de plásticos acumula una importante deuda y parece que es inviable como proyecto industrial. Se plantea cómo afrontar la liquidación del negocio.

Sancho C.; Santomá J.; 2 pages.
Solar Tech: Financiación de proyectos
(FE-42 - 0.210.022)

Un promotor inmobiliario decide diversificar en el sector de energías renovables y de nuevas tecnologías de iluminación. Para llevar a cabo estos nuevos proyectos necesita financiación y búsqueda de nuevos socios, pero quiere mantener el control político.

Sancho C.; Santomá J.; 2 pages.

Vidal Pijuan, S.A.: Organización de la empresa familiar
(FE-43 - 0.210.023)

Al llegar a una cierta edad, un matrimonio decide organizar la sucesión de la empresa familiar, diversificada en distintas ramas de actividad, a favor de sus cuatro hijos. Optan por la constitución de una sociedad holding y surgen distintos problemas.

Sancho C.; Santomá J.; 3 pages.

Fruits & Veg: Comercio exterior
(FE-44 - 0.210.024)

Unos agricultores dedicados especialmente a la plantación, explotación y comercialización de manzanas en Lérida, deciden ampliar mercado captando producción en Rumanía. A tal efecto, suscriben diversos contratos y acuerdos societarios con socios locales.

Sancho C.; Santomá J.; 2 pages.

Financiación extraordinaria para situaciones extraordinarias (II): diferimiento del pago de cuotas a la Seguridad Social
(FN-579 - 0.210.027)

Las empresas pueden encontrarse en situaciones excepcionales de necesidad de liquidez, habiendo consumido ya las vías ordinarias de financiación a través de los proveedores y entidades financieras. Es el momento de abrir la alternativa legal del diferimiento ordenado del pago de impuestos y/o de las cuotas debidas a la Seguridad Social. La nota describe los aspectos esenciales del diferimiento en el pago de cuotas debidas a la Seguridad Social, valorando el procedimiento, los costes y sus riesgos.

Valle E.; Segarra J.A.; 30 pages

Managing People in Organizations

Michel Saint-Laurent (A)
(DPO-151 - 0.408.068)

Michel es el director general de una empresa. Alexandra, la directora comercial, es buena profesional y cumple objetivos, pero tiene una personalidad complicada que le lleva a tener algunos choques con compañeros de trabajo. Michel mantiene la distancia con ella y quiere que todos la traten sólo a nivel profesional, porque piensa que es lo mejor para todos. Alexandra tiene algunos problemas para los que necesita ayuda. Michel desconoce en concreto estos problemas, y aunque los intuye, no quiere saber nada y procura mantener al equipo directivo al margen de los problemas personales de Alexandra. A Alexandra no le importaría contar con la ayuda de Michel, e intenta en varias ocasiones hablar con él, pero encuentra que siempre le rehuye. Michel comienza un proceso de Executive Coaching. La acción de Jean Paul, el coach, va a suponer, con mucho esfuerzo y paciencia, un cambio de actitud profundo en Michel.

Ruiz de Alba, J.L.; Chinchilla M.N.; 14 pages.

Michel Saint-Laurent (B)
(DPO-152 - 0.408.069)

See case (A).

Ruiz de Alba, J.L.; Chinchilla M.N.; 4 pages.

Michel Saint-Laurent (C)
(DPO-153 - 0.408.070)

See case (A).

Ruiz de Alba, J.L.; Chinchilla M.N.; 3 pages.

Michel Saint-Laurent (A, B y C) - Nota del instructor
(DPOT-26 - 5.408.071)

Cases DPO-151, DPO-152 y DPO-153.
Use is restricted to Academic Institutions.

Ruiz de Alba, J.L.; Chinchilla M.N.; 11 pages.
Los Pumas at the France 2007 RWC
(DPO-206-E - 0.410.033)

This case describes the preparation and participation of the Argentine national rugby team, the Pumas, in the 2007 World Championship in France. It examines the team’s experiences in the years prior to this tournament. The case is ideal for analyzing key stages in the formation of a high-performance team, the role of team members, leadership aspects and the role of shared values and mission in meeting team objectives. The case also serves to explore various team dynamics, such as communication, confidence, coordination, collaboration and handling adversity. (Also available in Spanish.)


The Uncertainties of a Methodical Young Manager
(DPO-214-E - 0.410.048)

A methodical and perhaps somewhat pessimistic MBA student describes how his priorities changed regarding his future career. The cases raises questions about the work options considered on completion of the MBA and the student’s doubts in the face of this decision.

Dahir, R.; Ribera A.; 7 pages.

Marketing

Pigsa (A)
(M-1242 - 0.510.023)

Pigsa, empresa familiar dedicada a la producción y engorde de lechones, se encuentra en septiembre de 2005 en una delicada situación, ya que ha tenido que presentar concurso de acreedores al no poder hacer frente al vencimiento de una póliza de crédito por valor de un millón de euros. La situación financiera de Pigsa se encuentra seriamente deteriorada por las fuertes inversiones realizadas en los últimos años y las pérdidas ocasionadas por la negativa evolución de los precios del cerdo vivo. En esta coyuntura, y ante la proximidad de la junta general de acreedores, se valoran las posibilidades de reconvertir la situación y se plantea, teniendo en cuenta los cashs-flows que razonablemente se pueden esperar del negocio, las posibilidades de devolución de la deuda con los bancos, que asciende a 8 millones de euros.

García D.; Segarra J.A.; Fernández A.; 22 pages.

Pigsa (B)
(M-1243 - 0.510.024)

El caso (B) plantea la reunión que en la sede central de Pigsa tienen, por un lado, los representantes de la sociedad y, por el otro, los bancos y entidades financieras que conforman la lista de acreedores de Pigsa. La reunión tiene por objetivo sentar las bases de la firma de un convenio o, en su defecto, adoptar la decisión de liquidar los activos de la compañía.

García D.; Segarra J.A.; Fernández A.; 5 pages.

Pigsa (C)
(M-1244 - 0.510.025)

El caso (C) presenta un borrador de convenio redactado por la representante legal de Pigsa y dirigido para su aprobación a todos los bancos y entidades financieras acreedores.

García D.; Segarra J.A.; Fernández A.; 6 pages.

Aflilent (E): Operaciones corporativas en tiempos de crisis
(M-1245 - 0.510.031)

Después de tres años de negociaciones, con sus empresas inmersas en una profunda crisis sectorial y de país, los grupos Aflilent y SEM han llegado a un acuerdo para la integración de sus operaciones. Inesperadamente, en el último momento antes de la firma definitiva, el presidente del grupo SEM cuestiona la bondad de la operación y la ecuación de canje, enfrentándose a sus propios accionistas de referencia... El grupo Aflilent debe decidir cómo proceder ante la nueva situación.

Altamirano J.J.; Segarra J.A.; 4 pages.

Strategic Management

Mango, Popularizing Fashion
(SM-1547-E - 0.310.001)

Mango, a clothing company with a large presence in Spain and the rest of the world, decides to enter new industry segments in order to broaden its main target market, strengthen its brand and drive purchases of its products. Mango’s main customers until now have been modern, avant-garde young women in their 20s to 40s. However,
success in the women’s fashion segment has persuaded the company that in order to continue to succeed in this industry and stay ahead of the competition it must explore new market niches (launch of a VIP collection, Mango Exclusive Edition, and a menswear collection). The case is intended to give a general view of the company’s overall strategy, taking a look at each of the key departments to detect their strengths and differentiating factors (human resources policies, technology, production, marketing, distribution and internationalization). It also analyzes the strategic decisions and management practices that have led Mango to establish its own business model, one that is difficult to imitate and in which people and technology play a leading role. This model is analyzed in detail using strategic decision trees. (Also available in Spanish.)

Kordecka I.; Ricart J.E.; 22 pages.

Mango, Popularizing Fashion - Teaching note
(MT-71-E - 5.310.002)

Case SM-1547-E.
Use is restricted to Academic Institutions.

Kordecka I.; Ricart J.E.; 16 pages.

Occasional Papers

No 176 – September 2010
Pascual Berrone
BUSINESS LESSONS FROM THE SOCCER WORLD CUP

Abstract: For the first time in its history, Spain is enjoying the experience of having the best soccer squad in the world. This paper reflects on the key elements that explain the success of the Spanish team, and draws 10 general lessons for business leaders, entrepreneurs, family business owners and managers in how they interact with customers and employees.

No 177 – September 2010
Joaquim Triadú
L’ACTIVITAT CULTURAL A CATALUNYA: LA COL·LABORACIO PUBLIC-PRIVAT COM A SIGNE D’IDENTITAT I LA RECERCA DE L’EXCEL·LENCIA: UNA REFLEXIO PERSONAL

Abstract: Reflexió sobre el futur de la gestió cultural a Catalunya realizada per l’autor, col·laborador i Secretari

General del Departament de Cultura de la Generalitat de Catalunya els anys noranta del segle XX, etapa en la que es va elaborar i aprovar la part central de les lleis estructurals o bàsiques en l’àmbit de la política cultural i que totes elles són encara avui vigents.

Molts dels problemes detectats en aquella etapa continuen presents. A més a més, hi han reptes i noves necessitats de la societat catalana que obliguen a cercar noves vies d’impuls i consolidació de la cultura catalana, establint l’autor els principals reptes i afegint deu reflexions que puguin servir com a aportació a un debat global sobre un desitjable Nou Marc de Referències en les Relacions Culturals.
LA CRISIS FINANCIERA Y LA REGULACION

Abstract: La severidad de la crisis financiera desatada a raíz de la explosión de la burbuja inmobiliaria en Estados Unidos y los préstamos subprime en 2007 ha sorprendido a los analistas más diversos y ha provocado una grave recesión económica. A pesar de que la crisis ha tenido aspectos comunes con crisis pasadas, su magnitud –la más grave de los años treinta del siglo XX–, debido a los canales amplificadores en un mercado globalizado, y las debilidades que ha mostrado en la regulación y supervisión de las entidades financieras, plantean la necesidad de la reforma de la regulación financiera y cambios en los modelos de negocio bancarios.

La crisis que empieza con las hipotecas subprime se vuelve sistémica tras la caída de Lehman Brothers, en septiembre de 2008, poniendo en peligro la estabilidad del sistema financiero internacional. Las pérdidas bancarias esperadas (desde 2007 hasta 2010) se estiman en más de 1.500 millardos de dólares en Estados Unidos y en la UE, y la ayuda comprometida para rescatar al sector bancario ha llegado hasta un 30% del PIB.

¿Por qué y en qué han fallado los mecanismos reguladores? ¿Han aparecido nuevos fallos de mercado o han sido similares a crisis anteriores? ¿Qué lecciones podemos extraer de la crisis? La respuesta a estas preguntas hará patentes cuáles son las cuestiones fundamentales para el diseño de una regulación adecuada y determinará si hay necesidad de una reformulación radical de la arquitectura regulatoria.

En este artículo se pasa revista a las grandes tendencias antes de la crisis en la sección 2; a los mecanismos de la crisis y los fallos regulatorios, en la sección 3, y al proceso de reforma regulatoria en marcha, en la sección 4. En la sección 5 se evalúa este proceso, para concluir en la sección 6.

Getting Business Off Steroids

Abstract: Culture is to organization as character is to person. Each guides the activity of the entity that possesses it – the organization or the person – as if by default. These “defaults” are not fixed, however, but dynamic, changing, and alterable. Character and culture depend upon one another. Both hinge on freely selected means to one end or another: excellence or victory. This essay applies these concepts to relatively recent events in business and sport to illustrate the common workings of character and culture in these different fields of endeavor. It proposes a decision-making tool for operating on personal character and organizational culture.