**Jordi Canals**


Abstract: The dominant notion of the firm in Management theory is mostly borrowed from Economics and assumes that firms maximize profits or market value. This notion may be at the roots of today’s basic problems in corporations. The current financial crisis has laid them bare. That notion is coherent neither with a broader view of human nature, nor with a wider perspective on the purpose of the firm. Moreover, this hypothesis may have negative effects on firms’ leadership and governance, making the role of senior executives in society unattractive, and may erode corporate reputation. In this paper, we review those arguments and present a more comprehensive view of the firm.

**Wolfgang Gaissmeier – Julian N. Marewski**


Abstract: We investigated the extent to which the human capacity for recognition helps to forecast political elections: We compared naive recognition-based election forecasts computed from convenience samples of citizens’ recognition of party names to i) standard polling forecasts computed from representative samples of citizens’ voting intentions, and ii) simple – and typically very accurate – wisdom-of-crowds-forecasts computed from the same convenience samples of citizens’ aggregated hunches about election results. Results from four major German elections show that mere recognition of party names forecast the parties’ electoral success fairly well. Recognition-based forecasts were most competitive with the other models when forecasting the smaller parties’ success and for small sample sizes. However, wisdom-of-crowds-forecasts outperformed recognition-based forecasts in most cases. It seems that wisdom-of-crowds-forecasts are able to draw on the benefits of recognition while at the same time avoiding its downsides, such as lack of discrimination among very famous parties or recognition caused by factors unrelated to electoral success. Yet it seems that a simple extension of the recognition-based forecasts – asking people what proportion of the population would recognize a party instead of whether they themselves recognize it – is also able to eliminate these downsides.

**Franz Heukamp – Miguel A. Ariño**


Abstract: It is known that characteristics of individuals explain only a part of the variations in Subjective Well-Being (SWB) between people. The country of origin of an individual accounts for a significant part of these differences. We study what drives the variations in SWB between countries after taking individual characteristics into account. We base our analysis on data from the four waves of the World Values Survey. 64% of the variations between the countries in the sample (64 countries) are explained by...
the birth rate, life expectancy, the level of corruption and a Muslim culture. This adds to the discussion on the link between economic conditions and SWB. The economic situation is not an explanatory variable in a direct way but indirectly affects SWB through some of the significant variables. Corruption has detrimental effects on SWB beyond its economic consequences.

Julian N. Marewski – Ruediger F. Pohl – Oliver Vitouch

Abstract: We are pleased to present Part II of this Special Issue of Judgment and Decision Making on recognition processes in inferential decision making. In addition, it is our pleasure to announce that there will be a third part, providing, among other contents, comments on the articles published in Parts I and II as well as on the broader scholarly debates reflected by these articles (Table 1). We have therefore decided to keep this introduction to Part II short. Part II contains 7 articles, featuring a range of new experimental tests of Goldstein and Gigerenzer’s (1999, 2002; Gigerenzer and Goldstein, 1996) recognition heuristic, which is the model of recognition-based judgments and decisions that is central to almost all articles published in the parts of this special issue (Table 2). In addition, Part II presents very early but thus far unpublished experiments on this heuristic, and a discussion of past and future research on recognition-based judgments and decisions as well as an outline of challenges for future recognition heuristic research. Let us provide a short overview of the articles’ contents. Gigerenzer and Goldstein (1996) proposed the recognition heuristic as a model for situations in which a decision maker has to retrieve all available information from memory – a decision task they dubbed inferences from memory. Following the recognition heuristic, decisions can be based solely on a person’s recognition judgments, that is, on a sense of prior encounter with an alternative’s name (e.g., a car brand’s name). Yet, thus far comparatively little research has focused on how the decision processes assumed by the recognition heuristic tie into memory processes; for instance into those that determine whether an alternative’s name is judged as recognized or not.

Caterina Moschieri – Johanna Mair

Abstract: Existing literature argues that divested units are unwanted and poor performing – yet evidence suggests that companies do divest well performing units, and often retain a relationship with them, especially in the quest for innovation. This article presents an exploratory case study to examine how a company structures the divestiture of an innovative unit and how it can benefit from the innovation the unit generates. The analysis focuses on how an established company can use divestiture as a strategy to enhance the innovation of its units, and capture its value, by structuring, maintaining and nurturing a special relationship with the unbundled unit. Under the new organizational arrangement involved in a divestiture, resources can be transferred from the parent to the unit, while the parent retains access to the innovation developed within the unit. This study proposes a framework that offers corporate change agents and strategists a new perspective on how to integrate innovation and corporate strategy.

Tracy Tomlinson – Julian N. Marewski – Michael Dougherty

Abstract: The recognition heuristic assumes that people make inferences based on the output of recognition memory. While much work has been devoted to establishing the recognition heuristic as a viable description of how people make inferences, more work is needed to fully integrate research on the recognition heuristic with research from the broader cognitive psychology literature. In this article, we outline four challenges that should be met for this integration to take place, and close with a call to address these four challenges collectively.

Thorsten Wiesel – Bernd Skierab – Julián Villanueva

Books

Joan E. Ricart – Pablo Agnese – Niccolò Pisani – Tunji Adegbesan

Abstract: Although offshoring itself is not new, the way it is practised today is. The purpose of this book is to help
managers deal with the organizational challenges arising from the expected increase in offshoring. The book presents both the economic and the management point of view. It reviews recent literature in both fields, assesses the impact on labor markets, and describes the new wave of service offshoring. The rise of the Internet and teleworking have created a second generation of offshore services, involving very different business processes and working relationships from the traditional offshoring of production activities. Now, thanks to easy access to the world’s pool of relatively cheap skilled labor, companies are now able to relocate “white-collar” business processes. This study is based largely on recent data from the OECD and the Offshoring Research Network, and on foreign direct investment reports. It is offered as a guide to the three large stakeholder groups. First, it warns governments not to try to stop the “natural economic process”. Second, it advises companies to see offshoring as an integral part of their global strategy. Third, it highlights the need for flexibility and training for employees affected by offshoring.


Abstract: The meltdown of financial markets in 2008 and the recent fall of very powerful and well-established firms highlight the need to rethink the essence of business leadership and the role of business schools in helping firms develop the leaders of the future. Based on the papers of a major international conference held at IESE Business School in 2008, this book brings together the perspectives of deans of top international business schools, scholars, and CEOs and senior HR leaders around the topic.

The book contains, among others, the following chapters:

Antonio Argandoña
“From action theory to the theory of the firm”, pages 119-142.

Abstract: Since Coase’s (1937) pioneering article, the theory of the firm, especially in its neoclassical form, has developed tremendously. The criticisms leveled against it confirm its interest and usefulness – which is not to say that it cannot be improved upon or corrected in many respects. This chapter is intended to contribute to a broadening of the theory of the firm, starting from a theory of human action that encompasses a wide range of motivations. It also suggests specific ways in which the conception of the firm can be improved.

Jordi Canals

Abstract: Leading business schools have become important paradigms of excellence in graduate education, and some of them have globalized education in a way that universities had not previously done. The many challenges of organizations and society in the twenty-first century will keep the demand for professional managers and entrepreneurs very strong, and business schools will continue to have a decisive role in educating them and providing society with the managerial talent needed. In this chapter, we review the main drivers of business schools’ success over the recent decades, along with some of the major problems that they face today and what policies need to be changed. We also explore and discuss new challenges that business schools will have to tackle if they want to remain relevant institutions.

Pankaj Ghemawat
“Bridging the globalization gap at top business schools: Curricular challenges and a response”, pages 177-217.

Abstract: Top business schools talk a great deal about globalization, placing particular emphasis on their students’ diverse national origins and on international partnerships. Yet a closer look at what they actually do raises questions about whether these scope expansions are matched by adequate attention to globalization-related knowledge and course development activities. Put differently, there seems to be a gap between the reach and the grasp of top business schools’ globalization efforts: their global reach seems to have outrun their grasp of the explicitly global content to be taught to students from different countries about different locations. Bridging this curricular gap would unlock significant social benefits as well as private gains. A survey of academic thought leaders suggests that efforts to bridge the gap should focus on cross-country differences and their business implications. This essay concludes by presenting one action proposal along these lines, for a globalization platform course with the suggested cross-country focus that is designed to be inserted into the core MBA curriculum and to interlock with other required (functional) courses.

Mireia las Heras – Nuria Chinchilla
“How to develop and promote leadership from the top”, pages 241-265.

Abstract: This chapter proceeds by first presenting some notions about leadership, and distinguishing between three types of leadership style: transactional, transformational and
transcendental. The first section presents the assumptions on which each type of leadership is based, and the main characteristics of those styles of leadership. The chapter then moves on to present five central points of how CEOs should develop leadership in their organizations.

Pedro Nuñez

Abstract: The author believes that one hundred years from now business schools will still be around. Business may change over this period in terms of the impact of innovation, the evolution of business infrastructure (especially technology) and globalization (with today’s huge underdeveloped areas becoming part of markets).

The current management knowledge on which business schools are based today has strong pillars, such as Drucker, Levitt, Folts, Doriot, Porter and many others. So long as new knowledge continues to be developed, this will contribute to fuel the growth of and interest in business schools.

Mª Julia Prats – Remei Agulles
“Managing managers as professionals: Leadership development and talent transfer in a global world”, pages 266-291.

Abstract: Today’s business landscape calls for strong and better leaders. However, several trends make it more difficult for firms to identify, develop and retain the professionals they need. Managers confront a great paradox: on the one hand, more complex knowledge and the incorporation of new technologies require a new mastery, a stronger set of competences; on the other, these same requirements seem to be obstacles to managers’ progress insofar as virtual communication is often at the cost of the human interaction required for leaders’ development, and time pressure may result in harsh decisions, where getting something done is more important than doing it well. While the new generation of managers seem to want more flexibility and more time for themselves, firms need more of their managers’ time and commitment.

We argue that a better understanding of the nature of professional work and professional training shows that this is a false paradox and that the solution lies in reviving the origins of professionalism and revising current business practices. In this chapter we discuss issues such as: 1) attracting high potential individuals and integrating them with “solid citizens”; 2) given the fast pace of change and the lack of long term commitment, is there time to develop leaders?; 3) given the complexity that firms are facing, what are firms doing to train the right type of leaders?, and 4) will business schools revise their leadership model and as a consequence their learning/training process?

Enlightened by the finest scholars on these topics, and based on the experience of prominent business leaders, this chapter shows current trends and the challenges that firms are facing in incorporating, training and developing the new generation of leaders.


Abstract: This book is the result of a research project that started three years ago. It presents the insight of a group of seven IESE Professors with a view to promoting the role of culture as a force for social and economic development. It also analyses how cultural institutions can find new perspectives in their management. The objective is to bring about cross-fertilization between the world of business and the world of culture with a view to creating improvements in management and economic development.

The world of culture should take the world of business as an indicator of the challenges that lie ahead, while also giving the business world some food for thought. Both culture and business need to reinvent themselves and this book aims to provide some clues.

Combining conceptual chapters and case studies, the book analyses cultural institutions through a specific model designed for studying the way in which such institutions operate: Brand, Focus, Facilities and Brains.

The book contains, among others, the following chapters:

Santiago Álvarez de Mon

Abstract: This case study revolves around the key aspects of orchestra conducting. It analyzes the core qualities, which in this case happen to be musicians, the challenges they face and the coordination they need. The reflections and recollections of Jesús López Cobos, former Musical Director of the Teatro Real opera house, serve as a starting point.


Abstract: The case is about the career of Dr. Valentín Fuster in his triple role as doctor, researcher and director of the cardiology department at New York’s Mount Sinai Hospital. Two important aspects of the case are the challenge of managing the talent of prestigious professionals and how to foster an entrepreneurial spirit.

Abstract: The chapter describes the challenge of leading talented men and women who are tremendously dedicated to their professional development. The figures of the orchestra director López Cobos and research centre director Fuster illustrate the proposed conceptual model.

Francisco Iniesta – Elvira Marco

Abstract: The case covers the history, development and expansion of the Solomon Guggenheim Foundation’s museological activities and the challenges facing the Guggenheim brand, which has become known around the world through its exhibitions and the new ideas they showcase.

“Marketing the arts”, pages 27-46.

Abstract: This chapter provides an overview of the process through which organizations plan and execute the market selection and positioning, as well as the product, distribution, communication and pricing policies of ideas, goods and services in order to create valuable exchanges.

Elvira Marco – Beatriz Muñoz-Seca – Josep Riverola

Abstract: The case study analyzes the changes implemented by the Museo del Prado on the basis of Law 46/2003 of November 25, which gave the Prado financial and operational autonomy and set the groundwork for its self-financing. Issues discussed include the museum’s reorganization, its intense exhibition activity and the policy of seeking partnerships with firms through its sponsorship program.

Philip G. Moscoso – Alejandro Lago

Abstract: This chapter summarizes a teaching case on the “la Caixa” Foundation. Among the wide range of activities of this not-for-profit foundation belonging to Spain’s third biggest financial institution, we focus on the design, development and production of art exhibitions. The “la Caixa” Foundation has become a “factory”, producing a significant number of exhibitions each year, where on the one hand a standardized procedure is followed but, on the other, certain aspects have to be defined and managed individually for each exhibition. Key challenges and recent improvements in the process are reviewed. The case therefore illustrates how traditional operations management concepts and tools can be applied to a cultural institution like this.

“A service perspective of cultural entities and their customers”, pages 191-212.

Abstract: The offerings of cultural entities such as museums and opera houses usually have a large service component. In this chapter, we review the key implications of this fact. We show how critical it is to manage customer participation in the delivery process, as this affects both the efficiency of the process and the quality of the service delivered. We then provide a framework that guides cultural institutions in developing a strategic vision for the service model. The key objective of the chapter is to show managers of cultural entities that there can be significant value for their institutions if they design and manage their offering as a service system, in both strategic and operational terms.

Beatriz Muñoz-Seca
“Reinventing operations”, pages 129-143.

Abstract: This chapter introduces the concept of Operations as a key element of service delivery. The design of an operational structure requires the translation of the company’s strategy into focused priorities. The chapter shows how this translation can be accomplished and provides a new model to achieve sustainability in the implementation of this structure.

“Insights from the world of culture”, pages 260-272.

Abstract: This chapter gathers reflections based on the experience of the Teatro Real opera house, looking at the institution’s management style, strategy, operational culture and service delivery. Other topics addressed in this chapter include the management of constant innovation with a standardized process and the requirements for managing unstructured events.

Beatriz Muñoz-Seca – Josep Riverola

Abstract: This chapter presents the structure of the book, with its combination of conceptual chapters and case
studies, and introduces the four pillars that guide the analysis of cultural institutions and their development: F2+B2 (Focus, Facilities, Brand and Brain).

“TATE: Reinventing operations to become a different type of company”, pages 113-128.

Abstract: This case describes the current structure of operations of Tate. The challenge is to bring Tate to a new 21st century model of operations. Julian Bird, its COO, reviews the changes he has implemented since his arrival in 2007 and the innovation Tate faces.

“Fifteen challenges for the cultural sector”, pages 273-278.

Abstract: This chapter sums up the authors’ ideas on the challenges facing cultural institutions in the near future. From a business perspective, some obvious dysfunctions have been detected that should motivate efforts to bring about improvements. In today’s world, institutions must face up to change and move with the times.

Josep Riverola
“The Musée de La Cassette”, pages 144-150.

Abstract: This case describes the operational problems in a fictitious museum, which reflect the real problems experienced by various museums in Paris, such as visitor dissatisfaction, visitor traffic, sequence of the paintings, etc.

“A practical approach to the design of visit systems: Application to the Musée de La Cassette”, pages 163-181.

Abstract: This chapter focuses on the analytics of operations as a critical element in the management of cultural institutions. The main purpose of the chapter is to list the problems relevant to the service and relate them to the way the flows of people are managed. It also provides some simple analytical tools that guide intuition in planning any sort of exhibition or cultural activity involving flows of people.

“Fundación del Teatro Lírico: Teatro Real”, pages 244-259.

Abstract: This case describes the behind-the-scenes management of the Teatro Real opera house, in particular the delicate balance between artistic quality and international renown, on the one hand, and budgetary control on the other. It describes the management structure, and how the different departments coordinate the highly complex task of producing an opera.

Antoni Subirà
“The financial function in cultural institutions”, pages 102-110.

Abstract: This chapter presents an overview of the financial function within cultural organizations and identifies which parts of financial theory and practice are applicable and under what conditions.

Contributions to books

Hannes Günter – Cees De Snoo – Craig Shepherd – Philip Moscoso – Johann Riedel

Abstract: While collaborative planning and relationship quality are considered key contributors to supply chain performance, their mechanisms and linkages remain unclear. In order to help address this issue this book chapter introduces and unpacks the concepts of collaborative planning and relationship quality and investigates their role in supply chains. A multidisciplinary literature review was undertaken to identify conceptual and empirical work on relationship quality and collaborative planning. The chapter reveals a number of shortcomings in the literature and provides suggestions to guide future research on the links between collaborative planning, relationship quality, and supply chain performance. Implications are also provided for practitioners interested in
enhancing the quality of interorganizational relationships and collaborative planning in supply chains.

Philip Moscoso - Jan Fransoo - Dieter Fischer - Toni Wäfler

Abstract: Instabilities in production planning and control have received considerable attention due to their negative impact on planning performance. However, extant research has been limited to theoretical (e.g. simulation) settings and has focused on specific methodologies (e.g. mathematical) to overcome instabilities. The objective of this chapter is to make two contributions to the theory development on production planning instabilities. First, it aims to make an empirical contribution through an in-depth case study, and second, it introduces a holistic framework that supports analysis of hierarchical planning systems and their potential instabilities.

The in-depth case study is carried out on an industrial company that has difficulty meeting its customer deadlines and faces a significant order backlog. Planners of the company at different hierarchical levels and order chasers on the shop floor end up rescheduling open orders and updating lead times continuously when trying to meet deadlines, but eventually are not able to improve order fulfillment. Only after the introduction of an Advanced Planning System and centralization of planning decisions in a single department was on-time delivery significantly improved and the order backlog drastically reduced. This case study allows study of the underlying mechanism of such planning instabilities, with a particular focus on the impact on stability of human and organizational factors. On the basis of our findings and additional conceptual research we have then developed a framework constituted by six key planning system attributes. By taking into consideration these factors, a firm can address the root causes of planning instabilities, rather than merely focus on their symptoms.

B. Sebastian Reiche – Anne-Wil Harzing

Abstract: This chapter deals with several aspects of international assignments. First, we review different staffing policies and look in some detail at the factors influencing the choice between host country and parent country nationals. Subsequently, we take a strategic perspective on international transfers and look at the underlying motives of MNCs for transferring international assignees between MNC units. We review two of the motives for international transfers – control and coordination, and knowledge transfer – in detail. The next section deals with alternatives to expatriation, including the use of inpatriate, short-term, self-initiated and virtual assignments. Then, we examine the international assignment process which consists of the pre-assignment phase, the actual assignment and repatriation. Here, we review recruitment and selection issues associated with international assignments, discussing both the prescriptive models found in the expatriate literature and the circumstances that seem to persist in practice. We also consider expatriate adjustment during the assignment and describe organizational support upon repatriation. The final section critically reflects on the concept of expatriate failure and outlines a multidimensional perspective on assignment success.

Joaquim Vilà

Abstract: El comportamiento de los altos ejecutivos en la forma de ejercer el liderazgo es un factor propulsor clave de la capacidad de innovación y transformación de una empresa. Este capítulo muestra el papel de primeros ejecutivos en empresas altamente innovadoras y su forma de ejercer el liderazgo en el avance de la innovación. Presenta un esquema extraído de ejemplos de buenas prácticas de la alta dirección en tres aspectos: qué les impulsa en sus esfuerzos de liderar la transformación de sus empresas (un reto, un ideal o un sueño que tiene sentido ante quienes deben hacerlo posible), cómo dirigen el avance hacia este ideal y cómo afrontan las adversidades que van surgiendo en la transformación de la organización hacia ese objetivo. Estas prácticas son clave en el proceso de institucionalización de valores, principios y prácticas que conforman la cultura, y que conjuntamente determinarán la calidad y capacidad de innovación de las empresas más innovadoras del mundo.
IESE – Working Papers

No 890 – January 2011
Pablo Fernández – Javier Aguirreamalloa – Luis Corres
IBEX 35: 1991-2010. RENTABILIDAD Y CREACION DE VALOR

Abstract: La creación de valor para los accionistas del IBEX 35 en 2010 fue -87 millardos de euros (en 2009 fue 97, y en 2008, -238), y la rentabilidad (teniendo en cuenta los dividendos) fue -12,9% (en 2009, 38,3%, y en 2008, -36,5%). Entre 1991 y 2010 la creación de valor para los accionistas fue de 23 millardos de euros, y la rentabilidad media, 11%, aunque una parte importante de esta (un 2,9%) se debió al descenso de los tipos de interés en el periodo. Las empresas pequeñas fueron más rentables (en media) que las grandes: la rentabilidad media del ITBM (11,8%) fue superior a la del IBEX 35 (11%).

El volumen de negociación de las empresas del IBEX 35 supuso más del 95% de la negociación del mercado continuo. Las seis mayores empresas supusieron el 71% de la capitalización, y las 18 más pequeñas, el 10%. También se analiza la evolución del IGBM desde 1940 y del S&P 500 desde 1926.

No 891 – January 2011
Natàlia Cugueró – Josep M. Rosanas
FAIRNESS, JUSTICE, SUBJECTIVITY, OBJECTIVITY AND GOAL CONGRUENCE IN MANAGEMENT CONTROL SYSTEMS

Abstract: Management control systems are intended to motivate managers to ensure that organizational goals are accomplished. They do this by rewarding and promoting people according to certain criteria. Usually, they are designed to achieve the greatest possible goal congruence, where people pursue personal goals that conduce to the organizational goal.

The literature on management control has focused mainly on formal controls, as they are easier to study empirically. Generally speaking, though, formal and informal controls coexist. In this paper, we attempt to show that organizational justice may act as a link between formal and informal control elements.

We find that there are two stable states, which we have labeled ideal goal congruence (where the system is lawful and the user is fair) and total goal incongruence (where the system is unlawful and the user is unfair); and two unstable states, in which goal congruence is occasional (unlawful system used fairly) or perverse (lawful system used unfairly). We conclude with some propositions, which can be used to generate hypotheses that we believe will stimulate, at the core of the management control systems literature, a new stream of research in which justice is seen as a central element of control system design and use.

No 892 – January 2011
Pablo Fernández – Javier Aguirreamalloa – Luis Corres
RENTABILIDAD Y CREACION DE VALOR DE 125 EMPRESAS ESPAÑOLAS EN 2010

Abstract: En 2010 hubo 35 empresas (entre 125) con rentabilidad positiva. Considerando conjuntamente los años 2008, 2009 y 2010, solo 13 empresas tuvieron rentabilidad positiva. Las 125 empresas destruyeron valor para sus accionistas por importe de 117 millardos de euros. Inditex fue la empresa que más valor creó para sus accionistas en 2010 y en el periodo 2008-2010. Iberia la más rentable en 2010. Pero la crisis de España-pais es mucho más seria de lo que nos indican los datos de la bolsa. Esta "crisis" se superará cuando el sentido común, el trabajo bien hecho, la competencia profesional y la veracidad vuelvan a ser la tónica dominante en la sociedad (dirigentes políticos, directivos de empresas, organismos reguladores, empleados...). Los Anexos 4 y 5 son parte de un trabajo sobre la crisis española que se está terminando y que esperamos publicar si no se produce antes la intervención de España.

No 893 – January 2011
Ricard Gil
VERTICAL INTEGRATION AND PRODUCT MARKET COMPETITION: EVIDENCE FROM THE SPANISH LOCAL TV INDUSTRY

Abstract: This paper empirically examines the relation between product market competition and vertical integration in the Spanish local TV industry. For this reason, I use a data set of Spanish local TV stations that provides station level information on vertical integration and product market competition, as well as other station and market characteristics, for the years 1996, 1999 and 2002. During this period, changes in regulation in this industry had a strong impact on the level of market competition faced by local TV stations. I use differences in market structure across markets and years to empirically study the relation between vertical integration and competition. My results show that there exists a negative relation between vertical integration and market competition. I also find that despite the fact that private stations are less likely to integrate content production, they are more likely to do so the higher the number of competing stations in their
coverage area. Private stations do so because by increasing the percentage of content produced in-house they differentiate themselves from competition and therefore soften competition and maximize profits.

No 894 – January 2011
Ricard Gil - Daniel Riera-Crichton
PRICE DISCRIMINATION AND COMPETITION IN TWO-SIDED MARKETS: EVIDENCE FROM THE SPANISH LOCAL TV INDUSTRY

Abstract: In this paper, we empirically test the relation between price discrimination and product market competition in a two-sided market setting using a new data set of Spanish local TV stations that provides information on subscription and advertising prices per station for 1996, 1999 and 2002. During these years, changes in regulation in this sector had a deep impact on the degree of local market competition. We use differences in market structure across markets and across years to study the relation between competition and price discrimination in this setting. Our findings suggest that stations in more competitive markets are less likely to use price discrimination. We also find evidence that stations price discriminating in a market are also more likely to price discriminate on the other market. Finally, cable subscription fees and advertising prices are higher in more competitive markets, which suggests that tougher competition may increase market segmentation through station differentiation, driving stations to charge higher uniform prices to more loyal customers. This may indicate that less price discrimination may be associated with lower consumer surplus in all markets.

No 895 – January 2011
Ricard Gil
DOES REGULATION DRIVE MARKET COMPETITION? EVIDENCE FROM THE SPANISH LOCAL TV INDUSTRY

Abstract: This paper empirically examines whether regulation decreases market competition. For this purpose, I use data from Spanish local TV stations for 1996, 1999 and 2002. During this period of time, this industry transitioned from a state of alegality (no regulation in place whatsoever), to being highly regulated and finally to being liberalized. I estimate station population entry thresholds by number of entrants across years to proxy for the nature of competition by determining the necessary market size to sustain an extra station. I find that stations soften competition the most under no regulation and seem to compete the hardest when highly regulated. I explain in the paper that, even though this is at odds with previous literature, this result is explained by the industry's institutions, its low profitability and the nature of the first regulation and its consequent liberalization.

No 896 – January 2011
Adrian Done
INTEGRATING SUPPLY CHAINS: AN INVESTIGATION OF COLLABORATIVE KNOWLEDGE TRANSFERS

Abstract: This paper aims to empirically investigate the impact upon performance of explicit knowledge transfer in the integrated supply chain between a manufacturer and its external suppliers and customers. Literature derived hypotheses were evaluated using International Manufacturing Strategy Survey data from 338 companies. Valid and reliable scales were created via confirmatory factor analysis, and effects upon inventory performance tested via regression techniques. Whilst knowledge transfers from upstream and downstream directions were positively related to a manufacturer’s performance, knowledge derived from customers was more powerful. Furthermore, integrated knowledge transfer – the combination of knowledge emanating from both suppliers and customers – had the strongest link to performance. The implications for practitioners are that integrating knowledge across supply chains could be more far reaching than the exchange of assets, data and information usually considered in supply chain literature. Furthermore, the current generalized approach to managing external knowledge is inadequate. This study expands upon existing literature by including directional implications as to which knowledge inflows are most valuable. For academics, this paper supports and extends existing literature by considering the supplier-manufacturer-customer triad in unison. The focus goes beyond asset, data and information exchange towards the leveraging of external knowledge. Relevant perspectives and dimensions were adopted from the knowledge management literature. Several areas of knowledge-based supply chain research have been identified as potential opportunities for further investigation.

No 897 – January 2011
Adrian Done
DEVELOPING OPERATIONAL COMPETENCE IN PURCHASING

Abstract: This paper contributes to the emerging theory of purchasing competence. First, it replicates and cross-validates the construct with five underlying supply-side competence dimensions of Narasimhan, Jayaram, and Carter (2001), using telephone survey data from 200 high-turnover European companies. The addition of an IT Competence dimension to the construct is proposed and empirically validated. In response to the growing importance of services, equivalence of the competence construct across manufacturing and financial services contexts was shown using the structural
equation technique of invariance analysis. Using set correlation analysis competence dimensions were found to be significant drivers of multiple operational performance measures. All competence dimensions had significant positive impact upon at least one performance measure. IT Competence had the most significant positive impact, driving Quality, Purchase-Order Cycle Time and Professionalism. Certain dimensions had significant negative effects upon performance, providing evidence for the possible existence of “competency trap” phenomena.

No 898 – January 2011
Adrian Done
DEVELOPING SUPPLY CHAIN MATURITY

Abstract: This study introduces an empirical model of supply chain maturity and assesses its impact upon performance. Findings suggest that supply chain maturity is multi-dimensional, including the areas of planning, sourcing, making, delivering, new product development, and returning. Valid and reliable measures, scales and supply chain maturity constructs were formulated and significant positive links found with multiple objective performance measures. The supply chain maturity framework is thus concluded to be robust for answering questions relating to where a supply chain is in developmental terms and what may be done to continue improving upon the design. Possible areas for further research and implications for managers are also raised.

No 899 – January 2011
Adrian Done
SUPPLY-CHAIN EVOLUTION: KNOWLEDGE-BASED PERSPECTIVES

Abstract: This paper aims to go some way to answering the question: “Where are we now in the evolution of supply chains and what has to occur to advance along the continuum?” (Bowersox et al., 2000) by undertaking a conceptual synthesis of relevant literatures relating to the increasing importance of managing knowledge in supply chains. These issues are developed through a synthesis of the supply chain literature, and analysed through adopting perspectives from knowledge management research streams. A consensus is emerging from the supply chain literature that to advance along the evolutionary continuum supply chains must become more integrated, and with increased levels of collaboration between upstream and downstream partners. Yet, the majority of existing supply chain literature still focuses on asset, data and information elements of exchange between supply chain partners. This is despite the fact that increased integration and collaboration clearly require the exchange of more complex elements at the expertise and knowledge levels. Within supply chain contexts the exchange and management of knowledge dimensions is not so well understood despite their increasing importance as more complex business dynamics shift towards competing supply chains. This paper proposes that several knowledge management concepts and frameworks are relevant and useful to supply chain academics and practitioners. It contributes to a gap in the literature relating to the exchange and development of knowledge in supply chains, which has been identified as an important area relating to the continued evolution of supply chain theory and practice.

No 900 – January 2011
Adrian Done
SUPPLY CHAIN KNOWLEDGE MANAGEMENT: A CONCEPTUAL FRAMEWORK

Abstract: The supply chain literature still largely focuses on asset, alphanumeric data and information (in the form of documents and files) elements of exchange between supply chain partners, despite the fact that increased integration and collaboration clearly require development of more complex elements of expertise and knowledge. In this respect, this paper recognizes the knowledge management (KM) literature as a potential source of new insights to add conceptual depth and understanding to managing 21st century supply chains. Specific KM theories and constructs are identified as potentially contributing to theory and practice in supply chain contexts. An overall framework for supply chain knowledge management is developed, along with literature-based definitions of supply chain knowledge transfer, competence and maturity constructs. The “knowledge lens” theory building approach is applied to import these perspectives into supply chain domains, with efforts to maintain conceptual consistency across the two literature streams.

No 901 – January 2011
Adrian Done – Ching Liao – Markus Maedler
TECHNOLOGY IN PURCHASING: IMPACTS UPON PERFORMANCE AND FUTURE CONFIDENCE

Abstract: This study investigates how top Finance & Accounting managers perceive the performance implications of adopting technologies to improve Purchasing processes. Based on a large-sample (454) survey, we employ multivariate data analysis techniques to specifically provide insights into how e-Purchasing impacts organizational performance. We model a theoretical construct of e-Purchasing and empirically confirm our literature-based hypotheses that e-Purchasing strongly and positively correlates with the integration between the Finance and Purchasing departments, improves the
operational performance within these departments, and positively affects the confidence of managers in future organizational performance in the face of internal and external risk. We discuss implications for purchasing and supply researchers and practitioners as well as areas for further research.

No 902 – January 2011
Pablo Fernández – Javier Aguirreamalloa – Luis Corres
TELEFONICA: 1991-2010. CREACION DE VALOR Y RENTABILIDAD

Abstract: La rentabilidad de los accionistas de Telefónica en 2010 fue -7,7% mientras que la del IBEX 35 fue -12,9% (la rentabilidad del IBEX sin Telefónica habría sido -14,4%). En el periodo 1991-2010, la rentabilidad de los accionistas de Telefónica fue 15,2%, mientras que la del IBEX 35 fue 11%. La inflación media en ese periodo fue 3,1%. Entre diciembre de 1991 y diciembre de 2010, el aumento del valor para los accionistas de Telefónica fue de 85,8 millardos de euros y la creación de valor para los accionistas fue 34,2 millardos. La capitalización de Telefónica osciló en estos 19 años entre el 11,2% y el 27,6% de la del IBEX 35; fue 22,2% en 2010. El documento también compara la evolución de la cotización de Telefónica con la de las grandes empresas de telecomunicaciones, con la del Santander, con la del BBVA y con la del IBEX 35 en los últimos 20, 10 y 5 años.

No 903 – February 2011
Pablo Fernández – Javier Aguirreamalloa – Luis Corres
RANKING DE GESTORAS DE FONDOS DE INVERSION EN ESPAÑA. 1991-2010

Abstract: Este documento contiene un ranking de 79 gestoras de fondos de inversión realizado comparando la evolución de sus fondos desde 1990 hasta 2010, según los datos proporcionados por Inverco. Según este ranking, las mejores gestoras fueron: Bestinver, Mutua Madrileña y Merch Banc; las peores fueron: Caja Cataluña, Caja Mediterráneo y Fineco. No es igual invertir en una gestora que en otra. Por ejemplo, 1.000 euros invertidos hace 10 años en el mejor plan de renta variable mixta se han convertido en 3.122, mientras que invertidos en el peor, se han convertido en 602. Se analiza la relación del ranking con diversas variables, entre otras: rentabilidad promedio de los fondos gestionados por cada gestora, número de fondos, patrimonio, partícipes…

No 904 – February 2011
Peter Berling – Víctor Martínez de Albéniz
A CHARACTERIZATION OF OPTIMAL BASE-STOCK LEVELS FOR A CONTINUOUS-STAGE SERIAL SUPPLY CHAIN

Abstract: In this paper, we present a continuous model to optimize multi-echelon inventory management decisions under stochastic demand. Observing that in such continuous system it is never optimal to let orders cross, we decompose the general problem into a set of single-unit sub-problems that can be solved in a sequential fashion. When shipping and inventory holding costs are linear in the stage, we show that it is optimal to move the unit associated with the k-th next customer if and only if the inventory unit is held in an echelon located within a given interval. This optimal policy can be interpreted as an echelon base-stock policy such that the base-stock is initially increasing and then decreasing in the stage. We
also characterize the optimal policy when costs are piecewise-constant. Finally, we study the sensitivity of the optimal base-stock levels to the cost structures.

No 906 – February 2011
Peter Berling – Víctor Martínez de Albéniz
OPTIMAL EXPEDITING DECISIONS IN A CONTINUOUS-STAGE SERIAL SUPPLY CHAIN

Abstract: In this paper, we analyze expediting decisions in a continuous-time, continuous-stage serial supply chain facing a Poisson demand process. For each unit in the chain, one must decide at which speed it should be moved downstream, given the state of the system, so as to minimize total supply chain costs. We decompose the problem into a set of one-dimensional subproblems that can be easily solved and characterize the optimal expediting policy: under quite general assumptions, the optimal speed of a given unit accelerates upstream, and then slows down downstream. We finally provide a case study where we estimate the benefits of expediting compared to a fixed transportation speed and show them to be significant.

No 907 – February 2011
Federico Marinelli
THE RELATIONSHIP BETWEEN DIVERSIFICATION AND FIRM’S PERFORMANCE: IS THERE REALLY A CAUSAL RELATIONSHIP?

Abstract: Firm’s boundaries have been one of the central questions in several research domains, but it is possible to affirm that a definitive consensus has not been reached to determine the relationship between diversification and firm’s performance. We study this relationship according to the main empirical finding in strategy and finance but controlling for the persistence of abnormal returns. Through longitudinal studies, using both accounting and market indicators, we conclude that this relationship is not causal but attributable to factors other than the degree of relatedness among business units and the degree of efficiency of the internal capital market. The persistence of abnormal returns has a grater explanatory power: we find that some diversified firms persistently create shareholder value, beat the market index and have lower market volatility, while others persistently reach opposite results. Moreover, we find that higher performance is associated with an unrelated portfolio of business segments.

No 908 – February 2011
Marian Moszoro - Magdalena Krzyzanowska
IMPLEMENTING PUBLIC-PRIVATE PARTNERSHIPS IN MUNICIPALITIES

Abstract: Public-Private Partnerships (PPPs) realize three critical strategic issues for improving the quality of urban services: the enhancement of governmental financing capabilities, the improvement of public investment efficiency, and the harnessing of consumer-orientated management expertise. Based on a sample of 20 projects embarked upon by the city of Warsaw, we examine the process of project selection, planning, and prerequisites for satisfactory completion. The paper contributes to the literature on the PPP pre-implementation process and offers a perspective on the potential of PPPs in emerging economies. Key policy recommendations: 1) central headquarters for coordination of planning process; 2) clear project selection criteria; 3) involvement of independent consulting companies to legitimate the process under subsequent administrations; 4) ex ante risk allocation and ex post performance measurement procedures; 5) pre-determined termination conditions; 6) determination to start the process and learn by doing, and 7) knowledge transfer and retention mechanisms.

No 909 – February 2011
Pablo Fernández – Javier Aguirreamalloa – Luis Corres

Abstract: In the period 1991-2010, the S&P 500 destroyed value for shareholders ($4.5 trillion). In 1991-1999 it created value ($5.1 trillion), but in 2000-2010 it destroyed $9.6 trillion. The market value of the S&P 500 was $2.8 trillion in 1991 and $11.4 trillion in 2010. We also calculate the created shareholder value of the 500 companies during the 18-year period 1993-2010. The top shareholder value creators in that period were Apple ($212bn), Exxon Mobil (86), IBM (78), Altria Group (70) and Chevron (67). The top shareholder value destroyers in that period were American Intl Group (-217), Pfizer (-188), General Electric (-183), Bank of America (-170), Citigroup (-169) and Time Warner (-130). 41% of the companies included in the S&P 500 in 2004 or 2010 created value in 1993-2010 for their shareholders, while 59% destroyed value. We define created shareholder value and provide the created shareholder value of the 633 companies that were in the S&P 500 in December 2004 or in December 2010.
IESE – Studies and Monographs

No 133 – January 2011
Guido Stein – Salvador Plaza
THE ROLE OF THE INDEPENDENT DIRECTOR IN CEO SUPERVISION AND TURNOVER

Abstract: A considerable amount of research has been done on the figure of the CEO, approaching it from many angles. Our analysis focuses on the role played by the independent director in the supervision and turnover of the chief corporate executive. In the process, we have carried out a comprehensive reflection on the independent director, consulting the latest literature and including the results of the most recent empirical evidence. We have noticed that the role of the independent director often goes beyond the tasks that are usually considered specific to this function, namely, supervision of the company’s senior management. However, the directors’ independence cannot be built by requirements. It is a personal quality of the individual that transcends the various problems raised by agency theory. We believe that correct CEO supervision can only be effectively undertaken if the independent directors have these personal qualities. It seems that companies with a larger number of independent directors are more likely to replace the CEO when performance is not as expected. This can only happen if the independent directors enjoy effective independence. (Also available in Spanish.)

Other publications

Africa Ariño – Miguel A. Gallo – Jaume Llopis – Leonidas Quadros da Paixao

Abstract: El desarrollo exitoso de una empresa se debe en gran parte a las personas que ejercen el poder en ella y a cómo lo ejercen. Estas personas pueden decidir introducir a la empresa en caminos que llevan al aumento o a la pérdida de sus potencialidades, haciéndose necesario en ocasiones acometer caminos de cambio en la propiedad y el poder. Como señalan los autores de este artículo, se hace necesario un liderazgo proactivo que conduzca a la empresa por el camino de la generación de valor con soluciones concretas a los cambios del entorno competitivo.

Ramón Casadesús-Masanell – Joan E. Ricart

Abstract: There has never been as much interest in business models as there is today; seven out of 10 companies are trying to create innovative business models, and 98% are modifying existing ones, according to a recent survey. However, most companies still create and evaluate business models in isolation, without considering the implications of how they will interact with rivals’ business models. This narrow view dooms many to failure. Moreover, companies often don’t realize that business models can be designed so that they generate virtuous cycles similar to the powerful effects high-tech firms such as Facebook, eBay, and Microsoft enjoy. These cycles, when aligned with company goals, reinforce competitive advantage. By making the right choices, companies can strengthen their business models’ virtuous cycles, weaken those of rivals, and even use the cycles to turn competitors into complementary players. This is neither strategy nor tactics; it’s using business models to gain competitive advantage. Indeed, companies fare poorly partly because they don’t recognize the differences between strategy, tactics, and business models.

Brian Leggett – Josep M. Rosanas

Abstract: The paper first looks at the economics-based models that have come to dominate much of management literature and shows how they are incompatible with the idea of persuasion. Next, it examines how, in contrast, one of the management classics (Chester Barnard) considered persuasion one of the key elements for an effective organization. Then, it goes on to look at our uncertain environment and offers a way of dealing with uncertainty. It connects this uncertainty with our need to be persuasive and, finally, offers a practical orientation on how to be persuasive.

Ahmad Rahnema – Jorge Soley – Sergi Cutillas

Abstract: La gran crisis financiera y económica ha conducido a la negociación de un nuevo acuerdo de Basilea, con el que se pretende evitar que se repita una debacle de esta magnitud. Tras largas negociaciones, en
noviembre de 2010 ve la luz el acuerdo de Basilea III, más exigente que el anterior en términos de capitales mínimos exigidos a las instituciones financieras. Los autores de este artículo hacen un recorrido por el contenido más importante del acuerdo, estableciendo una comparación con el de Basilea II, y esbozan las posibles consecuencias de esta nueva regulación.

Awards

Miguel A. Ariño and Pablo Maella received the 2010 Leader Prize for best business book of the year for their book “Iceberg a la vista” ("Iceberg ahead"), Empresa Activa, January 2010.

The IESE Alumni Association has announced the 2010 Research Excellence Awards. This year, awards have been granted to the following professors:


José A. Segarra for the course “Dirección de la pequeña y mediana empresa”.

IESE – Research Seminars

Economics
January 27
Speaker: Bernardo C. Morais, University of California, Los Angeles
“Should I stay or should I go: Investor protection, firm selection and aggregate productivity”

Abstract: The large cross-country variation in income per capita and aggregate productivity is highly correlated with various measures of investor protection. To account for this pattern I propose a theory of aggregate productivity based on firm selection. According to this theory, improvements in investor protection reduce the cost of credit of young firms, increasing the value of starting a project anew. This increase in the outside option of an incumbent raises the exit rate of low quality firms. A consequence of this selection mechanism is that the average productivity of old firms relative to young ones is increasing in the quality of investor protection. Using a comprehensive cross-country panel of firms, I show that this prediction holds in the data. What is more, quantitative simulations indicate that this selection mechanism accounts for around 25 percent of the cross-country differences in aggregate productivity. The model provides additional testable predictions reinforcing the plausibility of the theory. I show that in countries with better investor protection there is a larger share of young firms, and these firms start larger, grow more slowly and deleverage more quickly. Finally, I analyze the effect that an exclusion from credit markets for an insolvent debtor has on the cost of credit and on aggregate outcomes. I find that the length of the exclusion that maximizes income per capita is decreasing in the quality of investor protection.

Doctoral Theses

John Almadoz
THE INVISIBLE HAND AND THE GOOD OF COMMUNITIES: THE INFLUENCE OF INSTITUTIONAL LOGICS ON FOUNDING TEAMS OF LOCAL BANKS (Harvard University)

Abstract: Variations in the influence of financial and community logics in United States local banks can be traced to the composition of the original founding group. Founding groups with proportionally more community-oriented directors found more conservative banks that emphasize more community-related themes. By contrast, founding groups with more financially-oriented directors found riskier banks, banks that also emphasize profitability and growth more. This study bridges the literature on institutional logics with that on board governance by showing how the experience of directors with different institutional logics conveys different assumptions and values, resulting in variations in the perceived appropriateness of certain risky practices. It bridges also with the literature on entrepreneurship by showing how such experience has motivational implications that make a difference in establishment success rates. Founding groups with proportionally more community directors succeed more often in establishing the bank and those with more financial directors less often.
February 2
Speaker: Morten Graugaard Olsen, Harvard University
“Banks in international trade: Incomplete international contract enforcement and reputation”

Abstract: Banks are important facilitators of international trade. Besides providing liquidity they guarantee payment for around a fifth of world trade, in particular when the contract enforcement of the importing country is weak. But if contract enforcement is too weak to trust the payment of an importer, why trust the importer’s bank? I argue that reputational mechanisms can provide the answer. Weak contract enforcement introduces a limited-enforcement problem – an importer can renege on payment after receipt of the shipment – which repeated interaction alleviates. For importers too infrequently engaged in international trade to establish a credible reputation, a bank can increase credibility by guaranteeing multiple importers, but only if exporters can collectively punish the bank should it renege on one of them. Mutually confirmed bank guarantees overcome the need for collective punishment and further increase credibility as bilateral claims between banks reduce the net amount to be reneged on. In effect, mutually confirmed guarantees partially transform international obligations into domestic obligations, which are more easily enforced.

While this paper focuses on banks, reputational mechanisms can also shed light on both large intermediaries and export credit agencies.

February 9
Speaker: Paulo Natenzon, Princeton University
“Random choice as behavioral optimization”

Abstract: We study random choice to capture violations of the weak axiom of revealed preference. Using comparisons of choice probabilities, we introduce the notion of a stochastic preference. We show that the Luce model is the unique rule that has a context-independent stochastic preference. To address well-known difficulties of the Luce model in situations where choice objects have overlapping attributes, we introduce a new random choice model, the weighted attributes rule. We show that it is identified by a context-independent stochastic preference over attributes.

February 14
Speaker: Gitanjali Kumar, University of California, Los Angeles
“Re-evaluating the impact of the Reagan tax cuts”

Abstract: This paper studies the behavior of the United States economy during the 1980s, which were characterized by large tax cuts for both capital and labor. Given these changes, the standard business cycle model fails to match the data for macroeconomic variables under the two common forms of modelling beliefs – perfect foresight and rational expectations. This paper shows how the standard model needs to be modified to explain the 1980s United States economy. In particular, news shocks to total factor productivity and taxes, along with preferences in which there are no short-run wealth effects on labor supply, are important for explaining the empirical patterns. Contrary to popular opinion, capital tax cuts played no role in boosting investment, as investment declined substantially during this period. However, labor tax cuts were larger for high income groups, providing them a greater incentive to work. Thus, asymmetric labor tax cuts increased aggregate hours worked, which helped the economy to recover and expand after the 1982 recession.

Production, Technology and Operations Management
January 12
Speaker: Alfonso J. Pedraza, INSEAD
“An operational mechanism design for fleet management coordination in humanitarian operations”

Abstract: We study incentive alignment to coordinate operations in humanitarian settings. Our research focuses on transportation, the second largest overhead cost to humanitarian organizations after personnel. Motivated by field research, we study the fleet size problem from a managerial perspective. In terms of transportation, the objective of humanitarian Programs is to have a vehicle available whenever it’s needed; the bigger the fleet, the higher the availability (the lower the cost of delay). On the other hand, the bigger the fleet, the higher the fleet cost. Fleet cost is the responsibility of the National Logistics. The different focuses of the Programs and the National Logistics create misaligned incentives that may lead to suboptimal performance of a decentralized system. At the top of the system, the headquarters must design incentive mechanisms to balance the operating cost of the fleet with the equity cost represented by cost of delay. The incentive alignment issue is complex in a humanitarian setting, as traditional instruments based on financial rewards and penalties are not considered as viable options. The problem is complicated further by information asymmetry in the system due to the dispersed geographical location of Programs, National Logistics and Headquarters. We propose a novel mechanism design for the incentive alignment problem where the Programs have private information regarding their true transportation needs. This study contributes to the humanitarian logistics literature and to the incentives in operations management literature.
Strategic Management
January 18
Speaker: Tomas Obloj, INSEAD
“Incentive life-cycles: Learning and the division of value within firms”

Abstract: This paper proposes a theory of how the division of value within firms – between a firm and its employees – evolves under a given incentive regime. We complement and extend existing work by showing that such evolution gives rise to incentive life-cycles. We argue that both productive learning (i.e. increases in effort deepening) and adverse learning (i.e. increases in effort diversion) arise in response to incentive regimes and need to be relearned when the incentive regime changes. As the evolution of these two learning mechanisms follows different clocks, organization’s share of the value created follows an inverted-U shaped, evolutionary trajectory under an incentive regime. In other words, the ability of an incentive regime to induce the intended results from employees has a life-cycle. Regression results, based on outlet-level data from all outlets of a commercial bank, covering full lifetime of an incentive regime, are strongly congruent with our predictions. This study, a first to explore empirically the evolution of the division of value within firms, suggests that in the economic exchange, changes in the division of value should be seen as endogenous to learning mechanisms arising in response to organizational incentives.

January 20
Speaker: Kaisa Snellman, Stanford University
“Window-dressers and covert adopters: Acceptance of and resistance to the Wall St. model of shareholder capitalism”

Abstract: Explaining variation in organizational responses to institutional pressures has been the focus of much research in organizational sociology. In their original formulation, Meyer and Rowan (1977) stressed that organizations respond to institutional pressures by “ceremonial conformity”. Organizations are pressured to adopt structural changes by external parties, but constrained by their operational needs, decouple them from actual daily practice. The idea that institutional effects entail superficial conformity became widely popular in institutional analysis of organizations (Mizruchi and Fein, 1999). Recent work has developed a more variegated view of organizational responses to institutional pressures. Rather than assuming that ceremonial conformity and decoupling are the norm, recent literature has investigated variation in organizational responses. Conformity is more substantive when institutional expectations are unambiguous, sanctions are strong, and complying accords with the beliefs, norms and behavior of high-status actors in the field (Baron, Dobbin, and Jennings, 1986; Dobbin, Edelman, Meyer, Scott, and Swidler, 1988; Edelman, 1990; Rao, Monin, and Durand, 2003). In contrast, conformity is more symbolic when there is conflict between external expectations and managers’ interests and when change is inconsistent with the professional identities (Kellogg, 2009; Rao, Monin, and Durand, 2003) or backgrounds (Fli gstein, 1985) of top managers.

The existing literature recognizes that there are varying degrees of decoupling (Dobbin and Sutton, 1998; Edelman, 1992). Virtually all of these studies see decoupling as a form of window-dressing, where organizations take symbolic actions to signal conformity to external demands yet sustain routines and structures that do not conform. Yet the concept of decoupling does not imply that all decoupling would involve words without actions. Actions without words – that is, organizations’ changing their routines while preaching stability to external actors – is also consistent with the concept. In this paper, I theorize how both types of decoupling can occur and the conditions under which each is more likely. The emphasis on decoupling as window-dressing arose in part because empirical research has focused on cases where one powerful group of constituents imposed demands on a population of organizations and where other constituents were weak. In this context, where demand for change was widespread and homogenous, that emphasis was reasonable. When the demand for change is external and the desire for stability is internal, window-dressing is more likely. Yet in institutional contexts where organizations have external stakeholders with different strengths and interests, organizations can face conflicting but equally strong external demands regarding change. Under such conditions, we would expect “covert adoption”, where organizations preserve symbolic conformity while actually implementing substantial change in their practices and routines.

January 25
Speaker: Giada di Stefano, Università Bocconi
“Kitchen confidential? Knowledge transfer and social norms in gourmet cuisine”

Abstract: In this paper, we explore the conditions for know-how transfer in gourmet cuisine, an industry characterized by rapid innovation and weak protection of intellectual property (IP). We investigate whether bilateral exchanges are facilitated either by the existence of norms that reduce the risk of misappropriation or by IP strategies that decrease the potential for loss. Moreover, we disentangle how these different mechanisms interact. Using evidence from a scenario-based field experiment, we demonstrate that norms play a role in governing the use of transferred information, but that IP strategies also play an important role. We show that norms substitute for some types of IP strategies but complement others.
January 28
Speaker: Romel Mostafa, Olin Business School, Washington University
“Industrial development through tacit knowledge seeding: Evidence from the Bangladesh garment industry”

Abstract: When vital production knowledge is tacit and cannot be generated indigenously, entrepreneurs in developing countries have to rely on the international transfer of knowledge through on-the-job training. Once the initial seeding of tacit knowledge occurs, mechanisms concerning its propagation in the local economy allow the knowledge to be seeded in new firms, catalyzing the growth of the industry. A model of the propagation process is developed and its implications are tested on two historical episodes of the Bangladesh garment industry. Empirical findings support that tacit knowledge seeding was essential for the initial establishment and subsequent expansion of the industry.

February 2
Speaker: Raffaele Conti, Bocconi University
“Do non-competition agreements lead firms to pursue path-breaking inventions?”

Abstract: Non-competition agreements are contracts signed by employees and firms that prohibit employees from joining or forming a rival firm. I hypothesize that a stricter enforcement of non-competes induces firms to undertake riskier R&D projects, leading to technological breakthroughs or dead-ends. Non-competition agreements reduce the likelihood that the fruits of the inventive activity will fall beyond the firm’s organizational boundaries. As a result, in regions where the enforcement of non-compete covenants is stricter, firms provide corporate inventors with more freedom to explore risky but high-potential research paths and, even holding constant the degree of inventors’ autonomy, firms direct inventors’ efforts towards higher-variance R&D projects. To test the theory, I use data on United States patent applications between 1990 and 2000 (restricting the sample to patents that were subsequently issued to public companies). To identify the impact of non-competition agreements, I exploit both cross-state and longitudinal variation in the enforcement of non-competes in United States. Empirical findings are mainly consistent with theory and show that, in states where non-competes are enforced more strictly, companies are more likely to undertake risky and potentially path-breaking R&D projects than in states where non-competes are not as strong.

February 17
Speaker: Maria Guadalupe, Columbia University
“Innovation and foreign ownership”

Abstract: This paper uses a rich panel dataset of Spanish manufacturing firms (1990-2006) and a propensity score reweighting estimator to show that multinational firms acquire the most productive domestic firms, which, on acquisition, conduct more product and process innovation (simultaneously adopting new machines and organizational practices) and adopt foreign technologies, leading to higher productivity. We propose a model of endogenous selection and innovation in heterogeneous firms that jointly explains the observed selection process and the innovation decisions. Further, we show in the data that innovation on acquisition is associated with the increased market scale provided by the parent firm.

Research Seminars

Domèneç Melé
On February 24-26, at the Council for Justice and Peace, in the Vatican, presented the “The ‘logic of gift’ in business ethics”.

Abstract: The “logic of gift” proposed by Benedict XVI in the Encyclical-Letter “Caritas in veritate” has not so far been considered in business ethics. The paper analyses the meaning of the “logic of gift”, as presented by Benedict XVI, the roots of which lie in the Christian notion of agape. Facing some objections, it is held that it makes sense to include the logic of gift in business ethics. Moreover, it is argued that a business ethics theory which excludes consideration of the logic of gift remains incomplete.

Fernando Peñalva
On February 10, at Tilburg University, Netherlands, presented the paper “Accounting conservatism and firm under-investment”, coauthored with Beatriz García Osma and Juan Manuel García Lara.

Abstract: We argue that conservatism reduces under-investment problems by facilitating firm access to external funds (Göx and Wagenhofer, 2009) and lowering cost of debt (Ahmed et al., 2002; Zhang, 2008). These beneficial effects of conservatism permit financing investment opportunities with positive net present values that otherwise might not be pursued because of lack of funding, or because the costs of accessing new funds outweigh the benefits of the projects.
Our results are consistent with this expectation. We also show that the role of conservatism in reducing investment inefficiencies (both over- and under-investment) is more pronounced for firms with more opaque investments and where information asymmetries are more prevalent. Our results are robust to controls for firms’ governance structure and accruals quality, indicating that conservatism is a separate earnings attribute with identifiable economic consequences.

The same paper was presented on February 25 at the Stockholm School of Economics.

Julia Prats
On January 19-21, attended the United Nations Conference on Trade and Development. Multi-year Expert Meeting in Geneva, where she presented the project “Growth Challenges in Europe”.

Launched in 2006, this is an ongoing project that has allowed the building of a rich program around the challenges that young firms confront in growing in uncertain environments.

Miscellaneous

Antonio Argandoña
On February 3, took part in the presentation of the book “Hacia una nueva ética global. Innovación vs statu quo” at Fundación Rafael del Pino in Madrid.

On February 15, attended the seminar organized by ACCID and AED in Barcelona, where he gave the lecture “Desarrollo económico basado en el conocimiento. Reflexiones sobre el caso de España”.

On February 18, attended the Conference on “Guía práctica para la gestión de riesgos y herramientas de implantación. Lucha contra la corrupción y promoción de la transparencia”, organized by Red Española del Pacto Mundial in Barcelona, where he moderated a roundtable.

On February 23, attended the V Jornada de Ética Profesional in Zaragoza, where he gave the lecture “Claves para vencer las dificultades éticas en nuestras profesiones”.

Fabrizio Ferraro
On February 23, attended the webinar “Engagement as a mechanism to change investee ESG practices” within the Responsible Investment Research webinar series, organized by the PRI Academic Network, where he presented “Engagement: What do we know and what should we study?”

Johanna Mair
On February 25, attended the TEDxAshokaU event at Duke University in Durham, where she acted as speaker in the event “Universities driving global change”. She also led the panel “Developing an extraordinary and extensive research”.

Book reviews

Javier Estrada


Teaching Materials

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

Business Ethics

Guidant Corporation
(BE-168-E - 0.311.009)

Guidant Corporation is a high-tech startup producing medical devices such as pacemakers, defibrillators and coronary stent systems. Toward the middle of 2002, Guidant discovers that some of its pacemakers and defibrillators, which have been sold and implanted in thousands of patients, have a technical problem and could fail to deliver an electric shock when one is needed. The company faces the dilemma of whether or not to disclose the information to patients and doctors (as legislation only
requires information disclosure to the FDA) and the consequent reaction of relevant stakeholders.

Vaccaro A.; 13 pages.

Guidant Corporation - Teaching Note
(BET-1-E - 5.311.010)

Case BE-168-E.
Use is restricted to Academic Institutions.
Vaccaro A.; 4 pages.

Entrepreneurship

Quirófano de oftalmología: hospital
(E-135 - 0.610.018)

A lo largo de 2008, Feliciano y el director médico, Dr. Fernando Ruiz de Santiago, habían mantenido varias reuniones con los jefes de servicio de las especialidades implicadas para evaluar conjuntamente la implementación de los planes asistenciales de choque, así como los recursos humanos y materiales para ponerlos en práctica. A primeros de noviembre, Feliciano se entrevistó con el Dr. Ignacio del Río Duero, jefe de servicio de Oftalmología, para concretar definitivamente las necesidades básicas de equipamiento para que la Unidad de Cirugía Sin Ingreso (UCSI) estuviese en funcionamiento tras las Navidades. Se plantea negociar con sus proveedores habituales.

Cebrecos J.; Stein G.; 5 pages.

Quirófano de oftalmología: proveedor
(E-136 - 0.610.019)

El Hospital Universitario Sur, una vez finalizada la remodelación del área quirúrgica situada en la planta baja, ha decidido abrir un nuevo quirófano de oftalmología, pues tiene previsto incrementar sus procedimientos quirúrgicos en oftalmología, llegando a las 1.500 cirugías de catarata y a las 75 cirugías de vitreo-retina como consecuencia de la demanda social existente, pues en 2008 se practicaron 1.150 y 65 cirugías, respectivamente. Javier de la Sota, director de ventas de OME&MD – "Ophtalmic Medical Equipment and Medical Devices" –, multinacional americana perteneciente a un holding líder en instrumental médico, se puso a darle vueltas a los temas fundamentales de la propuesta: era indispensable para evitar la entrada de la competencia, pero cómo hacerlo rentable.

Cebrecos J.; Stein G.; 6 pages.

Quirófano de oftalmología: acuerdo
(E-137 - 0.610.021)

Los proveedores de material sanitario (fundamentalmente multinacionales líderes en una o varias especialidades diagnósticas o quirúrgicas), realizan grandes inversiones en I+D+i, y lanzan nuevos productos y actualizaciones de sus equipos con una periodicidad anual, para mantener su liderazgo y cuota de mercado. Estos lanzamientos son apoyados por campañas de marketing, comunicaciones en los correspondientes congresos profesionales y redes de ventas que promocionan, explican, demuestran y enseñan su uso, poniendo de manifiesto los beneficios para el paciente. El reto al que se enfrentan los proveedores de material sanitario, gerentes y profesionales médicos consiste en proporcionar tratamientos diagnósticos y quirúrgicos tecnológicamente avanzados y a un coste razonable.

Cebrecos J.; Stein G.; 9 pages.

LensOptic frente a Health Care
(EE-1 - 0.611.013)

El director general de HC le ha pedido que negocie con LensOptic y cierre un acuerdo favorable lo antes posible. Usted tiene mañana una cita con el Key Account de Grandes Cuentas y Clientes institucionales de LensOptic. Tenga en cuenta que los objetivos de HC para el año 2010, por orden de prioridad, son los siguientes: 1. Reforzar el liderazgo en el sector asegurador impulsando el crecimiento orgánico por número de pólizas contratadas. 2. Aumentar la rentabilidad reduciendo costes, tanto administrativos como de aprovisionamientos. 3. Disminuir el número de proveedores y fijar un precio medio por lente no superior a los 103,50 euros.

Cebrecos E.; Stein G.; 3 pages.

Health Care frente a LensOptic
(EE-2 - 0.611.014)

Acaba de recibir una llamada del jefe de compras de HC para sentarse a negociar y resolver la situación mañana mismo. Tenga en cuenta que sus objetivos como Key Account para el año 2010, por orden de prioridad, son los siguientes: 1. Defender las ventas de la lente Optex Advanced IQ. 2. Incrementar la facturación HC. 3. El precio de la lente Optex Advanced IQ en ningún caso puede ser inferior a 108 euros.

Cebrecos E.; Stein G.; 3 pages.
Financial Management

Seguros Convencionales, S.A.
(F-822-E - 0.208.006)

This case is based on a possible change of strategy for a conventional insurance company in the face of the new commercial channels which now exist in the insurance market. Insurance is not only sold or distributed through agents, but through bank networks and even through remote sales. Insurance is analyzed not just from the viewpoint of its sector but as a financial institution, as it generates big funds which have to be placed in the medium or long-term. Hence its nature as a financial institution. (Also available in Spanish.)

Soley J.; Vilà Tortosa J.; 5 pages.

Managing People in Organizations

EVERIS: Las políticas “Up-or-Out” (A)
(DPO-218 - 0.411.004)

Se describe la trayectoria profesional del protagonista en una multinacional dedicada a la consultoría del sector de telecomunicaciones y el plan de promoción de los candidatos basado en una revisión a mitad de año y en una revisión anual. El caso plantea la problemática del desarrollo de la carrera profesional desde una doble vertiente: El papel de la organización: utilidad frente a perversión de los sistemas de recursos humanos; las carreras “UP or OUT”, rol del mentor y el papel del propio candidato en cuanto a la responsabilidad que asume en decisiones clave, como son la elección del tipo de carrera dentro de la empresa, la decisión de hacer una carrera internacional con una expatriación o no, etc.


EVERIS: Las políticas “Up-or-Out” (B)
(DPO-219 - 0.411.005)

El caso plantea la problemática del desarrollo de la carrera profesional desde una doble vertiente: El papel de la organización: utilidad frente a perversión de los sistemas de recursos humanos: las carreras “UP or OUT”, rol del mentor y el papel del propio candidato en cuanto a la responsabilidad que asume en decisiones clave, como son la elección del tipo de carrera dentro de la empresa, la decisión de hacer una carrera internacional con una expatriación o no, etc. En el caso C se describe cómo la organización se plantea la utilidad y validez de las políticas “UP or OUT”.

García Arenillas R.; Susaeta L.; Pin J.R.; Stein G.; 1 pages.

EVERIS: Las políticas de “Up or Out”
(DPOT-43 - 5.411.009)

Cases DPO-218, DPO-219, DPO-220.
Use is restricted to Academic Institutions.


Production, Technology and Operations Management

Challenges of the 21st Century: Energy
(PN-466-E - 0.610.043)

From the discovery of fire and the harnessing of wind through to the industrial revolution and the dawn of the nuclear age, energy resources have been critical for the wellbeing of humankind and to our economies and social improvement. Indeed, many would contend that every great change in living standards has had a revolution in energy use at its heart. By the end of the 19th century, the lifestyles of the majority of Europeans and Americans had been changed utterly by the steam engine and the use of coal. By the middle of the 20th, they had been transformed again by the internal combustion engine and large-scale electricity generation. As Steven Chu, the United States energy secretary, puts it, each modern American has the equivalent of 100 servants working for them, thanks to the use of oil, gas and electricity. A similar revolution is sweeping through emerging economies. It is already becoming apparent that two forces will shape the world’s energy system this century: On the one hand, the need to secure energy supplies in a world of rapidly growing demand will increasingly influence policy-making and geostrategic positioning. The United States military’s on-
The winter of 2009-2010 in Europe was unusually cold. Globally there were atypical snowfalls in several parts of the Northern Hemisphere. On March 8, the Mediterranean city of Barcelona was paralyzed by the heaviest snowfalls since 1962. In April, the city of Kyoto, Japan, experienced simultaneous snowfalls and cherry-blossoms, which had not happened in decades. Such events made many observers ask themselves what “had happened” to global warming, which is really what large parts of the public refer to when discussing climate change. In an article dated January 28, 2010, two journalists of The Washington Post quoted a report by the National Wildlife Federation arguing that “This winter’s extreme weather – with heavy snowfall in some places and unusually low temperatures – is in fact a sign of how climate change disrupts long-standing patterns.” The article further went on to quote several polls confirming that public awareness of and concern with climate change had indeed been decreasing from previous years. It is ironic that a few months later, Europe was wilting in a heat wave, as reported by the same newspaper. Reports of heat-related deaths in Russia, of German train passengers being evacuated from trains with faulty air-conditioning and losses in harvests around Europe are backed up by statistics: 2010 “had had the warmest average temperature for the January-June period on record - 57.5ºF (12.2ºC),” according to the National Oceanic and Atmospheric Administration in Washington. The ongoing debate about climate change is complex and often quite emotional. Therefore, this technical note cannot seek to totally summarize or clarify the various contentious issues. What this note does attempt to achieve, however, is an overview of these issues and of key facts related to the vast subject of energy.

Michels P.; Done A.; 20 pages.

Challenges of the 21st Century: Climate Change
(PN-467-E - 0.611.002)

Demography is the study of human populations. It can be a very general science that can be applied to any kind of dynamic human population, that is, one that changes over time or space. It encompasses the study of the size, structure and distribution of these populations, and spatial and/or temporal changes in them in response to birth, migration, aging and death. Demographic analysis can be applied to whole societies or to groups defined by criteria such as education, nationality, religion and ethnicity. Formal demography limits its object of study to the measurement of populations processes, while the broader field of social demography population studies also analyzes the relationships between economic, social, cultural and biological processes influencing a population. Demographic change is characterized as the “significant alteration of social structure and cultural patterns through time”. Such demographic change is usually a result of changes in our lives, such as industrialization or shifting cultural norms and values. The developed and developing worlds are facing very different issues associated with demographic changes. In the media, some of these issues such as social security, pensions, immigration and the change from agricultural to industrial based societies are hotly debated. The developed world is facing big issues related to an aging population which has potential implications for tax reforms and the future viability of pension systems. The developing world has to deal with different issues, including increased economic activity and a growing population, emigration, and social unrest as wealth inequality grows within these countries. The ideal capacity of the planet is another underlying issue that is commonly discussed. Are there too many or too few people in the world today?

Wong B.; Done A.; 14 pages.

Challenges of the 21st Century: The Crisis
(PN-469-E - 0.611.005)

On September 15, 2008, Lehman Brothers, the 158-year old investment bank, became the largest bankruptcy in United States history, subsequently paralyzing the global financial system. Governments pumped in cash, but the
crisis deepened and broadened, crippling industries and crushing hopes with a force not seen since the Great Depression (1929). According to George Soros, financier and philanthropist, the current financial crisis is very different from other crises which have erupted at intervals since the end of World War II. It marks the end of an era of credit expansion based on the dollar as the international reserve currency. The term “financial crisis” is applied broadly to a variety of situations in which some financial institutions or assets suddenly lose a large part of their value. In the 19th and early 20th centuries, many financial crises were associated with banking panics, and many recessions coincided with these panics. Other situations that are often called financial crises include stock market crashes and the bursting of other financial bubbles, currency crises, and sovereign defaults. Financial crises directly result in a loss of paper wealth; they do not directly result in changes in the real economy unless a recession or depression follows. Many economists have offered theories about how financial crises develop and how they could be prevented. There is little consensus, however, and financial crises are still a regular occurrence around the world. According to Wikipedia, the financial crisis of 2007-2010 is a crisis triggered by a liquidity shortfall in the United States banking system. It has resulted in the collapse of large financial institutions, the bailout of banks by national governments and downturns in stock markets around the world. In many areas, the housing market has also suffered, resulting in numerous evictions, foreclosures and prolonged vacancies. It is considered by many economists to be the worst financial crisis since the Great Depression.

Mohamed A.A.; Done A.; 15 pages.

**Challenges of the 21st Century: Geopolitical Power Shifts**

(*PN-470-E - 0.611.006*)

Geopolitics is “the study of geographic distributions of power among states, with attention to rivalry between the major states”. The study of geopolitics has undergone a major renaissance during the past decade. Contemporary geopolitics and geopolitical change have particular implications relating to territorial problems and issues of state sovereignty. Multidisciplinary in its scope, geopolitics includes all aspects of the social sciences, with particular emphasis on political geography, international relations, the territorial aspects of political science and international law. Geopolitics as a branch of political geography is the study of reciprocal relations between geography, politics and power and also of the interactions arising from combinations of these three. According to this definition, geopolitics is a scientific discipline and has a basic science nature. Back in 1905, America was a rising power. Britain, then ruler of the waves, was worrying about losing its supremacy to this new global upstart. A shared cultural and political heritage helped America to eclipse British power without bloodshed, but the rise of Germany and Japan precipitated global wars. Now it is America that looks uneasily on the rise of a potential challenger. President Barack Obama now faces a China that is growing richer and stronger while remaining tenaciously authoritarian. Its rise will be far more nettlesome than that of his own country a century ago. In fact, he said: Our future history will be more determined by our position on the Pacific facing China than by our position on the Atlantic facing Europe. This is a direct indicator of how the world of geopolitics is changing today. In addition to China, world political and business leaders have also been watching the other rapidly developing economies of Brazil, Russia and India, which, with China, form the often seen acronym of the BRIC countries.

Mohamed A.A.; Done A.; 21 pages.

**Challenges of the 21st Century: Water and Food Supply**

(*PN-471-E - 0.611.008*)

Although 70% of earth is covered with water, only 1% of that water is readily available for human consumption: 97% is salt water and the remaining 2% is in the form of ice. Given increasing pressure on fresh water supplies, the challenges surrounding this issue have been receiving increasing attention from scientists, politicians, the media, business professionals and the general public over the last decade. Andrew Liveris, the chief executive of Dow, called water “the oil of the 21st century”. In 2002 the United Nations Committee on Economic, Cultural and Social Rights took the unprecedented step of declaring a right that entitles all people to sufficient, affordable, physically accessible, safe and acceptable water for personal and domestic use. The news media today are full of talk of crises related to climate change, energy, food supplies and troubled financial markets. These global crises are linked to each other and to water resources management. History shows a strong link between economic development and water resources development. As competing demands on water resources increase, society needs to respond with improved water management, so as to ensure the availability of water of a given quality, quantity and reliability at a specified place. This is especially true now, since freshwater consumption worldwide has more than doubled since World War II and is expected to rise another 25 percent by 2030. A further obvious problem with water scarcity, considering that 70% of global water withdrawal is used in agriculture, is that it often imposes limits on food production and supply, putting pressure on food prices and increasing countries’ dependence on food imports. Yet food supplies also
pose additional challenges, distinct from those of water, as we move into the 21st century.
(Also available in Spanish.)

Mohamed A.A.; Done A.; 24 pages.

Challenges of the 21st Century: War and Terrorism
(PN-472-E - 0.611.010)

"Nato troops killed in Afghanistan crash", Financial Times, September 2010[i]; “Two car bombs in Iraq capital kill 10", Financial Times, September 2010[ii]. Such media announcements regularly remind us of the violent nature of the world we live in, with war and terrorism never far from the headlines. Nevertheless, such forms of violence are certainly not a new phenomenon in human history. Wikipedia defines war as a state of organized violent conflict, typified by extreme aggression, societal disruption and adaptation, and high mortality. Interestingly, by this definition, as a behavioral pattern, war is found exhibited beyond human beings, by other primate species, and is also found in many ant species. The primary feature of this behavior pattern is a certain state of organized conflict that is engaged in between two or more separate social entities. Such a conflict is always an attempt at altering either the psychological hierarchy or the material hierarchy of domination or equality between two or more groups. In all cases, at least one participant (group) in the conflict perceives the need to either psychologically or materially dominate the other participant. The conduct of war extends along a continuum, from the almost universal primitive local tribal warfare that began well before recorded human history, to advanced nuclear warfare between global alliances, with the recently developed potential for human extinction. War has generally been considered to be a seemingly inescapable and integral aspect of human culture, its practice not linked to any single type of political organization or society. John Keegan in “History Of Warfare", regards war as a universal phenomenon whose form and scope is defined by the society that wages it.

Rodríguez G.; Mohamed A.A.; Done A.; 21 pages.

Challenges of the 21st Century: Health
(PN-473-E - 0.611.016)

The Constitution of the World Health Organization states the following: Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity. The enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition. The health of all people is fundamental to the attainment of peace and security and is dependent upon the fullest co-operation of individuals and States. From this definition, there would be equal coverage for all people within a state regardless of background. However, it is very simple to see that we live in a world quite different from this. Regarding health as a human right, Article 25, Paragraph 1 of the United Nations Declaration of Human Rights states the following: Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services. If health is a human right, why are so many people not covered? Is it the responsibility of the State? How attainable is this ideal and how relevant is it? Most would agree that a high standard of healthcare in a country is key to security and peace, but globalization is putting pressure on the social cohesion of many countries. Diseases and outbreaks are emerging and spreading with unprecedented speed. With economic prosperity, which has lifted millions out of poverty, comes a new set of healthcare challenges. As the world changes, health systems need to adapt in order to cope with this environment. Therefore, healthcare is intertwined with many other global issues, including demographics, war/terrorism, geopolitics, and the constantly changing social and economic paradigms.

Wong B.; Done A.; 16 pages.

Occasional Papers

OP-184 – January 2011
Antonio Argandoña
A RECENT BOOK ON THE ECONOMY OF COMMUNION


OP-185 – February 2011
Giulio Federico
THE COMPETITION EFFECTS OF ENERGY MERGERS: ECONOMIC ANALYSIS IN EUROPE AND IN SPAIN

Abstract: This article surveys, from an economic perspective, the recent application of merger control in the European energy sector. It considers ten significant transactions in the energy sector: the eight largest energy transactions assessed by the European Commission since 2004, and two major gas-electricity mergers in Spain over roughly the same
period. Merger decisions in the energy sector have been characterized by a significant concern for potential horizontal unilateral effects, even in situations where the merging parties accounted for limited combined shares of the market, or where one of the parties was only a small competitor. A variety of non-horizontal concerns have also been considered by the competition authorities, including effects flowing from the increasing use of gas for electricity generation or from limited ownership unbundling of network assets. Remedy packages have typically included extensive structural divestments to remove competition concerns. Given the nature of competition in energy markets, particularly effective remedies are those that involve the sale of price-setting generation plants, network assets, and controlling stakes in merging parties’ competitors.

OP-186 – February 2011
Giulio Federico
THE ANTITRUST TREATMENT OF LOYALTY DISCOUNTS IN EUROPE: TOWARDS A MORE ECONOMIC APPROACH

Abstract: The European Commission’s recent Guidance Paper on exclusionary abuse represents a first step towards the adoption of a more economic approach to the evaluation of loyalty discounts. The price-cost test suggested in the Guidance Paper is a coherent economic method to establish whether a loyalty discount may be able to foreclose efficient rivals, but it raises some practical difficulties which need to be taken into account. Moreover, the theories of consumer harm applicable to loyalty rebates need to be explicitly articulated and verified against the characteristics of the market in question in order to fully embrace an economically sound approach to loyalty discounts. Whilst it is possible to apply non-predatory theories of harm to loyalty rebates, these require specific conditions to be present, and do not follow automatically from the application of retroactive discounts by a dominant firm.

OP-187 – February 2011
Giulio Federico
THE SPANISH GAS AND ELECTRICITY SECTOR: REGULATION, MARKETS AND ENVIRONMENTAL POLICIES

Abstract: This paper summarises the findings of a report recently published by the Public-Private Sector Research Center at IESE Business School on the Spanish gas and electricity markets. The first part of the paper reviews the recent development of the Spanish gas and electricity sector, whilst the second focuses on environmental issues and policies. The Spanish gas and electricity markets are continuing to evolve towards a more competitive structure, with particularly significant progress having been made in the electricity wholesale market. Progress towards effective liberalisation of the retail markets, however, remains limited. The shortfall between revenues and costs in the retail electricity market also reached record levels in 2008-2009, due to a combination of high wholesale electricity prices (in 2008) and payments to renewable generation (primarily in 2009). One of the primary challenges faced by the Spanish and European electricity markets is the need to virtually eliminate carbon emissions over the next four decades (based on internationally agreed objectives on climate change mitigation). European policy on this issue currently relies on a mixture of carbon pricing and renewables support. Spain has relied heavily on renewables subsidies to meet its environmental objectives. However, the regime introduced in mid-2007 has led to a significant increase in the cost of renewables support, which has probably resulted in the over-compensation of renewables output relative to their average social value, and has placed a strain on the electricity system as a whole.