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Journals

Pascual Berrone

Abstract: Based on Spain’s recent achievement as soccer World Cup winner, the purpose of this paper is to draw lessons for business leaders. This paper is a reflection, from a strategic viewpoint, on the events surrounding the championship. Ten general lessons are drawn for business leaders, entrepreneurs, family business owners, and managers in how they interact with customers and employees. The paper’s value lies in using a high visibility sports event to draw lessons for businesses in a practice-oriented note.

Adrian Done – Chris Voss – Niels Gorm Rytter

Abstract: This paper uses empirical field research to examine whether short-term best practice interventions (BPIs) can lead to improvements that are sustained in the long term. In addition, this research investigates the implied conflict between striving for short-term results and achieving long-term development of capabilities. It also examines the tension between the lack of resources of the typical small and medium sized enterprise (SME) users of BPIs and the time required to develop a critical mass of capability. A longitudinal case-based study of eight SME contexts examined BPI outcomes and factors leading to short- and long-term success and sustaining best practices. The research identifies factors related to the intervention context, implementation and change-agent approach. The data indicate that in resource-limited SMEs BPIs are limited in their ability to develop adequate capability for long-term change.


Abstract: To determine the effects of metoclopramide on brain function, cerebral perfusion changes after a single oral dose were assessed in healthy volunteers using magnetic resonance imaging (MRI) techniques. Arterial spin labelling (ASL) perfusion MRI was used to measure cerebral blood flow before and after metoclopramide. Blood haemodynamics in the vertebral and internal carotid arteries were evaluated using phase-contrast MRI. Metoclopramide altered haemodynamics in the carotid arteries and the cerebral perfusion. Perfusion increased bilaterally in the putamen, consistent with antagonism of dopamine D2 receptors by metoclopramide and possibly related to its motor side effects. In contrast, reduced perfusion was observed in the insular cortices and anterior temporal lobes. In addition, functional connectivity between the insular cortex and the dorsolateral prefrontal cortex was decreased. These cortical changes affecting neural circuits between high-order association areas may underlie certain neuropsychiatric conditions occasionally reported after metoclopramide administration.
The present results show the sensitivity of ASL to detect small changes in regional blood flow, closely related to brain function, after a single pharmacological challenge, highlighting the potential of this technique for human pharmacological studies.

Luis R. Gómez-Mejía – Cristina Cruz – Pascual Berrone - Julio de Castro

Abstract: A growing body of research shows that family firms are different from other organizations in significant ways. In this paper we review this literature by examining how family firms differ from nonfamily firms along five broad categories of managerial decisions. These categories encompass a set of key organizational choices concerning management processes, firm strategies, corporate governance, stakeholder relations and business venturing. We argue that socioemotional wealth or affective endowment of family owners explain many of these choices. We also examine some contingency factors (namely family stage, firm size, firm hazard, and the presence of nonfamily shareholders) that moderate the influence of socioemotional wealth preservation as a point of reference when making managerial decisions in family firms. Lastly, we explore the firm performance consequences of family ownership.

Christopher Marquis – Doug Guthrie – John Almandoz
“State activism and the hidden incentives behind bank acquisitions”, Social Science Research, online July 2011.

Abstract: A number of studies have shown that, as a result of the ambiguity of US legal mandates, organizations have considerable latitude in how they comply with regulations. In this paper, we address how the different agendas of the federal and state governments increase ambiguities in state-firm relations and how states are interested actors in creating opportunities for firms to navigate the federal legislation. We analyze the institutional forces behind bank acquisitions within and across state lines in order to illuminate the ways in which US states take advantage of federal ambiguity and are able to shape corporate practices to their benefit. We specifically examine how patterns of bank acquisitions are shaped by the crucial relationship between the federal Community Reinvestment Act (CRA) and a little-understood provision in the federal tax code that is implemented at the state level, the Low-Income Housing Tax Credit (LIHTC). The relationship is complex because, while the federal government uses the CRA to control bank acquisition activity, states promote use of the LIHTC, through which banks can address federal CRA concerns, and thereby promote bank acquisitions in their jurisdictions. Thus, our findings suggest that the implementation of social legislation at one level in a federal regulatory system undermines the mechanisms of social legislation at another level. We use archival research and in-depth interviews to examine the interaction between these institutional processes and formulate hypotheses that predict the ways in which bank acquisitions are constrained by banks’ CRA ratings and the way states in turn help banks overcome their CRA constraints. Quantitative analyses of all bank acquisitions in the United States from 1990–2000 largely support these hypotheses.

Victor Martínez de Albéniz – Kalyan Talluri

Abstract: In this paper, we study price competition for an oligopoly in a dynamic setting, where each of the sellers has a fixed number of units available for sale over a fixed number of periods. Demand is stochastic, and depending on how it evolves, sellers may change their prices at any time. This reflects the fact that firms constantly, and almost costlessly, change their prices, reacting to updates in their estimates of market demand, competitor prices, or inventory levels. In a setting with demand uncertainty, we show that there is a unique subgame-perfect equilibrium for a duopoly, in which all states sellers engage in Bertrand competition and the seller with the lower equilibrium reservation value sells a unit at a price equal to the competitor’s equilibrium reservation value. This structure therefore extends the marginal-value concept of bid-price control, used in many revenue management implementations, to a competitive model. We give a closed-form solution to the equilibrium price paths for a duopoly and extend all the results to an n-firm oligopoly. We then study extensions to multiple customer types, uncertain valuations, and differentiated products.

Domènec Melé – Carlos Sánchez-Runde

Abstract: The purpose of this paper is to introduce the special issue and to point out how much in the current economic and social crisis has to do with having lost an integrative, holistic and humanistic approach to management and organizations. Following a brief introduction of the current context, this piece summarizes the main points of the six papers selected
for inclusion in this special issue. These papers were selected from among the more than 80 presented at an International Symposium on Ethics, Business and Society hosted by IESE Business School in Barcelona in May 2010. The papers in this special issue include conceptual elaborations on the conditions for work, that is, meaningful, holistic management delivered through management education programs; the interface between ethical values/responsibility and firm strategy; corporate community involvement; gift and gratuity dimensions of organizational analysis; and developing trust through a dialogue between management, on the one hand, and ethics and the social sciences, on the other.

This paper points to new avenues to address the main challenges facing managers in today's social and economic crisis.

Domènec Melé – Thomas L. Mammoser

Abstract: The purpose of this article is to discuss a humanistic perspective on corporate community involvement (CCI), proposing the concept of humanistic corporate community involvement (HCCI). This concept is illustrated through a case study.

The understanding of humanism applied is one drawn from Catholic social teaching. The case has been developed from the personal experience of one of the authors (Mammoser), enriched with interviews and reports, along with some public information, which helps to understand the socio-cultural context.

HCCI is defined by four characteristics: recognizing and respecting human dignity and rights, fostering integral human development, and acting virtuously. This means that the social actions included in CCI have the direct motive of doing good and organizing social actions in accordance with both the Principle of Solidarity and the Principle of Subsidiarity. The specification of these characteristics can vary from one situation to another. Here we discuss a real case in which these characteristics underlie a successful project in the USA, jointly developed by the US company Walgreens and the Midtown Educational Foundation, a Chicago-based NGO.

The case study does not seek to suggest that this is the only way for CCI with a humanistic approach, but to shed light on and motivate other similar initiatives.

Findings provide new horizons to undertake CCI and a project, which could be included within the best practices in this field.

The paper provides a new approach to CCI based on a humanistic perspective, which enriches other approaches. In doing so, it does not consider such involvement as a means to public relations success, reputation enhancement, or ultimately profits. It goes beyond a generic contribution to the public good or a fair return to society for what a company has received from it. Integral human development of individuals and communities is its goal.

Joan E. Ricart

Abstract: The article puts forward my views on the research and internationalization race among business schools, with special emphasis on Europe vis-à-vis the US. After a generic comparison, the article develops new strategies and looks into the future, using IESE as a key example. The article concludes with some key challenges for European business schools and the role professional associations can play in helping them meet those challenges.

Carlos Sánchez-Runde – Luciara Nardon – Richard M. Steers

Abstract: As managers around the globe increasingly face the challenges of leading employees from different cultural backgrounds with different expectations about hierarchy, power, and interpersonal relations, it becomes important for them to understand how cultural dynamics can influence effective leadership. With this in mind, we explore here the relationship between culture and leadership processes, as well as what managers can do to prepare for such organizational and managerial realities.

Books

Kimio Kase – Alesia Slocum – Ying Ying Zhang

Abstract: This book addresses the important question of whether management theories are universally applicable principles or whether they are specific to particular cultural, national and historical contexts.
Contributions to books

R. Amit – Christoph Zott

Antonio Argandoña

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

Antonio Argandoña – Lena Strandberg

Abstract: Both governance and the principle of subsidiarity have been thoroughly discussed in political contexts. Their application to firms, however, has been varied. Corporate governance has been applied to firms as a set of processes, customs, policies, laws and institutions concerning the way people administer, direct or control a corporation or business firm, whereas the subsidiarity principle has been applied only to a very limited extent. We believe that both have interesting aspects and implications for corporations. The purpose of this chapter is to discuss the parallelism between political/administrative and corporate structures and governance in light of the subsidiarity principle. The focus is on explaining the nature and behavior of an organization that can be a natural example of the role of subsidiarity in governance. This chapter is a first approximation to the development of a governance model based on subsidiarity and founded on the theory of the firm and a theory of action. In this chapter we do not explore the consequences of this new way of looking at the subsidiarity principle; we do, however, believe that there are several interesting conclusions to be derived from it for corporate governance – and also for other forms of governance, as the theory of action on which we have based our analysis is valid for any human community.

Domènec Melé

Abstract: La toma de decisiones es de crucial importancia en la actividad política, económica y empresarial, y por ello es capital actuar desde premisas adecuadas. Sin embargo, no siempre es así. Hay tres modos erróneos de enfocar la toma de decisiones. El primero es considerar que existe una separación entre decisiones políticas o económicas y decisiones éticas; el segundo es basar la decisión exclusivamente en un cálculo para encontrar la alternativa que maximiza los resultados, prescindiendo de toda consideración ética, o a la sumo reduciéndola a una simple restricción, a una función objetiva de utilidades, subordinado así los imperativos éticos a los económicos; el tercero es no considerar la interrelación entre diversos aspectos de la decisión y, entre ellos, los éticos y económicos. A partir de las enseñanzas sociales de la Iglesia se deducen varias proposiciones en sentido contrario: 1) la decisión es unitaria; se pueden y deben distinguir diversas dimensiones en cada decisión, entre ellas, la dimensión moral, pero no se pueden separar, 2) en una decisión empresarial no se puede prescindir de sus consecuencias de carácter moral y los criterios instrumentales (técnicos y económicos) han de subordinarse a los morales y 3) ética y eficiencia son categorías distintas pero interdependientes. Por ello deben considerarse conjuntamente en la toma de decisiones.

IESE – Working Papers

No 929 – July 2011
Lucía Ceja – Josep Tàpies
A MODEL OF PSYCHOLOGICAL OWNERSHIP IN NEXT-GENERATION MEMBERS OF FAMILY-OWNED FIRMS: A QUALITATIVE STUDY

Abstract: The present research study is intended to provide further insights into the psychological ownership experienced by next-generation members in relation to their family firms. As this is still a very young area of research, explorative research is needed. Therefore, a mixed-methods qualitative...
investigation, using a sample of 20 next-generation members of family-owned firms of different sizes, generational stages and business sectors, was performed. Through interpretative phenomenological and ethnographic analyses, the origin, transmission and manifestations of psychological ownership towards the family business were studied. The study also explored the factors that foster or undermine the development of a healthy and fulfilling relationship between next-generation members and the family business. Our findings suggest that next-generation members generally experience strong levels of psychological ownership. The development of positive psychological ownership is associated with factors including shared experiences, well-functioning governance bodies, structured and planned entry to the business, psychological empowerment, and share ownership, among others.

No 930 – July 2011
Josép Tàpies
THE MANAGEMENT CASE FOR CORPORATE SOCIAL RESPONSIBILITY

Abstract: Can Corporate Social Responsibility (CSR) provide new arguments to “humanize” the theory of the firm and the management profession? Several arguments (the legal, ethical, social and business cases) have contributed to the discussion of why companies should be socially responsible. In this paper I discuss each of these arguments from the point of view of the manager who asks himself why he should be socially responsible. And I add a set of new reasons that make up the “management case” for CSR. In exploring why CSR is good management, this paper explains why ethics and CSR make the firm more human and humanize the task of the manager.
(Also available in Spanish)

No 931 – July 2011
Lucía Ceja
LOS PROTOCOLOS FAMILIARES EN PAÍSES DE HABLA HISPANA: COMO SON Y PARA QUE SE UTILIZAN

Abstract: La Cátedra de Empresa Familiar del IESE llevó a cabo una investigación sobre la eficacia de los protocolos familiares en 248 empresas familiares, de las cuales el 90% reside en España y un 10% en Latinoamérica. La investigación indica que el 55% de las familias empresarias encuestadas no cuenta con un protocolo familiar. Teniendo en cuenta el tamaño de las empresas familiares, el estudio demuestra que el protocolo familiar está muy presente en las empresas de mayor tamaño. El 64% de las empresas con una facturación de entre 50 y más de 200 millones de euros cuentan con un protocolo familiar, mientras que en las empresas familiares de menor tamaño (hasta 10 millones de euros), el 73% de los participantes dicen no contar con un protocolo familiar. El estudio muestra, además, que el 60% de los encuestados admite que el protocolo familiar ha sido útil en varias ocasiones. La investigación también destaca que en el 71% de los casos en los que el protocolo familiar es un documento escrito y asumido por toda la familia, el contenido del mismo, se aplica rigurosamente, mientras que en el 73% de los casos en los que el protocolo familiar se define como un documento escrito pero no totalmente asumido por la familia, su contenido se aplica en muy pocos aspectos. Respecto a la implicación de las próximas generaciones en el desarrollo del protocolo familiar, el 73% de las empresas familiares encuestadas han realizado un esfuerzo para que los miembros de las siguientes generaciones se impliquen y sean partícipes del proceso de elaboración y actualización del protocolo familiar. Del mismo modo, el estudio demuestra que el 52% de las familias empresarias encuestadas y que cuentan con un protocolo familiar ha elegido a un consultor especializado en el área de empresa familiar como facilitador en el desarrollo de su protocolo familiar. Por último, la investigación también muestra que el protocolo familiar contiene, en más de 71 empresas familiares los valores, la misión y la visión de la familia empresaria, así como el tipo de empresa familiar que desean ser. Del mismo modo, también encontramos otros aspectos incluidos en los protocolos familiares como la formación de accionistas y la implicación de la familia política en la empresa familiar.

No 932 – July 2011
Flavia Roldán
COVERT NETWORKS AND ANTITRUST POLICY

Abstract: This paper studies the effectiveness of two different antitrust policies by characterizing the network structure of market-sharing agreements that arises under those settings. Market-sharing agreements prevent firms from entering each other’s market. The set of these agreements defines a collusive network, which is pursued by antitrust authorities. This article shows that under a constant probability of inspection and a penalty equal to a firm’s limited liability, firms form collusive alliances where all of them are interconnected. In contrast, when the antitrust policy reacts to prices in both dimensions – probability of inspection and penalty – firms form collusive cartels where they are not necessarily fully interconnected. This implies that more competitive structures can be sustained in the second case than in the first case. Notwithstanding, antitrust laws may have a pro-competitive effect in both scenarios, as they give firms in large alliances more incentives to cut their agreements at once.
COMPARISON SITES

Abstract: Web search technologies are fundamental tools for navigating the Internet. One particular type of search technology is “shopbots”, or comparison sites. The emergence of Internet shopbots and their implications for price competition and market efficiency are the focus of this paper. We develop a simple model where a price comparison site tries to attract (possibly vertically and horizontally differentiated) online retailers, on the one hand, and consumers, on the other. Analysis of the model reveals that differentiation among the products of the retailers and their ability to price discriminate between on- and off-comparison-site consumers play a critical role. When products are homogeneous, if online retailers cannot charge different on- and off-the-comparison-site prices, then the comparison site has incentives to charge fees so high that some firms are excluded, which generates price dispersion and an inefficient outcome. By contrast, when on- and off-comparison-site prices can be different, the comparison site attracts all the players to the platform and the allocation is efficient. A similar result obtains when products are horizontally differentiated. In that case, the comparison site becomes an aggregator of product information and no matter whether firms can price discriminate or not, the comparison site attracts all the players to the platform and an efficient outcome ensues. We argue that the lack of vertical product differentiation may also be critical for this efficiency result. In fact, we show that when quality differences are large, the comparison site may find it profitable to charge fees that effectively exclude low quality producers, thereby inducing an inefficient outcome.

CONSUMER SEARCH COSTS AND THE INCENTIVES TO MERGE UNDER BERTRAND

Abstract: This paper studies the incentives to merge in a Bertrand competition model where firms sell differentiated products and consumers search the market for satisfactory deals. In the pre-merger market equilibrium, all firms look alike and so the probability a firm is next in the queue consumers follow when visiting firms is equal across non-visited firms. However, after a merger, insiders raise their prices more than the outsiders, so consumers search for good deals first at the non-merging stores and only then, if they do not find any product satisfactory enough, at the merging stores. When search cost are negligible, the results of Deneckere and Davidson (1985) hold. However, as search costs increase, the merging firms receive fewer customers, so mergers become unprofitable for sufficiently large search costs. This new merger paradox is more likely the higher the number of non-merging firms.

THE DETERMINANTS OF INTERNATIONAL COMMERCIAL REAL ESTATE INVESTMENTS

Abstract: We examine the determinants of commercial real estate investments using a unique set of panel data series for 47 countries worldwide, ranging from 2000 to 2009. We explore how different socio-economic, demographic and institutional characteristics affect commercial real estate investment activity through both cross-sectional and time-series analyses, running augmented random effect panel regressions. We provide evidence that economic growth, rapid urbanization and compelling demographics attract real estate investments and also confirm that lack of transparency in a country’s legal framework, administrative burdens of doing real estate business, socio-cultural challenges and political instabilities reduce international real estate allocations.

THE “LOGIC OF GIFT” IN BUSINESS

Abstract: Traditionally, the Social Doctrine of the Church was founded on principles and virtues. Then, the Encyclical Letter Caritas in veritate introduced the “logic of gift” and the “principle of gratuitousness” as essential ingredients of economic life. In contrast, the traditional theory of the firm, based on contracts, has no place for love; and likewise, the economics of altruism and gift is inspired in self-interest, a paradigm that is alien to behavior ruled by love. This paper discusses the relationship between Benedict XVI’s ideas on love and gift and the “logic of virtues”, which has already been incorporated into the theory of the firm. Following an analysis of the concepts of love, gift and gratuitousness and of the role of virtues in management, a parallel is developed between acting in a virtuous way and “donating goods”, material or otherwise, including developing virtues and “giving love”. This argument is developed in three areas: the market (exchange of equivalents), the State (duty), and civil society (fraternity). The Encyclical underlines that the “logic of gift” should be present in all three, not only in the third sector.

(Also available in Spanish)
Antonio Argandoña
THE COMMON GOOD

Abstract: The concept of the common good occupied a relevant place in classical social, political and economic philosophy. After losing ground in the Modern age, it has recently reappeared, although with different and sometimes confusing meanings. This paper is the draft of a chapter of a Handbook; it explains the meaning of common good in the Aristotelian-Thomistic philosophy and in the Social Doctrine of the Catholic Church; why the common good is relevant; and how it is different from the other uses of the term in the liberal and liberal-welfarist, communitarian and totalitarian social philosophies, and in the capabilities approach. (Also available in Spanish)

Other publications

Pablo Fernández – Javier del Campo

Abstract: La exigua rentabilidad media de los fondos de inversión en España en los últimos 3, 5 y 10 años (0,51%, 2,23% y 0,85%, respectivamente) fue inferior a la inversión en bonos del Estado a cualquier plazo y a la inflación. A pesar de estos resultados, los 2.586 fondos existentes tenían un patrimonio de 163 millardos de euros en diciembre de 2009.

Sólo 14 de los 368 fondos con 15 años de historia y 16 de los 1.117 con 10 años tuvieron una rentabilidad superior a la de los bonos del Estado a 10 años. 4 de los 1.117 fondos con 10 años de historia proporcionaron a sus partícipes una rentabilidad superior al 10%: Bestinver Bolsa (15,7%), Bestinfond (14,6%), Bestinver mixto (11,3%) y Metavalor (10,0%).

Un total de 263 fondos con 10 años de historia (7 eran garantizados) proporcionaron a sus partícipes una rentabilidad ¡negativa!, y su patrimonio en diciembre de 2009 fue de 5.816 millones de euros.

En el periodo 1991-2009, los fondos destruyeron 118 millardos de euros de sus partícipes. El total de comisiones y gastos repercutidos en este periodo ascendió a 39 millardos.

Philip G. Moscoso

Abstract: La gestión del cambio en una organización posiblemente sea una de las pruebas más difíciles a las que un gestor se puede enfrentar. Ello suscita dos preguntas interesantes: ¿Por qué la gestión del cambio resulta tan difícil para las empresas? y ¿qué podemos hacer para mejorar las probabilidades de éxito? A este respecto, existe una larga lista de recomendaciones que cubren desde aspectos relacionados con la gestión del proceso, hasta perspectivas centradas en la complejidad de la naturaleza humana, y particularmente su conocida resistencia al cambio.

En cuanto a la primera vertiente, la gestión del proceso del cambio, cabe destacar que la mejora continua que en numerosas empresas se lleva aplicando desde décadas con bastante más éxito que la reingeniería, nos ha enseñado claramente que el cambio es exactamente eso; un proceso y no un evento al que se llega en un momento dado.

Respecto a la naturaleza humana frente al cambio, no podemos olvidar que, para empezar, los fracasos anteriores son el lastre de cada nuevo intento de cambio. Pero también es verdad que las personas se lanzan voluntariamente a cambios tan radicales como fundar una familia, por ejemplo. Se trata pues de conseguir entender
Guido Stein

Abstract: El entorno cambiante y de gran incertidumbre en que vivimos demanda de las empresas una gestión de las personas como un elemento diferencial adaptable y poco replicable, que permita superar un enfoque de función de control y adopte uno orientado a obtener lo mejor de ellos. Ese “obtener lo mejor” se traslada al presente por medio de una adecuada explicación de lo que han de hacer (objetivos y perfil del puesto), de cómo esto se va a valorar (evaluación y desempeño), y de los consecuentes reconocimientos y premios.

Antonio Argandoña
On June 29/July 1, attended the 19º Congreso de EBEN España in Barcelona, where he presented the paper “La teoría de stakeholders y la creación de valor”.

Abstract: ¿Qué significa que la empresa debe “crear valor para todos sus stakeholders” o debe “ser gestionada para todos ellos”? En este documento se trata de mostrar lo que significa la creación de valor económico y su apropiación por los distintos stakeholders, para llegar a la conclusión de que, mientras el concepto de “valor” sea solo económico, quizá podamos conseguir óptimos resultados económicos, al menos en teoría, pero no una gestión sostenible y no conflictiva, porque estaremos olvidando aspectos importantes de la realidad. Se propone, en consecuencia, una ampliación del concepto de valor, pero no a partir no de criterios externos a la empresa, sino desde el mismo núcleo de las relaciones entre la empresa y sus stakeholders. De este modo podemos identificar toda una gama de valores, que permiten llevar a la teoría de stakeholders a un nivel superior.

Adrian Done
On July 3-6, attended the 18th EurOMA Conference in Cambridge, where he presented the paper “Implications of e-purchasing systems for managing the operations-finance interface: a survey of finance and accounting managers”, co-authored with Ching T. Liao and Markus Maedler.

Abstract: This study investigates how top finance and accounting managers perceive the performance implications of e-Purchasing. Based on a large-sample (454) survey, we employ multivariate data analysis techniques to 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. We discuss implications for operations researchers and practitioners as well as areas for further research.

Fabrizio Ferraro
On July 7-9, attended the 27th EGOS (European Group for Organizational Studies) Colloquium in Gothenburg, where he presented the paper “Big tent, new tools: Institutional change in the responsible investment field”, co-authored with Daniel Beunza.

Abstract: Our ethnographic analysis of responsible investment considers the problem of large-scale social
change in financialized economies. In a setting dominated by calculation, change can be promoted with new market tools, but the literature has not examined the institutional processes entailed in their development. Our study suggests two such mechanisms: the drafting of frameworks to guide tool makers, and the assembly of a “big tent” of symbolically committed investors to encourage investment by tool makers. It also points to the symbolic and demonstrative effect played by these tools. Our account contributes to economic sociology by bridging the institutionalist and the performativity literatures.

The same paper was presented on July 11-13 at the 7th CMS (International Critical Management Studies) Conference in Naples.

**Anindya Ghosh**

On August 15, attended the Academy of Management Annual Meeting, in San Antonio, Texas, where he presented the paper “Once bitten, twice shy? How acquisition abandonment experience influences alliance formation”, co-authored with Ram Ranganathan and Harbir Singh.

**Abstract:** In this paper we explore an important but understudied learning mechanism: learning from failure. We investigate learning across corporate development activities in a fast-changing high-technology environment, emphasizing how learning from failure in one corporate development activity, namely acquisitions, affects another corporate development activity, namely alliances. Our results show that accumulated experience from abandoned acquisitions increases a firm’s alliance formation rate but that such learning is contingent on the experience of a firm with completed acquisition attempts, indicating that firms that have well-developed acquisition capabilities are less likely to react instinctively to adverse acquisition outcomes by using alliances as an alternative corporate development mechanism. We also contrast the effects of a firm’s own learning from failure with learning from failure at the field level, finding that only recent failure events of other firms affects alliance formation, potentially indicating the presence of reactionary or cautionary performance pressures that firms are subject to from external constituents. This paper makes an important contribution to the organizational learning literature as well as the acquisitions and alliances literature by building a case for viewing acquisitions and alliances as fungible tools in a unified corporate development portfolio through a learning spillover lens. Empirically, we depart from prior studies by highlighting learning from ‘abandoned’ acquisitions.

**Kimio Kase**

On August 12-16, attended the Academy of Management Annual Meeting in San Antonio, Texas, where he presented the paper “Phronesis and quiddity in management: A school of knowledge approach”, co-authored with César González Cantón.

**Abstract:** This paper addresses the role played by knowledge as a competitive resource in management, above all from the perspective of cognition or noesis. We centre on skill acquisition and problem solving. Dreyfus and Dreyfus (1993; 1980) propose a five-stage model of the mental activities involved in skill acquisition: 1) novice, 2) competence, 3) proficiency, 4) expertise, and 5) mastery, and emphasize experience with concrete cases rather than abstract formal rules. Flyvbjerg (2001) argues that there is a qualitative jump from the first three to the fourth and fifth stages: in the last two, rule-based, analytical rationality gives way to more contextual and empirical expertise. Phronesis is the kind of knowledge that prevails in these last two stages. The working of phronesis, its relationships with different cognitive processes, and its capturing of the quiddity of things are analyzed and their implications for management are discussed.

**Yih-teen Lee – B. Sebastian Reiche**

On August 12-16, attended the Academy of Management Annual Meeting in San Antonio, Texas, where they presented the paper “How do previous international experiences influence future international career aspirations?”, co-authored with Dongmei Song.

**Abstract:** Given the mixed effects of international assignments on individual career success, the aim of our study is to understand what influences individuals’ intentions to work internationally, conceptualized as international career aspirations. Drawing on career motivation theory, we develop a model that predicts international career aspirations based on individuals’ previous international experiences and the global identity they have developed. We test our model with a sample of 165 MBA students, collected across 3 different points of time. Our study contributes to the global identity and international careers literature by shedding light on how experiences as well as attitudes and cognitions shape future career aspirations.

**Domènec Melé**

On June 12-14, attended the international conference “Leadership and management in a changing world. Lessons from Ancient East and West philosophy”, organized by Athens University of Economics and Business, BCI Athens and The University of International
Business and Economics, Beijing, in Athens, where he presented the paper “The Christian ἀγάπη (agápe) in business ethics”.

Abstract: This paper analyses the Christian notion of ἀγάπη (agápe), a Greek word which can be translated as “love”, in the sense of a self-giving love that includes sacrificing one’s own interests for the sake of others’ good. We show that the Christian concept of agápe (charity in Latin) is central to Christian ethics and argue that agápe is a virtue which inspires all other virtues. In connection with agápe, we briefly analyse the “logic of gift” and the “principle of gratuity” as presented by Pope Benedict XVI in his Encyclical Letter Caritas in veritate (2009). We also provide some rational bases for agápe, discussing to what extent a secular business person may accept agápe, and then we discuss how agápe and the logic of gift can be introduced in business ethics. Finally, we argue that a business ethics theory which includes consideration of agápe and the logic of gift is more complete than others which reject it.

José L. Moraga González
On August 26, attended the EEA Meetings in Oslo, where he presented the paper “Do firms sell forward for strategic reasons? An application to the market for Natural Gas”, co-authored with R. van Eijkel.

Abstract: Building on a model of the interaction of risk-averse firms that compete in forward and spot markets, we develop an empirical strategy to test whether oligopolistic firms use forward contracts for strategic motives, for risk-hedging, or for both. An increase in the number of players weakens the incentives to sell forward for risk-hedging reasons. However, if strategic motives are also relevant, then an increase in the number of players strengthens the incentives to sell forward. This difference provides the analyst with a way to identify whether strategic considerations are important at motivating firms to sell forward.

Using data from the Dutch wholesale market for natural gas where we observe the number of players, spot and forward sales, and churn rates, we find evidence that strategic reasons play an important role in explaining the observed firms’ (inverse) hedge ratios. In addition, the data lend support to the existence of a learning effect by wholesalers.

On August 28, attended the ESEM Meetings in Oslo, where he presented the paper “On the identification of the costs of simultaneous search”, co-authored with Z. Sandor and M. Wildenbeest.

Abstract: This paper studies the identification of the costs of simultaneous search in portfolio problems (Chade and Smith, 2006). We show that market shares data from a single market do not provide sufficient information to identify the search cost distribution in any interval, even if utility distributions are known to the econometrician. We then show that by pooling data from markets where the alternatives that similar decision makers confront vary, the search cost distribution and the utility parameters of the logit demand model can be identified.

Marian Moszoro
On July 1, attended the Western Economic Association International 86th Annual Conference in San Diego, where he presented the paper “Opportunism in public-private project financing”.

Abstract: Opportunism, either governmental or private, may become a powerful deterrent against public-private project financing, especially considering the scale of the investment in infrastructure. The parties can, however, secure themselves against the counter-party’s possible opportunism by assigning the investor an exit (put) option and the public agent a bail-out (call) option on the private investor’s shares. This paper presents a mechanism for converting natural monopolies into contestable markets using over-the-counter option contracts that combine the stability of long-term contracts and the flexibility of short-term contracts. The exit/bail-out option mechanism reduces entry barriers by streamlining incomplete long-term contracts and avoiding contractual problems related to bounded rationality and opportunism. Incorporating exit/bail-out options to public-private contracts with sunk investments increases the set of payoffs for each discount factor comparing not only to one-shot games, but also repeated games without options, and –most importantly– facilitates cooperation.

The same paper was presented on July 28 at the Haas School of Business, University of California, Berkeley.

Fernando Peñalva
On August 7-10, attended the American Accounting Association Annual Meeting in Denver, where he presented the paper “Information effects of conservatism in accounting”, co-authored with Beatriz García Osma and Juan Manuel García Lara.

Abstract: We study the information consequences of conservatism in accounting for stockholders, financial analysts and debtholders. We expect conservatism to improve the firm information environment by ameliorating information asymmetry problems, reducing uncertainty
about the firm information structure, and facilitating the assessment of future earnings and cash flows. Using a large US sample for the period 1976-2006, we find that an increase in firm-level conservatism leads to (i) a decrease in information asymmetry, (ii) a decrease in stock returns volatility, (iii) a decrease in expected cost of equity capital, (iv) an improvement in analysts' forecasts accuracy, and (v) a reduction in credit risk. The results are robust to a number of sensitivity checks.

**José R. Pin**
On August 12-16, attended the Academy of Management Annual Meeting in San Antonio, Texas, where he presented the paper “Asian versus western management thinking: A culture-bound nature”, co-authored with Ying Ying Zhang.

**Abstract:** The paper addresses the culture-based nature of management thinking in the East and the West. The authors stress that world-view is influenced by cultural position or background, which, in turn, influences the management way of thinking, in which there are two large blocks (i.e., West and East). Their stance, following Chen (2010), is that “West meets East” instead of “West leads East”, as in the past.

Based on Kase, Slocum & Zhang (2011), the paper summarizes the philosophical, epistemological, cognitive and cultural differences between the West and the East, and proposes that Eastern managers have a tendency toward inductive management thinking, whereas Western managers tend to have a deductive way of thinking. To test this proposition, eight cases from Asian and Western firms are analyzed. A general pattern confirming the propositions is found, although a paradoxical integration of the two is proposed as a subject for future research.

**B. Sebastian Reiche**
On June 24-28, attended the Annual Meeting of the Academy of International Business in Nagoya, Japan, where he presented the paper “Social capital benefits upon repatriation: A longitudinal study of international assignees”.

**Abstract:** This study integrates social resources theory and social exchange theory arguments to examine the benefits that international assignees’ host-unit social capital entails upon their repatriation. Specifically, I hypothesize that assignees’ host-unit social capital, operationalized as their number of work group contacts and their average trust in network at the host unit, positively relates to two specific benefits upon repatriation: continued access to host-unit knowledge, and ability to transfer host-unit knowledge to colleagues in assignees’ subsequent positions. Assignees’ perceived repatriation and career support is expected to moderate these relationships. The hypotheses are tested drawing on a longitudinal sample of 85 inpatriate assignees in ten German multinationals. I contribute to the literatures on international assignments, social capital, and MNC knowledge flows by explaining how and under what conditions assignees’ host-unit social capital entails benefits upon repatriation.

**Carlos Rodríguez-Lluesma – Marta Elvira – H. Hoang**
On July 7-9, attended the 27th EGOS (European Group for Organizational Studies) Colloquium in Gothenburg, where they presented the paper “Institutional & organizational logics in the emerging field of direct care work”.

**Abstract:** Research building on the “institutional logics” construct has transformed institutional analysis. For over a decade, neoinstitutional work followed closely the seminal pieces by Meyer and Rowan (1977) and Powell and DiMaggio (1991), and placed causality mostly with institutions, sometimes assuming organizational and individual agents as almost only bearers of self-reproducing templates. As a consequence, the mechanisms through which institutions arose, prevailed, transformed and disappeared remained obscure. In an attempt to complement this structuralist perspective, authors in the institutional logics tradition have added an increased interest in the interactions of the institutional with the organizational and individual levels of analysis (e.g., Haveman and Rao, 1999; Lounsbury, 2002; Scott et al., 2000; Rao, Monin and Durand, 2003; Suddaby and Greenwood, 2005; Thornton and Ocasio, 1999; Thornton and Ocasio, 2008). Similarly to structuration theory (Giddens, 1979; Giddens, 1984), the organizational logics approach holds that institutions and agents interact recursively, the higher level becoming both the medium and outcome of the lower level’s agency. Absent this recursivity, one or more of the levels would turn into an epiphenomenon of the others, the theory reverting most likely into the structuralism it was designed to overcome.

However, in trying to understand relationships across levels we run into the “embedded agency paradox”: how can agents deviate from institutional scripts if those very institutions condition their actions, intentions, and rationality? (Holm, 1995). This dilemma stands at the core not only of the organizational logics approach, but also of institutional theory at large because it questions whether we can think of agency as independent of structure while preserving the essential insight that “the interests, identities, values and assumptions of individuals and organizations are embedded within prevailing organizational logics” (Thornton and Ocasio, 2008: 103). Addressing this paradox entails examining the microfoundations of agency, in order to ascertain whether
agency can be distinguished from the structural requirements imposed upon it. In this manuscript we develop theory to identify the mechanisms opening up a relational space between agency and organizational logics. We also illustrate our theoretical claims with ethnographic data on long-term care organizations and workers in the US and Spain. More specifically, we look at how critical decisions about what constitutes quality care, how it should be delivered and by whom are influenced by actors’ juggling of the rationalizing logics of bureaucracy and profession, on the one hand, and a logic of care, on the other. We propose the concepts of project (Sartre 1968) and care (Frankfurt, 1988), following Archer’s elaboration (2004), as conceptual tools providing a conception of agency thick enough to understand how actors engage in, or alternate between, these logics.

**Pedro Saffi**  
On August 17-20, attended the European Finance Association Meeting in Stockholm, where he presented the paper “The role of institutional investors in voting: Evidence from the securities lending market”, co-authored with Reena Aggarwal and Jason Sturgess.  

**Abstract:** We examine the role of institutional investors in the voting process by analyzing the changes in the equity lending market around the time of a vote. Using a comprehensive proprietary data set, we find a marked reduction in the supply of lendable shares around the time of a vote because institutions restrict or call back their loaned shares prior to a vote. The reduction in the supply of lendable shares is most pronounced in cases for which ISS recommends voting against the proposal. Examining the subsequent vote outcome, we find that a recall in lending supply is associated with greater votes cast against both management and material proposals. There are also fewer favorable votes cast if ISS opposes management, and for firms with larger institutional ownership. Our results imply that institutions are willing to give up revenue from lending securities in order to exercise voting rights. To address concerns related to empty voting, we also examine changes in borrowing demand around the time of a vote. There is some evidence of increased demand around the time of the record date. However, we find no relation between voting outcome and borrowing demand at the record date. Our results indicate both that corporate governance is important to institutional investors and that the proxy process is an important channel for corporate governance.

**Uchenna Uzo (PhD Student)**  
On July 7-9, attended the 27th EGOS (European Group for Organizational Studies) Colloquium in Gothenburg, where he presented the paper “Why the informal does not go away: A study of the Nigerian movie industry”.

**Abstract:** Scholars claim that informal economies are transitory and that organizations organizing informally are under pressure to transit to formality in order to avoid detection. What has not been explained is why organizations persist in informal organizing templates, as evidence from Nollywood suggests. We address this gap by using the multiple-case approach to study 18 movie-producing organizations. We find that organizations persist in organizing informally because these activities: 1) drive a higher growth than formal ones, 2) represent a rejection of national laws in favor of religious and customary laws, 3) resonate with the nature of relational ties in the organization.

**Antonino Vaccaro**  
On August 12-16, attended the Academy of Management Annual Meeting in San Antonio, Texas, where he presented the paper “Innovation for neglected diseases”.

**Abstract:** This presentation will discuss some ethical issues in the market for neglected diseases. Relying on the three papers presented in this symposium, I will highlight four main issues. The first is the critical relevance of time constraints in drug development. The second is the definition of R&D success. The third refers to the use of economic incentives (e.g. patents) to support R&D efforts in such a difficult segment. The fourth concerns the identification of an international institution responsible for the development and distribution of drugs associated with neglected diseases. This presentation proposes some policy implications based on the analysis of economic and ethical issues in this controversial sector.

**Tom Vandebroek (PhD Student)**  
On August 13, attended the SIM Manuscript Development Workshop at the Academy of Management in San Antonio, Texas, where he presented the paper “Overcoming the tragedy of public goods through ethical rationality”.

**Abstract:** Traditionally proposed solutions to the public goods dilemma have drawn on collective action and external incentives (cf. Olson, 1968 and Ostrom, 1998). I argue that a problem-solving approach grounded in individual action may be conceivable and sustainable, provided that we are willing to move beyond economic rationality. Hereto, I redefine the concept of ethical rationality as a particular type of “value-rationality” (Weber, 1978, 24-25). Employing ethical rationality rather than economic rationality, I analyse the public goods dilemma, which yields six important insights, underlining the value of
the notion of ethical rationality as proposed and its potential in alleviating and, ultimately, overcoming the social dilemma posed by the provision of public goods.

Dianne Welsh
On June 28-July 1, attended the 11th Annual World Family Business Research Conference, organized by International Family Enterprise Research Academy (IFERA) in Palermo, where she presented the paper "Sustainable family business theory: Exploring its applicability to the family office", co-authored with Juan Roure, Juan L. Segurado and Kirby Rosplock.

Abstract: This study explores the application of Sustainable Family Business Theory to the family business and the family office. Fifty-two families in the United States and Spain were surveyed and follow-up interviews were conducted with at least two generations. Results showed that entrepreneurship plays a vital role in the sustainability of the family business and family office over time. Implications for future studies and practice are discussed. The study examines the role of entrepreneurship in the family business and the family office, and this paper looks at the results in relation to Sustainable Family Business Theory (SFBT) II. Family offices were not identified as a separate category in a summary of family business research between 2001 and 2007, nor in a review of the field by Sharma in 2004. To our knowledge, there has been no study that looks at entrepreneurship in relation to the family business and the family office. There is an opportunity to utilize SFBT II as a framework to interpret and further understand findings from our study as it relates to entrepreneurial spirit and orientation of the family enterprise. The purpose of this research was to examine the role entrepreneurship plays in the underlying family business and how or whether that impacts how the family invests or manages other outside ventures in terms of the entrepreneurial spirit of different generations of the family. The paper has anchored the results by using SFBT II as a framework to qualify and interpret the findings.

Christoph Zott
On August 12-16, attended the Academy of Management Annual Meeting in San Antonio, Texas, where he presented the following papers:

“Affective sensegiving in start-up organizations: Dimensions, consequences and boundary conditions”, co-authored with Quy Huy.

Abstract: Based on a seven-year field study of six new ventures, we investigate whether and how founders of new firms engaged in affective sensegiving with diverse stakeholders, namely investors, board members, customers, and employees. Affective sensegiving refers to founders’ attempts to influence stakeholders to develop an understanding of an aspect of the new firm or its founders by displaying founders’ emotions or seeking to elicit stakeholders’ emotions. Drawing on data from both founders (about their actions) and stakeholders (about how they made sense of founders’ actions), we develop the affective sensegiving construct, delineate the boundary conditions of affective sensegiving, and show its differential impact on resource mobilization for start-up organizations. Our study enriches the sensegiving literature by introducing the new construct of affective sensegiving and by theorizing more deeply on the role of affect in sensegiving. It also contributes to the developing literature on entrepreneurial agency by highlighting affective sensegiving as an important new action strategy for founders.


Abstract: We examine the fit between a firm’s product market strategy and its business model. We develop a formal model to analyze the contingent effects of product market strategy and business model choices on firm performance. We investigate a unique, manually collected data set and find that novelty-centered business models – coupled with product market strategies that emphasize differentiation, cost leadership, or early market entry – can enhance firm performance. Our data suggest that business model and product market strategy are complements, not substitutes.

Awards

Philip G. Moscoso – Jan C. Fransoo – Dieter Fischer
Their paper, “An empirical study on reducing planning instability in hierarchical planning systems”, Production Planning & Control, Vol. 21, No 4, pages 413-426, was one of the finalists nominated by the editorial board for the journal’s best paper award.

Juan Roure – Juan L. Segurado
On May 2011 received the 2011 Family Enterprise Research Conference’s Best Research Poster Award for their paper “From the family business to the family office: Conceptualizing the determinants and typologies of the entrepreneurial process in enterprising families”, co-authored with Dianne H. B. Welsh and Kirby Rosplock.
In the second paper, titled “Housing prices in supply-constrained markets”, co-authored with Jefferson Duarte and Carles Vergara-Alert, we study housing prices in a representative agent economy characterized by irreversibility of investment and capacity constraints in housing supply. In each period, the agent chooses the optimal consumption and housing investment, and thus endogenously determines the price of housing, for which we obtain a closed form solution. Calibrating our model to observed housing in 18 MSAs in the US, we find that capacity constraints add an average of 69% to the housing price in periods when supply constraints bind. Further, housing is not over-priced when the effect of supply constraints is included in 13 of the 18 MSAs during the 2001-2007 period. Our model shows that irreversibility explains the positive correlation between housing price and volume, and predicts a positive relationship between stocks and housing markets.

The third paper, titled “Low frequency factors and the cross-section of stock returns”, co-authored with Javier Gómez Biscarri, we suggest that a reason for this mispricing is that these portfolios are exposed to the risk of factors that move at low frequencies. While the effect of these low-frequency risk sources is dominated by the covariation at the high-frequency in the factors sampled at the monthly and quarterly frequencies, we show evidence that the impact of such low-frequency factors is significant. We construct several proxies of factors with low frequencies from the pricing errors on various test portfolios using a novel two-step method. We find that, most consistently, factors that move at 9- and 39-year cycles are significantly priced, and significantly load on the test portfolios.

We provide evidence that these sources of risk with low frequencies are macroeconomic by showing that components with 9- and 39-year frequencies constructed from macroeconomic variables significantly reduce the pricing errors when used along with three- or four-factor models.
is predominantly a feature of less educated workers.

The third chapter explores the role of accumulated sector-specific human capital in accounting for the observed sluggish adjustment to trade liberalization, but shows that the existence of sector-specific human capital might be of benefit to low-skilled workers, even if – as we suggest is the case – the existence of sector-specific human capital is predominantly a feature of less educated workers.

Gaizka Ormazabal
ESSAYS ON CORPORATE RISK GOVERNANCE
(Stanford University)

Abstract: This dissertation comprises three papers on the governance of corporate risk:

1) This paper investigates the role of organizational structures aimed at monitoring corporate risk. Proponents of risk-related governance structures, such as risk committees or Enterprise Risk Management (ERM) programs, assert that risk monitoring adds value by ensuring that corporate risks are managed. An alternative view is that such governance structures are nothing more than window-dressing, created in response to regulatory or public pressure. Consistent with the former view, I find that, in the period between 2000 and 2006, firms with more observable risk oversight structures exhibit lower equity and credit risk than firms with fewer or no observable risk oversight structures. I also provide evidence that firms with more observable risk oversight structures experienced higher returns during the worst days of the 2007-2008 financial crisis and were less susceptible to market fluctuations than firms with fewer or no observable risk oversight structures. Finally, I find that firms without observable risk oversight structures experienced higher abnormal returns to recent legislative events relating to risk management than firms with observable risk oversight structures.

2) The most common empirical measure of managerial risk-taking incentives is equity portfolio vega (Vega), which is measured as the dollar change in a manager's equity portfolio for a 0.01 change in the standard deviation of stock returns. However, Vega exhibits at least three undesirable features. First, Vega is expressed as a dollar change. This implicitly assumes that managers with identical Vega have the same incentives regardless of differences in their total equity and other wealth. Second, the small change in the standard deviation of returns used to calculate Vega (i.e., 0.01) yields a very local approximation of managerial risk-taking incentives. If an executive’s expected payoff is highly nonlinear over the range of potential stock price and volatility outcomes, a local measure of incentives is unlikely to provide a valid assessment of managerial incentives. Third, Vega is measured as the partial derivative of the manager’s equity portfolio with respect to return volatility. This computation does not consider that this partial derivative also varies with changes in stock price. We develop and test a new measure of managerial risk-taking equity incentives that adjusts for differences in managerial wealth, considers more global changes in price and volatility, and explicitly considers the impact of stock price and volatility changes. We find that our new measure exhibits higher explanatory power and is more robust to model specification than Vega for explaining a wide range of measures of risk-taking behavior.

3) This paper examines the relation between shareholder monitoring and managerial risk-taking incentives. We develop a stylized model arguing that shareholder monitoring mitigates the effect of contractual risk-taking incentives on the manager’s actions. Consistent with the model, we find empirically that the positive association between the CEO’s contractual risk-taking incentives and risk-taking behavior decreases with the level of shareholder monitoring. Furthermore, consistent with the board anticipating and optimally responding to shareholder monitoring, boards of firms exposed to more intense monitoring design compensation contracts that provide higher incentives to take risks. Overall, our results suggest that, when evaluating risk-taking incentives provided by a compensation contract, it is important to take the firm’s monitoring environment into account.

Matteo Prato
ATTENTION ALLOCATION AND OPINION FORMATION IN FINANCIAL MARKETS
(IESE) thesis director: Fabrizio Ferraro

Abstract: My thesis is divided in three essays, which study the social mechanisms underlying processes of attention allocation and opinion formation in markets. How do market actors select the domains they focus their attention upon and how does their attention allocation affect the way they evaluate things? Are market actors’ attention patterns and evaluation frameworks influenced by those of their peers? To address these questions, I have empirically analyzed the patterns of opinion formation and attention allocation among a large sample of sell-side security analysts.

In the first essay of my dissertation I investigate the underlying competitive dynamics that drive security analysts to strategically get closer to (or farther away from) the dominant opinion in the market as a response to the distribution of others’ opinions. Specifically, I show that analysts are more likely to conform to the generally accepted opinion in the market (i.e., the so-called consensus), the more that opinion is highly consensual and widely supported in the field. I also show, however, that beyond a certain
threshold of conformity, security analysts will take the risk of issuing an apparently less likely, but potentially more rewarding, out-of-mainstream opinion.

The second paper of my thesis studies the micro-foundations that support changes in attention allocation of organizations, namely investment banks. It shows that investment banks are driven to initiate coverage on less covered stocks in the market by organizational members who hold sufficient legitimacy within the organization to take unconventional paths (i.e., members with higher organizational tenure and comparatively higher performance). However, these same actors are also those who wish to preserve established organizational arrangements and, in general, to replicate previous coverage. The paper therefore helps to shed light on a trade-off, based on internal organizational dynamics, between frequency and novelty of organizational exploration. The third and last paper of my dissertation develops and tests a theory on how similarity in attention patterns generates similarity in evaluation models. The overarching argument is that by allocating their attention to the objects available in the market, individuals create a structure of attention and that this attention structure functions as a platform that provides individuals with the perspective through which they perceive and interpret the market. Depending on the position they hold in the attention structure, individuals see the market from and through different viewpoints.

Entrepreneurship
July 4
Speaker: Reddi Kotha, Lee Kong Chian School of Business, Singapore Management University
“Bridging the mutual knowledge gap: Coordination and the commercialization of radical science”

Abstract: This study examines why some inventions are commercialized. We focus on the coordination costs within the inventor team to further develop the technology and the coordination costs involved in transferring knowledge to licensee firms. We test whether the variation in levels of mutual knowledge in scientist teams influences the likelihood that their inventions will be licensed. We test our predictions in a large sample of 4,575 invention disclosures by teams of scientists. We find a pattern of results that confirm that the anticipated coordination costs influence whether an invention is licensed. The implications for the literatures on coordination and innovation are discussed.

Teaching Materials

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

Analysis of Business Problems

HIV, AIDS and The Bahamas
(ASN-46-E - 0.310.016)

This case allows for discussion of a wide variety of issues related to the application of sophisticated business tools in non-traditional business environments, management in the development sector, coordinating the efforts of diverse stakeholders, and dealing with aspects of personal motivation and conflicts of interest. It contains information about the role that international, business-model-driven development organizations are playing in developing countries and provides an overview of the wide breadth of mission-driven organizations that often work in concert towards a common social aim.

Carlberg T.; Rosenberg M.; 22 pages.

HIV, AIDS and The Bahamas - Teaching Note
(ASNT-11-E - 5.310.017)

Case ASN-46-E.
Use is restricted to Academic Institutions.
Carlberg T.; Rosenberg M.; 8 pages.
Tennis Gavà  
(ASN-48-E - 0.311.006)

This case describes a simple business that raises important issues relating to management (overall and business line profitability, going concern and liquidation balance sheets, cost allocation and transfer pricing, business drivers, sales arguments, etc.) and governance (shareholder relations, duties to third parties, etc.).  
(Also available in Spanish.)


Financial Management

Barbarians at the Gate: RMS Teleinformatics’ Acquisition by a Private Equity Fund  
(F-852-E - 0.211.003)

RMS Teleinformatics, a technological company in the field of communications, has experienced healthy growth from its inception. After a few years, the need for ever-increasing investments and the possibility of obtaining larger contracts create the need to increase the firm’s capital, and so the firm approaches a private equity fund. The fund presents the owners with a financing plan that creates overall value for the firm. The proposed capital inflow will change the size of the firm. The question to be analyzed is, who will capture the increase in firm value? The present owners? The private equity fund? The case offers an excellent opportunity to understand the interests of both parties and study whether they are aligned with the same objective. Other topics that can be covered include firm valuation and investment schedule .  
(Also available in Spanish.)

Moszoro M.; Engel J.S.; Santomá J.; 10 pages.

Editorial Universo  
(F-857 - 0.211.014)

El caso analiza la inversión directa de una empresa mediana española en el Brasil. Explica las razones cuantitativas y cualitativas que apoyan esta decisión, los posibles escenarios de cash flow de cara al futuro, la problemática que puede surgir y cómo un cash flow negativo de la filial puede afectar al cash flow positivo de la matriz. Tiene en cuenta la solvencia financiera de la casa matriz que, aunque no es muy importante, ante la posibilidad de realizar una operación de compra en Brasil se atreve con tal contingencia. Se calcula el TIR del proyecto, se analizan las diferentes fuentes de financiación de una inversión directa en el extranjero y finalmente se hace un análisis crítico de la opción de financiación escogida.

Soley J.; 17 pages.

Basel III  
(FN-583-E - 0.211.007)

Basel III, some details of which are still to be worked out, marks another step by supervisors toward a stable and solvent banking sector. The technical note focuses not only on the specific features of Basel III but also on complementary regulations. It looks at the strategic impact on the banking sector, as in many people’s view Basel III heralds a “new financial architecture”.  
(Also available in Spanish.)

Soley J.; Rahnema A.; Cutillas S.; 12 pages.

Tres herramientas para valorar sinergias  
(FN-585 - 0.211.009)


Cantillo M.; Vergara C.; 14 pages.

Information Systems

Facebook and the World of Social Networks  
(SI-177-E - 0.111.022)

The emergence and growth of social networks in recent years and their impact on how people communicate and interact is creating many new business opportunities. This is especially relevant in the case of Facebook, whose growth both in users and in time spent on the platform make it the number one social network. Although Facebook introduced tools to allow companies to participate in the “social conversation” just a few years ago, already there are several stories of success and failure from which to learn. Launching a debate on the use of social networks by businesses is definitely a necessity. Should companies jump on the social networking bandwagon? If so, are they ready for it? What should a social network such as Facebook be used for? To
drive specific advertising campaigns? For more general promotion purposes (for example, specific brands)? Or to promote the entire company? What else might social networks be useful for? Have we thought enough about the implications for companies entering the social networking world, especially with regards to loss of control over the messages being communicated? And, related to this, have we developed the roles, structures and internal governance models needed to ensure the proper implementation of a social media strategy? In this case we examine the history and evolution of social networks, focusing on Facebook: how the Facebook platform works, what its main sources of income are, who its competitors are, and what tools it offers for individual users and companies. (Also available in Spanish.)

Sieber S.; Oré, C.; 27 pages.

Managerial Decision Sciences

UEFA Euro 2008
(AD-322-E - 0.110.016)

This case deals with the valuation of the risk involved in a particular business situation, and how to hedge that risk by means of insurance. It can be used to show the strength of Monte Carlo simulation when dealing with complex risks. It can also be used to explain a frequent bias in the decision-making process. (Also available in Spanish.)

de Santiago R.; Martínez M.; 4 pages.

The Titanic: A Decision-making Case
(AD-324-E - 0.111.005)

The case facilitates a discussion on whether the sinking of the Titanic occurred because of bad decision making by those in charge of the boat, or whether it was an accident that would have happened regardless of the decisions taken. (Also available in Spanish.)

Ariño M.A.; Maella P.; 9 pages.

Managing People in Organizations

Banco de Iberia (A)
(DPO-217-E - 0.411.001)

Banco de Iberia was founded by an investor group at the end of the 19th century, with capital of six million pesetas (36,000 euros). Since then, the bank has maintained a stable stock price and a reputation as a sound institution with proven expertise in universal banking services for personal, corporate and institutional customers. In 2009 the bank needs to adapt its management structure to the new circumstances, so as to tighten control of expenses and risks. This can be done in various ways, above all by changing risk criteria and policies, applying stricter credit terms, and emphasizing area audits. There is also the possibility of reinforcing the problem loan and delinquency area by creating a new department, which at some stage could be represented on the executive committee. Another question is whether the bank should continue with its efforts to rationalize processes and centralize operations, placing a greater workload on central services, including loan origination, loan securitizations, mortgage registration, money laundering prevention, customer identification, and corporate powers of attorney. The reports available indicate that this would be feasible from an organizational point of view. (Also available in Spanish.)

Rábago E.; Stein G.; 20 pages.

Banco de Iberia - Nota del instructor
(DPOT-45 - 5.411.016)

Case DPO-217-E. Use is restricted to Academic Institutions.

Stein G.; Pin J.R.; 7 pages.

Banco de Iberia (B)
(DPO-223-E - 0.411.018)

At year-end 2008, Banco de Iberia posted a profit of close to 63 million euros, with 6% growth in the balance sheet. During 2009 and 2010, the downturn in the business was very pronounced, so the bank instructed staff to drastically cut expenses, and strict risk controls were introduced. The strategic plan for the three-year period ending 2011 was centered on prudent and transparent management, based on scrupulous adherence to regulations and ethical principles, operational efficiency and focus on results, and closeness to customers. (Also available in Spanish.)

Rábago E.; Stein G.; 4 pages.
Contrataciones en entornos de alta demanda: ¿un asunto de retribución?  
(DPON-91 - 0.410.041)

La retribución ha dejado de asentarse progresivamente sobre bases como la estimación de la valía profesional de la persona o de las características intrínsecas del propio puesto, y ha pasado a ser un concepto que opera dentro de un mercado. En este contexto regido por leyes de oferta y demanda, ocurre en ocasiones que determinados perfiles y colectivos profesionales se convierten en altamente demandados y ello produce un encarecimiento en las condiciones para atraerlos. Fruto de una experiencia adquirida en cientos de procesos de contratación y del testimonio recogido de directivos participantes en sesiones por el método del caso, el objeto de la presente nota no es tanto explicar el porqué de esta sorprendente realidad, sino identificar algunos errores habituales y reflexionar sobre prácticas útiles para minimizarlos.

Rábago E.; Stein G.; 14 pages.

Diversidad y paradigmas de empresa: un nuevo enfoque  
(DPON-93 - 0.411.002)

Esta nota técnica está dividida en cinco apartados. En el primero se resumen dos artículos seminales (Thomas, 1990; Cox y Blake, 1991) y se muestra cómo las ideas de estos autores delinearon el marco conceptual de la gestión de la diversidad. En el segundo y tercer apartado, se revisan los conceptos de diversidad y su gestión en la bibliografía académica reciente. Se propone que el objetivo de la gestión de la diversidad ha de ser la unidad de la organización (no el incremento de la diversidad) y que para afrontar los retos de la diversidad se necesitan dos cosas: fomentar el motivo trascendente de los directivos y colaboradores y desarrollar competencias de liderazgo inter e intrapersonales. En el cuarto apartado se presenta el esquema clásico de marketing en Internet. A lo largo de la argumentación se establecen cinco principios generales para la gestión de la diversidad. Por último, el quinto apartado consiste en una síntesis de las ideas clave de todo el documento.

Cruz H.; Chinchilla M.N.; 27 pages.

Recommendations for Developing People in Times of Uncertainty  
(DPON-95-E - 0.411.011)

U.S. statesman Robert McNamara is sometimes credited with the phrase “if you can’t count it, it doesn’t count”. In our companies, however, it is often precisely the things that do not show up in the balance sheet that matter most. In this technical note I discuss these difficult-to-account-for variables, and the benefits they can bring when properly managed, as they are, in fact, perfectly measurable. At the same time, I hope to avoid the psychological wishful thinking that taints so much writing on business leadership.  
(Also available in Spanish.)

Stein G.; 8 pages.

Marketing  

Marketing en Internet  
(MN-370 - 0.510.003)

Esta nota técnica explica qué es, para qué sirve y cómo hacer marketing en Internet. El número de temas que abarca es amplio, pero se podría dividir en dos partes principales. La primera, más teórica, explicaría que Internet es un medio apropiado para hacer marketing. La segunda se centraría en aspectos prácticos, es decir, qué hay que saber si se desea hacer marketing en Internet. A la hora de mostrar que Internet es un medio adecuado para hacer marketing, lo primero que hace la nota es presentar todos los consumidores potenciales a los que se puede acceder a través de él: quiénes son, qué están haciendo, su actitud frente al comercio electrónico, etc. Luego explica las características más importantes de Internet como soporte para el marketing y cómo se pueden aprovechar. Finalmente, una tercera sección toma como referencia el esquema clásico AIDA y prueba que, en todas las etapas de un proceso de venta, Internet aporta herramientas para hacer una labor de marketing eficaz. La segunda parte de la nota, más práctica, explica cómo hacer marketing en Internet. También consta, a su vez, de tres secciones. La primera detalla las herramientas que habitualmente se usan para hacer marketing en Internet. La segunda describe los distintos tipos de proveedores que pueden ayudar a implementar estas herramientas. Por último, la nota incluye distintos ejemplos de campañas de marketing en Internet.

Puig A.; Rocha e Oliveira P.; García Pont C.; 25 pages.
**Strategic Management**

ÁREAS: compitiendo en un mercado global  
(SM-1567 - 0.311.030)

Desde 2008, las compañías se encuentran en una situación económica mundial muy complicada, marcada por la crisis y el estancamiento, que han afectado incluso a las mayores corporaciones y han provocado un descenso significativo de los ingresos, los beneficios y, en algunos casos, incluso el cierre de fábricas y empresas. La industria de las tiendas libres de impuestos, los comercios minoristas y las cadenas de alimentación asociadas al turismo, que normalmente funcionan a través de concesiones, también se ha visto afectada. Los pasajeros han cambiado drásticamente sus hábitos y se muestran mucho más selectivos a la hora de efectuar una parada en el camino. No obstante, José Gabriel Martín, vicepresidente de ÁREAS, contempla el informe anual de 2010 con una cierta sensación de alivio.

Bakardjieva M.; Fernández J.A.; Tàpies J.; 21 pages.

**Sustaining Competitive Advantage**  
(SMN-678-E - 0.311.013)

In the accompanying technical note “Value Creation & Capture”, we discussed how firms gain competitive advantage and create value by making choices and trade-offs, allowing them to capture more value than rivals, and hence, generate greater profit. This note (“Sustaining Competitive Advantage”) focuses on the internal analysis of a firm, concentrating on how a firm can combat imitation by utilizing its unique resources, capabilities, and core competencies. This resource-based approach emphasizes that the key to profitability lies in exploiting a firm’s unique strengths and doing things differently than competitors.

Ly B.S.; Vroom G.; 13 pages.

**Value Creation and Capture**  
(SMN-679-E - 0.311.014)

This note introduces the basic concepts of value creation and value capture, which are used as the building blocks for many other concepts, tools, and frameworks in Competitive Strategy. Defining these concepts allows us to think and talk more precisely about Competitive Strategy. They also allow us to make progress in our understanding of which strategies might actually work and which are doomed to fail. In this note, we also define a range of other concepts, including value creation strategies, willingness to pay, and the productivity frontier.

Ly B.S.; Vroom G.; 14 pages.

**Competitive Dynamics**  
(SMN-680-E - 0.311.016)

This technical note discusses some of the main strategies firms employ in close competition with other firms and how game theory can be used to help shape a firm’s competitive strategy by providing a method to understand the structure of the competitive situation and by facilitating a systematic approach to making decisions. This note uses game theory to analyze pricing and capacity investment decisions.

Ly B.S.; Vroom G.; 18 pages.

**Innovative Culture: Values, Principles and Practices of Senior Executives in Highly Innovative Companies**  
(SMN-681-E - 0.311.029)

The behavior of senior executives in the way they exercise leadership is a key driving factor for the capacity to innovate and transform a company. This note shows the role of top executives in highly innovative companies and their way of exercising leadership in advancing innovation. It presents a framework drawn from examples of best practices related to top management in three aspects: what drives top managers in their efforts to lead the transformation of their businesses (a challenge, an ideal or a dream that makes sense to those who must make it happen); how they direct progress towards this ideal; and how they face the adversities that arise in the transformation of the organization toward that goal. These practices are key to the institutionalization of values, principles and practices that shape corporate culture, and jointly determine the innovation quality and strength of the world’s most innovative companies.  
(Also available in Spanish.)

Vilà J.; 15 pages.

**Occasional Papers**

OP-193 – July 2011  
ESPAÑA

Abstract: España ha sufrido mucho desde la crisis actual y es la primera de las grandes economías que puede encontrar en la necesidad de rescate financiero. Si esto ocurriera, podría tener serias consecuencias sobre el euro.
Sin embargo, España había sido desde mediados de los 90 un ejemplo de crecimiento y estabilidad fiscal; sus índices de desempleo habían caído rápidamente para equipararse a los niveles existentes en el resto de la Unión Europea. Este documento trata las razones por las cuales esta situación inicial tan virtuosa se deterioró tan rápidamente desde el comienzo de la crisis. ¿Ha sido simplemente mala suerte o fueron los últimos años de crecimiento una simple ilusión?

OP-194 – July 2011
Luis Cabral – Flavia Roldán
COMPETENCIA Y REGULACION EN EL MERCADO AUDIOVISUAL EN ESPAÑA

Abstract: Este documento resume los principales resultados del informe “Competencia y Regulación en el Mercado Audiovisual en España” del Public-Private Research Center. El objetivo del informe es presentar, desde una perspectiva de la teoría económica de la organización industrial, de la regulación y de la política de la competencia, la estructura actual y las perspectivas del sector, así como estudiar el estado actual de la regulación y de la competencia del mercado de la televisión en España. Asimismo, enfrentados a la realidad descrita y a los estudios académicos sobre el tema, el objetivo del informe es contribuir a la discusión sobre los desafíos regulatorios y de competencia al que se enfrentan las autoridades competentes (Comisión Nacional de la Competencia y el Consejo Estatal de Medios Audiovisuales creado a partir de la Ley 7/2010).