**Journals**

Roberto García Castro – Miguel A. Canela – Miguel A. Ariño


Abstract: The stakeholder view of the firm has been justified under instrumental and normative bases. Whereas the instrumental basis argues that “enlightened stakeholder management” is a necessary precondition to seek shareholders’ value maximization, the normative basis relies on the observance of ethical norms by managers and the notion that stakeholders should be treated as “ends.” Some scholars argue that the two views actually converge. However, this article provides empirical evidence of the negative effects of stakeholder management on shareholders’ value in the short run and the positive effects over the long run, using a longitudinal database of 658 U.S. firms. Given the difficulties of anticipating the instrumental long-term financial effects of short-run decisions affecting the different stakeholders, the authors’ findings support the view of the normative basis for stakeholder theory based on ethics, norms, and heuristic criteria as a way to solve conflicts among the claims of different stakeholders.

David F. Larcker – Gaizka Ormazabal – Daniel J. Taylor


Abstract: This paper investigates the market reaction to recent legislative and regulatory actions pertaining to corporate governance. The managerial power view of governance suggests that executive pay, the existing process of proxy access, and various governance provisions [e.g., staggered boards and Chief Executive Officer (CEO)-chairman duality] are associated with managerial rent extraction. This perspective predicts that broad government actions that reduce executive pay, increase proxy access, and ban such governance provisions are value-enhancing. In contrast, another view of governance suggests that observed governance choices are the result of value-maximizing contracts between shareholders and management. This perspective predicts that broad government actions that regulate such governance choices are value destroying. Consistent with the latter view, we find that the abnormal returns to recent events relating to corporate governance regulations are, on average, decreasing in CEO pay, decreasing in the number of large blockholders, decreasing in the ease by which small institutional investors can access the proxy process, and decreasing in the presence of a staggered board.

Guido Stein – Javier Capape


Abstract: The failure of the CEO has been studied at great length in the literature. We order and classify the factors that lead to CEO failure into those a CEO can influence (endogenous) and those that are given (exogenous). The absence of unanimity in the literature leads us to conclude that insufficient attention has been paid to the main factor: the personal characteristics of CEOs. The agency approach and method are insufficient
to understand leadership performance in organizations, due to the oversimplified view of human nature on which they are based and their heavy reliance on mathematical modelling.

Guido Stein – Salvador Plaza

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.

Marco Tortoriello – Vincenzo Perrone – Bill McEvily

Abstract: Status-based affiliation represents a valuable resource in economic exchange. However, affiliation strategies introduce a status ordering paradox: whereas higher status actors seek to maintain status hierarchies, lower status actors strive to affiliate with more prestigious actors. In this paper, using original data on the network of social and professional ties among 72 hotel managers clustered in an Italian hotel district, we develop a theory of status-seeking behavior that involves the exchange of status for valued resources.

Books

Kandarp Mehta

Abstract: This book is based on research conducted at 13 different motion picture shoots through participant observation. The conclusions of the research establish a relationship between evolution of individual roles within teams and expression of new ideas within the team. The process of role evolution outlined in the book also shows how different stages of role evolution affect the fluency of expression of new ideas in a creative team. The book also talks about the cumulative impact of role evolution of different individuals on the overall creative output of the team. The book concludes by calling for new ways of assessing team creativity.

Domènec Melé

Abstract: This chapter presents significant insights into Catholic teachings on spirituality and ethics for business, whose main reference is Jesus Christ. Catholic Social Teaching (CST) includes notions, values, principles, criteria and guidelines that support a Christian humanism for business and management. CST stresses the high dignity of each person and a vision of the business firm as a community of persons oriented to serving the common good. Human work should be central within a business firm. This leads to respect for workers’ rights and to a work organization which fosters human development. Consumers’ rights, stewardship of the natural environment and human ecology are also emphasized by these teachings.

Javier Quintanilla – Gloria Poal – Susana Gutiérrez – Carlos Sánchez-Runde

Abstract: Este libro tiene un doble objetivo. Por un lado, pretende realizar una aportación relevante al campo de la literatura de la dirección de recursos humanos, concretamente en el ámbito de las competencias de la
dirección de personas y, por otro, persigue ser un instrumento útil y actualizado para los profesionales de los recursos humanos a la hora de valorar la adecuación de sus perfiles profesionales a las exigencias y retos que demanda la sociedad empresarial en general, y la alta dirección, en particular. Para lograr dicho propósito este libro se sustenta en un estudio empírico que permite conocer, en primera persona y de manera profunda, la opinión de un buen número de los principales responsables del tejido empresarial español, al haber recabado de forma directa la opinión de presidentes y directores generales de empresas de reconocido prestigio.

Contributions to books

Christopher Marquis – Zhi Huang – John Almandoz

Abstract: This chapter examines the transition in the US banking industry from a community to a national logic, developing a general model to explain how and when shifts in institutional logics occur. Based on qualitative historical evidence and discrete-time event history analysis predicting the introduction of legislation favoring the national logic, it proposes that dramatic exogenous events such as the Great Depression or more gradual processes such as suburban modernization favored the industry’s transition to the national logic, but that such exogenous events had a greater influence in areas where strategic actors could capitalize on them. The qualitative evidence presented here suggests that struggles involving organizational identity and “legitimacy politics” played an important role in the shift in logics. When the environment changes in an incremental fashion, actors are primed with new possibilities, which may shift their collective identities; but when environmental changes are discontinuous, they provide actors strategic opportunities to alter the balance of logics in the environment.

Josep Tàpies – María Fernández

Abstract: El capítulo desarrolla dos aspectos concretos de la empresa familiar. De un lado, y en la primera parte, se presentan, de forma resumida, los principales resultados de un proyecto de investigación sobre la edad y el tamaño de las empresas familiares en España. De otro, y en la segunda parte, aborda temas como: misión, visión y valores en las empresas familiares, los ciclos vitales de estas y la necesidad de unas normas claras entre la familia empresaria y la empresa familiar, entre otros.

IESE – Working Papers

No 938 – October 2011
Remei Agulles – Mª Julia Prats
LEARNING IN PRACTICE: WHAT ORGANIZATIONAL AND MANAGEMENT LITERATURE MAY CONTRIBUTE TO PROFESSIONS AND OCCUPATIONS DEVELOPMENT

Abstract: Organizations, occupations and professions usually invest a great deal of effort in training and other forms of purposive hands-on processes, so that their members learn the practices that belong to their job. However, this investment does not always pay off or, at least, not in proportion to the effort. It is also true that not all
learning occurs through these mechanisms: members of a firm or an occupation continue to learn – or may forget what they learned – during their practice. For these reasons, practitioners and scholars in different fields have naturally paid, and continue to pay, great attention to learning processes, especially those that occur in work practice. This paper is intended to provide an overview of the contributions that the management and organizational literature has made in the field of professional and occupational development by focusing on how this literature understands learning in practice.

IESE – Studies and Monographs

No 155 – September 2011

José R. Pin – Pilar García Lombardía
EL ESTADO DEL ARTE DE LA FORMACION EN ESPAÑA 2010

Abstract: Un año más, la Fundación élogos presenta una nueva edición de “El estado del arte de la formación en España”, un estudio ya decano sobre la formación en nuestro país, que constituye una relevante referencia de la implantación y evolución de las nuevas tecnologías en el ámbito de la formación y la capacitación profesional en nuestro país.

Other publications

Ignasi Carreras – Javier Santomá

Abstract: Con la aprobación del nuevo Plan General de Contabilidad (PGC) español, (Ley 16/2007 y Real Decreto 1514/2007), dos nuevos conceptos hasta ahora residuales en la normativa contable de nuestro país han hecho su aparición con fuerza y han pasado a ser la realidad de muchas empresas residentes en España: la valoración de activos intangibles y la valoración a precios de mercado. Por un lado, la adaptación del PGC español ha supuesto adoptar las normas de valoración de intangibles que se establecen en las Normas Internacionales de Contabilidad (NIC-NIIF), determinando la necesidad de valorar los intangibles de las empresas con una frecuencia mayor que con la anterior normativa.

Y, por otro lado, el nuevo PGC ha ampliado en gran medida los activos y recursos para los que se debe establecer un precio de mercado, ya sea para su valoración inicial o para la posterior verificación de que su valor en los libros contables no está sobrevaluado.

En este artículo, combinan ambos conceptos y se centran en la problemática de valoración de activos intangibles y en la aproximación que hace el nuevo PGC a la valoración de estos según su precio de mercado.

Philip G. Moscoso – Alejandro Lago

Abstract: Stronger competition and more demanding customers require companies to deliver exceptional service and ultimately offer differentiated value propositions in an efficient way. To do so successfully, companies need to innovate and continuously improve their service models, but with a holistic view that ensures coherence between strategy and operations, as well as between the needs of customers and employees.

José R. Pin

Abstract: España ha pasado de atraer y retener talento en los últimos años del siglo XX y primeros del XXI a una salida de estos perfiles a raíz de la crisis iniciada en 2007. Es necesario recuperar el círculo virtuoso de la atracción y retención de talento y romper el vicioso de la huida del mismo. Las recetas para ello son el crecimiento económico; una educación excelente, con selección de profesores y alumnos; y un marco de libertad económica. Las empresas también tienen que ser responsables de esa retención y, paradójicamente, es el proceso de salida de talento de una compañía el que más influye en la retención del resto. De cómo salga dependerá la moral y la identificación del resto del talento.

Francesc Prior – Javier Santomá
“Seeing profitability through a banking lens”, IESE Insight, No 10, Third Quarter 2011, pages 31-37.

Abstract: The two things that emerging markets lack – access to finance and the extension of credit – are the two basic factors considered as key drivers of economic
growth. Yet, for banks, the lack of access to financial services and money transfer facilities in these markets represents a huge business opportunity, especially among low-income segments and small and medium-sized enterprises (SMEs). This article examines three promising new business models: upscaling, whereby existing local non-bank institutions become banks; downscaling, whereby the infrastructure of traditional banks is adapted to serve new segments; and greenfield banking, which involves creating completely new microfinance institutions. All require a willingness to adapt to a very different type of customer, as well as taking an innovative, proactive approach to the challenges of risk assessment and efficiency. For companies in other sectors looking to expand into emerging markets, these three business models can serve as a guide. Using lessons derived from the banking sector, the authors urge all companies to see the profitability of emerging markets through new eyes: study their social diversity in depth; forge local alliances; and use new technology to make up for structural shortcomings and inefficiencies.

Alberto Ribera – Veit Etzold – Philipp Wackerbeck

Abstract: The financial crisis that started with the demise of Lehman Brothers in 2008 and almost brought the world economy to its knees has prompted many international financial institutions to do some serious soul-searching. As they try to strengthen their capital and reduce their risk operations, whom should governments, regulators and financial bosses turn to for inspiration? A good place to start would be to study those banks that have performed best since the crisis — many of which, ironically, were shown to be “underperforming” in 2006, during the heady days of the housing boom. In this sense, Islamic banking is a good test case. The authors, who all have extensive experience in the Middle East, analyze how faith-based values have shaped some of the unconventional products and services that Islamic banks offer, and they highlight the challenges these banks face as they expand their presence to Western countries. Might there be useful lessons for conventional banks as they reconceptualize and rebuild their damaged institutions in the wake of the crisis?

Joan E. Ricart – Pablo Agnese
“Adding value through offshoring”, IESE Insight, No 10, Third Quarter 2011, pages 60-66.

Abstract: For decades, offshoring involved little more than moving call centers to countries with lower labor costs. But things have changed. Today’s new generation of offshoring increasingly features value-added services, such as highly complex software projects or specific R&D functions. These changes are forcing companies to rethink their internationalization strategies in order to incorporate more of these kinds of value-added offshoring processes. In this article, the authors discuss the risks and opportunities that managers must consider when offshoring, and they propose six steps aimed at creating value rather than simply reducing costs.

Conferences and Seminars

Javier Estrada
On October 19-22, attended the Financial Management Association, 2011 Annual Meeting in Denver, where he presented the paper “Black swans, beta, risk, and return”.

Abstract: Beta has been a controversial measure of risk ever since it was proposed almost half a century ago, and we do not pretend to settle with this article what decades of research has not. We do, however, take advantage of the recent trend of investing in countries and industries through index funds and ETFs, as well as a renewed interest in the impact of black swans, and explore the merits of beta in that context. Ultimately, we ask two questions: 1) Is beta a good measure of risk? and 2) is beta a valuable tool for portfolio selection? Our evidence, spanning over 47 countries, 57 industries, and four decades finds beta to be useful in both dimensions. When negative black swans hit the market, high-beta portfolios fall substantially more than low-beta portfolios. Furthermore, a strategy that reacts to black swans by selecting portfolios on the basis of beta outperforms a passive strategy in terms of both returns and risk-adjusted returns.

He also acted as discussant in the session “Risk and beta”.

Fabrizio Ferraro
On September 26-28, attended the PRI Mistra Academic Conference 2011 in Sigtuna, Sweden, where he presented the paper “Calculative tools and institutional change in the responsible investment field”.

Abstract: How is large-scale change advanced in a financialized economy? Existing studies have provided two answers to this question. On the one hand, institutionalists such as Fligstein (1996) view politics as efforts by field participants to shape market activity, primarily through the state or social movements. A very different understanding is
offered by the “performativity” literature (Callon, 1998; MacKenzie and Millo, 2003), which sees politics as integral to the technologies of calculation: not the context but the content of market activity. The lack of cross-fertilization across these two disciplines has limited our understanding of how political agendas advance through the internal workings of the market. Our presentation examines how these two processes operate together.

Franz Heukamp
On September 30–October 2, attended the Annual meeting organized by the Neuroeconomics Society in Chicago, where he presented the paper “Your choices predict my brain activity better than mine; the case of uncertainty measures in fMRI economic decision making paradigms”.

Abstract: When making economic choices, there are situations in which the decision is much harder than in others. Data point out the key role of the cingulate cortex in codifying this difficulty. In a previous fMRI work by the authors, Shannon entropy (H) obtained from the combined elections of the group in an economic decision making paradigm was used as a measure of an individual’s uncertainty during economic choices. The neural correlate of the election’s difficulty was located at the cingulate cortex. H is an information theory measure that non-linearly transforms probability distributions to uncertainty quantifications. Related measures such as consistency (C) transform them linearly. Response time (RT) has also been considered an indicator of choice difficulty. These measures can be calculated weighting more or less intra- and inter-subject variability. The cingulate cortex plays a major role in processing uncertainty when making economic choices. This role is age-independent. The three descriptors H, C and RT are reliable measures of decision-associated uncertainty. In specific cases, a measure obtained at the group level, i.e. maximizing the importance of inter-subject variability, is a better indicator of choice difficulty. H showed higher correlation with BOLD signals than C. This suggests that the entropy modulation on the relative frequencies of choices is closer to the neurophysiological signals encoding uncertainty.

Domènec Melé
On October 24-25, was co-chairperson of the II International Christian Humanism in Economics and Business Colloquium, on the topic “Christian Humanism at the service of Development”. The conference, organized by the Chair of Business Ethics at IESE and the Markets, Culture and Ethics project at Pontificia Università della Santa Croce, was held at IESE-Barcelona.

Antonio Argandoña, Antonino Vaccaro and Julia Prats acted as chairpersons of the plenary sessions in this conference.

Marian Moszoro
On October 8, 2011, attended the 10th International Conference on Applied Infrastructure Research in Berlin, where he presented the paper “Third-party opportunism and the theory of public contracts: Operationalization and applications”.

Abstract: Public contracts feature higher specificity and rigidity than analogous pure private contracts. The lack of flexibility in ex ante design and ex post implementation translates into contract inefficiencies and higher prices. However, specificity and rigidity are an efficient political risk adaptation by which public agents limit political hazards from third-party opportunism, externalizing the associated costs to the public at large. We present a comprehensible and testable theory of third-party opportunism and its effects on public contracts. We show that in the presence of third-party opportunism there exists a Bayesian Nash equilibrium in which public contracts are specific and rigid, and thus more expensive in their design, implementation, and control than the theoretical first-best in a non-opportunistic setup. We use case examples to extend the theory into practical settings and derive empirical implications. Finally, we extend the model to embrace governmental opportunism.

B. Sebastian Reiche
On October 21-22, attended the 9th EIASM Workshop on International Strategy and Cross-Cultural Management in Moscow, where he presented the following papers: “Knowledge transfer in multinationals and the role of formal and informal HQ-subsidiary relationships”, co-authored with Anne-Wil Harzing and Markus Pudelko.

Abstract: This study draws on foreign entry mode, organizational structure and social capital theories to investigate the roles of formal and informal HQ-subsidiary relationships for knowledge transfer from the corporate headquarters to foreign subsidiaries. Drawing on a large-scale empirical study of 817 subsidiaries located in 12 different countries, we find support for our hypotheses that both formal and informal social structure are conducive to knowledge transfer. We also identify two specific conditions – subsidiary type and language proximity – that moderate these relationships. Implications for research and practice are discussed.
“Sources of support and expatriation: A multiple stakeholder perspective of expatriate adjustment and performance in Malaysia”, co-authored with Marlin Abdul Malek and Pawan Budhwar.

Abstract: This research tests the linkage between support from multinational corporations and host country nationals to the adjustment of expatriates and their family members while on international assignments. The investigation is carried out with data from 134 expatriates based in multinationals in Malaysia. The results highlight the different reliance on support providers that the expatriate and the accompanying family members found beneficial in assisting them in acclimatizing to the host country environment. The improved adjustments in turn have positive effects on expatriates’ performance. The research findings have implications for both international human resource management researchers and practitioners.

Joan E. Ricart
On October 27-28, attended the workshop on “The offshoring challenge: Strategic design and innovation for tomorrow’s organization” at the Copenhagen Business School in Copenhagen, where he presented the paper “Offshoring activities impact a company’s business model: The case of BBVA and Banco Santander”, co-authored with Carmen Paz-Aparicio.

Abstract: This paper explores the differences between business model and strategy and defines what an effective business model is. There is an agreement in the literature that an effective business model is a competitive weapon for multinationals and so we extend this strategic framework to the offshoring arena by analyzing two issues: whether it is possible to predict the effectiveness of a business model before the offshoring activities are integrated; and how to avoid the inefficiency trap and reduce complexity management. Most companies start by offshoring simpler tasks and make great savings. As soon as they get more involved in offshoring, however, complexity increases and savings decrease. We analyze this by studying two Spanish companies, BBVA and Banco Santander. Findings suggest that the reason lies in the need to change the business model. Results may stimulate future research on other industries and on companies from other countries.

José L. Suárez
On October 19, attended the Barcelona Meeting Point, where he organized and moderated the sessions on “La inversión inmobiliaria en la cartera de los Family Offices” and “La necesaria colaboración entre las entidades financieras y promotores inmobiliarios en el futuro”.

Awards

Anindya Ghosh
Has been chosen as one of four finalists for the “2011 Industry Studies Dissertation Award” for his study “Not quite up to scratch: An examination of failure, persistence, and ‘living dead’ outcomes for wireless start-ups”.

Alfred Pastor
Has been awarded the 2011 Premio Godó de Periodismo, presented by the Fundación Conde de Barcelona, together with Joaquim Muns, former executive director of the International Monetary Fund and World Bank, for his article “La crisis del año 20XX” (“The crisis of the year 20XX”), published on 12 December 2010 in the financial supplement of the La Vanguardia newspaper.

IESE – Research Seminars

Accounting and Control
October 3
Speaker: Robert Bloomfield, Cornell University
“Synthetic economy research environment (SERE)”

Abstract: This document provides a brief introduction to the Synthetic Economy Research Environment (SERE), an online platform that allows researchers to manipulate regulatory and environmental variables and observe their systemic effects in self-contained synthetic economies. As in traditional experimental economics, researchers can use SERE to create games in which human subjects (players) choose actions that, in conjunction with other players’ decisions and environmental variables, determine the monetary payments they receive. SERE goes beyond existing platforms by providing a programming language that can be used to create self-contained macro-economies with production functions, consumption functions and institutions the researcher can customize to address the policy questions that interest them. SERE creates additional flexibility by 1) supporting a clear link between the financial incentives of the human player and the utility function of the virtual character they control, and 2) allowing players to alter key institutions, such as markets, corporate governance and governmental powers, if the researcher so desires.
Part 1 of this document is presented as a series of answers to Frequently Asked Questions about SERE. Part 2 presents annotated instructions for “Starter Bounty,” a simple game that can be used to train players in the most basic tasks they will encounter in almost any SERE economy, and serves as a foundation for richer games addressing key policy issues. The annotations explain how the features of the game tie in with economic theory, while still remaining playable.

Entrepreneurship
September 6
Speaker: Modesto A. Maidique, Florida International University
“Are you a level-six leader?”

Abstract: Asking the question, whom do you serve? is a powerful vector on which to build a useful typology of leadership. The author offers a six-level Purpose-Driven Model of Leadership, ranging from Sociopath to Transcendent. Key concepts include:

- The most telling question to ask a leader is, whom do you serve? Yourself? Your group? Society?
- The answer to this question often reveals more about leaders than knowing their personality traits, level of achievement, or whether they were “transformational” or “transactional” leaders.
- The six levels of leadership are Sociopath, Opportunist, Chameleon, Achiever, Builder, and Transcendent.

Strategic Management
October 24
Speaker: Thomas Åstebro, HEC Paris
“Business partners, financing, and the commercialization of inventions”

Abstract: This paper studies the effect of business partners on the commercialization of invention-based ventures and assesses the relative importance of partners’ human and social capital on commercialization outcomes. Projects run by partnerships were five times more likely to reach commercialization and had mean revenues approximately ten times greater than projects run by solo-entrepreneurs. These gross differences may be due both to business partners’ value added and to selection. After controlling for selection effects and observed/unobserved heterogeneity, our smallest estimate of partner value added approximately doubles the probability of commercialization and increases expected revenues by 29% at the sample mean.

Research Seminars

Rolf Campos

Abstract: We consider an infinitely repeated game with imperfect monitoring in an environment with moral hazard. We identify efficient equilibrium of this game with securitization and show that the model can qualitatively account for the rise in securitization volume before the 2007 financial crisis and its drop afterwards. We provide an alternative rationale for securitization that does not rely on risk sharing.

We also show that under certain conditions securitization is superior to the use of financial fragility as a disciplining device, as advocated by Calomiris and Kahn (1991) and Diamond and Rajan (2001a,b).

Kandarp Mehta
On August 22, at the Indian School of Business, Hyderabad, presented the paper “Role evolution and idea generation. Exploring the process of creativity through ethnography”.

Abstract: One of the major limitations of creativity research is that it suffers from functionalism (Mumford, 2003). In other words, there is too much emphasis on the creative product. Various disciplines; social psychology, sociology, organization theory and strategy, look at creative phenomena through the lenses of creative products. On the basis of ethnography carried out at various shooting (motion picture) sites, observations were made at both the individual level and the team level. At the individual level it was found that individuals have different idea-generation tendencies when they work in teams. Four different idea-generation tendencies were identified; i) gradually increasing, ii) gradually decreasing, iii) constant, and iv) abrupt shifts. A detailed analysis of transcripts of interviews and field notes suggests that idea-generation tendencies come into existence with changing perceptions of individual roles. This process is labelled “role evolution”. Role evolution implies change in the perception of an individual’s role over a period of time, while working within a team structure. The process of role evolution is described and its relationship with idea generation is explained.
Marian Moszoro
On September 8, at the Center for Emerging Market Policies (CEMP) at George Mason University’s School of Public Policy, Arlington, presented the paper “Opportunism in public-private project financing”.

Abstract: Opportunism, whether governmental or “private”, can be a powerful deterrent against public-private project financing, especially considering the scale of the investment in infrastructure. The parties can, however, secure themselves against counterparty opportunism by assigning the investor an exit (put) option and the public agent a bail-out (call) option on the private investor's shares. This paper presents a mechanism for converting natural monopolies into contestable markets by using over-the-counter option contracts that combine the stability of long-term contracts with 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. Including exit/bail-out options in public-private contracts subject to hold-up increases the set of payoffs for each discount factor, comparing not only to one-shot games but also to repeated games without options by means of strong punishments for deviation, and, most importantly, facilitates cooperation. The mechanism can be generalized and applied to settings with partially aligned goals, credible threats, and informational asymmetries.

Marian Moszoro
On October 6, took part in an Expert Roundtable Debate on “Government, Municipalities, and Business on the Prospects for Polish Infrastructure”, together with the Minister of Interior and Administration and other high officials of Poland. The conference was co-organized by the Ministry of Interior and Administration, the International Project Finance Association, CMS Cameron McKenna, and InfraLinx.

Antonino Vaccaro
The Euricse (European Research Institute on Cooperative and Social Enterprise), in collaboration with the Department of Computer and Management Sciences at Università di Trento, has awarded him a doctoral scholarship for his project on “Symbolic management, transparency and legitimacy in social enterprises”.

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

Micoderm: Prevention and treatment of diaper dermatitis (ASN-49-E - 0.311.048)

A pharmaceutical company, LIDERM, has to decide on the status of one of its more traditional products, Micoderm. Micoderm is currently heavily subsidized by the Spanish health system, ensuring the product a high sales volume. However, the price the company can charge the end consumer is quite low – so low that it is currently losing money. The company has to decide whether to withdraw the product from the subsidy system, allowing the price to rise (and presumably losing volume), or keep it in the system, absorbing losses.

(Also available in Spanish.)

Financial Management

Un ABC de fusiones y adquisiciones
(FN-571 - 0.210.004)

Las olas de fusiones y adquisiciones se han hecho cada vez más fuertes y frecuentes en los últimos años. Es cierto que el ritmo de fusiones ha bajado en esta crisis, como sucedió en ocasiones similares. Sin embargo, es casi seguro que las compras empresariales seguirán jugando un papel fundamental en las próximas décadas.

Cantillo, M.; 10 pages.

Managing People in Organizations

La llamada de un headhunter (A): el candidato y el proceso
(DPO-225 - 0.411.022)

A finales del mes de enero de 2011, Fernando de la Viña (47 años) se encontraba en medio de un proceso de selección. Fernando era director regional de ventas en AME&L (American Medical Equipment), una multinacional líder en el sector de equipos médicos y posicionada en España en el segmento alto, con una gran capacidad para generar caja. El proceso parecía avanzar positivamente y, precisamente por eso, se preguntaba si habría acertado al iniciarlos unos meses antes. En realidad, cuando envió su cv solo deseaba confirmar si todavía seguía siendo atractivo profesionalmente para el mercado pero, por otro lado, tampoco le parecía serio abandonarlo a estas alturas: "El puesto es interesante", pensaba Fernando, "supone un reto, nuevas posibilidades de demostrar mi capacidad de liderazgo y la posibilidad de implementar nuevas ideas, sin embargo, supondría abandonar quince años de carrera profesional en AME. ¿Estoy dispuesto a asumir dicho riesgo en las condiciones económicas y laborales actuales? ¿Seré capaz de cumplir como director general?".

Stein, G.; Cebrecos, E.; 10 pages.

Managerial Decision Sciences

Kahrvinger AS
(AD-326-E - 0.111.007)

The case deals with the notions of cash flow, depreciation, and working capital. By looking at a simple investment project, the case is designed to go through the notions of cash flow and net present value. It raises the issue of how to deal with depreciation, as well as working capital.

De Santiago, R.; 2 pages.

Kahrvinger AS (B)
(ADE-35-E - 0.111.008)

Based on the Kahrvinger AS case, this exercise provides an introduction to simulation techniques. The exercise provides a simple yet powerful setting in which to carry out a more thorough analysis of an investment decision. A first step would be to carry out sensitivity analysis, and then to compare the results with those of scenario simulation.

De Santiago, R.; 1 page.

Present Value Tables
(ADN-275-E - 0.111.009)

These tables provide the values used to discount cash flows when the flows span several periods. The first table shows the value of having 1 euro n years from now, at different discount rates. The second table shows the present value of receiving 1 euro per year for n years, at different discount rates.

De Santiago, R.; 3 pages.
**Marketing**

**Eurostar and the Channel Tunnel Incident (A)**  
(M-1251-E - 0.511.025)

This case describes the ordeal experienced by passengers who were trapped under the English Channel on December 2009 and poses questions about how managers should react to the situation. The main issues that come out in the case relate to how the firm should react to this service failure.

Lago, A.; Rocha e Oliveira, P.; Valadas, J.; 15 pages.

**ANFISA: alarma en la zona norte**  
(M-1253 - 0.511.027)

Luis Carral reflexiona sobre las decisiones que debe tomar para darle la vuelta a la zona de ventas que le ha sido asignada. Los indicadores son muy significativos: la zona está lejos de su potencial, su crecimiento es pobre, sus márgenes son los peores de la compañía y hay impagados. El equipo que ha recibido en herencia no actúa como tal. Luis se plantea cambios drásticos en el despliegue de la zona y en el modelo retributivo. Como tema candente tiene encima de la mesa la decisión a tomar sobre cuatro de los vendedores más problemáticos de la zona.

Segarra, J.A.; Carrillo, J.; 20 pages.

**AJE: Selling Drinks to the Base of the Pyramid**  
(M-1254-E - 0.511.028)

The case study describes the AJE Group’s internationalization process. It analyzes the group’s foray into the Asian market and the consumer profile in this region compared to the company’s natural market, South America. The text describes the challenges faced by a family business turned multinational group: human resource management, financial management, cultural issues, and so on.  
*(Also available in Spanish.)*


**MACSA: Making the Transition from Products to Projects**  
(M-1255-E - 0.511.031)

MACSA competed in the coding and product identification industry, offering firms the means to trace all of their products from raw material to end consumer. The company's traditional strategy had been to sell “products”, such as ink-jet printers, lasers, and labeling machines. In recent years, it had started to sell “projects”, which included machines, software, and consulting. The case describes the challenges faced by the CEO and the marketing and sales director as they try to change the way their salesforce operates – from selling products to selling projects.

García Pont, C.; Rocha e Oliveira, P.; Valadas, J.; 27 pages.

**Eurostar and the Channel Tunnel Incident (B): Eurostar's Immediate Reaction**  
(M-1256-E - 0.511.032)

This case describes the ordeal experienced by passengers trapped under the English Channel in December 2009 due to a train failure and poses questions related to how managers should have reacted to the situation. The main issues discussed in the case relate to how the firm should have reacted to this service failure. The (B) case describes the actions taken by Eurostar management immediately following the incident.

Rocha e Oliveira, P.; Lago, A.; Valadas, J.; 3 pages.

**Eurostar and the Channel Tunnel Incident (C): The Aftermath**  
(M-1257-E - 0.511.033)

This case describes the ordeal experienced by passengers trapped under the English Channel in December 2009 due to a train failure and poses questions related to how managers should have reacted to the situation. The main issues discussed in the case relate to how the firm should have reacted to this service failure. The (C) case describes the aftermath of the incident, including the conclusions of the external investigations that were conducted.

Rocha e Oliveira, P.; Lago, A.; Valadas, J.; 4 pages.

**Santander and Formula One (A)**  
(M-1259-E - 0.511.036)

Case A begins in the fall of 2009 as Santander's first foray into corporate sponsorship, the contract with the Mercedes McLaren F1 team, is coming up for renewal. Active since 2007, the sponsorship is strategically aimed at raising awareness of the Santander brand in key geographic markets in which the group is in the process of rebranding previously acquired local banks under the unified Santander
name. Santander chooses F1 for its ability to provide a large, international fan following, while at the same time offering Santander extensive brand presence during events. As UK-based Abbey, acquired in 2004, is the first to undergo rebranding, Santander partners with Team McLaren, which offers “a UK Team with a Spanish driver and a German motor”. In the very first season, however, following a major scandal, McLaren loses its Spanish driver, Fernando Alonso, and is disqualified from the Constructors Championship. As the contract expires, Santander must decide whether to renew with McLaren, stay in F1 with a different team, leave F1 for a different sport, or change strategy altogether. (Also available in Spanish.)

Villanueva, J.; Ziskind, J.; 29 pages.

**Santander and Formula One (B)**
(M-1260-E - 0.511.037)

Case B recounts Santander’s 2010 decision to stay in F1, while shifting its main sponsorship to Ferrari and at the same time renewing with McLaren on a lower level in order to maintain support for the now rebranded Abbey. The first race of the 2010 season finds all three podium finishers sporting the Santander name. However, the price for that presence is significantly higher than the previous commitment. (Also available in Spanish.)

Villanueva, J.; Ziskind, J.; 11 pages.

**Starchitects, Emblematic Buildings and the Effects on Urban Economies**
(MN-369-E - 0.509.044)

Emblematic buildings, constructed by the leading architectural “artists”, or “starchitects”, such as Lord Norman Foster, Frank Gehry, Santiago Calatrava, Jean Nouvel, are exactly the new dimension that is capable of solving the problems of businesses and achieving sustainable growth. Case studies of the Guggenheim Museum in Bilbao, “the Gherkin” in London and Sydney Opera House are vivid examples of how an emblematic building is capable of achieving synergy from exterior design, internal environment and operational purposefulness. This paper discusses the economic, social, environmental, touristic and commercial impact that iconic buildings can generate. Constructing emblematic buildings can result in synergy from external and internal factors and can have an outstanding positive impact on regional development. (Also available in Spanish.)

Nueno, J.L.; Reutskaja E.; 20 pages.

**Production, Tehcnology and Operations Management**

**The Flower and the Volcano: How Eyjafjallajökull Disrupted Kenya's Flower Industry**
(P-1106-E - 0.611.011)

On the morning of April 19, 2010, Mr. Eduard Ngugi, manager of the Uraidi rose farm, was considering what to do with the roses that had filled the cold storage for the past two days. By this time, the roses, sitting in the cold storage room on the shore of Lake Naivasha, Kenya, should have found their way into the homes of western European customers. However, the eruption of the Eyjafjallajökull volcano in Iceland on April 14 had grounded all flights from Nairobi to Europe. This meant that Mr. Ngugi could no longer air-freight the roses from his farm to the flower auction market at Aalsmeer, Netherlands, from which the roses would be distributed across Europe. With a cultivated surface of 20 hectares, the Uraidi rose farm had the capacity to harvest 160,000 to 180,000 rose stems daily. Hearing the news of the closure of air space over Europe, Mr. Ngugi had stopped all harvesting-related work on his farm for the past two days. However, it was about time that he cleared the cold storage to make room for the fresh lot of roses from the farm. Mr. Ngugi had been promised a flight from Nairobi to Vitoria in Spain on the morning of April 19. This meant that he could send the batch of roses waiting in the cold storage first to Vitoria, and then by refrigerated vans to Aalsmeer by midday of April 20. The roses would not be auctioned before the morning of April 21. Mr. Ngugi was worried that by the time the flowers reach the auction market, they would be wilted and would fetch a very low price. This would also involve the additional cost of transportation. But there were not many alternatives available to him: either he took the flight or dumped the roses for cattle fodder.

Chaturvedi, A.; Martínez de Albéniz, V.; 8 pages.

**Allianz: The Iberian Project**
(P-1107-E - 0.611.027)

In December 2007, the Allianz Group created a special taskforce to study the possibility of integrating the subsidiaries in Spain and Portugal. The alternatives ranged from a complete merger of the two companies to sharing only key back-office operations. Although companies in both countries had similar products and structures, their operational philosophies were rather different, since Spain had decentralized many activities to the agents and branches while Portugal had centralized them in a large back-office operation. These difference posed a significant challenge for the integration. The case describes the context, business models and organizational structures of...
Allianz in both countries, and discusses the pros and cons of each alternative.

Lago, A.; Moscoso, P.G.; 27 pages.

Fundación Ángel Corella
(P-1111-E - 0.611.034)

This case describes the current standing of the Ángel Corella ballet company, its localization problems and how a cultural entrepreneur is fighting to keep his institution afloat and ensure its financial sustainability. The case describes how a ballet company is run and its international and operational challenges.

(Also available in Spanish.)

Muñoz-Seca, B.; Riverola, J.; 23 pages.

Linear Programming Basics
(PN-477-E - 0.611.033)

Linear programming (LP) is a mathematical optimization tool that can help managers plan and execute operations more efficiently through better use of resources. The range of problems that can be treated with LP is wide. This note reviews the basics of the technique, explains how to use it with a spreadsheet solver and discusses two typical cases where it is useful.

Martínez de Albéniz, V.; 13 pages.

Occasional Papers

OP-195 – September 2011
José L. Suárez
ENSEÑANZAS DEL CICLO INMOBILIARIO DE PROMOCION RESIDENCIAL EN ESPAÑA. 1997-2007

Abstract: En el periodo 1997-2007, España ha vivido un ciclo expansivo en la promoción residencial especialmente vigoroso en materia de volumen de producción y venta y de crecimiento de precios. Si bien este ciclo tuvo un impacto positivo en la economía general y en la mejora del parque de viviendas del país, el cambio de ciclo y la recesión posterior tuvieron efectos devastadores en los sectores de la construcción, el inmobiliario y el bancario. Aunque es cierto que esos efectos negativos se deben, en gran medida, a la propia inercia del ciclo inmobiliario (fuerte crecimiento durante la expansión) y, sobre todo, de la profundidad de la crisis económica y financiera global, hay comportamientos de los principales operadores del sector (empresas promotoras, entidades financieras y administraciones públicas) que pueden haber contribuido a la caída. En el documento se detallan algunos de los comportamientos que es posible que hayan influido en la debilidad de los operadores del mercado y en los efectos negativos del cambio de ciclo. El objetivo es extraer enseñanzas de cara al futuro del sector.

OP-196 – October 2011
Xavier Vives
EL PARADIGMA DE LA COMPETENCIA EN EL SECTOR BANCARIO DESPUÉS DE LA CRISIS

Abstract: Este artículo presenta la evolución de las ideas sobre el papel de la competencia en el sector bancario, analiza la tensión entre competencia e inestabilidad financiera y propone un marco de relaciones entre la regulación y la política de competencia con especial énfasis en el escenario posterior a la crisis. Concluye que la tensión entre competencia y estabilidad persistirá a pesar de las posibles mejoras en la regulación y que la política de competencia debería reconocer la especificidad del sector bancario y estar coordinada con la regulación.

OP-197 – October 2011
Philip G. Moscoso – Alejandro Lago
DEVELOPING A BREAKTHROUGH SERVICE MODEL FOR PROFITABLE GROWTH

Abstract: (See page 4)
(Also available in Spanish)