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Journals

Christopher S. Armstrong - Toni Dávila - George Foster and John R. M. Hand

"Biases in multi-year management financial forecasts: Evidence from private venture-backed U.S. companies", *Review of Accounting Studies*, Vol. 12, No 2-3, September 2007, pages 183-215.

Abstract: This paper studies the properties and determinants of managers' multi-year financial forecasts. Using one- to five-year-ahead forecasts reported by private venture-backed firms, we ask whether, by how much, and why biases in managers' forecasts of revenues, expenses and profits depend on the forecasting horizon and the verifiability of assets. We find that profitability forecasts contain a strategic component, in that 1) one-year-ahead revenue (expense) forecasts are slightly and asymmetrically pessimistic (optimistic), while five-year-ahead forecasts are hugely and asymmetrically optimistic (pessimistic); and 2) biases in revenue and expense forecasts are larger, the harder to verify or more intangible-intensive are firms' assets.

Pascual Berrone - Jordi Surroca - Josep Tribò

"Corporate ethical identity as a determinant of firm performance: A test of the mediating role of stakeholder satisfaction", *Journal of Business Ethics*, Vol. 76, No 1, November 2007, pages 35-53.

Abstract: In this article, we empirically assess the impact of corporate ethical identity (CEI) on a firm's financial performance. Drawing on formulations of normative and instrumental stakeholder theory, we argue that firms with a strong ethical identity achieve a greater degree of stakeholder satisfaction (SS), which, in turn, positively influences a firm's financial

performance. We analyze two dimensions of the CEI of firms: corporate revealed ethics and corporate applied ethics. Our results indicate that revealed ethics has informational worth and enhances shareholder value, whereas applied ethics has a positive impact through the improvement of SS. However, revealed ethics by itself (i.e. decoupled from ethical initiatives) is not sufficient to boost economic performance.

Juan M. García Lara - Beatriz García Osma - Fernando Peñalva

"Board of directors' characteristics and conditional accounting conservatism: Spanish evidence", *European Accounting Review*, Vol. 16, No 4, December 2007, pages 727-755.

Abstract: Using a sample of Spanish listed firms for the period 1997-2002, we find that firms where the CEO has low influence over the functioning of the board of directors show a greater degree of accounting conservatism. We measure the influence of the CEO over the board of directors using two aggregate indexes combining 6 (8) characteristics of the functioning of the board of directors and its monitoring committees: board size, proportion of non-executive directors, proportion of independent directors, whether the chairman of the board is an executive director, the number of board meetings, and the existence of an audit committee, a nomination/remuneration committee and an executive committee. We define conservatism as the asymmetric recognition speed of good and bad news in earnings, and we measure it following Basu (1997) and Ball and Shivakumar (2005). Our results are robust to alternative specifications and specific controls for investment opportunities and for the endogenous nature of corporate governance and earnings quality. Overall, our evidence shows that firms with strong boards use conservative accounting numbers as a governance tool, even in an institutional setting with low litigation risk such as Spain.



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Suzanne D. Pawlowski - Evgeny Káganer - John J. Cater
"Focusing the research agenda on burnout in IT: Social representations of burnout in the profession", *European Journal of Information Systems*, Vol. 16, No 5, October, 2007, pages 612-627.

Abstract: Despite the pervasiveness and high costs of burnout in IT, our understanding of this problem remains limited. Review of IS research on job stress/burnout reveals that this body of work has relied heavily on general OB theory (parsimonious models generalizable across a variety of occupations and social contexts). More recently, scholars have argued for the addition of an occupation-specific approach to complement general OB theory, incorporating factors and concerns particular to a profession/work environment to increase explanatory power and relevance. The purpose of the exploratory study in this paper is to provide a foundation for such an occupation-specific research agenda on burnout in the IT profession. As an initial step, we employ social representations theory and methods to understand how IT professionals today make sense of and assign meaning to burnout in the context of their work.

Philip Moscoso

"A design-oriented framework for modelling production management systems", *Journal of Engineering Design*, Vol. 18, No 6, December 2007, pages 599-616.

Abstract: Design-oriented modelling frameworks are intended to support design practice by helping designers to create models of specific design problems, within a class of design problems. This paper examines the development of a design-oriented framework for the design of production management systems (PMS). It is concluded that such a framework should encourage a holistic and integrated PMS design.

A holistic design acknowledges that social and technical subsystems can achieve better management performance by collaborating with one another than they can individually. An integrated design does not artificially separate the PMS from the shop-floor it manages, but rather considers the two as intertwined and complementary parts of an organizational whole. This paper postulates four key axioms to be considered for achieving such a PMS design. A dual modelling framework is then presented that supports the envisioned PMS design approach, and that further allows the use of computer simulation. Its practical contribution is analysed in an industrial case study.

Ramón O'Callaghan

"Fixing the payment system at Alvalade XXI: A case on IT project risk management", *Journal of Information Technology*, Vol. 22, No 4, December 2007, pages 397-398.

Abstract: This article discusses the implementation and subsequent failure of an innovative system installed in the bars of Alvalade XXI, the recently built football stadium in Lisbon, Portugal. During the

inauguration, the system failed spectacularly, creating a chaotic situation. The case study highlights risk and project management issues in large systems implementations. Relevant dimensions include: company operations, project scope, degree of innovation, technology used, system architecture, supplier selection, and project organization. The discussion also raises governance questions: Who is responsible for the project? Even if the project is outsourced, how should the roles and responsibilities be apportioned between the company and the IT supplier(s)?

Christian Seelos - Johanna Mair

"Profitable business models and market creation in the context of deep poverty: A strategic view", *Academy of Management Perspectives*, Vol. 21, No 4, November 2007, pages 49-63.

Abstract: The bottom of the pyramid (BOP) in the global distribution of income has been promoted as a significant opportunity for companies to grow profitably. Under the BOP approach, poor people are identified as potential customers that can be served if companies learn to fundamentally rethink their existing strategies and business models. This involves acquiring and building new resources and capabilities and forging a multitude of local partnerships. However, current BOP literature remains relatively silent about how to actually implement such a step into the unknown. We use two BOP cases to illustrate a strategic framework that reduces managerial complexity. In our view, existing capabilities and existing local BOP models can be leveraged to build new markets that include the poor and generate sufficient financial returns for companies to justify investments.

Paul E. Spector - Tammy D. Allen - Steven Poelmans - et al.

"Cross-national differences in relationships of work demands, job satisfaction and turnover intentions with work-family conflict", *Personnel Psychology*, Vol. 60, November 2007, pages 805-835.

Abstract: A study of work interference with family (WIF) among managers is described, contrasting four clusters of countries, one of which is individualistic (Anglo) and three of which are collectivistic (Asia, EastEurope, and Latin America). Country cluster (Anglo vs. each of the others) moderated the relation of work demands with strain-based WIF, with the Anglo country cluster having the strongest relationships. Country cluster moderated some of the relationships of strain-based WIF with both job satisfaction and turnover intentions, with Anglos showing the strongest relationships. Cluster differences in domestic help were ruled out as the possible explanation for these moderator results.



Books

Pedro Nuño

"Cartas a un joven emprendedor", Editorial Crítica, November 2007, 344 pages.

Abstract: Se dice que el mundo es de los emprendedores. Y, en realidad, todos podemos serlo. Basta con vencer nuestra resistencia al cambio y tener el coraje de poner en marcha el proceso por el que se identifican oportunidades (que responden a necesidades del mercado), y, con el recurso a la innovación, se organiza la elaboración y distribución de productos que satisfacen esa nueva necesidad.

En el fondo, se trata de ingeniárselas para descubrir algo que todos intuyen o quieren pero que no tienen conciencia exacta de cómo obtenerlo. Por eso no se necesita un don especial para emprender un negocio: es un proceso que se puede aprender y que se puede enseñar.

Es lo que hace en este libro el autor, quien, por medio de unas cartas imaginarias, analiza veinte casos (todos con base real, extraídos de años de experiencia) que son paradigmáticos en la carrera de todo emprendedor y en los que se discuten desde la identificación de una oportunidad, su evaluación y concreción, la elaboración de un *business plan*, la búsqueda de recursos, la fase intensiva de operaciones o el ajuste permanente del modelo a las circunstancias cambiantes del mercado, hasta la puesta en valor de la empresa por venta o salida a bolsa.

Dado que la materia prima para emprender es la oportunidad, el fenómeno de la iniciativa emprendedora, ya sea creando una nueva empresa o proponiendo una nueva actividad dentro de una empresa establecida, va a experimentar, en los próximos años, un desarrollo espectacular.

Alfredo Pastor

"La ciencia humilde. Economía para ciudadanos", Editorial Crítica, November 2007, 200 pages.

Abstract: No cabe duda que vivimos en un mundo regido por los fenómenos económicos: el paro, la inflación, la política fiscal, el precio del dinero, los mercados, los tipos de interés, la política monetaria, el papel del Estado, la distribución mundial de la renta o la naturaleza de las leyes del mercado. Esos fenómenos afectan y condicionan nuestras vidas todos los días del año. Y, sin embargo, no conocemos bien los mecanismos de la economía, que nos parecen cosa de sesudos especialistas.

Pero, ¿por qué nos asusta la ciencia económica? ¡Si es muy fácil! Se trata de aplicar el sentido común y huir de los tópicos. Muchos de los términos de la economía, en apariencia técnicos, que manejan economistas y políticos, no se dirigen tanto a nuestro entendimiento como a nuestras emociones, para despertar en nosotros sentimientos de aprobación o rechazo: no son razonamientos, sino pura propaganda. Aprendamos a distinguirlos.

Desde su particular visión y en un lenguaje gratísimo por su sencillez, Alfredo Pastor consigue con este libro que, casi sin darnos cuenta, dominemos para siempre los principios básicos de una materia que todos construimos sin cesar: esa ciencia (en realidad 'humilde') que está –o debería de estar– al servicio del ciudadano, y no al revés.

Ediciones Deusto, with the support of UTECA (Unión de Televisión Comerciales Asociadas), has published "La televisión en España. Informe 2007", edited by Alfonso Sánchez - Juan P. Artero - Ignacio Bel - Juan M. de Toro and CIEC (Centro Internacional de Empresas de Comunicación, a research center attached to IESE and the Faculty of Communication at the University of Navarra), Carat and Deloitte. Parts 2 and 3 were researched and written by Juan M. de Toro, November 2007, 283 pages.

Abstract: El informe consta de tres partes bien diferenciadas. La primera de ellas se centra en el análisis cuantitativo y cualitativo de la actividad televisiva, es decir, de la evolución del mercado de la televisión desde el punto de vista de la oferta y de la demanda, del análisis del mercado publicitario en relación al medio televisión, de los contenidos de las cadenas, de la situación económico-financiera del sector televisivo y de su regulación jurídica.

La segunda parte consta de dos amplios informes: uno sobre las diversas estrategias de posicionamiento de la televisión (Carat), y el segundo sobre el proceso de fragmentación de las audiencias (Julián Villanueva y Fernando Baz).

La tercera parte está compuesta por cuatro artículos de opinión de cuatro autores diferentes sobre la televisión pública, la regulación de los contenidos, los nuevos modelos de negocio y la medición de audiencias.

AEDE (Asociación de Editores de Diarios Españoles) has published "Libro Blanco de la Prensa Diaria 2008", edited by Juan M. de Toro and Ignacio Bel of IESE and the Faculty of Communication at the University of Navarra and Carat and Deloitte, respectively. The first five parts were researched and written by Juan M. de Toro, December 2008.

Abstract: El libro, como todos los años, recoge un resumen de los principales datos del sector analizados desde una perspectiva histórica de los últimos diez años. Así, se ahonda en la evolución de la difusión de la prensa diaria en España, la UE y el mundo en general, así como los datos de audiencia y número de lectores. También se analizan los diarios según el tipo de información (prensa de información general, económica y deportiva) y las versiones digitales de los mismos. Después el análisis se centra en los suplementos de los diarios y en la actividad comercial llevada a cabo por cada uno de ellos. A continuación se centra el libro en el análisis económico-financiero del sector y se recoge la composición empresarial de los principales grupos editoriales de prensa del país. Por último, hay una sección con artículos de interés para los profesionales de este mercado.



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Contributions to books

Antonio Argandoña

"Economics, ethics and anthropology", in the book "Moral foundations of management knowledge", edited by Marie-Laure Djelic and Radu Vranceanu, *Edward Elgar*, October 2007, pages 67-84.

Abstract: The starting point of economics is a theory of human action. The neoclassical paradigm (the most widely adopted) emphasizes the aspects of human action that have to do with choosing between alternative means to given ends (as traditionally defined by economics), with the goal of maximizing efficiency. This in turn has led to the development of a science largely divorced from ethics, namely the normative science of human action focused on achieving man's ends. The experts have yet to agree on what those ends are and it is very unlikely that they ever will. However, those ends must encompass the ends of economic action, at least as part of general human conduct. Accordingly, any reflection on the theory of action in which the emphasis has been placed on economics should be capable of facilitating reflection on the ethics of human conduct. Likewise, the contributions of ethics should guide a rethinking of the economic paradigm of human action. The purpose of this paper is precisely to develop the aspects of the theory of action that may help us rewrite the basic principles of economic science from an ethical viewpoint and improve our understanding of the nature of ethics as a normative science of human action from an economic viewpoint.

"La identidad cristiana del directivo de empresa", in the book "Identidad cristiana. Coloquios universitarios", edited by Antonio Aranda, *EUNSA*, November 2007, pages 383-404.

Abstract: La identidad cristiana del directivo de empresa se concreta a partir de su identidad primero como persona, luego como trabajador y, finalmente, como directivo de empresa, siempre dentro del marco de la sociedad en que actúa. En este trabajo se pasa revista a esas diversas etapas que definen la identidad cristiana del directivo, con especial énfasis en la función del directivo como conductor de hombres para la acción, para cambiar la realidad, obteniendo resultados con eficiencia, y se pone énfasis en lo que ser cristiano añade o concreta en esa identidad. Finalmente, se muestra que la condición cristiana del directivo no sólo no es incompatible con lo que proponen la economía y las ciencias que estudian la empresa, sino que, de alguna manera, conduce a la perfecta realización de su función en la empresa y en la sociedad.

Pablo Fernández

"Brand equity and brand valuation: Establishing guidelines for value creation", in the book "Branding practices", edited by K. Sangeetha, *Icfai University Press*, November 2007, pages 158-167.

Abstract: In recent years, the number of consulting firms and research documents proposing methods for determining a brand's value has increased enormously. However, we feel that we are still a long way from defining exactly the brand concept and, therefore, its value. In this article, our goal is to show the limitations of a number of the methods proposed for valuing brands and, within the limits imposed by the brand's intrinsic reality, establish guidelines for value creation through the study of brands. The first difficulty encountered is finding a precise definition of what a brand is.

Ramón O'Callaghan

"Towards dynamic clustering: Capabilities and IT enablers", in the book "Digital Business Ecosystems", edited by Francesco Nachira et al., *European Commission, Publications Office*, Brussels, November 2007, pages 68-78.

Abstract: The benefits of clusters are traditionally associated with spatial proximity. In the 21st century, however, one can posit a new way of clustering based on networking of knowledge and competencies that goes beyond geographical proximity and overcomes the "inward-looking" nature associated with traditional clusters. This paper sets forth emerging forms of "virtual" clusters that are IT-enabled, transcend location, focus on external markets, operate as ad-hoc business networks, and are based on dynamic aggregation of capabilities of different firms. The working hypothesis is that these new organizational arrangements can help small companies in terms of market access and innovation. The paper also discusses roles for information technology applications and suggests a research agenda and potential policy implications.

Ignacio Urrutia - Germán Robles - Kimio Kase - Carlos Martí

"The internationalization of Club Atlético de Madrid S.A.D.: Creating value beyond borders, a differential strategy", in the book "International cases in the business of sport", edited by Simon Chadwick and Dave Arthur, *Elsevier*, November 2007, pages 205-221.

Abstract: Club Atlético de Madrid (ATM) stands for a set of very specific values shared among its supporters and management, which markedly differentiate it from other clubs, including Real Madrid, its eternal rival. This case discusses the nature of internationalization in the light of these values: what does internationalization mean for the club and its supporters, how does it fit with the club's current strategic positioning, what kind of resources should be fostered for the purpose of internationalization, etc.? Last but not least, is such internationalization unavoidable for football clubs or is it a fad?

Sage Publications has published "Encyclopedia of business ethics and society", October 2007, 2,592 pages, which includes the following chapters:

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Antonio Argandoña

"Capitalism", Vol. 1, pages 257-265.

Abstract: The moral validity of the capitalist economic system has been the subject of extensive debate ever since the system first came into existence. On the one hand, it is argued that capitalism fosters initiative, generates economic growth, wealth and employment, satisfies needs and is grounded in individual freedom. On the other hand, capitalism is accused of encouraging immoral incentives (excessive competition, for example), being based on selfish, materialistic conducts, or giving rise to an unfair distribution of income and wealth. This chapter studies the technical, economic, social and ethical aspects of capitalism.

"Comparative advantage", Vol. 1, pages 381-384.

Abstract: The theory of comparative advantage, which is deeply rooted in economic science, offers an explanation of the causes and conditions of international trade. As such, it performs an important role from the technical viewpoint. But it also generates ethical and social debate, for example, about the opportunities available to countries lacking in certain resources that are valued in trade or the fairness of the relationships that are formed in accordance with this theory.

"Extortion", Vol. 2, pages 843-844.

Abstract: Extortion and bribery are the two main forms of corrupt behavior that affect dealings between firms and governments, and also between firms. This article discusses the nature of extortion and bribery, explains their causes, offers ethical arguments against extortion and provides some suggestions about how to combat it.

"Friedman, Milton", Vol. 2, pages 960-961.

Abstract: Milton Friedman was one of the 20th century's most outstanding economists. His contributions to the field of micro and macroeconomics have been widely accepted and earned him the Nobel Economics Prize. However, Friedman was also a controversial author, mainly for his liberal proposals and the anthropological assumptions on which his theories are based. This chapter briefly reviews his biography, his scientific contributions, and the nature of the ethical and social issues raised by his published works.

"Gross domestic product (GDP)", Vol. 2, pages 1,043-1,045.

Abstract: The gross domestic product is the traditional measure of a country's output and the income generated. As such, it has a generally accepted technical content but also a social and moral significance. This chapter discusses the economic dimension of the GDP and the time limitations proposed, which show the moral assumptions on which it is based and its weaknesses.

"Gross national product (GNP)", Vol. 2, pages 1,045-1,046.

Abstract: The gross national product is a measure of the value of a country's output, based on the same principles and assumptions as the Gross Domestic Product but having a different scope. This chapter explains this scope and discusses the alternatives proposed for measuring a country's wealth generation in response to the criticisms that have been made against

"Inflation", Vol. 3, pages 1,126-1,129.

Abstract: Inflation is an economic phenomenon, bereft of any ethical content. However, it affects people's lives and has an impact on social variables, a justice dimension and important consequences that make it a good candidate for moral debate as to its causes, its economic, social and human effects, and the appropriate means to combat it.

"Insider trading", Vol. 3, pages 1,135-1,137.

Abstract: Insider trading is common in many markets and this has technical (for market efficiency), social and moral consequences. This article explains the nature of insider trading and its main manifestations, paying particular attention to the ethical and economic arguments regarding its acceptance.

"Monetary policy", Vol. 3, pages 1,397-1,400.

Abstract: Although monetary policy seeks to be neutral, it has unquestionable consequences for the economy, people's lives and many of their behaviors. This chapter discusses what monetary policy is, how it operates, how it is designed and what are the moral problems associated with it.

Nuria Chinchilla

"Family-friendly corporation", co-authored with Elizabeth Torres, Vol. 2, pages 858-859.

Abstract: A "family-friendly" corporation is a workplace that recognizes the family responsibilities of its employees and implements policies that allows them to achieve a balance between work and family life.

Domènec Melé

"Anthropocentrism", Vol. 1, pages 97-99.

Abstract: Anthropocentrism is generally understood as the view that human beings are the central fact on earth. The Bible clearly states the superiority and dominion of humans over the whole of material creation. However, in the Judeo-Christian tradition the domination of man upon the earth is not absolute but relative to God, the absolute owner of the whole of creation. There are two



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co-existing visions of anthropocentrism: 'dominion' and 'stewardship'. In 'dominion', humans are seen as autonomous beings endowed with knowledge and power to dominate the earth for their use, and with full right to do so practically without limits. The 'stewardship' approach supports the idea that humans are the central fact on earth and only they have dignity and authentic rights. At the same time, however, it sees them as stewards of nature, seeking sustainable human development.

"Christian ethics", Vol. 1, pages 310-313.

Abstract: Christian ethics includes norms and virtue ethics that are understandable to human reason (natural law), the moral precepts of the Old Testament (particularly the Decalogue), and following, imitating and trying to identify oneself with Jesus of Nazareth, the Son of God, especially in his love of others. This latter is what is most characteristic of Christian Ethics. Christian Ethics is a driver of the whole of human life, including business. Justice is necessary but not sufficient. Christian Ethics requires mercy and love as well. The article reviews some basic aspects of business ethics and work ethics from the perspective of Christian Ethics, which has been particularly well developed in Catholic Social Teaching.

"Religious discrimination", Vol. 4, pages 1,811-1,813.

Abstract: Religious discrimination takes place when one person is treated less favorably than another is, has been or would be treated in a comparable situation on the grounds of religion. Religious freedom and human dignity provide sound bases for non-discrimination on religious grounds. Religious discrimination can conflict with business requirements. In practice, common sense and practical wisdom are required to solve possible conflicts and to explore imaginative and fair alternatives. Three forms of religious discrimination can be distinguished: 1) direct, where the less favorable treatment occurs unmasked; 2) indirect discrimination, where an apparently neutral provision, criterion or practice would put persons having a particular religion or belief at a particular disadvantage compared with other persons, unless such is objectively justified by a legitimate aim and the means of achieving that aim are appropriate and necessary; and 3) religious harassment, which occurs when unwanted conduct related to any of the grounds of religion takes place with the purpose or effect of violating the dignity of a person and of creating an intimidating, hostile, degrading, humiliating or offensive environment.

IESE - Working Papers

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

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Pablo Fernández - Andrada Bilan

110 COMMON ERRORS IN COMPANY VALUATIONS

Abstract: This paper contains a classified collection of 110 errors seen in company valuations performed by financial analysts, investment banks and financial consultants. The author had access to most of the valuations referred to in this paper in his capacity as a consultant in company acquisitions, sales, mergers, and arbitrage processes.

We classify the errors into six main categories: 1) errors in the discount rate calculation and concerning the riskiness of the company; 2) errors when calculating or forecasting the expected cash flows; 3) errors in the calculation of the residual value; 4) inconsistencies and conceptual errors; 5) errors when interpreting the valuation, and 6) organizational errors.

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Pablo Fernández

A MORE REALISTIC VALUATION: APV AND WACC WITH CONSTANT BOOK LEVERAGE RATIO

Abstract: We value a company that targets its capital structure in book-value terms. This capital structure definition provides us with a valuation that lies between those of Modigliani-Miller (fixed debt) and Miles-Ezzell (fixed market-value leverage ratio).

We show that if a company targets its leverage in market-value terms, it has less value than if it targets the leverage in book-value terms. We also present empirical evidence that permits us to conclude that debt is more related to the book-value of the assets than to their market-value.

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Giovanni Cespa - Xavier Vives

DYNAMIC TRADING AND ASSET PRICES: KEYNES VS. HAYEK

Abstract: We investigate the dynamic of prices, information and expectations in a competitive, noisy, dynamic asset pricing equilibrium model. We look at the bias of prices as estimators of fundamental value in relation to traders' average expectations and note that prices are more (less) biased than average expectations if and only if traders over- (under-) rely on public information with respect to optimal statistical weights. We find that prices are biased in relation to average expectations whenever traders speculate on short-run price movements. In a market with long traders, over-reliance on public information obtains if noise trader increments are correlated enough and/or there is low enough residual uncertainty in the payoff. This defines a "Keynesian"

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region; the complementary region is "Hayekian" in that prices are less biased than average expectations in the estimation of fundamental value. The standard case of no residual uncertainty and noise trading following a random walk is on the frontier of the two regions. With short-term traders there typically are two equilibria, with the stable (unstable) one displaying over (under-) reliance on public information.

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Víctor Martínez de Albéniz - Guillaume Roels
COMPETING FOR SHELF SPACE

Abstract: This paper studies competition for shelf space in a multi-supplier retail point. We consider a retailer that seeks to allocate her shelf space to maximize her profit. Because products associated with larger profit margin are granted more shelf space, suppliers can offer the retailer financial incentives to obtain larger space allocations. We analyze the competitive dynamics arising from the scarcity of space, and show existence and uniqueness of equilibrium. We then demonstrate that the inefficiencies from decentralizing decision-making are limited to 6% with wholesale-price contracts, and that full coordination can be achieved with pay-to-stay fee contracts. We finally investigate how competition is distorted under the practice of category management.

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Víctor Martínez de Albéniz - David Simchi-Levi
COMPETITION IN THE SUPPLY OPTION MARKET

Abstract: This paper develops a multi-attribute competition model for procurement of short life cycle products. In such an environment, the buyer installs dedicated production capacity at the suppliers before the demand is realized. Final production orders are decided after demand materializes. Of course, the buyer is reluctant to bear all the capacity and inventory risk, and thus signs flexible contracts with several suppliers. We model the suppliers' offers as option contracts, where each supplier charges a reservation price per unit of capacity, and an execution price per unit of delivered supply. These two parameters illustrate the trade-off between total price and flexibility of the contract, and are both important to the buyer. We model the interaction between the suppliers and the buyer as a game in which the suppliers are the leaders and the buyer is the follower. Specifically, suppliers compete to provide supply capacity to the buyer and the buyer optimizes its expected profit by selecting one or more suppliers. We characterize the suppliers' equilibria in pure strategies for a class of customer demand distributions. In particular, we show that this type of interaction gives rise to cluster competition. That is, in equilibrium, suppliers tend to be clustered in small groups of two or three suppliers each, such that within the same group all suppliers use similar technologies and offer the same type of contract. Finally, we show that in equilibrium, the supply chain inefficiencies, i.e., the loss of profit due to competition, are in general at most 25% of the profit of a centralized supply chain, for a wide class of demand distributions.

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Víctor Martínez de Albéniz - Alejandro Lago
MYOPIC INVENTORY POLICIES USING INDIVIDUAL CUSTOMER ARRIVAL INFORMATION

Abstract: We investigate optimality of myopic policies using the single-unit decomposition approach in inventory management. We derive, under certain conditions, closed-form replenishment decisions, which we call a base-probability policy. That is, the order associated with a given customer is placed if and only if its arrival probability within the lead-time is higher than a threshold.

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Víctor Martínez de Albéniz
PRICING IN A DUOPOLY WITH A LEAD TIME ADVANTAGE

Abstract: We analyze the price competition between two suppliers offering two different lead times and two different prices to a buyer. The buyer chooses its inventory replenishment policy in order to minimize its infinite-horizon average cost. In essence, the fast and expensive supplier is used only in emergencies, while the slow and cheap supplier receives the bulk of the orders. Thus, despite a higher price, the fast supplier is able to capture a part of the buyer's orders. We analyze the price competition between the asymmetric suppliers, where the market share of each supplier is derived from the buyer's inventory problem. We find equilibria that differ significantly from the Bertrand price-only competition. In particular, for some cost parameters, the fast supplier is able to charge a premium for faster delivery, and stay in business even with a higher production cost. We obtain in some cases closed-form formulas for the price difference in equilibrium. Hence, our results show that high cost suppliers may not be driven out of business if they can offer fast delivery.

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Víctor Martínez de Albéniz - David Simchi-Levi
IMPROVING SUPPLY CHAIN EFFICIENCY THROUGH WHOLESALE PRICE RENEGOTIATION

Abstract: In a decentralized supply chain, double marginalization is an important source of inefficiency. We suggest in this paper a simple mechanism to reduce it that uses a wholesale price contract and renegotiation. Our mechanism only requires repeated interaction, and rational behavior from the players. Specifically, over T rounds of negotiation, the supplier proposes different prices in each round, and the buyer places orders at the quoted price. Even though prices are decreasing in time, the buyer places a positive order, to force the supplier to reduce its price in the following round. This interaction results in higher profits for both supplier and buyer. We solve the buyer and supplier problems and show that, as T increases, supply chain efficiency tends to 100%, and the sub-optimality gap decreases with $1/T$. Finally, we discuss how these results can be applied to design negotiation processes.



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Felipe Caro - Víctor Martínez de Albéniz

THE IMPACT OF QUICK RESPONSE IN INVENTORY-BASED COMPETITION

Abstract: We propose a multi-period extension of the competitive newsvendor model of Lippman and McCardle (1997) to investigate the impact of quick response under competition. For this purpose, we consider two retailers that compete in terms of inventory: customers that face a stockout at their first-choice store will look for the product at the other store. Consequently, the total demand that each retailer faces depends on the competitor's inventory level. We allow for asymmetric reordering capabilities, and we are particularly interested in the case when one of the firms has a lower ordering cost but can only produce at the beginning of the selling season, whereas the second firm has higher costs but can replenish stock in a quick response manner taking advantage of any incremental knowledge about demand (if it is available). We visualize this problem as the competition between a traditional make-to-stock retailer that builds up inventory before the season starts versus a retailer with a responsive supply chain that can react to early demand information. We provide conditions for this game to have a unique pure-strategy subgame-perfect equilibrium, which then allows us to perform numerical comparative statics. Our results confirm in a competitive setting the intuitive fact that quick response is more beneficial when demand uncertainty is higher, or exhibits a higher correlation over time. Finally, we find that part of the competitive advantage from quick response arises from the asymmetry in response capabilities.

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Pascual Berrone - Liliana Gelabert - Andrea Fosfuri - Luis R. Gómez-Mejía

CAN INSTITUTIONAL FORCES CREATE COMPETITIVE ADVANTAGE? AN EMPIRICAL EXAMINATION OF ENVIRONMENTAL INNOVATION

Abstract: We examine institutional pressures as antecedents of environmental innovation. Drawing on institutional theory and a resource-based view of the firm, we argue that regulatory and normative forces influence companies' propensity to innovate in environment-related projects. Furthermore, we suggest that this relationship is contingent on the availability and specificity of the companies' resources. These relationships were tested using environmental patents and citations of 340 publicly-traded companies from polluting industries in the U.S. Results suggest that institutional pressures can be a source of competitive advantage, and regulatory forces are becoming more strongly associated with environmental innovations as the intensity of companies' R&D activities increase.

Working Papers

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

Boris Groysberg - Ashish Nanda - Julia Prats

"Does individual performance affect entrepreneurial mobility? Empirical evidence from the financial analysis market", NBER, Working Paper No 13633, November 2007, 35 pages.

Abstract: Our paper contributes to the studies on the relationship between workers' human capital and their decision to become self-employed as well as their chances of surviving as entrepreneurs. Analysis from a panel data set of research analysts in investment banks over 1988-1996 reveals that star analysts are more likely than non-star analysts to become entrepreneurs. Furthermore, we find that ventures started by star analysts have a higher probability of survival than ventures established by non-star analysts.

Extending traditional theories of entrepreneurship and labor mobility, our results also suggest that drivers of turnover vary by destination: a) turnover to entrepreneurship, and b) other turnover. In contrast to turnover to entrepreneurship, star analysts are less likely to move to other firms than non-star analysts.

IESE - Studies and Monographs

NOTE: Studies may be consulted on the Internet at

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

No 49 - November 2007

Nuria Chinchilla - Consuelo León - Elizabeth Torres - Miguel A. Canela

TRAYECTORIA, CONCILIACION Y ROL DE LOS DIRECTIVOS

Abstract: En este documento se presentan los resultados de un estudio sobre los directivos españoles centrado en tres puntos: las prioridades en las decisiones que afectan a su trayectoria profesional, los apoyos que reciben en el cuidado de personas dependientes y el papel del hombre en la familia.

De acuerdo con los resultados de este estudio, las mujeres y los directivos más jóvenes tienen más en cuenta, en sus decisiones, el equilibrio entre la vida personal/familiar y la profesional, mientras los hombres dan más valor a la promoción profesional y a la opinión de su mujer. Por otra parte, entre los directivos varones, el principal apoyo en el ámbito familiar proviene de su mujer, mientras que para las mujeres directivas es el servicio doméstico para las mujeres.

En general no hay una percepción generalizada de que el papel del hombre en la familia esté en crisis; sin embargo, las opiniones varían mucho dependiendo del grupo, determinado por la edad/sexo: los directivos de mayor edad son los que se adhieren

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con más frecuencia a esta idea. Si se va un poco más allá y se pregunta acerca de la necesidad de redefinir el rol del hombre, son las mujeres las que especialmente se adhieren a esta idea.

Los directivos, si pudiesen, dedicarían más tiempo a sus hijos, en especial los hombres más jóvenes. Sin embargo, las mujeres se inclinan más por aspectos extrafamiliares, como la formación y el ocio.

No 50 - November 2007

Inés Alegre - Nuria Chinchilla - Consuelo León - Miguel A. Canela

POLITICAS DE CONCILIACION, LIDERAZGO Y CULTURA EN 2.200 PYMES ESPAÑOLAS

Abstract: Anualmente, IESE Business School realiza una encuesta para evaluar la conciliación laboral/familiar de las empresas españolas; sin embargo, hasta ahora la mayoría de las empresas participantes eran empresas grandes. En esta ocasión, el estudio analiza los resultados de una encuesta realizada por la empresa SIGMA 2 en abril del año 2006 para la Consejería de Empleo y Mujer de la Comunidad de Madrid. Es la primera vez que se estudia la conciliación a través de una encuesta masiva en las empresas de menos de 200 empleados.

En este trabajo se analizan, en el contexto del modelo EFR desarrollado en el Centro Internacional Trabajo y Familia (ICWF) del IESE, las respuestas de 2.205 pequeñas y medianas empresas (PYMES) españolas. En general, los resultados en las empresas de la muestra usada para este estudio son más bajos que los obtenidos en empresas grandes en estudios anteriores; concretamente existen diferencias en contra de las PYMES en aspectos culturales (horario, idea de compromiso y promoción en relación al uso de las medidas de conciliación) y estrategia (presupuesto asignado al programa de conciliación). En algunos aspectos, como por ejemplo comunicación o existencia de servicios familiares, la comparación es ligeramente favorable a las PYMES. Dentro de las PYMES, se han hallado mayores diferencias respecto al tamaño que al sector. Las microempresas, de hasta cinco empleados, van por delante en flexibilidad horaria y la capacidad de comunicar a sus empleados las medidas puestas en marcha. Las de 100 a 200 empleados destacan en la posibilidad de tener un calendario de vacaciones flexible y formación. Las empresas intermedias, de 20 a 100 empleados, son las que obtienen unos niveles generales de conciliación más bajos.

No 58 - November 2007

Brian Subirana - David Wright

THE CONVERGING SEARCH ENGINES AND ADVERTISING INDUSTRIES

Abstract: Search engines have become the gateway to the Internet. If the information exists in cyberspace, a search engine will find it. In the last ten years, search engines have become almost as indispensable as the computer itself. They cannot be divided from an online Yellow Pages-type directory to become the fastest-growing sector in the Internet space. Because of search

technology, information has become much more accessible to anyone with a computer. Small-to-medium sized businesses can reach consumers almost anywhere in the world at little or no cost and consumers can enjoy all the added value of having the answers to their enquiries at their fingertips.

While the world of search is still in the high-growth transitional phase, the market has consolidated rapidly, with the top-four firms having almost 90% market share. The competition at this level is fierce and alliances are being formed on a daily basis across all industry sectors to reinforce each firm's position in search and to gain access to new markets. In the tumultuous world of search, legal and regulatory issues are far from being resolved and the dynamics of competition are in constant change. A great many companies in a wide range of industries are affected.

No 59 - November 2007

Brian Subirana - Manuel Cabañas

Videjuegos MMORPG: Los escenarios virtuales impactan con fuerza en el mundo real

Abstract: Los videojuegos MMORPG (Massively Multimedia Online Role-Playing Game), en los que en una misma plataforma se reúnen simultáneamente miles de jugadores en tiempo real, el año 2005 facturaron 3,5 millones de dólares en todo el mundo, y según datos de la consultora DFC Intelligence, en 2011 alcanzarán un beneficio de 6,8 millones de dólares. La generalización de la banda ancha en los hogares, junto con el descenso en el precio de las conexiones, están propiciando el crecimiento de la industria de los videojuegos en línea, en detrimento de las consolas y de los juegos por ordenador *offline*.

Los MMORPG se han convertido en un excelente punto de encuentro para pasar un buen rato realizando misiones, organizándose en equipo, comerciando o bien realizando un buen número de actividades sociovirtuales. El informe "Videjuegos MMORPG: los escenarios virtuales impactan con fuerza en el mundo real", realizado por el e-business Center PwC&IESE, trata de averiguar a quiénes beneficia la industria de los MMORPG, qué posibilidades tiene de expandirse a otros campos de la actividad humana, más allá de los límites de lo lúdico. Por ejemplo, si es o no factible que se acabe sustituyendo la última sigla del término MMORPG (la G de *game*) por la L de *learning*; por la B de *business*, así como otras siglas que representen múltiples variantes de los ámbitos en los que esta actividad puede aportar toda su enorme potencialidad.

Studies and Monographs

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

Pedro Nuevo

"Management in the automotive industry: Ideas and practices for good governance", Fundación Instituto Tecnológico para la Seguridad del Automóvil, FITSA, December 2008, 39 pages.



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Abstract: The author highlights the importance of the automotive industry to the European economy and the fact that it has been extraordinarily fertile in generating management concepts. However, the practices of many auto makers have strayed from the proper standards of ethical competition in a market economy. The author recommends certain corporate governance measures to restore the industry to the exemplary role it has played at other times in history.

(Also available in Spanish: "La gestión en el sector de la automoción: Reflexiones y prácticas para el buen gobierno".)

Other publications

Pankaj Ghemawat

"The world's biggest myth", *Foreign Policy*, November-December 2007, pages 52-55.

Abstract: Some believe globalization is a force for good. Others see it as a global curse. These two camps agree on almost nothing, except that globalization leads to increased market share for fewer players. In fact, both sides couldn't be more wrong. Globalization itself generally increases competition and choice instead of reducing it. In fact, given the differences that arise at national borders, many of the benefits of globalization are actually unlocked by the visible hand of corporations. More broadly, the false debate about the consequences of globalization is a reminder of the fact that much of the discussion occurs in a data void. There are real arguments to be had about globalization, particularly its consequences for inequality within countries. But the debate should not be cluttered, let alone inflamed, by ideologues spreading fears instead of facts.

Javier Estrada

"Invirtiendo a largo plazo: Técnica y perspectivas para la bolsa española", *Bolsa*, October 2007, No 168, pages 74-77.

Abstract: El modelo de descomposición de rentabilidades es un marco analítico intuitivo y sencillo que puede utilizarse para predecir la rentabilidad de largo plazo de los mercados. El modelo está basado en variables fundamentales ampliamente conocidas, genera previsiones confiables, y para la bolsa española predice, para los próximos diez años, una rentabilidad media anual de algo menos del 10%. Esto afirma el autor de este artículo, para quien predecir el comportamiento de muchas variables financieras es más sencillo en el largo plazo que en el corto plazo y, por tanto, se pueden dibujar escenarios de crecimientos de beneficios de las compañías cotizadas y de PER suficientemente certeros a priori.

Johanna Mair - Ignasi Martí - Kate Ganly

"Social entrepreneurship: Seeing institutional voids as spaces of opportunity", *European Business Forum*, Vol. 31, Winter 2007, pages 34-39.

Abstract: When institutions fail, the normal business response is to stay away. Looked at another way, however, the institutional void may be an opportunity.

Carlos Martí

"The case study method: A powerful teaching tool in sports marketing education", *International Journal of Sports Marketing & Sponsorship*, Case Study Special Edition, Vol. 9, No 1, October 2007, pages 7-10.

Abstract: In this introduction to the Case Study Special Edition of the *International Journal of Sports Marketing & Sponsorship*, Carlos Martí, researcher at IESE's CSBM, gives a detailed account of what case studies are for and how they are used. The author establishes a distinction between research cases and teaching cases, and conducts a detailed analysis of the case study method as a teaching tool.

Guido Stein

"Challenges of a new CEO", *P(eking)UK Business Review*, Vol. 40, No 11, November 2007, pages 117-121. *(This article has been published in Chinese.)*

Abstract: Becoming a new CEO entails a process of learning and development. Effective CEOs are perennial apprentices. It is no simple process; it is a personal and professional transformation, one that is easier to recognize than it is to define. The CEO will have to deal with dilemmas while managing businesses, building organizations, leading people and delivering results, both tangible and intangible.

Ignacio Urrutia - Scott Eriksen

"Los efectos de la ley Sarbanes-Oxley. Del COSO IC al COSO ERM (I)", *Estrategia Financiera*, No 245, December 2007, pages 34-41.

Abstract: El modelo COSO IC es fundamentalmente una herramienta de auditoría que permite evaluar los controles internos de las organizaciones. Su importancia se debe a su uso como modelo para la evaluación de la gestión de los controles internos, según la SEC. Este aspecto resulta vital porque los controles internos son definidos en los requerimientos de la sección 404 de la Ley Sarbanes-Oxley. Aunque la sección 404 solamente exhorta la exigencia de contar con una herramienta de evaluación de los controles internos relativos a los reportes financieros, COSO IC no ha servido exclusivamente como modelo que cumple con las exigencias que el legislador ha pedido para los reportes financieros, sino que además tiene la capacidad de evaluar los controles internos necesarios para las operaciones. Bajo la hipótesis aceptada por todos de que el reconocimiento del gobierno corporativo efectivo es capaz de realzar el valor del negocio, se va a emplear como excusa para poder desarrollar la otra parte del modelo de COSO, el cual no se presenta como un modelo exclusivo de control interno, sino como modelo integrado de gestión del riesgo empresarial. Este modelo, denominado COSO ERM, compatible con el COSO IC, incorpora un

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componente estratégico hasta ahora poco formalizado, que es el de poder gestionar el riesgo empresarial, porque provee a los consejos de administración de una herramienta capaz de identificar y evaluar los riesgos de negocio y construir a su vez un programa efectivo para dar respuesta y capacidad de decisión a los riesgos identificados.

Conferences and Seminars

Antonio Argandoña

On November 1-3, attended in Chicago, the 14th International Vincentian Business Ethics Conference, where he presented the paper "Corruption in procurement: Causes, consequences and best management practices".

Abstract: Corruption is one of the big problems in today's world. It affects both public and private sectors in all developed and developing countries and is a cause of concern to world society as a whole. Corruption directly affects the governance of 21st century institutions, as it undermines progress, interferes with economic stability, exacerbates inequality and aggravates poverty. In the particular case of procurement, corruption is manifested in dishonest practices by political agents and the companies that have dealings with them, to the detriment of growth and development, especially in emerging economies.

In this paper the author explains why corruption in public procurement is a problem, its consequences, and the impact it has. He analyzes the options for collective action against corruption, explains how business associations could take such action, and discusses whether this is a useful means of combating corruption. Lastly, the author briefly describes the advantages of anti-corruption alliances and analyzes their potential for solving the problems of collective action.

Manel Baucells - Alessandra Cillo

On November 3-6, attended in Seattle, the INFORMS Annual Meeting, where they presented the paper "Probability and time trade-off with multiple outcomes".

Abstract: Previous work has introduced a preference model for simple lotteries in which both time and risk dimensions were fully integrated through the probability and time trade-off. In this paper we propose an extension of this work to multiple outcome lotteries with delay. More general measures of sensitivity to outcome magnitude, probability and time are also analyzed in the paper.

Carmelo Cennamo

On December 6-8, attended in Santo Domingo, the Iberoamerican Academy of Management Annual Meeting, where he presented the paper "Does stakeholder management foster a sustainable competitive advantage or augment agency costs?", co-authored with Pascual Berrone and Luis R. Gómez-Mejía.

Abstract: This paper challenges the view that a stakeholder management (SM) strategy constitutes a competitive advantage. Idiosyncratic relationships with stakeholders are causally ambiguous. This ambiguity makes SM strategy difficult for competitors to imitate, but also increases managerial discretion and internal disagreement about policy.

In particular, SM strategy 1) facilitates agent opportunism; 2) impairs sanctioning mechanisms and thus increases monitoring costs; 3) lessens decision-makers' risk propensity, leading to strategic inertia, and 4) increases strategic-environmental complexity and uncertainty and therefore agents' compensation and incentives.

Adrian Done

On November 17, attended in Phoenix, the Decision Sciences Institute 2007 Annual Meeting, where he presented the paper "A framework for supply chain maturity: An empirical investigation", co-authored with Mark T. Frohlich.

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

Angela Gallifa

On October 29-31, attended in Miami, the XLII Annual CLADEA Meeting, where she presented the paper "Geographic mobility in companies: An analysis for Spain", co-authored with José Ramón Pin, Pilar García, Miguel Quintanilla and Lourdes Susaeta.

Abstract: The objective of this paper is to analyze trends in geographic mobility, which can be expected to become both more common and more necessary as globalization spreads. Narrowing the scope of our investigation, we aim to identify good practices in company-driven geographic mobility, as opposed to mobility driven by the efforts of individual workers to find employment in other regions or countries, which we shall leave for a later study.

Gabriel Giordano

On December 8-12, attended in Montreal, the ICIS SIG-HCI Workshop, where he presented the paper "Individual determinants of media choice for deception", co-authored with Christopher Furner.

Abstract: Recent research has found that deceivers are extremely difficult to detect in computer-mediated settings. However, it is



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unclear which individuals are likely to use computer systems for deception in business settings. This study looked at how 172 undergraduate business students' political skill, social skill, and use of impression management were related to their media choice for deception in a high-risk business scenario. We found that most individuals preferred e-mail and face-to-face media to the phone for deception. However, the individuals that chose the phone for deception were the individuals with high social skill, high political skill, and a tendency to use impression management. These findings suggest that many individuals will choose to use computer-based communication for deception in workplace settings, but that the individuals most skilled at deception may be more likely to use the phone for deception.

Javier Gómez

On December 12-15, attended in Granada, the Simposio de Análisis Económico, organized by the University of Granada and the Asociación Española de Economía, where he presented the paper "Understanding the relationship between financial development and monetary policy", co-authored with Luis Carranza (Minister of the Economy, Peru) and José Enrique Galdon (UPNA and IZA).

Abstract: In this paper we summarize the results of a broad exploratory empirical analysis where we relate the level of financial development with the effectiveness of monetary policy. The analysis is based on a panel of sixty plus countries for which we calculate measures both of financial development and of monetary policy effectiveness. We correlate the above measures and other macroeconomic variables to look for statistically significant relationships between the indicators of financial development, the effectiveness coefficients and other country characteristics. We present our results in the form of a list of stylized facts that deserve to be given future attention. Given the focus of the analysis on financial development, our results have important implications for emerging markets.

Heinrich Liechtenstein

On November 1-3, attended in Kansas City, the Kauffman Symposium, organized by Ewing Marion Kauffman Foundation, where he presented the paper "The attractiveness of Central Eastern Europe Countries for venture capital and private equity investors", co-authored with Alexander Groh and Karsten Lieser.

Abstract: We address the attractiveness of Central Eastern European countries for venture capital/private equity investors by constructing a composite index. For the index composition we refer to the results of numerous prior research papers that investigate relevant parameters determining entrepreneurial activity and/or the engagements of institutional investors. We aggregate the index using five different methods and receive country rankings that vary only slightly, signaling a robust index calculation. We clearly identify six tier groups of attractiveness for all of our sample countries. We compare our index with actual fundraising activities in each country and find a reasonable

correlation of the two figures. The results highlight the strengths and weaknesses of the individual economies and provide guidelines for political improvements and institutional investors' country allocations.

Victor Martínez de Albéniz

On November 4-7, attended in Seattle, the INFORMS 2007, where he presented the following papers:

"A capacitated commodity trading model with market power", co-authored with Josep M. Vendrell.

Abstract: We consider the operational problem of a trader between two markets of the same commodity, each one of which quotes a different price. We are interested in finding the optimal trading policy across the markets so as to obtain the maximum profit in the long term, assuming that trading volumes influence price processes. We assume a finite trading capacity (fixed inventory level) and proportional costs. We determine the optimal trading strategy and the optimal capacity to be installed.

"The impact of quick response in inventory-based competition", co-authored with Felipe Caro.

Abstract: (See page 8).

José Ramón Pin

On October 29-31, attended in Miami, the XLII Annual CLADEA Meeting, where he presented the paper "Cognitive dissonance: Theory, motivation theories and change resistance", co-authored with Lourdes Susaeta.

Abstract: In this paper we analyze the relationship between motivation and the effects of cognitive dissonance. Combining cognitive dissonance theory and the anthropological theory of human motivation helps us gain a better understanding of change phenomena in individuals and organizations.

B. Sebastián Reiche

On December 13-16, attended in Catania, the 33rd EIBA Annual Conference, where he presented the paper "Inpatriates' boundary spanning and knowledge sharing at the HQ: The moderating effect of absorptive capacity".

Abstract: Viewing knowledge as primarily rooted in individuals, this study investigates knowledge sharing in multinational corporations (MNCs) from an individual-level perspective. Specifically, I focus on inpatriate assignees as a particular group of knowledge actors in MNCs and examine their role as boundary spanners in the exchange of knowledge between an MNC's headquarters and its subsidiaries. Based on a sample of 286 inpatriates in ten German MNCs, the study demonstrates that both inpatriates' individual efforts and perceived HQ staff efforts

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for knowledge sharing are positively influenced by in-patriates' boundary spanning activities and that perceived HQ absorptive capacity moderates this relationship.

Lourdes Susaeta

On October 29-31, attended in Miami, the XLII Annual CLADEA Meeting, where she presented the following papers:

"Microcredit in Tunis: Enda InterArabe", co-authored with José Ramón Pin and Angela Gallifa.

Abstract: This paper is a case study based on Enda InterArabe. Enda InterArabe is an international NGO, a member of the Enda Third world family (based in Dakar, Senegal), which is active in 21 countries worldwide. Created in 1990, Enda InterArabe is the only MFI in Tunisia with micro-finance best practices.

"Are there five phases in the transfer of HR policies and practices within MNCs?", co-authored with José Ramón Pin.

Abstract: The tension that multinational companies (MNCs) experience in transferring their HR policies and practices prompts us to take an in-depth look at the factors that affect this transfer. We divide the transfer process into five phases, which range from the configuration of HR policies and practices in the mother company to their internalization on behalf of the subsidiaries' employees. We analyze this process from six theoretical approaches, presenting the corresponding work hypothesis which will bring about the model of analysis.

"Microfinance and the eradication of poverty in the world", co-authored with José Ramón Pin.

Abstract: The purpose of the paper is twofold: first, we develop an in-depth conceptual framework for microfinance and, second, we review the debate currently taking place in the microfinance literature.

On December 5-8, attended in Santo Domingo, the 5th International Conference of the Iberoamerican Academy of Management, where she presented the paper "La transferencia de la política de la gestión de la diversidad en la empresa MNC: Una perspectiva desde la teoría de recursos y capacidades".

Abstract: El incremento de la diversidad cultural en la plantilla es uno de los retos más importantes a los que se enfrentan actualmente los directivos de las empresas en cuanto a sus políticas de personal. Este hecho es especialmente relevante en las empresas multinacionales que operan en diversos países y cuyas plantillas están compuestas por personas de muy distinto origen. La pregunta de investigación que se plantea en este artículo es ¿De qué factores depende la implementación de la política de la gestión de la diversidad (PGD) en las subsidiarias de las empresas

multinacionales? Para ello, la política en sí deberá de cumplir una serie de criterios, aplicados a la PGD en base a la teoría de recursos y capacidades. En este artículo se analizan, bajo esta perspectiva, los factores que influyen en el grado de centralización en la transferencia de la política dependiendo de la ventaja competitiva que ésta supone tanto para la MNC como para la subsidiaria que la implementa. Por último, tras plantear el modelo, basado en la hipótesis de trabajo que se formula, se plantea cómo se va a realizar la contrastación empírica de la misma.

Xavier Vives

On December 12-15, attended in Granada, the Simposio de Análisis Económico, organized by the Asociación Española de Economía, where he presented the paper "Dynamic trading and asset prices: Keynes vs. Hayek", co-authored with Giovanni Cespa.

Abstract: (See page 6).

On November 19-20, a Conference on "Fifty years of the Treaty: Assessment and perspectives of competition policy in Europe", organized by the Public-Private Sector Research Center, was held at IESE in Barcelona. The following presentations were given:

Jordi Gual

"European Telecoms regulation: Past performance and prospects", co-authored with Sandra Jodar-Rosell.

Abstract: This paper provides a review of the telecommunications policy of the European Union. We discuss the motivations for the Commission's regulatory choices and give some evidence on their performance. In particular, we assess in more detail the effects of mandatory local loop unbundling on several market dimensions. We find that, to date, its benefits in terms of broadband adoption have been quite modest.

Xavier Vives

"Regulation and competition policy in the banking sector", co-authored with Elena Carletti.

Abstract: The banking sector has long been exempted from the application of competition policy because of the potential trade-off between competition and stability. In this paper we review the academic literature on this issue and describe the design of competition policy in Europe and the application of competition policy at the European level in the last two decades. The analysis highlights the fact that competition policy is now taken seriously in the financial sector. The European Commission has pursued cartels, abuses, mergers and state aids in the financial sectors, and it has taken some landmark decisions. Still, much remains to be done in terms of academic research and on the role that the European Commission can play also in fostering financial integration in Europe.



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Awards

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

Africa Ariño, in the Best Academic Article category, for her article "Strategic alliance contracts: Dimensions and determinants of contractual complexity", co-authored with Jeffrey J. Reuer, published in the *Strategic Management Journal* in 2007.

Tony Dávila, in the Best Book category, for the book series "The creative enterprise. Managing innovative organizations and people", in collaboration with Marc J. Epstein and Robert Sheldon.

Johanna Mair - Christian Seelos, in the Best Course category, for the course "Entrepreneurial strategies for social impact".

Doctoral theses

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

Elena Golovko

ESSAYS ON INNOVATION AND EXPORTS

(IESE) thesis director: Bruno Cassiman

Abstract: This dissertation studies the interrelation between firms' technological innovation and export strategies and the consequences of these strategies for firm performance. High technological performance is increasingly related to successful commercial and economic performance. At the same time, a strong export base is generally viewed as a key component for economic growth. Exporting and innovation are both important drivers of firm performance and, moreover, are very likely to be interdependent. The advantages created by successful innovation should translate into export performance for internationalizing firms. Also, with increasing international competitiveness, exporting firms face tougher competition and innovation becomes important to reduce competitive pressure.

This dissertation aims to disentangle this complex relationship between exports and innovation. It consists of three closely related essays. The first studies the effect of exports on firms' innovation performance (learning-by-exporting). To what extent do exports foster innovation activity? And, if exports do affect innovation positively, which firms benefit from it most?

The second essay analyzes the interrelation between innovation and the productivity-exports link. One of the basic empirical facts regarding productivity is a strong positive association between productivity and exporting activity at the firm level. This is explained by selection of more productive firms into exports. We

argue that the selection of more productive firms into exporting could be explained by innovation. Successful innovation enhances productivity, leading to the selection of productive firms into export markets.

The third essay examines whether innovation and export strategies are complementary in their effect on SMEs' organizational growth. The hypothesis is that innovation and exporting positively reinforce each other in a dynamic virtuous cycle. Hence, SMEs that both innovate and export outperform those that invest in only one of these strategies. The drivers of complementarity between exports and innovation are also investigated.

Edward Mungai Gacheru

EMPLOYEE TRANSITION TO ENTREPRENEURSHIP: THE INFLUENCES OF FAMILIES AND FIRMS

(IESE) thesis director: Rama Velamuri

Abstract: There is an emerging recognition that employees who transition from organization employment to become entrepreneurs may have identified valuable entrepreneurial opportunities and may subsequently have better entrepreneurial performance than other individuals. However, employees are usually reluctant to transition to entrepreneurship due to the risky income in entrepreneurship compared to a guaranteed income in organizational employment. This dissertation investigates how and why some employees and not others transition to entrepreneurship. It specifically focuses on how family influences may condition this transition decision.

Existing studies in entrepreneurship have highlighted the positive influence arising from parental entrepreneurship activity on their offspring's propensity to become entrepreneurs. This dissertation argues, first, that any such influence is dependent on parental performance in entrepreneurship and, secondly, provides empirical support for this argument in the context of self-employment, using US data. The dissertation shows that parental failure in self-employment has a negative influence on offspring's subsequent propensity to transition from organizational employment to self-employment.

The dissertation also investigates the employee transition process, which has been overlooked by previous studies. The results show that employees seek to have an economic safety net and favourable labour market conditions to protect their families against the negative economic consequences of failure in entrepreneurship. Also, employees may transition to entrepreneurship by joining new firm management teams. The identification of an entrepreneurial opportunity may not be a necessity for employee transition to occur.

The insights gained from the dissertation indicate two ways in which societies may increase entrepreneurship activity: 1) by encouraging employee transition to entrepreneurship, and 2) by encouraging flexible working time arrangements. In essence, the dissertation raises the question of whether organization employment is incompatible with employee entrepreneurship activity outside the employer organization.

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Erica H. Salvaj

ESSAYS ON INTERLOCKING DIRECTORATES AND CORPORATE BEHAVIOR

(IESE) thesis director: Fabrizio Ferraro

Abstract: This dissertation consists of three closely related essays on social networks and corporate behavior. In the first essay I review the literature on interlocks and corporate behavior and integrate the findings of extant studies on these issues. In the second essay, I explore in depth twenty-four cases of adoption of change-in-control agreements. In the third essay, I examine how the performance of a firm moderates the relation between social norms and the adoption of change-in-control agreements. The empirical results of my study indicate that social norms may prevent corporate irresponsibility but only when firm performance is low. When the firm is doing well, social norms may promote, rather than prevent, corporate irresponsibility.

Daxue Wang

EFFICIENT MARKET HYPOTHESIS AND ANOMALIES: EMPIRICAL STUDIES ON MAJOR FINANCIAL MARKETS

(IESE) thesis director: José M. Campa

Abstract: This dissertation is presented as three self-contained studies that concern market efficiency issues. Through these studies, we aim to help answer the question whether the financial markets are efficient and why.

Contribution 1 tests the profitability of momentum strategies in the United Kingdom, Germany, Japan, and China over the period 1991 to 2006 and sub-periods. As a result, we find that the United Kingdom and Germany exhibit rather stable medium-term return continuation for both RSS and WRSS over the entire sample period and sub-periods, while Japan shows a medium-term return reversal over the sub-period 1991-1998. For China we report momentum profits over the period 1995-2006 and the sub-period 2001-2006 with RSS. Furthermore, we use the results of RSS to check the influence of risk factors and transaction costs on the momentum returns, as well as calendar effects and other characteristics of momentum portfolios reported in the literature. With the results of WRSS, we examine the relative importance of time-series predictability and cross-sectional variation in accounting for the profits of momentum strategies.

Contribution 2 uses the cross-sectional variance of the betas to study herd behavior towards the market index in major developed and emerging financial markets (categorized as developed group, Asian group, and Latin American group). We propose a robust regression technique to calculate the betas of the CAPM and those of the Fama-French three-factor model, with the intention of diminishing the impact of multivariate outliers in return data. Through the estimated values obtained from a state space model, we examine the evolution of herding measures, especially their pattern around sudden events such as the 1997-1998 financial crises. This 1997-1998 turmoil turns out to have been a turning point for most financial markets. We document a higher level of herding in emerging markets than in developed markets. We also

find that the correlation of herding between two markets in the same group is higher than that between two markets in different groups.

In Contribution 3, we apply a GARCH model to examine the cross-autocorrelation pattern between daily returns of portfolios composed of dual-listed stocks in Chinese stock markets before and after China opened its once foreign-exclusive B-share market. A lead-lag relationship between the A-share and B-share portfolio returns is identified during our sample periods, with the A-share portfolio leading the B-share portfolio. Upon the opening of the B-share market, a change from underreaction to overreaction is found in the response pattern of the B-share market, producing a rarely seen negative cross-autocorrelation. The results of two additional tests are reported. First, by decomposing the portfolio return into portfolio-specific and market-wide returns, we find that the market-wide information contained in A-share portfolio return is strongly associated with the cross-autocorrelation structure. Second, we document a directional asymmetry in which the B-share portfolio shows either slow or over-response to bad, but not good, news of the A-share portfolio. Using the Granger Causality test, we observe a unidirectional volatility transmission from the A-share market to the B-share market before the opening of the B-share market, compared to a bidirectional transmission after the opening. We conjecture that information asymmetry alone is not enough to explain the empirical findings, and investor behavior must be taken into consideration.

IESE - Research Seminars

Economics

November 11

Speaker: Sanjay Peters, ESADE

"China and the 'environmental Kuznets curve'"

Abstract: This paper presents a rough-and-ready comparison of economic development and environmental performance indicators in China over the past few decades, in light of what might be predicted by the so-called 'Environmental Kuznets Curve' (EKC). Simply put, the EKC predicts that as industrialization proceeds, the level of environmental 'stress' produced per unit of production rises rapidly up to a certain level of per capita GDP, after which the amount of environmental stress per unit of GDP begins to fall, at least so long as the following two conditions are met: 1) the economy is reasonably responsive to the demands of citizens as consumers, and 2) the government is reasonably responsive to the demands of citizens as voters. The first condition is necessary to drive a shift in production from production of highly polluting industrial goods to production of less-polluting consumer goods and services. The second condition is important (if not strictly necessary) because, in its absence, governments are simply less likely to commit resources to reducing pollution problems.

China does seem to be moving along the EKC. Its precise location on that curve cannot be established with any certainty, but it



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plainly has not yet made the downturn towards lower-levels of environmental stress per unit of GDP. Over the past three decades, as China has begun to industrialize rapidly, pollution levels have risen fairly dramatically, as the EKC predicts. Somewhat more surprisingly, China has already begun taking serious steps to address at least some of its serious pollution problems, even though per capita income remains relatively low and Chinese citizens have only a very limited ability to influence environmental/industrial policy as consumers or voters.

This paper is planned as the first in a series examining and comparing economic development and environmental performance in China and India. The goal of the series is to discover what factors, including of course institutional and organizational factors, have influenced the common as well as the differential experiences of these two emerging economic giants.

Entrepreneurship

November 14

Speaker: David Kirsch, Robert H. Smith School of Business, University of Maryland

"Form or substance: The role of business plans and social networks in venture capital decision making"

Abstract: We explore a well-known instance of fast decision making under high uncertainty, venture capital (VC) opportunity screening. We analyze a sample of 722 funding requests submitted to an American VC firm and evaluate the influence of social mediation as well as the submission and content of business planning documents on VC funding decisions.

We improve on prior literature by a) using a large sample of known representativeness, and b) by relating request characteristics to actual VC decisions. We find that social mediation is only weakly associated with opportunity quality and therefore is a poor screening instrument. The presence of planning documents and some information contained therein is weakly associated with VC funding decisions. Based on our inferential strategy, we find that this information is learned independent of its inclusion in the business planning documents.

Managerial Decision Sciences

November 29

Speaker: Roberto Garcia-Castro, Post-doctoral Research Fellow, IESE Business School

"Does social performance really lead to financial performance? Accounting for endogeneity"

Abstract: The empirical relationship between a firm's social performance and its financial performance is still not well established in the literature. Despite more than 30 years of research and more than 100 empirical studies on the issue, the results are still mixed. We argue that the heterogeneous results found in previous studies are not due exclusively to problems related with the measurement instruments or the samples used.

Instead, we posit that a more fundamental problem related with the endogeneity of social strategic decisions could be driving most of the empirical findings. We show, using panel data on 658 firms from 1991-2005, how some of the results found in previous research change, and some are even reversed, when endogeneity is taken properly into account.

Managing People in Organizations

November 26

Speaker: Laura Illia, London School of Economics and Political Science

"Duality in organizations: Exploring why identity threat in organizations is difficult but manageable"

Abstract: This paper proposes an explanation of why identity threat in organizations is difficult, but manageable. An investigation of a changing university demonstrates that when members recognize a duality in the organization, they encounter the unpleasant experience of dissonance with that which is core for their social identity. Consequently, their preoccupation with changing what is core to their self-esteem fluctuates as individuals can react to a dissonant cognition in the following two ways: change the dissonant cognition to establish coherence in the organization or maintain it for emotional reasons. This paper discusses these findings according to their practical insights for managerial symbolic communication. Identity dissonances can be orchestrated by both lowering members' emotional concerns regarding losing something core to their self-esteem and increasing their cognitive preoccupation to create incoherency in the organization.

"Reconciling organizational beliefs and claims: Measuring the deep essence through day-to-day interpretations"

Abstract: This methodological paper proposes a way to measure organizational claims (categorical imperatives about an organization's essential character) through its organizational beliefs (members' day-to-day individual understandings of these claims). The paper's final aim is to show how to avoid managing an organization according to fancy claims that are meaningless for its members, thus privileging only that which motivates members and enforces a sense of unity in the organization. The paper illustrates the research steps, techniques and analysis through a study of a university. Specifically, a two-step research strategy is proposed. First, a qualitative categorical analysis and three interview techniques—critical incident, Kelly Grid, laddering—are proposed as reliable explorative methods to enlighten members' beliefs, claims and linkages between the two. Second, a survey and a structural equation modelling (SEM) analysis are suggested as excellent methods for not only confirming among a broad number of members the previously assessed claims and beliefs, but also certifying whether the claims are collective despite permeating within members' plural beliefs.

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November 30

Speaker: Fabrice Cavarretta, INSEAD

"Better, best or worst team? Linking intra-team diversity to extreme team performance"

Abstract: Intra-team diversity has contradictory effects, both improving information and hindering social integration, resulting in a neutral average effect on team performance. Combining these effects differently allows the prediction of a U-shaped relationship of diversity to performance variability, improving on past prediction of a simple increase. The reanalysis of a field study of 35 teams in a business simulation confirms such effect for three demographic and two cognitive diversity variables. An analysis combining both mean and variability effects leads to improved predictions, and the conclusions regarding the effect of age diversity drawn from a conventional mean analysis even reverse if aiming for an extreme performance goal.

Marketing

December 12

Speaker: Florian Stahl, Columbia Business School

"Optimal pricing of information goods: Which part should be free?"

Abstract: This paper examines optimal pricing and sampling of information goods to maximize firms' revenues from sales and advertising. We develop both a one-period and a two-period model where free samples of the information good influence the quality experience and the demand of paid information goods. The model focuses on firms' decision of optimal sampling and pricing of the information good at the same time because of the indirect effect of sampling on the demand of the paid version and the advertising revenues of the free sample. Results are derived analytically, by numerical methods, as well as empirically. The model suggests 1) it is optimal to offer the information as a paid information good when customers' basic valuation and quality experience exceeds revenues from advertising, and 2) offering a free sample always optimizes revenues from sales and advertising if the firm takes consumers' updating of their basic valuation after the quality experience of the free sample into account. These results are consistent with empirical findings from an analysis of a sample of 45 suppliers that offer free and paid versions of digital information goods. From the empirical analysis we also derive implications regarding lock-in effects which can be observed with high significance measures.

Speaker: Elena Reutskaja, Universitat Pompeu Fabra

"Satisfaction in choice as a function of the number of alternatives: When 'goods satiate' but 'bads escalate'"

Abstract: Whereas people are typically thought to be better off with more choice, studies show that they often prefer to choose from small as opposed to large sets of alternatives. We propose that satisfaction from choice is an inverted U-shaped function of

the number of alternatives. This proposition is first derived theoretically by considering the benefits and costs of different numbers of alternatives. Second, we demonstrate the inverted U-shaped "satisfaction function" experimentally. Moreover, hypothesizing differences in processing costs, we demonstrate how this affects the relative location of the peak of the function. Third, we conduct questionnaire and eye-tracking studies to verify our conjecture about processing costs. Fourth, we demonstrate effects of psychic costs by showing that satisfaction in choosing from a given set is diminished if people are made aware of the existence of other choice sets. The role of individual differences is documented by noting effects due to gender and culture. We conclude by emphasizing the need to have an explicit rationale for knowing how much choice is 'enough'.

Speaker: Mitja Pirc, Universitat Pompeu Fabra

"It matters how you pay: Cost type importance depends on payment mechanism"

Abstract: Consumers can take two perspectives on cost of services and goods: average cost (defined per unit of interest) and total cost (aggregated over a number of units). The research question is which of these two cost types (average, total) is more important in consumer judgment and decision making. It is proposed that cost importance depends on how specific cost type is linked to decrease in consumer resources. This link is influenced by the payment mechanism used by the consumer. Support is found across three studies: a field experiment with metro commuters, a controlled experiment in the skiing context, and a field study in mobile telecommunications.

Production, Technology and Operations Management

November 22

Speaker: Peter Berling, Växjö University

"Real options theory's implication on inventory control decisions"

Abstract: The influence that financial risks have on optimal inventory control decisions has received increased attention since the mid 1990s. This seminar is based mainly on two papers within this area ("The Effects of Financial Risks on Inventory Policy" and "The capital cost of holding inventory with stochastically mean-reverting purchase price") and one paper prompted by the findings in the earlier papers ("Holding cost determination: An activity-based cost approach").

Methods for adjusting well known models for determining the reorder point and the order quantity so that they incorporate the financial risk associated with stochastic demand and stochastic set-up cost are presented and the value of such adjustment is discussed. The general conclusion is that the value of adjusting the policies with respect to the risk associated with the first two, i.e. stochastic demand and stochastic set-up cost, is limited, whereas taking the risk associated with a stochastic purchase price into account is crucial. A good way to incorporate this risk is to set the capital cost of holding inventory equal to the current purchase



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price times a capital cost rate that is computed as the sum of the risk-free interest rate and the rate at which the risk-adjusted purchase price is expected to decrease. For goods quoted on commodity exchanges the price decrease may be estimated directly from the prices on forward contracts. The size (and sign) of the resulting capital cost rate varies considerably for different commodities and over time, and indications are that on average it is close to zero.

There is need to decide over which horizon to measure the capital cost rate if it varies with time. This problem has been investigated for the order quantity decision by investigating a standard EOQ-problem, except that the purchase price is not assumed to be stationary; instead, it is assumed to follow the stochastically mean-reverting Ornstein-Uhlenbeck process, which frequently appears in the Financial Economics literature. The optimal policy is derived and compared with heuristics based on the Silver-Meal, the Part Period algorithm and the EOQ formula. The heuristic idea is to compute the holding cost as the sum of the out-of-pocket holding cost and the capital cost where the latter is estimated as the expected discounted price change, per period, by period or as an average measured over a predetermined time interval. Simulation tests suggest that the EOQ formula should work well when the average price change is measured over 1/3 to 2/3 of the order cycle. Given the expected future purchase prices, an iterative procedure for finding this order quantity is presented. The fact that the capital cost might be negative –and indications are that on average it is close to zero– is also interesting, as this cost normally is assumed to make up the main part of the holding cost. In the first case it most definitely is not so and the indications imply that it is not even true in general. This shows the need for a more general model of the cost of holding inventory. One such model, based on the ideas behind Activity-Based Costing (ABC), will be presented. This method shows great potential, with a maximum increase of just 0.01% in the numerical examples and with substantial savings (>15%) compared with the traditional approach, i.e., setting h as a percentage of the product value.

Strategic Management

November 22

Speaker: Markus Reitzig, London Business School

"Patent sharks and the sustainability of value destruction strategies"

Abstract: Patent sharks (a.k.a. patent trolls) appropriate innovation rents by threatening to patent-block other players' R&D-related value creation. Scholars have identified two inefficiencies in legal practise (patentee-friendly injunctions and the granting of excessive damage awards) as drivers of these 'destructive' strategies, suggesting that policy changes can suppress the shark business in the future. Modelling interactions between sharks and manufacturers within a bimform game, we show formally that the shark problem is more subtle from a theoretical managerial perspective and sustainable to policy changes in part. Patent extortion will remain a viable strategy in technologically crowded industries when sharks choose patents on

inventions that 1) can be invented around rather easily before infringement, but 2) are sufficiently sophisticated to be upheld in court, and 3) create significant mid-term switching costs for manufacturers after infringement. By presenting original data on all publicly reported cases of patent shark attacks, we provide empirical indications a) that different sharking strategies as predicted by theory exist in practise, and b) that a significant share of professional shark firms already pursue strategies that are likely to remain sustainable after legal changes. We discuss implications for management theory in the area of innovation strategy and business strategy more broadly.

December 13

Speaker: Xavier Martin, Tilburg University

"Learning, knowledge transfer, and technology implementation performance: A study of 'time-to-build' in the global semiconductor industry"

Abstract: Organizational growth and performance hinge upon the effective deployment of productive knowledge in new facilities. Getting those facilities operational, however, can be difficult and time-consuming. Interestingly, we understand little about what determines performance in building fully operational facilities. In this paper we help fill this gap by analyzing multiple determinants of time-to-build, i.e. the time it takes a firm to build and ramp up operations at a new manufacturing facility. Theoretically, we develop predictions regarding the effects of market, firm, and technology characteristics on time-to-build. Empirically, we test our predictions on a sample of plant construction projects in the memory segment of the global semiconductor industry. We find that competition from rivals with superior technology is associated with shorter time-to-build, at least up to a point. Firm –and industry– experience is associated with shorter time-to-build. International projects, and those that push the technological frontier, take longer. Findings from this study enrich the literatures on corporate growth, international expansion, and technology strategy. We discuss implications for research and practice.

Research Seminars

Fabrizio Ferraro

On November 16, at the Columbia Business School, New York, and on December 7, at MIT, Cambridge, presented the paper "Accounting for sustainability: Analogical Work and the global reporting initiative", co-authored with Dror Etzion.

Abstract: We study institutional entrepreneurship in an emergent field by analyzing the case of the Global Reporting Initiative (GRI) and its efforts to purposefully institutionalize the practice of sustainability reporting. We focus on the role of naturalizing analogies in the institutionalization process, and suggest that analogies can facilitate successful institutional change in a

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two-stage process. In the first stage, the emphasis is on conformity and legitimacy, attainable through analogy to existing institutions and based on easily invoked schemas. In the second phase, once initial acceptance from the environment has been secured, cracks in the analogy, rather than being muted, are allowed to develop and probed as issues worthy of attention. This theoretical contribution helps explain how analogies to existing institutional practices can simultaneously provide legitimacy to novel institutions and be the basis for a creative process of institutional design.

Javier Gómez

On November 13, at Universitat Pompeu Fabra, Barcelona, presented the paper "Changes in emerging market volatility and outliers: Revisiting the effects of financial liberalization", co-authored with Fernando Pérez de Gracia and Juncal Cunado.

Abstract: In this paper we test whether the structure of emerging market volatility has changed due to the financial liberalization processes that some of these markets went through in the late 1980s and early 1990s. The opening of financial markets tends to generate outlying returns around the opening dates, thus giving the appearance of increases in market volatility. We include outlier detection methodologies in our location of endogenous breaks in order to filter out this effect. Our results suggest that changes in volatility behavior have indeed been induced by financial liberalization of emerging markets, but the change is not always in the same direction: Latin American countries have enjoyed lower volatility, whereas Asian countries seem to have suffered increases in market instability. Additionally, all markets have become more subject to occasional large shocks.

On November 29, at Università di Sassari, he presented the paper "Financial development and the asymmetry of monetary policy", co-authored with Luis Carranza (Minister of the Economy, Peru) and José Enrique Galdon (UPNA and IZA).

Abstract: In this paper we develop a simple model of the relationship between financial market development and investment by entrepreneurs in the presence of a Central Bank. The model analyzes how the level of financial development affects the way lending rates, and therefore the volume of credit and output, react to monetary policy actions. We show that in countries where financial markets are poorly developed, lending rates may react in an asymmetric manner to monetary expansions and contractions; i.e. monetary contractions generate a larger impact on credit than expansions. Other implications of the model are in line with those in the literature. Cross-country empirical evidence for this asymmetry is obtained from a large panel dataset.

Pinar Ozcan

On November 9, at Bilkent University, Turkey, presented the paper "What networks do to firms and what firms do to networks: Evolution of alliance portfolios in networked markets".

Abstract: This study explores the question of how alliance portfolios change over time. In the setting of the U.S. wireless gaming market, I collected real-time and longitudinal data on entrepreneurial game publishers over two and a half years. These data reveal that alliance portfolios of firms can grow or deteriorate rapidly through virtuous or vicious cycles, depending on their starting position in a networked market. Firms in a virtuous cycle have the additional advantage that they can use resource-dependence strategies to fuel the virtuous cycle further. Finally, I find that changes in a firm's alliance portfolio occur simultaneously with other firm-level changes, such as physical growth, new rounds of financing, public offering and game coverage. The findings have potential contributions to literature at the firm, portfolio, and network levels. Overall, the picture provided is one that advocates multi-level and longitudinal analysis for the understanding of firm, portfolio, and network-level outcomes deriving from firm-level interactions and portfolio strategies.

Miscellaneous

Santiago Alvarez de Mon

On November 8, attended in Ciudad Juárez (México), the conference organized by Fundación del Empresariado Chihuahuense, where as author of the book "Desde la adversidad" he gave the lecture "Autoliderazgo: Cuestión de carácter".

Antonio Argandoña

On December 12, attended in Pamplona, the Foro de Empresarios de Navarra, where he took part in a roundtable on "Implicaciones económicas y éticas de la denominada crisis subprime".

Nuria Chinchilla

On September 29-30, attended in Oslo, the 10th International Women's Forum, where she gave the lecture "Female ambition: How to create a happy, healthy, and successful life".

Adrian Done

On October 31, attended in London, a CriticalEYE discussion group, hosted by GlaxoSmithKline and attended by senior European supply chain directors, where he chaired a panel discussion on "Managing knowledge in 21st Century supply chains" and presented his recent research paper, "Are you a supply chain champion?".

Abstract: Knowledge management in supply chains is not 'hot air' – it is the next step in attempting to reduce the ever present and harmful 'bullwhip effect' in supply chains (as demonstrated by the management training Beer Game simulation). Furthermore, effective supply chain knowledge management strategies offer



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new ways of out-competing others in a world where every company now has the opportunity to create highly integrated supply chain links. In this regard, recent studies have shown that, not unlike sports teams, supply chains benefit from leadership. Collaborative supply chain integration does not just happen – it is typically part of a strategy enacted by a ‘champion’ in close cooperation with its up- and downstream partners. This fact leads to a simple but profound question, which every 21st century supply chain professional should periodically ask themselves: “Who is the champion in our supply chain?”.

Pablo Fernández

On November 29–30, attended in Almería, the II Simposio Internacional de Valoración de Empresas y Análisis de Pymes, where he gave the lecture “La tasa de descuento en la valoración de Pymes”. He was also a member of the scientific committee.

Heinrich Liechtenstein

Presented the first results of the Single Family Office Study at several highly respected conferences, including the “Investment Strategy Forum” and “The Campden European Family Office Workshop & Conference” in London, and the “Asset Allocation for 2008 of Le Club B” in Vienna. This cross-continental research project, under the auspices of the Wharton Global Family Alliance, is the first comprehensive, global study of its kind involving participants from Europe, the Americas and Asia.

Domènec Melé

On November 7, attended in Tarragona, the 10ª Jornada de Estudio para Empresarios, where he gave the lecture “Espiritualidad en el liderazgo: La imprescindible fuerza interior”.

Pedro Nuño

On November 27–28, attended in Madrid, the IV Foro España-China, where he gave the lecture “Colaboración entre empresas españolas y chinas en terceros países”.

Juan Roure

On October 17–20, attended in Miami (as a member of the Organizing Committee), the Conference organized by the Family Firm Institute, where he presented a conceptual framework to promote “La iniciativa emprendedora en la familia empresaria”, illustrated by the Motta case.

Fundación de la Empresa Familiar (Santa Fe, Argentina) and Universidad Nacional de Río Cuarto (Córdoba, Argentina) have dedicated the 1st Latin American Family Business Conference (Congreso Latinoamericano de la Empresa Familiar) to “**Miguel Angel Gallo**”. The conference will take place on November 26–27 at Universidad Tecnológica de la Ciudad de Santa Fe.

Teaching materials

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

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

Business Ethics

Fusplas, Inc.: Appointing a New CEO (B)
(BE-164-E - 0.307.010)

This case provides information in the possession of one of the directors that sheds light on the behavior of two of the other directors and helps explain their votes. This information confirms certain suspicions that may have arisen in part (A) (BE-163-E). It also provides an opportunity to explore the character of some of the individuals in the case.

(Also available in Spanish.)

Melé D.; 2 pages.

Codes of Business Conduct: Conditions for Success, Preparation and Implementation
(BEN-126-E - 0.307.020)

Corporate codes of conduct, or corporate ethics codes, present the values, criteria and rules that management believe members should follow when faced with certain dilemmas or business situations. In this note we discuss the arguments for and against such codes and the keys to their success. We also give recommendations for drafting and implementing codes of conduct.

(Also available in Spanish.)

González C.; Melé D.; 22 pages.

Entrepreneurship

Mormedi, S.A.
(E-74-E - 0.605.012)

In June 2004, Mormedi, a Spanish company modeled on the northern European design studios, was back in profit thanks to its aggressive pricing policy in Spain, although it had also directed its commercial plan towards the international market, which paid up to 50% more for design services. The company's priorities were to get more business and develop a higher profile. It was earning more than it had the year before, but its margins were too low and it had to continually readjust its income forecasts. While working on increasing client numbers, Mormedi realized that it had been losing opportunities for work in the retail sector, as it did not do

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'turnkey projects'. Although this type of work was not normally taken on by design studios, the price constraints faced by the sector meant that the company had to consider whether it could continue to turn down such opportunities.
(Also available in Spanish.)

Fité R.M.; Nueno P.; 23 pages.

Logisfashion, S.A.: International Expansion (E-103-E - 0.606.060)

One morning in May 2006, barely a week after Logisfashion had presented its new global supply chain services at the International Logistics and Material Handling Exhibition (SIL) in Barcelona, CEO Juan Manzanedo's colleagues were waiting for him in the board room to confirm the hiring of an international expansion manager. While 2005 had been a year of adjustments and forward planning, 2006 was set to become the year of internationalization. Growth was projected to be in the region of 20% and the company expected to close the year with a turnover in excess of 13 million euros. The latest plan envisaged an almost fivefold increase in sales over the next five years, thanks to international markets. It was an ambitious target, but as the plan itself stated, 'to achieve our dreams we must believe in them.'
(Also available in Spanish.)

Fité R.M.; Nueno P.; 16 pages.

Vinos de los Herederos del Marqués de Riscal: La Ciudad del Vino (E-108-E - 0.607.016)

Things were changing in the world wine market. Large wine groups were being formed, boasting a wide range of brands and high marketing capacity. The supply of wines was growing and the pressure from retail chains had sparked an intensification of competition. Quality Spanish wines, associated with specific regions following the European denomination of origin model, were competing with higher quality French and Italian wines and new producers who priced aggressively. Rioja reds led the market in Spain in this segment. The range of Rioja wines was growing and becoming more competitive. Internationally, Rioja had become synonymous with Spanish wine. By contrast, the Rueda winemaking region was less well known outside Spain. The Vinos de los Herederos del Marqués de Riscal winery had a good competitive positioning, with an approximately 20% share of Rioja sales and 11% of sales of Rueda wines. It was one of the few wineries that sold its entire production each year. The brand was respected and the company worked with a well established network of distributors in Spain and abroad. In 2007, the priority for Marqués de Riscal was to convert the existing brand awareness into a stronger positioning, building on the investment the company had made in La Ciudad del Vino (The City of Wine), an innovative alternative marketing campaign based on architecture. With this campaign Vinos de los Herederos del Marqués de Riscal

had made a leap from the 19th century directly into the 21st, becoming a prestige brand rather than a traditional winery. The success had exceeded expectations and management needed to prepare a plan for the period 2008-2012, detailing the means of exploiting this success.
(Also available in Spanish.)

Fité R.M.; Nueno P.; 30 pages.

Memoranda of Understanding (MoU) and Letters of Intent (LoI) in an Entrepreneurial Context (EN-13-E - 0.608.001)

The objective of this note is to provide an introduction to Memoranda of Understanding (MoUs) and Letters of Intent (LoIs). The aim is not to replace the advice of a seasoned lawyer, but rather to guide students and entrepreneurs on the basics of such documents.

Mitchell J.; Prats M.J.; Wakeling N.; 27 pages.

Financial Management

Alfa Spain (F-813-E - 0.207.008)

In October 1997, Byko, a Spanish automotive system supply concern, won a door panel contract for the Seat Córdoba. Two years later, the Spanish unit which had won the project had been sold to Alfa Automotives Co. (Alfa) and representatives from the sales and production departments were assessing the impact of a new project (a door panel for the Seat Córdoba) on the company's net working capital and short-term financing needs. The case gives students an opportunity to analyze the financial impact of the new contract on the various drivers of the firm's net working capital. It explains the links between some of the purely operational aspects of the new contract with the firm's need for additional funds to finance this contract.

Rahnema A.; 12 pages.

Aro, S.A.: The Valuation of CMI (Componentes de Metallo de Italia, SpA) (F-815-E - 0.207.010)

Aro, S.A., a major French automotive manufacturer, is considering buying one of its suppliers, CMI. Students must value CMI by performing free cash flow analysis, balance sheet analysis and peer multiples.
(Also available in Spanish.)

Mitchell J.; Rahnema A.; 8 pages.



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Managing People in Organizations

Doubts of an Idealistic Young Manager (B) (DPO-97-E - 0.407.004)

Continuation of the case "The hesitations of an Idealistic Young Manager (A), DPO-90-E". A trip to Lima awakens the central character's 'social conscience'. He starts to ask himself questions, such as 'How can I combine a job I enjoy doing (finance) with doing something good for the world?'. He tries to find a balance. (Also available in Spanish.)

Rodríguez J.; Ribera A.; 2 pages.

Inma Shara, the Conductor as Manager (DPO-104-E - 0.407.020)

Orchestra conductor Inma Shara reflects on her profession and her life: her musical career, how she prepares for concerts, how she leads orchestras, people management, creating affective ties, creativity, discipline, emotional commitment, success, time management, balance... (Also available in Spanish.)

Alvarez de Mon S.; Sánchez M.J.; 38 pages.

Rudolf Schwarz en Ariadna AG (B) (DPO-110 - 0.408.006)

En octubre de 2007, Rudolf Schwarz (53 años) fue nombrado director de sector público para Europa occidental de GB Telecom. El nombramiento se produjo dentro de una reorganización del comité de dirección de Ariadna AG, empresa alemana adquirida por GB Telecom a finales de 2003. Rudolf siguió manteniendo una relación muy cordial con Christoph Reifers, consultor que había sido su *coach* durante más de medio año en 2006. Se veían con regularidad. Poco después de hacerse público el nombramiento de Rudolf comieron en Zurich. Como era habitual, Rudolf acaparó la conversación. Parecía contento y habló sobre cómo prepararía su *retiro dorado*? Aunque se esforzaba por prestarle atención, Christoph, sin embargo, recordaba que, tras un año 2005 en el que el cumplimiento de objetivos fue problemático, debido a la excesiva ambición a la hora de establecerlos, Rudolf batió los del 2006 de modo casi espectacular; y se preguntaba qué les había faltado para superar unos problemas que anidaban dentro de Rudolf.

Pin J.R.; Stein G.; 2 pages.

Management by Missions at Sony España: History of a Cultural Change (DPO-111-E - 0.408.007)

The case describes the implementation of a system of "management by missions" as a tool of cultural change and its

impact on leadership in a company. Many companies have tried to define and communicate a corporate mission and values that give meaning to corporate objectives and day-to-day management. Despite all the effort, very few companies have succeeded in creating and sustaining a sense of mission that really motivates people continuously. The further down the organization one goes, the more one finds that people cease to identify with the mission and values, which are perceived, as one plant manager working for a German multinational put it, as "a purely theoretical exercise that has nothing to do with the problems we have to deal with in our daily work". The reason for this is the fundamental dichotomy between mission and values, on the one hand, and day-to-day objectives, on the other. Management by objectives (MBO) tackles the problem by focusing the organization on the short term, neglecting the qualitative aspects of the corporate mission. These qualitative aspects, combined with certain issues that arise under MBO such as excessive internal rivalry, dishonest practices or loss of employee collaboration and commitment, prompt a demand for a new management system that will orient and enrich the organization's day-to-day management and objectives. To meet this demand, we have developed "management by missions" (MBM), a system that orients organizational objectives and decision making toward the organization's deeper purpose, its reason for existence: the corporate mission and values. This system is designed to ensure that mission and objectives are aligned and mutually reinforcing. (Also available in Spanish.)

Cardona P.; Rey C.; 13 pages.

Introduction to Corporate Speech-Making (DPON-47-E - 0.406.033)

There are many types of speeches and as many ways of drafting and delivering successful speeches. However, in Corporate Communications we have clustered the different types of speeches into three categories: rational, emotional and visionary. Rational speeches follow the "presentation" format, which is dealt with in another technical note. The other two types of speech (emotional and visionary) have been included to give you some indication of what we shall be covering later on. One thing all three types of speech have in common is the need to draft them with our audience in mind.

Leggett B.; 21 pages.

The Languages of Influence (DPON-58-E - 0.407.002)

Understanding other peoples' 'language' gives us an enormous advantage. It helps us know what language to use with them, how they feel, and what they need most. It helps us empathize with them. It helps us speak to them and understand their replies. According to William Isaacs, an MIT researcher and author, we all have a combination of three different languages: the languages of

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'feeling,' 'meaning' and 'action' (or 'power'). This is a triad in which all three are present, but in which one, or a particular mix, tends to predominate. For practical purposes we have identified three language functions (as opposed to styles): persuading, negotiating and action. Can we be equally good at using all three language functions? Probably not, but we can certainly use all three effectively, even if we feel happiest with one particular language or mix. For this study we have chosen four well-known international political figures (John Kennedy, Lyndon Johnson, Ronald Reagan and Margaret Thatcher). From these profiles we can learn to identify each person's dominant language and how people use language to influence their audiences.

Leggett B.; 11 pages.

Some Practical Reflections on New Senior Managers (DPON-61-E - 0.407.009)

Experience teaches us that various factors affect a successful handover in senior management, factors whose importance correlates to the degree of responsibility the new post entails. When John J. Gabarro carried out the first systematic study of the factors that determine whether a manager is successful when promoted to the post of CEO in a large company, he identified four: waiting period before the manager takes up the job; foreseeable stages in the transition; previous experience in the industry; and relationship with the predecessor. It is a process in which learning, decision-making and actions are mixed together. This mix gives rise to the challenges and situations the new CEO has to face. However, the level of responsibility affects all the other factors.

(Also available in Spanish.)

Stein G.; 7 pages.

Marketing

Cadbury España: recuperando el liderazgo del mercado (M-1199 - 0.507.014)

El caso versa sobre la estrategia comercial implantada por Cadbury para recuperar el liderazgo de Trident en el mercado español.

Garcés R.; Chiesa C.; 19 pages.

Cadbury España: recuperando el liderazgo del mercado - Nota del instructor (MT-27 - 5.507.015)

Case M-1199.

Use is restricted to Academic Institutions.

Garcés R.; Chiesa C.; 9 pages.

Sales Force Size and Deployment (MN-362-E - 0.507.004)

For many companies, the biggest cost in bringing products to market is the sales force. Decisions about the size of the sales force and how salespeople are allocated to territories, products or customer segments can have a decisive impact on sales and profits. A company that has too few salespeople will miss opportunities, which will be seized by competitors, while a company that has too many salespeople will be inefficient and burdened by selling costs. The same applies if instead of sizing the sales force at an aggregate level, we do so at the level of the individual territory, product or segment. In practice, though it is difficult to find the ideal balance, there are methods we can use to get as close to it as possible. (Also available in Spanish.)

Muñoz-Cobo D.; Villanueva J.; 20 pages.

Production, Technology and Operations Management

Famosa. Global Production Strategy (P-1085-E - 0.607.018)

In 2003, Famosa, one of the world's top ten toy manufacturers, starts a restructuring that ends with the outsourcing of part of production to China. This restructuring forces the new production manager to reconsider the company's entire manufacturing strategy and face various fundamental challenges. On the one hand, manufacturing in China cuts costs. However, it also significantly extends delivery lead times, making production less responsive to demand. In the toy industry, with high seasonality, uncertain demand and short product life cycles, Famosa's results depend to a large extent on having the flexibility to adapt production to demand. At the same time, manufacturing in China means having to build and manage relationships with new suppliers. The case describes Famosa's new production strategy and highlights the questions and possible answers considered by production management to reduce risk and improve supplier management. The issue of whether offshoring is really the best solution for Famosa is considered. The case is applicable to companies in industries with innovative products that have a short life cycle and seasonal sales, such as fashion, jewelry or publishing. It also applies to consumer goods sectors in which cost pressures force companies to consider offshoring production to low-cost countries. The case is supplemented by a simulation exercise (Famosa, PE-71) to help compare different production strategies. (Also available in Spanish.)

Lago A.; 18 pages.



Newsletter Research Division

University of Navarra

Famosa. Estrategia de producción global - Ejercicio (PE-71 - 0.607.019)

Este ejercicio complementa el caso Famosa (P-1085). En 2003, Famosa, uno de los diez mayores fabricantes de juguetes en el mundo, inicia un proceso de reestructuración que le lleva a deslocalizar la mayor parte de su producción a China. Este es un ejercicio piloto de simulación donde el lector debe tomar la posición de la persona encargada de planificar la producción en la compañía. Se le presentan datos sobre seis familias de productos y varias posibilidades de producción.

El caso explica en detalle la nueva estrategia de producción de la compañía y plantea las dudas y posibles soluciones que la dirección de producción considera para reducir el riesgo en la producción y mejorar la gestión de los proveedores.

Lago A.; 5 pages.

Occasional Papers

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

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Sandra Sieber - Josep Valor - Valentín Porta

LA EXTERNALIZACIÓN DE LOS SERVICIOS DE TIC Y EL BUSINESS PROCESS OUTSOURCING (BPO)

OP-08/3 - November 2007

Sandra Sieber - Josep Valor - Valentín Porta

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