



University of Navarra

Newsletter Research Division

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IESE - Occasional
Papers

Journals

José Manuel Campa - Simi Kedia

"Explaining the diversification discount",
Journal of Finance, Vol 57, No 4, August 2002,
pages 1731-1762.

Abstract: Diversified firms trade at a discount relative to similar single-segment firms. We argue in this paper that this observed discount is not per se evidence that diversification destroys value. Firms choose to diversify. Firm characteristics which make firms diversify might also cause them to be discounted. Not taking into account these firm characteristics might lead us to wrongly attribute the observed discount to diversification. Data from the Compustat Industry Segment File from 1978 to 1996 are used to select a sample of single-segment and diversifying firms. We use three alternative econometric techniques to control for the endogeneity of the diversification decision. All three methods suggest the presence of self-selection in the decision to diversify and a negative correlation between firms' choice to diversify and firm value. The diversification discount always drops, and sometimes turns into a premium, when we control for the endogeneity of the diversification decision. We do a similar analysis on a sample of refocusing firms. Again, some evidence of self-selection by firms exists and we now find a positive correlation between firms' choice to refocus and firm value. These results consistently suggest the importance of taking the endogeneity of the diversification status into account in analyzing its effect on firm value.

Jordi Canals

"Internet, innovación y estrategia de la empresa. Lecciones de un fracaso y oportunidades de futuro", *Economía Industrial*, No 339, 2001/III, pages 37-50.

Abstract: El fracaso de la primera generación de empresas basadas en Internet ha hecho cuestionar el potencial de Internet para cambiar radicalmente la naturaleza de las empresas y de los sectores. El presente trabajo analiza el impacto de Internet sobre las empresas desde la perspectiva de la innovación empresarial. Esta perspectiva plantea algunos conceptos adicionales para comprender mejor tres temas relacionados con Internet. Primero, el lento ritmo de implantación del comercio electrónico. Segundo, los débiles cimientos sobre los que se han fundamentado muchas estrategias empresariales en Internet. Tercero, los principios estratégicos por los que debería regirse la próxima generación de empresas basadas en Internet.

Bruno Cassiman - Sandra Sieber

"El impacto de Internet sobre la estructura de los mercados", *Economía Industrial*, No 339, 2001/III, pages 13-24.

Abstract: (See page 3).

Jordi Gual - Sandra Jódar

"Política de competencia en el sector de las tecnologías de la información", *Economía Industrial*, No 339, 2001/III, pages 61-74.

Abstract: En el sector de las TI es muy fácil que el mercado se decante por una sola empresa.



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Sin embargo, el resultado no es el monopolio tradicional, sino una situación más compleja en la que cualquier monopolio puede ser superado por empresas rivales a través de la innovación. En este artículo se examina la política de la Comisión Europea en este sector. De los casos analizados se concluye que la política de la Comisión se centra en evitar abusos asociados al control de las redes, reales o virtuales. La política de la competencia es suficientemente flexible, por tanto, para tener en cuenta las peculiaridades de las TI. No obstante, algunas políticas en materia de licencias y apertura de redes pueden constituir frenos al desarrollo del sector.

Books

Pablo Fernández

"Valuation methods and shareholder value creation", Academic Press Publishers, 2002, 640 pages.

Abstract: The book provides a comprehensive catalog of valuation tools, together with guidance on analyzing and valuing a business. It covers the basics of valuation methods and shareholder value creation, in addition to discussing rigorous approaches to discounted cash flow valuation and real options for valuing a company. The author breaks the topic down to provide advice for any business, no matter how complex. By examining eight different methods of discounted cash flow valuation and discussing the pros and cons of each method, he gives a thorough, yet straightforward and accessible exposition of corporate valuation. Amply illustrated with examples and case studies from international markets, *Valuation Methods and Shareholder Value Creation* offers well-structured guidance that will be an invaluable resource for practitioners and students alike.

You may download the contents of the book and Excel spreadsheets containing the 113 figures and 131 tables from the following URL: <http://web.iese.edu/pablofernandez/valuation.html>

"Valoración de empresas", 2nd edition, Gestión 2000. This second edition includes two new chapters; eight chapters have been significantly revised, and the remaining fifteen chapters have updated and modified.

Abstract: El libro proporciona al lector los conocimientos necesarios para comprender y utilizar los distintos métodos de valoración. También dota al lector de las herramientas necesarias para analizar y valorar cualquier empresa por compleja que sea. Asimismo, contiene valoración de empresas de Internet (ver capítulos 8, 19 y 34). Para ayudar al lector en la asimilación de los conceptos, el libro contiene 200 figuras, 250 tablas y más de 100 ejemplos.

The reader will find some of the references from the book and up-to-date information at the following URL: <http://web.iese.edu/PabloFernandez/>

Eduardo Martínez Abascal – Jordi Guasch

"Gestión de carteras de renta fija", McGraw-Hill, 2002, 323 pages.

Abstract: El libro pretende dar una explicación sencilla y con clara orientación práctica sobre los productos y el modo de gestionar una cartera de renta fija. Recoge la experiencia práctica en gestión de renta fija.

En la primera parte del libro se explican los conceptos básicos de valoración, rentabilidad y riesgo en los instrumentos de renta fija. Posteriormente, se explican los productos principales dentro de la renta fija, tanto de mercado monetario como de mercado de deuda y productos derivados de renta fija. Por último, en la parte más extensa, se explican las diversas estrategias de gestión en renta fija y cómo llevarlas a cabo.

Juan Manuel de Toro (et al.)

"La comunicación y relaciones públicas en España", Pirámide, 2002, 112 pages.

Abstract: La actividad propia de una agencia de comunicación y relaciones públicas consiste en: el asesoramiento y diseño de la estrategia de comunicación interna y externa de sus clientes, la ejecución de las acciones que constituyen los planes de comunicación, la relación con los medios de comunicación e instituciones y el diseño e implantación de la imagen corporativa. El volumen de este sector en el año 2000 fue de alrededor de 32.000 millones de pesetas. Esto representa un 1,5% del total de la inversión publicitaria en nuestro país y un 3% sobre la inversión en medios no convencionales. El 100% de las agencias coincide en pensar que la actividad de comunicación y relaciones públicas se incrementará en los próximos años. La especialización en el servicio, la integración en grandes grupos de comunicación y la globalización son las tendencias mayoritariamente aceptadas por las agencias para el futuro. La dificultad de encontrar profesionales cualificados de la comunicación es el factor limitativo al crecimiento futuro más señalado por las agencias de comunicación.

Estudios y Ediciones IESE, S.L. has published the book "Managing health systems for better health: The stewardship function of health ministries", edited by **Jaume Ribera** and **Magda Rosenmöller**, with the collaboration of **Antoni García Prat**, Jorge Pancorvo (UDEP) and Julio Sánchez Loppacher (IAE), 347 pages, 2002 (also available in Spanish under the title "Gestionando la mejora de la salud: La función de rectoría de los ministerios de salud").

Abstract: This is the second book of cases on health sector reform in Latin America and the Caribbean. The cases were discussed at the fourth Eurolac Forum, "Managing Health Systems for Better Health: The Stewardship Function of Health Ministries", held in February 2002 in Malaga, Spain, and sponsored by the World Bank's Vice Presidency for Latin America and the Caribbean, the

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Spanish Ministry of Health and Consumption, the Pan American Health Organization and the Sustainable Development Department of the Inter-American Development Bank.

Following the fruitful experience of the Costa Rica conference in May 2000, the forum once again adopted the case method for discussion of specific instances of health reform in the Americas and Europe. The cases presented at the 2002 conference describe situations and problems facing governments that have undertaken reforms in the health sector. They were discussed and debated by the conference participants in parallel sessions. The use of the case method was a novelty and a challenge for many of the participants, and the overall assessment of the conference was extremely positive.

Contributions to books

Africa Ariño - José de la Torre - Yves Doz - Peter S. Ring - Gianni Lorenzoni

"Process issues in alliance management: A panel discussion", in the book "Managing Transnational Firms", edited by Michael A. Hitt, *Elsevier Science*, Oxford, Vol 14, 2002, pages 173-219.

Abstract: This is an unusual paper in that it consists of a series of contributions by a group of scholars with different perspectives on the critical processes of cross-border alliance collaboration and management. We focus on a single longitudinal analysis of a large and ultimately unsuccessful joint venture between two experienced global companies: Coca-Cola and Nestlé. Starting from this common database, the authors offer diverse and often contradictory interpretations of the same events and of the partners' responses. By confronting these various perspectives we try to build a more robust set of theoretical constructs regarding the role of initial, equity, and efficiency conditions in the collaborative process. Furthermore, we develop the concept of relational quality as a proxy for inter-organizational trust and advance the proposition that it may have a non-linear relation to alliance success. Finally, we condense all the arguments into a set of propositions regarding process issues in alliance management and offer some guidelines for future research in this field.

Mª Nuria Chinchilla - Pilar García

"Prácticas de liderazgo integrado en el nuevo modelo de dirección de personas", in the book "España 2010: Mercado laboral. Proyecciones e implicaciones profesionales", edited by A. Jiménez; M. Pimentel; M. Echeverría, *Editorial Díaz de Santos*, 2002, pages 278-291.

Abstract: La inversión en capital humano y la necesidad de lograr la eficacia a través de la generación de atractividad y unidad son factores clave para el logro de la supervivencia de cualquier empresa a medio y largo plazo. Esta consideración conlleva una

nueva concepción del directivo-líder, que ha de dirigir la organización hacia el logro de sus objetivos a través del desarrollo de los empleados y de la generación de confianza y unidad. Para conseguir objetivos tan ambiciosos, el directivo ha de considerar su propio desarrollo personal y profesional como meta: sólo así estará en disposición de promover el potencial de sus colaboradores. El diagnóstico y la mejora de las competencias directivas –para el líder y para sus colaboradores– permite generar procesos de mejora continua y de adquisición de hábitos que facilitan el logro del éxito, tanto personal/profesional como de la organización.

Mª Nuria Chinchilla - Steven Poelmans

"El equilibrio entre trabajo y familia: ¿Una preocupación en las empresas españolas?", in the book "La familia, esperanza de la sociedad", *EDICE*, pages 211-250.

Abstract: Se recogen datos provenientes del primer estudio sobre Empresas Familiarmente Responsables que se ha realizado en España, tras enviar el cuestionario IFREI (IESE-Family Responsible Employer Index) a más de 1.500 empresas. También recoge algunos ejemplos de políticas y prácticas de empresas que pretenden facilitar el equilibrio entre la vida laboral y la vida familiar.

Joan Fontrodona

"La empresa: ¿Nexo de contratos o comunidad de personas?", in the book "Participar en la sociedad civil", edited by C. Naval, *Eunsa*, 2002, pages 141-163.

Abstract: Se presenta una reflexión sobre los supuestos en los que se ha basado la teoría de la agencia, y se proponen unos supuestos alternativos que, sin negar la realidad de las relaciones de agencia en la actividad empresarial, permitan entender mejor la naturaleza de la empresa como una comunidad de personas.

Research Papers

NOTE: Research papers may be consulted on the Internet at <http://www.iese.edu>

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Bruno Cassiman - Sandra Sieber

THE IMPACT OF THE INTERNET ON MARKET STRUCTURE

Abstract: The arrival of the Internet offers new opportunities for value creation. The new technology simultaneously affects demand and cost structures, leading to a radical transformation of existing market structures. As a result, appropriation of any value created has become more challenging. Furthermore, as the Internet impacts industries in several ways simultaneously, we find that simply analyzing the effect of the Internet on pricing behavior and price dispersion misses the point that whole industries are



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being transformed, which clearly affects the pricing power and possibilities of individual firms. In this paper we provide a conceptual model for analyzing the different elements within the dynamics of industry transformation, and for understanding the impact of the Internet on market structure. We illustrate the different concepts with real-life examples.

(Also available in Spanish).

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Johanna Mair

VALUE CREATION THROUGH ENTREPRENEURIAL ACTIVITY: A MULTIPLE CONSTITUENCY APPROACH

Abstract: While both business press and scholarly research largely portray entrepreneurship within well-established companies as inherently good, empirical evidence for positive performance implications based on rigorous research is scarce. This paper empirically assesses whether and for whom entrepreneurial activity creates value in a large traditional firm. In contrast to previous research I adopt a less "heroic" view and emphasize day-to-day entrepreneurship – "getting things done in an entrepreneurial way" – instead of focusing on grand entrepreneurship, i.e. new venture creation or new product development. Furthermore, I consider the perspectives of multiple constituencies to assess performance implications over time, and acknowledge the value creation potential at the sub-unit level. In the empirical part of the paper I analyze entrepreneurial activities of 121 middle managers in a large European financial services firm and their effect on changes in economic performance, customer satisfaction, and subordinate satisfaction. I combine subjective (survey) data on entrepreneurial activity and objective data on performance collected over three consecutive years (1997-2000). My results show that entrepreneurial activities of middle managers are positively and significantly related to change in economic results, measured in terms of profit growth. Non-significant results linking entrepreneurial activities and changes in customer or subordinate satisfaction suggest that entrepreneurial activities hardly connote a "quick fix" in these dimensions. The results furthermore accentuate the importance of personal characteristics of middle managers for the development of economic performance. My data, e.g., suggest that female middle managers and managers holding lower-level educational degrees do significantly better in achieving profit growth.

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José M. Campa - J. Myles Shaver

EXPORTING AND CAPITAL INVESTMENT: ON THE STRATEGIC BEHAVIOR OF EXPORTERS

Abstract: By exporting, firms sell in markets whose business cycles are not perfectly correlated, and so can be expected to have more stable cash flows. If companies are liquidity constrained, this stability of cash flows can provide exporters with certain advantages over firms that operate solely in a domestic market.

For instance, under the existence of liquidity constraints, more stable cash flows should foster more stable capital investments. Moreover, the expectation of more stable future cash flows and the information signal from commencing exporting can lessen the severity of liquidity constraints for exporters compared to non-exporters. We test these arguments by examining a stratified representative sample of the Spanish manufacturing sector from 1990 to 1998. Our results suggest that exporters' cash flows and capital investments are more stable than non-exporters'. Moreover, we find that liquidity constraints are less binding for exporters than for non-exporters. The richness of our data allows us to examine alternative explanations for the results we present. We conclude by discussing the strategic implications of our findings for firms.

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José M. Campa

EXCHANGE RATE CRISES AND BILATERAL TRADE FLOWS IN LATIN AMERICA

Abstract: This paper looks at the behavior of trade flows in eight countries in Latin America that experienced an extreme nominal exchange rate depreciation. The composition of trade flows shows a very persistent pattern around these episodes of large exchange rate movements. Both the industry composition of trade and the country composition of trading partners remain stable after the devaluation occurs. The relative importance of export and import industries in the countries' trade flows does not vary substantially, nor does the importance of the different source countries for imports and destination countries for exports. Exports to industrialized countries are especially sensitive to changes in the real exchange rate, while bilateral import flows do not show much reaction to changes in bilateral exchange rates.

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José M. Campa

VALUE CREATION IN EUROPEAN M&As

Abstract: This paper looks at the value generated to shareholders by the announcement of mergers and acquisitions involving firms in the European Union. Target firm shareholders receive on average a statistically significant excess return of 9%. Acquirers' excess returns are null on average. Excess returns differ significantly depending on whether the merger involves two firms from the same European country or is a cross-border transaction. Cross-border transactions generate less total value than national mergers. Furthermore, when a cross-border merger occurs in an industry in which governments historically have been actively involved, the transaction results in a net destruction of value to shareholders.



Other publications

Santiago Alvarez de Mon

"Liderazgo: 10 lecciones desde la crisis", *Istmo (México)*, No 261, July-August 2002, pages 14-19.

Abstract: Receloso de las trampas que la abundancia de la sociedad occidental puede tender a sus ciudadanos, el autor se sirve de la crisis como maestra para investigar algunas de las claves reales de la gestión del talento. La distinción entre sociedad de la información y sociedad del conocimiento, las fuentes de la creatividad, la fortaleza mental y carácter de los buenos líderes, las posibilidades y dificultades del trabajo en equipo, el proceso de aprendizaje humano a través de la decisión y acción humanas, el gobierno de uno mismo, la gestión del tiempo, el sentido del humor, los conceptos de misión y visión, la administración de la incertidumbre, son ideas analizadas a la luz de la experiencia de los supervivientes de "Viven", el accidente aéreo ocurrido en los Andes en 1972.

Antonio Argandoña

"L'ètica a l'empresa: luxe o necessitat?" *Revista de Qualitat*, No 45, May 2002, pages 4-11.

Abstract: Ens hem acostumat a veure en l'ètica un conjunt de restriccions imposades des de fora, que limiten la feina del directiu, en nom d'alguns principis superiors. Però aquest punt de vista resulta molt poc atractiu. I, a més a més, és incorrecte. L'ètica es construeix des de dins de la persona i des de dins de l'empresa. Per tant, una empresa ètica és una empresa ben gestionada. Oblidar-se de l'ètica és menystenir un aspecte de la realitat. I en la societat complexa on ens movem, cap directiu pot córrer el risc de perdre de vista un tros –important– de la realitat en què està immers.

M^a Nuria Chinchilla

"Mujer y empresa en el nuevo siglo: 7 preguntas clave", *Istmo (México)*, No 260, June 2002, pages 20-23.

Abstract: La incorporación de la mujer al mundo laboral y la globalización presentan nuevos retos a las empresas. Pero sólo aquellas instituciones que encarnen una cultura basada en los sólidos valores humanos propios de la concepción humanista femenina, lograrán ser competitivas en el próximo milenio. Para adoptar esa cultura es necesario aclarar siete puntos.

Javier Gómez

"¿Ha aumentado la volatilidad en el mercado bursátil español?", *Bolsa de Madrid*, July 2002, pages 52-55 (co-authored by Juncal Cuñado and Fernando Pérez de Gracia).

Abstract: Se analiza si la volatilidad en el mercado bursátil español ha cambiado de forma significativa durante el período 1941-2001.

Un simple análisis gráfico ya revela que durante estos años ha habido períodos de alta volatilidad, correspondientes a las crisis bursátiles y financieras, y períodos relativamente estables. Sin embargo, se observa que además se ha producido un cambio estructural muy significativo en el comportamiento de la volatilidad del mercado de valores español. Este cambio –que se observa usando metodologías de detección de cambios endógenos– se identifica en 1972. A partir de ese momento, en que España ya había comenzado el proceso de apertura de los mercados reales y financieros que culminaría con el ingreso en la CEE y en la UME, respectivamente, el mercado bursátil pasa a presentar una mayor volatilidad media –inducida por los mayores volúmenes de negocio– pero a la vez presenta una menor persistencia en la volatilidad (períodos de inestabilidad que duran menos tiempo) y se ve menos afectada por las noticias negativas. Estas dos características reflejan la mayor madurez y desarrollo de los mercados financieros españoles.

Conferences and seminars

Antonio Argandoña

On August 28-30, attended, in Brussels, the *European Ethics Summit and 15th Annual Conference of the European Business Ethics Network (EBEN)*, on the theme "Sustaining Humanity Beyond Humanism", where he presented the paper "Fostering Values in Organizations".

Abstract: Today, values hold a prominent place both in business ethics and in organization theory. However, there remains considerable confusion about what these values are and what role they play in these theories and, therefore, how they can be developed both within the individual and within the organization. Therefore, this paper seeks to define a conception of values based on a theory of human action that can provide a basis for an organization theory, and to propose a series of ideas about how personal and organizational values can be fostered.

Africa Ariño

On August 11-14, Jeffrey Reuer and Paul Olk attended, in Denver, the *Annual Meeting of the Academy of Management*, where they presented the following papers co-authored by **Africa Ariño**:

Reuer, J. – Ariño A.: "Alliance dynamics for entrepreneurial firms".

Abstract: Small firms are thought to encounter various difficulties implementing strategic alliances. Due to these problems, they may be less able to reap the benefits of alliance adaptation, and the changes that occur in alliances over time often will not coincide with the small firm's interests. The evidence we present on contractual renegotiations in alliances suggests that small firms are neither more nor less likely to experience contractual changes



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in general. However, small firms tend to suffer from inefficiencies of two kinds in their collaborations. They are less likely to adapt alliances in the presence of governance misalignments. And they are prone to make greater transaction-specific investments without commensurate contractual safeguards, which stimulates ex post hold-up in the form of contractual renegotiations.

Olk, P. - Ariño A.: "Testing assumptions about how to evaluate membership in a strategic alliance".

Abstract: In the past few decades, researchers have used a variety of measures to evaluate strategic alliance performance. In this paper we use data collected on R&D consortia performance to investigate empirically five basic assumptions made by strategic alliance researchers. We find that while several assumptions are supported, others are not. Analysis conducted with a second, unrelated database yields similar results. We conclude with recommendations on how to evaluate performance in future research on evaluating strategic alliance performance.

On September 12-14, attended, in Burgos, the IX Congreso Nacional of the Asociación Científica de Economía y Dirección de la Empresa, where she presented the paper "Más de dos son multitud: Diferentes formas de alcanzar la efectividad en las empresas conjuntas de dos y más de dos socios" (co-authored by E. García-Canal and A. Valdés).

Abstract: Using data from 80 joint venture (JV) experiences, this paper sets out to compare the influence on JV effectiveness of two alternative ways of managing JVs: relational investments and formal control. Our results show that the influence of one or the other is contingent upon the number of partners: while relational investments significantly influence the effectiveness of dyadic JVs, formal controls are pivotal in the case of multi-party JVs.

On September 22-24, attended the Jornadas de Economía Industrial held in Madrid, organized by the Fundación Universidad-Empresa, where she presented the paper "Cooperation, competition and the duration of joint ventures" (co-authored by E. García-Canal and A. Valdés).

Abstract: This research uses a transaction value perspective (Zajac and Olsen, 1993; Madhok and Tallman, 1998) to examine the impact of competitive and cooperative forces on joint venture (JV) duration. We argue that certain factors that increase the management cost of a JV may also increase its value potential. Such factors include whether the partners are direct competitors, and whether their nationality is the same. Findings from a survey study provide support for all of our hypotheses.

On September 22-25, attended, in Paris, the 22nd Annual International Conference of the Strategic Management Society,

on the theme "Old Barriers Crumbling, New Barriers Rising", where she presented the following papers:

"Fair play in alliance negotiations: A role for justice theory" (co-authored by Peter S. Ring).

Abstract: A qualitative case study of an attempt to negotiate a joint venture agreement between a Spanish firm and an Argentine firm provides data for analysis of the roles that informal processes, relational quality, inter-personal trust and perceptions of fairness may have played in the outcome. These potential antecedents were derived from process theories of alliance outcomes, relational contract theory, economic theories such as transaction costs and agency, and theories of organizational justice. The results support the argument that organizational justice theory can play an important role in explaining alliance dynamics and our findings suggest how managers engaged in negotiating alliances can avoid creating perceptions that their actions are unfair.

"Predicting strategic alliance performance: How do relationships vary by the types of performance measures used?" (co-authored by Paul Olk).

Abstract: The proliferation of strategic alliances over the last few decades has been accompanied by a similar growth in strategic alliance research. As part of trying to understand what makes for effective alliances, researchers have examined a host of factors in order to describe and, in most cases, develop normative statements about when and how to build, develop and perhaps terminate a strategic alliance. What is striking about this research is the inconsistency in the way researchers have assessed performance. On reviewing strategic alliance studies, one soon discovers that researchers have used a range of measures, including alliance longevity, evidence of alliance restructuring, achievement of the partners' initial goals for the alliance, and venture manager satisfaction. Realizing that these variations may be one of the reasons for the diversity found among studies (see, for example, the difference in findings among studies of control and performance), a few studies have tested to see if the preferred performance measure used correlates positively with alternative performance measures (e.g., Geringer and Hebert, 1991). The reported results generally indicate a positive relationship between the two sets of measures. Other research has taken the validity test one step further and examined not only if the various performance measures are related but also if they have the same predictor variables (e.g., Hatfield et al., 1998). These initial tests find that although the performance measures are related to one another, they have different predictors. It appears that while some of the more common strategic alliance performance indicators are related to one another, they are not equivalent. This study investigates this conclusion in more depth and breadth by using two different datasets, collected separately, without any knowledge of each other, on different types of alliances: multiparty R&D consortia in the U.S., and two-party international alliances based in Spain. The analysis reveals a more complex relationship between the various types of alliance criteria and between their predictors.

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Africa Ariño - Kristin Cappuyns - Miguel A. Gallo - Isabel Máñez

On September 22-24, attended, in Valencia, the *I Congreso Nacional de Investigación sobre la Empresa Familiar* organized by the Organismo Público Valenciano de Investigación, where they presented the paper "El proceso de internacionalización avanzado de las empresas familiares: Involucración de las empresas familiares en alianzas estratégicas".

Abstract: (See page 8).

Miguel A. Ariño

On August 11-15, attended, in New York, the *Joint Statistical Meetings* of the American Statistical Association, where he presented the paper "Impact of economic cycles on the evolution of an industry".

Abstract: In this paper I present a very simple model to measure the impact of the global economic situation on the performance of an industry. This model can provide companies within the industry with information on their exposure to the fluctuations of the economy, as well as the intensity of this exposure. Different characteristics of the industry are discussed.

Bruno Cassiman

On August 22-24, attended, in Venice, the *17th Annual Congress* of the European Economic Association, hosted by the Fondazione Eni Enrico Mattei, where he presented the paper "Optimal project rejection and new firm start-ups".

Abstract: Entrants are typically found to be more innovative than incumbent firms. Furthermore, these innovative ideas often originate with established firms in the industry. Thus, it would seem that the established firm and the start-up firm select different types of projects. We claim that this is a consequence of their optimal project allocation mechanism, which depends on their comparative advantage. The start-up firm may seem more "innovative" than the established firm because the comparative advantage of the start-up firm lies in commercializing "innovative" projects, i.e. projects that do not fit with the established firm's existing assets. Our model takes account of various facts found in the industrial organization literature concerning the new firm entry rate, firm focus, firm growth, industry growth and innovation. We also obtain some counter-intuitive results, such as that a reduction in the cost of start-ups may actually slow down start-ups, and that a firm may voluntarily give away the property rights to inventions discovered within the firm.

On September 5-8, attended, in Madrid, the *Meeting* of the European Association of Research in Industrial Economics, where he presented the paper "Complementarity in the innovation strategy: Internal R&D, external technology acquisition and cooperation in R&D".

Abstract: Successful innovation depends on the development and integration of new knowledge in the innovation process. In order to successfully innovate, a firm will combine different innovation activities. In addition to doing own research and development, firms typically are engaged in the acquisition of knowledge on the technology market and cooperate actively in R&D with other firms and research organizations. In this paper we provide evidence on complementarity between different innovation activities. Using data from the Community Innovation Survey on Belgian manufacturing firms, we show that firms that were engaged in only one innovation strategy, be it internal R&D activities or external technology sourcing, introduced fewer new or substantially improved products than firms which combined internal and external sourcing. This result is consistent with complementarity between own R&D and external technology sourcing activities. Furthermore, we show that the different innovation activities are strongly positively correlated and we identify common drivers that result in the perceived complementarity between activities. An important finding is that having the capacity to strategically protect intellectual property and having a more basic R&D base, which may serve as an absorptive capacity, are important common drivers for the different innovation activities.

On September 3 and 4, took part in the workshop on "Universities and Firms: A Comparative Analysis of the Interactions between Market Processes, Organizational Strategies and Governance" held at the Université Libre de Bruxelles (ECARES).

Miguel A. Gallo - Kristin Cappuyns

On September 11-14, attended, in Helsinki, the *13th Annual Conference of the Family Business Network*, on the theme "The future of family business: Values and social responsibility", where they presented the following papers:

"How do academics perceive the way family businesses carry out their social responsibilities?"

Abstract: According to a group of prestigious academics, Family Businesses (FBs) perform their Corporate Social Responsibilities (CSRs) better than Non-Family Businesses. FBs' attention is focused on generating economic wealth and they make sure it is distributed fairly. They also give high priority to delivering good products and services to the community. However, it would seem that FBs consider their own long-term survival the least important of their 4 CSRs. This attitude confirms results from previous research that has highlighted the growth problems of FBs, the strong debt and risk aversion, and the abuse of power, to cite a few examples of characteristics that sooner or later lead to such firms' disintegration.

Apart from their internal responsibilities, FBs seem to be especially aware of their external responsibilities in the areas of environmental protection and education. Their specific attention to environmental issues may be influenced by the fact that the environment has become a high-profile issue nowadays. And their



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interest in education may be due to the fact that the founders of some FBs did not have the opportunity to study at university and so value education highly.

Apart from such external responsibilities, the academics mention other aspects, which have been grouped in three categories: Society, Institutions and Employment.

In the last part of this short study we also look at recent research in the field. It is very encouraging to find that a lot of interesting work has been done so far and that there are some very noteworthy projects in the pipeline dealing with the very important subject of social responsibility.

"Internationalization via Strategic Alliances in Family Businesses" (co-authored by Africa Ariño and Isabel Máñez, University of Valencia).

Abstract: Results of this study indicate that having a leading product in the market, having access to economic resources and having a solid organizational structure are important prerequisites for Family Businesses (FBs) when considering seriously the option of internationalization as a way to achieve business growth.

Apart from these preliminary conditions, the examples of these FBs show that success in forming and developing strategic alliances for internationalization also leads to: 1) an increase in management capabilities to manage in a context in which objectives are not shared; 2) the development of personal preferences with regard to the use of alliances; and 3) the development of trust in the partner organization.

The most interesting result of this study, however, is that it illustrates how, contrary to previous literature in the FB field, the intrinsic characteristics of Family Businesses are not the real barriers to initiating and pursuing the internationalization process. Rather, it is the owner-manager's personal commitment to the business's long-term survival that appears to be the most powerful determinant of successful internationalization.

This paper won the *Award for Best Research Paper* given each year to the best research paper presented at the Academic Research Forum.

Javier Gómez

On August 21-24, attended, in Venice, the 17th Annual Congress of the European Economic Association, hosted by the Fondazione Eni Enrico Mattei, where he presented the paper "Are shocks to interest rate volatility symmetric across EU countries?" (co-authored by Teresa Gil Aldea).

Abstract: This research aims to detect whether a group of European Union member states –Germany, Spain, France, Italy and the United Kingdom– endured similar periods of interest rate volatility. In other words, the aim is to see whether real and monetary shocks affected these five economies at the same time and in the same way, or whether each was affected differently and at a different time. We find little symmetry in the interest rate volatility across these five countries: the shocks generally arrived at different times –except for the crises of the European Monetary System, which affected

all the countries, apart from Germany, in more or less the same way– and the episodes of volatility differed in duration and intensity.

Johanna Mair

On September 22-25, attended, in Paris, the 22nd Annual International Conference of the Strategic Management Society, on the theme "Old Barriers Crumbling, New Barriers Rising", where she presented the paper "How much do middle managers matter, really? An empirical study on their impact on sustained superior performance". This paper was nominated for the McKinsey Best Paper Award.

Abstract: Prior research on middle managers has emphasized their vital role in the strategic and entrepreneurial process of established organizations. Yet we still know relatively little about how their actual behavior translates into superior performance. In this paper I examine how entrepreneurial behavior of middle manager –defined as innovative use of resources to explore and exploit opportunities– affects sustainable superior results at the subunit level. My analysis of 120 middle managers of a large European financial services firm suggests that entrepreneurial behavior triggers profit growth at the subunit level. Furthermore I find that individual characteristics –gender and education– are significantly related to superior performance.

Domènec Melé

On August 29-30, attended, in Brussels, the 15th Annual Conference of the European Business Ethics Network (EBEN), on the theme "Sustaining Humanity Beyond Humanism", where he presented the paper "Building Up a Humanizing Organizational Culture".

Abstract: When a manager exercises leadership with a deep concern for people, he or she contributes to building up a humanizing organizational culture. This paper outlines a framework for organizations to achieve this kind of culture. This framework includes some basic ethical requirements with respect to the nature and purpose of business, corporate values, strategy and structure, power and leadership, participation, communication and motivation, unity and cooperation, and working and living together. A case study of a Spanish-based services firm operating in several countries illustrates these normative requirements. Finally, the paper explores how a concern for people, apart from humanizing business, increases the company's social capital and so helps to improve the company's performance.

Lluís G. Renart

On September 30, attended, in Barcelona, the conference on "L'ampliació de la Unió Europea: seminari sobre la internacionalització de les PYMES als països de l'ampliació", organized by a delegation of the European Commission in Barcelona, where he presented the paper "Estratègies empresarials davant l'ampliació de la Unió Europea".

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Abstract: Esta ponencia presenta brevemente el modelo de posibles respuestas estratégicas de las empresas catalanas ante la próxima ampliación de la Unión Europea. Dichas respuestas se ordenan en base a cuatro orientaciones de acción: 1.- Las respuestas estratégicas que pueden generarse al considerar a los Países Candidatos a la Adhesión a la Unión Europea (PCAUE) como *mercados*. 2.- Las que se pueden generar al considerarlos como *proveedores*. 3.- Las que pueden generarse al considerar a las empresas de dichos países como potenciales *aliados*; y las que se generan al considerarlas como potenciales *competidores*. La ponencia termina señalando el posible apoyo que las pymes pueden recibir de las instituciones autonómicas, estatales, comunitarias y multilaterales a escala mundial, así como las exigencias en términos de incremento de las capacidades en: calidad y tecnología; diseño e innovación; habilidades directivas, y reforzamiento de los recursos económicos y financieros.

Joan E. Ricart - Mike Hess

On August 9-14, attended, in Denver, the *Annual Meeting of the Academy of Management*, where they presented the paper "Generating customer loyalty among mobile phone users".

Abstract: Generating customer loyalty is clearly a top priority among mobile phone operators. It is also one of their greatest challenges. Previous research argues that customer switching costs play an important role in a firm's ability to retain customers and achieve competitive advantage. Research also indicates that in today's increasingly networked environment switching costs are changing in important ways. In this paper we attempt to provide insight into switching costs' strategic role within the networked environment by utilizing a switching cost framework to examine the mobile network operator (MNO) industry in Spain. The framework makes it easier to identify and understand the full range of switching cost strategies that operators can adopt in order to generate customer loyalty. It also highlights the key issues that need to be understood and managed not merely to increase customer switching costs, but to increase them in a way that enhances the firm's performance.

Joan E. Ricart also chaired a session on "Competitive Advantage of Networks".

Joan E. Ricart

On September 22-25, attended, in Paris, the *22nd Annual International Conference of the Strategic Management Society*, on the theme "Old Barriers Crumbling, New Barriers Rising", where he presented the paper "Managing customer switching costs for competitive advantage in the mobile phone operator industry: The case of Telefónica Móviles de España" (co-authored by Mike Hess).

Abstract: Mobile phone operators compete in an extremely challenging environment: internationalization through acquisitions and alliances, aggressive strategies in attempts to pay off spiraling debt, changing technologies and regulations enabling new mobile

service providers to enter the market, and increasingly saturated markets. This changing competitive landscape is intensifying the battle to create loyal and profitable customers, making the strategic management of customer switching costs more important than ever. The strategy, marketing, and economics literature has long recognized customer switching costs' important strategic role. In addition, research indicates that switching costs are changing in today's increasingly networked environment. In this paper we analyze customer switching costs with a case study of Telefónica Móviles de España in an attempt to improve understanding and management of this important strategic element.

He also took part in a panel discussion on "Regional responses to globalization: Perspectives from Latin America and Asia".

Abstract: While globalization is not a new phenomenon, our understanding of it is changing radically as the results of new research come to light. While some important barriers to international trade have disappeared, new barriers are also being raised. In this panel, we present some globalization data collected by the Inter-American Development Bank in Latin America and Asia.

These data offer a critical evaluation of the regionalization processes in these areas of the world. Afterwards, we present a couple of studies focused on Latin America and Asia, analysing the local responses to this movement of globalization and regionalization, along with a comparative study of the two regions. We close with an open debate about "Old barriers crumbling and new barriers rising" in the face of globalization.

On July 3-5, the *12th International Symposium on Ethics* was held at IESE, Barcelona, organized by Domènec Melé, on the theme "Work, Family and Society in the 21st Century", in which, among others, Carlos Cavallé, M^a Nuria Chinchilla and José R. Pin chaired various presentations.

Miscellaneous

Fernando Peñalva

Won second prize (shared) for the article "Por qué ha caído Enron y por qué va a desaparecer Andersen EE.UU.", awarded by the Asociación Española de Contabilidad y Administración (AECA) for articles on accounting and business administration.

Javier Quintanilla - Carlos Sánchez-Runde

Have been appointed to the Editorial Board of *Human Resource Management Education Review*.

Joan E. Ricart

On July 5-6, took part in the Launch of the European Academy of Business in Society that took place at Insead (Fontainebleau).



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He has been appointed Associate Editor-in-Chief of the *Journal of International Business Studies*.

Book reviews

José Ramón Pin

Review of "Managerial leadership", by Topping, P.A., *McGraw-Hill*, 2002, *Capital Humano*, No 157, July-August 2002, pages 127-128.

Steven Poelmans

Review of "Beyond Work-Family Balance. Advancing gender equity and workplace performance", by Rapoport, R.; Bailyn, L.; Fletcher, J.; Pruitt, B., *Jossey-Bass*, 2002, *European Journal of Work and Organizational Psychology*, 11, 2, pages 246-253.

Teaching materials

NOTE: The updated bibliography can be consulted on the Internet at <http://www.iesep.com>

Accounting and Control

Victoria Pratts (A) (C-718 - 0.102.024)

Presentación muy sencilla de los conceptos fundamentales de la contabilidad de una empresa comercial, que permite a los alumnos no familiarizados con la contabilidad financiera que los asimilen en un tiempo mínimo.

Maedler M.; Pereira F.; Peñalva F.; 4 pages.

Victoria Pratts (B) (C-719 - 0.102.025)

Este caso trata de presentar, simplificando los números al máximo, los problemas más comunes en el establecimiento de estados financieros (y en particular, en la medida del resultado) en una empresa industrial. Ilustra conceptos como el «fair value» y da pie a discusiones sobre las diversas alternativas que la contabilidad ofrece. También introduce sucintamente los temas de la valoración de existencias y ampliaciones de capital. Está prevista su utilización después del caso Victoria Pratts (A), aunque también puede usarse independientemente. Plantea asimismo las diferencias de presentación que pueden surgir como consecuencia de la utilización del Plan General Contable.

Maedler M.; Pereira F.; Peñalva F.; 4 pages.

Decision Analysis

Stephen's T-Shirts (AD-268-E - 0.102.008)

A family firm that produces printed T-shirts for sale at events and festivals in mid-sized towns must decide how many T-shirts to produce for an upcoming event. Three possible scenarios are defined, each with a different probability.

(Also available in Spanish).

Ariño M.A.; 2 pages.

Amazing Lights, Co. (AD-270-E - 0.102.011)

The case presents the well-known traveling salesman problem in the context of having to visit 48 U.S. State Capitals.

(Also available in Spanish).

Bardolet D.; Baucells M.; 4 pages.

Forecasting with Box-Jenkins models - Exercise (ADE-21-E - 0.199.020)

Five exercises to practise using Box-Jenkins models for forecasting sales.

(Also available in Spanish).

Ariño M.A.; 3 pages.

Economic Analysis for Management

Chile: Transformación económica y desarrollo (ASE-404 - 0.302.013)

Presenta una visión de los acontecimientos económicos, políticos y sociales que ha vivido Chile en los últimos 30 años, y discute algunos de los problemas que actualmente afronta el país y que dificultan su desarrollo económico.

Cruzat A.; Videla P.; 48 pages.

Fluctuaciones económicas (ASEN-221 - 0.301.055)

Presenta un esquema sencillo para el análisis de los ciclos económicos, con algunos ejemplos prácticos.

Pastor A.; 16 pages.

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Entrepreneurship

Rural World (E-45 - 0.601.075)

El caso presenta la actividad y los objetivos de un nuevo proyecto empresarial. Rural World estará dedicada a la organización y comercialización de rutas rurales en España, combinando alojamiento y gastronomía con actividades de ámbito cultural y sociales, a través de agencias de viajes, y enfocada a empresas o particulares.

Abando P.; García-Perrote J.; Nueno P.; Orduna J.; 24 pages.

El servicio TeleInter (E-48 - 0.602.003)

TeleInter es un servicio de traducción simultánea para conversaciones telefónicas. A la espera del desarrollo de la tecnología, TeleInter se plantea como una empresa que utiliza profesionales de la traducción simultánea.

Nueno P.; Pastor A.; Wen L.; 12 pages.

Envases de Plástico, S.A. (E-51-E - 0.602.022)

Following a period of rapid expansion, including the early stages of internationalization, the founders of Envases de Plástico, S.A. are considering how to finance the company's future growth. Their entrepreneurial outlook has led them to have a large number of small shareholders and venture capital partners. The need for yet another capital increase forces them to reconsider their financing plan, taking account of the fact that they and other members of the management team also hold shares in the company. (Also available in Spanish).

Echevarría J.I.; Nueno P.; 17 pages.

Financial Management

Los índices de referencia: Mibor, Irph, Euro-Libor, Euribor y Eonia (FN-466 - 0.200.001)

Los índices de referencia son los tipos de interés que se utilizan como base para las operaciones a tipo de interés variable. Una de las consecuencias directas de la llegada del euro ha sido la aparición de unos índices nuevos (Euro-Libor y Euribor, Eonia) y la próxima desaparición –más a medio/largo que a corto plazo– del Mibor. ¿Qué son estos tipos de referencias? ¿Cómo se calculan estos índices? ¿Qué pasaría con el Mibor? ¿Qué índice va a

sustituir al Mibor? Estas son algunas preguntas que se intentan contestar en esta nota.

Astorga J.; Rahnema A.; 14 pages.

Facturación electrónica (FN-483 - 0.201.039)

La adopción de la presentación y el pago de facturas electrónicas alterará el modelo de negocio de pagos tradicional, liberando potencial para significantes nuevas reducciones de costes y productos. Esta nota técnica introduce el concepto de facturación electrónica o de EBPP, describiendo los componentes de un sistema de facturación electrónica, los distintos modelos de EBPP y el marco legal necesario para la introducción de esta forma de pagar facturas.

Reiser M.; Santomá J.; 12 pages.

General Management

Gestión de la relación con los proveedores para innovar (DGN-620 - 0.302.003)

La nota analiza la relación proveedor-cliente y el papel que puede jugar ésta en el desarrollo de la capacidad de innovar de la empresa. Se estudian distintos aspectos de la relación a lo largo de la cadena de valor que actúan como condicionantes (propulsores o inhibidores) de la capacidad innovadora según sea el tipo de relación.

Muñoz-Najar J.A.; Vilà J.; 13 pages.

Estrategias de creación de valor e innovación (DGN-621 - 0.302.004)

Introduce de forma sencilla distintas disciplinas de creación de valor y las relaciona con distintos tipos de innovación.

Muñoz-Najar J.A.; Vilà J.; 11 pages.

Information Systems

Muebles modulares Medina (SI-107 - 0.199.006)

El caso plantea un conflicto surgido en la red de ventas de una empresa que comercializa muebles de cocina, baño y rústicos, que opera una red de tiendas de cobertura nacional. El origen del conflicto está en un supuesto mal uso de un sistema de información recientemente implantado, que permite obtener



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información muy al día acerca de cómo progresan los pedidos de clientes, que incluyen el trabajo de equipos de montadores que comparten las distintas tiendas de una misma zona. La situación creada permite analizar el grado de coherencia existente entre el sistema de información y la estructura organizativa y de responsabilidades vigente, y cómo el primero permite (y a veces incluso exige) funcionar con una estructura distinta. A la luz de este análisis puede plantearse la decisión a tomar.

Andreu R.; Valor J.; 8 pages.

Managing People in Organizations

Julio Pardo (A): Memorias de un expatriado (FH-629 - 0.498.037)

El caso A relata la experiencia de un expatriado hasta que toma la decisión de irse a trabajar a Colombia como director comercial del Grupo Fierro. Se plantean todas las inquietudes que le van surgiendo y la problemática del cambio, tanto en el terreno personal como en el familiar y profesional. Por un lado, Julio piensa que es una buena oportunidad para dar un salto en su carrera profesional; aunque tiene un buen trabajo en una consultora en la que lleva ocho años, cree que es el momento (tiene 33 años) de enfrentarse a un nuevo reto: hacer carrera internacional. Por otra parte, está su familia: sus padres y sus suegros piensan que es una locura dejar su "buen trabajo" e irse a Colombia sin fecha de retorno negociada con la empresa; sin embargo, su mujer le apoya.

Meléndez T.; Pin J.R.; Suárez E.; 3 pages.

Julio Pardo (B): Memorias de un expatriado (FH-630 - 0.498.038)

Julio Pardo decide aceptar la oferta de director comercial del Grupo Fierro en Colombia. El caso B relata la partida a Colombia: trámites necesarios antes de irse, etc. Además, se expone la experiencia de Julio Pardo a nivel profesional y personal: barreras culturales, idiomáticas (expresiones muy distintas a las españolas), forma de trabajar diferente, etc. Transcurridos tres años en Colombia, y tras haber visto cumplidos los objetivos que se marcó antes de irse: reto de adaptación a un país nuevo, reto profesional de aceptar un puesto directivo en un país extranjero, etc., Julio Pardo se vuelve a enfrentar a un nuevo dilema: ¿debe regresar a España? Si sigue en Colombia, el siguiente ascenso sería a "Country manager" en otro país latinoamericano. Además, no tiene la certeza de ser ascendido.

Meléndez T.; Pin J.R.; Suárez E.; 3 pages.

Julio Pardo (C): Memorias de un expatriado (FH-631 - 0.498.039)

Julio Pardo decide regresar a trabajar a España. Para ello comienza a establecer contactos, de cara a encontrar un nuevo trabajo acorde con sus características, a través de cazatalentos, asociación de antiguos alumnos del IESE y profesores, etc. Se entera de una oferta de trabajo que coincide con su perfil en Leche Pascual...

Meléndez T.; Pin J.R.; Suárez E.; 1 page.

Julio Pardo (A, B y C): Memorias de un expatriado - Nota del Instructor (FHT-33 - 5.498.043)

(Cases A, B and C), (FH-629, FH-630 and FH-631).

Use is restricted to Academic Institutions.

Pin J.R.; Suárez E.; 7 pages.

Gestión de competencias en Unión Fenosa (FH-692 - 0.401.024)

Este caso resume la historia del diseño y la implantación de un sistema de competencias en la empresa Unión Fenosa.

Cardona P.; García P.; 17 pages.

Liderazgo relacional (FHN-332 - 0.401.035)

Explica la evolución histórica del concepto de liderazgo centrándose en el liderazgo relacional, especialmente en el modelo de liderazgo transaccional y transformador. Explica las limitaciones de este modelo y lo enriquece incluyendo un nuevo tipo de liderazgo: el trascendente.

Cardona P.; 15 pages.

Cepillosa. Diseño del nuevo cepillo de dientes eléctrico (A) - Ejercicio (FHE-17 - 0.401.019)

Es un ejercicio que muestra la dificultad de tomar decisiones en equipo. Varios departamentos han de decidir sobre cómo lanzar un producto, y no es sencillo encontrar una solución consensuada.

Cardona P.; 2 pages.

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Cepillosa. Diseño del nuevo cepillo de dientes eléctrico (B) - Ejercicio (FHE-18 - 0.401.020)

(See exercise A).

Cardona P.; 2 pages.

Cepillosa. Diseño del nuevo cepillo de dientes eléctrico (C) - Ejercicio (FHE-19 - 0.401.022)

(See exercise A).

Cardona P.; 2 pages.

Cepillosa. Diseño del nuevo cepillo de dientes eléctrico (D) - Ejercicio (FHE-20 - 0.401.023)

(See exercise A).

Cardona P.; 2 pages.

Improvement teams at Nissan Motor Ibérica, S.A. (NMISA) - Teaching Note (FHT-35-E - 5.401.034)

(Case FH-674-E).

(Also available in Spanish).

Use is restricted to Academic Institutions.

Rodríguez J.M.; 3 pages.

Seat: The Dissolution of the Workers's Committee (B) (DP-136-E - 0.401.011)

The case recounts the events that followed the dissolution of the Workers' Committee at SEAT, including the results of the union elections in October 1990.

(Also available in Spanish).

Gómez S.; Pin J.R.; Quintanilla J.; Sánchez-Runde C.; 1 page.

Seat: The Dissolution of the Workers's Committee (C) (DP-137-E - 0.401.012)

(See case B).

(Also available in Spanish).

Gómez S.; Pin J.R.; Quintanilla J.; Sánchez-Runde C.; 1 page.

Marketing

Muxxic Latina (M-1135-E - 0.502.004)

Muxxic Latina is an international recording company created by Prisa and Universal Music Group with the aim of creating a uniform platform with which to penetrate Spanish-speaking countries and of playing an active role in the globalization of contemporary music in the Spanish language.

(Also available in Spanish).

Bertini M.; Carrión V.; Nueno J.L.; 34 pages.

Mango (M-1136-E - 0.502.005)

Mango, a company now familiar to women in more than 50 countries around the world, traces its roots back to the nineteen seventies, when Isak Andic Ermay, born in Istanbul of Sephardi origins, started selling shirts imported from Turkey in the "Mercadillo de Balmes", a kind of pocket-size Carnaby Street just off Balmes Street in Barcelona. Andic's business grew quickly, encouraging him to create his own clothing label. And that is exactly how he gradually built up his wholesale business, following his own intuitions about fashion. Back then Isak Andic could hardly have suspected that by 2001 he and his brother would be leading the field in textile exports in Spain, with one of the most imitated fashion apparel chains in Europe, and one still full of potential.

(Also available in Spanish).

Castrillo R.; Nueno J.L.; 35 pages.

Production, Technology and Operations Management

Large-scale government contracting of NGOs to extend basic health services to poor populations in Guatemala (P-1006-E - 0.601.016)

The case presents the situation of the Program to Extend Coverage of Basic Health Services (PECSB) in Guatemala at the beginning of the year 2000. In the three years it has been in operation, the PECSB has succeeded in attracting a large number of NGOs to collaborate with the government in extending health service coverage to poor and indigenous populations in rural areas. The newly elected government is considering whether or not the existing "agreements" between the Guatemalan Health Ministry and the NGOs for the provision of the basic package of health services should be converted into contracts as required by the Guatemalan Public Contracting Law. Doing so might make the Program more



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sustainable at an institutional level and improve efficiency and quality of care. However, it might also disrupt existing operations and create undesirable tensions.

(Also available in Spanish).

La Forgia G.M.; Nieves I.; Ribera J.; Rosenmöller M.; 14 pages.

Health service expansion and development among the uninsured poor population in Mexico (P-1008-E - 0.601.018)

The case describes the development of the Program to Expand Coverage (PAC) from its inception in 1994 to the beginning of 2000. The PAC has succeeded in achieving almost universal coverage of the population living in isolated rural communities. The case describes the situation in 1994, the alternatives available to the Mexican Health Ministry, and the features of the chosen program. It also presents the operational development of the program, and reviews the actions undertaken, the obstacles encountered and the solutions adopted. In 2000 the PAC was considered a great success and its Director was planning the next stage of consolidation, i.e. how to ensure the continuity of the program and extend it to secondary care.

(Also available in Spanish).

Lee G.M.; Ribera J.; Rosenmöller M.; 19 pages.

Growing pains: the Nicaraguan social insurance health model in transition (P-1009-E - 0.601.019)

A consultant has been hired to prepare a report exploring the feasibility of applying a scheme similar to the MSP (Health Care Model) already in operation in the Nicaraguan Social Security Administration (INSS) to low-income populations not covered by the INSS. He has come to the conclusion that the MSP cannot be transferred yet, as it may need urgent and major improvements. The case describes the achievements of the MSP: 160% growth in number of enrollees, fourfold growth in number of providers, high level of user satisfaction, etc. It then looks at the problems, which are classified under six broad headings: benefits; beneficiaries and enrollments; financing and expenditures; payment system; selection and contracting of providers (EMPs); and the EMPs' provider networks.

(Also available in Spanish).

La Forgia G.M.; Ribera J.; Rosenmöller M.; 16 pages.

e-Procurement Primer (PN-414-E - 0.601.077)

This note looks at a key link in the supply chain, procurement, from a B2B perspective. It presents various forms of electronic purchasing and the types of goods they can be used for.

(Also available in Spanish).

Sachon M.; 12 pages.

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Mike Hess - Josep Valor

ESTRATEGIAS Y SOSTENIBILIDAD DE PORTALES, PROVEEDORES DE ACCESO A INTERNET Y EMPRESAS DE CONTENIDO: UN ANALISIS MEDIANTE LA CADENA DE VALORES

Resumen: El documento se centra en dónde se encuentra el valor y en quién es capaz de capturar este valor a través de la red que conocemos como red de valor *on-line*. Esta red es el resultado de una economía basada en la interconexión y la información que ha creado una nueva conexión entre el cliente y los productos y servicios. Las propuestas de valor en la red están cambiando debido a los avances en la información y en la tecnología de la comunicación, básicamente el incremento en el uso de Internet. Para identificar este valor se analizan los factores de competencia, los enfoques estratégicos y las tendencias en tres niveles de la red: proveedores de contenido (por ejemplo, Time Warner), portales (por ejemplo, Yahoo) y proveedores de acceso a Internet (por ejemplo, America Online). En este documento, el valor se refiere al negocio que no sólo crea valor, sino valor que genera ganancias que superan los costes de hacer negocio. Obviamente, las ganancias no deben ser inmediatas, pero deben conseguirse en un plazo de tiempo realista y que permita sobrevivir, como muchas punto.com han aprendido. Aunque se desearía identificar los factores que permiten a las empresas no sólo capturar, sino mantener valor, se reconoce que en el volátil ambiente de Internet éstos pueden y deben cambiar.

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Philipp Tóth

THE PRIVATE EQUITY INDUSTRIES IN LATIN AMERICA

Abstract: The purpose of this paper is to provide the reader with an overview of the situation of the private equity industries in Latin America, focusing on the example of one Latin American economy, namely Brazil. It takes the view of a person who has no prior experience of private equity but who is interested in the industry and its situation in Latin America. Therefore it describes

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the general specifics of private equity, summarizes its evolution in Latin America and illustrates the regional framework within which this evolution has taken place. It also highlights specific features of the Brazilian private equity industry, all with the aim of drawing an illustrative picture of the industry in Latin America.

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Miquel Soler

ON THE FOUNDATIONS OF A UNIFIED THEORY INCLUDING SET THEORY, NON-STANDARD ANALYSIS AND FINITE ANALYSIS

Abstract: The paper shows how the principle that the whole must be greater than the part is not necessarily inconsistent with being bijected with a proper subset, provided that equicardinality is reinterpreted as related with definability and not with sameness of size. An explanation for such reinterpretation is offered on the basis of availability, which leads to the problem of graduality, as raised by the Sorites Paradox, and to Finite Analysis, as developed by S. Lavine from the finiteness theorems of J. Mycielski.

In order to have a formal version of availability, non-standard analysis is then considered: first in its classic, model theoretic version, showing that Robinson's infinities are not Dedekind's, and later in its axiomatic version, E. Nelson's Internal Set Theory (IST), which can be used not only to prove the existence of infinitesimals but also, as shown in this paper, to deduce many properties about infinity, proving as a theorem ZFC's Axiom of Infinity. IST is shown to contain standard "natural" numbers with non-standard predecessors that must be considered (Dedekind) infinite, requiring a redefinition of infinitesimals and their inverses.

With such redefinition, IST is compatible with J. H. Conway's surreal numbers, providing a foundation for a unified number system including the traditional Cantorian transfinite ordinals as well as their infinitesimal inverses. The paper argues why the new number system should be used inside IST-AI, instead of inside ZFC. Such number system is shown, to conclude, as being able to

provide a measure for the size of any kind of sets, the cardinals no longer providing such a measure under the proposed reinterpretation.

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Miquel Soler

ALTRUISTS' CHANCES IN THE PRISONER'S DILEMMA

Abstract: Unlike in the Iterated Prisoner's Dilemma game, where various different strategies can be considered to enforce cooperation, including the famed Tit-for-tat strategy, in the one-shot case cooperation is said to have no chance. The author of this paper argues that the non-iterated case should be treated as a game between different types of players and that, even if we assume that the players do not have any information about each other's actual decision, a "discriminating altruist" (i.e. a player who decides to cooperate or not depending on her estimate –naturally subject to error– as to what the other player is likely to do) could adapt her strategy to her estimate of the decision likely to be taken by the other player. The opinion of experts from seven different branches of the social sciences is cited to confirm the existence of such a discriminating capacity in human players.

The paper shows how, in a population made up exclusively of discriminating altruists and "rational" egoists, the former (seeking to cooperate only with those they estimate to be discriminating altruists) can have a better expected value than the latter (who defect unconditionally) if the % of error in estimating the nature of the other player is small enough for the circumstances. This proves that the immoral recommendation of economic "rationality" is not borne out, as claimed, even by the invincibility of the dominant egoistic decision. The paper concludes by proposing a more general moral strategy, based on not taking into account the possibility of exploiting the other player when weighing up the alternatives.



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