



University of Navarra

# Newsletter Research Division

No 118

March - April 2004

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## Journals

**Adrián Caldart - Joan E. Ricart**

"Corporate strategy revisited: A view from complexity theory", *European Management Review*, Spring 2004, Vol. 1, No 1, pages 96-104.

*Abstract:* Despite its long tradition and well-known contributions, corporate strategy research is yet far from being mature. This paper proposes an innovative framework that approaches the field from the theoretical perspective provided by complexity theory. We propose to see the corporate level of the organization as the driver, pacer and framer of the overall firm's evolution process. Drive is provided by the cognitive representation of the corporate fitness landscape that is implicit in the firm's corporate plan. Pacing is a consequence of the kind of strategic initiatives ("search strategy") developed by the company. Framing is achieved through the architectural design that the corporate level implements for the firm.

**José Manuel Campa**

"Shareholder value creation in European M&As", *European Financial Management*, Vol. 10, No 1, March 2004, pages 47-81, co-author Ignacio Hernando.

*Abstract:* This paper looks at the value generated to shareholders by the announcement of mergers and acquisitions involving firms in the European Union over the period 1998-2000. Cumulative abnormal shareholder returns due to

the announcement of a merger reflect a revision of the expected value resulting from future synergies or wealth redistribution among stakeholders. Target firm shareholders receive on average a statistically significant cumulative abnormal return of 9% in a one-month window centered on the announcement date. Acquirers' cumulative abnormal returns are null on average. When distinguishing in terms of the geographical and sectoral dimensions of the merger deals, our main finding is that mergers in industries that had previously been under government control or that are still heavily regulated generate lower value than M&A announcements in unregulated industries. This low value creation in regulated industries becomes significantly negative when the merger involves two firms from different countries, and is primarily due to the lower positive return that shareholders of the target firm enjoy upon the announcement of the merger. This evidence is consistent with the existence of obstacles (such as cultural, legal, or transaction barriers) to the successful conclusion of this type of transaction which lessen the probability of the merger actually being completed as announced and, therefore, reduce its expected value.

**Pablo Cardona - Barbara S. Lawrence - Peter M. Bentler**

"The influence of social and work exchange relationships on organizational citizenship behavior", *Group & Organization Management*, Vol. 29, Issue 2, April 2004, pages 219-247.

*Abstract:* Previous studies explain situational antecedents of organizational citizenship behavior (OCB) using social exchange theory. However, the effects of factors such as



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perceptions of job characteristics on OCB seem to require a different explanatory mechanism. This article proposes that these effects can be explained through a new exchange relationship called work exchange. A theory for the situational antecedents of OCB that includes economic, work, and social exchange relationships is developed. The theory is tested using structural equations.

## Reinhilde Veugelers - Bruno Cassiman

**"Foreign subsidiaries as a channel of international technology diffusion: Some direct firm level evidence from Belgium", *European Economic Review*, Vol. 48, No 2, April 2004, pages 455-476.**

*Abstract:* The use of foreign direct investment as a channel of international spillovers is by now fairly established in the empirical literature on innovation and growth. It is often argued that subsidiaries of foreign multinational enterprises are a mechanism through which technological know-how flows across borders. For foreign subsidiaries to be channels of international spillovers, these subsidiaries need to source know-how internationally and transfer their know-how to the local economy. Using direct firm level evidence from the Belgian subsample of the EUROSTAT Community Innovation Survey on the occurrence of technology transfers, we find that foreign subsidiaries are indeed more likely to acquire technology internationally. But after controlling for the superior access to the international technology market that foreign subsidiaries enjoy, we find that these firms are no more likely to transfer technology to the local economy than local firms.

## Pablo Fernández

**"Valuing companies by cash flow discounting: Ten methods and nine theories", *Journal of Applied Finance*, Vol. 10, No 1, January 2004, pages 50-71.**

*Abstract:* This paper is a summarized compendium of all the methods and theories on company valuation using discounted cash flows. It shows ten discounted cash flow valuation methods: 1) free cash flow discounted at the WACC; 2) equity cash flows discounted at the required return to equity; 3) capital cash flows discounted at the WACC before tax; 4) APV (Adjusted Present Value); 5) the business's risk-adjusted free cash flows discounted at the required return to assets; 6) the business's risk-adjusted equity cash flows discounted at the required return to assets; 7) economic profit discounted at the required return to equity; 8) EVA discounted at the WACC; 9) the risk-free rate-adjusted free cash flows discounted at the risk-free rate; and 10) the risk-free rate-adjusted equity cash flows discounted at the required return to assets.

All ten methods always give the same value. This result is logical, as all the methods analyze the same reality under the same hypotheses; they differ only in the cash flows taken as the starting point for the valuation.

The disagreements among the various theories of firm valuation arise from the calculation of the value of the tax shields (VTS). The

paper shows and analyses 9 different theories on the calculation of the VTS: No-cost-of-leverage, Modigliani and Miller (1963), Myers (1974), Miller (1977), Miles and Ezzell (1980), Harris and Pringle (1985), Damodaran (1994), With-cost-of-leverage, and Practitioners method.

The paper lists the most important valuation equations according to each of these theories, and also shows how the valuation equations change when the debt's market value is not equal to its book value.

**"EVA, economic profit and cash value added do NOT measure shareholder value creation", *The ICFAI Journal of Managerial Economics*, February 2004.**

*Abstract:* We analyze 582 American companies using EVA, MVA, NOPAT and WACC data provided by Stern Stewart. For each of the 582 companies, we calculated the 10-year correlation between the increase in the MVA (Market Value Added) each year and each year's EVA, NOPAT and WACC. For 296 (of the 582) companies, the correlation between the increase in the MVA each year and the NOPAT was greater than the correlation between the increase in the MVA each year and the EVA. There are 210 companies for which the correlation with the EVA was negative! The average correlation between the increase in the MVA and EVA, NOPAT and WACC was 16%, 21% and -21.4%, respectively. The average correlation between the increase in the MVA and the increases of EVA, NOPAT and WACC was 18%, 22.5% and -4.1%.

We also find that the correlation between the shareholder return in 1994-1998 and the increase in the CVA (according to the Boston Consulting Group) of the world's 100 most profitable companies was 1.7%.

We also analyzed the relationship between shareholder value creation and various other parameters, including Economic Profit and EVA, during the period 1991-1997. In this case, the sample consisted of the 28 largest Spanish companies. Economic Profit had the highest correlation with shareholder value creation in only 4 companies (EVA in only 2), while in 18 companies the highest correlation was found for the interest rate.

A firm's value and the increase in the firm's value over a certain period are basically determined by the changes in expectations regarding the growth of the firm's cash flows and also by the changes in the firm's risk, which lead to changes in the discount rate. However, accounting only reflects the firm's history. Both the items of the income statement, which explain what has happened during a particular year, and those of the balance sheet, which reflect the state of a firm's assets and liabilities at a certain point in time, are historic data. Consequently, it is impossible for accounting-based measures such as those we consider in this paper (EVA, economic profit, cash value added) to measure value creation.

We finish the paper with an anecdote about EVA: an e-mail written by an analyst at Stern Stewart & Co. in response to an article, written by me, questioning the ability of EVA to measure shareholder value creation.

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**Paul E. Spector - Cary L. Cooper - Steven Poelmans, Tammy D. Allen (et al.)**

"A cross-national comparative study of work-family stressors, working hours, and well-being: China and Latin America versus the anglo world", *Personnel Psychology*, Spring 2004, Vol. 57, No 1, pages 119-142.

*Abstract:* A comparative study of work/family stressors, work hours, and well-being was carried out, contrasting three culturally distinct regions: Anglo (Australia, Canada, England, New Zealand, and U.S.), China (Hong Kong, People's Republic of China, and Taiwan) and Latin America (Argentina, Brazil, Colombia, Ecuador, Mexico, Peru, and Uruguay). Samples of managers were surveyed in each country, and country data were combined for the three regions. Support was found for the hypothesis that Anglos would demonstrate a stronger positive relation between work hours and work/family stressors than Chinese and Latins. In all three samples work/family stressors related to increased job satisfaction and reduced well-being. Latins were found to work the most hours, have the most children, and report the highest job satisfaction. China was the only region in which being married and having more children related positively to all measures of well-being.

**Edgar A. Whitley - Sandra Sieber - Cristina Cáliz (et al.)**  
"What is it like to do an information systems PhD in Europe? Diversity in the practice of IS research", *Communications of the Association for Information Systems*, Vol. 13, 2004, pages 317-335.

*Abstract:* This paper is based on a panel presented at ECIS 2003 that sought to explore the extent of diversity in practice in PhD programmes within AIS region 2. It presents respondents from six European countries: Germany, Norway, Italy, the United Kingdom, Spain, and the Netherlands. The participants address questions about the nature of their PhD programme in terms of such factors as admission, funding, style of dissertation, format of examination, employment prospects. Whilst some patterns exist amongst the experiences, diversity is still considerable. The paper concludes with a discussion.

**Malcom Bain - Brian Subirana**

"Towards legal programming: The incorporation of legal criteria in software agent design. Current proposals and future prospects", *The Computer Law and Security Report*, Vol. 20, Issue 1, January 2004, pages 44-52.

*Abstract:* This fourth and final article in a series on the legal challenges of ecommerce oriented software agents summarises issues analysed in previous articles and puts current agent research in context: the semantic web and web services, multi agent systems and open markets. The authors comment on these technologies from a legal perspective, especially in relation to establishing trust in agent based commerce. Continuing their process oriented analysis of agent activities, they discuss certain

tools such as modelling and agent ontologies and protocols, presenting a brief roadmap indicating potential paths towards creating legally compliant agent systems.

## Books

**Jordi Gual - Lluís Torrens**

"La indústria catalana davant l'ampliació europea", *Generalitat de Catalunya*, Departament de Treball i Indústria, April 2004, 64 pages.

*Abstract:* L'ampliació aprovada de la Unió Europea l'any 2004, que incorpora deu països més a l'estructura comunitària, i la futura ampliació no massa llunyana oberta a Bulgària, Romania i, potser, Turquia, planteja la qüestió de com afectarà a la indústria catalana l'entrada de nous competidors en el context actual de lliure circulació de béns i capitals. Catalunya –que ha estat i és encara una regió eminentment industrialitzada– ha de valorar, especialment, quin efecte pot tenir sobre la seva estructura productiva la incorporació de països que disposen de treballadors qualificats, amb un bon nivell de formació, i que cobren set vegades menys en termes nominals que els treballadors catalans. L'objectiu d'aquest treball és donar una indicació de quin pot ser l'impacte d'aquesta ampliació, quins sectors industrials són susceptibles de ser més afectats i quines oportunitats s'obren per a les nostres empreses. No hem d'oblidar que fa divuit anys, l'economia espanyola era a punt d'ingressar a la Comunitat Europea i ens fèiem les mateixes preguntes que ara, però vistes des de l'altre costat. Ens preguntàvem, d'una manera especial, qui entrava a on: les empreses europees a l'economia catalana o les empreses catalanes han anat guanyant pes en el conjunt europeu, tot i que els inicis van ser difícils, tal vegada perquè van estar acompanyats d'una política macroeconòmica que tampoc no afavoria la competitivitat industrial. L'estudi es fonamentarà en l'anàlisi de les relacions comercials del conjunt de la Unió Europea (excepte Espanya) amb, d'una banda, els països candidats i, d'altra banda, amb Catalunya. De cadascuna d'aquestes anàlisis, n'extraurem un diagnòstic i el contrastarem amb el tercer costat del triangle: les relacions de Catalunya i els països candidats. L'objectiu principal que tenim és analitzar la competitivitat del sector industrial i de cadascun dels seus subsectors, i veure quines són les oportunitats i quins són els reptes als quals s'enfronten amb motiu de l'ampliació.

**Javier Quintanilla - Carlos Sánchez-Runde - Pablo Cardona**

"Competencias de la dirección de personas: Un análisis desde la alta dirección", *Pearson/Prentice Hall*, March 2004, 127 pages.

*Abstract:* Este libro tiene un doble objetivo. Por un lado, pretende hacer una aportación novedosa al campo de la literatura de las competencias de la dirección de recursos humanos, concretamente



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en el ámbito de las competencias de la dirección de personas. Por otro lado, aspira a convertirse en un instrumento útil para los profesionales del área a la hora de valorar la adecuación de sus perfiles profesionales a las exigencias y retos que demanda la sociedad empresarial, en general, y la alta dirección, en particular. Los autores, mediante un estudio exploratorio de tendencias de cambio basado en una metodología prospectiva, trazan el perfil competencial del director de recursos humanos desde el punto de vista de la alta dirección, sin la intención de crear un perfil ideal, sino de conocer lo que está pasando en un número relevante de organizaciones líderes, descifrando los desafíos y prioridades a los que se enfrenta la dirección de personas.

## **Josep M. Rosanas**

**"Cómo destrozarse la propia empresa y crearse maravilloso. Claves para evitar las malas prácticas empresariales", colección Puenteaéreo, Ediciones Granica, 2004, 122 pages.**

*Abstract:* La profesión de la dirección de empresas, a diferencia de otras profesiones con más tradición, no tiene un cuerpo de doctrina comúnmente aceptado. A un directivo de empresa que tenga una actuación claramente incompetente, no es posible perseguirle judicialmente, a menos que haya violado además alguna ley, a pesar de que perjudica claramente a otras personas. ¿Qué se puede hacer para castigar al incompetente? De momento, sólo poner de manifiesto cuáles son sus malas decisiones y sus consecuencias. Este libro pretende ser una introducción a las malas prácticas empresariales, escrito en tono sarcástico, pero mostrando con claridad cómo prácticas incluso muy aceptadas, o ideas relativamente comunes, pueden en realidad ser nefastas para una empresa.

## Contributions to books

### **Santiago Alvarez de Mon**

**"Liderazgo e influencia: El arte de la comunicación", in the book "Comunicar para crear valor. La dirección de comunicación en las organizaciones", edited by Ignacio Bel, EUNSA, 2004, pages 69-86.**

*Abstract:* Si liderar es influir, difícilmente se puede conseguir sin dominar con soltura, humildad y confianza las artes de la comunicación humana. El capítulo referido aborda las claves de la comunicación desde una triple dimensión –organizacional, interpersonal e intrapersonal–, con especial hincapié en estas dos últimas.

### **Antonio Argandoña**

**"Propiedad y control en los procesos de toma de decisiones", in the book "Segundas jornadas sobre la singularidad de las cajas de ahorro españolas", edited by Federación de Usuarios de Cajas, Zaragoza, 2004, pages 47-53.**

*Abstract:* La necesidad de coordinar la propiedad de la empresa con su control –el problema del gobierno corporativo– ocupa un lugar central en la vida de las empresas. Por gobierno corporativo entendemos el sistema de dirección y control de las organizaciones, en el que se define el reparto de los derechos y obligaciones entre propietarios, inversores, directivos, empleados, etc., así como los procedimientos y reglas establecidos para la toma de decisiones dentro de la empresa.

La solución tradicional que la ciencia económica ofrece al problema del gobierno de las empresas consiste en que los propietarios nombran unos directivos con el encargo de que gestionen la empresa de acuerdo con los intereses de los propietarios (la maximización del valor para el accionista), estableciendo unos incentivos ligados a los resultados y ejerciendo el control, sea directamente, sea a través de un consejo de administración.

Este trabajo examina los problemas derivados de esta solución y presenta un enfoque alternativo.

**"Del pacto de estabilidad al crecimiento", in the Libro Marrón on "España-Europa: distintas alternativas para el crecimiento", Círculo de Empresarios, Madrid, December 2003, pages 13-25.**

*Abstract:* La reciente decisión del Ecofin de suspender la aplicación de las condiciones del Pacto de Estabilidad y Crecimiento (PEC) a Francia y Alemania, pone de manifiesto las limitaciones de dicho pacto. En este artículo se discuten tres problemas relacionados con su puesta en práctica. Primero, la transición desde déficit públicos elevados al déficit cero, al comienzo del PEC, que pone de manifiesto que se trata de una política dinámicamente inconsistente. Segundo, la contribución del PEC al crecimiento económico de la zona euro, contribución que se limita a los años de puesta en práctica de la moneda única. Y tercero, la conveniencia de disponer de un PEC más flexible a corto plazo, y más exigente a largo plazo, para salir de una recesión.

(Occasional Paper OP-04/2 <http://www.iese.edu/research/pdfs/OP-04-2.pdf>)

### **Adrian Done - Frohlich, Mark**

**"Upstream and downstream knowledge in the supply chain. An empirical investigation", in the book "Strategy and organization in supply chains", edited by Stefan Seuring, Martin Müller, Maria Goldbach and Uwe Schneidewind, Physica-Verlag, Heidelberg, 2003, pages 241-255.**

*Abstract:* This chapter investigated the flows of explicit knowledge in the external supply chain between a manufacturer's upstream suppliers and downstream customers, and resulting performance. The literature suggests that manufacturers rely on knowledge generated up and down the supply chain, and a set of hypotheses were evaluated using data from 338 European companies to test the predicted relationships. Findings show that while explicit knowledge inflows from both upstream and downstream directions were related to a manufacturer's performance, explicit knowledge derived from customers was especially important.

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Furthermore, the interaction between upstream and downstream explicit knowledge had the strongest link to performance. This paper extends both the existing knowledge management and supply chain management literature, and managerial implications are also discussed.

## Jordi Gual

"La necesidad de un nuevo impulso reformista en España", in the Libro Marrón on "España-Europa: distintas alternativas para el crecimiento", *Círculo de Empresarios*, Madrid, December 2003, pages 95-109.

*Abstract:* La política económica que ha permitido un nuevo modelo de crecimiento económico en España a lo largo de los últimos siete años se fundamenta en cuatro grandes ejes. El primero es una política presupuestaria basada en la estabilidad y la consolidación fiscal. La reducción del déficit público jugó un papel crucial en el proceso de convergencia nominal que permitió a España cumplir las condiciones de Maastricht en diciembre de 1997. De hecho, el segundo factor que explica el éxito de la economía española en términos de crecimiento a lo largo de los últimos años es el gran papel que ha jugado la reducción de los tipos de interés como elemento propulsor de la demanda interior. El descenso irreversible de los tipos de interés, tanto los nominales como los reales, del que han disfrutado todos los agentes económicos, ha permitido a las empresas y familias españolas aumentar de un modo sustancial su nivel de endeudamiento. Un tercer factor que ha incidido en la solidez del crecimiento español de los últimos años ha sido la política de reducción de la tarifa del impuesto sobre la renta. A pesar de que la presión impositiva global no se ha alterado sustancialmente a lo largo de los últimos años, los cambios en las tarifas han contrarrestado el aumento automático de la carga fiscal que supone el proceso inflacionario, y las reformas en la estructura de los impuestos han facilitado la afloración de economía sumergida y un rápido aumento de la población ocupada afiliada a la Seguridad Social. Un último factor que ha contribuido al nuevo modelo de crecimiento español ha sido la política de reformas estructurales abordada a lo largo de los últimos años. Aunque con claroscuros, se ha tratado de una política reformista que ha intentado introducir competencia en los mercados de productos y servicios, y liberalizar parcialmente los mercados laborales.

(Occasional Paper OP-04/7 <http://www.iese.edu/research/pdfs/OP-04-7.pdf>)

## Domènec Melé

"Intervista a Domènec Melé", in the book "La responsabilità sociale di impresa", edited by G. Rusconi and M. Dorigatti, with a prologue by Romano Prodi, *Editorial Angeli*, Milan, pages 198-202.

*Abstract:* Es una de las cuatro entrevistas a expertos europeos en ética empresarial incluidas en esta obra colectiva. En ella se abordan diversos temas relativos a la naturaleza, contenidos, alcance y aplicaciones de la responsabilidad social de la empresa,

así como el significado y contribución de la responsabilidad empresarial en la vida social.

## Ramón O'Callaghan

"Growth nodes in a knowledge-based Europe: A research roadmap", in the book "The past and future of information systems research", edited by Kim Viborg Andersen and Morten Thanning Vendelø, *Elsevier Butterworth-Heinemann*, Oxford, 2004, pages 163-201.

*Abstract:* This chapter develops an agenda for research about knowledge management processes and the use of related information and communication technologies (ICTs) to foster 'growth nodes' within European regions. The term 'growth node' is used, rather than 'cluster' or 'growth pole', because the focus is not only on interrelatedness within, but also on interrelatedness between different clusters, an attribute that seems to distinguish them from the traditional cluster. The reason for examining regional and interregional growth nodes is to understand their potential role in regional development.

The paper positions the growth node concept in the academic literature related to questions of regional development, and the important role of innovative technologies in enabling new patterns of information flows, knowledge management and learning. The focus on ICT-enabled growth nodes, it is expected, will display changes in the extent to which physical proximity remains a central feature of regional development. Spatial proximity may be complemented by 'experienced proximity' in cases where use of ICTs leads to a reduction in the need for physical proximity to stimulate innovation and learning, entrepreneurship, social cohesion and economic growth.

The roadmap sets out the essential elements of a comprehensive research programme that should provide answers to several key questions: Can growth nodes be expected to emerge as a result, in part, of the widespread application of ICTs? How effective are growth nodes in meeting European policy goals? What factors contribute to the success of growth nodes and what are the implications for policy? The paper establishes the importance of such research roadmap and the conceptual framework underpinning growth nodes. Finally, it discusses the implications of the proposed research agenda for policy making at European, national and sub-national levels.

## José Ramón Pin

"Work and Meaning", in the book "Work and Education", published by *Edizioni Università della Santa Croce*, Rome, 2003, pages 231-244.

*Abstract:* The chapter contains some personal reflections on the meaning of work and its religious consequences, through the teaching of the founder of Opus Dei, Saint Josemaría Escrivá de Balaguer, and the writings of Professor J. A. Pérez López on the motivation to work. It is based on papers presented at the Conference on "La Grandezza della vita Quotidiana", held on January 8-11, 2002.



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**"Información y comunicación en la toma de decisiones empresariales", in the book "Comunicar para crear valor", edited by José Ignacio Bel, Eunsa, 2004, pages 55-68.**

*Abstract:* El capítulo abarca tres partes. La primera es una reflexión sobre la toma de decisiones, sus principios y el proceso. La segunda, las formas para entrenarse en la toma de decisiones por el método del caso. La tercera, el papel de la información y la comunicación en esa toma de decisiones, indicando los elementos necesarios para agilizar y mejorar el proceso de transmisión de la información.

## **Lluís G. Renart**

**"Smith & Nephew - Innovex", in the book "Administración de ventas", 7th edition, edited by Mark W. Johnston and Greg W. Marshall, McGraw-Hill, México, 2004, pages 615-617.**

*Abstract:* La empresa Smith & Nephew S.A. comercializa en España productos sanitarios. En septiembre de 1999 decidió llevar a cabo una prueba consistente en contratar a Innovex, un equipo de dos visitantes médicos, para reforzar en Galicia y Asturias la labor de información llevada a cabo por los visitantes de plantilla de Smith & Nephew. Los destinatarios de dicha labor son los médicos y, sobre todo, las enfermeras. En marzo de 2000, los directivos de Smith & Nephew deben evaluar los resultados alcanzados y decidir cómo seguir en adelante, tanto en las zonas de Galicia y Asturias, en las que se ha llevado a cabo la prueba, como en otras zonas de España.

## **Rafael Termes**

**"Hacia la convergencia por el crecimiento", in the Libro Marrón on "España-Europa: distintas alternativas para el crecimiento", Círculo de Empresarios, Madrid, December 2003, pages 337-357.**

*Abstract:* Desde 1987 hasta 2003, el PIB per cápita de la UE-15 ha crecido, en términos nominales, a razón del 4,53% anual compuesto. El español, expresado en unidades PPC, lo ha hecho al 5,53% anual compuesto; es decir, un punto porcentual por encima. A consecuencia de este mayor crecimiento, el PIB per cápita español ha pasado del 13,6 al 85,8% de PIB per cápita medio de la UE-15, de forma que la convergencia real de España con la UE-15, en los 16 años considerados, ha avanzado 12,2 puntos porcentuales. ¿Cuántos años nos faltan para llegar a la convergencia plena? Prescindiendo del efecto estadístico que producirá la entrada de los diez nuevos socios, que también se estudia en el trabajo, las proyecciones de futuro conducen matemáticamente a afirmar que cualquiera que sea, en el futuro, el PIB per cápita de la UE-15, entre los verosímiles analizados, para que la convergencia se produzca al inicio de la próxima década, es decir, transcurridos 8 años, es preciso que el PIB per cápita español, en unidades PPC, crezca a un ritmo anual superior en 2 puntos al crecimiento de PIB per cápita de la UE-15; lo cual, visto el pasado, no es fácil, pero tampoco imposible, si se aplican las políticas fiscales, laborales y estructurales adecuadas.

During April, *La Gaceta de los Negocios* published in installments the following chapters, shortly to be published in the book "El reto de dirigir", edited by **José R. Pin** and **Pablo Cardona**.

## **Santiago Alvarez de Mon**

**"El liderazgo interior, una aventura", pages 27-51.**

*Abstract:* Si el liderazgo se entiende como un proceso fecundo de influencia sobre personas, grupos, pueblos y/o instituciones, éste debiera cimentarse sobre una realidad personal cultivada al límite. En este sentido, el conocimiento y desarrollo del talento de cada hombre y mujer, de su carácter, de sus proyectos y sueños vitales, de sus valores y sus convicciones más íntimas, deviene en aventura libre e inexcusable.

## **Pablo Cardona - Pilar García Lombardía**

**"El liderazgo basado en competencias", pages 7-26.**

*Abstract:* El modelo de liderazgo basado en competencias directivas presentado por los autores parte de la idea básica de que el liderazgo no es algo innato, sino que se aprende. A partir de esta idea, la introducción del modelo de competencias directivas permite establecer criterios de medición y diagnóstico del liderazgo, estableciendo las dos condiciones necesarias para determinar la existencia del mismo: 1) que exista un cierto equilibrio entre las tres dimensiones directivas básicas (de negocio, interpersonal y personal), y 2) que se dé un desarrollo mínimo de las competencias personales internas (metacompetencias). A partir de estas condiciones mínimas de liderazgo, es posible, a través de la formación y, sobre todo, del *coaching*, generar estilos propios de liderazgo, atendiendo a las necesidades de la empresa y al propio perfil de competencias del directivo.

## **Pablo Cardona - Alvaro Espejo**

**"Las claves de la motivación en el trabajo", pages 1-23.**

*Abstract:* En este capítulo, tras revisar los principales modelos sobre la motivación en la empresa, los autores presentan una teoría de motivación basada en un análisis de las consecuencias de las acciones del individuo en relación con su entorno. Por ello, la teoría recibe el nombre de teoría basada en consecuencias (*Outcome-Based Theory of work motivation: OBT*). OBT sugiere que una acción tiene distintos tipos de consecuencias. Las expectativas que el individuo genera sobre estas consecuencias dan lugar a distintos tipos de motivaciones, distinguiéndose tres tipos: motivación extrínseca, motivación intrínseca y motivación contributiva, además de un cuarto factor motivacional denominado compromiso relacional. Cada individuo, en cada situación particular, posee un perfil motivacional, dado por la combinación de factores motivacionales. Los perfiles motivacionales son dinámicos, debido a que el individuo aprende con sus decisiones. Por ello, éste es un factor crítico para entender el éxito (o el fracaso) de los sistemas de incentivos.

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## **Pablo Cardona - Aitziber Elola**

**"La confianza en las relaciones jefe-subordinado", pages 25-44.**

*Abstract:* En este capítulo se explican cuáles son los factores determinantes de la confianza en las relaciones jefe-subordinado y las fases del desarrollo de la misma. Se propone que más que las características personales del jefe y del subordinado, son cinco comportamientos del jefe los que influyen en el desarrollo de la confianza: la consistencia, la integridad, la comunicación, la delegación y la consideración. A continuación se expone cómo a medida que se genera la confianza, la relación de trabajo evoluciona desde una posición basada en el intercambio económico a una relación basada en la identificación. Se completa el capítulo distinguiendo entre poder y autoridad como posibles consecuencias de la confianza en las relaciones entre jefe y subordinado.

## **Pablo Cardona - Carlos Rey**

**"La dirección por misiones", pages 47-70.**

*Abstract:* La dirección por objetivos tiene unas limitaciones que no se resuelven fácilmente añadiendo objetivos no financieros o a base de comunicar con mayor intensidad un sistema de valores desde fuera del sistema de gestión. Por ello es necesario plantear un nuevo sistema de gestión que oriente y enriquezca los objetivos. La dirección por misiones (DPM) resuelve los problemas de la dirección por objetivos y engloba, a su vez, otras propuestas innovadoras de los últimos años, como la gestión por competencias. La DPM se basa en distribuir la misión de la empresa en misiones a distintos niveles, hasta llegar a la misión particular de cada persona. Cada misión participa de las misiones de orden superior, de tal modo que todos participan de la misión de la empresa. La misión luego se hace operativa a través de los objetivos. Los objetivos no tienen sentido en sí mismos, sino que son medios para cumplir la misión. Esta nueva filosofía de gestión es mucho más rica y tiene mayor capacidad para identificar a las personas con la empresa en la que trabajan y lograr un mayor rendimiento en todos los niveles de la organización.

## **M<sup>a</sup> Nuria Chinchilla - Consuelo León**

**"Problemas y soluciones en la armonización trabajo-familia", pages 1-33.**

*Abstract:* La incorporación de la mujer al mundo laboral, los cambios experimentados en el mundo del trabajo con la aparición de las nuevas tecnologías, las familias de doble ingreso, así como las largas jornadas laborales, han desembocado en un panorama nuevo. El fascículo recoge este contexto, así como los resultados del estudio IFREI (IESE Family Responsible Employer Index) realizado en las empresas españolas en los años 1999, 2001 y 2003. Más de 2.000 encuestas enviadas a directores de recursos humanos y empleados de las mayores empresas de España y más de veinte entrevistas personales en profundidad, fueron el punto de partida. Respondieron 150 empresas, es decir, el 7% del total, un porcentaje que de algún modo constituye todo un criterio de

autoselección y es un primer paso en el camino hacia lo que se adivina ya como un horizonte lleno de cambios laborales y sociales, además de una nueva fuente de retribución para el empleado que el directivo tendrá que aprender a evaluar y estimular tanto como el salarial.

**"El papel de la mujer en la empresa", pages 35-59.**

*Abstract:* Las mujeres directivas constituyen un grupo peculiar dentro de las mujeres profesionales. Las largas jornadas laborales a las que se ven sometidas por la naturaleza de su función, su condición de minoría más marcada aún que en el resto del mundo laboral y el carácter marcadamente competitivo de la actividad directiva y ejecutiva, las sitúa en el punto de mira de nuestra investigación. En este documento se recogen los resultados de un estudio realizado entre las antiguas alumnas del IESE. Se analizan los criterios de decisión a lo largo de la carrera directiva, los obstáculos y facilitadores del proyecto profesional, personal y familiar, así como la vivencia del conflicto trabajo familia. Finalmente se cuestiona en qué medida la mujer es capaz de ser, o no, agente de cambio en la empresa, evaluando para ello los valores y estilos de dirección que incorpora.

## **Brian O' Leggett**

**Gaceta de los Negocios**

**"Comunicación: enfoque retórico", pages 1-24.**

*Abstract:* El arte de elaborar y pronunciar discursos visionarios destinados a los hombres y mujeres de negocios encaja perfectamente en la primera categoría de la oratoria según la teoría de Aristóteles, la de la oratoria política. Tales discursos miran hacia el futuro, tratan de lo que hay que hacer, transmiten una visión de lo que podría ser, y procuran hacerlo de una manera que inspire confianza en el público. Conseguir este resultado depende en gran medida de la credibilidad personal del que habla y de su capacidad para convencer a sus oyentes de lo que en términos aristotélicos serían su buen sentido, su buen carácter moral y su buena voluntad. Un discurso visionario eficaz lleva a la gente a actuar, pero para ello necesita de la autenticidad que surge de estos tres aspectos de la credibilidad personal.

Un modelo sencillo pero eficaz para estructurar discursos de este tipo es el modelo Monroe, con sus cinco dimensiones: un elemento llamativo al principio para captar la atención de los oyentes y plantear el tema; una clara exposición del tema; un primer esbozo de la solución; una visión más detallada de cómo será esta solución, la cual acostumbra ocupar las tres cuartas partes del discurso; un plan de acción para poner en marcha la solución propuesta; y, en último lugar, un recordatorio del tema.

## **Paddy Miller**

**"Liderar el cambio", pages 41-70.**

*Abstract:* El capítulo trata de los principios básicos para mejorar el proceso del cambio en una organización. Más que dar una lista de



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acciones, el artículo indica lo que los líderes necesitan para entender el ritmo y tiempo de la organización. El ritmo se identifica observando objetivamente la realidad de la empresa. Estas observaciones revelarán una serie de acciones, frases o actitudes de los empleados. Específicamente, estas acciones, frases y actitudes se pueden juzgar en términos de su habilidad para solucionar problemas. Se puede decir sobre el ritmo de algunas organizaciones que es rápido –los empleados tratan de solucionar problemas con rapidez. Para implantar el cambio en este tipo de organización es necesaria una integración con el ritmo, tiene que ser rápido. Donde el ritmo es muy lento hay que tomar medidas distintas.

## José Ramón Pin

**"Los nuevos retos éticos en la empresa", pages 1-28.**

*Abstract:* El capítulo aborda la perspectiva posmoderna de la ética en la empresa. Indica las limitaciones de la ética en la modernidad (el economicismo, el sociologismo y el legalismo) y la búsqueda de una ética empresarial de la excelencia evitando los reduccionismos éticos en la búsqueda de una ética completa y más amplia. Estudia la ampliación de la perspectiva ética, desde la responsabilidad ante los *stakeholders* a una responsabilidad global, acabando con consejos para la mejora ética de la empresa.

## José Ramón Pin - Ignacio Bel

**"Comunicar es crear valor. Importancia de la comunicación en la dirección de personas", pages 1-35.**

*Abstract:* El capítulo comienza aclarando qué fenómeno de la comunicación se ha convertido en una fuente de valor añadido para la realidad empresarial. Por ello es necesario conocer los factores que influyen en él: la naturaleza de los contenidos, los mecanismos de codificación y decodificación, el estilo y la capacidad de escucha, y las características de los medios a través de los que circula la información. Sigue hablando de los procesos de gestión de la comunicación interna, externa y en situaciones de crisis. Finaliza dando consejos para mejorar la comunicación en las empresas.

## José Ramón Pin - Guido Stein

**"Claves para la dirección de personas ante el 'cambio' que nos viene", pages 1-40.**

*Abstract:* En el capítulo los autores exponen los cambios a nivel personal, empresarial y general que se están produciendo: la globalización, los cambios culturales, etc., indican que la única ventaja sostenible en esta época de cambios son las competencias de las personas que realizan el trabajo en la empresa. A continuación exponen las teorías de Pfeffer sobre las políticas que permiten la identificación de las personas con la empresa, los errores que se pueden cometer en su aplicación y las competencias del liderazgo en este clima de cambio.

## Steven Poelmans

**"Prevención del estrés organizativo: una cuestión de dirección de personas", pages 1-24.**

*Abstract:* Este capítulo está enfocado en la gestión del estrés a nivel corporativo. Las intervenciones emprendidas contra el estrés en el lugar de trabajo pueden situarse en tres niveles: el individuo, la organización o la interacción individuo/organización. También se puede distinguir entre intervenciones primarias, secundarias y terciarias. La intervención primaria se centra en la valoración, prevención o reducción de los agentes estresantes organizativos. La intervención secundaria se ocupa de hacer frente al estrés y adaptarse a él. Aquí son importantes la conciencia individual y las habilidades de control del estrés adquiridas a través de la formación. Las intervenciones terciarias tienen por objeto tratar, rehabilitar y recuperar a la gente que padece enfermedades relacionadas con el estrés.

**"Control del estrés individual en España: causas del estrés de directivos y modos de hacerle frente", pages 26-44.**

*Abstract:* Uno de cada cuatro trabajadores sufre trastornos por el desgaste psíquico. El 25% de la población laboral de la Unión Europea padece alguno de los síndromes que afectan a la salud mental de los trabajadores: estrés, acoso moral (*mobbing*), fatiga mental o estar quemado (*burn out*), y que son ocasionados por las condiciones laborales y psicosociales. Ya suponen la segunda causa de baja laboral, por detrás de los trastornos musculoesqueléticos (en bajas prolongadas) y las infecciones virales (en bajas de pocos días). Este capítulo está destinado a los profesionales, directivos actuales y futuros que tienen que hacer frente al crudo estrés diario en sus empresas, porque está claro que en el entorno laboral actual el directivo no solamente tiene que afrontar sus propias fuentes de estrés, sino también las de sus colaboradores, como se explica en el siguiente capítulo. La estructura es la siguiente: 1) definición del estrés laboral y propuesta de algunos modelos que pueden orientar en la comprensión de los antecedentes y las consecuencias del estrés; 2) exposición de los resultados de un estudio realizado por el IESE que describe las fuentes más importantes de estrés en los directivos españoles, comparándolas con sus colegas de todo el mundo, y 3) gestión del estrés: unas indicaciones de lo que pueden hacer individuos confrontados con altos niveles de presión en su entorno personal, familiar o laboral.

## Javier Quintanilla - Lourdes Susaeta

**"La dirección de recursos humanos en las subsidiarias de las multinacionales", pages 25-54.**

*Abstract:* Este capítulo analiza la dirección de los recursos humanos en las subsidiarias de las empresas multinacionales, tomando a las subsidiarias como unidad de análisis. El rendimiento e iniciativas de determinadas subsidiarias ha puesto de manifiesto el importante papel que éstas pueden jugar dentro de sus multinacionales, contribuyendo de manera importante a su éxito y desarrollo. A lo largo del capítulo se adentra en las claves de la

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dirección de personas en las subsidiarias de las multinacionales, desarrollando un modelo específico con el objetivo de entender cómo se configuran sus políticas y prácticas de recursos humanos y cómo se desarrollan en el tiempo.

## **Carlos Sánchez-Runde**

**"La dirección de empresas en distintas culturas", pages 1-24.**

*Abstract:* Este capítulo introduce al lector no especializado en la problemática de la validez intercultural de los conocimientos y prácticas de dirección de empresas de que hoy se dispone, y que se ha generado, mayoritariamente, en Estados Unidos. Tras una introducción del problema y un repaso del concepto de "cultura", se analiza en general el efecto de las diferencias culturales sobre la dirección de empresas y, más en particular, una a una, sobre las distintas áreas funcionales de la empresa (dirección de personas, ética empresarial, dirección comercial y marketing, dirección financiera y contable, dirección de la producción y dirección general).

## **IESE - Working Papers**

**NOTE: Working papers may be consulted on the Internet at <http://wwwfm.iese.edu/research/rp.html>**

**No 543 - March, 2004**

### **Domènec Melé**

**CORPORATE SOCIAL RESPONSIBILITY IN SPAIN: AN OVERVIEW**

*Abstract:* In Spain, as in many other European countries, there is a growing movement in favor of corporate social responsibility (CSR). Spanish companies consider corporate reputation, competitive advantage and industry trends to be the major driving forces of CSR. However, these factors are closely related to other cultural, social and political influences. Initiatives undertaken by the EU and international organizations have influenced companies' decision to implement CSR. Associations and forums that bring together the heads of leading corporations, business schools and other academic institutions, NGOs and the media are actively promoting CSR in Spain. Although the degree of implementation of CSR in Spain is still moderate, initiatives in this field from some of the country's most respected companies augur promising developments in CSR in the near future.

**No 544 - March, 2004**

### **Pablo Fernández**

**THE VALUE OF TAX SHIELDS AND THE RISK OF THE NET INCREASE OF DEBT**

*Abstract:* The value of tax shields depends on the nature of the stochastic process of the net increase of debt; it does not depend on the nature of the stochastic process of the free cash flow.

The value of tax shields in a world with no leverage cost is the tax rate times the debt, plus the tax rate times the present value of the net increases of debt. This expression is the difference between the present values of two different cash flows, each with its own risk: the present value of taxes for the unlevered company and the present value of taxes for the levered company.

For perpetual debt, the value of tax shields is the debt times the tax rate. When the company is expected to repay the current debt without issuing new debt, the value of tax shields is the present value of the interest times the tax rate, discounted at the required return to debt.

**No 545 - March, 2004**

### **Pablo Fernández - Laura Reinoso**

**SHAREHOLDER VALUE CREATORS IN THE S&P 500: YEAR 2003**

*Abstract:* During 2003, 87% of the companies in the S&P 500 created value, compared to just 17% in 2002. The market value of the 500 companies in 2003 was \$10.1 trillion, compared to \$7.9 trillion in 2002.

The top shareholder value creators in 2003 were Intel, Cisco, Citigroup, General Electric and Exxon. We define created shareholder value and provide the ranking of created shareholder value for the 500 companies.

We also calculate the created shareholder value of the 500 companies over the eleven-year period 1993-2003. General Electric was the top shareholder value creator and AT&T, the top shareholder value destroyer during the period.

On the average, the small cap companies in the S&P 500 were more profitable than the large caps. The volatility of the S&P 500 fell over the period 1998 to 2003, but the volatility of its components increased on the average.

**No 546 - March, 2004**

### **Johanna Mair - Ignasi Martí**

**SOCIAL ENTREPRENEURSHIP: WHAT ARE WE TALKING ABOUT? A FRAMEWORK FOR FUTURE RESEARCH**

*Abstract:* This paper introduces a framework to guide research and systematically enhance our understanding of social entrepreneurship. Drawing from traditional entrepreneurship literature, the paper presents social entrepreneurial "opportunities" as an important concept to differentiate social entrepreneurship from other social initiatives, on the one hand, and from business entrepreneurship, on the other. It also addresses important issues—level of analysis, methods, and performance measures—that the field will have to attend to if it is to develop into an independent field of research. Finally, the paper argues that a dual approach—combining analytic and systemic thinking—is required to capture the complexity of the phenomenon.



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**Pablo Fernández - Alvaro Villanueva**

**SHAREHOLDER VALUE CREATION IN EUROPE. EUROSTOXX 50: 1997-2003**

*Abstract:* 2003 was a good year for the shareholders of the companies in the Euro Stoxx 50: the shareholder value creation of these 50 companies was 150,016 million euros. The companies that created most value for their shareholder were Siemens (18,778 million euros), Telefónica (15,382) and BSCH (12,443). The companies that destroyed most shareholder value were Nokia (-12,051 million euros), L'Oreal (-8,089) and Ahold (-5,427). None of the Spanish companies in the Euro Stoxx 50 destroyed shareholder value in 2003.

Shareholder value destruction in the three-year period 2001-2003 was -1.75 trillion euros. The market value of the 50 companies was 1.65 trillion euros in 2003, and 1.4 trillion euros in 2002.

We also calculate the created shareholder value of the 50 companies during the seven-year period 1997-2003. Siemens was the top shareholder value creator and Nokia the top shareholder value destroyer during the seven-year period.

A portfolio long in the companies that entered the index and short in the companies that abandoned the index had on average a 6% return in the 20 days prior to the index recomposition and a 7% return in the 20 days after the index recomposition.

In 2003, the Euro Stoxx 50 was much more volatile than the S&P 500 or the Dow Jones.

No 548 - March, 2004

**Pablo Fernández**

**ON THE INSTABILITY OF BETAS: THE CASE OF SPAIN**

*Abstract:* It is a big mistake to use betas calculated from historical data to compute the required return to equity. It is a mistake for seven reasons: because betas calculated from historical data change considerably from one day to the next; because calculated betas depend very much on which stock index is used as the market reference; because calculated betas depend very much on which historical period is used to calculate them; because calculated betas depend on what returns (monthly, daily...) are used to calculate them; because very often we do not know if the beta of one company is lower or higher than the beta of another; because calculated betas have little correlation with stock returns; and because the correlation coefficients of the regressions used to calculate the betas are very small.

For these seven reasons we can say either that the beta calculated from historical data is not a good approximation to the company's beta, or that the CAPM does not work (the required return is affected by other factors, besides the covariance of the company's return with the market return, the risk-free rate and the market risk premium), or both things at once.

No 549 - March, 2004

**Pablo Fernández**

**EQUIVALENCE OF TEN DIFFERENT DISCOUNTED CASH FLOW VALUATION METHODS**

*Abstract:* This paper shows that ten methods of company valuation using discounted cash flows (WACC; equity cash flow; capital cash flow; adjusted present value; residual income; EVA; business's risk-adjusted equity cash flow; business's risk-adjusted free cash flow; risk-free-adjusted equity cash flow; and risk-free-adjusted free cash flow) always give the same value when identical assumptions are used. This result is logical, since all the methods analyze the same reality using the same assumptions; they differ only in the cash flows taken as the starting point for the valuation. We present all ten methods, allowing the required return to debt to be different from the cost of debt. Seven methods require an iterative process. Only the APV and business risk-adjusted cash flows methods do not require iteration.

No 550 - March, 2004

**Pablo Fernández**

**80 COMMON AND UNCOMMON ERRORS IN COMPANY VALUATION**

*Abstract:* This paper contains a collection and classification of 80 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 and mergers, and arbitrage processes. Some of the errors are taken from published reports by financial analysts.

The errors are grouped in six 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.

No 551 - March, 2004

**Johanna Mair - Cristina Rata**

**CORPORATE ENTREPRENEURSHIP: LINKING STRATEGIC ROLES TO MULTIPLE DIMENSIONS OF PERFORMANCE**

*Abstract:* Using data from a large European financial services firm which engaged in an entrepreneurial initiative to enhance its competitiveness, this paper explores the strategic role of middle managers in the context of corporate entrepreneurship and its link to multiple dimensions of performance. The findings indicate that middle managers' role can be decomposed along four reliable and stable dimensions that are consistent with those suggested by the literature. Building on a stakeholder approach, the paper relates the identified roles to multiple dimensions of performance, namely to financial performance, customer satisfaction and employee satisfaction. Canonical correlation analysis - a useful and powerful

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method to explore relations among multidimensional variables—indicates a significant but weak relationship.

**No 552 - March, 2004**

**Antonio Argandoña**

## CONFLICTS OF INTEREST: THE ETHICAL VIEWPOINT

*Abstract:* Conflicts of interest are a very widespread ethical problem which, precisely for that reason, deserves special attention, both from a legal viewpoint and from the point of view of ethics applied to organizations and professions. In this paper we use the conceptual framework of agency theory to explain what constitutes a conflict of interest. This enables us to identify what causes conflicts of interest and analyze the ethical criteria to be applied to them and the solutions commonly proposed. Because our processing of information, our judgments and our decision making are subject to significant unconscious and unintended biases, the emphasis in this paper is on the conditions that an agent's decision must satisfy in a conflict of interest situation in order to be ethically correct.

(Also available in Spanish).

**No 553 - March, 2004**

**Christian Seelos - Johanna Mair**

## SOCIAL ENTREPRENEURSHIP. THE CONTRIBUTION OF INDIVIDUAL ENTREPRENEURS TO SUSTAINABLE DEVELOPMENT

*Abstract:* Social entrepreneurship is a phenomenon that has resisted attempts to establish a clear definition. A focus on organizational structures and/or what constitutes a worthy social cause has created a diverse set of terminology. Observing the positive social impact of entrepreneurs catering to basic needs, this paper recognizes their unique role in efficiently contributing to the achievement of sustainable development goals. From this perspective, the term "social" can be much better defined. The frameworks proposed in this paper should guide much-needed further research and facilitate decision making about more focused support from a financial as well as a learning perspective.

**No 554 - March, 2004**

**Núria Mas - Janice Seinfeld**

## IS MANAGED CARE RESTRAINING THE ADOPTION OF TECHNOLOGY BY HOSPITALS?

*Abstract:* As health care costs increase, cost-control mechanisms become more widespread and it is crucial to understand their implications for the health care market. This paper examines the effect that managed care activity (based on the aim to control health care expenditure) has on the adoption of technologies by hospitals. Managed care may affect hospitals' decision to take on new technologies if it alters local market structure and physician incentives. We use a hazard rate model to investigate whether higher levels of managed care market share are associated with a decrease in medical technology adoption during the period

1982-1995. We analyze annual data on 5,390 US hospitals regarding the adoption of 13 different technologies.

This is the first time that such a broad study has been implemented. After adjusting for hospital characteristics, demographics and local market characteristics, we find that managed care has a negative effect on hospitals' technology acquisition for each of the thirteen medical technologies in our study, and this effect is strongest for technologies diffusing in the 1990s, when the managed care sector was at its largest. If managed care enrollment had remained at its 1984 level, there would be 5.3, 7.3 and 4.1% more hospitals with diagnostic radiology, radiation therapy and cardiac technologies, respectively. We also take into account that cost-benefit analysis is one of the main dimensions considered by hospitals when deciding about the adoption of new technologies. In order to determine whether managed care affects technologies differently if they have a different cost-benefit ratio, we created a unique data set with information on the cost-benefit for each of the thirteen technologies. We find that managed care enrollment has a considerably more negative effect on the adoption of technologies with higher cost-benefit ratios. The results suggest there may be long-term reductions in medical cost growth resulting from increased managed care enrollment.

**No 555 - April, 2004**

**Pablo Fernández**

## ARE CALCULATED BETAS GOOD FOR ANYTHING?

*Abstract:* We calculate betas of 3,813 companies using 60 monthly returns each day of December 2001 and January 2002. The median (average) of the maximum beta divided by the minimum beta was 3.07 (15.7). The median of the percentage daily change (in absolute value) of the betas was 20%.

Industry betas are also unstable. On average, the maximum beta of an industry was 2.7 times its minimum beta in December 2001 and January 2002. The median (average) of the percentage daily change (in absolute value) of the industry betas was 7% (16%). This dispersion of the calculated betas has important implications for the instability of beta-ranked portfolios.

## Other publications

**Antonio Argandoña**

"Sobre los sistemas de gestión ética, social y medioambiental en las empresas", *Papeles de Ética, Economía y Dirección*, No 8, 2003, pages 65-82.

*Abstract:* Ante los problemas derivados de la responsabilidad ética, social y medioambiental de las empresas, existen tres tipos de soluciones: las basadas en la regulación por una autoridad o agencia, las que se inspiran en la creación de incentivos de mercado y las basadas en la autorregulación por la propia



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organización afectada. En el campo específico que nos ocupa, la regulación tiene costes importantes y desventajas que hacen particularmente deseable que las empresas establezcan sistemas o programas de gestión ética, social y medioambiental. El objeto de este artículo es doble: de un lado, explicar cómo la elaboración de sistemas o programas voluntarios de gestión ética, social y medioambiental puede contribuir al desarrollo y puesta en práctica de comportamientos éticos en las organizaciones, superando el conflicto entre la regulación obligatoria y las prácticas éticas ocasionales, y, de otro, mostrar qué caracteres debe presentar un programa de gestión ética para que sea efectivo.

## Joan E. Ricart

"Harnessing global and local forces for competitive advantage", *European Business Forum*, No 17, Spring 2004, pages 19-20.

*Abstract:* This short article is my contribution to the EBF Debate on "Can we turn Europe's differences to business advantage?". In the article I claim that in the complex world of semiglobalization we live in, managing diversity is very important. Europe seems to have more diversity and can use this expertise as a source of competitive advantage. But this requires the development of a European way of managing. It is my hope that the European Academy of Management can be a helpful instrument in such development.

## Esteve Almirall - March Sachon

"Had a chat with your refrigerator lately?", *European Business Forum*, No 17, Spring 2004, pages 32-36.

*Abstract:* The authors give an introduction to the topic of Radio Frequency Identification (RFID) in the retailing sector. They illustrate some of the advantages –such as real-time tracking at the item level– as well as some of the challenges –e.g., cost of the tags and distribution of benefits– of this innovation. Examples of current pilot projects in the FMCG and fashion sector are given and the authors explain why many retailers are more than willing to make significant investments in this innovation.

## Javier Santomá

"Nuevos medios de pago electrónicos: Hacia la desintermediación bancaria", *Información Comercial Española*, February, 2004, pages 101-114.

*Abstract:* Este artículo se propone estudiar la evolución de los medios de pago electrónicos, así como su relación con los distintos agentes que intervienen en el proceso de pago. Los medios de pago ha sido un área que tradicionalmente ha atraído poco el interés a los académicos. Este olvido puede resultar sorprendente, entre otros motivos por la cotidianidad y frecuencia con la que se realizan los actos de pago. Cualquier compra material o servicio se acaba con la realización de un pago. La mayoría de las personas repite este acto de pago muchas veces al día de forma directa o indirecta: subir a un autobús, sacar dinero de un cajero o llamar por teléfono lleva incorporado un acto de pago. Esta cotidianidad

e importancia para el comercio justifica el estudio de los distintos modelos e instrumentos de pago. Pero hay más motivos. Los medios de pago se constituyen hoy en una línea de negocio especialmente importante para la banca. También desde esa perspectiva se puede decir que las instituciones financieras han mostrado poca comprensión sobre la importancia de esta área de actividad.

## Conferences and Seminars

### Rafael Andreu - Sandra Sieber

On April 1-3, attended, in Innsbruck, the *Fifth European Conference on Organizational Knowledge, Learning, and Capabilities*, organized by OKLC 2004 (Organizational Knowledge, Learning, and Capabilities), where they presented the paper "Knowledge integration across organizations: How different types of knowledge suggests different practices and different 'integration trajectories'".

*Abstract:* In this paper the authors establish a framework for analyzing knowledge integration across organizations. Hence, we look at knowledge integration from a corporate point of view in order to pinpoint the main problems and challenges of a firm that wishes to effectively integrate knowledge among its business units in order to contribute to either its efficiency as a unique firm, or to its effectiveness in the form of improved competitive positioning and advantage. Typical examples are those of a firm whose divisions benefit from better knowledge sharing in specific areas, or of a corporation which is being formed by means of acquiring a set of independent, albeit somewhat similar firms (similar because, for example, they operate in the same industry). Such situations are by no means rare in today's business landscape, and as the so-called "knowledge economy" progresses, they increasingly raise issues of knowledge integration. A similar standpoint, although from a learning perspective, was taken by Ciborra and Andreu (2001), who analyzed the main characteristics of learning activities across organizations.

**Rafael Andreu**, also presented the paper "Knowledge-based synergies at the corporate level: A case study on knowledge integration across organizations".

*Abstract:* This paper is a case study of ABC, a firm that designs and makes pre-fabricated concrete elements for large public works projects. ABC pursued corporate knowledge integration because the corporation was the result of the acquisition of several, previously separate firms (now geographically organized BU's) with heterogeneous ways-of-doing. This led to uneven performance across the BU's. For that reason, ABC designed a set of actions which we find respond to basic characteristics of the knowledge to be integrated. Distinctions between tacit/explicit (Nonaka, 1994; Grant, 1996), individual/collective (Duncan and Weiss, 1997; Brown

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and Duguid, 1991; Spender, 1994) and firm-specific/general-purpose knowledge (Doeringer and Piore, 1971; Williamson, 1981; Foss and Mahnke, 2001) are useful for conceptualizing knowledge integration practices in corporate environments (Hansen, 2002). We show how the knowledge integration trajectory concept (Andreu & Sieber, 2004) can be applied to real-world settings such as that of ABC.

Both **Rafael Andreu** and **Sandra Sieber** chaired conference sessions.

## **Manel Baucells - Cristina Rata**

On April 15-18, attended, in Durham, the *9th Behavioral Decision Research in Management Conference*, organized by Duke University, where they presented the paper "A field study of stakes, frequency, domain, and framing in decisions under uncertainty".

*Abstract:* In a field study of 261 real decisions under uncertainty we record several aspects of the decision, such as importance, frequency, domain, and framing. Although our three subject groups (Undergrads, MBAs and Executives) face decisions of different type and importance, we find many similarities. We fit a regression model that predicts the importance of the decision as a function of its frequency, domain and group. Our analysis suggests that frequent and small decisions amount to more than less frequent and important decisions. A logistic regression model that predicts final choice shows that framing and domain has a strong influence in the probability of taking risks. Whether the decision is monetary or not does not seem to influence risk attitudes, which are similar across groups.

## **Javier Gómez**

On April 2-4, attended, in London, the *Annual Meeting of the Economic History Society*, where he presented the paper "Exchange rate behavior and exchange rate puzzles: Why the XVIII Century might help".

*Abstract:* In this article we analyze the behavior of exchange rates in Spain during the XVIII century. We briefly explain how the exchange rate was determined and place emphasis on the economic context, especially concerning the relationship between Spain and Great Britain. We postulate that the exchange rate during the XVIII century was mostly a market rate, that is, the result of market forces. We proceed to assess the extent to which the exchange rate responded to market fundamentals by testing the purchasing power parity (PPP) hypothesis and partial versions of the monetary model of exchange rate determination. The results suggest that the PPP hypothesis held throughout the century, with the exchange rate tracking quite closely the behavior of inflation differentials. Deviations from PPP seem to appear at the end of the century, due mostly to changes in the real exchange rate caused by the bilateral trade balance between Spain and Great Britain.

## **Franz H. Heukamp**

On April 15-18, attended, in Durham, the *9th Behavioral Decision Research in Management Conference*, organized by Duke University, where he presented the paper "Stochastic dominance and cumulative prospect theory", co-authored by **Manel Baucells**.

*Abstract:* We define second order stochastic dominance notions that account for the basic elements of Prospect Theory: 1) S-shaped value function; 2) probability weighting function, and 3) loss aversion. These elements are included individually and in combination with each other.

We employ the stochastic dominance notions in the design of lotteries such that one prospect dominates the other with respect to one or more elements of Prospect Theory.

We present empirical results from 20 lotteries designed in this way. The experiments involved around 270 individuals, both students and executives. Results show that: a) the S-shaped value function describes decision-making under uncertainty better than the inverse S-shaped value function recently advocated by Levy and Levy (2002); b) the certainty effect is not what drives risk-seeking for losses and risk-aversion for gains, and c) loss aversion is an important feature in choice under risk but it can be relegated to second place if the probability of strictly positive gains is too different between prospects.

Based on the results of the lotteries, we can classify the subjects with respect to their adherence to Cumulative Prospect Theory: More than 70% of the individuals follow CPT more than half of the time, and 15% of the individuals follow it all the time.

Finally, we propose as another application of the stochastic dominance notions a simple elicitation method of risk preferences without the influence of the probability weighting function.

## **Fernando Peñalva**

On April 1-3, attended, in Prague, the *27th Annual Congress of the European Accounting Association*, where he presented the paper "Corporate governance and executive compensation structure", co-authored by **Antonio Dávila**.

*Abstract:* We empirically examine how corporate governance affects the structure of executive compensation contracts. In particular, we analyze the implicit weights of firm performance measures in explaining CEO compensation. We find that weaker corporate governance is associated with compensation contracts that put more weight on accounting-based measures of performance (i.e., return on assets) compared to stock-based performance measures (i.e., market returns). This finding is consistent with CEOs in firms with weaker governance structures –where they can influence the contracting process to a larger extent– choosing to weight more heavily those performance measures that they can better control. To further examine the implications of these results, we investigate the association between variation in compensation and governance, and find that weaker governance is associated with lower variance in



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compensation. We also find that executive compensation contracts in firms with weaker governance rely on cash compensation to a larger extent at the expense of stock-based compensation.

## Steven Poelmans

On April 1-5, attended, in Chicago, the "Cross-Cultural Approaches to Work-Family Conflict: Ten-Country Investigation" symposium, organized by SIOP (Society of Industrial and Organizational Psychology), where he presented the following papers:

"A cross-national comparative study of work/family demands and resources: Research choices and constraints", co-authored by: Paul E. Spector, Cary L. Cooper, Tammy D. Allen, Michael O'Driscoll and Juan I. Sanchez.

*Abstract:* Around March 2002, a group of six researchers from four different countries (USA, Spain, UK, New Zealand) in three different continents decided to embark on a large-scale collaborative international study on work-family conflict in managers. In this article we describe the research project from a process perspective, describing the launch and development of the study. We will especially focus on choices made in these different stages and bring up some idiosyncratic issues that have influenced the development of the study in different phases.

"Work-family conflict in Anglo-Saxon and European cultural contexts: The cases of Spain, Ukraine, & Australia", co-authored by Leslie Hammer, Maggie Shafiro and Anne Bardoel.

*Abstract:* A radical shift in the labor force in Spain is creating conflicts between two of the most important life domains of every person, work and conflict. Little by little, companies are trying to address the changing needs that are associated with this shift. But there is a long road ahead. To use the metaphor of environmental responsibility, it will take time before companies become aware of the contaminating effect they have on family life and take action. The same goes for governments and individuals. But action is needed to avoid further escalation of individual (conflicts, divorces, stress), organizational (retention problems, absenteeism, productivity) and societal problems (broken, single-parent, or childless families). Individuals and companies alike need to grow in their self-control and must discipline themselves to strive for an equilibrium that will have a great impact on their health and success.

He also presented the poster session "Selection discrimination in Spanish HR officers", co-authored by Miguel Canela, Carly Bruck and Barbara Beham.

*Abstract:* This study investigated a variety of factors to determine whether discrimination occurred while Spanish HR officers were making selection decisions. Sex was the least important factor in making the selection decisions, while communication skills and

experience were the most important. Additionally, family-friendly organizational cultures were less likely to discriminate.

He also organized the symposium "Collaborative international research on work and family. A process perspective", where the following research projects were presented: "Work and family interface in five countries: The challenges, choices, and rewards of a cross-cultural research project" and "Work-family conflict in cultural context: A ten-country investigation".

## Miguel A. Rodríguez

On April 21-23, attended, in Granada, the 2004 GRONEN (Group on Organizations and the Natural Environment) *Research Workshop*, on the theme "Research on advanced environmental management: Capabilities and opportunities", organized by the Universidad de Granada, where he presented the paper "Sustainability in the boardroom: An empirical examination of Dow Jones sustainability world index leaders".

*Abstract:* In recent years, there has been a virtual explosion of interest in corporate governance. Numerous countries have issued corporate governance codes that offer recommendations to foster good corporate governance and increase transparency and disclosure (Mallin, 2002). At the same time, the concept of sustainable development is gaining momentum and has taken root in the business world through the well-known concept of corporate social responsibility (CSR) or corporate responsibility (CR). Although an extensive body of research treats the fields of corporate governance and sustainable development separately, less attention has been paid to the interaction between these two processes. This paper attempts to bridge this gap by examining how corporate governance systems are evolving in order to integrate sustainable development thinking into their organizations.

## Christian Seelos

On April 22, attended, in Granada, the 2004 GRONEN (Group on Organizations and the Natural Environment) *Research Workshop*, organized by the Universidad de Granada, where he presented the paper "Social entrepreneurship. The contribution of individual entrepreneurs to sustainable development", co-authored by Johanna Mair.

*Abstract:* (See page 11).  
(Working Paper No 553, <http://www.iese.edu/research/pdfs/DI-0553-E.pdf>)

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On March 4, the III *Encuentro de e-business*, organized by Josep Valor and Sandra Sieber on the theme "Información, tecnología y valor: en busca del ciclo virtuoso", was held at IESE in Madrid. Convened annually by the e-business Center PwC&IESE, the event brought together international experts and representatives of

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various Spanish companies with extensive experience in information systems management.

On March 11, the *11th Annual Symposium of the CIIF* (International Center for Financial Research) was held at IESE in Madrid, where the following presentations were given:

## **Eduardo Ballarín**

### **"Creación de valor y estrategia competitiva"**

*Abstract:* En esta sesión el autor presentó un esquema conceptual que permite reconciliar los enfoques estratégicos y financieros en los procesos de creación de valor.

El punto de vista estratégico se basa en el reconocimiento de un hecho a veces olvidado en la teoría financiera: las altas rentabilidades y los fuertes crecimientos son finitos en el tiempo y, por tanto, es preciso analizarlos desde una óptica competitiva que permita determinar cuán dilatada será una ventana de oportunidad que se le presenta a una empresa en un momento determinado.

## **Pablo Fernández**

### **"Finanzas y sentido común"**

*Abstract:* En esta ponencia se enumeraron algunos principios que dicta el sentido común, pero que con frecuencia se olvidan al realizar análisis financieros y valoraciones de empresas. En lo que se refiere a valoración de empresas, muchas contienen errores de método y de sentido común.

## **Javier Santomá**

### **"Nuevos medios de pago y relaciones bancarias"**

*Abstract:* Los medios de pago se constituyen hoy en una línea de negocio especialmente importante para la banca. La cotidianidad de los actos de pago e importancia para el comercio justifica el estudio de los distintos modelos e instrumentos de pago. Pero hay más motivos.

## **Jorge Soley - Ahmad Rahnema**

### **"La valoración crediticia de las empresas a la luz de Basilea II"**

*Abstract:* Basilea II, coincidente en el tiempo con la aplicación de las Normas Internacionales de Contabilidad, facilitará una mayor transparencia contable, lo que ayudará a su evaluación crediticia. Los criterios de valoración crediticia de las empresas tendrán un impacto de gran calado en su vida financiera. El empresario debe conocer las características de Basilea II, que están dirigidas a una mayor democratización y racionalización en la concesión del crédito.

## Awards

### **Rafael Termes**

On March 15, in Avila, was awarded the "Infanta Cristina" Economics Award 2003 by the President of Castilla y León, in a ceremony presided by HRH the Infanta María Cristina de Borbón.

## Doctoral theses

### **Thomas Gene Drape**

#### **THE TRANSFER OF STANDARD PRACTICES WITHIN MULTINATIONALS – AN ECLECTIC APPROACH. THE CASE OF THREE SUBSIDIARIES OF ONE U.S. MULTINATIONAL IN SPAIN**

*(IESE)*

*Abstract:* A definition of globalization is the diffusion of practices that have an influence on people's lives worldwide. One possible vehicle for this diffusion is the transfer of standard practices by multinational corporations (MNC) to their subsidiaries. Yet, the extent of this diffusion of practices is debated in the academic literature. Although there are many studies on the transfer of practices by MNC, many of these studies rely on large-scale surveys that do not distinguish between headquarter policy and actual subsidiary practice.

Drawing on several theoretical perspectives, including institutional and strategic choice theory, this dissertation develops a conceptual framework to investigate the factors influencing the transfer of standard practices within subsidiaries of MNC. A review of the literature highlights that U.S. MNC, in particular, "continue to stand apart" in the transfer of formal standardized practices, especially with human resource practices. Using multiple case studies and multiple sources of data, this dissertation focuses on the extent of standardization of practices within three Spanish subsidiaries of one U.S. MNC.

The data confirm that this U.S. MNC did transfer several standard practices, yet subsidiary differences such as the existence of unions and subsidiary role greatly impacted how, when and why the standard practices were implemented. In addition, key social actors within each subsidiary had powerful roles in both the establishment and the maintenance of the legitimacy of the standard practices. Contrary to expectations, the standard practice with the greatest modification was within the most integrated 'poster-child' subsidiary that produced two of the MNC flagship products.

### **Juan Ignacio Canales**

#### **TOP AND MIDDLE MANAGEMENT INTERACTION: A SOURCE TO IMPROVE STRATEGY-MAKING**

*(IESE)*

*Abstract:* The purpose of this dissertation is to extend existing theory on the strategy process. Our overarching aim has been to



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untangle how interaction between top and middle managers, and between emergent and deliberate strategy, can lead to more effective strategy-making. The dissertation has five chapters: an introduction, a theoretical foundation, an in-depth case study, a multiple case study, and the conclusions.

Chapter 1 explains the motivation for the thesis and its contribution to two streams of research, namely the strategy process and the actors of strategy-making. It also reviews existing literature on strategy-making and posits the need for research to elucidate the transition from thinking to action.

Chapter 2 describes a theoretical framework to overcome the split between formulation and implementation, whereby top managers do the thinking while middle managers are responsible for action. In our framework for participative strategy-making, we define the strategy process as a blend of thinking and action that can be steered by all managerial levels collectively, either towards becoming more thought-intensive or more action-intensive.

Chapter 3 reports on a two-phase exploratory case study of a major multi-business company with an aggressive expansion strategy in Spain. The first phase examines the context and nature of the strategy-making process, longitudinally along a seven-year period, while the second phase studies the evolution of fourteen strategic initiatives. The case shows how strategy-making was driven by the interplay between top managers and organizational members, and how strategic intent interacted with the creation of strategic initiatives.

Chapter 4 studies the interplay between top and middle managers as a determinant of strategy-making effectiveness in the case of six Spanish companies. We present a theoretical framework that extends existing knowledge on how strategy-making, as a cooperative endeavor between managerial levels, translates strategy into organizational activities.

Chapter 5 integrates the contribution of the dissertation chapters. The results and conclusions of the dissertation support the concept of strategy-making as a collaborative effort. Finally, we outline avenues for future research, and point out some implications for practicing managers.

## IESE - Research Seminars

### Accounting and Control

March 18

**Keynote speaker: Tatiana Sandido, Doctoral Candidate, Harvard Business School**

**"Initial management control systems in growing ventures"**

*Abstract:* In this paper I analyze the types of Management Control Systems (MCS) that entrepreneurial firms introduce when they start investing in controls, as well as the determinants and performance implications of this choice. Focusing on retail companies in the United States, I develop a classification of Initial MCS in new enterprises. I find that Initial MCS can be classified into four groups based on the purpose of their introduction. The first

group, "Basic MCS," is introduced by most ventures and includes budgets, cost systems and other basic information systems for planning, setting standards and controlling expenditures. The choice of the other three groups of MCS is contingent on specific company needs: "Cost MCS" is a set of managerial controls focused on enhancing operation efficiencies, minimizing costs, and establishing financial and internal controls; "Revenue MCS" is a more flexible set of controls focused on gathering non-financial information for learning; and "Risk MCS" describes a set of systems introduced to avoid risks and protect asset integrity. I hypothesize that these Initial MCS choices are associated with different strategies followed by the firm. In addition to "Basic MCS," I find that firms emphasizing differentiation strategies introduce "Revenue MCS" more intensely than other firms. I also find that decentralized firms tend to introduce "Cost MCS" and "Risk MCS" as opposed to "Revenue MCS." Franchise companies emphasize "Risk MCS" over "Cost MCS." After discussing reasons for these choices, I analyze performance implications and find preliminary evidence suggesting that firms linking MCS to their strategy and organizational structure, as described above, perform better than those not doing so.

### Economics

March 8

**Keynote speaker: Daniel A. Traca, INSEAD, Singapore**

**"Trade exposure, export intensity and wage volatility: Theory and evidence"**

*Abstract:* This paper addresses the link between trade exposure and wage volatility. First, it shows, in a simple model, that trade exposure magnifies the impact of the domestic productivity shocks on industry-specific labor demand, particularly for the less export intensive industries, and that, if labor is not perfectly mobile, this implies a rise in wage volatility. Then, it tests these predictions, using industry data. The empirical results confirm that wage volatility increases with an industry's degree of openness, and that, among tradable industries, it declines with an increase in the industry's export intensity.

March 11

**Keynote speaker: Núria Mas, IESE**

**"Is managed care restraining the adoption of technology by hospitals?"**

*Abstract:* (See page 11).

March 30

**Keynote speaker: Faye Steiner, HEC School of Management**

**"The market response to restructuring: A behavioral model"**

*Abstract:* In this paper, I model the behavior of producers, consumers, and regulators in deciding to restructure the electricity sector and estimate their equilibrium response to the newly

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restructured market. The empirical model consists of simultaneous price and restructuring equations with endogenous switching and cross equation correlation in the errors. This approach allow me to account for the influence of special interest groups and potential selection bias in which countries choose to restructure. I estimate distinct shifts from restructuring in both industrial and residential prices, and for English speaking, Scandinavian, and South American countries. I find that in all countries, it is industrial consumers that experience the price effects of restructuring, while residential consumers remain largely unaffected. In English speaking and Scandinavian countries, industrial prices decrease while in South American countries they increase. This is consistent with the political economic environment in which these countries have considered restructuring.

**April 28**

**Keynote speaker: Pablo Lucio Paredes, IDE - Guayaquil**  
**"La experiencia de la dolarización en Ecuador"**

## Entrepreneurship

**April 22**

**Keynote speaker: Rama Velamuri, IESE Business School**  
**"A knightian insight into the normative foundations of the nexus-of-contracts view of the firm"**

*Abstract:* The normative foundations of the investor-centered model of corporate governance, represented in mainstream economics by the nexus-of-contracts view of the firm, have come under attack, mainly by proponents of normative stakeholder theory. We argue that the nexus-of-contracts view is static and limited due to its assumption of price-output certainty. We attempt a synthesis of the nexus-of-contracts and the Knightian views, which provides novel insights into the normative adequacy of the investor-centered firm. Implications for scholarship and management practice follow from our discussion.

## Finance

**March 9**

**Keynote speaker: Antonio S. Mello, University of Wisconsin-Madison**  
**"Hedging and product market decisions"**

*Abstract:* This paper studies the optimal hedging and production strategies of financially constrained firms in imperfectly competitive markets. A hedging policy that minimizes the volatility of earnings reduces a firm's financial constraint most efficiently on average, but eliminates the possibility that it gains a significant financial advantage over its competitors. A financial advantage is valuable because it allows a firm to appropriate future market share. Consequently, firms do not always hedge their entire risk exposure even when they could do so without transaction costs. Oligopolistic firms hedge the least when competition is intense and

the firms' financial conditions are similar. Firms also hedge different risks than their competitors. Differences in the location of production, however, are immaterial for equilibrium risk exposure. Relative to a situation with complete hedging, the market leader follows a less aggressive product market strategy and the competitor a more aggressive one when the firms hedge their exposures only partially.

**March 25**

**Keynote speaker: Manuel Moreno, Universitat Pompeu Fabra (UPF)**  
**"Australian options"**

*Abstract:* We study European options on the ratio of the stock price to its average and viceversa. Some of these options have been traded on the Australian Stock Exchange since 1992, which is why we call them Australian options. For geometric averages, we obtain closed-form expressions for option prices. For arithmetic means, we use different approximations that produce very similar results.

**April 19**

**Keynote speaker: Rosa M<sup>a</sup> Lastra, London School of Economics**  
**"Risk based capital requirements and their impact upon the banking industry: Basel II and CAD III"**

*Abstract:* The Basel Committee has proposed a new capital framework to respond to deficiencies in the 1988 Capital Accord to credit risk. The 1988 Accord has been criticised for its crude assessment of risk and for creating opportunities for regulatory arbitrage, with banks using securitisation as a method of attaining regulatory capital relief. In principle, the new approach –often referred to as Basel II– is not intended to raise or lower the overall level of regulatory capital currently held by banks, but to make it more more risk-sensitive. The spirit of the new Accord is to encourage the use of internal systems for measuring risks and allocating capital (the Accord extends the use of internal models from market risk to credit risk). However, a number of issues have been raised with regard to its complexity, its impact on pro-cyclicality, and the possibility that it will lead to competitive distortions if some countries do not apply it (some big emerging economies) or apply it differently to small and big institutions (the USA). Banks in Europe will also be obliged to comply with the new Capital Directive, often referred to as CAD III, which is the means by which the EU will implement the new Basel Capital Accord. CAD III will apply to all credit institutions and investment firms and not only to internationally active banks, as Basel does.

## General Management

**March 16**

**Keynote speaker: Jasjit Singh, PhD Candidate, Business Economics, Harvard University**  
**"Social networks as determinants of knowledge diffusion patterns"**



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*Abstract:* This paper examines if social networks drive diffusion of knowledge, and help explain observed patterns of knowledge diffusion. When an inventor joins a new team, she might bring knowledge from her past innovations, and from innovations by others she has direct or indirect collaborative and social ties with. To capture this in an empirical model, I construct a "social proximity graph" of inventing teams for all US Patent Office patents from 1975-1995. The graph is defined to have an edge between any two teams with a common inventor. Teams with socially linked inventors have nodes belonging to the same connected component of this graph. The strength of their social link, or the "social distance" between the teams, is given by the number of intermediate nodes on the minimum path between the two. This construct is then used to explain knowledge flows between teams, as measured using citations among over half a million patents from 1986-1995. I use a weighted maximum likelihood approach, based on choice-based sampling, to estimate a model for probability of citation between two patents. The existence of a social link between two teams is found to be associated with higher probability of knowledge flow, with the probability decreasing with higher social distance. I also find evidence that social links help explain geographic localization of knowledge spillovers. In particular, conditional on having a close social link, the probability of knowledge flow between two innovating teams is found to be independent of whether they are located in the same geographic region or not.

**April 16**

**Keynote speaker: Steven W. Floyd, University of Connecticut**  
**"Degree of exploration, deliberate learning activities and learning effectiveness"**

*Abstract:* When adaptation requires learning, research suggests that organizations rely on a set of deliberate learning activities to generate desired outcomes. These activities represent coordinated efforts within project groups to search for and analyze information and to codify and practice task-related knowledge. Theoretically, we reason that the importance of such activities depends, at least in part, on the degree of exploration inherent in the learning task. Consistent with this, in a study of 75 developmental initiatives we found that the degree of exploration moderated relationships between searching and practicing activities. As predicted, plots of the interaction show that practicing becomes more important to learning effectiveness as the degree of exploration increases. Plots also suggest that searching is weakly and positively related to learning effectiveness at high levels of exploration, unrelated at mean levels of exploration, and contrary to our hypothesis, negatively related at low levels of exploration. In addition to these moderating effects, we found positive, direct associations between codifying and practicing and learning effectiveness.

## Managing People in Organizations

**March 22**

**Keynote speaker: Juan I. Sanchez, Florida International University**  
**"Are your employees avoiding you? Managerial strategies for closing the feedback gap"**

*Abstract:* Employees should seek feedback from managers when they perform poorly. In return, managers should give constructive feedback to employees, so that they can improve their performance. However, this kind of meaningful exchange about employee performance is often precluded by managers themselves. Some managers have an overly supportive style and feel uncomfortable giving negative feedback. Other managers are intolerant of failure and react harshly to feedback seeking from poor performers. This causes employees to stop asking for feedback or even to avoid discussing performance with their managers entirely. Some employees, such as those who generally fear negative feedback, will be more likely than others to avoid feedback from their managers, even though it might be helpful. Others will be reluctant to seek feedback because of the potential cost of being perceived as incompetent. These actions of employees and managers can mutually instigate and reinforce one another, creating a vacuum of meaningful exchanges about poor performance. We refer to this phenomenon as the "feedback gap." We propose a get-well plan that offers concrete guidelines so that managers can narrow the feedback gap. Our prescription stimulates managers to view feedback about poor performance as a learning opportunity, rather than a chance to blame others.

## Research Seminars

**José Manuel Campa**

**On March 10, presented at Bank of England, London, the paper**  
**"Explaining the exchange rate disconnect puzzle".**

*Abstract:* One of the "exchange rate disconnect" puzzles in international macroeconomics is that border prices of traded goods are highly sensitive to exchange rates, yet the prices of these goods at the retail level are considerably less sensitive. We provide cross-country and time series evidence on the role of the distribution sector, nontraded goods and imported inputs into production in explaining this disconnect. For 14 OECD countries, and across various types of economic activity, we show that the distribution sector plays a substantial role in a static and dynamic formulation of price adjustments to exchange rate movements. Import price transmission to consumer prices appears to be too low relative to what is suggested by the composition of aggregate price series. Short-run deviations between import and consumer prices adjust faster in industries in which distribution margins are lower.

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**On April, 2, presented at Universidad de Islas Baleares, the paper "Sources of gains from international portfolio diversification".**

*Abstract:* This paper looks at the determinants of country and industry specific factors in international portfolio returns using a sample of thirty-six countries and thirty-nine industries over the last three decades. Country factors have remained relatively stable over the sample period, while industry factors have significantly increased during the last decade. The importance of industry and country factors is correlated with measures of international economic and financial integration and development. Country factors are smaller for countries integrated in world financial markets and have declined as the degree of financial integration and the number of countries pursuing financial liberalizations has increased.

Higher international financial integration within an industry increases the importance of industry factors in explaining returns. Economic integration of production also helps in explaining returns. Countries with a more specialized production activity have higher country factors.

## **Ramón O'Callaghan**

**On February 28, attended the research seminar "The past and future of information systems research" at Copenhagen Business School, where he presented the paper "Growth nodes in a knowledge-based Europe: A research roadmap".**

*Abstract:* (See page 5).

## Miscellaneous

### **Antonio Argandoña**

**On March 17, attended, in Barcelona, the *Barcelona International Marketing Meeting 2004*, where he gave the lecture "¿Por qué el marketing debe tener en cuenta la ética?".**

*Abstract:* La sociedad es cada vez más exigente con los profesionales del marketing en temas relacionados con la ética y la responsabilidad social: defensa de la privacidad, protección del medio ambiente, respeto a los derechos humanos, transparencia y veracidad en las relaciones comerciales... Esto, junto con las exigencias crecientes de las empresas y la presión del mercado, sugieren que el directivo de marketing debe proponerse, cada vez más, la excelencia en su trabajo. La tesis principal de esta ponencia es que la ética es una condición necesaria para esa excelencia en el marketing. Un directivo no ético será, probablemente, un mal directivo, aunque sus ventas alcancen cada año nuevos máximos, porque estará ciego para un aspecto muy importante de su trabajo: el impacto de sus acciones en los demás, y los aprendizajes que esas acciones van provocando en el mismo directivo, en sus empleados, clientes y proveedores, en la organización y en la sociedad toda. Se discute también cómo se deben enfocar los

problemas morales en las decisiones de marketing, sobre todo cuando nos vemos sometidos a la tiranía del corto plazo (cifras de venta, cuotas de mercado, beneficios...), y cómo las estructuras organizativas y las culturas empresariales pueden hacer más difícil la excelencia del director de marketing.

(Occasional Paper OP-04/8 <http://www.iese.edu/research/pdfs/OP-04-8.pdf>)

### **Pablo Fernández**

Has been appointed a member of the International Committee for the second international conference on Alliances, Mergers and Acquisitions (AMA 2004), which will take place from November 8 to 10, 2004, at MIT (Cambridge, Mass.). The conference is organized by IASTED (International Association of Science and Technology for Development).

<http://www.iasted.org/conferences/2004/cambridge/c435.htm>

### **Domènec Melé**

On March 29, gave a talk in Milan about corporate social responsibility, on the occasion of the presentation of the book "Persona, impresa e società", under the auspices of the ACLI Foundation and Banca Popolare di Milano.

### **Pedro Nueno**

On March 10, attended, in Bled, the *Bled to Europe, Europe to Bled* conference, organized by IEDC, Bled School of Management in Slovenia, where he gave the lecture "The opportunity of joining the European Union: Achievements of Spain and Portugal" and took part in the panel discussion "Can Europe Grow Again?".

On March 25, attended, in Zaragoza, the *IV Foro Internacional Pilot*, an annual gathering organized by the Instituto Aragonés de Fomento, this year on the theme of logistics, where he gave the lecture "Innovación y conocimiento".

On April 22-23, attended, in Barcelona, the *Third Annual Private Meeting for Family Business Leaders*, organized by Campden Publishing Limited, where he moderated the session "Breakout: Leading the business".

On April 27, attended the *Jornada* of the Associació Catalana de l'Empresa Familiar, organized by Foment del Treball in Barcelona, where he gave the lecture "La internacionalització de l'empresa familiar".

### **Ramón O'Callaghan**

On March 29, attended, in Barcelona, the *European Communications Policy Research (EURO CPR) 2004* conference, where he chaired the session "ICT, Business Development and Productivity". He was also a member of the Scientific Committee.

The EURO CPR Conference is an annual event, organised since 1986, with the aim of facilitating more systematic interaction between



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academic research, European and national policy makers, and players in the communications industry. EURO CPR brings well-grounded theoretical and empirical research to bear upon current policy issues. Research presented at the EURO CPR conference is chosen for its contribution to innovation and to current policy and business strategy analysis.

[http://www.encip.org/network/docs/eurocpr\\_2004\\_programme.pdf](http://www.encip.org/network/docs/eurocpr_2004_programme.pdf)

On April 26, attended, in Brussels, the 3rd *ICT for Business* Coordination Workshop of the Information Society Directorate-General, European Commission, where he managed the consultation sessions on Network Businesses. Based on the objectives of the European Research Area (ERA), the 6th Framework Programme and the IST work programme, this is one of several initiatives aimed at allowing projects in the area of eBusiness to explore synergies with other projects, improving the overall impact at the level of the strategic objective, and focusing on forward-looking research work in the area of ICT for Business. The specific objective of the workshop was to discuss research challenges in the area of Networked Business, which are to be addressed in the Work Programme 2005-2006 and the 7th Framework Programme, which the Commission is currently preparing.

## Lluís G. Renart

On March 29, attended, in Madrid, the seminar on "Globalización y localización de la empresa", organized by the Cátedra Fundación Eduardo Barreiros at the Universidad Complutense, where he presented the main conclusions of his research on "Las estrategias de las empresas ante la ampliación de la Unión Europea".

## Josep Tàpies

On April 22, attended, in Barcelona, the *Third Annual Private Meeting for Family Business Leaders*, organized by Campden Publishing Limited, where he gave the presentation "From family business to families in business".

## Teaching materials

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

## Accounting and Control

**Visteon (A)**  
(C-721-E - 0.103.011)

In 1997 management of Visteon has to decide on the pricing of a Door Panel (DP) to be manufactured for the Nissan Almera. The

company information system is used as a base for the pricing decision.

Boulet M.; Palencia L.; Rahnema A.; 12 pages.

**Visteon (B)**  
(C-722-E - 0.103.012)

See case (A).

Boulet M.; Palencia L.; Rahnema A.; 7 pages.

**The T-shirt Company**  
(C-723-E - 0.103.021)

This case allows for an in-depth analysis of profit variances in a rather simple setting. It is intended for the second part of a Managerial Accounting course after variance analysis has been covered.

Weber E.; 3 pages.

## Decision Analysis

**Cementos Elola**  
(AD-284-E - 0.103.013)

The case can be used to introduce multiple regression techniques as a means of forecasting a company's sales on the basis of various macroeconomic variables.

Ariño M.A.; Valentini G.; 10 pages.

## Financial Management

**PayPal: An e-mail payment system**  
(F-742-E - 0.203.015)

PayPal, an e-mail payment system, was planning to establish itself in Europe. The case presents the alternatives available for PayPal's expansion as a banking product. It also explains how e-mail payment systems, and PayPal in particular, worked. (Also available in Spanish).

Marcé C.; Santomá J.; 19 pages.

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## **PayPal: Sistema de pago a través de correo electrónico - Nota del Instructor (FT-61 - 5.203.016)**

(Caso F-742).

### **Uso restringido a Instituciones Académicas.**

Marcé C.; Santomá J.; 14 pages.

## **Identifying international financial institutions (F-745-E - 0.203.023)**

The case presents the balance sheets and income statements –unidentified and in a homogeneous format– of a six large international financial institutions. Further relevant information on each of the institutions is also supplied.

(Also available in Spanish).

Santomá J.; 9 pages.

## **Telefónica del Perú: Cost of capital (F-748-E - 0.203.028)**

Calculation of the cost of capital of Telefónica del Perú for the period 1995-2001.

Campa J.M.; Oleaga M.; 18 pages.

## **General Management**

### **A foot in the door: Hindustan Lever breaks into the mass market (DG-1390-E - 0.303.020)**

Hindustan Lever (HLL), a subsidiary of Unilever and undisputed leader in the Fast Moving Consumer Products segment in India, is caught out by the success of a local firm, Nirma, in selling to the bottom of the social pyramid. Having ignored Nirma's activities for several years in the belief that Nirma was targeting a segment that HLL was not interested in, HLL decides to enter the market at the bottom of the social pyramid by developing a totally new business model. The case describes the main features of HLL's new business model. It provides scope to discuss the main factors that have allowed HLL to succeed in a segment that until very recently was uncharted territory for the company, and to reflect on the chances that Unilever will be able to transfer the new capabilities developed by HLL in India to its operations in other countries.

Ellison B.; Moller D.; Rodríguez M.A.; 23 pages.

### **Coca-Cola Nestlé Refreshments Company (A) (DG-1393-E - 0.303.024)**

This is the first of a nine-case series.

Coca-Cola Nestlé Refreshments Company (CCNR) began operations in 1991 as a joint venture (JV) between Coca-Cola (CC) and Nestlé (N). Both companies had manufactured and marketed a ready-to-drink coffee-based soda in Japan very successfully. Aware of a large potential world market and of the difficulties associated with launching a new product category on a worldwide basis, the two companies decided to combine their respective capabilities for this purpose.

Case A describes the purpose of the JV, the contributions made by each partner, the configuration of activities, and the composition of both the management team and the Board of Directors. When negotiations were almost finished, the partners decided to include in the agreement tea- and chocolate-based drinks as potential future extensions of the product portfolio.

(Also available in Spanish).

Ariño A.; 4 pages.

### **Coca-Cola Nestlé Refreshments Company (B1, B2, B3) (DG-1394-E - 0.303.025)**

See case (A).

Case B depicts the early operation of the JV. There are three versions of case B: Supplement 1 describes the events from the perspective of the JV management team, while Supplements 2 and 3 do so from the perspectives of CC and N respectively. Information common to all versions shows that after some initial cooperative actions from both partners, the JV starts experiencing problems. CCNR's management team starts shifting focus from coffee drinks to tea-based drinks.

(Also available in Spanish).

Ariño A.; 9 pages.

### **Coca-Cola Nestlé Refreshments Company (C) (DG-1395-E - 0.303.026)**

See case (A).

Case C describes a fatal incident with one of CC's bottlers, which lets one of CCNR's main competitors stay in the market when it could have avoided this.

(Also available in Spanish).

Ariño A.; 3 pages.

### **Coca-Cola Nestlé Refreshments Company (D) (DG-1396-E - 0.303.027)**

See case (A).

Case D shows how CCNR's strategy to focus on tea-based products consolidates. There are some changes in the Board of



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Directors. N acquires Perrier. CC is increasingly unhappy with the cannibalization issue.

(Also available in Spanish).

Ariño A.; 3 pages.

## **Coca-Cola Nestlé Refreshments Company (E)** **(DG-1397-E - 0.303.028)**

See case (A).

Case E explains a compensation agreement reached between CCNR and CC's Soda Fountain Division. N perceives this agreement as a transfer of a part of its own profit share to CC.

(Also available in Spanish).

Ariño A.; 3 pages.

## **Coca-Cola Nestlé Refreshments Company (F)** **(DG-1398-E - 0.303.029)**

See case (A).

Case F describes the situation in 1994, and shows a major strategic disagreement between the partners.

(Also available in Spanish).

Ariño A.; 2 pages.

## **Coca-Cola Nestlé Refreshments Company (G)** **(DG-1399-E - 0.303.030)**

See case (A).

Case G recounts the decision made in September 1994 to leave CCNR non-operational, and how the news appeared in the press.

(Also available in Spanish).

Ariño A.; 2 pages.

## **Coca-Cola Nestlé Refreshments Company (H)** **(DG-1400-E - 0.303.031)**

See case (A).

Case H describes the revival of this alliance in 2001.

(Also available in Spanish).

Ariño A.; 3 pages.

## **Siemens y la sostenibilidad** **(DG-1420 - 0.303.081)**

Siemens, empresa líder en el año 2002 en el Dow Jones Sustainability Index STOXX, había decidido integrar en el año 2000 los principios del desarrollo sostenible en su estrategia para

obtener la llamada "licencia para crecer". Las crecientes desigualdades sociales, el debilitamiento de los ecosistemas y la cada vez más exigida responsabilidad social y transparencia de las empresas, habían comportado la reformulación de algunos aspectos básicos de la estrategia de Siemens. Heinrich von Pierer, director general de Siemens, y Eduardo Montes, presidente del grupo Siemens en España, sabían que la tradición innovadora de la compañía y su visión global como multinacional, acompañada de su actuación local como empresa descentralizada, podían contribuir a ofrecer respuestas adecuadas a los retos planteados por el modelo de desarrollo sostenible. No obstante, las dificultades y retos que esta decisión planteaba a una empresa que operaba en 190 países, con una cartera de productos muy diversificada, con 484.000 trabajadores y unas ventas de 87.000 millones de euros en el año 2001, eran considerables.

Alfaro J.; Rodríguez M.A.; Sánchez P.; 27 pages.

## **Gestión de la cartera de proyectos de innovación - Primera parte** **(DGN-631 - 0.303.013)**

El éxito en la innovación depende, entre otros factores, de una buena gestión de la cartera de proyectos de innovación, porque es a través de ésta donde se define la manera de distribuir los recursos de la empresa (tanto financieros como humanos) entre los distintos proyectos. En ese sentido, todos somos conscientes de las consecuencias que puede tener una asignación deficiente de nuestros recursos en la competitividad de la empresa. Esta nota técnica pretende transmitir los conceptos y métodos necesarios para gestionar con efectividad la cartera de proyectos de innovación.

Muñoz-Najar J.A.; Vilà J.; 12 pages.

## **Information Systems**

### **Games for rent in Teléfonos de Portugal** **(SI-141-E - 0.104.003)**

The case presents the dilemma facing the product manager in charge of the computer game service recently launched by Teléfonos de Portugal. Following an intense advertising campaign, sales have been minimal and the product manager is wondering why this is so and what he can do about it.  
(Also available in Spanish).

Chason R.; Valor J.; 7 pages.

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## Managing People in Organizations

**John Roux at Con Roux Construction (B)**  
(DPO-21-E - 0.403.040)

Two years after the (A) case, CRC still has John Roux at the helm. This case describes some of the issues he has faced during the past two years. He has been able to mark down as a success the fact that the Company's order book has improved considerably. In fact, growth is substantially above the industry average. Where he continues to have problems is in cash flow management, cross-border operations and profitability.

Miller P.; 10 pages.

**John Roux at Con Roux Construction (B) - Teaching Note**  
(DPOT-3-E - 5.403.041)

(Case DPO-21-E)

**Use is restricted to Academic Institutions.**

Miller P.; 4 pages.

## Marketing

**Fernández Guijuelo**  
(M-1153-E - 0.503.022)

The case raises the question of whether or not a producer of high quality hams should start to advertise its product at a time of stiffening competition.

Oliver X.; 1 page.

**Rommy Cubes**  
(M-1154-E - 0.503.023)

The case raises the question of how to capture a market niche with a low-necessity product.

Oliver X.; 2 pages.

**Madras Gin and Siberiye Vodka**  
(M-1155-E - 0.503.024)

The case raises the question of how to defend alcoholic drinks brands against restrictive legislation.

Oliver X.; 1 page.

**Aunt Gotha**  
(M-1156-E - 0.503.025)

The case raises the question of how to expand the population to which a product and its message are addressed.

Oliver X.; 2 pages.

## Occasional Papers

**NOTE: Occasional papers may be consulted on the Internet at <http://www.wfm.iese.edu/research/op.html>**

04/10 - March, 2004

**Elena Tabares - Bruno Cassiman**

**LAS RELACIONES CIENCIA-INDUSTRIA EN ESPAÑA Y EN CATALUÑA**

*Abstract:* El objeto de este informe es describir cuál es la relación entre la industria y la ciencia en España y en Cataluña. El documento se estructura en cuatro bloques: 1) describe brevemente el cambio del entorno socioeconómico mundial y los cambios en las necesidades de las interrelaciones ciencia-industria; 2) describe la situación de las relaciones ciencia-industria en España; 3) describe la situación de las relaciones ciencia-industria en Cataluña, y 4) se incluyen una serie de conclusiones/recomendaciones que ayuden a dinamizar las relaciones ciencia-industria en Cataluña, desprendidas de la totalidad del informe y de las opiniones de los diferentes agentes implicados.

04/11 - March, 2004

**Domènec Melé**

**PRINCIPIO DE SUBSIDIARIEDAD Y ESPIRITU EMPRENDEDOR EN LA EUROPA DEL SIGLO XXI**

*Abstract:* El principio de subsidiariedad establece que una estructura social de orden superior no debe interferir en la vida interna de un grupo social de orden inferior, privándola de sus competencias, sino que, más bien, debe sostenerla en caso de necesidad y ayudarla a coordinar su acción con la de los demás componentes sociales, con miras al bien común. Este principio, de eminente carácter ético, está fundamentado en la libertad, racionalidad y diversidad del ser humano y es necesario para facilitar el desarrollo humano en la vida social. Es el marco necesario para la iniciativa emprendedora. Una razonable construcción de Europa exige potenciar tanto el principio de subsidiariedad como la iniciativa emprendedora en diversos ámbitos; entre otros: la educación, la economía, la cooperación al desarrollo, la acción social, el modo de educar en la familia y en la escuela y la vida de la Iglesia.



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04/12 - March, 2004

**Paddy Miller**

### THE RHYTHM AND SPEED OF CHANGE. LEADING IN DIFFICULT SITUATIONS

*Abstract:* This paper looks at how leadership and leading change combine what are essentially basic skills in order to bring about change. Most of the concepts in this article are easy to understand and make good common sense – it is just that they are seldom found in a lot of business organizations. The idea of assessing and applying rhythm and speed to a change situation is explored. In this paper we apply these concepts to the problems of change and show how some leaders have been able to improve the performance of themselves and their employees.

(Also available in Spanish).

04/13 - March, 2004

**Rafael Fraguas**

### PATOLOGIAS DE LOS CONSEJOS DE ADMINISTRACION EN ESPAÑA

*Abstract:* En el documento se refleja una investigación realizada en 1998 sobre el funcionamiento de los consejos de administración en España, a través de la que es posible identificar una serie de causas que explican por qué no funcionan los consejos o lo hacen de manera incorrecta.

04/14 - April, 2004

**Antonio Argandoña**

### LOS DESEQUILIBRIOS DE LA ECONOMIA ESPAÑOLA: UNA EXPLICACION DE SUS DETERMINANTES Y CAMBIOS EN EL TIEMPO

*Abstract:* La economía española ha experimentado transformaciones muy importantes en los últimos veinticinco años. Sobre el trasfondo de los cambios introducidos en la estructura, reglas del juego, funcionamiento de los mercados y condiciones organizativas, este trabajo revisa la evolución de los desequilibrios macroeconómicos (inflación, déficit público, deuda pública, déficit exterior, etc.), en lo que se ha dado en llamar la introducción de la "cultura de la estabilidad" en España. Se analiza la evolución de esos desequilibrios y su corrección en las diversas etapas de adelanto y retroceso.

#### Research Newsletter

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