SELECTED ABSTRACTS

FROM THE LATIN AMERICAN RESEARCH CONSORTIUM

DEANS' WORKSHOP

The Internationalization of Business Schools

March 25-26, 2010

TULANE UNIVERSITY

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1. This paper received the Goldring Distinguished Research Award.
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6. This paper received the Goldring Distinguished Research Award.
7. This paper received the Goldring Distinguished Research Award.

WELCOMING REMARKS

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Good morning. Let me welcome all of our partners and friends to New Orleans and the Tulane Campus. This is the 11th annual meeting of the LARC and the 4th meeting of the Dean's Workshop. The LARC was founded in 1995 as part of Tulane's faculty development PhD program initiatives in the region. The purpose of LARC has been to promote scholarly research on the markets and business institutions of Latin America. This year we have 26 research papers on the program authored by faculty from 12 different institutions including Tulane. To continue to encourage and recognize outstanding research, this year we will publish selected abstracts from the program and we will also give two $2,500 research awards for the best papers of the conference. We thank all of the contributors for their participation, the dean's for their financial support, and….special thanks to the Tulane faculty for their roles. The Dean's Workshop was initiated 4 years ago, in conjunction with the LARC meetings. Its purpose is provide a forum for dean's from selected business schools in Latin America to share their ideas on school strategy and program development in a non-competitive environment.

8. The Goldring Institute for International Business was founded at Tulane University in 1991 through the generosity of the Goldring Family Foundation. The Goldring Institute's purpose is to promote and develop the research and academic programs of the A.B. Freeman School of Business which are related to international business. The Institute is divided into three centres: Center for Latin American Business Studies, Center for Asian Business Studies, and the Center for Freeman International Programs. The programs of the Institute are to serve the educational needs of Tulane students to understand the opportunities and challenges of global business, to support our faculty's global experience through international travel, teaching and research, and to position the school as a leader in management education around the world.

This year the Dean's Workshop has 14 schools represented including Tulane. We also are very happy to have Jerry Trapnell of AACSB International included in the program this year and thank him for his participation. It is important for all of us know how the accrediting bodies view the strategic issues of our program development and we appreciate Jerry taking the time to do this for us personally. The topic for the Dean's Workshop this year is the "Internationalization of Business Schools in Latin America". This is an old topic but one which continues to have significance for program development. At Tulane it is a key strategic issue for our business school and our Dean, Angelo DeNisi, has agreed to share his views on this topic with us this morning. In closing, let me say that it is our personal goal at Tulane that the Dean's Workshop and LARC meetings serve as a strategic partnership for the development of management education and scholarly research in the region. We will continue to work with our partners in any ways that support this objective.

Again, welcome to you all and I hope that you have an enjoyable and productive two days with us here in New Orleans. Thanks for being here and supporting the LARC program.

NOTE FROM THE DEAN OF THE SCHOOL OF BUSINESS AND ECONOMICS AT ICESI UNIVERSITY

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Once again, it is a pleasure for Icesi University and Tulane University to introduce the proceedings of some of the papers presented at the Latin American Research Consortium (LARC) held on March 25 and 26, 2010, in New Orleans (United States); completing eleven annual LARC meetings and four annual Deans Workshops.

In this opportunity, the main topic of the meeting was the internationalization of business schools, which has become increasingly a strategic objective of many Latin American universities. Recurrent themes in this consortium were issues such as student and professors exchanges, development of curriculum oriented to international issues or that include international experiences, lectures in foreign languages, international practices, and the adoption of international standards, such as institutional or by faculty accreditation.

The Consortium was divided into two sections: the Dean's Workshop and the concurrent sessions, which in turn were divided into two themes: management and marketing, and finances (To see the program of the event, please refer to the Annexes section of this document).

In this issue of **Selected Abstracts from the Latin American Research Consortium**, there are seven dean's presentations and twelve papers presented in concurrent sessions, which in turn are divided into seven papers selected for the thematic section on management and marketing, and five documents for the finances section. Finally, the followed program during the two-day Consortium is presented in the annexes.

In the dean's presentations it was evident not only the importance but also the growing concern of Latin American business schools for their internationalization. It seems to be clear that there is a consciousness of the significance of this issue for both students and the university, in general, but the procedures to follow are still not clear. It is even more remarkable the fact that, even though it is not a new issue for these schools, in the sense that many of them have been implementing different strategies in this regard for many years, the incipient advances demand better results.

On the other hand, the selected abstracts' section presents seven papers in the area of management and marketing. To begin with, there is the paper on management and marketing by Carlos Rodeiro spoke about retributive justice through the decision-making processes. Then, José Roberto Concha discussed how to develop trust and build commitment through non-profit companies, for which he presented the case of food banks in Cali (Colombia). Silvio Borrero presented the balanced model to introduce exercising, which helps to encourage young adults to play sports. Following, German Castellanos presented the preliminary results of a study that reveals that achieving and maintaining optimal body weight by savoring could be more effective that just coping. The document of Eduardo Wills and Luz Orozco, showed antecedents and consequences of the social capital for agro- businesses in conflictive rural areas in Colombia. Carlos Enrique Ramirez, presents the next paper, with his study on the development of intercultural skills in undergraduate students; finally, Ana Maria Arboleda presents her paper on the perception of justice as a key factor in consumers purchase behavior and attitudes.

Five papers related to finance are presented in the second section. In this opportunity, the paper of professors Luis Eugenio De Garate, Diana Bustani, and Leticia Morales on financial performance and ownership structure in public Mexican companies is in the first place. Immediately after, Eduardo Pablo introduced his paper on diversification among countries through M & A transactions in emerging markets, which was applied to the case of Latin America. In the third place, professors Maximiliano Gonzales, Carlos Molina and Eduardo Pablo, presented their work on the dividend policy and ownership structure in Latin America; followed by Luis Berggrun and Oliver Rausch who presented a paper about momentum and side effects in the Colombian Stock Market. Finally, Marcelo Dabos and Tomas William presented their findings on a re-evaluation of financial development impact on the economic growth and their resources by region.

As a result of the previous introduction, readers may find a document with complete content and significance for business schools, at the time they could find experiences easily replicable in other contexts. In this order of ideas, for both Tulane University and Icesi University, it is a priority the participation in and dissemination of this type of events, where the academic debate revolves around issues that are relevant to students, professors, and community, in general.

As in past years, the publication of **Selected Abstracts from the Latin American Research Consortium** is presented as a supplement to the academic journal of Icesi University, ***Estudios Gerenciales***, with the purpose of using libraries networks and national and international researchers to which this journal belongs and through which the objective of disseminating knowledge is achieved. We invite our readers to send their comments and questions to: estgerencial@icesi.edu.co, or to the electronic mails of the compilers of this issue: Jorge Alba Garcia (jalbagar@tulane.edu.co) or William A. Mindak (wmindak@tulane.edu), both from Tulane University.

MENSAJE DEL DECANO DE LA FACULTAD DE CIENCIAS ADMINISTRATIVAS Y ECONÓMICAS DE LA UNIVERSIDAD ICESI

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Es para la Universidad Icesi y Tulane University un gusto presentar nuevamente las memorias de algunos de los documentos expuestos en el Consorcio Latinoamericano de Investigación (LARC, por sus siglas en inglés) realizado los pasados 25 y 26 de marzo de 2010 en New Orleans (Estados Unidos); completando de esta manera once reuniones anuales de LARC y cuatro reuniones anuales del taller para decanos (Dean's Workshop).

En esta ocasión, el tema central del encuentro fue la internacionalización de escuelas de administración, que crecientemente se ha convertido en un objetivo estratégico de muchas universidades latinoamericanas. Temas como los intercambios estudiantiles y de profesores, el desarrollo de currículos orientados a temas internacionales o que incluyan experiencias internacionales, cátedras en otros idiomas, prácticas internacionales y la adopción de estándares internacionales, tales como las acreditaciones institucionales o por facultades, fueron los temas más recurrentes de este consorcio

El Consorcio que tuvo lugar este año, se dividió en dos secciones: el taller para los decanos (Dean's Workshop) y las sesiones simultáneas, las que a su vez se dividieron en dos temáticas: management and marketing, y finanzas (para ver la programación del evento, puede consultar los Anexos de este documento).

En esta entrega de **Selected Abstracts from the Latin American Research Consortium**, se encuentran siete de las presentaciones de los decanos y doce de los documentos reseñados en sesiones simultáneas, las cuales a su vez se dividen en siete documentos seleccionados para la sección temática de management and marketing; y cinco documentos para la sección de finanzas. Finalmente, en los anexos figura el programa llevado a cabo durante los dos días del Consorcio.

En las presentaciones de decanos fue evidente no solo la importancia sino la creciente preocupación de las escuelas de administración latinoamericanas por hacer un mayor esfuerzo en internacionalizarse. Parece ser evidente que existe una concientización sobre la importancia de este tema tanto para estudiantes como para la universidad en general; pero aun no son claras las formas de hacerlo y aun más destacable es el hecho que, aunque no representa un tema novedoso para estas escuelas en el sentido que muchas de estas llevan años implementando diferentes estrategias sobre el particular, los avances aun demandan mayores resultados.

Por su parte, en la sección de documentos seleccionados, se presentan siete documentos en el área de management y marketing. En primer lugar se encuentra el documento de Carlos Rodeiro, quien habló de la justicia retributiva a través de los procesos de toma de decisión. Luego, José Roberto Concha habló sobre cómo desarrollar confianza y generar compromiso a través de compañías sin ánimo de lucro, para lo cual presentó el caso de los bancos de alimentos de Cali (Colombia). Este estuvo seguido por Silvio Borrero quien expuso el modelo balanceado de inducción al ejercicio, el cual busca persuadir a adultos jóvenes para que practiquen un deporte por medio de una búsqueda equilibrada de metas significativas. A continuación, Germán Castellanos mostró un estudio preliminar sobre cómo lograr y mantener el peso corporal óptimo a través de una estrategia de disfrute más que de solamente evadir. En quinto lugar se encuentra el documento de los profesores Eduardo Wills y Luz Orozco, quienes mostraron antecedentes y consecuencias del capital social para agro-negocios de zonas rurales en conflicto de Colombia. En sexto lugar se presenta Carlos Enrique Ramírez con el documento sobre el desarrollo de competencias interculturales en estudiantes de pregrado; para terminar con el documento de Ana María Arboleda sobre la percepción de la justicia como un factor determinante para los comportamientos de compra y actitudes de los consumidores.

En la segunda sección se presentan los cinco documentos relacionados con finanzas. En esta oportunidad se encuentra, en primer lugar, el documento de los profesores Luis Eugenio De Gárate, Diana Bustani y Leticia Morales, sobre el desempeño financiero y la estructura de propiedad en empresas públicas mexicanas. A renglón seguido, Eduardo Pablo presentó su documento sobre la diversificación entre países a través de transacciones M&A en mercados emergentes, el cual aplicó al caso de América Latina. En tercer lugar, los profesores Maximiliano González, Carlos Molina y Eduardo Pablo expusieron su trabajo sobre la política de dividendos y la estructura de propiedad en Latinoamérica; seguidos por Luis Berggrun y Oliver Rausch, quienes expusieron sobre el momento y los efectos secundarios en el mercado accionario de Colombia. Finalmente, Marcelo Dabos y Tomas Williams presentaron sus resultados sobre una re-evaluación del impacto del desarrollo financiero en el crecimiento económico y sus recursos por regiones.

De esta manera, se da cumplimiento a un documento completo en contenido y de gran relevancia para escuelas de administración, las cuales tienen experiencias muy importantes que incluso pueden ser replicadas en otros contextos. Es por esto que tanto para Tulane University como para la Universidad Icesi, es una prioridad la participación y divulgación de este tipo de eventos, en donde el debate académico gira en torno a temas que son de relevancia para estudiantes, profesores y comunidad en general.

Al igual que en años pasados, la publicación de **Selected Abstracts from the Latin American Research Consortium,** se presenta como un suplemento a la revista académica de la Universidad Icesi, ***Estudios Gerenciales,*** con la intención de utilizar las redes de bibliotecas e investigadores nacionales e internacionales a las que pertenece esta revista y con lo cual se logra el objetivo de divulgar conocimiento. Invitamos a los lectores a enviarnos sus comentarios e inquietudes a: estgerencial@icesi.edu.co; o a los correos de los compiladores de los documentos seleccionados para esta edición: Jorge Alba García (jalbagar@tulane.edu.co) o William A. Mindak (wmindak@tulane.edu), ambos de Tulane University.

DEAN'S WORKSHOP

The internationalization of Business Schools in Latin America

AN AMERICAN ACADEMIC PERSPECTIVE ON LATIN AMERICAN BUSINESS SCHOOLS

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This work was presented at the Latin American Research Consortium and Deans Workshop (LARC), New Orleans, LA, United States
March, 2010

Everybody Wants to Globalize

- Academicians everywhere indicate a desire to “globalize” their programs
- This includes AACSB – where the “A” stands for “American”
- BUT globalization actually means different things to different people and there are different types of motives for these desires
- We’ll discuss some of these ideas and then talk about the views of the Academy of Management

What is Globalization and Why Do It?

- It’s really about diversity and reaching out for more diverse members

- It's really about recognizing that we all compete in a global environment
- It's really about recognizing that much of the world's population isn't in the U.S. or Western Europe
- It's really about "all of the above"

When we Say Globalization Do We Mean …

- Inclusion of non-U.S. (and Western European) partners?
- Making our activities more welcoming for these new members and partners?
- Helping people in these countries to become better educated?
- Exposing our students and colleagues to other cultures?
- **The (American) Academy of Management and Globalization**
- Ten years ago, AOM stated it was a U.S.-based organization that would accept foreign members
- The Academy was truly open to this BUT these new members had to adopt our values, models and methods
- It was much like the reaction my grandparents received when they came to the U.S.
- They had to assimilate!

Some Background on the AOM

- Started almost 75 years ago as invited group only
- Growth was centered on Divisions and Interest Groups
- In Chicago, in August 2009, there were 10,000 attendees
- Today there are more than 19,000 members worldwide
- They come from 98 countries, and 35% are from outside of North America (AND GROWING!)

Where the Members Are

- U.S. – 10806 Canada – 983

- UK – 758 Australia – 497
- Netherlands – 472 Germany – 461
- Taiwan – 299 Japan – 285
- France – 275 Denmark – 225
- Switzerland – 214 China – 203
- Italy – 177 S. Korea – 157
- Singapore – 153 Hong Kong – 133
- India 128

Where Is Latin America?

- Only Brazil in top 30 for members (80)
- Data from meetings two years ago indicates 38 authors from Brazil, 17 from Mexico, and 5 from Argentina; Colombia, Peru, Puerto Rico and Chile had ONE each
- As a result, the Academy's global focus is much more on China and India
- Most membership growth is from Asia as well
- **AND, Regardless of Focus There are Some Traditional Biases**
- Preference for U.S. samples in journals
- Boards dominated by U.S. –trained members
- Timing of the annual meeting is designed for U.S. academicians
- First meeting outside of U.S. was in 1995 (?) in Vancouver
- Annual meeting has NEVER been held outside of North America

THIS IS UNACCEPTABLE!

- Our global members can teach us about new meeting structures and formats
- These members can also teach us about different research models and methods

- We can learn more about integrating corporate social responsibility in our schools
- WE MUST MOVE FROM ASSIMILATION TO TRUE INTEGRATION

How Can We Effect These Changes?

- This was the theme of my Presidential Address
- Need more membership activity from Latin America
- Ibero-American is dominated by Spain and various other organizations are fragmented (there is a Brazilian Academy which is why they have more members)
- We need a Latin-American Academy!

More About Changes and the Future

- There is no voice in the U.S. Academic world telling us what Latin America can offer
- Is guanxi so different from life in Latin America?
- Why is social responsibility s integral to business schools there?
- How does one manage effectively in Latin America
- Is L.A.'s future tied to North America or to Asia
- ASIANS WANT TIES TO LATIN AMERICA

CONCLUSIONS

- Activities such as LARC are an important step in this process
- The Deans must find a better way to make their voices heard
- Americans must understand that they can learn from global partners such as Latin American schools NOT JUST TEACH THEM
- North Americans and Latin American must form true partnerships

TRADITIONAL, PATERNALISTIC MODELS DON'T PRODUCE NEW KNOWLEDGE; DON'T HELP THE U.S. SCHOOLS AND DON'T ALLOW THE LATIN AMERICAN SCHOOLS TO TRULY DEVELOP.

WE NEED A NEW MODEL!

INTERNATIONALIZATION OF BUSINESS SCHOOL IN LATIN AMERICA

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This work was presented at the Latin American Research Consortium and Deans Workshop (LARC), New Orleans, LA, United States
March, 2010

Approaches towards Internationalization

There are many ways of approaching and achieving internationalization in Business Schools:

- International visiting faculty
- International students
- Study abroad
- Programs in other language
- Courses in other language
- Joint research programs
- International case studies

Another more direct approach is through the internationalization of the Curriculum (program and course level, intl MBA)

This should be an strategic priority of B-Schools.

Colombian Context

- Colombia: poverty, income inequality reduction, and conflict resolution, which have made internationalization very difficult. Unfortunate image of Colombia: drug dealing problems, kidnappings statistics among other security aspects, have complicated the attraction of foreigners to the country, in particular undergraduate students.
- Democratic Security Policy: an ambitious enterprise that aims at solving the security problems in Colombia, specially the countryside.
- The country was chosen by Business Week Magazine as one of the best emerging economy to invest, spite the civil conflict that has embraced it for the last 50 years. In spite of these economic and security wise improvements, the Country stills fights with a much damaged image, this has a long way to recover completely.

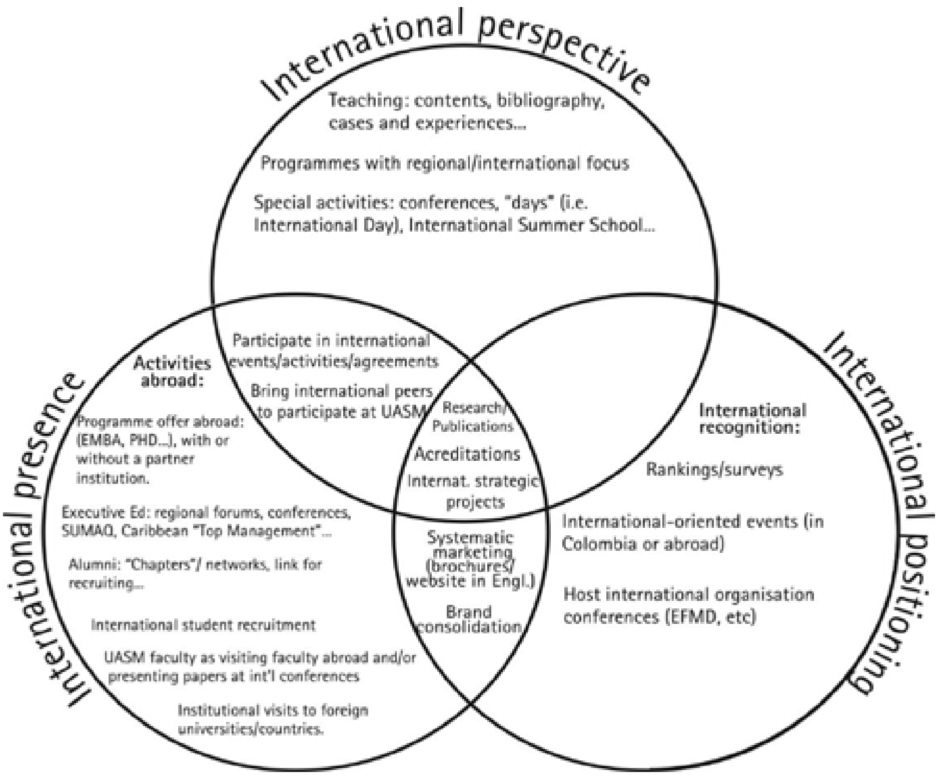
Colombia Competitive Advantages

- Colombia has been identified as the country with the most stable democracy in LATAM. Its Economy has grown above the region, at an average of 5,4 % in the last four years.
- Colombia is ranked fourth in the world in biodiversity. (Second in plants, first in amphibians and birds, third and fifth in reptiles and mammals)
- Second country with the best business environment in LATAM - Doing Business 2009.
- Colombia is the third Country on the Subjective well being ranking (mean 4.18), based on reported happiness and life satisfaction.
- Colombia is regional leader in managers - IMD 2008.
- Colombia has one of the most flexible labor regimes in Latin America- BID

Colombian context

- According to a study developed in Colombia among 40 higher education institutions, the main difficulties that these organizations confront to become international are:
- lack of domain of a second language (71%);
- financial constraints in order to consolidate sustainable processes (63%);
- inflexibility in existing curricula (39%); and
- lack of adequate planning, and therefore the presence of heterogeneous and poorly structured developments regarding the international dimension (42%).

UASMs Definition of Internationalization



Experience the Internationalization at UASM

- Indirect Approaches towards internationalization at UASM:
- 13% of international full-time faculty
- International students for the undergraduate and graduate programs: 30% of international students in the FT MBA, and 40% in MGA
- Visiting international faculty: Corona Chair: 39 visiting faculty between 2008 and 2009
- Exchange and Double degree agreements at the School and University level
- International Summer School: Founded in 2004, the Summer School has completed its 6th Edition. All courses are taught in English by international faculty from prestigious universities.

Approaches towards Internationalization of the curriculum: UASM

- Inclusion of international and intercultural content in the curriculum (materials, coursework, etc.)
- Offer academic programs with an international dimension: Global MBA (ITAM, IESA, Tulane University, UniAndes)

Students

- Courses taught entirely by international faculty and taught in English
- International speakers within courses
- Analysis of international case studies
- Participation in international competitions

Faculty

- Support faculty development (participation in international conferences, research and teaching activities, etc.)
- Promote joint research with international partners
- International co-authorships

Extracurricular activities

- International weeks
- International Day (undergraduate level)
- International competitions for MBA students
- Leadership programs (Global Village, Emory)

Some questions for discussion

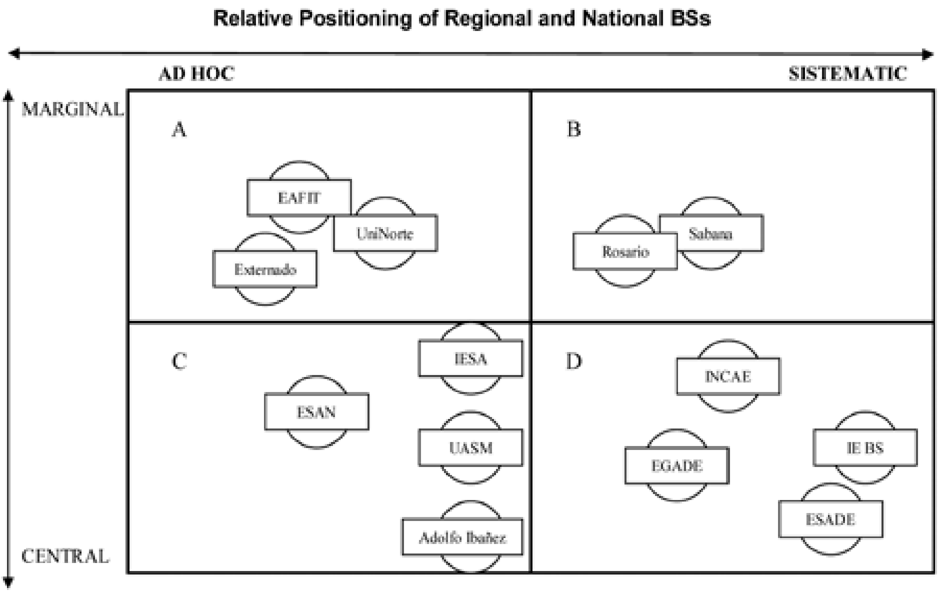
- What do you understand for internationalization of the curriculum at your schools?
- Is internationalization of the curriculum a strategic priority at your School? Why?
- Who is responsible for facilitating and monitoring the internationalization of the curriculum? (Dean, academic areas, International office??)
- What strategies should be put in place to advance in the internationalization of the curriculum?
- How to involve faculty in this process?
- How can we help faculty to be prepared for the internationalization of the curriculum?

Internationalization of the curriculum: implications

- Incorporate international, intercultural issues and a global dimension into:
  - Content and material in courses (core and elective)
  - Teaching and learning methodologies
  - Faculty development
  - To prepare/ expose students for performing in a multicultural context

- Develop some type of incentive for faculty commitment in internationalization of the curriculum
- An ongoing and systematic approach
  - Faculty must understand the international dimension of their disciplines:
  - Gain foreign experience
  - Internationalize teaching/ learning experience
- What is needed:
  - Institutional support
  - Collaboration and joint work
  - Involvement of faculty, students and staff
  - Resources

Internationalization Process Analysis based on Davies Model (1995)



INTERNATIONALIZATION OF BUSINESS SCHOOL IN LATIN AMERICA: IMPLICATIONS FOR FACULTY AND STUDENTS

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This work was presented at the Latin American Research Consortium and Deans Workshop (LARC), New Orleans, LA, United States
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Degree of globalization

- Extent to which students are willing to travel to other countries to study.
- Extent to which students are interested in a global perspective and international issues.
- Extent to which faculty has a global mental framework or is interested in developing such perspective.
- Extent to which the market for faculty is global.

Some Internationalization levers

- Cooperation agreements with foreign schools to increase exchange student flow.

- Exchange of faculty members as visiting professors.
- Participation of international faculty in joint comparative research projects.
- Support to potential faculty members to study their PhDs in foreign schools.
- Support to faculty members on sabbatical to travel and visit other schools.
- English as a teaching language in some courses and programs.
- International accreditations of the programs and the school.
- Hiring in the international faculty markets which results in an international portfolio of faculty members.
- International publications by the faculty members.
- Development of an international alumni network with chapters in some important cities.
- Building up the school's brand internationally.
- International advisory council.
- Dual degrees with foreign schools.
- Foreign campus.

Internationalization stages (Mendoza & Vives, 2007)

- Stage 1. Goal: strengthening the competitive position in the local environment.
- Stage 2. Goal: attracting international students to courses and programs.
- Stage 3. Goal: competing with the best international business schools.

Internationalization strategies (Hawawini, 2005)

- Bringing the world to your school. Import model.
- Bringing your school to the world. Export model.

- Becoming an active participant in a global network of business schools. Global network model.

Hypothetical trends (Sheppard, Duke U., 2010)

- Business schools will become more differentiated. The offer will be more heterogeneous.
- Some business schools from emerging countries will become as good as schools from developed countries.
- The best business schools will become dramatically better than the average business school.

INTERNATIONALIZATION OF BUSINESS SCHOOL IN LATIN AMERICA: IMPLICATIONS FOR FACULTY AND STUDENTS

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Truly Local Business School

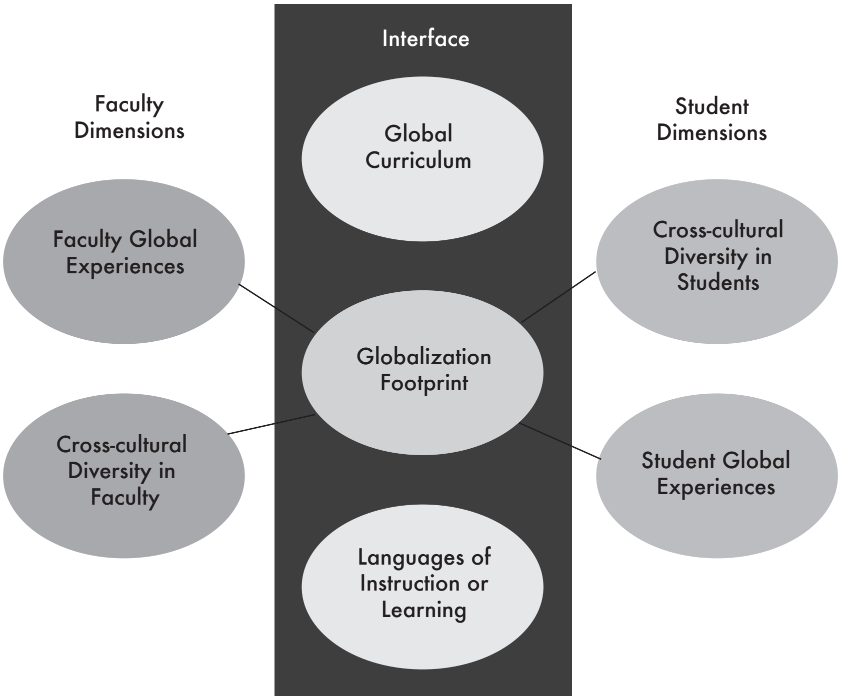
- Develop local leaders
- Prepare for dealing locally with foreign business
- Address local problems
- Target local quality standards

Truly International Business School:

- Develop global leaders
- Prepare to deal globally with international business (focus? LA? NA? Europe? Asia?)
- Address global problems (focus? LA? NA? Europe? Asia?)
- Target global quality standards

Internalization Means

Global Footprint Framework



Global Curriculum

International business <u>IN</u> the curriculum or <u>ACROSS</u> the curriculum

Languages of Instruction or learning

While the students can attend a class in a foreign language, some will not participate as actively

Implications of positioning

Expose students to international issues and diverse cultures OR develop international management competences

A lot of levers

- Developing and leveraging international partnerships
- Requiring students to achieve proficiency in multiple languages.

- Establishing a center for international research, courses, and training.
- Faculty and student exchanges.
- Requiring students to create international business plans for companies.
- Requiring students to travel overseas.
- Integrating cultures in the classroom.
- Involving students in joint programs with business students in other countries.
- Encouraging students to complete part of their studies at a school in another country.
- Actively recruiting international faculty.
- Providing funds for faculty to travel to other countries.
- Encouraging faculty exchanges with schools in other countries.
- Including international study trips, consultations, and research in faculty development activities.

Which Strategy Process

Top – Down: Decide positioning along the continuum. Deploy initiatives according to positioning. Implications for faculty and students can be enormous

Bottom – Up: Launch several initiatives. Some work, other do not because of constraints regarding faculty and students characteristics. Internationalizations strategy emerges. Implications can be small.

INTERNATIONALIZATION OF BUSINESS SCHOOL IN LATIN AMERICA: IMPLICATIONS FOR PROGRAM DEVELOPMENT

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This work was presented at the Latin American Research Consortium and Deans Workshop (LARC), New Orleans, LA, United States
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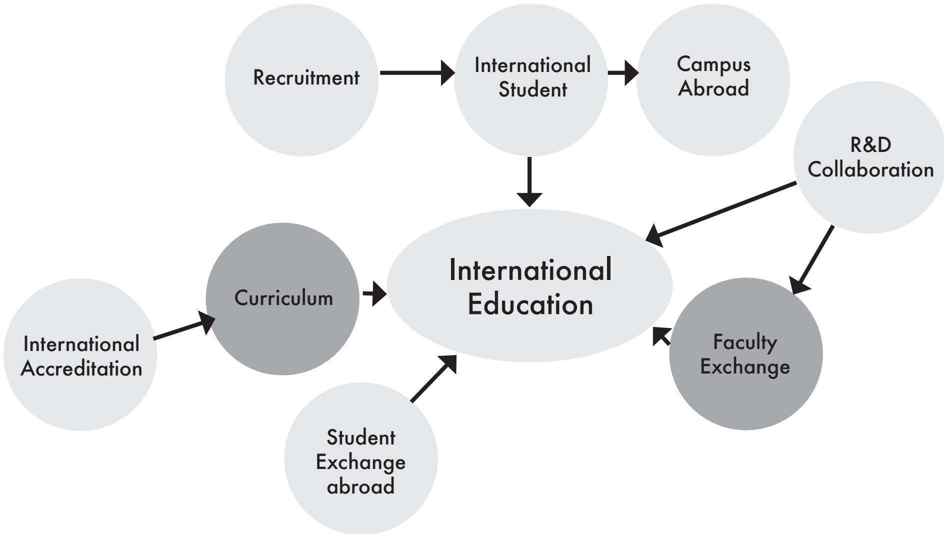
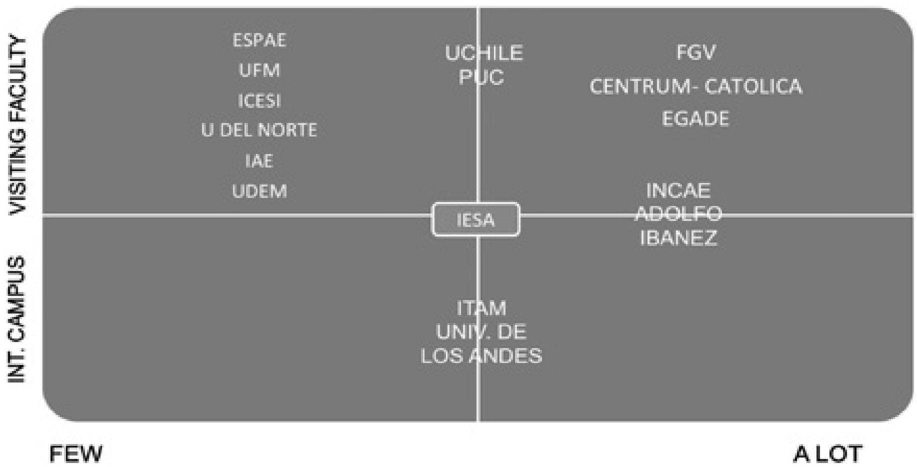
What are our Schools doing beside curriculum and faculty

- Study Trip. Short time, more a personal experience than a learning one.
- Student Exchanges. See the world with different eyes while leaving and studying abroad.
- Dual Degree. Help to relocate after graduation
- Corporate Overseas internship programs. Let students know there is no "one way of doing business"
- International relations office. Support students on focus on the whole experience (study, job, culture)
- International Campus. Making a "Brand" and facilitating student exchange

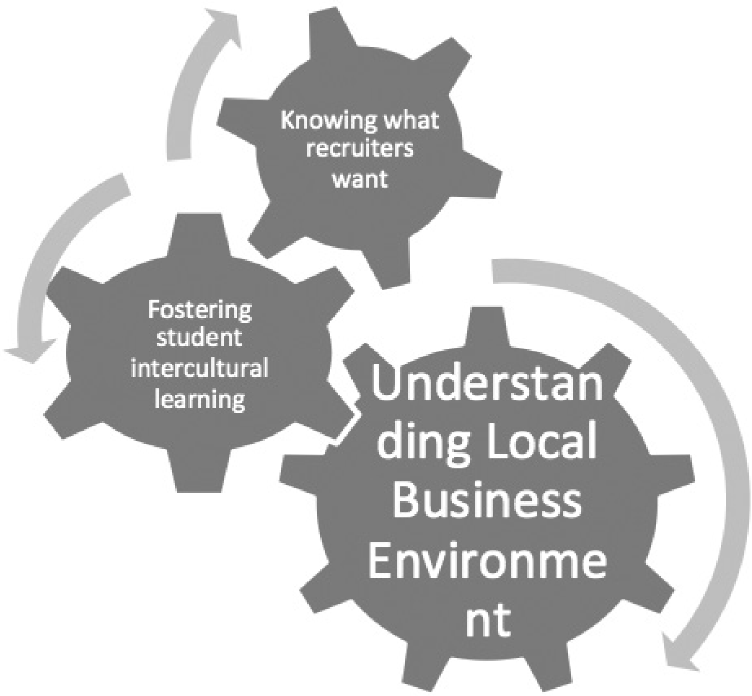
Critical Variables on the Internationalization Process



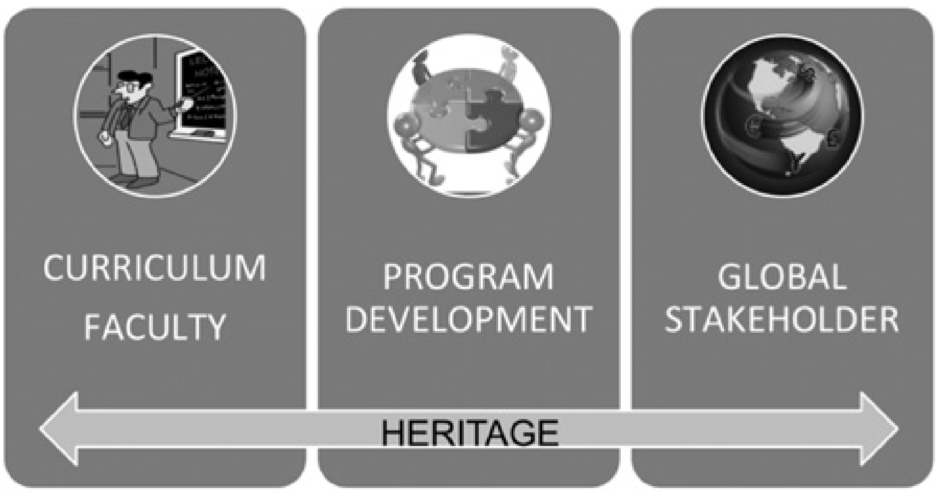
Where are we doing?



Critical Decision on Planning Program Development



So, on this path of internationalization, do not forget the global stakeholders



INTERNATIONALIZATION OF BUSINESS SCHOOL IN LATIN AMERICA: IMPLICATIONS FOR PROGRAM DEVELOPMENT

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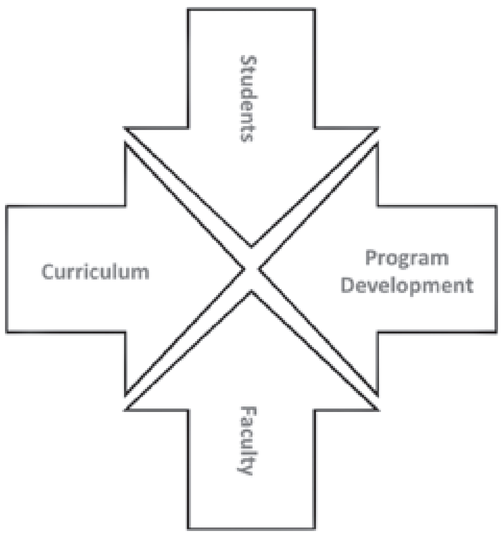
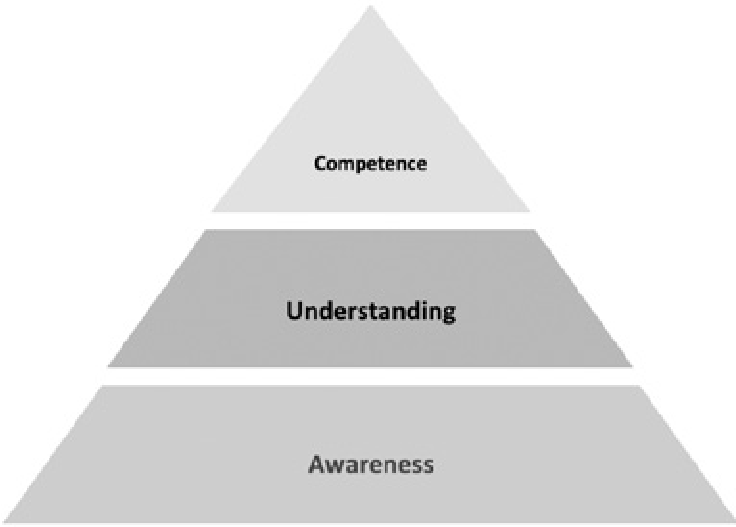
March, 2010

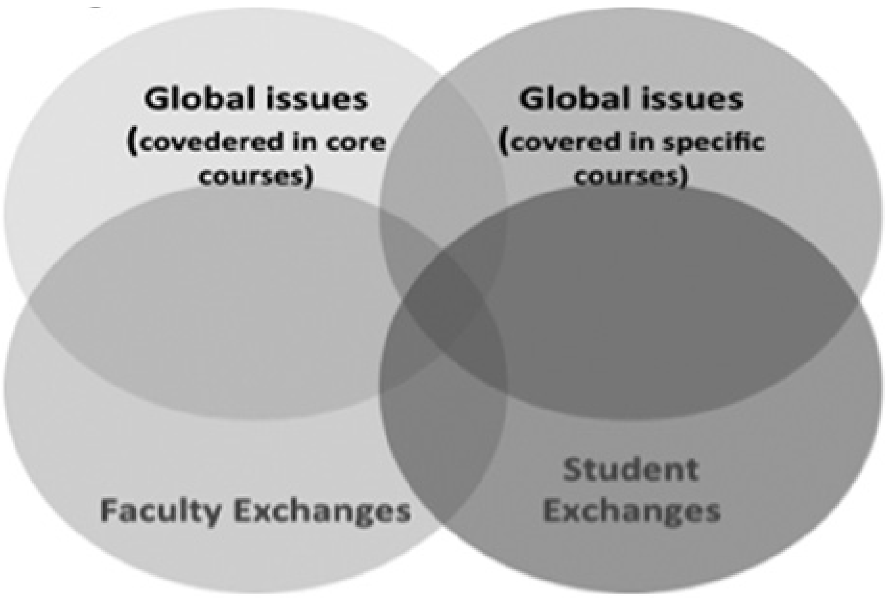
Preparing students to compete successfully in the global economy



Pyramid Model of Internationalization



Strategies



Gap: Academia →Reality

INTERNATIONALIZING MANAGEMENT EDUCATION IN LATIN AMERICA

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Efforts to internationalize management education began little more than three decades ago. In 1978 and 1979, the American Assembly of Collegiate Schools of Business, as AACSB was then known, and the European Foundation for Management Development (EFMD) held a series of colloquia to discuss two major subjects: changing expectations of society and management for a globalizing world. These colloquia provided the agenda for the first international conference, “Managers for the 21st Century”, sponsored jointly by AACSB and EFMD, and held in Paris in June 1980. Attention centered on internationalizing management education in Europe and North America – focused mainly on attending to management needs of multinational companies that today would seem simplistic. In April 1989, some 200 deans and directors of institutions from 58 countries, including the leading Latin American schools, convened in Montreal for a conference titled “The Search for Global Management: Mapping the Future of Management Education and Development”. This conference spotlighted sobering issues for business schools in developing countries, and called for management knowledge relevant to their needs. Sessions were led by Gabino Mendoza of the Asian Institute of Management and noted management scholar Henry Mintzberg – who years later signaled their significance (2004)[9].

Following is a brief review of means employed by Latin American business schools in their quest to produce knowledge, establish closer relations with schools abroad and become internationally accredited. Progress made on a variety of fronts – student exchange, faculty development, research, study programs, and ways for gaining international exposure – are followed by a series of questions concerning current challenges and next steps.

Management academics in the U.S. and elsewhere, for the most part, have heretofore viewed Latin America as lacking the appeal of other world regions – perhaps because the region as a whole lacks the growth luster of Southeast Asia and its management schools have only recently addressed internationalization seriously. But companies and civil society organizations with global reach could soon find Latin America to be a rich source of opportunity and innovation in any number of fields, from identifying niche markets to finding better ways for dealing with environmental conservation and climate change, to tapping the region's concentration of biodiversity and coping with societal demands. Several of Latin America's leading business schools are strategically well positioned to kick-start such opportunities by exploring new areas for knowledge development, and shaping new linkages with both academic institutions and companies worldwide.

Progress under way at Latin American schools

Latin American management schools, most of which date from the 1960s, have in recent years made impressive progress, at considerable expense, to internationalize their faculty and student body as well as strengthen research and study programs. By doing so, schools gained recognition from the international management education community and enrolled home country students who might otherwise have studied abroad. Some schools, including ESAN in Peru, IESA in Venezuela, and INCAE in Central America, were

9. Managers not MBAs: A Hard Look at the Soft Practice of Managing and Management Development. San Francisco: Berret-Koehler Publishers: 176-77.

"international" from the start: launched with support from USAID or the Ford Foundation, early operations were backstopped by U.S. business schools that largely staffed start-out faculty. Monterrey Tech became perhaps the region's best-known school internationally by offering innovative, interactive courses across Latin America and beyond via the Internet. In the 1990s, leading schools stepped up internationalization in order to seek program accreditation from AACSB, EFMD-sponsored Equis, the U.K. Association of MBA programs (AMBA), and other agencies[10]. Progress in internationalization by leading Latin American schools replicate, in moderate scale, the import and export business school models discussed by Hawanini[11].

Student exchange

Internationalization at Latin American schools began by exchanging students under bilateral programs with partner schools abroad in the 1970s. Offering home students an opportunity to spend a term abroad at a prestigious business school became a priority promotional tool to establish local credibility. Networked programs in later years, such as the Program in International Management (PIM) and the Network of International Economic and Business Schools (NIBES), broadened the source of incoming students, largely from Europe; but comparatively few students from North America showed interest in undertaking study in Latin America. Incoming students benefited from broadening their culture and becoming acquainted with social and economic conditions in the region but tended to sidestep their studies, making little impact either on host school courses or students. Except for a handful of schools, the share of outgoing students remained minimal. Unlike incoming students, outgoing students often excelled in study programs at North American and European institutions. A number of joint degree programs were organized with schools abroad, some with fixed residential requirements. In time, as closer relations were established with institutions abroad, more flexible formats for joint programs evolved, such as the Tulane-led Global MBA with IESA, ITAM, and UASM.

10. Gomez, Henry (2009), "Business schools in Latin America: global players at last?" In A. Davila & M. Elvira (Eds.) Best Human Resource Management Practices in Latin America. London: Routledge.
11. Hawanini, Gabriel (2005), "The future of business schools", Journal of Management Development 24(9).

Faculty

Graduate study abroad by full-time faculty began early on at Latin America's leading management schools. Unlike U.S. schools that recruit recent Ph.D.s, Latin American schools must generally support existing or newly recruited faculty to obtain the doctorate. Sometimes the schools enlisted Fulbright, British Council, or similar support for tuition and maintenance abroad, but nonetheless shouldered most of the cost of doctoral training. Building a corps of full-time faculty holding advanced degrees invariably represented a daunting challenge for region schools, but in time raised teaching standards and facilitated international accreditation. Most of the better-ranked schools have regularly attracted visiting foreign scholars for 3-12 month stays, who sometimes contributed to curriculum and faculty development, and fostered research output. Tulane's Latin American doctoral initiative, now in its second decade, has facilitated earning advanced degrees for partner school faculty and significantly contributed to upgrading management education in several countries.[12]

Research

Recent decades have witnessed substantial growth in management research[13] on Latin America. Early in the 1990s the Global Network for Management Development (INTERMAN) uncovered indigenous management practices in several world regions and spawned teaching cases and follow-up research. In following years a growing number of papers were published in international academic journals. Travel support became generously available to faculty who presented research findings at world academic conferences. Annual management conferences such as BALAS raised the bar on papers accepted for presentation. Academia, a journal launched decades ago by CLADEA, publishes refereed articles of region-wide interest; several schools feature publications that draw on research but are aimed largely at practitioners, and some issue research monographs or working paper series. But at most leading schools, research output has been held back: faculty members returning

12. Konovsky, Mary A. & John Trapani III (1999) "The Tulane Latin American Doctoral Initiative", Revista Academia, No. 23: 95-104.
13. The International Executive (1994), "Innovation, INTERMAN, and International Business in Latin America." (Vol. 36, No.6): 659-739.

from doctoral study, in most schools the best qualified, often undertook administrative posts or were assigned what in North America would be considered high teaching loads.

Some region-wide research has emerged on selected issues. For example, the Inter-American Development Bank sponsored research and publications on corporate governance; and Tulane's Burkenroad program spurred considerable work on capital markets and asset valuation of medium-sized firms in several countries. Additionally, the Social Enterprise Knowledge Network (SEKN), which joined 10 Ibero-American management schools, has thus far produced three books and a score of online cases focused on not-for-profit organizations, business-sponsored social initiatives, and doing business with low-income sectors. Several schools have administered the Global Entrepreneurship Monitor (GEM) survey in association with Babson College, and some documented family business experience by participating in the Successful Trans-Generational Entrepreneurship Practices (STEP) program. Certain schools raised the needed support to marshal faculty-wide studies on a given line of research, such as the local business context, or to address emerging fields of knowledge, including environmental management. But no single school has yet to stand out as a center of in-depth sub-region or country-specific management research that captures world attention. Worse yet, management practices employed by the vast majority of Latin America's small-sized business firms and other kinds of organizations remain largely unexplored.

Study programs

A challenging task at Latin America's leading schools is crafting a study program suited for management in a global economy that adequately covers subject matter pertinent to local organizations. In finance and occasionally in other fields, textbooks grounded in locally produced research have balanced international knowledge with relevant content drawn from experience in a handful of countries. Wide use of translated textbooks (some with added local content), distributed by leading world publishers, have made for largely standardized curricular content in basic courses.

Beyond the core courses, study programs have fallen short on attention to region-wide or sub-region management experience. Only world textbook publishers boast a capability for region-wide distribution of instructional materials. Books and monographs containing valuable insights into local management practice, published by several leading schools, are seldom distributed outside their home country. Accordingly, except for networked research outputs, such as that emerging from SEKN, or work published in international academic journals, management knowledge generated by scholars at a leading region school has seldom found its way to study program content at other leading schools.

International exposure

Many schools have gained international exposure by holding events led by faculty from management schools abroad. Growing numbers of North American and European faculty, and occasionally from Asia, are invited for short visits – although hosting international visitors, at some schools almost on a weekly basis, makes for considerable demands on the time of deans and senior faculty. Some of these visitors engage in executive education or lead seminars for top companies that help finance their stay. Others present papers that focus on issues relevant to Latin America that are subsequently published by the school (but again, seldom distributed across the region). At some schools, visiting faculty lead short “summer term” courses offered in English to attract local and international students. For both local faculty and graduate students, exposure to visiting scholars represents a valuable input to become acquainted with the global management education community – and helps project favorable impressions of leading Latin American schools worldwide.

Leading schools gained exposure as their deans became officers of regional associations such as CLADEA and BALAS. Once their schools became accredited internationally, several deans were designated mission members to assess academic quality at other schools or even become officers of world accreditation agencies.

Executive education programs have increasingly been offered by some schools outside their home turf, which helps project the school’s image abroad and presumably enables participating faculty to become acquainted with management practice elsewhere in Latin America. Some programs have been offered together with other schools, for example by means of the SUMAQ Alliance, linking schools in Latin America and Spain. More recently, certain schools have jointly undertaken to offer a degree program abroad, such as the Master in Finance program currently under way at the IESA Panama campus together with faculty from Tulane and UASM. This effort entails faculty visits of minimal duration that, given required support, could be moderately extended and turned into opportunities for knowledge development.

Issues for further discussion

The above assessment of progress under way at leading management schools, admittedly based on preliminary impressions, nonetheless raises questions of some concern. One is whether such wide-ranging internationalization efforts by schools burdened by limited financial resources are worth the huge cost – i.e., what kinds of trade-offs do these outlays entail? Has internationalization become a goal in itself – veering away from being a mechanism to promote academic and societal change? Have all schools adequately examined what specific objectives they seek from internationalization, and how to attain them? Sadly enough, despite the huge array of efforts made to internationalize the leading schools, Latin America has been unable to arouse much interest on the part of most world management academicians.

Some deans hold that the key to overcoming such lack of interest and promoting further internationalization among Latin American schools lies in strengthening strategic alliances that span executive education, joint or dual degree programs, and strengthened research efforts. Schools committed to working together under such alliances can ensure opportunities for faculty to get to know each other, build mutual trust, and craft innovative projects of the kind that stand to differentiate region schools and generate value creation.

The aforementioned difficulty of sharing research outputs and books or other materials published by a school's press has slowed progress in broadening Latin America-wide content in study programs. By implication, leading schools have favored North-South knowledge exchange and neglected in-depth study of region-wide management issues. Insofar as this issue has become a common concern of all leading schools, a worthy topic for discussion would be how to uncover creative approaches to overcome the problem.

Societal concerns that are relevant to management education in Latin America have generally received little attention, except for environmental management in certain schools. But even in this field inextricable linkages between environmental degradation and poverty as factors that condition social and economic development remain largely unexplored from a management standpoint. Deep social cleavages such as those prevailing in Latin America stand to become a growing threat to all societies worldwide.

On a more conventional plane, one issue of concern is whether improved competitiveness of larger companies, to which management schools have presumably contributed, may in fact be putting at risk the prospects for small business growth in certain economic sectors with little or no access to management education. IESA and UASM have recently launched innovative training and consulting programs for small business, including microenterprises; and the latter school has shaped its program by building on years of prior experience at Brazil's Dom Cabral management center. Sharing with other schools the benefits generated by such initiatives for both the institutions involved and participating small businesses should be a priority topic for discussion and dissemination.

Management is the overriding resource of all countries, regardless of their stage of social and economic development. The foremost societal concern faced throughout Latin America is faltering economic growth vis-à-vis other world regions, together with mass poverty and gross inequality across social strata. Leading management schools in Latin America have to some extent brought the socioeconomic context issue to the attention of their students, including its implications for the region's future political stability and the survival of free enterprise; but the issue appears to attract little interest, for inequality has bred societal polarization. Moreover, the aspirations of MBA students in Latin America, as in other world regions, are seldom concerned with human values. Challenging student projects, expressly designed to address business development in slum communities, suitably rewarding the most creative and viable entries, could help overcome current inertia.

Were management schools in Latin America to broaden their sights and strengthen attention to societal concerns, significant progress might be forthcoming to overcome the region's most pressing social and economic challenges. A group of schools could organize a project focused, for example, on the management of high-impact poverty and inequality reduction efforts under way in certain countries. Multilateral agencies might well consider financing a pilot venture for such an undertaking. As knowledge drawn from such an effort is shared with schools elsewhere, the world at large would look to Latin America for management insights on how to address these concerns.

Opportunities abound for management schools in Latin America to forge strategic alliances with academic institutions, bodies such as the Regional Energy Integration Commission (CIER), and companies worldwide to deal with societal demands and business needs. Public and private sector organizations throughout the region are ill equipped to manage tasks entrusted to them in energy, light and power, sprawling urban blight, and any number of issues concerned with the environment. Companies have barely begun to explore the Andean-Amazon region's vast wealth of natural resources for developing new products in a host of industries. Once Latin American schools decidedly address deep-rooted management issues that bear on the future of society, and begin to satisfy the need for new knowledge drawn from their own institutional and resource context, they will be perceived in an altogether different light. As aptly put by Dean Angelo Di Nisi in opening the 2010 LARC Dean's Workshop on Internationalizing Management Education, "Latin America would gain a voice in the U.S. academic world".

SELECTED ABSTRACTS

RETRIBUTIVE JUSTICE THROUGH DECISION MAKING

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Abstract

The purpose of this study is to enhance understanding of the subtle mechanisms through which employees and students achieve a balance of justice, apart from conducts belonging to the well studied category of organizational misbehaviors (e.g., workplace aggression, employee theft, incivility, retaliatory behavior, or revenge). I posited that: (a) people under conditions of procedural and distributive injustice will be more likely to choose an unethical decision option (i.e., 'mild' and 'severe' mechanisms of revenge), than under conditions of fair treatment; and (b) anger will mediate the relationship between perceptions of injustice and severe unethical decisions. Two experiments, both from organizational and educational perspectives, examined the influence of unfair treatment on workers from a utility company and MBA students at a business school. During the experiments, some

participants were biased toward combinations of just procedures and outcomes and others to combinations of unjust procedures and outcomes; to study the effects that this manipulation may have in participants' decision choices. Although the hypotheses were not supported, surprising findings indicated that employees agree more with making mild unethical decisions under the condition of both fair procedure and outcome, than in a situation when procedures are fair and outcomes are unjust. Limitations and future directions are addressed.

Literature Review

According to McLean's proposition (1997), changes in behavior (i.e., retribution) are more pronounced in the presence of multiple forms of injustice. Mclean describes three mechanisms available to the individual in securing retribution (i.e., recompense, impression management, and retaliation); emphasizing that these mechanisms are not exclusive and do not cover all possible processes by which individuals get justice. Some individuals might engage in subtle mechanisms to achieve a justice balance, relying on the degree of injustice accumulation to assess the level of intensity of the retribution mechanism to be used. To examine this contention, in the present research, individuals' retributive behavior --when making decisions-- will be assessed in the presence and/or absence of procedural and distributive justice. Thus, when confronting a combination of procedural justice and distributive injustice (and the other way around), the individual will choose a covert mechanism to retaliate (i.e., "less" retribution as proposed by McLean).

Folger and Skarlicki (1998) described the "popcorn metaphor" in linking injustice and workplace aggression. They argued that when employees perceive organizational injustice, it sometimes trigger aggression in the workplace. Research suggests that employees can find covert ways to gain revenge at someone under unfair conditions. Moreover, "overt violence maybe merely a surface indicator --like the 'tip of the iceberg'-- of many other covert and less visible forms of retaliation" (Folger & Skarlicki, 1998, p. 48).

According to the model proposed by Bies, Tripp, and Kramer (1997), a revenge episode begins with a precipitating event (e.g., interpersonal abuse, demotion), which sparks revenge cognitions and emotions. The latter can create a heating-up process within the victim or observer, the intensity and duration of which depends on a variety of cognitive, motivational, and social processes that influence how the sparking event is construed. If the heat continues building up, revenge cognitions will find release through one of four different paths: venting, dissipation, fatigue, or explosion.

Tripp, Bies, and Aquino (2002) found that observers judged the severe revenge act more favorably when the provocation was severe than when the provocation was mild. However, similarity of method was judged more harshly than dissimilarity of method --because observers opined that using a similar method makes the victim's revenge motive too transparent.

The above findings suggest that all other things being equal, in order to avoid that observers perceive the presence of similarity of method, smart revenge should be covert. As a consequence, I expect that under lower levels of injustice, a person focused on revenge will be likely to covertly choose a mild unethical decision. The covert and mild form of revenge would be preferred as it also less likely, in relation to more severe and overt forms of revenge, to lead to a spiral of retaliation. Therefore, I hypothesize:

> H1a-H1b: In the presence of procedural justice and distributive injustice (or procedural injustice and distributive justice) the individual focused on revenge will be more likely to choose --or agree with-- a mild, covert decision option than under a condition of fair treatment.

However, as the level of injustice increases, an individual focused on revenge is more likely to endorse a more severe unethical decision option in terms of how that decision adversely affects the original harmdoer. In this sense, the level of injustice is expected to engender a "heating-up" process where the person focused on revenge is more emotionally charged and open to more severe consequences for the harmdoer (especially in a context where the revenge can be overt). Therefore, I hypothesize:

> H2a-H2b: Under the condition of both procedural and distributive unfair treatment, the individual focused on revenge will be more likely to choose --or agree with-- a severe unethical decision option than under the condition of procedural justice and distributive injustice (or procedural injustice and distributive justice).

Furthermore, Barclay, Skarlicki, and Pugh (2005) found that outward-focused negative emotions partially mediated the relationship between justice perceptions and retaliation --thus providing an empirical test of the effects proposed by Folger and Skarlicki (1998). Following this line of reasoning, I propose the following:

> H3: Anger will mediate the relationship between the level of procedural and distributive injustice and the likelihood of making (or agreeing with) a severe unethical decision.

Method

Research setting

I conducted two studies, in different contexts, in order to test the aforementioned hypotheses. The first one, a field experiment, focused on EDC (Spanish acronym for Electricidad de Caracas), a Venezuelan electric utility which delivers electricity to more than 5.3 million people. The second one, a lab experiment, was run in IESA (Spanish acronym for Instituto de Estudios Superiores de Administración), the only business school in Venezuela accredited by the Association to Advance Collegiate Schools of Business (AACSB).

The possibility of applying a similar and meaningful story (i.e., traveling outside the country), where participants could be expected to act in a decision-making capacity, was the main reason to run the experiment with these samples (worker and student) in two types of organized settings (work and academic).

Participants

On average, EDC participants (N = 136) were 33.6 years of age (SD = 8.2) and had worked in the organization for 10.4 years (SD = 7.8). Females comprised 55.2% of the sample.

IESA participants (N = 229) were enrolled in the MBA (92.1%), ranged in age from 23 to 54 years (M = 29.4; SD = 4.6), and had an average tenure in their respective organizations of 6.5 years (SD = 4.7).

Experimental Design and Procedure

The between-subjects manipulation of the independent variables was embedded in four scenarios: (1) procedurally just, distributively just, (2) procedurally just, distributively unjust, (3) procedurally unjust, distributively just, and (4) procedurally unjust, distributively unjust. The researcher and the participants were blind to conditions.

Such scenarios described similar situations in which an employee applies to integrate a valuation team in charge of evaluating a business opportunity in a foreign country and a MBA student is considered for spending a semester abroad. Subsequently, the employee is invited to participate in the evaluation committee, giving him the right to make recommendations about the selection of employees to go abroad, from a pool of three candidates: a former committee member (who denied several job postings to prior applicants in order to benefit friends or relatives), an under qualified candidate, and an over qualified candidate. A similar vignette is presented to the group of MBA students.

Results

Hypotheses 1a-1b were tested by comparing: (a) the mean corresponding to the 'mild' decision (i.e., "accept under qualified candidate") for scenario 1 and scenario 2; and (b) the mean corresponding to the 'mild' decision for scenario 1 and scenario 3.

Hypotheses 2a-2b were tested by comparing: (a) the mean corresponding to the ´severe´ decision (i.e., averaging responses regarding options "assign least preferred option" and "deny with no reason") for scenario 2 and scenario 4; and (b) the mean corresponding to the ´severe´ decision for scenario 3 and scenario 4.

Mediation analysis was performed following the steps described by James, Mulaik, and Brett (2006).

EDC sample

For hypothesis 1a, the mean for scenario 1 was higher than mean for scenario 2. This difference was found to be significantly different from zero ($p < 0.05$), in the opposite direction. Thus, hypothesis 1a was not supported.

The rest of the hypotheses were not supported.

IESA sample

The differences between means were not found to be significantly different from zero. Hypotheses were not supported.

Mediation analysis

Results do not provide support for the mediation of anger --regarding procedure or outcome-- of the relationship between perceptions of justice and severe unethical decisions.

Limitations and Directions for Future Research

Work need to be done regarding just / unjust conditions. The degree of 'just' procedures could not be assessed by some participants, implying that lack of information concerning the procedure followed by the committee could not be interpreted as a faulty protocol. The manipulation regarding defective procedures must be reinforced in order to allow the respondent to fully assess when the procedure is just or not.

The timing of survey delivery (e.g., 90% of students at IESA were about to enter into exchange program) could also have had a negative effect on detecting differences in behavior. These students might have found it difficult to imagine an unjust situation or what they would have done if they were really rejected.

Future studies might consider the influence of demographics such as sex on the occurrence of revenge. A significant correlation (at the .05 level) was found between age and the 'deny with no reason' option in the EDC sample (i.e., older people seem to prefer certain kind of unethical decisions); while sex was significantly correlated (at the .05 level) with the 'assign least preferred option' choice in the IESA sample (i.e., women tend to prefer certain kind of unethical decisions). The idea of replicating this study under the light of other variables such as a combination of demographics or traits such as "collectors of injustice" (i.e., people who are quick to perceive injustice and get easily engaged in retaliation), and the sole focus on 'mild' decisions looks promising. On the other hand, considering that participants from EDC were --at the moment of the survey-- waiting for discussion of the labor contract to end, the presence of external financial pressures (as proposed by Litzky, Eddleston, and Kidder, 2006) might constitute another avenue for research.

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DEVELOPING TRUST AND COMMITMENT AMONG NON-PROFIT COMPANIES: THE CASE OF THE FOOD BANK IN CALI, COLOMBIA

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Abstract

The most recent trends and research findings clearly show that the markets have experienced a significant change. Stakeholders in the market have shifted their orientation. They are now more focused on relationship marketing than on transactional marketing. Given the fact that relationship marketing is tightly linked with long-term time horizons, trust between the parties plays a very important role.

This study analyzes the factors that have an impact on trust among non-profit companies. The researchers follows an empirical approach, focusing on showing the characteristics of and relationships between donors and non-profit companies, and how these relationships affect the trust which develops between the parties.

The study was conducted at a non-profit company called "Banco de Alimentos" (food bank) in Cali, Colombia. It involved interviewing 68 donors in total, including companies from different economic sectors (i.e. manufacturing, public sector, financial sector, services, business, and healthcare) as well as individuals.

The results demonstrate that non-opportunistic behavior and non-material benefits, as well as communication between the parties, have a direct influence on developing trust, which in turns generates commitment. Shared values and material benefits did not have any impact on the model. The study provides ideas for non-profit institutions about the importance of developing trust among their donors.

Introduction

Nonprofit organizations (NPOs) operate in a highly competitive environment argues that competition from the increasing number of NPOs, combined with a decreasing funder pool, (Pharoah and Tanner, 1998) has led many NPOs to increasingly rely on a small number of key funders (Sargeant, 2001). Some researchers as Burnett (1998), Sagawa (2001) y Sabo (2002), propose that for assuring their survival the NPOs should concentrate on maintaining and developing relationships with existing funders and the only way to achieve these is through the level of trust.

This document describes an investigation made to material and non-material donors (natural and legal persons) from nonprofit organization CALI-COLOMBIA FOODBANKING. The main objective was to measure the level of trust and commitment, as well as other important factors that influence organizations today.

Non-profit Organizations

Nonprofit organizations can be defined as a heritage contributed by natural and legal people that are considered as founding members to carry out a social work for the benefit of the community. These natural and legal people make contributions in cash or in goods, but with economic value to conform a capital for social role.

The foundations are legal organizations, whose main object is the provision of services that benefit the community. The capital contributed by the founders will give support in education, health, the sustainable development of a community which improves the quality of life of its inhabitants.

The equity or capital provided by the founding members ceases to belong to them to be from the endowment and it must produce yields to fulfill the purpose for which they were created.

The difference between foundations with other forms of organization, such as commercial companies, are that the utilities they produce are not divided between partners, they apply as noted above the fulfillment of a social benefit, this is why they are called non-profit organizations.

The principal purpose of the organizations is to benefit the community that is why utilities are for the organization and not for the individual partners. The Foundation can do business in a commercial way. If they enter in business with commercial contracts, the utilities that are obtained will go to the resource fund to benefit the social activities.

The Food Bank

The Food Bank of Santa Maria in Phoenix Arizona is the oldest in the world, was founded in 1967 by John van Hengel. In 1965, van Hengel was volunteering at St. Vincent de Paul, collecting donations for the community dining room. Van Hengel learned that grocery stores disposed of food with damaged packaging or was near expiration. Armed with this knowledge, van Hengel met with grocery store managers across the Valley, persuading them to donate the edible but unsalable food to St. Vincent de Paul. Soon van Hengel was receiving more food than one dining room could use. He approached St. Mary's Basilica with the idea of creating a central location where social service agencies could get the food they needed to serve their clients at no cost.

The response from St. Mary's was $3,000 and an abandoned building - the world's first food bank was born. In 1976 van Hengel established America's Second Harvest, the nation's largest domestic hunger-relief organization and in 1986 founded Food Banking Services, a consulting firm for food bank startups. Integral in the passing of the Good Samaritan Act, van Hengel changed the way the world looks at hunger and its relief.

The Food Bank in Colombia

There are currently 25 food banks that are distributed in 24 cities in Colombia. The Food Bank is directly linked with the Archdiocese of each city.

In 1999 appears the first Food Bank of Colombia in the city of Medellin and months later was born in the city of Cali, under the tutelage of Monsignor Isaías Duarte Cansino.

Cali is a city of 2´500.000 inhabitants that had a great development in the last decades of the 20th century, but in the recent years has become a scene of contrasts for various reasons from the crisis that shook Colombia; Cali for example, has been one of the most affected cities. After closure or companies moving to other cities, the unemployment rate has occasionally increased to 20%, generating a large impoverishment and ensuing starvation. This situation has become worse even with the large number of displaced people of the regions around which have reached journal widening misery belts surrounding the city.

The Bank of food, in Cali is an entity constituted non-profit in accordance with the ecclesiastical and civil provisions applicable to this type of entity. The institution was born with the mission to solve the problem of hunger in the city, serving as an intermediary between donors and beneficiaries. The company's philosophy was the following:

- Work in search of commitment towards not only companies and organizations, but all the social actors, individuals and institutions that are socially responsible.
- Ensure that those who benefit receive support for sustainable human development.
- Overcome a paternalistic and existential emphasis based on respect for the dignity of the human race and try to restore their confidence.
- Maintain independence from any political commitment as a guarantee of an act free, without differentiation of faiths, races, or custom.

Donor Relationship with Nonprofit Organizations

Literature settles that there are different motivational factors for natural and legal people who sponsor nonprofit organizations. These include: corporate image (Scott, 2000; Polonsky and MacDonald, 2000), tax exemptions (Allen, 1999; Foran and Theisen, 2000), interest in the ideals of the nonprofit organization (Werbel and Carter, 2002). However Sargeant and Lee (2001) found that trust in non-profit organizations is a key factor that is associated with the motivation and intention to maintain the relationship long term. Trust has been associated with positive organizational results that have benefited both the Organization and society. These include: reduce the effect of poor economic conditions(e.g.) Taylor (1996); competitive advantage in the long term (Silipaa and Wheeler, 1998), successful financial in the long term (Collins and Porras, 1998) and innovative solutions to the problems of the organization. The case of non-profit organizations is very particular, because even though there is a contribution from a donor this donor does not receive any utilities in exchange.

The Morgan and Hunt (1994) model suggests that commitment is the result of trust. In the case of non-profit organizations, the commitment is important and a key factor because it is the motivational reason that makes people contribute. It is important to identify the way by which donors are committed and at the same time feel trust to the Organization, even though there is no material compensation in exchange.

Model

This model is aimed at demonstrating that shared values, communication, and non-opportunistic behavior are all antecedents of trust.

Trust and communications are antecedents of non-material benefits, which in turn, together with share values are both antecedents of commitment.

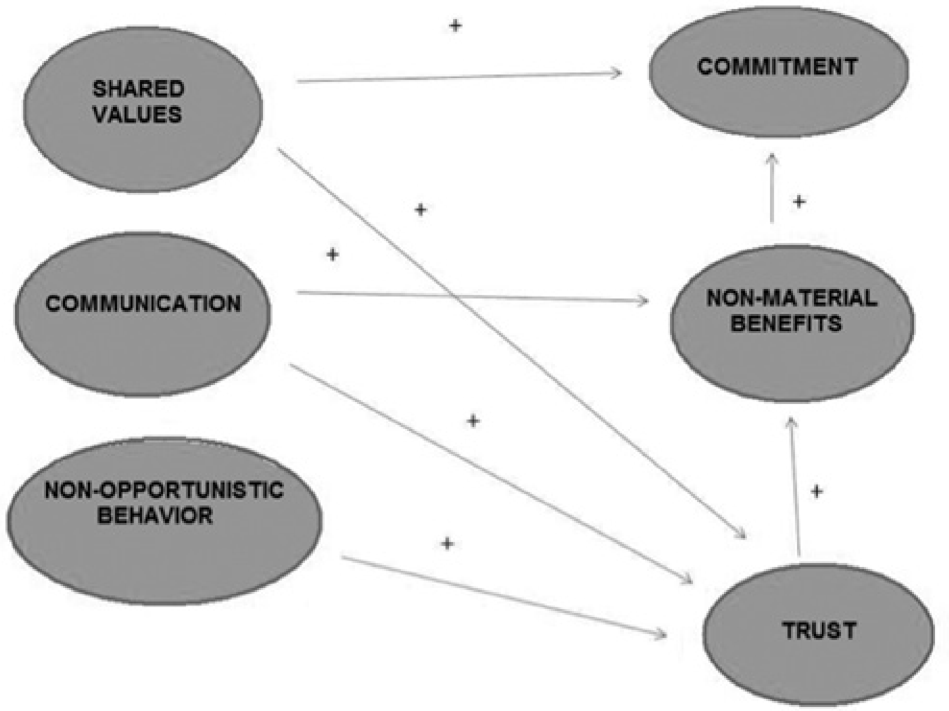
Hypothesis

This study proposes the following hypotheses:

Shared Values

HYPOTHESIS 1: An increase of shared values of non-profit organizations results in an increase of commitment.

HYPOTHESIS 2: An increase of shared values results in an increase of trust in non-profit organizations.



Trust

HYPOTHESIS 3: An increase of trust in non-profit organizations results in an increase of non-material benefits.

Non-Material Benefits

HYPOTHESIS 4: An increase of non-material benefits generates an increase of commitment.

Commitment

HYPOTHESIS 5: An increase of commitment is associated with an increase of other variables.

Non-Opportunistic Behavior

HYPOTHESIS 6: An increase of non-opportunistic behavior in non-profit organizations generates an increase of trust.

Communication

HYPOTHESIS 7: An increase of communication in non-profit organizations generates an increase of non-material benefits.

HYPOTHESIS 8: An increase of communication in non-profit organizations generates an increase of trust.

Research Design

The level of trust at the Colombian Food Bank was selected as scenario for our research study.

The Food Bank in Cali has more than 200 benefactors consisting of corporations, legal entities, and individuals who make their donations in the form of goods and cash contributions. It is run by a team of leaders whose mission is to ensure that the Food Bank is a trustworthy institution to everyone engaged in it by guaranteeing transparent donation management, supplying clear, reliable, consistent and timely information about each transaction, and providing certain benefits to the donors.

The purpose of this study was to achieve a holistic understanding of this relationship and assess the validity of the main concepts used in Morgan & Hunt's (1994) model. The respondents were encouraged to make any changes deemed necessary to suit the context of the surveys. These discussions made it clear that some of Morgan & Hunt's (1994) concepts were suitable, while there were others that needed to be modified. The questionnaire for this research study was developed for the purpose of meeting and confirming the truthfulness of the hypotheses associated with each of the values.

The population size was 201, and the sample size was 68, which accounts for 33% of the population. Out of 68 respondents, 67.6% are individuals, and the remaining 32.3% are legal entities.

The rating scale for the questionnaire ranged from 1 to 7; 1 being the lowest value that indicated total disagreement, and 7 being the highest value that indicated total agreement.

Universe	201
Sample	68

Individuals	**Legal entities**	**Sectors of legal entities**			
67.60%	32.30%	Services	Business	Healthcare	Total
Total	100%	50%	14%	36.30%	100%

Conclusion

There are a few studies aimed at measuring trust applied to non-profit organizations. One of the contributions of this study is that it enabled measuring the benefactors' level of trust and commitment to these kinds of organizations.

This research provides valuable knowledge of how non-profit foundations are committed to strategies for developing important benefits for an entire community. For example, commitment, honesty, confidentiality, integrity, and satisfaction of needs are highly important factors that encourage benefactors to trust and have a good relation with these organizations.

Non-material benefits offer the potential to be applied to a wide range of services and non-profit organizations. Organizations can reap non-material benefits by allowing both founders and benefactors to get more involved with their activities, demonstrating their accomplishments, and providing transparency.

Lastly, it is of utmost importance for any organization to have a positive attitude towards a long-term relationship with all its donors. Listening to its founders and benefactors and having a good communication are both equally important when it comes to generating and building trust.

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THE BALANCED MODEL OF EXERCISE INTRODUCTION: PERSUADING YOUNG ADULTS TO PRACTICE A SPORT THROUGH A BALANCED PURSUIT OF MEANINGFUL GOALS

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Abstract

Physical activity is often perceived as a sacrifice that is necessary to obtain health benefits on the long run (Baumeister & Vohs, 2007), and the typical approach to promote exercise habits involves framing extrinsically-rewarded goals in negative or threatening contexts. Consequently, to exercise, many people require strong doses of self-regulation that tax on their inner resources of willpower (Keller & Lehmann, 2008). Not surprisingly, the response tends to be modest and often results in less than optimal exercise initiation and even lower rates of adherence to an exercise routine. Based on extant literature about self-determination (Deci & Ryan, 2000, 2002, 2008a, 2008b), I argue that long-lasting exercise habits among young adults can be induced more effectively by portraying exercise as a non-sacrificial leisure alternative that is not only beneficial but also intrinsically rewarding. I tested this assertion by

attempting to persuade undergraduate students to engage in a sport practice, using tailored marketing communications.

Self-Determination Versus Self-Regulation

To explain human motivation, earlier needs theories paid more attention to physiological needs than to psychological needs. In contrast, Self-Determination Theory (SDT) emphasizes the role of three basic psychological needs: autonomy, competence, and relatedness (Ryan & Deci, 2002). A need for competence leads people to seek challenges that are optimal for their capacities; a need for relatedness refers to feelings of belongingness both with others and with one's community; and a need for autonomy refers to being perceived as the origin of one's own behavior. Models of goal self-concordance nested within the SDT framework suggest that adequately matching a person's most relevant psychological needs with the type of goals to be attained is not only intrinsically motivating but also yields high returns in subjective well-being (SWB) (Sheldon, Deci, & Ryan, 2002; Sheldon & Elliot, 1999; Sheldon & Houser-Marko, 2001). That is, attaining concordant goals is more satisfying than attaining non-concordant goals, so longitudinal attainment of self-concordant goals is likely to result in high SWB. Moreover, pursuit of non-concordant goals requires strong doses of self-regulation, which exhausts personal psychological and physical resources, leading to ego depletion (Baumeister & Vohs, 2007). Once a person's inner reserve of willpower is depleted, her capacity to self-regulate will be ineffective to sustain behaviors towards which she is not naturally inclined. As a result, failure to adhere to diets, exercise, or any other type of healthy habit is more the norm than the exception.

Tailoring the Motivation to Practice a Sport

Effectively promoting exercise among sedentary consumers requires understanding what makes those consumers move. A more creative approach than the traditional extrinsically-rewarded (or punished) methods involves intrinsically motivating consumers to exercise by satisfying their basic psychological needs (Deci & Ryan, 2008b). I am focusing specifically on competence and relatedness, two basic needs for which the sports domain offers diverse opportunities to develop skills. For instance, physical activities may involve individual challenges to prime competence or social relationships to prime relatedness, and whether a consumer is more intrinsically motivated by one or the other will essentially depend on her personal orientation. People who pursue exercise goals that are coherent with their innermost needs will invest more effort, persist if difficulties are met, and increase their chances of success (Smith, Ntoumanis, & Duda, 2007). Hence, tailoring messages in terms of developing competence or relatedness skills, and targeting them at competence- or relatedness-driven segments, should be more effective in inducing desired behaviors than generic or mismatched messages (Keller & Lehmann, 2008).

An Integrated Model of Exercise Induction

By self-concordance, an adequate match between the most deprived need and the type of goal will result in higher motivation and more likeliness of goal attainment and subsequent need satisfaction, which, in turn, translates into higher SWB. That is, a specialized pursuit of meaningful goals should result in high rates of initiation in a particular behavior (e.g., a sport practice). This I call initiation by specialization. I contend, however, that a specialized pursuit of need-matching goals, even if it involves higher-order psychological needs, will achieve suboptimal returns in happiness and reach a threshold that can only be shifted upwards through a balanced satisfaction of the needs of competence, relatedness, and autonomy. By SDT, ongoing satisfaction of all psychological needs will promote an autonomous motivational orientation, which will, in turn, enhance the pursuit of intrinsic goals. Identifying the goals that contribute to such balance in a particular domain should result trigger an upward spiral and result in both higher rates of adherence and increased SWB. This I call maintenance through balance.

Therefore, by need theory and SDT, I suggest that the degree to which someone feels that an exercise goal is fulfilling her most basic psychological needs of competence or relatedness determines the strength of the motivation to initiate and persist in such goal's pursuit. That is, messages targeted towards developing achievement skills in sports should be more effective in persuading competence-driven individuals to exercise, and messages targeted towards developing social skills should be more effective in persuading relatedness-driven individuals. I also expect that consumers who are persuaded to practice a sport and by doing so satisfy their most basic psychological needs—and thus develop an autonomous motivation—will eventually shift towards a balance between competence and relatedness, if the adequate cues are provided on a repeated basis. That is, ongoing attainment of both competence- and relatedness-satisfying goals should result in higher adherence to an exercise routine than only attaining a specific type of goal.

Testing the Balanced Model of Persuasion

I tested the specialized initiation part of the model by means of an experimental design involving undergraduate students. An initial on-line survey provided data on the students' motivational preferences for competence or recognition, and their current exercise status. Participants were asked to log the number of steps they walked each day, measured with a pedometer that I provided and that they had to wear during their normal activities. Logged steps were supplemented with an alternative step equivalent measure estimated from their reported physical activities. In short, we gathered information to characterize each subject in terms of her exercise baseline and motivational orientation, and then recorded the total steps each participant walked. Based on the exercise baseline, each participant was given a daily goal (in steps), computed so that it did not represent an excessively low or high standard in each individual case.

Participants were randomly assigned to one of three conditions. In addition to her individual exercise goal, each participant was also informed how she was doing compared to the rest of the students in her condition (i.e., top, middle, or bottom). The wording of the specific feedback message varied

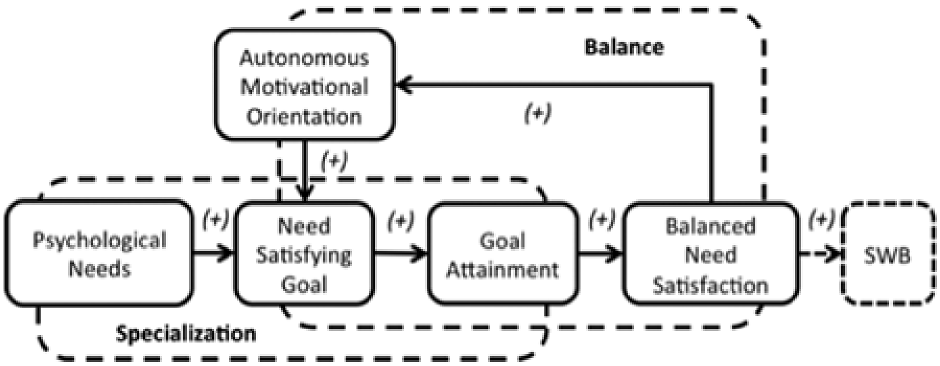

Figure 1. The Balanced Model of Exercise Induction: Initiation of a sport practice by specialized goal matching and development of an exercise routine through a balanced pursuit of goals.

for each condition to prime either extrinsic motivation, giving them public recognition of their accomplishment; intrinsic competence, telling them how they did compared to the group; or a combination of both. The baseline computed for each participant was subsequently used as a benchmark against which walking performance was compared. To provide multiple measures of performance, we used web-based conversion charts to translate self-reported exercise (i.e., type, time spent, and intensity) to an approximate equivalence, in steps. Thus, we obtained a composite step measure that accounted for the equivalent steps that each participant completed while not using the pedometer. Corresponding data, both from pedometer and from chart estimates, were collected for three consecutive days.

Given that the same number of steps could reflect different levels of effort for individuals with varying grades of fitness, an additional measure of performance was computed by multiplying each participants' step (or step equivalent) count by her body mass index (BMI). Results were also analyzed using relative measures of performance, rather than absolute measures, by subtracting benchmark steps and steps equivalent from the total steps walked, and by dividing total steps or step equivalent by the corresponding benchmark.

Preliminary Results

A total of 116 students responded the initial survey on individual differences and current exercise status. Of these, 91 respondents provided subsequent daily data that allowed us to compute an exercise goal and provide specific motivational manipulation. During the next three days, I obtained 64, 65, and 43 responses with daily exercise data, respectively.

Curiously enough, the extrinsic recognition manipulation was more effective, both for benchmark and for follow-up performance, despite participant pools being relatively similar otherwise. Average steps were lowest under the intrinsic manipulation condition, although conclusions should be cautious given the reduced number of respondents. Alternative measures of performance, such as percentage of performance relative to benchmark and performance multiplied by BMI, both using steps and steps equivalent, yielded similar results as total steps.

Regressing total steps on competence and recognition, and on the interaction between them, resulted in a significant model. Only the intercept and the competence terms, however, were significant, indicating that a competence orientation is a consistent predictor of performance and that a recognition orientation has no effect on participants' performance, either directly or interacting with competence. Replicating the regression with steps equivalent as the dependent variable (DV) did not produce significantly different results, neither did testing for an interaction between manipulation (extrinsic or intrinsic) and personal motivational orientation.

On retrospective, I realized that the type of feedback provided, telling each participant's performance relative to the rest of the group, could be messing my results. To test this, I conducted a regression analysis to assess the effect of telling someone that she was better (or worse, or about the same) than her peers on her subsequent performance. This model did not vary significantly from the basic regression equation that included only competence and recognition. Telling someone her rank did have an effect on a participant's ultimate performance, albeit a very small one. Regressing steps equivalent on the same IVs did not produce any significant results, nor did repeating the analyses with the data set partitioned by manipulation condition. I also ran a comprehensive model that included a dummy manipulation variable. Again, only the intercept, competence, and rank had significant terms in the resulting regression equation; the manipulation condition, recognition, and the cross interactions between the IVs were not significant.

Concluding Remarks

Even if the results did not provide solid support for the complete balanced model of exercise induction, this first study was useful to refine my measures and methods for subsequent studies. The study also provided valuable insights regarding the constructs of interest. Generally speaking, a competence orientation consistently predicts performance, whereas a recognition orientation does not seem to make a difference, with results holding both for average steps and for incremental steps. Most important for future studies, I have to revise my definition for such a central construct as competence, given that the way I gave feedback was likely manipulating a sense of competitiveness, rather than personal competence. Finally, feedback on ranking seems to override type of manipulation, and could be contaminating the results.

Either by specialization or through balance, persuading sedentary students to exercise will be most challenging when those students feel that their psychological needs are satisfied. That is, consumers who feel they have already fulfilled their most significant needs through non-physical activities will likely inhibit cues that lead to the activation of alternative goals (e.g., sports). Self-determination processes offer clues to motivate such happy, sedentary individuals: if they can be intrinsically motivated to exercise, they will be not only more willing to engage in physical activities than if they conceive the sport as related only to extrinsic rewards or unpleasant forms of self-control, but they will also be more likely to persist in their exercise habits.

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ACHIEVING AND MAINTAINING OPTIMAL BODY WEIGHT BY SAVORING, NOR JUST COPING: A PRELIMINARY STUDY

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Abstract

The most widely used indicator of overweight is the Body Mass Index (BMI), which is defined as a person's weight in kilograms, divided by height in meters squared. Recommended BMI cut points for overweight have been set at 30, 27, and recently at 25 by the National Heart, Lung and Blood Institute (NHLBI). Overweight is becoming a public health issue since more than 50% of the US adult population has a Body Mass Index (BMI) over 25, and 20% of the population has a BMI over 30 categorizing them as extremely obese (Kuczmarski & Flegal, 1994; Strawbridge, Wallhagen, & Shema, 2000). Overweight is becoming a global epidemic (Berg, 1999; World Health Organization, 1998).

We maintain a good health state through behaviors and habits that we practice throughout our lives. Eating behaviors and habits allow us to maintain body weight, and play an important role in our wellness. Several factors; biological,

social, environmental, and temporal might have an effect on our eating behaviors. In some instances, they will result in overweight that will make us search for alternatives to lose those extra pounds. The most common alternative is going on a diet to lose weight. An international study of well educated young men and women around the world showed Colombia had a BMI of 21.8 for men and 20.6 for women (Wardle, Haase, & Steptoe, 2006).

BMI between 18.5 and 24.9 is defined as the normal range (NHLBI Obesity Education Initiative Expert Panel, 1998). Due to this situation, we focus this research on the positive side of weight control; that is, the types of behaviors and motivators that students are using to control and maintain their bodyweight. Are they working? But are they safe?

To understand what is working, the four factor model of perceived control: avoiding, coping, obtaining, and savoring (Bryant, 1989) is used. Savoring is defined as the positive counterpart of coping. People have capacities to attend to, appreciate, and enhance the positive experiences in their lives (Bryant & Veroff, 2007). The Oxford Unabridged Dictionary (Simpson & Weiner, 1989) defines the verb to savor as: (1) Appreciating the enjoyment of the taste of food; and (2) Appreciating the enjoyment of any experience.

Objective

The purpose of the study is to identify eating behaviors and motivators that allow youths to control and maintain body weight. The transition from late adolescence to young adults is a critical stage for developing obesity (Nelson, 2008). This article is a preliminary study of eating behaviors in a normal weight population (ages 17 to 25).

Method

To achieve this objective, a study to explore the factors that have an effect on eating behaviors, such as: eating fast or slow, watching or not watching TV while eating, valuing or not valuing smell and appearance, eating or not eating food to overcome anxiety created by other factors, staying at a healthy weight or bouncing back, and using a diet that is healthy or is too harsh was conducted in the second semester of 2009 at Universidad Icesi. Eight one-on-one interviews which lasted up to 30 minutes were conducted (Table 1

Guide on the interviews). A questionnaire was given to other 60 undergraduate students of the school of business; 40 female and 20 male students.

Table 1. Guide on the interviews.

1. What do you like to eat? How often do you eat?
2. When at the university, what do you eat? Why?
3. How much do you enjoy eating?
4. Tell me an experience worth remembering because you enjoy a meal. What happened? How did you feel during the day?
5. Going back to your experience, did you savor the moment? The food? Or did you just relax and enjoy it?

Preliminary Results

The results showed that 75% of the respondents had BMIs within the accepted normal range (18.5-25 Kg/m2), 18% had BMIs over 25, and 7% had BMIs below 18.5.

The taste of food, the appearance of the plate and the eating place were ranked among the most important factors in enjoying a meal.

- "To enjoy food, the place, the smell, the appearance, and the taste are important."
- Food is to be enjoyed; one has to be conscious of what one is doing. If I eat fast, I do not enjoy food. I do not watch TV while eating."
- Other factors such as time and company were also considered important.
- "I like to eat with someone, to share the moment, and to talk."
- Weight lost and body image perceptions were the most common motivations for going on a diet. Water, fruits, and vegetables were considered healthy foods. Fat and large food portions were considered bad for your health. There was a perception that good eating habits means eating a little of everything.
- "I feel much better since I learned to eat."
- "To learn how to eat was the best decision I have ever made. Too bad I did not know before for not having to worsen my health."

The study showed that women are more concerned about body weight and body image than men. The students understood the meaning of healthy foods and life style but it seems like not all of them live that way.

Future Research

Most of the student population seems to be within the BMI normal range. There are two possible ways of achieving it that can be drawn from the interviews and questionnaires. There are social factors; such as, body image and body perception by others as the driving mechanism for being weight fit, and psychological factors; such as, pressure and anxiety caused by academic requirements are one of the driving mechanisms for compulsive eating or not eating. There seems to be a tradeoff between the two. It is important to find out and compare in a larger study the strategies students use to achieve and maintain their body weight in the optimal BMI range, as compared with those students outside the optimal range. Coping and savoring as part of the same continuum might be complementary ways to attain and maintain optimal body weight. Social pressure, individual differences, and anxiety among other factors are part of everyday life for all of us. However, not everybody has the strategies to cope with them in an appropriated way. It is important to find those individual, social, and environmental factors and the strategies used by students to achieve and maintain optimal body weight without any health hazard to them. Savoring is one of those strategies to enjoy and savor pleasant moments and life experiences that can shape good dietary practices and active behaviors.

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ANTECEDENTS AND CONSEQUENCES OF SOCIAL CAPITAL FOR AGRO-BUSINESS IN CONFLICTED RURAL COLOMBIA

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Abstract

Agro business and entrepreneurships are important sources of wealth creation in Latin-American countries. They are important contributors to economic growth and development (Acs & Armington, 2002). This process generates aggregate demand for suppliers, commercial relationships and new employment that may positively impact the national economy. Creation of agribusiness in rural areas is a critical factor for development in Colombia. This research studied the role that perceptions of insecurity and social capital plays in the creation of agribusiness in Colombia.

In the last fifty years, Colombia has suffered from a prolonged social and political conflict in rural areas. Despite this conflict, economic activities have maintained their rate of growth and this has implied the creation of new enterprises in the rural areas. Therefore it is important to understand how

contextual insecurity and social capital influences the organization of new agro business forms.

Conceptually, the paper is related to several fields of research and can be of interest to those exploring the role of violence and the perception of insecurity on economic development (i.e. North, Wallis and Weingast, 2006); to policymakers trying to influence economic activity and the formation of social capital in violent environments; and for entrepreneurs seeking expansion of business activities in conflict-ridden zones (Forero, Wills, Orozco, Andonova, Pardo, 2009)

Economic relationships are embedded in social relationships (Grannoveter, 1992). In rural context, producers take decisions not as rational agents in the neoclassical economical sense but as social agents (Coleman, 1989, Bourdieu, 1988) who are embedded in social relationships under particular institutional contexts. Rural producers and entrepreneurs respond to the particular institutional forces of their local, national and global environment, and they decide and act embedded in social networks that provide valuable resources for them such as information, economic resources and protection against insecurity. Therefore, social capital becomes one variable that may contribute to explain economic decisions and forms of organizing the productive process (Portes, 1991).

Organizational contexts have been described in the literature as a set of political, social, economic, cultural and legal forces (Jones, 1997) with their own dynamism and complexity that create institutional pressures to organizations. One of the contextual forces that has been rarely studied is insecurity, an important force in the Colombian rural context. Neither its organization nor consequences of organizing has been researched.

Perceptions of Insecurity

In relation to insecurity, its theory and discourse has evolved from a predominantly external, objective view to considerations regarding personal and social insecurities. External, objective views of security place an emphasis on the idea of national security from a military point of view. This vision has expressed security/ insecurity of regions and persons through objective indicators of crime and events that threatens societies, communities and persons. In the Colombian context, objective indicators of security have been proposed for security/insecurity at both the municipal and national levels including indexes of homicides by 100000 inhabitants, number of events related to kidnappings, clashes of legal military groups with illegal armed groups (guerrilla and paramilitaries), number of displaced individuals from municipality and so on. But, it is possible to identify a different viewpoint regarding security. The concept of human security (Mahbub ul Haqs, 2000) has been proposed as an umbrella concept to emphasize the relationship between individual and social insecurities in the tradition of the human development discourse (Sen, 1988). It is an integrative view based on perceptions and feelings of individuals. This stream proposes not to focus on the physical aspect of personal security but to redefine it to include the capacity and abilities of individuals and communities to control their environments and secure basic conditions for a good life. In that sense, human security refers to confident social actors, embedded in social networks, who possess enough capabilities and freedoms and whose interaction with other agents enables them to successfully operate in the public domain (Sen, 1984).

Human security is a concept that is essentially subjective. It is measured by asking directly to people how they feel in terms of handling and controlling the basic conditions for life, expressing their political views and having the freedom to meet and associate to pursue their own interests. People may become used to the objective environments of insecurity, whereas perceptions include not only the perception of an external threat but also the ability and capacity the subject has of confronting such a threat, acting as part of a collective group or organization. It also includes coping strategies that individuals and communities use to reduce external threats or to remove vulnerabilities. In this research we make a distinction between objective measures of violence, as reflected in officially reports on events in contrast to the subjective perceptions of personal and political insecurity, as reported by the heads of rural production units. Evidence suggests that answers to questions about perceptions of insecurity may reflect a psychological mindset that takes into consideration habituation rather than real objective threats to security (Diprose, 2007).

We also hypothesize that social relationships play an important role in defining perceptions of insecurity. If a person is affiliated with a social network he will receive information and resources and will share his own resources with others. This person will be embedded in a protective environment for his security. In this perspective of security, the individual looks for ways of liberating from fears about harm and consequent ill-being. One strategic response to insecurity is to organize and act collectively. Perceptions may differ from observed indices of insecurity when subjects become habituated to violence or when they believe they can deal with it. Perceived threats may guide the political as well as the economic behavior of individuals, and create a specific climate in the neighborhood, influencing strategic decisions such as the participation in alliances for production or distribution. Wood (2006) proposes that in countries such as Ethiopia, Perú or Colombia, poor people may secure some kind of informal protection in return for dependence on security patrons.

In a previous research (Forero, Wills *et al.,* 2009) we tested how in conflicted rural areas of Colombia, individual perceptions of insecurity leads to networks of association as a strategic response to conflict and how this relationship is influenced by different levels of social capital.

Social Capital

Social capital has been variously defined. It has become one of the most popular terms from sociological thinking in recent years. It has evolved as a kind of cure off all the maladies that affect a particular society. Bourdieu (1982) originally defined it as " the aggregate of actual or potential resources which are linked to a possession of a durable network of more or less institutionalized relationships of mutual acquiescence or recognition" (Bourdieu,1985). It stresses the importance of social connections in order to access valuable resources. It also stresses the importance of trust and reciprocity in social relationships. Reciprocity was introduced by Coleman (2000) as part of social capital. This concept is based on the moral obligation, the credit slip that an individual acquire when another individual has made a favor to another. Reciprocity is highly related to trust. Trust means to be safe or non-vulnerable in relation to the other individuals and the belief that they will act keeping their promises.

The main idea is that involvement and participation in groups can have positive consequences for both the individual and the community to which he has voluntarily associated. Social capital refers to the value of social connections within and between social networks. The use of the notion of capital to social connectedness suggests that the involvement and participation in groups may have positive implications for the individual as well as for the community (Portes, 1998). Its non-monetary value is an important source of influence and power for the creation of productive associations particularly in rural areas (Forero, Wills *et al,* 2009). In the literature in sociology and management (Portes, 1998, Coleman, 1995) it is possible to find different approaches and measures of social capital in the current literature.

To understand antecedents of social capital becomes an important research question. In this research we tested the following research question: what demographic, contextual and individual variables explain the existence of different levels of social capital in rural context with high levels of insecurity and conflict?

We used two different measures of social capital, the effort of the individual to participate in voluntary associations which implies a value of social connections within and between social networks, and the value that emerge from the trust and reciprocity that people feel as being part of the community.

Method

In this research we present the results of a field study for agricultural producers in conflicted rural Colombia in 2007 (sample n= 742 in 25 different municipalities) to understand the background and consequences of social capital in the creation of associations and organizational hybrids in rural contexts. Municipalities were chosen according to their conflict level during the last five years, including higher, lower and similar conflict levels as compared to the national average.

In multilevel regression models, we tested different antecedent variables: age, number of children, income level, subjective well-being and educational level as individual variables related to social capital. We also tested contextual variables at the municipal level (second level) such as average municipal income, educational levels, quality life indexes and average level of taxation. The participation in communitarian organizations was directly asked to responders with a set of 15 types of associative organizations and complemented with one question about the frequency of participation in this

	Belonging to communitarian groups in general	Belonging to altruistic organizations	Effort in participation in sport and cultural organizations	Effort in participating in voluntary organizations	Trust and reciprocity
INDIVIDUAL LEVEL VARIABLES					
Number of children	0,060***	0.004	0.003	0.002	0,044***
Age	-1,141***	(0.070)	(0.081)	(0.047)	(0.171)
Income	0.044	(0.014)	0,020**	0.006	(0.021)
Education level	0.070	0,035**	0.005	0,008**	0.003
Communitarian insecurity	-0,280***	(0.020)	-0,039***	-0,021***	-0,191***
Political insecurity	0.082	0,051**	0.016	-	-0,131***
Participation in organization that promoting association	0,256***	0,060***	0.005	0,015***	0.061
Satisfaction with security	-0,192***	-0,038***	(0.012)	-0,014***	0,162***
Satisfaction in being part of the community	0,337***	0,036*	0,047***	0,019***	0,199***
MUNICIPAL LEVEL VARIABLES					
Unsatisfied basic needs	0,042***	0,008**	0,006***	0,002**	0.005
Literacy rate	4.558	(0.146)	0,804**	0.191	0.535
Explained variance					
level 1	18.3%	15.9%	7.9%	14.3%	20.96%
level 2	37.8%	36.9%	30.9%	23.8%	37.91%

organization. Trust and reciprocity were evaluated with two questions and then grouped in one construct.

Results

Results show that variables related to violence in the municipality, such as homicides, kidnappings, armed clashes and displaced people were found no significant in order to explain the social capital variables.

An important result to note is the opposite relation of individual participation in communitarian organizations with satisfaction with security and satisfaction in being part of a community. While higher levels of satisfaction in being part of a community generate higher participation in communitarian associations, higher levels of satisfaction with security generates less participation in communitarian organizations. This result suggests that although insecurity may be a source for the creation of social capital, once insecurity is solved, levels of social capital require other kind of incentives to remain in time.

Results show that social capital varies across the municipalities. The variance at the municipal level represents 26%, 27% and 23% respectively for belongingness to communitarian groups in general, to altruistic organization and voluntary organizations. The variance at the municipal level is 14% for the participation in sport and cultural organizations. The main finding at this level is the influence that unsatisfied basic needs of the individual generates on participation in different kind of organizations. This result shows that social capital emerges in rural communities as a strategy to confront the absence of some basic conditions for living.

Results also show that the higher the level of income of an individual, the lower his participation in communal activities (social capital). We also found a positive relationship between the number of children in a family and the individual social capital the person possesses, as well as a negative relationship between social capital and contextual variables such as life quality index, per-capita average income and perceptions of satisfaction with security. These results are important because social capital has been mainly used in previous research as an independent variable but its sources have rarely been researched. Furthermore, the identification of variables not only at the individual level but also at the contextual level suggests that the creation of social capital should be approached from different units of analysis, levels and perspectives.

Finally, the implications of results for association of rural producers and choice of organizational forms are discussed.

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DEVELOPING INTERCULTURAL COMPETENCE IN UNDERGRADUATE STUDENTS

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Abstract

Globalization, understood as a process that has reduced the barriers that separate local contexts from international contexts, has increased and accelerated the economic, cultural, and political interactions among countries, organizations, and citizens (Giddens, 2000). From the business side, firms are increasingly involved in foreign ventures such as outsourcing, off-shoring, exporting, importing and investing in foreign countries that require the correct adaptation of managers to cultural differences. In fact, the inability of managers to face the cultural challenges of doing business abroad is one of the causes of business failures (Johnson, Lenartowicz, & Apud 2006; Black, Mendenhall, & Oddou, 1991). Rather than a lack of ability in the technical aspects of their job, a major factor in business failures (e.g., early return of an expatriate, poor choice of an export market, or problems running a foreign

acquisition) is the inability of managers to understand non-native cultures and to interact effectively with their counterparts overseas (Johnson *et al.,* 2006). Working, studying, and living with people from different cultures, is difficult for individuals because cultural barriers can cause misunderstandings that detract from effective interactions (Adler, 2008). As a result, students, employees, and citizens have to find effective ways to deal with increased differences in lifestyles, attitudes, values, and behaviors in communities as well as in the work place (Jackson & Alvarez, 1992). All these changes have made intercultural competence emerge as a crucial factor not only for business success but also for living pleasantly and respectfully with people from different cultures.

An individual is competent when he or she has a collection of knowledge, attitudes, and skills that leads to behaviors that meet the performance demands in a given job, role, or function (Boyatzis 1982). An interculturally competent person has an understanding of cultural communication differences, an ability to interact with people from different cultural backgrounds, and a desire to use the knowledge and abilities (Bennett 1986; Chen & Starosta 2000). Thus, intercultural competence is an individual's repertoire of skills, knowledge, and attitudes, needed to interact effectively and appropriately in culturally diverse settings encountered at home or abroad (Bennett 1986; Graf & Harland, 2005; Johnson *et al*., 2006).

Public and private organizations from all over the world are demanding that universities place increased emphasis on intercultural education. Many universities include in their mission statements the goal of having globally competent graduates; however, few universities have clearly defined what this term means or how they will know when they have achieved this goal (ACE, 2007). The measures of effectiveness of internationalization initiatives such as study-abroad programs have been changing from the level of activity to competency-based education that stresses learning outcomes (Fantini 2006; AACSB, 2007; Vande Berg, Connor-Linton, & Paige 2009). For educators, this new emphasis implies more attention to the evaluation of what students are learning, the skills they are developing, and how these skills translate into knowledge needed for jobs and for life (Williams, 2005). In international education, a study-abroad program, which is one key activity designed to have more interculturally competent graduates, should be evaluated not only in terms of participation (number of students going abroad) but also in terms of learning objectives.

Although there are a good number of anecdotal and qualitative reports, there is a lack of quantitative and systematic evidence of the effectiveness of study-abroad programs on the student's development (Williams 2005; ACE 2007). Some studies have demonstrated the positive impact of study-abroad programs; however, just a few (e.g. Williams, 2005; Angulo, 2008; Paige, Cohen, & Shively, 2004; Vande Berg et. al. 2009) have employed pre–post designs and have used control groups to test their hypotheses. It is also important to evaluate how students' individual differences and environmental variables influence the outcomes of studying abroad. My objective with this research is to assess the impact that studying abroad has on developing intercultural competence in undergraduate students, and how variables such as the student's personality (who the student is), and the degree of intercultural interactions during the study abroad program (what the student does) influence the change in intercultural competence. The study will focus on university-level academic exchange programs that last one semester. For the sample, this research will have students from three business schools in Colombia and one in the United States. Clarke, Wright, & McMillen (2009) consider that contrasting the changes of intercultural development of students from different cultures could allow for the better understanding of how intercultural proficiency is developed. Having students from two countries that differ greatly in Hofstede's cultural dimensions (e.g., in individualism Colombia scores 83 whereas the United States scores 16; in uncertainty avoidance, Colombia scores 80, whereas, the United States scores 43), may establish if the findings of this research moves beyond cultural specificity.

Theoretical Development and Hypotheses

A study-abroad program extends the classroom beyond the conventional campus setting to include international encounters with other people and cultures, developing a learning process through experience. Intercultural transformation theory (Kim, 1993) is useful to explain the growth process that a student experiences during intercultural encounters. According to this theory, in the sojourner acts a self-reflexive system that observes and renews as it continuously interacts with the environment. When external factors or stimulus do not match what is expected, the individual's equilibrium is disturbed, resulting in stress that pushes the individual to develop adaptive measures in order to regain the equilibrium. Bennet's (1986) Developmental Model of

Intercultural Sensitivity, states that as the individual's experience of cultural differences becomes more complex (e.g., studying and living in a different culture), the individual´s potential competence in intercultural interactions increases. My argument is that the experience gained for the students in a study-abroad program through contacts with other cultures and the maturation caused by the adjustment to differences in the host country is a key factor to develop intercultural competence. Therefore,

> H1: Students who participate in a study abroad program increase their level of intercultural competence more than students who do not participate in a study abroad program.

Openness to experience, describes a dimension of personality that distinguishes imaginative, creative people from down-to-earth, conventional people. On average, people high in openness are intellectually curious, appreciative of art, open to emotion, and willing to try new things (Costa & McCrae, 1992). Ang, Van Dyne, & Koh (2005) consider that openness to experience is a crucial personality factor that is significantly related to a person's capability to function effectively when interacting with those who have different cultural backgrounds. Along the same line, Ones & Viswesvaran (1997) reasoned that openness to experience is a particularly good predictor of expatriate success in overseas assignments because those with high openness to experience are inherently curious. Recently, Burke, Watkins & Guzman (2009) found that openness to experience was predictive of the success of international students in the dimensions of interest in local culture, adjustment, flexibility, and cultural empathy. My argument is that the development in intercultural competence that results from studying abroad is positively moderated by the student's level of openness to experience. Thus,

> H2: Openness to experience will moderate the relationship between participation in a study-abroad program and level of intercultural competence such that students with higher level in openness to experience obtain more progress in intercultural competence compared to students with lower levels of openness to experience.

Based on the type of programs and living arrangements (e.g., host family, student dormitory, private room), personality factors, as well as language familiarity, students who study overseas have various degrees of contact with host and international people inside and outside the classroom. The mere participation in a SAP is not a sufficient condition to improve cultural awareness and sensitivity (AEI, 1998). Vande Berg *et al.* (2009) found that the intercultural development scores of students abroad who reported spending more time with members of their host families or host nationals increased more than those who spent less time. According to the authors, American students who spent much of their free time with other U.S. nationals were intercultural under-challenged and may become more ethnocentric while abroad. Intercultural interactions refer to students' contacts through academic and nonacademic activities with either internationals or nationals from the host country. My argument is that the more intercultural interactions a student has, the greater the changes in his or her intercultural competence. Thus,

> H3: For students who study abroad, their increase in intercultural competence will be positively related to their level of intercultural interactions.

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PERCEPTION OF JUSTICE AS AN ANTECEDENT OF CONSUMERS, ATTITUDES AND PURCHASES BEHAVIORS

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Abstract

Consumer behavior research has demonstrated the importance of evaluating and improving service quality by understanding the positive relationship between consumers' perception of justice, satisfaction, and behaviors (Ambrose, Hess, & Ganesan, 2007; Martínez-Tur, Peiró, Ramos, & Moliner, 2006). However, research concerning the relationship between justice and attitudes has taken place in countries such as The United States, Spain, Singapore, South Korea, without an application to a Latin-American country. This study pretends to demonstrate that the relationship between the perception of justice and attitudes is also true for an organization in a developing country in Latin-America: Colombia. Analyzing the justice-attitudes relationship in this different context is relevant because the importance individuals in developing countries attribute to their own rights and privacy concerns is lower compared to the importance attributed by individuals in the

United States (Malhotra, Ulgado, Agarwal, Shainesh, & Wu, 2005). This lower concern for justice may not necessarily mean that individuals in developing countries have less important justice issues, but rather that they may have less of a chance of complaining or demanding better services.

This document is organized as follows: after a brief theoretical rationale, I introduce the hypotheses that are tested by the model. Next, I describe the study explaining that data is gathered from clients from a construction organization. The results of the structural equation model support the idea that the three dimensions of justice predict consumers' satisfaction and, in turn, satisfaction does predict consumers' behaviors. The discussion section emphasizes the importance of creating awareness among managers regarding the concept of justice and its consequences among consumers' attitudes and behaviors. Consistently, future research underlines the importance of measuring and having a strategic use of consumers' perception of justice in Latin-America.

The justice-attitude model

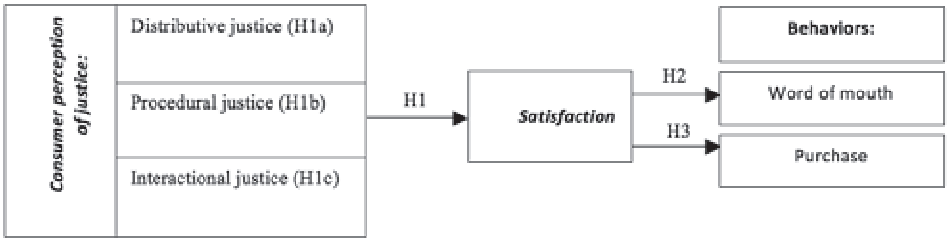
A consumer's perception of justice has important direct and indirect consequences (Ambrose *et al.,* 2007). The direct consequence is satisfaction. The indirect consequence is consumers' behaviors (Figure 1). Thus, I will next describe each of the constructs and hypothesized relationships of this two-stage model.[14]

Consumers' perceptions of justice have a positive influence on their satisfaction

Perception of justice is an individual's evaluation based on the outcome of, the process observed from, and the relationship with an organization; these are the three dimensions of justice (Colquitt, Conlon, Wesson, Porter, & Yee Ng, 2001). Distributive justice is the perception an individual has about how the outcome is distributed given his or her contributions (Messick & Cook, 1983). Procedural justice is an individual's perception about organizational policies and practices through which the outcome is provided (Martínez-Tur

14. It is interesting to note that most studies that assess consumers' perception of justice take place in a complaint management or service recovery situation (Martínez-Tur et al., 2006). Unlike previous research, this study evaluates customers' perception of justice without limiting the evaluation to a service recovery of failure situation.

Figure 1. Proposed model



et al., 2006; Smith, Bolton, & Wagner, 1999). Interactional justice refers to the extent a customer feels service providers are courteous, polite, and honest and that provided information is useful (Tax, Brown, & Chandrashekaran, 1998).

In turn, satisfaction is the resulting perception of a consumer's experience with a product or service given his or her expectations (Ambrose *et al.,* 2007; Karatepe, 2006; Martínez-Tur *et al.,* 2006; Smith *et al.,* 1999). Having an expectation means that the evaluation depends on a social comparison consumers spontaneously make with their own previous experiences or with the experience told by others. Customer satisfaction is expected to occur because a fair treatment signals organizational concern for having control and responsibility for its products, services, procedures, and relationships offered through service providers. Therefore, the following hypotheses are proposed:

> H1: Customers' perception of (H1a) distributive, (H1b) procedural, and (H1c) interactional justice is positively related to satisfaction with a service encounter.

Consumers' behavioral consequences of satisfaction

The experience with a particular event provides customers with information about an organization making them able to anticipate future organizational outcomes for both products and services. Therefore, the consequence of consumers' satisfaction with an organization may be observed through behaviors such as word of mouth and purchase (Ambrose *et al.,* 2007; Kau & Loh, 2006; Maxham & Netemeyer, 2002; Ok, 2005).

Word of mouth refers to the comments a consumer makes to other potential customers about the experience with a product or service provided, which is also related to recommendations of the organization. Individuals who have unfavorable attitudes after complaining or who are dissatisfied with a product are more likely to engage in negative word of mouth (J. G. Blodgett, Granbois, & Walters, 1993). In the same vein, consumers who feel satisfied tend to express a stronger intention to purchase in the future in the organization.

> H2: Customers' satisfaction with a service encounter mediates the relationship between their perception of justice and word of mouth.

> H3: Customers' satisfaction with a service encounter mediates the relationship between their perception of justice and purchase behavior.

The study

Data is collected from 45 clients of an organization that provides construction materials (e.g., bricks, slates, paving stones) in Cali-Colombia. Individuals who respond to the survey are those who regularly are in contact with the sales personnel. Constructs included in the survey are: justice, satisfaction, and word of mouth; items for these were assessed using a seven-point Likert-type scale. Scales are validated in Spanish by Vázquez-Casielles, Suárez-Alvarez, Díaz-Martín, & Del Río-Lanza (2007). Purchase is measured by asking the client about the actual number of times in the last month he or she has made a purchase. Table 1 presents the means, standard deviations, number of items in the construct, and internal consistency reliabilities.

The statistical analysis for this study is based on a structural equation model (Table 2)[9]. Results support all hypotheses. There is a positive relationship between the[15] three dimensions of justice and satisfaction (p<.0.1). The model also supports the mediating effect of satisfaction which is positively related to word of mouth (β.65, p<.01) and purchase (β.51, p<.01). The model

Table 1. Descriptive statistics

	Mean	SD	n items	Cronbach alpha
Distributive J	6.37	1.97	4	0.874
Procedural J	6.39	2.14	4	0.917
Interactional J	6.73	3.48	9	0.904
Satisfaction	6.34	3.11	4	0.958
Word of mouth	6.03	1.50	2	0.605
Purchase	5.48	6.82	2	0.803

15. Statistical analysis was done using the SEM package of R, version 0.9-20.

Table 2. The justice-attitude model

	Satisfaction			WOM			Purchase		
	SE	β		SE	β		SE	β	
Distributive J	.114	.554	***	.182	.360	**	.167	.306	
Procedural J	.132	.424	***	.214	.323		.155	.367	**
Interactional J	.137	.378	***	.181	.187		.120	.581	***
Satisfaction				.148	.648	***	.129	.507	***
Wald test (chisq)					505.98 ***			490.23***	
D.F.				220			220		
Goodness of fit				.575			.586		
Ajd. G.fit				.614			.481		

***p<.01. **p <.05.

shows there is partial mediation since both dependent variables are to some extent influenced by justice. Distributive justice predicts word of mouth (β.36, p<.0.1) and procedural and interactional justice predict purchase (β.37 and β.58, p<.01).

Discussion

This study shows that the relationship between consumers' perception of justice and their consequent attitudes towards an organization in a Latin-American country is consistent to what studies around the world have reported regarding this same relationship. Thus, it is important for Latin-American organizations to recognize the impact of consumers' perception of organizational justice. In this sense, this study has meaningful practical implications. It makes sense for decision makers first to assess customers' perceived fairness of an outcome, procedure, and interpersonal treatment and second to determine strategic changes that need to take place to fulfill consumers' justice gaps that are critical for the organization.

Future research & Limitations

The cultural background that is implicit in this study in an opportunity for future research. Expectations, social comparisons, and therefore, the assessment of organizational justice that Colombian consumers make are framed by their culture and previous consumption experience. Because of this framework, the perception of justice of participants in this study may differ from the one an individual in another culture would have about the same organizational outcome, process, or interaction. An opportunity for future research is to analyze to what extent the perception of justice and its relationship with attitudes and behaviors changes across cultures.

Finally, there are some limitations to this study. Because of the unique nature of this sample, the results of this study may not be generalized to other industries or even to other countries. The study may be used as a pilot study inspiring the further assessment of the constructs here included. In the same sense, the sample is fairly small. On the other hand, it is interesting that even with such a small sample statistical results are relatively good and consistent with previous theoretical background.

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FINANCIAL PERFORMANCE AND OWNERSHIP STRUCTURE IN MEXICAN PUBLIC COMPANIES

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Abstract

According to Blondel (2005) family businesses represent more than 75% of the companies in most economies, which has motivated different authors to analyze this topic. The objective of this study is to analyze the financial performance of Mexican public family and non-family businesses in order to discover if a relationship among its financial performance and ownership structure exists. According to Whyte (1996) there is a specific need to study family businesses in emerging countries since they are considered the "engine" of the economy; even though there are studies under this research line in different countries, there has not been find any study developed in Mexico. This study pretends to answer the following questions: 1) does Mexican public family businesses have a better financial performance than non-family

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businesses?; 2) does Mexican public family businesses with a family member CEO have a better financial performance than those family businesses without a family member CEO?; and 3) does Mexican public companies have a better financial performance if they are over 50 years old?. The scope of this analysis is limited to the Mexican public companies with available information which were listed continuously on the Mexican Stock Exchange (BMV) between 1996 and 2008.

This study pretends to analyze the same hypothesis proposed by some of the authors discussed earlier:

> H1: Mexican public family businesses have a better financial performance than Mexican public non-family businesses.
>
> H2: Mexican public family businesses with a family member CEO have a better financial performance than Mexican public family businesses without a family member CEO.
>
> H3: Mexican public companies have a better financial performance if they are over 50 years old.

There are two variables that are considered in order to measure the financial performance of Mexican public companies. First, return on assets (ROA) which establishes a relationship between net income and total assets of a company. And second, the Tobin´s Q which provides the relationship between the market value and the book value of a company (Financiero, 2009). Moreover, since the research analyzes the profitability of the companies through time, a longitudinal analysis is presented considering the time period of 1996 to 2008. Moreover, Economatica database was used in order to obtain the adjusted data (December 31, 2008), in other words, they do not present seasonal trends and splits or dividend effects (Economatica, 2009).

The regression model used to measure the financial performance of the companies, considers two dependent variables: ROA and Tobin´s Q; and five independent variables: 1) a binary variable (FAM) which considers if the company is familiar (1) or non-familiar (0); 2) a binary variable (CEO) which considers if the CEO is a family member (1) or a non-family member (0); 3) a binary variable (AGE) which considers if the company is over 50 years old (1) or under 50 years old (0); 4) natural logarithm of total assets (LnAssets) to consider the company size; and 5) long term liabilities over total assets (LTL/Assets) to include the capital structure of the company. In other words:

Financial Performance (ROA / Tobin´s Q) = $\boldsymbol{\delta_0 + \delta_1 (FAM) + \delta 2 (CEO) + \delta 3 (AGE) + \delta_4 (LnAssets) + \delta 5 (LTL/Assets) + \varepsilon}$

For the years 1996 to 2008, it can be said that: 1) there is no financial performance significant difference among Mexican public family and non-family businesses for both ROA and Tobin´s Q. Some of the possible reasons for this result could be due to the professionalism level in family businesses, which could be attributed to the amount and strictness of the requirements asked by the BMV. 2) Mexican public family businesses without a family member CEO have a better financial performance "ROA" (1%) than family businesses with a family member CEO. In contrast, when analyzing the Tobin´s Q, there is no significant difference regarding this relationship. Therefore, the shareholders do not have neither a positive nor a negative reaction regarding if the CEO is a family member or not. And, 3) there is no significant difference between Mexican public companies financial performance regarding their age for both ROA and Tobin´s Q. Therefore, in the case of having a family business with a family member CEO, it is not important to consider the number of the CEO generations for further research, since it does not affect the company´s financial performance.

It is important to state that even though the results obtained in this study are similar to the ones obtained in one of our previous work, the P-Value of the binary variable FAM when Tobin´s Q is considered has been reduced to been almost significant (0.06). The reason for this change is the inclusion of the years 2006 to 2008; therefore, some of the reasons for this may be due to the financial crisis present during this period and/or the Mexican securities market law (SML) introduced in 2007. Further research is needed to analyze the effects of these reasons. There is a probability that if the time period under study broadens, in order to include more data after 2007, new conclusions may arise in order to understand if the SML has changed the market´s value (Tobin´s Q) towards improving the financial performance of Mexican public family businesses when compared to non-family businesses.

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CROSS-COUNTRY DIVERSIFICATION THROUGH M&A TRANSACTIONS IN EMERGING MARKETS: EVIDENCE IN AMERICA LATINA

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Abstract

The area of M&As transactions and the effects of these corporate events over the potential wealth creation for the companies involved has been vastly studied in finance. In general most of the studies that analyze mergers between U.S. companies find a positive announcement effect for the target firms and a neutral or negative effect for the bidder (Bradley, Desay, and Kim, 1998; Jarrel and Poulsen, 1989; Mork Schleifer, and Vishny, 1990, among others). This neutral or negative price reaction for the bidder at the announcement date suggests that most of the synergies are captured by the target firm in domestic M&A transactions. Cross-country diversification through the acquisition of targets in foreign countries may however create benefits to the acquiring firm that may not be easily replicated through the capital markets. Different tax codes between countries, limited opportunities in the market for corporate control, foreign government regulations that protect against competition, and

in general, access to more segmented markets may contribute to effectively reduce the overall risk without significantly affect the value of the acquiring firm.

There is contradictory evidence of the benefits of geographic diversification. Errunza and Senbet (1981, 1984), Bodnar, Tang, and Weintrop (1999, 2003), and Dos Santos, Errunza, and Miller (2004) show that geographic diversification creates value for the firm. Madura and Whyte (1990) find that foreign direct investment by a multinational corporation stabilizes cash flows without the need to expand into different line of products. Similarly, Heston and Rouwenhorst (1994) find that cross-country diversification within the same industry translates into a more effective risk reduction than corporate diversification within the same country. Finally, Manzon, Sharp, and Travos (1994) show that the U.S. Internal Revenue Code allows multinational corporations to benefit from having operations in other countries.

Not all the evidence however is in favor of geographic diversification. Mork and Yeung (1991) and Christophe (1997) argue that geographic diversification by itself does not impact corporate value. Click and Harrison (2000), and Denis, Denis, and Post (2002) show that geographic diversification is associated with a discount in value. Finally, Fauver, Houston, and Naranjo (2004) reach similar conclusion for a sample of U.S. firms that participate in foreign acquisitions.

Kiymaz and Mukherjee (2000) show that the benefits associated with acquiring companies abroad are inversely related to the level of correlation between the acquirer and the target countries' economic cycles. According to their hypothesis, if the economies of the countries where the target and the bidder reside move similarly, the benefits of the M&A transaction is smaller for the acquiring firm. Their sample is composed of U.S. bidders or targets participating in transactions with companies located in foreign developed economies (Germany, Australia, Canada, France, Italy, Japan, United Kingdom, Switzerland, and Holland) during the period 1982-1991.

This paper intends to extend and validate the results obtained by Kiymaz and Mukherjee (2000) using a sample of M&A transactions where at least one of the partners is based in Latin America. A higher level of market segmentation of developing countries relative to developed countries should imply on average a lower correlation between the economies of these two types of countries. Therefore, we expect to get similar but stronger results to those obtained by Kiymaz and Mukherjee (2000) for the sample of cross-border M&A transactions in Latin America where the bidder is located in a developed country.

During the period under analysis, companies from developed economies acquired companies in Latin America at a fast pace. Our sample comprises a total of 952 M&A transactions during the period 1998-2004. Cross-border mergers represent a total of 740 transactions and in 632 of these transactions a corporation from a developed economy is buying a company in Latin America.

Unlike Kiymaz and Mukherjee (2000), we expand the notion of geographic economic diversification to include the effect of differences in country-level corporate governance proxies between the bidder and target country. La Porta *et al* (1998, 1999, 2000), Rossi and Volpin (2003), Coffee (1999), Bris and Cabolis (2004) among others show that the corporate governance environment mainly in the target country affects the value creation in an acquisition. Given the ever changing institutional and business environment in Latin America we use specific sub-indexes published annually by the Heritage Foundation and Dow Jones to proxy for the level of government involvement in the economy which is directly related to the level of segmentation of a particular country from an integrated world. We argue that operating in a country with different corporate governance environment could bring additional diversification benefits to the bidder in an M&A transaction which would be very difficult to replicate through capital markets.

The evidence however is mixed when analyzing the effect over the value of a firm located in a developed economy that agrees to acquire another firm based in a country with low-quality corporate governance. For example, a high level of regulation and government intervention in the economy and/or a low protection of property rights could translate into higher or lower value for the acquiring firm. According to Dahlquist et al. (2003) for example, bidders may benefit from acquisitions in countries that strongly protects investors interests, given the higher disclosure standards and lower transaction costs related to the M&A transaction. Bris and Cabolis (2004) find higher acquirer returns in M&A transactions where the target is located in a country where the corruption level is low.

The literature also shows that bidders enjoy higher announcement returns when targeting companies in emerging markets. Chari, Ouimet, and Tesar (2004) find that stock markets anticipate significant value creation that is shared by both bidders and targets. Also, Hagendorff, Collins, and Keasey (2008) analyzing a sample of cross-border bank mergers find an inverse relationship between the level of investor protection in the target country and the abnormal return realized by the bidder during the announcement period. They argue that the gains compensate for the increased risk of expropriation by insiders typical of low protection environments.

We find results consistent with Kiymaz and Mukherjee (2000) for the Latin American region. Performing an event study analysis to measure the price reaction for the bidder and target involved in an M&A transaction in Latin America, we find that a low correlation between the economies where the bidder and the target are based is associated with a higher cumulative abnormal return (CAR) for the bidder during the announcement window. The evidence is statistically significant in most of the OLS regressions for the windows (-10,+10) and (-5,+5). Similarly, there is similar inverse relationship for the window (-1,+1) but only in one of the three specifications used.

We also find that the corporate governance environment plays an important role in determining the price reaction not only for the bidder but also for the target in the M&A transaction. The bidder's CAR is positive and significant when the target company is based in a country whose legal system is different from that of the bidder country. This result is significant at a 10 percent level in two of the three regression specifications and is robust to the announcement window used. Finally, lower levels of property rights protection and higher levels of regulation in the country where the target resides positively affect the CAR of the bidder at the announcement. These results are significant at a 1 percent level and they are consistent with the potential benefits of operating in different corporate governance environment. Although not directly tested, these results are consistent with the relationship found by Hagendorff, Collins, and Keasey (2008).

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DIVIDEND POLICY AND OWNERSHIP STRUCTURE IN AMERICA LATINA

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Abstract

Agency theory provides a strong link between dividend policy and ownership structure (Rozeff, 1982; Easterbrook, 1984; Jensen, 1986): managers acting in favor of the controlling shareholders increase dividends to reduce agency cost, especially when external financing is needed. Empirically, Moh'd, Perry and Rimbey (1995) show for the US market that in fact managers tend to adjust dividends in respond to their agency cost/transaction cost tradeoff.

The role of controlling shareholders is a key issue in the agency/dividend relationship. Grossman and Hart (1980) and Shleifer and Vishny (1986) argue that large shareholders have stronger incentives to monitor management reducing therefore the owner/manager agency cost. However, large shareholder's blocks, raise the tension between controlling and minority shareholders. Morck, Shleifer, and Vishny (1988) address this ambiguity

showing that for low levels of ownership the presence of large shareholders have a positive effect on firm value, what they called “incentive effect” but, as ownership concentration increases the impact of large shareholders on firm value turn negative, what they called “entrenchment effect”.

A large shareholder is not necessarily a controlling shareholder. Eckbo and Verma (1994) and Jensen, Solberg, and Zorn (1992) show a negative relation between inside ownership and dividend payout, yielding cash dividend to almost zero when owner-manager have full control of the firm. However, recent studies in US show that institutional investors tend to have a positive influence on dividends (Short, Zhang, and Keasey (2002) although among the dividend-paying firms they prefer those with fewer dividends (Grinstein and Michaely, 2005). In the case of individual large shareholders, Pérez-González (2002) show that dividend payouts increase in years when dividend income is less tax-disadvantaged relative to capital gains and decrease if there is a relative increase in dividend taxes. These results show that large, not necessarily controlling shareholders, influence dividend decisions in the US.

The agency link between dividends and ownership is even more interesting outside the US. La Porta, López-de-Silanes and Shleifer (1999) show that the typical firms in the world have high ownership concentration levels and in most case the largest shareholders are highly involved in management duties. Moreover, La Porta, et al. (1998) point out that ownership is more concentrated in countries with inferior shareholder protection (French civil law countries). In this scenario, La Porta, et al. (2000) tested two agency models of dividends: The “outcome” model in which dividends are paid because of the pressure of minority shareholder for dividends; and the “substitute” model in which insiders interested in issuing equity in the future, pay dividends to establish a good reputation. Their results after examine 4,000 firms in 33 countries tend to support the first model: strong shareholder’s rights are associated with higher dividend payments.

In the same vein but analyzing only Asian and European firms Faccio, Lang and Young (2001) find that when firms have more expropriation possibilities (e.g. when they are associated to a business group), firms tend to pay larger dividends in order to get cheaper capital; on the other hand, when firms are not affiliated to a business group, they pay less dividends because outside investors perceive lower expropriation risk. Most recent papers find similar results: Truong and Heaney (2007) study the interaction between the largest shareholder and dividend policy in a sample of 8,279 listed firms in 37 countries and find that dividends are negatively related to ownership concentration, and Brockman and Unlu (2009) find for 52 countries that the probability of paying dividends and their levels are significantly lower in countries with poor creditors rights .

The abundance of empirical literature studying the dividend/ownership relationship around the world contrasts with the scarcity of academic research for Latin America . All countries in this region have the same legal origin, which is French Civil Law. Chong and Lopez-de-Silanes (2007) show that in Latin America, whose countries offer less investor protection than average French Civil Law countries, investors' expropriation risk is more severe, the cost of capital is higher, firms pay less in dividends, and, in general, the level of financial development is relatively very low. In addition, the typical CEO is, or is related to, one of the firm's largest controlling shareholders. According to Johnston (2004), only two shareholders typically hold more than 50% of a firm's equity in the region.

The predicted dividend/ownership relation in Latin America is far from obvious. On the one hand, the latent agency tension between controlling and minority shareholders could suggest a negative relation where controlling shareholders extract firm value to their own benefits (e.g. high firm's perquisites, related parties' transaction). This negative relation will be consistent with the previous empirical findings around the world. However, consistent with Easterbrook (1984), Gomes (2000), and La Porta *et al.* (2000) a firm with high ownership concentration could pay dividends to establish a good reputation, which is an important "asset" especially in countries with weak legal protection of minority shareholders such as those in Latin America.

In this setting, we empirically examine the relation between dividend policy and ownership concentration for firms base their operations in five Latin American countries: Brazil, Chile, Colombia, Peru and Venezuela, for the years 2000-2006. We find a U-shape relation between dividends and ownership. Results show that when firms are relatively less controlled by management or strong shareholders, dividends tend to be negatively related to ownership. However, as ownership control increases enough, the relationship between dividends and ownership levels turns positive.

Our paper contributes to the finance literature showing that ownership structure has a statistically significant effect over the dividend policy for Latin American firms. We also contribute to the incipient corporate governance literature in the Latin American region showing the importance of dividends in the latent agency conflict not only between managers and shareholders but also between large and small shareholders.

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MOMENTUM AND SIZE EFFECTS IN THE COLOMBIAN STOCK MARKET

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Abstract

Momentum or the continuation of past returns in which a portfolio long on high past return stocks and short on low return stocks yields significant arbitrage returns is one of the most pervasive violations of weak market efficiency. Jegadeesh and Titman (1993) find strong evidence of momentum for the U.S. in that a winner portfolio consistently outperforms a loser portfolio in the mid-term, i.e., holding periods of three to twelve months. In a more recent paper, Jegadeesh *et al.* (2001) show that momentum is not a result specific of their initial sample (1965-1989) but it extends well into the nineties. Even after adjusting for risk a momentum strategy produces abnormal returns.

Lesmond *et al.* (2004) claim that previous momentum literature has disregarded the magnitude of transaction costs. Using several transaction costs estimates, albeit conservative, they find that any excess returns of a

momentum strategy are not enough to compensate trading costs that might be as high as 6% per round trip. Results are consistent with binding bounds to arbitrage and after transaction costs market efficiency. An interesting research question is then to analyze if momentum profits are robust to trading costs in Colombia after the merger of its local exchanges.

In terms of a size effect, in which a portfolio of small companies consistently outperforms a portfolio of large companies, the international evidence is mixed. Banz (1981) finds that small stocks have higher abnormal average returns in the U.S. Fama *et al.* (1992) also find a size (e.g. the natural logarithm of the market value of equity) effect in the U.S. for the 1963-1990 period. However, Claessens *et al.* (1998) documents inconsistent size effects for a sample of emerging markets.

Research has tended to focus, then, on studying momentum in equity markets abroad. In consequence, this article contributes to existing literature by describing and analyzing momentum strategies for the Colombian market in the period July 2001 to August 2009. The aim of this paper is to explore whether investors may be able to take advantage of relative simple investment strategies based on price continuation. In addition, in a more realistic exercise, we consider momentum profits both before and after transaction costs (e.g. bid-ask spreads and commissions).

An additional objective of the paper is to examine the extent of a “size effect” in Colombia. This effect is a clear violation of semi-strong market efficiency. Previous literature for Colombia is somewhat inconclusive. On the one hand, Claessens et al. (1998) did not find evidence of a size effect for Colombia, from 1986 to 1993. On the other hand, Fama and French (1998) found both a reverse value and size effect for Colombian equities. On average, a portfolio of low book to market stocks beat a portfolio of high book to market stocks by a 17.47% margin (per annum) while a portfolio of large stocks beat a small stock portfolio by 20.54% during the 1988-1995 period.

A final goal of the paper is to indirectly assess the applicability of the Capital Asset Pricing Model (CAPM) in Colombia. The small number of stocks and consequently the low number of portfolios at hand precludes implementing more robust tests (e.g. Fama Mcbeth (1973) tests). In this regard we examine two issues. The first deals with the relationship between alphas, betas and future returns. According to the CAPM, one should expect, on average, a monothonic relationship for a series of portfolios built from low to high alphas and betas stocks and future returns. In other words, a high beta portfolio should, on average, outperform a low beta portfolio in a holding period. The second issue we examine is whether factors besides the market premium help explain stock returns for our sample.

Data

We work with weekly prices in Colombian pesos, adjusted for dividends and splits, provided by Economatica. The estimation period covers data from July 2001 to August 2009.

Due to the presence of extreme values we decided to winsorize the data at the 0.5 and 99.5 percentiles. Before discussing the methodology for portfolio construction and performance of momentum and size strategies it is worth mentioning that results shown in the next sections are qualitatively similar if we use (unadjusted) closing prices, if weekly returns are calculated using daily data for any given trading day and if we decide not to winsorize the data.

Momentum strategy

A momentum strategy is developed following Jegadeesh and Titman (1993) seminal paper. Every J weeks, all stocks in the sample are sorted according to their mean returns in this formation period and allocated to four portfolios, each one with four stocks. The first ("winner') portfolio consists of stocks with the highest average returns while the fourth ("loser") portfolio includes the ones with the lowest returns. Portfolios are value weighted in which case each stock is given a weight according to its market capitalization. We report results for value weighted portfolios; nonetheless results are qualitatively similar if portfolios are equally weighted. Next, returns are recorded for the four portfolios during the next K weeks (or holding period). A week later, all stocks are sorted again according to their returns in the last weeks and allocated to portfolios of which we measure its performance during the following K weeks. Winner portfolio returns fluctuated from 27 to 34% per annum while loser portfolios ranged from 19 to 26% per year. Moreover, momentum returns fluctuated from as low as 1.5% to a maximum of 15.4% per year. Momentum was stronger using a 26-week formation period and 13-week holding period. By and large, using semesterly formation periods and semesterly or perhaps yearly formation periods helped to increase momentum returns. Our results show evidence of positive and significant momentum returns (before transactions costs), and coincide with extant evidence for other countries.

Yearly returns for the four portfolios and two strategies based on sorts of alphas and betas are shown in panel C of *table 2.* The panel highlights three interesting findings. First, all portfolios had positive and significant returns. Even the loser portfolio (low alpha or low beta) had a good performance with returns fluctuating from 20 to 27% a year. Second, momentum returns for the alpha and beta strategies were mostly positive and significant, as the CAPM predicts. Finally, contradicting the CAPM, average returns did not linearly increase on alpha or beta. For alphas, we find an inverse U-shape relation while for betas there is no such clear cut pattern although it seems to resemble a U-shape (except for P4). Momentum returns and transaction costs

Thus far our calculations have not taken into account transaction costs. Lesmond et al. (2004) claim that momentum strategies in the U.S. require a considerable amount of trading in high cost stocks practically vanishing abnormal returns previously reported. In addition, one has to remember that a momentum investor faces transaction costs of four trades: buying and selling stocks in P1 and P4, a fact that seriously endangers "paper profits". Following Agudelo (2009), we consider two liquidity cost measures based on intraday prices to assess if momentum profits in the Colombian market remain. The first measure is the quoted bid-ask spread which can be calculated as follows

$$\text{Quoted bid-ask spread}_t = \frac{\text{Bid Price}_t - \text{Ask Price}_t}{\text{Average Price}_t} \quad (1)$$

Where the average price (or bid-ask midpoint) is just the mean between the bid and ask price at moment t. If all transactions occur either at the bid or ask price, the quoted bid-ask spread would be a proper measure of liquidity costs. However, in Colombia's stock market, on occasion, market or limit orders might not be bounded by bid and ask levels. To account for this, the literature suggests a second measure; the effective bid-ask spread, which can be estimated for transaction i as

$$\text{Effective bid-ask spread}_i = 2 \text{ x } \frac{\text{Transaction price}_i - \text{Average Price}_i}{\text{Average Price}_i} \qquad (2)$$

An advantage of this last measure is that it takes into account more precisely the dynamic process of trading, allowing for sweeping orders, limit orders that might not be settled at bid-ask prices and for the effect of incoming orders that lower the bid-ask spread. We do not have access to the time series of these two indicators, thus we approximate these transaction costs by averages reported by Agudelo (2009, table 5).

As expected, returns for the strategies decrease. For instance, using the quoted bid-ask spread, returns for a winner portfolio decrease (as compared to panel A of table 2) roughly by a minimum of 1.7% to a maximum of 11% a year.. In our case, quarterly holding period returns were not enough to compensate transaction costs. After transaction costs, this strategy can yield negative returns of up to 2% per month.

Only for yearly holding periods a momentum strategy is consistent with positive returns ranging from 1.2% to 6.5%. Again, lower transaction costs might explain this result. Only for longer holding periods the impact of trading costs diminishes and momentum strategies become profitable by a modest margin. Our results support after transaction costs semi-strong market efficiency in the Colombian market.

Size effect

Table 6 reports returns for a strategy that goes long on small capitalization stocks and short on large stocks. In the first panel, transaction costs are omitted. Initially, both small and large stock portfolios had positive and significant returns. Most returns on arbitrage portfolios are not significant. Large capitalization stocks outperform small stocks for quarterly holding periods. At longer holding periods (e.g. yearly) there is evidence of a size effect in which small stocks outperform by roughly 5 to 7% a year.

Using our first measure of the bid-ask spread a small-size strategy turns decidedly unprofitable. Only for yearly formation and holding periods this strategy produces positive returns (though insignificant). Our second measure of the bid ask spread paints a similar picture in regards to a size strategy: returns are mostly negative following this approach. Only for yearly holding periods this strategy produces significant, but modest, positive returns.

Thus far one can conclude that returns (both before and after transaction costs) derived from a momentum strategy are larger than those following a size strategy (see tables 2, 5 and 6). However, none of the two strategies is able to deliver economical and statistically significant returns after transaction costs. On the whole, our results strongly agree with both weak and semi-strong market efficiency. In the next section we evaluate if perhaps a size factor, controlling for systematic risk, helps explain returns for the stocks in the sample. In the U.S., since Fama's (1992) work, the use of a size factor has almost become standard practice.

Are returns related to size?

We conduct a regression analysis to verify the existence of a size effect within the framework of the CAPM model and more specifically, to examine if returns are related to size. After controlling for market risk, is size priced? According to the CAPM, the short answer should be "no". For each of the sixteen stocks in the sample, we regress stock returns on Colombia's market index and a size proxy. The model is

$$R_{it} - Rf_t = \alpha_i + \beta_i (Rm_t - Rf_t) + \gamma_i Size_{it} + \varepsilon_{it} \qquad (3)$$

Where R_{it} is the return for stock i for week t, R_f is the weekly risk free rate, α is the intercept, β represents the beta coefficient of the CAPM model accounting for market or systematic risk and γ is the sensitivity of returns to our size proxy; becoming the coefficient of interest. We allow for conditional heteroskedasticity by applying a Generalized Autoregressive Conditional Heteroskedaticity or GARCH (1, 1) model.

Four proxies are used to account for size. The first one is an absolute size variable in which for each stock the logarithm of the total market value of equity in week t is recorded while the second is a relative size variable in which we divide market value at time over the sum of market capitalization of all stocks in the sample at t .The third and fourth proxies are lagged one-period values of the absolute and relative size variables (the last one as in Claessens *et al.* 1998).

The result of the non-significance of a size effect after controlling for market risk is similar to that reported by Claessens *et al.* (1998) at the World Bank. They used a sample of 22 Colombian stocks for 1986-1993 and found that after controlling for market risk and other factors (such as earnings to price ratio, price to book ratio, dividend yield, turnover and exchange rate fluctuations), size had no explanatory power for returns on the firms in the period. The non-existence of a size effect coincides with our univariate results reported in table 6 as well as with van der Hart *et al.* (2003) who test a size strategy for emerging markets using diversified but country neutral portfolios and find that returns are unrelated to size. In sum, we find that if any size effect exists it is ultimately subsumed by a “market effect”, as the CAPM predicts.

Concluding remarks

We contribute to the literature by examining the extent of momentum and size effects in Colombia after the merger of the three local exchanges in 2001; a merger that has brought improvements in liquidity and market efficiency. Transaction costs dramatically change the profitability of momentum and size strategies. Before transaction costs, momentum and size strategies are generally profitable. For instance, a strategy that is long in recently high return stocks and short on recently low return stocks and uses semesterly formation and holding periods yields on average 1% per month. Comparing momentum and size strategies returns it seems that the former are higher than the latter. Nonetheless, after transaction costs that include bid-ask spreads and commissions, both strategies become unprofitable. Only for longer holding periods in which transaction costs have naturally a lower impact on returns, we observe significant but modest yields.

We also assess the applicability of the CAPM model in Colombia. Initially we see that high alpha or beta portfolios outperform low alpha or beta portfolios in a holding period, in line with the model’s predictions. However, the relationship between alphas and betas in a formation period and returns in a holding period is not strictly linear. In addition, we examine if returns are related to size. Consistent with the CAPM, size (proxied in several ways) is not significant in explaining returns for the stocks in the sample but the lack of fit of the model (especially for small stocks) warrants further examination. Perhaps as in Fama *et al.* (1992 and 1998) a distress factor might be helpful in explaining returns in the Colombian market. This is left to future research.

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A RE-EVALUATION OF THE IMPACT OF FINANCIAL DEVELOPMENT ON ECONOMIC GROWTH AND ITS SOURCES BY REGION

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Abstract

Theoretical considerations, empirical evidence and the paper´s structure

The vast majority of theoretical and empirical evidence recollected and analyzed in Levine (2005) suggest that financial development contributes to improve economic growth in the long run. However, the role of the financial sector in economic growth has been an important issue of debate among economists.

Authors like Robinson (1952) and Lucas (1988) are skeptical and believe that finance act in response to demands of the real sector. Also, in the collection of studies of Meier and Seers (1984), pioneers of development, financial development is not even suggested as a determinant of economic growth.

On the other hand, Bagehot (1873), Schumpeter (1912), Gurley and Shaw (1955), Goldsmith (1969), McKinnon (1973) and Shaw (1973) believe that

financial development cannot be left aside as an explanation of economic growth.

Aghion and Howitt (1998) assessed Schumpeter's point of view that financial institutions affect economic growth mainly by productivity growth and technology change by deciding capital allocation among firms but not through changing the savings rate.

Other part of the literature argues that the key factor for economic growth is capital accumulation and that better financial intermediaries influence economic growth through a higher savings rate and by attracting foreign investment. For this subject see King and Levine (1994) and Fry (1995). Then, the literature that supports that financial development affects economic growth does not shown consensus on the transmission mechanism.

Our work does not only assess empirically with the most modern methods the relationship between financial development and growth, but also tries to find the sources that lead to this positive relationship and tries to find out the transmission mechanism.

A lot of empirical evidence accounts for a positive relationship between financial development and economic growth in the long run.

The seminal empirical work of King and Levine (1993) that includes measures of financial development in standard economic growth regressions found a positive, robust and statistical significant relationship between financial conditions and subsequent economic growth for a cross-section of 80 countries.

Beck, Levine, and Loayza (2000) found an economically and statistically significant relationship of financial development over economic growth and productivity growth. Also, they found an ambiguous connection with capital growth and the savings rate.

Levine, Loayza, and Beck (2000), using traditional cross-section methods of instrumental variables and GMM dynamic panel techniques that were novel for that time, find that the exogenous component of financial development is associated in a positive way with economic development.

In 2005, Windmeijer (2005) proved through Monte Carlo simulations that the estimation of asymptotic standard errors in the GMM system estimator in two-steps for panel data was severely downward biased for small finite samples.

Thus, the inferences of studies like Levine, Loayza, and Beck (2000), Beck, Levine, and Loayza (2000), Rioja and Valev (2004a) and Rioja and Valev (2004b) are invalid as it is shown in our estimations that show this severe bias in usual standard errors in contrast with the robust ones corrected by Windmeijer (2005).

Other problem that we consider is the tendency to use too many instruments that although they can be individually valid, when taken as a group could be invalid in finite samples due to an over-adjustment of the endogenous variables (Roodman (2009)). Furthermore we consider the worries of Clemens and Bazzi (2009) about that estimations of economic growth tend to be invalid when many instruments are used.

These recent developments allow us to make a reevaluation of the impact of financial development on economic growth and its sources.

While exogenous components of financial development continue showing an impact on economic growth it is necessary to understand the determinants of this financial development. The literature on this issue has followed two lines. The first one has analyzed legal systems and regulations and macroeconomic policies as possible explanations for financial development (See Levine (2005)). The other one has gone further trying to understand the forces that determine laws, regulations and institutions that lie beneath financial development studying differences in politics, culture and geographical regions. It is considered that these variables affect financial development (see Engerman and Sokoloff (1997), Acemoglu, Johnson, and Robinson (2001), Beck, Demirguc-Kunt, and Levine (2003) and Easterly and Levine (2003)).

These studies provide rationality to our classification of countries into geographical (and in some way cultural) regions and the estimation of the effects of financial development on economic growth in the different regions of interest. Our results show that there is an important heterogeneity between different regions.

The structure of the paper is as follows: Section I is the introduction. In section II and III we provide a thorough analysis of the data, comparing key variables across regions and time. In Section IV we describe the methodology that we use in our estimations. In section V we present our main results with the estimation of the effect of financial development on economic growth and its sources for the whole panel and for the panel divided into regions. We also provide results of tests supporting the validity of our models and questioning the validity of models used in previous literature. In section VI we calculate the effects on economic growth of an exogenous increase of 10% of Private Credit and Liquid Liabilities for the different regions in our study. Section VII presents the conclusions of the paper. Finally, we have five different Appendices. In Appendix A we provide tables and figures for a better understanding of the data we worked with. In Appendix B we provide our main estimations and results in different tables. In Appendix C we provide the impacts of our financial development measures on the growth rate of per capita GDP for the different Latin American countries in our sample. In Appendix D we present additional estimations to check the robustness of our main results. In Appendix E we provide Stata commands of xtabond2 to illustrate how our main estimations were generated.

Variables and data

The theoretical literature of financial development establishes that financial system influence economic growth by reducing transaction and information costs, and by improving information acquisition by firms, improving firm decisions and risk sharing.

However, it is rather difficult to find empirical measures that account for these functions of the financial system. Therefore, we use as proxies of financial development, two indicators: Private Credit (PC) and Liquid Liabilities (Lly). The first one is the value of credits by financial intermediaries to the private sector divided by GDP and is the most common measure of financial intermediation. It was used in empirical studies like Goldsmith (1969) and King and Levine (1993). Liquid Liabilities equals liquid liabilities of the financial system (currency plus demand and interest-bearing liabilities of banks and nonbank financial intermediaries) divided by GDP and is a measure usually used, like in Beck, Levine, and Loayza (2000) and Levine, Loayza, and Beck (2000).

The dependent variables used in this study are three: economic growth measured as real GDP per capita growth, capital growth, that is the growth of the real per capita stock of physical capital and productivity growth defined as the growth of the Solow residual.
The data consists of a panel containing 78 countries for 35 years.

We used the following six variables as control variables:

- Real GDP per capita at the start of each period. This is a control for convergence of the economic growth rate among countries as in the standard Solow-Swan growth model.
- Government expenditures divided by GDP
- Commercial openness divided by GDP (defined as Exports plus Imports divided by GDP).
- Inflation

These last three variables control for macroeconomic policy and stability in each of the countries. For instance, large public expenditures and high inflation tend to affect growth adversely while trade opening tends to affect growth in a positive way.

- Another control variable is the coefficient between black market and official exchange rate and is a proxy for commercial, exchange rate and price distortions.
- Finally, we used the average years of secondary school of the country's total population as a control for human capital accumulation.

Conclusions

The paper analyzes the nature of the effect of financial development (measured as credit to the private sector divided by GDP and liquid liabilities divided by GDP) on economic growth (measured as GDP per capita growth) and its sources (measured as total factor productivity growth and capital stock per capita growth).

In our estimations we apply the GMM system estimator. This method is applied in the finance-growth literature because it tries to solve serious econometric problems such as short dynamic panels, fixed effects and the lack of good external instruments. We account for the fact that inferences in previous cited studies have some serious disadvantages due to downward biased standard errors (Windmeijer (2005)) and the use of too many instruments (Roodman (2009)).

This work adjusts by these last two problems to obtain valid inferences of the effect of financial development on economic growth and its sources, being this one differential aspect of this work with respect to previous literature.

We reexamine this empirical relationship with panel data from 78 countries through 35 years.

Our estimations suggest that financial development contributes to increase economic growth especially in areas like Africa and Latin America, with important positive economic effects and statistically different from zero.

We also find that the transmission channel from financial development to economic growth is more likely to be through productivity growth than through capital growth as Schumpeter suggested.

Because we have proven empirically that there is a significant relationship in our data between financial development and economic growth, the challenge lies in finding the best ways to accelerate financial development in order to generate a better working system for the financial system's six key functions: Ex ante production of information about possible investments; Monitoring investments and control the corporate governance; Commercialization, diversification and risk sharing; Pool Savings; Provision of means of exchange to facilitate goods and services' exchange and; Identification of new and more efficient entrepreneurs. The way of doing this calls for another work.

The paper in a nutshell

The paper estimates the impact of Private Credit to the private sector and Liquid Liabilities (as measures of financial development) on economic growth, capital growth and productivity growth for different regions. Estimations are conducted with a panel database of 78 countries and 35 years using GMM system estimator method for dynamic panel data, correcting by Windmeijer (2005) robust errors and using fewer and relevant instruments compared to the established procedure in the literature of financial development and economic growth. We consider four geographical regions, Latin America, Europe and North America, Asia and Africa. The results with this new methodology, that improves the inference over the usual one used in the literature, suggest a significant effect of financial development in economic growth for the entire panel (for the measure of Liquid Liabilities) and in Latin America in particular. We find no evidence of an effect of our financial development measures over physical capital accumulation but there is a positive effect of financial development, measure by liquidity, over total factor productivity growth. The effect of financial development over economic growth is greater in the less developed regions.

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ANEXXES

PROGRAM
THE LATIN AMERICAN RESEARCH CONSORTIUM
AND
DEANS' WORKSHOP

The internationalization of Business Schools

March 25-26, 2010

B. FREEMAN SCHOOL OF BUSINESS

TULANE UNIVERSITY

 # 7 McALISTER DRIVE

NEW ORLEANS, LA 70118

March 25
(8:00 A.M. – 7:00 P.M.)
Room 1111, Goldring Woldenberg Hall II
DEAN'S WORKSHOP AND LARC SEMINARS[17]

8:30-8:45AM	Welcome and introductions Angelo Denisi, Dean John Trapani, Program Director

17. The **Latin American Research Consortium** was founded by Tulane University in 1995 with the purpose of promoting scholarly research on Latin American markets and business institutions. Its goal is to bring together scholars from around the world who are experts on Latin American business issues to share their research and knowledge related to these issues. Schools and other institutions represented at the consortium meetings in the past have included ITESM-Monterrey, EGADE, INCAE, Universidad de los Andes, IESA, ITESM-Guadalajara, University of Chile, Universidad de Belgrano, Católica de Bolivia, Católica de Peru, ITAM, Instituto de Empresa (Spain), Getulio Vargas, Universidad Francisco Marroquin, ESPAE-ESPOL, Central Bank of Brazil, and UCLA, Tulane University, Texas Christian University, and the University of Illinois in the United States. In 2007 the Deans' Workshop was initiated as part of the Consortium meeting to provide the deans of the top business schools in Latin America a forum to share their programs and initiatives in management education in the region. The 2009 meeting, being held here at Tulane University in New Orleans, Louisiana, is the ninth meeting of LARC.

The internationalization of business schools in Latin America

Program moderator:	Eduardo Guzman, Director of International Programs ITESM Monterrey
8:45-9:00AM	Jerry Trapnell, Executive Vice President & Chief Accreditation Officer AACSB International
9:00-10:00AM	Panel one: “Implications for curriculum” Moderator: Maria Lorena Gutiérrez, Dean, UniAndes Speaker: Marcelo Paladino, Dean, IAE Speaker: Juan Carlos Cachanosky, Dean, UFM Speaker: Carlos Basurto, Dean, UDEM Speaker: Carlos Villanueva, Virtual University, ITESM
10:15-11:15AM	Panel two: “Implications for faculty and students” Moderator: Carlos Alcerreca, Dean, ITAM Speaker: Hector Ochoa, Dean, Icesi Speaker: Irineu Gianesi, Vice Dean, INSPER Speaker: Beatrice Avolio, Vice Dean, CENTRUM
11:30-12:30PM	Panel three: “Implications for program development” Moderator: Francisco Sananez, Rector, IESA Speaker: Henry Gomez, UniAndes & IESA Speaker: Sonia Zurita, MBA Director, ESPAE/ESPOL Speaker: Osmar Zavaleta, Dean, ITESM-Monterrey Speaker: Diego Cardona, Dean, U. del Norte
12:45-2:15PM	LUNCH

TULANE UNIVERSITY PROGRAMS IN LATIN AMERICA
(2:30 P.M. – 7:00 P.M.)
Room 1111, Goldring Woldenberg Hall II

2:30 – 4:00PM	Jhon Trapani, Tulane, Freeman School of Business Programs Tom Reese, Tulane, Stone Center for
Latin	American Studies
7:00PM	DINNER

MANAGEMENT AND MARKETING RESEARCH SEMINARS (2:00 P.M. – 7:00 P.M.) Room 3110, Goldring Woldenberg Hall II

Research Topics in organizational consumer behavior

Moderator: Adrienne Colella, Chair, Tulane

2:00-3:30PM "Perception of justice as an antecedent of consumers, attitudes and purchase behaviors"
Ana Maria Arboleda, Icesi

"Retributive justice through decision-making"
Carlos Rodeiro, IESA

3:30-3:45PM BREAK

3:45-4:45PM "Intergenerational influence on brand preferences"
Maria Eugenia Perez, EGADE
Dan Padgett, Auburn and Willem Burgers – China Europe International Business School

"Developing trust commitment among non-profit companies: the case of the Food Bank in Cali, Colombia"
Jose Roberto Concha, Icesi

7:00PM DINNER

FINANCE RESEARCH WORKSHOPS (2:00 P.M. – 7:00 P.M.) Room 3111, Goldring Woldenberg Hall II

Topics in international finance

Moderator: Rob Hansen, Chair, Tulane

2:00-3:30PM "Private interest regulatory capture theory and bank law: cross-country study"
Carlos Mendez, UFM

Rosa Gonzalez, UniAndes

3:30-3:45PM	BREAK
3:45-4:45PM	"Financial performance and ownership structure in Mexican Public Companies" Luis de Garate, EGADE
	"Cross-country diversification in Latin America" Eduardo Pablo, IESA
7:00PM	DINNER

March 26
(9:30 A.M. – 12:30 P.M.)
Room 2110, Goldring Woldenberg Hall II

Dividend policy in Latin America
Moderator: Paul Spindt, Chair, Tulane

9:30-11:00AM	"Dividend policy and ownership structure in Latin America (2009)" Eduardo Pablo, IESA
	"Cost of capital when dividends are deductible"Julian Benavides, Icesi
11:00-11:15AM	BREAK
11:15-12:30PM Stock	"Momentum and size effects in the Colombian Market" Luis Berggrun, Icesi
Evidence	"What causes the concentration discount? from the Brazilian Stock Market"
	Rogerio Mazali, Tulane
12:30-2:00PM	LUNCH

(2:00 P.M. – 4:30 P.M.)
Room 140, Goldring Woldenberg Hall II

Topics in international finance

Moderator: David Lesmond, Chair, Tulane

2:00-3:00PM market	"Intra-day patterns in the Colombian Exchange index and VaR: evaluation of different approaches" Julio Cesar Alonso, Icesi
	"Diversification and internal information market: evidence from financial conglomerates"
	Marcelo Dabos, Belgrano
	Tomas Williams
4:15-4:30PM	Wrap up