

[May 5 und 6. 2006 in Bendorf \(Rhine\)](#)

The following presentations were held and discussed in Bendorf (Rhine) on May 5 and 6, 2006:

## **1. The limits of networking: The case of R&D cooperations**

*Prof. Dr. Peter-J. Jost, WHU Koblenz-Vallendar*

R&D cooperations have emerged in the past two decades as a significant mode for the development of innovation. However, the potential benefits to technology alliances due to technology complementary, a faster development of innovation or improved market access were not always realized leading to a stagnation or even a decline of the growth pattern of R&D cooperations towards the end of the 1980s. The conventional answers to why R&D cooperations do not necessarily lead to win-win situations points to managerial barriers due to organizational problems, opportunistic behavior of partners, or the limited success of technology alliances. The purpose of this paper is to determine the limits of networking in the absence of any managerial barriers to cooperations but in the presence of firms fully aware of the consequences of forming a network. To focus attention solely on this issue, we assume that the industry is composed of identical firms with regard to the type of innovation and their costs of R&D. Firms can strategically cooperate in either loose or tight networks. We analyze the innovative activities within these network industry in a contest model of product innovation with spillovers in the R&D process. Our analysis records that the strategic formation of networks is rather limited. We assume that the industry is composed of identical firms with regard to the type of innovation and their costs of R&D. Firms can strategically cooperate in either loose or tight networks. We analyze the innovative activities within these network industry in a contest model of product innovation with spillovers in the R&D process. Our analysis records that the strategic formation of networks is rather limited. We assume that the industry is composed of identical firms with regard to the type of innovation and their costs of R&D. Firms can strategically cooperate in either loose or tight networks. We analyze the innovative activities within these network industry in a contest model of product innovation with spillovers in the R&D process. Our analysis records that the strategic formation of networks is rather limited.

## **2. Market entry and competition in investment banking: the role of bundling lending and issuing business**

*Prof. Dr. Christian Laux, Goethe University Frankfurt am Main*

Since the 1990s, there have been intensive efforts by commercial and universal banks to enter the supposedly lucrative investment banking business. The possibility of implicitly bundling the credit business with the advisory or issuing business is seen as a potential door opener. This strategy, for which there is a wide range of empirical evidence, is also critically examined. For example, the Economist writes: "Perhaps it was not such a bright idea to offer credit to investment-banking clients at less-than-market rates - even though this has been a

chief calling card over the past few years for those commercial banks that wanted to get into the juicy business of investment banking. After all, it is precisely the riskiest borrowers, those who have trouble borrowing elsewhere,

Together with Uwe Walz, the article "Tying, Entry, and Competition in Investment Banking" examines the phenomenon of bundling credit and issuing business. Are there any economies of scale between the two businesses, for example information procurement, which are then expressed in more favorable terms, or is there more to it? Do commercial banks need related businesses to get into the investment banking business? Why are the advantages realized when bundling with risky loans?

We show that the bundling of lending and issuing business is necessary under certain conditions so that commercial banks can compete against specialized investment banks in the issuing business. The reason lies precisely in the ability of commercial banks to earn money after a "failed" issue with the lending that is then necessary. This reduces the incentives of the commercial bank in the emissions business. The granting of a risky loan can counteract this negative incentive if the loan is negatively affected by the failure of the issue. However, this additional incentive instrument also reduces a pension that may have to be earned in the emissions business for incentive reasons. The model allows a number of observable empirical implications to be derived: The bundling leads to (1) more aggressive price competition in the emissions business and (2) improved credit conditions; (3) Bundling can be observed particularly in the case of risky loans.

### **3. Supply chain collaboration with model-based negotiations**

*Prof. Dr. Hartmut Stadtler, University of Hamburg*

Today, companies are usually integrated into networks. The quality of the cross-company collaboration contributes significantly to the competitiveness of the entire network (supply chain, SC for short).

The lecture looks at the coordination of SC partners on the master planning level. It is assumed that each company involved has a corresponding planning tool (e.g. an Advanced Planning System, abbreviated APS) and has committed to an SC partnership.

A negotiation scheme is presented, with which it is possible to coordinate the master plans of the partners in a few iterations so that the quality of the solution approaches that of a simultaneous planning. The following assumptions are made for the negotiation scheme:

- The partners produce parts, assemblies and end products in workshop production.
- The starting point is upstream planning.
- No sensitive data (such as capacity utilization) are exchanged, only the procurement and delivery plans in the planning period.
- The additional costs associated with a counter-proposal (e.g. a delivery schedule) are offset by compensation payments.

Computer tests with over 500 test instances show that significant improvements compared to pure upstream planning can be achieved after just a few iterations. Further research includes expanding the negotiation scheme to multi-tier SCs, other types of arrangements, and transportation service providers.

#### **4. Causal analysis studies in business administration - an inventory**

*Prof. Dr. Lutz Hildebrandt, Humboldt University Berlin*

The structural equation methodology (causal analysis) has become the dominant analytical approach in empirical research in the past decade. Through the introduction of screen-based specification options (e.g. in LISREL and AMOS), even methodologically untrained researchers can carry out comprehensive analyzes of survey data, so that it is often easy to work according to application guidelines. The study deals with the effects of this practice. A meta-analysis examines 115 research papers that have been published in German-language business literature since 1990 and that use the structural equation methodology. Problems of content validity are examined, which are associated with the application of data cleansing procedures via Cronbach's *alpha* connected, the use of fit indices in the assessment of models is examined and the fulfillment of statistical requirements for the application of the methodology is discussed.