

The University of Chicago

WOUTER DESSEIN
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Organizational Strategy
Business 42133
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SYLLABUS

A. ADMINISTRATIVE INFORMATION

Contact Information

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Materials

- Course Packet (Required)
- Readings linked from Syllabus

B. COURSE OVERVIEW

The object of this course is to give you the tools to design the organization that is consistent with a given firm's strategy and environment. Its starting point is a new perspective that has been developed by economists during the last 15 years, 'organizational economics.' The course is complementary (that is, there is no overlap with) the Competitive Strategy course (42001) and with the Managing the Workplace course. The course proceeds in three stages—we first discuss the 'hard' part of organizational design- structure, authority, incentives, communication lines etc. We then move on to the 'soft' parts, leadership, culture etc. We finally discuss the boundaries of the organization (e.g. outsourcing) and the 'in between' arrangements such as alliances and franchising.

C. COURSE REQUIREMENTS AND GRADING

Based on class participation (30%), five executive summaries (30%), and Group Final Project (40%)

a. Class Participation

We will come to class each day with a teaching plan that will try to achieve a logical progression through the key issues in a given case. To this end, we have prepared study questions to lead the discussion. However, it is important to appreciate that the students in the class are *co-producers* of the class discussions. Students need to listen carefully to one another and to build on or

critique prior comments. They should also try to resist the temptation to jump to topics that are not specifically open for discussion. When that happens, it is the responsibility of the class and the professor to bring the discussion back on track. The discussion should be a conversation in which all participants recognize that they have an obligation to advance our understanding of the issue at hand. Your contributions to this learning *process* will be appraised in addition to the content of what you contribute.

Some of the specific aspects on which you will be graded include:

- Is the participant a good listener?
- Are the points made relevant to the discussion? Are they linked to the comments of others and to the themes that the class is exploring together?
- Do the comments add to our understanding of the situation? Are they incisive? Do they cut to the core of the problem?
- Is there a willingness to challenge the ideas that are being expressed?
- Is there a willingness to test new ideas, or are the comments “safe” (such as repetition of case facts without analysis or conclusions, or of comments already made by other participants)
- Does the participant integrate material from past classes or readings where appropriate? Do the comments reflect cumulative learning over the course, or does the participant merely consider each case in isolation?

You should be prepared for every class. If for some reason you are not prepared, please let us know before the start of class. We may open the class by asking someone to summarize the readings or cases briefly, or answer a short question. With a reading, you should be able to outline the problem that the article addresses, describe the core points of the reading, and, most importantly, offer your analysis of the strengths and weaknesses of the reading’s central argument. With a case, you should be able to identify the key issues, problems, and opportunities facing the central protagonists, to articulate and evaluate alternative approaches to the problems, and to describe the course of action that you recommend and the reasons for your recommendations.

Before a case is analyzed in class, you should neither read an analysis of the cases nor discuss it with students who have previously discussed it in class (either in a previous year or in a different course or section). Similarly, you should not share the notes handed in class with another student who may take the course at some later time. If you are in violation of this policy, or know of someone who is, please discuss it with us.

b. Executive Summary

The goal of the write-up is to take a clear position on an issue, usually the central question of the case, support your position, and note any issues or potential problems.

Topic

Usually, the topic of the write-up is the central question of the case: what should this company/person do?

You can deviate from this topic if you have good reasons to do so, such as personal (and interesting) experience with a particular facet of the case or a clear and interesting position on an important subsidiary issue. In either case, the issue must be directly related to the organization

aspects of the case. When you deviate, you should state this up front, before the summary statement, with your reasons for doing so (in one or two lines).¹

Format

The format of the write-up consists of 3 parts:

1. Summary/Recommendation
2. Supporting argument
3. Issues and caveats

Your write-up has to start with a **ONE SENTENCE SUMMARY** that states your basic position. The sentence should be as concise as possible. Shorter is better. This is an exercise in synthesis. The rest of the write up essentially argues why that position is correct. At the end, you should list concisely (as a list) the 4 or 5 issues or potential problems with your recommendation.

A (partial) example of such write-up is on the next page.

Sign-up and Due date

You can sign up for the available cases at the end of each class (and then only). The due date is 5pm the day before class. Send an electronic copy by email to both of us.

Use

We may occasionally call upon someone to present his or her ideas. In that case, we will make a slide of your exhibits and hand you back your write up. This does not mean that your write-up was good or bad, only that it is useful for the discussion.

The write-ups will not receive a separate grade, but are part of class participation (which is explicitly split between those days on which you prepared an exsum and those on which you didn't.) On the days on which you prepared an exsum, We expect you to be helpful in the discussion, by pushing it into interesting directions, not by monopolizing it. Your preparation should not be reflected in the quantity of your comments, but in their impact

c. Final Project

The purpose of the final project is to study (preferably) a corporate strategy governance issue or (alternatively) a broad organizational problem. Either way, the project should apply the concepts and frameworks introduced in the course.

A useful way to think about the project is to take the issue and put yourself in the position of the CEO or of his/her consultant. The question is: how should the company deal with (or should the company have dealt with) this issue?

In doing the analysis, you should

- Concisely describe the company and its industry
- Carefully describe the relevant facts
- Clearly state the issue (preferably in one short sentence)
- (Possibly describe the actual way the company dealt with the issue)

¹ Your write up would then start for example as follows.

NOTE: Instead of the central question 'Should they buy company X or build an alliance', we discuss the question 'What are the key conditions to make a potential merger a success' since one of us lived through this situation just before coming to Sloan.

Summary

If the companies decide to merge, they should xxx.

- State your position (in one short sentence), argue it, and note potential issues and problems.

Note that the last part is the same as the executive summary case write-ups during the year (although you should spend more time on issues and problems). The difference is that you write the whole case yourself. (You can leave out the ‘Mr. Smith leaned back in his chair and reminded himself how it all started ...’ and the one-pager on the history of the company going back to 1869.)

As mentioned above, the ideal topic is the governance of corporate strategy: mergers, acquisitions, alliances, joint ventures, outsourcing, spin-offs, globalization, etc. You can consider either the organizational issues caused by one specific governance form or evaluate alternative arrangements. An example of a great subject is post-merger integration and the problems it causes. You can deviate from the corporate strategy governance issues if you have a company with a particularly fascinating organization or a company that went through a big crisis.

Given the nature of the beast, it is important that you have access to information on the internal workings of the firm. One or more of your team members should have worked at the company (especially if the topic is not corporate strategy related).

This is the general purpose of the project. But what we really want is that you do something (related to class) that really interests you. So we are open to alternative suggestions if you are passionate about it.

In week 10, each group will provide a short presentation of his project.

D. PROFESSIONAL CONDUCT

Students enrolled in this class are required to adhere to the standards of conduct in the Honor Code and Standards of Scholarship. Among other things, this involves that students may not discuss or use materials others than the ones handed in to prepare for the case discussions. You must use the information about the company you are provided with.

E. CLASS SCHEDULE

Part I. Formal Structure

Week 1. Organizational design and strategy

Cases: Siebel Systems: Organizing for the Customer.

Readings: Roberts (2005) *The Modern Firm: Organizational Design for Performance and Growth*
Chapter 1

Week 2. Firm as an incentive system

Cases: Family Feud Andersen vs. Andersen.

ATH Technologies

Readings: Jonathan Day and Jim Wendler. The New Economics of Organization. *McKinsey Quarterly*. McKinsey and Company, 1998

Week 3. Centralization and Decentralization

Cases: The Daimler Chrysler Commercial Vehicles Division
(*Reading Note: This case is long-winding at times; feel free to skim through section "Organization of the CVD" p6-p11*)

DIENA

9/11 Commission Report

Readings: Luis Garicano and Richard Posner. "Intelligence Failures: An Organizational Economics Perspective. *Journal of Economic Perspectives*, Fall 2004

Week 4 Organizational Forms: The rise and fall (and rise?) of matrix

Cases: Executive Decision Making at GM

ABB Relays Business: Building and Managing a Global Matrix

Part II. Informal Organization: the Soft Stuff

Week 5. Leadership, Culture, Organizational Capital

Case: “Taking the Dare,” The New Yorker, July 26, 1993.

Human Resources at Hewlett-Packard (A & B)

The Slade Plating Department

Readings Lecture Note on “Culture” (Posted on Chalk)

Lecture Note on “Relational Contracts” (Posted on Chalk)

Week 6.1 Leadership, Culture, Organizational Capital (II)

Cases: Sun Hydraulics: Leading in Tough Times (Abridged, A)

Part III. Contracts and Organization

Week 6.2. Vertical and Horizontal Integration

Cases: Birds Eye and the U.K. Frozen Food Industry (A).

Week 7 Alliances

Cases Xerox and Fuji Xerox

How Amazon’s Dream Alliance with Toys `R’ Us Went So Sour
(WSJ Jan 23; Posted on Chalk)

Reading: Lecture Note on “Make, Buy or Cooperate” (Posted on Chalk)

Week 8. Franchising and Rollups

Cases: Home Depot

Villager's Hardware (newspaper clippings)

The Sweet Smell of Exces (A) (a newspaper clipping)

Readings: Under The Arches (McDonalds) (Chapter 1)

Thomas N. Hubbard. Note.

Week 9. Partnerships: Organization and Strategy in Professional Service Firms

Cases: McKinsey and Co

IPA

Week 10. Wrap-Up / Presentations of Final Project