

Professor M. Diane Burton
E52-581
(617) 253-5539
burton@mit.edu

Spring 2001
Days: Monday/Wednesday
4-5:30 pm

Teaching Assistant:
TBA

Designing and Leading the Entrepreneurial Organization 15.396

Course Overview and Objectives

This course is about the building, running, and growing an organization. This course has three central themes: (1) How to think analytically about designing organizational systems, (2) How leaders, especially founders, play a critical role in shaping an organization's culture, and (3) What really needs to be done to build a successful organization for the long-term.

This is not a survey course in entrepreneurship or in leadership. Instead, this course addresses the principles of organizational architecture, group behavior and performance, interpersonal influence, leadership and motivation in entrepreneurial settings. A primary goal is to develop your competencies in organizational design, human resources management, and organizational behavior in the context of a new, small firm.

For many entrepreneurs, the most pressing questions (aside from those about financing) are about how to locate and recruit talented people, and how to manage and keep them, and how to build a high-growth, long-term, sustainable firm. This course will address these questions and will provide you with a number of critical concepts and competencies that will be useful to you in both the short and long term. Throughout the course there will be a dual emphasis on thinking systematically and strategically about aspects of managing a rapidly growing organization, and on the actual implementation challenges associated with management and leadership.

The primary course material will be a series of cases illustrating both successes and failures. You will also be provided with supplementary readings and lectures that will supply concepts and frameworks.

The course is organized into three main modules: Setting Direction, Building Organizational Capabilities, and Sustaining Momentum. In each module there will be a series of cases and readings. The course opens with a two-day case series that will foreshadowing each of the topics covered in the course. Similarly, the course ends with a two-day capstone case-series that will allow students to apply the lessons learned.

Course Reading Materials

Required Materials

The primarily material for this course will be case studies. In order to supplement the cases, you will be provided with readings that come from a number of different sources. These readings have been carefully selected to reflect a variety of perspectives and stimulate your thinking.

The cases and readings will be available in a packet that is available at the MIT Copy Technology Center located in the basement of building E52.

Optional Readings

There are several other books that you may find useful during the course. These are not required, but should you desire to pursue a topic in greater depth, these might provide a useful starting point for further research. I list these only for your future information:

(1) Jeffrey A. Timmons, *New Venture Creation: Entrepreneurship for the 21st Century*. Boston: Irwin/McGraw Hill, 1999. This is considered to be the essential textbook on entrepreneurship. It offers an overview of every aspect of the entrepreneurial process as well as a series of exercises to help nascent entrepreneurs.

(2) Constance E. Bagley and Craig E. Dauchy, *The Entrepreneur's Guide to Business Law*. West Educational Publishing, 1998. This book is an overview of all of the legal issues surrounding entrepreneurship. It includes several chapters that are particularly relevant to managing people and organizations.

(3) James N. Baron and David M. Kreps, *Strategic Human Resources: Frameworks for General Managers*. New York: John Wiley & Sons, 1999. This book offers a comprehensive set of theoretical perspectives on human resource management. The authors provide a highly readable integrated way of thinking analytically about a broad range of HR issues.

Course Requirements

Course Project: 50% of grade

Class Participation: 50% of grade

Course Project: The course project can be accomplished in a number of ways outlined below. The purpose of this assignment is to provide you, in lieu of a final exam, with an opportunity to use the course material in the analysis of an actual entrepreneurial management problem. I am flexible in how you actually do this and have suggested several alternatives you might consider. These may be done either individually or in small groups. Feel free to talk to me if you would like to propose other ways to apply the course material.

There are at least three somewhat separate ways you can do this: (1) acting as a consultant (or a consulting team--3-4 members per team), do a strategic analysis of the policies and practices of an organization and make recommendations for changes that will add value given the firm's strategy and competitive positioning; (2) as a consultant or consulting team, conduct an analysis of how a key strategic decision might impact the organization and the employees and provide recommendations that will help your client; (3) choose a rapidly growing organization and assess their current human resource practices against their projected needs and provide recommendations that will help them align their strategy and HR practices as they grow.

Class Participation: Grades reflect my assessment of your total contribution to the learning environment. This reflects not only the frequency of your contributions in class, but also their quality. Quality, includes, among other things: (1) sound, rigorous, and insightful diagnosis (e.g. sharpening of key issues, depth and relevance of analysis); (2) ability to draw on course materials and your own experience productively; (3) ability to advance or sharpen in-class discussion and debate, willingness to take risky or unpopular points of view, use of logic, precision, and evidence in making arguments; (4) professionalism of your conduct (attendance, punctuality, preparedness, and showing respect to all section members and their class contributions). Unexcused absences and lack of preparation will be counted heavily against your grade.

Course Schedule

Setting Direction

Session 1:

Cases: Erik Peterson (A) HBS # 494-005

Erik Peterson (B) HBS # 494-006 (to be distributed in class)

Assignment Questions:

1. What are the problems facing Erik Peterson?
2. What are the underlying causes of these problems?
3. How effective has Peterson been in taking charge of the Hanover start-up?
4. What actions should he take now? Please be specific.

Reading: "Managerial Problem Solving: A Congruence Approach," (chapter 4) in *Winning through Innovation* by Michael L. Tushman and Charles O'Reilly III, 1997, Harvard Business School Press.

Session 2:

Cases: (To be distributed in class)

Erik Peterson (C), HBS # 494-007

Erik Peterson (D), HBS # 494-008

Erik Peterson (E), HBS # 494-009

Richard Jenkins, HBS # 494-113

Assignment Questions:

1. What is your assessment of the events described in the Erik Peterson (C), (D), and (E) cases?
2. What if anything, should Peterson have done differently?
3. Could you have succeeded in Erik Peterson's situation? Why or why not?
4. What should Peterson do next? Why?
5. What lessons, if any, do you take away from Peterson's experience?

Session 3:

Case: The Bridgespan Group, HBS #301-011

Assignment Questions:

1. Who are Bridgespan's stakeholders and what are their expectations?
2. What management challenges does Bridgespan face as it looks ahead?

Background Reading:

"The Core Competence of the Corporation," by C.K. Prahalad and Gary Hamel, *Harvard Business Review*, May-June, 1990, pp. 79-91 (Reprint #90311)

Session 4:

Case: Jan Carlzon, HBS #392-149

Assignment Questions:

1. Why was SAS having problems?
2. What did Carlzon do to address those problems? Of all of his actions, which were most important? Why?

Reading: “Organizational Vision and Visionary Organizations,” by James C. Collins and Jerry I. Porras, *California Management Review*, Fall 1991.

Session 5:

Case: Jerry Sanders, HBS # 498-021

Assignment Questions:

1. How effective has Jerry Sanders been?
2. Is San Francisco Science a viable business?

Readings: “How Entrepreneurs Craft Strategies that Work,” by Amar Bhide, *Harvard Business Review*, March/April 1994, pp. 150-161, Reprint # 94202.

“Attracting Stakeholders,” by Amar Bhide and Howard H. Stevenson, Chapter 12 in *The Entrepreneurial Venture*, William A. Sahlman and Howard H. Stevenson (Eds.). Harvard Business School Press.

Session 6:

Reading: “Built to Flip vs. Built to Last” by Jim Collins, *Fast Company*, March 2000, Issue 32.

“The Truth About “Best Practice” by Jac Fitz-enz, *Human Resource Planning*, 16(3):19-26.

Building Organizational Capabilities

Session 7:

Case: Human Resources at Hewlett-Packard, HBS# 495-051

Assignment Questions:

1. What is the HP Way? How is it facilitated by HP’s values, culture, human resource policies and management practices?
2. Why does the task force believe that HP is losing its human touch? Are they justified in this conclusion?
3. What should Lew Platt do about the task forces concerns?

Reading: “All Carly, All the Time,” *Forbes*, December 13, 1999.

Session 8:

Case: Apple Computer (A) (Abridged): Corporate Strategy and Culture, HBS# 495-044

Assignment Questions:

1. Is Apple an effective organization in 1990? Come to class with a rating on a five point scale [1 2 3 4 5] with 1=very ineffective and 5=highly effective
2. What is the nature of Apple's competitive environment in 1990 and the challenges it faces?
3. What strategy should Apple adopt in 1990 to deal with its environment?
4. To what extent does Apple possess the organizational characteristics needed to compete? What changes are needed? How would you redesign Apple's organization and change its culture to achieve the changes needed?
5. John Scully has been CEO of Apple since 1983. Has he done a good job in leading Apple? If you do not believe he has done a good job, what would you have done differently? If you believe he has done a good job explain why.

Session 9:

Case: Sun Hydraulics Corporation (A and B) (Abridged), HBS# 491-119
Sycamore Networks, HBS# 801-076

Assignment Questions:

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Reading: "The Role of the Founder in Creating Organizational Culture," by Edgar H. Schein, *Organizational Dynamics*, Summer 1983.

Session 10:

Case: Cypress Semiconductor (A): Vision, Values, and Killer Software, Stanford HR-8A

Assignment Questions:

1. How would you describe T.J. Rodgers approach to achieving results?
2. Are his policies and practices at Cypress aligned with the strategy? Are they a source of competitive advantage? Why or why not?
3. How is the culture being developed and maintained? What are the specific mechanisms being used to manage the culture?
4. At the end of the case (in 1994), T.J. Rodgers is wondering whether he should make any changes. What are your recommendations?

Reading: "No Excuses Management," by T.J. Rodgers, *Harvard Business Review*, July 1990, Reprint #90409

Session 11:

Case: FreeMarkets OnLine, HBS # 598-109

Assignment Questions:

1. What action should FreeMarkets take? Why?

2. Who are FreeMarkets customers?
3. What does FreeMarkets provide to its customers?
4. How does FreeMarkets make money?
5. Describe and categorize FreeMarkets. Is it a consulting firm? A distributor? A manufacturer's representative? An Internet company?
6. What future growth do you see for Freemarkets?
7. Since the time of the case, FreeMarkets' stock has ranged between \$370 and \$36 a share. Why is the value of FreeMarkets so volatile? Would you invest in FreeMarkets today?
8. What implications does this case have? Consider the industry, customers, and suppliers.

Readings: "The B2B Tool that Really is Changing the World," by Shawn Tully, *Fortune*, March 20, 2000.
 "Building Better Bureaucracies," by Paul Adler, *Academy of Management Executive*, 1999, Vol. 13, No. 4.
 "First Jobs Aren't Child's Play" by Ron Lieber, *Fast Company*, June 1999.

Session 12:

Reading: "Zero Defect Hiring," by Dr. Pierre Mornell, *Inc.*, March 1998.
 "The Kids in the Conference Room," by Nicholas Lemann, *The New Yorker*, October 18, 1999.
 "The War for Talent," by Elizabeth G. Chambers, Mark Foulon, Helen Handfield-Jones, Steven M. Hankin, and Edward G. Michaels III, *The McKinsey Quarterly*, 1998, No. 3.

Session 13:

Case: *Venture Law Group*, HBS #800-065
Vermeer (A): A Company is Born, HBS #397-078
Vermeer (A-1), HBS #397-079 (to be distributed in class)

Assignment Questions:

Reading:

Session 14: Incentives and Rewards

Case: *Cambridge Technology Partners (A)*, HBS # 496-005

Reading:

"One More Time: How Do You Motivate Employees?" by Frederick Herzberg, *Harvard Business Review* Reprint 87507
 "Organizational Rewards: Practical, Cost-Neutral Alternatives that You may Know but Don't Practice," by Stephen Kerr, *Organizational Dynamics*, Summer 1999, vol. 28, No. 1, pp. 61-70.

Assignment Questions:

1. What are the top three issues which Sims must address now to create the CTP that he hopes to create by 1997?
2. What is the goal, the implementation plan, and the measurement process that Sims should put in place for each issue identified in (1) above?
3. How have the external environment, internal culture, and business strategy of CTP changed from 1990 to 1993 (post-Sims' arrival)? How do you expect these to change from 1993 to 1997?
4. How do CTP's processes and culture differentiate it from its competitors? Create value for its customers? Create value for its employees?
5. Assuming Sims is successful in transforming CTP, what new problems are likely to emerge? How would you deduct these problems? How would you, at least, lessen their impact?

Session 15: Managing Performance

Case: Wolfgang Keller at Konigsbrau-Hellas A.E. (A), HBS # 498-045

Assignment Questions:

1. What is your analysis of the situation facing Keller as he returns to Athens?
2. What is your assessment of Petrou's performance? Please be specific.
3. How effective has Keller been as a coach to Petrou? Why? Could you have done better? Why? How?
4. What are the underlying causes of his performance problems? What actions should Keller take upon returning to Athens? Be specific.
5. What are the implications for Keller's development as a leader?

Reading:

"I Know I Should Fire Some of My Staff. But How Do I Do It?," by Stover, Catherine, *Small Business Forum*, Winter 1994/1995, pp. 6-23.

"Teaching Smart People How to Learn," by Chris Argyris, *Harvard Business Review*, May/June 1991.

Session 16:

Case: Iggy's Bread of the World, HBS #800-192

Assignment Questions:

Reading: Chris Argyris, "Empowerment: The Emperor's New Clothes" *Harvard Business Review*, Reprint #98302.

Session 17:

Case: "Encourage Wild Ideas," by Tia O'Brien, *Fast Company*, April 1996.
"Building an Innovation Factory," by Andrew Hargadon and Robert I. Sutton, *Harvard Business Review*, May/June 2000.

Reading:

"Motivating Creativity in Organizations: On Doing What You Love and Loving What You Do," by Teresa Amabile, *California Management Review*, Vol. 40, No. 1, Fall 1997.
"How to Kill Creativity," by Teresa M. Amabile, *Harvard Business Review*, September 1998, Reprint 98501

Sustaining Momentum

Session 18:

Case: *Meg Whitman at e-Bay Inc. (A)*, HBS # 400-035

Reading: Greiner – Evolution and Revolution

Assignment Questions:

1. What have been the key success factors for eBay? What will they be in the future?
2. If you were Whitman, what would be your change objectives and time frame?
3. What would be your action plan?
4. What can we learn from this case about leadership in the "new economy?"

Session 19:

Case: *Shouldice Hospital Limited*, HBS # 683-068

Assignment Questions:

1. How do you account for the performance of this organization?
2. Specifically, what decisions would you make concerning
 - the possible addition to the hospital of rooms for 45
 - the addition of a Saturday operating schedule to the clinic
 - the development of a new self-contained "branch" of Shouldice
 - the development of a new specialty medical service?Why?

Session 20:

Case: *People Express Airlines: Rise and Decline*, HBS # 490-012

Assignment Questions:

1. Why was People Express one of the fastest growing new businesses ever?
2. Why do you think the company ran into difficulties?

3. What lessons do you draw from this for understanding the role of organizational practices and philosophy in producing sustainable competitive advantage?

Session 21: -

Case: Organizational Learning: Learning by Doing and Learning from Experiments U. S. Army and Allegheny Ludlum (video to be shown in class)

Reading:

“Building a Learning Organization,” by David A. Garvin, *Harvard Business Review*, July/August 1993.

“The Leader’s New Work: Building Learning Organizations,” by Peter M. Senge, *Sloan Management Review*, Fall 1990, 7-23.

Session 22:

Case: Organizational Learning- Learning from Others and Learning from Customers Mobil and L.L. Bean (video to be shown in class)

Reading: “Fast-Cycle Benchmarking,” *Harvard Management Update*, #U9904A, April 1999

“Learning from the Market,” (chapter 7) in *Wellsprings of Knowledge* by Dorothy Leonard-Barton, 1995, Harvard Business School Press.

Morten T. Hansen, Nitin Nohria, and Thomas Tierney, “What’s Your Strategy for Managing Knowledge? *Harvard Business Review*. March-April 1999:106-116. Reprint #99206.

Assignment Questions:

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Session 23: Building an Organization

Case: SCORE! Educational Centers (A), HBS # 499-056

SCORE! Educational Centers (B), HBS # 499-057 (to be distributed in class)

SCORE! Educational Centers (C), HBS # 499-058 (to be distributed in class)

Assignment Questions:

1. How did Alan Tripp bring the SCORE! concept to life? Please assess the critical choices he made in building the company.
2. What are the challenges facing Tripp and SCORE! at the end of the case?
3. What should Alan Tripp do?

Session 24:

Case: SCORE! Educational Centers (D), HBS # 499-059 (to be distributed in class)

Assignment Questions:

To be distributed in class.

Session 25: Final Lecture