

ECONOMICS OF ORGANIZATIONAL STRATEGY

B8215 - Spring (A) 2018
Mon. and Wed., 12:30 – 2:00 pm

PROFESSOR ANN BARTEL

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TA:

Overview of the Course

Many managers and organizations now recognize that a critical source of competitive advantage often comes not from having the most ingenious product design, the best marketing strategy, or the most state-of-the-art production technology, but rather from having an effective system for obtaining and managing the organization's human assets. A number of developments, including firms' shifts to knowledge workers, rapid technological change, increased global competition, tight labor markets in some sectors, and experiments with new organizational arrangements, are making the firm's internal organizational strategy increasingly important for senior managers and for entrepreneurs. Some commentators contend that in today's economy, with such open access to information, technology, capital, and other resources, adroit human resource management may be one of the few remaining sources of competitive advantage.

The course focuses on the implementation of policies that enable the organization to achieve competitive advantage through people. The specific topics covered are recruitment and selection, the challenges and opportunities in using individual and team-based incentives to motivate and reward employees, the use of non-monetary incentives, objective and subjective performance evaluation, investments in human capital, and organizational structure.

The course relies heavily on cases and examines a large number of companies in a diverse group of industries, including the not-for-profit sector. We will examine the organizational strategy decisions made by these companies and draw lessons from their

experiences that can be applied to other companies. Three guest speakers will attend the class.

Connection to the Core

This course builds on the concepts developed in Managerial Economics and Strategy Formulation.

Course Materials

In addition to cases, the course uses readings from the economics and business literature. All of these materials will be distributed in a readings/casebook on the first day of class. One of the cases is a negotiation simulation and one is a role play exercise.

Course Requirements and Assignments

A. Attendance and Participation (25%)

You are expected to attend all sessions and to actively participate in class discussions. Class participation is essential in order for you to get the maximum benefit from the course. Your grade will be based on attendance, effort and the content of your contributions to the class discussions. The evaluation of content will be based on the following:

- **Relevance:** Are your comments clearly related to the case and to the comments of others? Do they move the discussion forward?
- **Fact-Based:** Have you used specific data from the case, from readings, or from personal experience to support the assertions you are making?

If you feel that you are preparing well but that I am not calling on you enough, please let me know so that I can address the problem. While I will mainly rely on voluntary participation, I may also randomly call on students.

On January 31, a negotiation simulation will be conducted in class and attendance on that day is therefore essential. If you will not be able to attend class that day, please inform me and the TA immediately.

On February 14, a role play exercise will be conducted in class and attendance on that day is therefore essential. If you will not be able to attend class that day, please inform me and the TA immediately.

B. Case Write-ups (40%)

There are two written **INDIVIDUAL** assignments that require you to analyze a case and answer a specific set of questions. To satisfy this requirement, select two of the four cases scheduled for **Classes 3, 5, 7, and 10** and answer the questions shown under **Preparation Questions** on pages 8 and 9 of the syllabus. The assignment is due at 9 pm the evening before the class on which the case will be discussed. All assignments must be in 12 point font, double-spaced, and cannot exceed three pages. Late assignments will incur a penalty. Each of these **INDIVIDUAL** assignments count for 20% of your final grade.

C. Final Paper and Presentation (35%)

The final project is an opportunity for you to apply the knowledge from this course to a specific company with which you are familiar. You should work in **groups of five people**, with at least one person in the group having worked for that company or having access to “inside” information. Other sources are private equity and venture capital firms which are interested in having MBAs review companies they own or are considering as an investment. It is preferable to choose a small to midsize company. Each group will make a very brief presentation on the last day of class. The final paper is due on **March 5th at 1 pm**. The paper should describe the company’s organizational strategy and critically analyze the strengths and weaknesses of that strategy. Analysis, rather than description, is the focus of the paper. Recommendations for changes to the company’s organizational strategy should be grounded in thoughtful analysis that reflects your understanding of the concepts discussed in the course. Recommended length for the paper is 10 double-spaced pages, not including exhibits.

D. Classroom Conduct

This class will adhere to the Columbia Business School Honor Code and The Columbia Business School Core Culture (“Present”, “Prepared”, “Participating”). You are expected to arrive to class on time. Keep your name card visible during class sessions. Laptops, cell phones, and other electronic devices are **NOT** to be used in class. Failure to comply with this rule will impact your class participation grade.

COURSE OUTLINE

Class 1: January 24

Introduction to the Course: Linking Strategy and Organizational Choices

Case: The Portman Hotel Company (HBS)

Class 2: January 26

A] Strategies for Recruitment

Case: LinkedIn and Modern Recruiting (A) (Stanford GSB)

Reading: “Amazon’s Current Employees Raise the Bar for New Hires,” *Wall Street Journal*, January 7, 2014.

B] Introduction to the Economics of Incentive Pay

Reading: James N. Baron and David M. Kreps, *Strategic Human Resources*, 1999, pp. 245-248.

Class 3: January 29

Incentives Part I: Individual Incentive Plans

Case: Performance Pay at Safelite Auto Glass (A) (HBS)

Reading: Canice Prendergast, “Paying for Performance”, in *Financial Times Mastering Strategy*, 2000.

Case Option #1: If you choose this case for one of your written assignments, submit your answers no later than 9 pm on January 28th. Your answers must be double-spaced using 12 point font and cannot exceed three pages.

Materials for the January 31 class will be distributed in class today

Class 4: January 31**Incentives in Action**

Case: V-Cola (HBS)

Note this is a negotiation simulation. Confidential materials for your role will be distributed in class on January 30. Since these materials are confidential, they cannot be posted on Canvas. Please read the materials carefully before coming to class today.

Class 5: February 5**Incentives Part II: YGWYPF; Team Incentives**

Case: Douglas Frank, “Continental Airlines: The Go Forward Plan”, INSEAD, 2009.

Case: Ann Bartel, Jonah Rockoff and Lesley Turner, “New York City Teacher Incentive Program: Agreeing on a Plan (A)”, *Columbia Caseworks*, May 2012.

Case Option #2: If you choose this case for one of your written assignments, submit your answers no later than 9 pm on February 4th. Your answers must be double-spaced using 12 point font and cannot exceed three pages.

Class 6: February 7**People Management in Start-ups**

Case: Ann Bartel, “Betterment: People Management at a Start-up”, *Columbia Caseworks*, January 2016.

Guest Speakers: Dustin Lucien, Chief Operations Officer, Betterment and Lucy Babbage, Vice President of People, Betterment

Class 7: February 12**A] Non-Monetary Incentives**

Reading: “Doing Well By Being Rather Nice,” *The Economist*, November 29, 2007

B] Multi-Dimensional Incentive Plans

Case: Ann Bartel, Jonah Rockoff and Lesley Turner, “New York City Teacher Incentive Program: The Plan in Action (B)”, *Columbia Caseworks*, May 2012

Case: Ann Bartel and Maria Guadalupe, “MacAfee Building Supply: Improving Performance across Retail Stores (A)”, *Columbia Caseworks*, January 2009.

Case Option #3: If you choose this case for one of your written assignments, submit your answers no later than 9 pm on February 11. Your answers must be double-spaced using 12-point font and cannot exceed three pages

Materials for the February 15th class will be distributed in class today

Class 8: February 14**Promotion Decisions and Performance Evaluations**

Case: “The Promotion Process at Chung and Dasgupta”, HBS, June 2014.

Note this is a role play exercise. Confidential materials for your role will be distributed in class on February 12. Since these materials are confidential, they cannot be posted on Canvas. Please read the materials carefully before coming to class today.

Class 9: February 19**Performance Evaluations - Part II**

Reading: “Goldman Workers Are More Than A Number”, *The Wall Street Journal*, May 27, 2016.

Class 10: February 21**Organizational Strategy in Mature Start-ups**

Case: Ann Bartel, “Onyx Pharmaceuticals: HR-Driven Change,” Columbia Business School, December 2015.

Case Option #4: If you choose this case for one of your written assignments, submit your answers no later than 9 pm on February 19. Your answers must be double-spaced using 12-point font and cannot exceed three pages.

Guest Speaker: Kaye Foster-Cheek, former SVP for Global Human Resources at Onyx Pharmaceuticals

Class 11: February 26**Organizational Strategy in the Not-for-Profit Sector**

Reading: “Note on the Nonprofit Coherence Framework” (HBS)

Case: Ann Bartel, “Children’s Aid Society: Transitioning to a Performance Driven/Outcome-Oriented Organization”, *Columbia Caseworks*, December 2017.

Class 12: February 28**Presentation of Group Projects**

Preparation Questions (be prepared to discuss these questions in class).

Cases with an asterisk (*) can be used for the two required case write-ups.

The Portman Hotel Company

1. What is Portman's strategy?
2. Describe each of Portman's human resource practices.
3. Would you recommend any changes to Portman's human resource practices, and if so, why?
4. Should Portman stick with its original blueprint of using personal valets?

LinkedIn and Modern Recruiting

1. What are the three most important factors that candidates consider when deciding to accept an offer from LinkedIn?
2. How does LinkedIn's hiring process avoid "false positives"?
3. Refer to the company for which you worked just before coming to Columbia Business School. After your first contact with the company, how did the hiring practices there differ from the hiring practices that LinkedIn uses? Explain why the practices differed.

***Performance Pay at Safelite Auto Glass (A)**

1. According to the economic theory of incentives, why would you expect the PPP plan to increase productivity at Safelite?
2. What are the reasons that PPP might not increase productivity at Safelite?
3. Given your answers in (1) and (2), would you recommend implementing PPP or a different type of incentive plan and why?

Continental Airlines: The Go Forward Plan

1. Is the bonus scheme for hourly employees likely to be an effective incentive? Why or why not?

***New York City Teacher Incentive Program: Agreeing on a Plan (A)**

1. What are the arguments for using an individual incentive plan for NYC teachers?
2. What are the arguments for using a group incentive plan for NYC teachers?
3. Provide a detailed description of the incentive plan that you recommend for NYC teachers. What metrics would you use and why? How would bonuses be determined?

Betterment: People Management at a Start-Up

1. Should Stein introduce formal performance evaluations and compensation practices, and, if so, what would you recommend?

2. As Betterment grows, should Stein strive to maintain a start-up culture? How could this be accomplished?

New York City Teacher Incentive Program: The Plan In Action (B)

1. Explain the strengths and weaknesses of the teacher incentive plan that NYC introduced.

***MacAfee Building Supply: Improving Performance Across Retail Stores (A)**

1. Explain why it is appropriate for MacAfee to use incentive pay.
2. Given the concerns raised in the case, what are your specific recommendations for modifying the current incentive plan? Be sure to explain how your recommendations will address these concerns.
3. What potential problems might arise if your plan is implemented?

***Onyx Pharmaceuticals: HR-Driven Change**

1. While HR tasks were centralized at LinkedIn, they are decentralized at Onyx. Do you agree with the approach that Foster-Cheek used at Onyx? If so, why? If not, why not?
2. Exhibit 3 shows how the bonus was determined for the EVP of R&D under the Total Rewards Program. What do you see as the strengths of this program? Are there any changes you would recommend?
3. In order to achieve Coles's 2X20 goal, would you recommend any changes in Onyx's HR policies or its organizational structure?