Strategy Formulation in the Field
NYC Immersion Seminar

Spring 2020 B
Friday, 10:00am - 3:00pm
April 3, 17, 24, May 1, 2020
Uriss Hall XXX

TA: XXX

Professor Stephan Meier
sm30871@gsb.columbia.edu
Office: Uriss 713
Office hours: by appointment only

COURSE OVERVIEW

This class brings the Strategy Formulation core class to the field. We will visit companies that either got discussed as a case in Strategy Formulation (e.g. Brooklyn Brewery or Disney) or are heavily related to it (Pfizer related to CSR discussion in Eli Lilly). The class allows to bridge the gap between theory and practice even more than a case discussion. Every class will cover one of those case studies and one strategic concept discussed in class and think about the practical implications. The morning part will be a mixture of discussion of concepts and visits from guest speakers that prepare for the company visit.

The poll question will be about a strategic choice the company is considering right now. We will share students’ answers with the executives before the visit and discuss with them the issue at hand.

The class should also create a feedback loop to the core class in that the insights from the company visits should inform future strategy formulation classes. In order to formalize this feedback loop, assignments will capture the insights from the day in ‘summaries’ or (for full credit) in a mini case about the company and its strategic decision. Those case studies should inform future class discussions. Writing a case study are mini consulting projects and require deep knowledge of the industry, company and conceptual framework of strategy formulation.

COURSE ORGANIZATION
This course is one of a series of New York City Immersion Seminars. The course, like all other Immersion Courses, takes place over four Fridays.

All sessions will be held at the Columbia campus from roughly 10am to 11:30am and will be followed by a site visit from 12:30pm to 3:00pm. The classes will be a mixture of case discussion, lectures and appearances by guest speakers.

Readings will be provided on Canvas. Students are expected to research the companies that we will visit prior to each visit and bring questions to class to ask management.

**CONNECTION TO THE CORE**

The learning in this course will utilize, build on, and extend concepts covered in the following core courses:

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
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<tbody>
<tr>
<td>Strategy Formulation</td>
<td>1. Competitive Advantage</td>
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<td></td>
<td>2. Competitive Dynamics</td>
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<td>3. Corporate Scope</td>
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The class is directly linked to the Strategy Formulation class and students will be expected to have mastered these concepts covered in Strategy Formulation, having re-read the respective cases, and be able to discuss further issues.

**METHOD OF EVALUATION**

Grading will be based on attendance, participation, pre-class poll responses (online), one poll question writeup and an optional final (case writing) project.

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Attendance</td>
<td>10%</td>
</tr>
<tr>
<td>Participation</td>
<td>20%</td>
</tr>
<tr>
<td>Pre-Class Polls</td>
<td>15%</td>
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<tr>
<td>Company summary</td>
<td>25%</td>
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<tr>
<td>Optional Final Project</td>
<td>30%</td>
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</tbody>
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*All the components of the grade are individual assignments of type C with respect to the honor code.*

A student who only participates actively in class, answers pre-class questions thoughtfully and does a good job on the company visit summary can receive a maximum grade of HP. Students who wish to receive an H must also submit an individual final project as described below -- in addition to the other requirements. *There is no reason to do a final project unless you are going to put forth a serious effort on all components of the grade.*

**Class Participation**
An important course requirement is active involvement in class discussion and engagement with our guest speakers and companies. Your participation is essential for both your own learning and that of other students. Much of the learning will take place in our class discussion.

I expect that every student will arrive well prepared and able to answer the day’s assignment questions. Help others feel safe about participating by inviting further discussion or referring to points that have already been made by your classmates. Students are also expected to be present, prepared, and participate per the Columbia Core Culture. Use of electronic devices in class is not allowed.

Unexcused absences will affect not only your attendance grade but also your class participation grade.

ATTENDANCE POLICY
Students are required to attend both components of each class session (e.g. the classroom instruction and client site visit portions of the class). Attendance will be taken during both components of the class session. Students should reach out to the instructor regarding excused absences (for religious observances; personal, medical, and family emergencies; military service; court appearances such as jury duty). Unexcused absences will affect your course grade as follows:

- Students that miss 1 session (unexcused absence) will at most receive at most a HP for the course grade.
- Students that miss 2 sessions (unexcused absences) will receive at most a P for the course grade.
- Students that miss 3 sessions (unexcused absences) will receive an F for the course grade.

In addition to the effect on your final course grade, absences may also affect your participation grades.

Pre-class Poll Questions

There will be a set of poll question for each of the four days. Poll questions will be posted as assignments in your Canvas Calendar. They require you to read the relevant material and give a short response to the questions. You must submit your answer to the discussion question through Canvas by 8AM on the day of the relevant class. We will share the responses with the company.

Company Visit Summary

Please complete one extended summary of one of the company visit. Your write up should address (in depth) one of the poll questions in greater depth and incorporate information from the company visit and guest speaker. There is a 700 word limit. Write-ups should be uploaded to Canvas by Wednesday, May 8 at noon.

Optional Mini Case Project

The final project is for students that are hoping to receive an H in the course. Doing a final project does not guarantee that a student will receive an H, and receiving an H also requires doing well in class participation and on the two case write-ups.
In the project, an individual student should write a mini case about one of the four companies that we visit. The cases are supposed to be used as either B cases or as replacements of current cases in the Strategy Formulation core class. The decision in the case are defined before the class. The class day and field visit will be used to get first-hand ‘evidence’ and interviews with decision makers about the decision at hand. Additional research is required for the mini case.

The preparation of the mini case will be in three steps:
1. Write an outline of the case that has a) discussion of the strategic decision of the firm, b) what information decision makers needs and c) ideas for sources of the data for exhibits. Send this outline to no later than April 17th.
2. Do research that creates exhibits or information for the case. This can be analyst report, public available information or statements from the guest speaker or company visits.
3. Write up the mini case and submit no later than May 8th. Before writing the case, read: “How to write a business school case”. Make sure to properly documenting data/evidence sources.
CLASSROOM NORMS AND EXPECTATIONS

Students are expected to adhere to CBS Core Culture in this class by being Present, Prepared, and Participating.

Present:
- On time and present for every session
- Attendance tracked

Prepared:
- Complete pre-work needed, expect cold calling
- Bring nameplates and clickers

Participating:
- Constructive participation expected and part of grade
- No electronic devices unless explicitly called for by the instructor

In addition to the normal expectations, we have additional requirements for immersion classes. Please note the following.

Before Class:

1. Complete the reading and poll questions.
2. Dress business casual.
3. **Bring your ID.** Many companies require visitors to show government-sponsored ID and will leave you outside if you forget. **If you do not have a US government ID, bring your passport.**

During the On-Campus Portion of the Class (10-12):

Our class time will be structured as follows:

1. We will discuss issues the companies that we visit that day and cover some conceptual aspects related to the strategic decision at stake
2. We will have speakers for all of the days. The discussion with the speakers will allow more insights into the strategic decision of the company or industry we visits.
3. Attendance and participation are important. One class is an entire 25% of the course.

Schedule within our Fridays:

1. Our classroom experiences will take place at Columbia from 10AM to approximately noon. In some cases, on-campus part will end earlier or later, depending on how much time we need to arrive onsite. In those cases, we will announce different times for the end of class and our bus departure at the beginning of the academic portion of our day.
2. At the end of our discussion on-campus, Columbia will provide a box or sack lunch. We will pick up the box or sack lunch after the lecture part of the class **and proceed to the bus. Plan to eat your box lunch on the bus. Do not eat during class.**
3. The bus will be parked and waiting for us 120th Street between Broadway and Amsterdam.
4. We will plan to leave at 12:15 or at an earlier time (announced in class) depending on our transportation needs.
5. If you would like to eat something besides Columbia’s boxed lunch, purchase it before class begins. You will not receive a break from class time to purchase food.
6. Do not provide your own transportation to the host site. Take the bus provided by Columbia Business School. Our host companies have asked that everyone arrive together at once.

At our Host’s Offices
- Make the visits very productive and informative sessions. The better prepared you are, the better are your questions, and the more informative the answers.
- Treat our hosts respectfully. Do not eat or leave during their talks.
- Stay with our group if we are offered a tour.

READINGS
- Re-read Strategy Notes (on Competitive Advantage, Competitive Dynamics, and Corporate Scope)
- For each session, there will specific readings assigned. Most of the readings was suggested by the companies.
- “How to write a business school case study” WDI Publishing, 2013 (in case you are opting to write a mini case.)
COURSE OUTLINE [Agenda is tentative and might change]

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<tr>
<th>Session</th>
<th>Date</th>
<th>Topic</th>
<th>Lecture/Guest</th>
<th>Location</th>
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<tbody>
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<td>Session 1</td>
<td>April 5</td>
<td>Strategy in a changing landscape</td>
<td>Beverage market</td>
<td>Brooklyn Brewery</td>
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<td>Session 2</td>
<td>April 12</td>
<td>Strategy and organizations</td>
<td>Jet.com</td>
<td>Disney Theater</td>
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<tr>
<td>Session 3</td>
<td>April 26</td>
<td>Dealing with stakeholders</td>
<td>CSR in Pharma</td>
<td>Pfizer</td>
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<tr>
<td>Session 4</td>
<td>May 3</td>
<td>The Future of Strategy Consulting</td>
<td>Buying consulting</td>
<td>Consulting firm</td>
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DETAILED COURSE OUTLINE

Session 1: Expansion at Brooklyn Brewery

*Decision:*
As discussed in the core strategy class, the Brooklyn Brewery is a beer company that is neither big nor small. Which makes it increasingly difficult to compete against macro and micro breweries. Since the time of the case, the craft beer market has also dramatically changed. While the craft beer market was growing at the time of the case, it is now stagnant (or even declining) and competition has intensified. For the Brooklyn Brewery the question is where growth is coming from and how to make strategic decisions in an environment that is constantly changing?

*Poll questions:*
- Should Brooklyn Brewery start offering non-alcoholic beverages?
- Briefly explain.
- How should Brooklyn Brewery respond to the double threat of decreasing demand for craft beer and increased competition from small and big breweries?

*Readings:*
1. Refresh memory of Brooklyn Brewery Case.
2. Updates about the craft beer market (on Canvas)

*Guest Speaker:*
Session on changes in the soda beverage market and lessons from PepsiCo in dealing with that change. Alfred H. Drewes, Director of the Executive in Residence Program.

*Al Drewes ’82* brings over 35 years of executive experience with both global public and private equity portfolio companies in the consumer products space. Most recently he was the Chief Operating Officer of the Sun Products Corporation. Sun was a portfolio company owned by the private equity sponsor, Vestar Capital Partners. Al joined Sun in 2012 at a time when the company was struggling. Responsible for supply chain, finance, procurement, IT and customer service, he led the turnaround of the company through productivity and topline growth initiatives resulting in a highly successful monetization. In 2016, Sun was sold to Henkel AG for $3.6 Billion, a 12.9x multiple of
EBITDA and one of the five largest private equity monetizations that year. Prior to joining Sun Products, Al was the Senior Vice President and Chief Financial Officer of the Pepsi Bottling Group for nine years. PBG was a $13.2 Billion NYSE company with operations across the globe. During his tenure as CFO, Al led initiatives including multibillion dollar acquisitions in Mexico and Russia, successfully navigating the 2008 financial crisis while generating 10% CAGR EPS growth and a nearly 4x improvement in stock price. Prior to Sun he held multiple leadership positions with PepsiCo, including CFO, VP of Manufacturing Operations, General Manager of Sub Sahara Africa and VP of Planning and Business Development with PepsiCo International. He is currently a member of the Board of Directors and Chair of the Audit Committee of Tab Foods Investments, based in Istanbul. He was formerly a Director of the Meredith Corporation. Al took his BS in Electrical Engineering from the University of Massachusetts and his MBA from Columbia, where he was Class Respondent

Visit / Meeting:
- Tour through the brewery
- Meeting with CEO, Eric Ottaway and Director of Operations, Matt Gordon

Session 2: Disney Theatrical Group

Decision:

The Disney Theatrical Group is one of the four major business segments of the Wall Disney Group. It is the live show, stageplay and musical production arm of Disney. Disney Theatre grew substantially in the last couple of year. The question is, how to grow even further and how the relationship with Disney corporate works. Question that we will touch on are: What is the cost and benefit of being within Disney? From all the ‘Disney’ movies, how does Disney Theatrical Group create revenue synergies (added value test)? Should the shows be produces in-house or licensed (contract test)?

Poll questions:

- Post Walmart acquisition, what category or categories should Jet play in? Please argue how to think about this strategic choice. The following questions can guide your thinking: What do NYC customers want / need? What is Jet's desired customer behavior? Can Jet leverage the other brands within the Walmart portfolio?
- Frozen, the movie, was a smashing success. Does Frozen, the musical, create value for Disney?
- Briefly explain.
- Should Disney produce the live shows in-house or license it?

Readings:

1. Refresh memory of Disney and Walmart case from the core
2. Opening Review NYT (more reviews below):
3. Trailer: FROZEN The Musical: Official Broadway Trailer
4. Let It Go Music Video: “Let It Go” from FROZEN on Broadway (Official Music Video)

Guest Speakers:

In the morning, we will have two guest speakers from jet.com: Kai Selterman, Director, jet.com, and Ben Babcock, Director, jet.com.

As the Director of Research and Insights strategy at Jet.com, Ben Babcock has had a long and successful career helping bring delight to millions of customers through quality products and experiences. His professional career includes working for paradigm shifting companies like Jet, Amazon, Microsoft, as well as being an Instructor at Columbia University. His exciting career has spanned the video game industry, ecommerce and retail, new technology and innovation, and academia. He also boasts an impressive array of experience in quantitative and qualitative research and analysis methods. Ben has built several teams from the ground up - blending together multidisciplinary teams like strategy, design, product management, user research, analytics and data science, and behavioral science to create amazing products and experiences adored by millions of customers. Ben’s unique approach empowers companies to make strategic decisions based on customer insights.

Kai Selterman has spent his career thus far juxtaposing business and technology. He started in engineering, focusing on sustainable energy and utilities while receiving his Master in Mechanical Engineering degree from Columbia University. He then pivoted, joining Accenture as a management and technology consultant, helping clients in a range of industries (energy, telecom, finance) build strategies and integrate technology. For the past 6 years, Kai has been fully immersed in the world of eCommerce, working both for Barnes & Noble digital group, then joining Jet.com to help them build and grow both a Fresh Grocery and Private Brand business. Kai has helped craft strategies across all facets of a business, from high level business strategies, to product management, to operations / supply chain, through to customer service and retention marketing.

They will discuss with us about another company that is incorporated into a giant (here WMT). The e-commerce space is difficult and Walmart was historically struggling. The session should get at what is jet.com learning from WMT and vice versa. How does strategy formulation work in different divisions of a company with potentially different incentives. We will discuss this issues around the question of online grocery deliveries.

Visit / Meeting:

- Meeting Clive Chang, Director, Strategy & Business Development and Mario Iannetta, VP Finance and Business Development at Disney Theatrical Group
- Tour of a Broadway space

MORE PRESS:
Session 3: (Non-Market) Strategy at Pfizer

Decision:

As discussed in the core class, non-market strategy, i.e. influencing the business environment, is important for many firms and crucial for pharmaceutical firms such as Pfizer. In fact, the pharmaceutical industry might be at a crossroads in terms of how its ecosystem evolves under ever increasing tension between society’s willingness to pay for healthcare and the high cost of innovative medicine. Of course, these pressures have been declared crises for decades and pharmaceutical remain some of our largest and most profitable international businesses. How can this be? How can these companies continue to make very large, strategic bets in an environment of such uncertainty?

In order to focus the discussion, we look to understand tensions in line with three specific groups. Several different stakeholder groups will be crucial including the following:

1. ‘Customers’. Pharmaceutical firms face an unusually disaggregated value chain - their direct buyers are not the patients that use their products nor the physicians who guide the decisions on use of the products but, instead, wholesalers/pharmacy benefit managers (PMBs). PMBs are actually subcontractors to payors who serve employers and governments. Each of these groups have different needs and incentives. They fit together in an ecosystem that is the / one of the largest [please check] shares of the US economy, and one that is growing both faster than the rest of the economy and faster than the rest of the economies willingness to pay. How does the product move? How does it keep growing faster than the rest of the economy? How does it not noticeably change despite decade of crisis?

2. ‘Regulators’. The history of regulators is important to the shape of the industry, but more important today is the public policy that guides the regulators – not just FDA but HCFA and new groups like NICE. The ongoing tensions of the healthcare ecosystem have been generating sparks since before Medicare and Medicaid where born. Just in February, we had CEOs from [several] of the largest pharmaceuticals brought to the US Senate to explain their high prices. We may not have had Hillarycare, but we did have the US Healthcare Bill of Rights (2000), the creation of Medicare Part D (2006) and expansion of insurance in the Affordable Care Act (2010) and its various evolutions since passage.
3. ‘Owners’. The largest pharmaceuticals are almost all public companies. They are owned and controlled by the myriad players of finance capitalism – activists, index funds, large cap funds, healthcare funds, growth funds, and behind these endowments, pension funds and don’t forget individual investors or credit markets. With different levels of understanding, they place demands on the management teams they employ. These demands balance short term returns [perhaps cite the average holding period for US equities] and R&D investments that (1) rarely pay off and (2) when they do, only do over the course of a decade of highly regulated development requirements. How do management teams handle the different players? How do they explain a strategic course through the uncertainty of the public healthcare debate … and the extreme serendipity of science?

**Poll question:**
- How do pharmaceutical companies address the demands from the three different stakeholders and the resulting tensions?

**Readings:**
- Providing background on range of current issues
- To get an understanding of the issues Pfizer faces, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (starts on page 55).

**Guest Speaker:**
Leonard Saltz, MD

**Visit / Meeting:**
Meeting with …
- Gautum Gupta, VP, head of strategy, Office of the Chief Business Officer
- Dana Hughes, VP, head of integration/alliance, Worldwide Business Development

*Dana Hughes* is a Vice President in Pfizer’s Worldwide Business Development group where he is the Global Head for Integration Management, Global Head of Alliance Management and also BD Operations. He completed the integration of Wyeth ($68B, 2009-2010, directly leading integration of the pharmaceutical business), completed the integration of King Pharmaceuticals ($4B, 2011) and managed the separation of Pfizer’s Nutrition and Animal Health businesses ($29B, 2011-2012). From 2012 on, Dana has sponsored the Pfizer Integration Community to propagate common tools, vocabulary and a cross-functional, integration-experienced cadre of colleagues that serve the variety of Pfizer’s successful integration projects. Most recently, he directly led the Allergan integration program (until cancelled in April 2016), and oversaw the integration of Anacor and Medivation. Pfizer’s enterprise alliance team oversees the largest, most complex partnered programs with peer
global pharmaceuticals such as Bristol-Myers Squibb, Eli Lilly, Merck and Merck KGaA. In addition to integration and alliance oversight, Dana has been involved in enterprise projects in corporate strategy, innovative deal structures and the design and construction of Pfizer’s new, sustainable Worldwide Research and Development organization. Prior to Pfizer, Dana was a Principal in The Boston Consulting Group, focusing on the strategy and financial performance of healthcare and information technology clients. Earlier, Dana advised multi-industry businesses with Lazard Frères & Co. He was also a Senior Associate at the former CSC Index. Mr. Hughes has an MBA in international finance from Columbia Business School and an AB cum laude in Classical Archaeology from Harvard College. He lives in Brooklyn, New York.

Session 4: The Future of Strategy Consulting – Top Consulting Firm

Decision:
The core course focuses on Strategy Formulation. How important is this for strategy consultants now and in the future.

Readings:
No readings

Poll question (answer one of the following):
1. As a (future) client of management consulting services, what metrics would you use to assess the project deliverables/outcomes and what metrics would you use to rate the effectiveness of the consultants working on the project?
2. If you are a company such as Estee Lauder and you are leading the planning and implementation of a large transformation for ELC – which will include changes in planning and operating processes, the way teams and colleagues work together: would you hire an outside consulting firm or rely on internal resources? What are the pros and cons of using an external consulting firm?

Guest Speaker:
Lanchi Venator, Vice President, Strategic Initiatives, Finance & IT, Chief of Staff to the CFO, The Estée Lauder Companies

Visit / Meeting:
See speakers here.