

MGT 626
2 unit course Summer Mod II**Improving Strategic Decision Making**

Class times: August 1st 6:30pm- 10pm, August 2nd 9am-5pm
August 15th 6:30pm- 10pm, August 16th 9am-5pm

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IMPROVING STRATEGIC DECISION-MAKING**Brad Killaly**

Introduction

This course is intended to bridge the gap between strategic analysis and decision-making. Strategy and the analytics thereof are relatively easier to grasp than the act of making a strategic decision. Decision-making is, by contrast, relatively more diffuse, multi-layered and complex. The reality of decision making, involving multiple individuals embedded in the complexity of organisation life (history, culture, conflict, incentives, routines) is far less linear. This course brings together the richness and complexity of individual and group decision making with the realities of working within an organisation to develop your ability to answer “Very well, you know what your strategic alternatives are, now, how are you going choose amongst them, get resources and support for the chosen strategy, and in the end still preserve your job/career/social capital?”

To do this we will bring together theory and practice from strategy, individual and group decision-making and organization behavior. The goal is to enhance your ability to be an actual practitioner of strategy within an organisation, not merely a strategic “analyst” or strategy “wonk”. To enhance your expertise as a practitioner you will experience a number of group decision-making simulations and case analyses. The experiential nature of the course is necessary if you are to enhance your ability to act, mobilize and execute on critical strategic decisions.

Course Organization

The course is structured in two modules. The first module focuses on understanding the dynamics of individual and group decision-making. The second extends this learning by examining three critical strategic decisions and understanding how decision-making structures inside these companies hinder or enhance the quality of the decision.

Class Schedule

Module 1

- Friday, August 1, 2008 (18:30-22:00h)
- Saturday, August 2, 2008 (9:00-17:00h)

Module 2

- Friday, August 15, 2008 (18:30-22:00h)
- Saturday, August 16, 2008 (9:00-17:00h)

Your Responsibilities

Learning in the course will be highly interactive. Wherever possible learning will take place through case discussions, simulations and group exercises. Given the intensive nature of this course and the number of exercises to be completed in class, it is vital that you understand and agree to the following:

- Your attendance in every class is essential for your learning. It is also essential for the learning of others due to the group exercises and case discussions.
- It is vital that you attend all sessions on time and for its duration as many of the classes involve exercises among fellow members of the class.
- You are to read all of the required reading, cases and exercises in advance for each of the particular classes. Your learning, and the success of the course, is very dependent on your preparation. "Cold Calling" will be used extensively in the course; it is as close to a simulation of a true business meeting and thus is an excellent way to improve your ability to formulate strategies.
- Debate amongst course participants is encouraged, however it must be in a respectful and constructive fashion.
- In many classes you will be asked to turn off all of your electronic communication and computing devices. You must be prepared to comply with the requirements that are designed to improve your learning.

MODULE 1 - Individual and Group Decision-Making

Required Readings

In advance of this module you are required to read the following articles and cases:

Readings

- Eisenhardt, K.M., J.L. Kahwajy, L.J. Bourgeois III. 1997. "Conflict and Strategic Choice: How Top Management Teams Disagree." *California Management Review*, 39. pp. 43-62.
- Roxburgh, Charles. 2003. "Hidden Flaws in Strategy." *McKinsey Quarterly*, Issue 2, pp. 26-39.

Cases

- Roberto, M.A. & G.M. Carioggia. 2002 "Mount Everest – 1996." (HBS Case # 9-303-061)
- Roberto, M.A., A.C. Edmondson, E.M. Ferlins, L.R. Feldman, R. Bohmer. 2005 "Columbia's Final Mission: A Multimedia Case" (HBS Multimedia Case #305-032).
- Garvin, D.A. & M.A. Roberto. "Paul Levy: Taking Charge of the Beth Israel Deaconess Medical Center (A)" (HBS Case # 303-008).
- Garvin, D.A. & M.A. Roberto. "Paul Levy: Taking Charge of the Beth Israel Deaconess Medical Center Multimedia Case" (HBS Multimedia Case # 303-058).

To guide you in preparing these readings please complete the following in advance of class:

Mount Everest – 1996 Case Analysis (1st Case of Module)

Read the case and come prepared to the first module to participate in a case discussion around the following questions:

- What do you believe were the root causes of this tragedy?
- Are events such as this just inevitable in places like Everest?
- What is your assessment of Fisher and Hall as leaders? Be clear in defining what measures you are using in assessing their leadership?

Columbia's Final Mission Case Analysis (2nd Case of Module)

“Columbia Final Mission” – a multimedia case study about the 2003 Columbia Space Shuttle disaster – is designed to improve your understanding of how organizations make decisions and how to prevent decision-making failures.

This multi-media case puts you in the shoes of one of the six key NASA managers or engineers involved in the Columbia Space Shuttle's last mission: It will take you through the first eight days of the mission, as if you worked at NASA at the time. The case will prepare you for a key Mission Management Team meeting that took place on Flight Day 8, which we will re-enact on Saturday of Module 2.

The information provided in the multimedia case will assist you in assuming the role of your designated Shuttle program engineer or manager. These roles are:

- Ron Dittamore
- Linda Ham
- Don McCormack
- Rodney Rocha
- Pamela Madera
- Calvin Schomburg

In advance of the Module you will be assigned one of these roles (most likely in mid-July). Please come to class to role-play as you believe individuals at NASA actually conducted themselves during the meeting. After the role-playing we will discuss the following questions:

- How would you characterize the culture of NASA? What are its strengths and weaknesses?
- How has NASA treated foam strikes historically? Why have they treated foam strikes in this manner?
- How did the history of the Space Shuttle Program shape people's behavior during the first 8 days of the mission?
- What differences did you perceive in the behavior of managers versus engineers?

Paul Levy Case Analysis (3rd Case of Module)

Our goal for this class is to evaluate the performance of a CEO directing a complex organization and undertaking significant organizational change. The analysis is built around a preparatory written case and a rich multimedia case experience. Here is how you should attack the case:

Read the paper case. As you go through the case, begin to formulate some thoughts and answers surrounding:

1. How would you describe the situation Levy inherited at the BIDMC? What challenges did he face? Why did previous turnaround efforts fail?
2. How did Levy get started in his new job? What were his objectives and what did he accomplish during his first week?

3. What (if anything) was distinctive about the way Levy went about formulating, announcing, and implementing the recovery plan? How did he overcome resistance?
4. How did Levy tackle the problem of the BIDMC's "curious inability to decide?"

After the paper case, start exploring and delving into the multi-media case with attention to the same questions above. This multi-media case follows Levy's experience "real-time" at the BIDMC. By real-time I mean that the many video interviews were conducted at the time of taking on and managing the BIDMC, not a year afterwards, and thus retrospective biases. The multimedia is broken down into sections: *Calendar of events* breaks down multiple activities according to chronological flow. As you go through the *calendar*, there are links to videos, actual e-mails and documents. Second all of the material has been organized into *activity threads*. There are links to other documents, e-mails and videos from these *threads* just like the *calendar*. *Activity threads* organize all of the material around particular challenges, whereas the *calendar* allows you to see Levy's challenges as they arise. Finally there are *themes*, which are largely reflections on how Levy approaches challenges and his style of leadership.

Please be aware there is a great deal of material to be reviewed in the media case. Be prepared for multiple interwoven story lines and intertwined activity themes. The multimedia case will seem fragmented, loosely organized, and occasionally difficult to follow, just like the real world of general management.

MODULE II Strategic Decision-Making and Change within the Organisation

In this module we will apply what we learned in Module I to three complex strategic change, specifically i) Whether to invest in new productive technology, ii) How to restructure to improve innovation and iii) Whether to make or buy inputs. The goal for this module is two-fold. First to understand how the process of decision-making inside these organizations hinders or enhances the quality of the decision. Second, to understand the logic of these types of decisions so that it will provide guidance to you when you face similar types of decisions.

Required Readings

In advance of this module you are required to read the following articles and cases:

Readings

- Eisenhardt, K.M. 1999. "Strategy as Strategic Decision Making" Sloan Management Review, Spring 99, Vol. 40, Issue 3.
- Gertner, R. and M.J. Knez. 2000. "Vertical Integration: Make or Buy Decisions" In **Mastering Strategy**. Prentice Hall: Harlow, UK: pp. 146-150.

Cases

- Christensen, C.M. 1997. "We've Got Rhythm! Medtronic Corp.'s Cardiac Pacemaker Business." HBS Case Study 9-698-004.
- Garvin, D.A. 1981. Sensomatic Electronics Corporation. HBS Case Study Case 681-095. (Revised January 30, 1997).
- Ghemawat, P. and H.J. Stander. 1992. "Nucor at a Crossroads." HBS Case Study 9-793-039. (Revised January 20, 1998).

Medtronic Case Preparation (1st Case of Module)

The first case of Module 2 provides an overview of how strategic decisions, both good and bad, take place inside organizations. Medtronic is a company that experienced good, then bad, then good times again in large part to how decisions were (or were not) made inside the company. Read the case and come prepared to participate in a case discussion centered on the following questions:

- What are the causes, both external and internal, that lead to the deterioration in Medtronic's position in pacemakers in the 1970s and 1980s.
- Identify the improvements in the new product development process that the Medtronic management team implemented and the linkages amongst them.
- Describe how Medtronic "made" decisions early in its life, and how it "makes" decisions at the end of the case. It is important to be specific in the process, flow and structures that influence how decisions are made.

Nucor Case Preparation (2nd Case of Module)

The focus on the Nucor case is whether to adopt a new and relatively unproven manufacturing technology. We will use this case to further build our understanding of how to improve decision making inside organizations. We will also use this case to substantively evaluate large and strategic capital projects. Come prepared to participate in a case discussion centered on the following questions:

- Evaluate the sources of Nucor's success to date using the core concepts of strategic analysis.
- Analyse how decisions are made at Nucor. To what extent has this decision environment contributed to its success?
- In your opinion, is thin-slab casting likely to afford Nucor a sustainable competitive advantage in flat-rolled products?

Sensormatic Case Preparation (3rd Case of Module)

We will finish the course with a case that deals with decision-making, vertical integration (make versus-buy decisions) and entrepreneurship. While this case is "old", it is still one of the finest and succinct examples of these dimensions. To aid you in the preparation of this case, read and understand the short Gertner and Knez article. Come prepared to participate in a case discussion centered on the following questions:

- Should Sensormatic integrate backwards into the manufacture of injection-molded plastic parts? Justify your answer with both quantitative and qualitative analyses. If you argue in favour of backward integration, how should Sensormatics do it?

]To aid you in preparing this case you must read and understand the short Gertner and Knez article.

Evaluation

You will be assessed according to the following criteria:

1. Attendance & Punctuality: 10%
2. Individual Preparation and Case/Class Participation: 30%
3. Individual Assignment (assigned at end of Module 1 and due during Module 2): 20%
4. Group Assignment: 40% (see attached)

Please note that in assessing Individual Preparation and Case/Class Participation that short quizzes may be used to assess whether participants have read the cases. These quizzes may take place in the first, second or both modules.

Group Assignment Written Assignment #1 – Due August 16 at 9:00h

You are to complete this assignment in groups. The assignment addresses the following case:

- Garvin, D.A. 1981. Sensormatic Electronics Corporation. HBS Case Study Case 681-095. (Revised January 30, 1997)

Your assignment is to make a recommendation to the Sensormatic Board of Directors as to whether they should vertically integrate into the business of plastic injection molding and thus manufacturing clips to be used in their electronic theft protection system. The Sensormatic Board has been internally advised that backward integration is favourable, and internal financial analyses suggest that in-house production is preferred to the purchase of Canon Plastics.

Your group has been hired by the Board to conduct an external assessment of the backward integration options. They want your analysis and assessment of two issues:

- 1) If they are to vertically integrate, should they proceed with in-house production, as advocated by Blakey, or should they purchase Canon. The Board has some reservations regarding the quality of Blakey's analysis (both in the figures and method he uses) and would like your team to conduct a more thorough financial analysis of the two options.
- 2) The Board would like you to compare your chosen vertical integration option based on economic and financial considerations (i.e. your answer to 1 above) to deciding NOT to vertically integrate. They are unclear about the overall logic of the vertical integration decision, and wish guidance on whether to proceed at all.

Word Limit: 2,000 (not including title page and appendices)

Complementary Reading

The following books and articles are supplementary and not required for the course. They are intended to guide you with future reading on the subject.

Bazerman, M.H. 2006. Judgment in Managerial Decision Making, 6th Edition. Boston: John Wiley and Sons.

Bazerman, M.H. and M.D. Watkins. 2004. Predictable Surprises. The Disasters You Should Have Seen Coming and How to Prevent Them. Cambridge: Harvard Business School Press.

Cyert, Richard M. and March, J.G. (1963) A Behavioral Theory of the Firm. Englewood Cliffs, NJ: Prentice Hall.

Dixit, A.K., and B.J. Nalebuff. 1991. Thinking Strategically. New York: Norton and Company.

Hammond, J.S., R.S. Keeney, H. Raiffa. 2002. Smart Choices. New York: Broadway Books.

Kahneman, Daniel, Slovic, Paul, and Tversky, Amos (eds.). 1982. Judgment under Uncertainty: Heuristics and Biases. New York: Cambridge University Press.

March, J.G. 1994. A Primer on Decision-Making. New York: Free Press.

Raiffa, H. 1982. The Art and Science of Negotiation. Cambridge: Harvard University Press.

Shapira, Z. (ed). 1997. Organisational Decision Making. Cambridge: Cambridge University Press.

Weick, K. 1979. The Social Psychology of Organizing. Reading, MA: Addison-Wesley.