

# **PRELIMINARY SYLLABUS FOR STRT 452**

## **STRATEGY & ORGANIZATIONS**

### **SUBJECT TO CHANGE**

Spring 2017 — Section 71

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### **Course Description**

People respond to incentives and they do so in predictable ways. Starting with this simple premise, this course asks how managers can design incentives to get employees to do what they want them to do. The goal of the course is to offer a micro-economic approach to both the internal organization of firms and its relationship with the firms' overall strategies. The first part of the course takes the firm's activities as given and studies the problem of organizational design; topics include incentive pay, decentralization, transfer pricing, and complementarities. The second part examines the determinants of a firm's boundaries and covers such topics as horizontal and vertical mergers, outsourcing, and foreclosure. The course consists of both lectures and case discussions.

### **Office Hours**

My official office hour is Thursdays 5-6pm and Saturdays 12-13pm in Wiebolt (Office TBD). You are also welcome to come by my office in Evanston at other times.

### **Digital Workflow**

You may use a tablet in class, as long as it remains flat on the desk, is used only for course activities and displays only course readings or notes, and remains in "airplane" mode with access to the Internet disabled. I will view any violation of this policy very seriously and it will impact your class participation grade.

### **No Laptop Policy**

Except for the tablet described above, you may not use laptops, mobile phones, or related devices during class unless directed to do so.

## Seating Chart

Your assigned seat for the quarter will be the seat you choose for the second class session. I use assigned seats to facilitate class interactions.

## Class Preparation Surveys

For some classes you are required to fill out class prep surveys. The surveys will be posted online and they are **due at midnight on the day before class**. The purpose of these surveys is to prepare you for the material that we will cover in class and for me to get a sense for student views before class starts. The surveys are not meant to test you and therefore only get graded on whether you submitted answers to all questions. There is no need for elaborate answers and brevity is encouraged.

## Assignments

There are two individual assignments and two team assignments. The individual assignments are due at midnight on Thursday, April 6 and Thursday, April 20, respectively. The team assignments are due at midnight on Sunday, April 30 and Sunday, June 4, respectively. For the team assignments, you will be assigned a team.

## Optional Review Quizzes

Before every lecture (except the first one) you can take a short automated review quiz to check how much of the previous lecture you remember. The quizzes are entirely optional and do not get graded (Canvas will show you how you did but this is only for your personal information).

## Final Exam

There will be a final exam during finals week. The exam will cover material from the entire course and it will be closed-book (i.e. no "cheat sheets").

## Grading

Your final grade will be based on the following four components:

- Class performance (22.5% of overall grade)
- Team assignments (30% of overall grade)
- Final exam (47.5% of overall grade):

## Reading Material

All required and optional reading is either included in the course packet or will be posted online.

# Week 1

## Introduction & Basic Concepts

- **Thursday, March 30:** Introduction, Case Discussion & Lecture

### **Things to do before our meeting:**

- Read the "*Putnam Investments: Work@Home*" case, which is included in the course packet.
- Read "*Signs of Change in News Mission at Bloomberg,*" which is posted on Canvas.

## Week 2

### The Economics of Motivation

- **Thursday, April 6:** Case Discussion, Design-A-Contract Game & Lecture

#### **Things to do before our meeting:**

- Read the "*Performance Pay at Safelite Auto Glass A*" case, which is included in the course packet. You may also want to read a case update that will be in your course packet after class.
- Fill out the class prep survey that is posted on Canvas. **Deadline: noon.**

#### **Optional things to do after our meeting:**

- Read the case update that will be in your course packet after class.

#### **Individual assignment #1 due at midnight before class**

- Submit the assignment on Canvas.

## Week 3

### Paying for Performance

- **Thursday, April 13:** Lecture & Case Discussion

#### Things to do before our meeting:

- Read "*Inadequate Cover*," which is posted on Canvas.
- During the course I occasionally distribute "cdf" documents. A cdf document is basically an interactive pdf. To be able to read these documents you need to download a free "cdf player." Download the software here: [www.wolfram.com/cdf-player/](http://www.wolfram.com/cdf-player/)
- Download the Design-A-Contract Tool posted on Canvas. Next open the cdf player and use it to open the downloaded Design-A-Contract Tool.
- Use the Design-A-Contract Tool to fill out the class prep survey that is posted on Canvas.
- Read the "*The Lincoln Electric Company*" case, which is included in the course packet.
- Watch the video about Lincoln Electric on Canvas.
- Fill out the class prep survey that is posted on Canvas. **Deadline: noon.**

#### Optional things to do after our meeting:

- Read Chapter 10, Rewarding Performance, in *Personnel Economics in Practice*, by Lazear, Edward P; Gibbs, Michael.

## Week 4

### Motivating Teams: Initiative versus Cooperation

- **Thursday, April 20:** Case Discussion & Lecture

#### **Things to do before our meeting:**

- Read the “*Family Feud (A): Andersen versus Andersen*” case, which is included in the course packet.
- Fill out the class prep survey that is posted on Canvas. **Deadline: noon.**
- Read “*At Sears, Eddie Lampert's Warring Divisions Model Adds to the Troubles,*” which is posted on Canvas. If you are time constrained, you can focus on the first page, the third section (which starts out with “As the company rolled out the plan [...]”), and the fourth section (which starts out with “As Sears’s sales declined [...]”).

#### **Optional things to do after our meeting:**

- Read “*A Simpler Way to Pay,*” which is included in the course packet.

#### **Individual assignment #2 due at midnight before class.**

- Submit the assignment on Canvas.

## Week 5

### Decentralization I: Externalities

- **Thursday, April 27:** Case Discussion & Lecture

#### **Things to do before our meeting:**

- Read the “Transfer Pricing at Timken” case, which is included in the course packet.
- Fill out the class prep survey that is posted on Canvas. **Deadline: noon.**
- Download the Timken spreadsheet from Canvas and bring your laptop to class.
- Read “Experiment with a Bit of Anarchy,” which is posted on Canvas

#### **Optional things to do after our meeting:**

- Read Chapter 17, Divisional Performance Evaluation, in *Managerial Economics and Organizational Architecture*, 4th, by Brickley, James A; Smith, Clifford W; Zimmerman, Jerold L. 4th. pp. 477-508
- **Sunday, April 30:** Team Assignment #1 due at midnight
    - Submit the assignment on Canvas.

## Week 6

### Decentralization II: Coordination

- **Thursday, May 4:** The Corporate Turnaround Game

#### **Things to do before our meeting:**

- Bring your laptop to class (it needs to be a laptop, the game software does not run on tablets).
- Read “*Continental Airlines: The Go Forward Plan,*” which is included in the course packet.

#### **Optional things to do after our meeting:**

- Read “Right Away and All at Once: How We Saved Continental,” which is included in the course packet.



## Week 7

### Review and Strategic Effects

- **Thursday, May 11:** Review & Lecture

#### Things to do before our meeting:

- Review past material and prepare any questions.

## Week 8

### Horizontal Mergers

- **Thursday, May 18:** Lecture & Case Discussion

#### **Things to do before our meeting:**

- Read the "*Whole Foods Market and Wild Oats Merger*" case, which is included in the course packet.
- Fill out the class prep survey that is posted on Canvas. **Deadline: noon.**

## Week 9

### Vertical Integration I: Specific Investments & Foreclosure

- **Thursday, May 25:** Case Discussion & Lecture

#### Things to do before our meeting:

- Read the “*The Walt Disney Company and Pixar Inc*” case, which is included in the course packet.
- Fill out the class prep survey that is posted on Canvas. **Deadline: noon.**

#### Optional things to do after our meeting:

- Read Chapter 12, Vertical Integration and Vertical Restrictions, in *Modern Industrial Organization*, by Dennis Carlton and Jeffrey Perloff.

## Week 10

### Vertical Integration II: Market Power

- **Thursday, June 1:** Market Power Game & Lecture

#### Things to do before our meeting:

- None
- **Sunday, June 4:** Team Assignment #2 due at midnight
  - Submit the assignment on Canvas.

## Finals Week

- **Thursday, June 8:** In-class final