UC Davis GSM Syllabus
Strategic Change: Organization Design for Disruption
Professor Elizabeth Pontikes
Spring 2025

MGT 411-001 (2 credits)	Professor Elizabeth Pontikes
TA: Nahid Taj <ntaj@ucdavis.edu>	Gallagher Hall 3212
Office Hours: Wed 1:30 – 3:30 PM (office or zoom)	egpontikes@ucdavis.edu

In the modern economy, market change is rapid as competition becomes fiercer, customers more fickle, and technology a key differentiator across industries – from automobiles to media. To compete, firms must become adept at strategic change: disrupt or be disrupted.

The central tenet of this course is that effective strategic change is rooted in having entrepreneurial elements in a firm's *organization design* that drives *strategy discovery* for successful pivots. Firms with organization design for strategy discovery will develop the capacity to both cultivate new ideas and successfully integrate promising acquisitions to support strategic change. This course teaches elements of design for strategy discovery and how to incorporate them in established firms. Culturally, it includes nurturing a variety of ideas by using variance-based evaluation and encouraging *productive* failure while spotting and rooting out *inaction*. Structurally, firms must develop architectures and processes that bring together people from different functional areas so that new initiatives can blossom. Firms need to have a systematic process of maturation by which a nascent idea can become a fully functional business, either as part of the firm or spun-out into an independent entity.

Lessons are uncovered through case-based analysis, hands-on exercises, lecture, video, and theoretical analyses comparing different perspectives. Evaluation is based on course contributions, a memo, and a group presentation applying lessons from the course to a case.

Course Schedule

Linked items are available online or through the UC Davis library. Readings with **[VPN]** will need to be accessed from on campus or by using the library VPN. Some items will need to be searched for directly. The link will take you to main the database page of the library. Click on "Search within this publication" and then search for the indicated text written as, "AN [Insert number]" in the second field. All other items are linked in the Equitable Access Bookshelf tool, on Digital Campus under "Modules." Items marked with **[HBS]** are from Harvard and can be directly accessed. Items with **[STUDY]** are found in the study.net course, and Harvard simulations and multimedia cases are found in a separate Harvard CoursePack on Harvard's HBSP site. Both Study.net and the HBSP are linked in the Bookshelf tool, as the last two links. Click "view now" to go to the respective sites.

Session 1. Disruption: Causes and Consequences (Apr 1)
Course introduction: What is disruption? We will compare different theoretical models of what constitutes disruptive change. We will use the Kodak case to also understand why well-designed firms struggle to respond.

Readings: Chrisetnsen, C. *The Innovators' Dilemma*: Introduction **[Study.net]**
                Ries, E. *The Startup Way:* Ch 1: Respect the Past, Invent the Future **[Study.net]**

Case: Kodak and the Digital Revolution (A) (HBS 9-705-448) **[HBS]**

In-class:The Food Truck Challenge simulation (HBS 7201-HTM-ENG) **[HBS]** (no prep)

Class Preparation Questions:
1. How does the *Innovator's Dilemma* framework apply to the emergence of the digital camera and Kodak's response?
2. John White is quoted saying that Kodak wanting to get into the digital business "their own way" with "their own people" "meant it wasn't going to work." What does the framework from *The Innovator's Dilemma* suggest about this statement? What about *The Startup Way*?
3. One executive says that Fisher changed the culture at the very top, but was not able to change the mass of middle managers. What would it take to change the culture throughout the company? What should Fisher have done differently?

Session 2. Strategy Discovery (Apr 8)
In this session we will cover the strategy discovery model. We will learn basic tenets of organizational design that promote discovery, creativity, and change, embedded in all elements of the organization: architecture, processes, metrics, culture, and people.

Thought Question:
1. Steve Jobs once said "If you don't cannibalize yourself, someone else will." Sam Walton chose to cannibalize his own Sam's Club sales rather than give up ground to competitors. Cannibalization often has negative connotations in business – bring it up in a meeting and the idea will likely get squashed. How might organization design for discovery bring a different perspective to cannibalization?

Readings: Ries, E. *The Startup Way:* Ch 2: Entrepreneurship: The Missing Function **[Study.net]**
                Ries on Sutton, *Friction* "The Spreadsheet Troll" (podcast - optional)

Cases: The Rise of Apple (Stanford SM-260) **[HBS]**

In-class:Gladwell, "Creation Myth," *The New Yorker* (Xerox case; no prep) **[Needs VPN]**

Class Preparation:
1. What was the strategy intent behind iTunes and the iPhone at the time Steve Jobs announced their respective release? How did that strategy change in the aftermath of each announcement, and why?
2. Sprinkled amongst Apple's striking successes are dead-end products (the iPod Hi-Fi, iTunes with "ping", the U2 iPod). How does their strategy adapt to market feedback?
3. Consider Jobs' quote that kicks off the case about only being able to connect the dots looking backward. How does this apply to Apple's strategy? How much does strategy guide their actions, and how much is strategy a tool for making sense of where they end up?

First Assignment Due 4/11: Prepare a 2-3 page essay in response to the following question:
1. Ries, Christensen, Gladwell, and the sociocognitive view (see class 1-2 lecture) present perspectives on what leads to disruption and how established firms can respond to, anticipate,

or even lead these types of market-transforming initiatives. In your opinion, what are the major themes that are similar across two or more of these perspectives? What are important differences? What do you find most valuable? (this can be either a particular perspective that speaks to you, or how you draw elements of these views to create your own philosophy).

Session 3. Transformation and Pivots (Apr 15)
This session will explore how an organization's culture and approach to talent management can foster discovery in a high-performance environment.

Case (bundle): Netflix in 2018
- Nocera, Joe. "Can Netflix Survive in the New World it Created?" *The New York Times Magazine*, June 15, 2016.
  or through the library: https://www.proquest.com/magazines/screen-grab/docview/1799026752/se-2?accountid=14505 **[Needs VPN]**
- McCord, Patty. "How Netflix Reinvented HR." *Harvard Business Review*, Jan – Feb 2014. **[Needs VPN]**
- Dotan, Tom. "How Netflix's Management Structure is Re-Writing the Hollywood Script." *The Information*, May 30, 2018. **[Study.net]**
  https://www.theinformation.com/articles/how-netflixs-management-structure-is-rewriting-the-hollywood-script (you may need to register an email to read the full item)
- Netflix culture deck
- Adalain, Josef. "Inside the Binge Factory." *Vulture*. 6/10/2018.

In class:
- 3M Review and application (no prep): Org Design for Discovery
- Charles Schwab mini-case (no prep): pathways for serendipitous discovery.
- Peer review: mid-quarter evaluations for final project groups.

Class Preparation
1. Netflix disrupted its industry multiple times: DVD rental subscription mail-order, developing their own content and pioneering "binge-watching." Such moves require the ability to (1) identify opportunities and (2) reorganize to capitalize on them. How does its organization structure and approach to talent management help explain these successes?
2. With all their pivots, what remains consistent? What are Netflix's core competitive advantages?
3. Why do you think the Netflix culture deck has been so influential? Why has Netflix had so much success with its culture? Consider both Netflix's culture and its *approach* to developing and explaining its culture.
4. At the end of *The New York Times Magazine* article Hastings says that Netflix is migrating from challenges around disruption to "execution challenges." Do you think he is correct? What do the lessons from this course say about this outlook? If true, would this be a better or worse environment for Netflix?

Session 4. Category Strategy: Shaping your Environment (Apr 22)
Effective strategic change includes shaping the environment to favor the firm's capabilities. We will learn tactics for category strategy and defining ecosystems that are key to leading market change.

Readings: Pontikes (2018). "Category Strategy for Firm Advantage," *Strategy Science*, Vol 3:620 – 631. **[Study.net]**

Cases: Jean-Claude Biver (A): The Reemergence of the Swiss Watch Industry (HBS 9-415-031)
            [HBS]

In-class: Metrics and Accountability: Intuit exercise (no prep)
            Dandelion Chocolate (no prep)

Class Preparation
  1. How does the emergence of quartz technology a disruption for the Swiss watch industry? Apply the *Innovator's Dilemma* framework.
  2. What is the vision and strategy of Blancpain and Omega during Biver's respective turnarounds?
  3. How does Biver use category strategy to change how potential customers value Blancplain, Omega, and mechanical watches in general?

Session 5. Balancing Discovery and Execution (Apr 29)
In this session we explore trade-offs to implementing organization design for discovery and for execution, and we will explore how these can be balanced using the NetApp case. We will also discuss how to navigate skeptical investors and other constituencies.

Final Group Presentations

Readings: Blank, Steve. "Why GE's Jeff Immelt Lost His Job – Disruption and Activist Investors," *Harvard Business Review*. October 30, 2017. **[Needs VPN]**

Case: NetApp 2017 (Stanford SM-289) **[HBS]**

Class Preparation:
  1. Describe the key elements of NetApp's organization design between 2000 and 2015, in terms of structure, culture, and people. Is NetApp designed for execution or discovery?
  2. How does NetApp evolve its design over the 2000 – 2015 time period in response to changes in the market?
  3. Faced with disruption, many firms would shift strategies to directly compete with cloud providers. In contrast, NetApp's response to the cloud was to carve out a new opportunity around the hybrid cloud and "data fabric." Evaluate this strategy.
  4. In *The Startup Way*, Ries relies heavily on the example of GE's implementation of Lean Startup methodology with the Fast Works program. When GE's stock price tumbled and Immelt was pushed out, many took it as evidence that entrepreneurial management cannot work in a large company like GE. Others saw it as evidence of short-termism on Wall Street and the scourge of activist investors (as articulated in Blank's article). What do you think?

Course Requirements

- Memo (35%)
- Course contributions (30%)
- Final team presentation (30%)

- Peer evaluations (5%)

Memo:
One memo is due in between sessions 2-3. This is a 2-3 page essay responding to the questions set out on p.3. The format must be double spaced, 12-point Times New Roman Font, with one-inch margins. The memo is due on <u>April 11</u>, submitted on Canvas.

Course Contributions:
This course depends heavily on participation. Through participation you will develop the skills of persuasion, analysis and listening that are key to success.

To prepare for class discussion, first read the assigned theory reading(s) for the week, and keep the key concepts in mind as you read the case. Take time to dissect the main issues presented in the case. You may need to read the case twice.

Course contributions include:
  (1) Active participation throughout the quarter during class discussion. **The frequency (i.e., the quantity) of your contributions in class is not the main criterion**. The quality of your participation is most important.
  (2) The slide presentations for in-class group work.

Criteria for effective class participation include:
  - Does the participant demonstrate a thorough understanding of the assigned readings?
  - Do the comments show evidence of analysis of the case?
  - Does the participant productively further the discussion and test new ideas, and not simply repeat what has already been said?

To accommodate illness, interviews, travel, etc. <u>I will drop your lowest course contribution grade</u>. Please don't show up sick! Do not email me to request a make-up assignment if you miss more than one class. There are only 5! To be fair to your classmates and uphold standards, missing more than one class will affect your course contribution grade.

You may discuss the materials with others. Study groups are encouraged. You also may draw on relevant outside information that brings depth, nuance, and perspective to your analysis. However, <u>using outside information to substitute for your original analysis, whether from the internet, classmates who have previously covered the case, or other similar sources, is a violation of the code of academic conduct and strictly prohibited</u>.

Final Team Presentation:
You will be <u>assigned to a team</u> to present your analysis of how the concepts and frameworks from the course apply to one of the following cases. You will have time during class 1 to meet with your group and choose a topic, and time during subsequent classes to prepare your presentation.

  (1) Burt's Bees: Balancing Growth and Sustainability – multimedia [410704-HTM-ENG] **[HBS]**
  (2) Disruption in Detroit: Ford, Silicon Valley, and Beyond (A) and (B) [B5875-PDF-ENG; B5905-PDF-ENG] **[HBS]**
  (3) Unilever's New Global Strategy: Competing through Sustainability [916414-PDF-ENG] **[HBS]**; [Unilever's CEO on Making Responsible Business Work – HBR Interview](#)

(4) [User-Generated Content Systems at Intuit (A)](#) and [(B)](#)
(5) Framebridge (A): Reimagining Custom Framing [723352-PDF-ENG] and (B) 723353-PDF-ENG **[HBS]**
(6) CVS Health: Prescription for Transformation [322091-PDF-ENG] **[HBS]**
(7) Strategic Change at Whitman-Walker Health [PH4006-PDF-ENG] **[HBS]**

You are tasked with applying the frameworks learned in the course to each case, including (but not limited to) (1) what is the strategic change? (2) why are they embarking on the strategic change? Is there an environmental disruption? Is the company leading with disruptive change? (3) how are they making changes in organization design to facilitate their strategic change? (4) what aspects of their organization design are aimed at strategy discovery (discovery, testing, and transformation), and how are they designed for execution?

I have included the cases above, which provide enough for a thorough analysis. You are welcome to supplement with additional information to support your analysis. However, if you use additional information, keep in mind the focus of your presentation should be the particular strategic change as described in the case materials. Your presentation should be an analysis of the strategic change, not a description of the company.

Your grade will be based on:
- A 15-minute presentation to the class during session 5. You must submit your presentation (in PowerPoint or pdf format) on Canvas by the end of day on April 30. You can accompany your slides with [brief] notes summarizing your talk.

Peer Evaluations
This class requires a fair amount of group work. You will be assigned to (different) groups for (1) in-class group discussion, where you will prepare answers on a shared slide, and (2) final presentations. Part of your grade will be based on your peer evaluations of your contributions to these groups. You will be required to complete evaluations of your peers in your groups, and this part of your grade will be based on how you are evaluated.

Course Policies

Accessibility
Please let me know if you need accommodations related to a disability or other condition, preferably within the first two weeks of class. All information will remain confidential.

Electronics Policy
Use of laptops, smartphones, and other electronics during lecture and class discussion are not allowed. Using electronics in class, even for note taking, is distracting to the user and classmates, and research shows it results in lower grades (see supplementary materials). Electronics are useful for collaboration and in-class polls, and I will ask you to use them for this purpose only. Otherwise they should be put away. Please consult me if there is a necessary accessibility accommodation, or a one-off situation (for example waiting for an emergency call).

Grading
Requests for a re-grade must be presented in writing within one week of receiving your grade. The entire assignment will be graded again. To accommodate natural statistical fluctuations, grades can go up or down after a re-grade. Course contribution grades cannot be contested.

Integrity and Code of Academic Conduct
I expect that all of you take UC Davis' code of academic conduct as seriously as I do. You must exhibit integrity in all of your activities and adhere to the UC Davis code of academic conduct, described here: http://sja.ucdavis.edu/files/cac.pdf.

It is an academic conduct violation to present others' ideas or writing as your own (plagiarism), or to discuss cases with students who have already analyzed the case in class. You were informed about this code of conduct during orientation and signed a statement affirming that you understand it. I run plagiarism detection software on all assignments, and no violations of academic conduct are tolerated. I will not hesitate to turn violators over to Student Judicial Affairs.

AI Policy (e.g. ChatGPT)
This course's AI policy aims to encourage the responsible use of AI as a tool for enhancing learning, creativity, and problem-solving skills, while maintaining academic integrity.

You are permitted to use AI for the following:
- **Brainstorming**: interacting with AI to get feedback on ideas, themes, and possible research directions for assignments
- **Idea generation**: using AI to explore various perspectives, concepts, and approaches
- **Outline creation**: you can use AI as an assistant in creating outlines to help you structure assignments.

The following uses of AI are strictly prohibited:
- **Submission of AI generated work**: Students may not submit any written work, in whole or part, that has been generated by AI.
- **Direct quotation**: Using direct quotes from AI-generated content without proper citation and acknowledgement is a form of plagiarism and prohibited. All submitted work must be your original writing or properly cited material from legitimate sources.

Principles of Community
This course depends heavily on discussion, and much of the learning comes from sharing and listening to your classmates experiences as you integrate the readings and lessons. In discussions we are guided by the UC Davis Principles of Community that affirms the dignity inherent in all of us, and values individuality and diversity of perspectives and backgrounds as an opportunity to listen, engage, learn and grow. We reject all manifestations of discrimination.

Slide print-outs
I will not provide slide print-outs. My lectures are interactive and integrate polling and surprise findings. This makes for a better learning experience and does not comport with print-outs. In addition, research shows you will learn more without print-outs (see supplemental materials). I will upload slides to canvas after class.

Miscellaneous

If you have a situation that causes problems for you in fulfilling the course requirements, **tell me!** I'm almost always able to help. It is much easier to address problems <u>early on</u>; much more difficult after the course is over and assignments are in.

Research informing class rules and guidelines:
- *Power Point hand-outs*: Worthington, D. and D. Levasseur (2015). "<u>To Provide or not to Provide Course Power Point Slides? The Impact of Instructor-Provided Slides upon Student Attendance and Performance</u>." *Computers and Education*.
- *Longhand vs laptop note taking*: Muller, P. and D. Oppenheimer (2014). "<u>The pen is mightier than the keyboard: Advantages of longhand over laptop note taking</u>." *Psychological Science*.
- *Laptop multi-tasking*: Sana, F., T. Weston and N. Cepeda (2013). "<u>Laptop multitasking hinders classroom learning for both users and nearby peers</u>." *Computers & Education*.
- *Student-as-consumer?* "<u>Students with consumer mindset get lower grades</u>." Original research: Bunce, L., A. Baird, and S. Jones (2017). "The student-as-consumer approach in higher education and its effects on academic performance." *Studies in Higher Education*.
- *Use of AI to evaluate cases:* <u>AI May Harm More than Help B-School Students, Study Shows</u>. *Poets & Quants,* citing research from HEC's Professor Brian Hill.