



Implementing Strategy (IMPST)

Winter Term 2014, Second Half

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Class Times: Section 1: 8:30 – 10:00
Section 2: 10:15 – 11:45

Classroom: General Motors Classroom
(GM)
All classes

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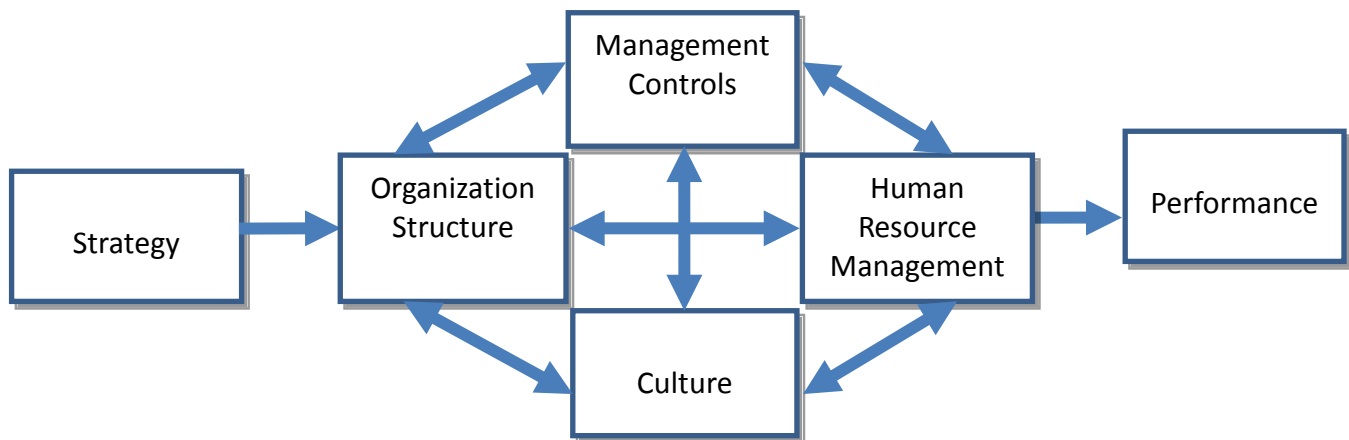
I. Course Objectives

The best thought-out plans in the world aren't worth the paper they're written on if you can't pull them off.

*Ralph S. Larsen
Chairman and CEO, Johnson & Johnson*

The central focus of this course is strategy implementation. Levers to execute strategy consist of four key elements: Management Controls, Organization Structure, Human Resource Management, and Culture (Figure 1).

Figure 1
Framework for strategy implementation



Structures	Formal reporting structure, decision authority, roles, information flows, task and process flows that shape decision-making
Controls	Planning and budgeting; business performance evaluation criteria; incentive and compensation systems
People	Leadership traits, competencies, career paths, selections, training, development, evaluation, promotions,, and firing of employees
Culture	Notions about behaviors that are valued; embedded business assumptions; decision biases; common beliefs and norms that implicitly or explicitly guide managerial actions

The importance of the subject matter covered in this course is captured in the widely accepted “truism” that over 90 percent of businesses (as well as nonprofit organizations) founder on the rocks of implementation; either the strategies never come into being or get distorted, or the implementation is much more costly and time consuming than anticipated. However laudable strategic intentions may be, if they do not become a reality, they usually are not worth the paper on which they are written. Conversely, high-performing companies excel at execution. This course will provide you with concepts, frameworks, and tools to help you gain that “execution advantage.”

Consider world-class companies such as Danaher Corporation, Johnson & Johnson, 3M Corporation IBM, India-based Narayana Hrudayalaya Heart Hospital, and Nucor Corporation. Their long-term success is not just because they have developed good strategies, but, more importantly, they have designed systems, structures, and processes that energize their employees to execute those strategies effectively. Their secret sauce is not a unique strategy but the capabilities they have built in executing their strategies better than competitors. We will do case studies on these companies to drive home the power of these companies’ implementation capabilities.

II. Target Audience

Most of you will soon be in positions where you will be directly responsible for strategy implementation. The materials covered in this course would be highly relevant to your immediate job situations, no matter what career tracks you might choose.

The course is particularly appropriate for any prospective general manager of established or entrepreneurial ventures, as well as for those contemplating careers in management consultancy and brand management. The perspective of the course is that of a general manager who is charged with formulating and implementing strategies.

III. Requirements

Materials

Book:

Reverse Innovation Book, by Vijay Govindarajan and Chris Trimble.

My assistant will be distributing this book. Please stop by Donna McMahon’s office, Woodbury 308, to pick up your copy.

Course Packet:

Course materials will be available through TuckStreams and Study.Net. To access the course pack, click the "Study.Net Course Pack" link in the Online Resources section of the course home page in TuckStreams. You'll be directed to the Study.Net download site. Highlight the course title and click the "View Course" button at the bottom of the window, then click the "materials" tab at the top of the page.

You can view, download and save materials through Study.Net in three ways: (1) by viewing individual articles, (2) by downloading a .zip file of selected materials, or (3) by downloading an eReader file (at bottom of page) containing all materials. Once you've downloaded the materials, you may print individual articles up to two times using GreenPrint, as necessary. If you wish to order a complete printed course pack to save GreenPrint funds, click the "Purchase a Printed TEXTPAK" link on the course materials page. Printed packs will be shipped to the address you

specify when placing the order. Delivery will take approximately one week. You will not be charged for the printed course pack.

You can also access materials using the Study.Net app on your iPad after initially accessing the course pack through TuckStreams and updating your user profile to change your password.

Note: Permissions and royalties are purchased for only the number of students enrolled in a course, so we ask that you please not download materials for classes in which you do not intend to remain registered. It is a violation of the Tuck Honor Code to do otherwise.

If you are unsure about taking the class, the first two weeks' worth of materials can be found in the course folder at [IMPST COURSE-FILES](#).

Class Preparation

Catch a fish for a man and he is fed for a day. Teach a man to fish and he is fed for life.

Chinese Proverb

The most important requirements for this course are a thorough preparation and analysis of the assigned case and reading materials and active participation in the classroom. The course is built almost exclusively around the case method. *The cases in this course raise issues that are evergreen — i.e., these issues were relevant 30 years ago, they are relevant today, and they will be relevant 30 years from now.*

As captured in the proverb above, the learning in this class focuses more on the *thought process* in analyzing business situations, not just on the solutions per se. *We will only discuss the assigned case each day; we will not explicitly discuss the assigned readings but they will help you in tackling the case.* In order to derive maximum benefit from the cases, it is essential that you mentally “get inside” the case situation. Do not approach a case as you would a book chapter or magazine article. You are a participant, not an observer.

You are encouraged to *test your ideas on others prior to the class meeting*. Students tend to find study groups very beneficial in this course. For the sake of preparation, you should assume every class will begin with you being called upon to lead off.

In the Classroom

I expect you to have already thought through and analyzed the cases when you come to class. This way, we can devote the bulk of the class time to thinking about, and responding to, each other's analyses of the cases and *only the necessary minimum to getting the facts out*.

I encourage active student participation in class. I should point out that typically most students tend to *underestimate*, rather than *overestimate*, the value of what they have to say. Thus, if you are ever in doubt, I encourage you to speak up.

My role in the class is to help facilitate discussion. In part, I serve as a recording secretary, clarifier, and intensive questioner in order to help you present and develop your ideas. My primary role is to manage the class process and to ensure the class achieves an understanding of the case situation. Clearly, there is no single correct solution to any of these problems. There are, however, many wrong solutions. There are also

solutions that are inadequately supported with analysis, and there are solutions and analyses that are ineffective because they are not presented in an orderly and persuasive fashion. We should work together to see to it that each class session is a lively, stimulating, and intellectually rewarding venture in group learning. We are individually and collectively responsible for achieving that end.

I do have a specific point of view on the cases, having taught them for 30 years! Of course, I will try to keep an open mind and listen to what you have to say during class. At the end of each class, I will share with you my point of view on the case. This is not to imply that my view represents the right answer but just to give you the benefit of my thinking. *Please treat my concluding remarks as just that, one more point of view on the case; it is perfectly OK for you to disagree with my views!*

Evaluation of Class Participation

Clearly, you must participate in class if you are going to share your ideas with others. There is no need to contribute in every class. Some of the best contributors in the past have been those who participated in only a few sessions. Their contributions, however, were truly insightful and persuasive. The issue is one of quality, not quantity or frequency.

Below is a description of how I propose to “calibrate” your class contributions:

Outstanding Contributor: Contributions in class reflect exceptional preparation. Ideas offered are always substantive and provide one or more major insights as well as direction for the class. Arguments, when offered, are well substantiated and persuasively presented. If this person were not a member of the class, the quality of the discussions would be diminished significantly.

Good Contributor: Contributions in class reflect thorough preparation. Ideas offered are usually substantive and provide good insights and sometimes direction for the class. Arguments, when presented, generally are well substantiated and often are persuasive. If this person were not a member of the class, the quality of the discussions would be diminished considerably.

Adequate Contributor: Contributions in class reflect satisfactory preparation. Ideas offered are sometimes substantive and provide generally useful insights but seldom offer a major new direction for discussion. Arguments, which are presented sometimes, are fairly well substantiated and sometimes persuasive. If this person were not a member of the class, the quality of the discussions would be diminished somewhat.

Non-participant: This person has said little or nothing in class to date. Hence, there is inadequate basis for evaluation. If this person were not a member of the class, the quality of the discussions would not be changed.

Unsatisfactory Contributor: Contribution in class reflects inadequate preparation. Ideas offered are seldom substantive; provide few, if any, insights; and never offer a constructive direction for the class. Integrative comments and effective arguments are absent. Class contributions are, at best, “cherry-picking” efforts, making isolated, obvious, or confusing points. If this person were not a member of the class, valuable airtime would be saved.

Cold Calls

As a matter of policy, I *do not* use cold calls. This is an elective course. You have signed up because you want to learn this material. I know you will be well prepared for class. I do not need to use cold calls to motivate you to do the class assignments. I do recognize this is a large class and we might not get everyone's contributions. If you want to participate, please raise your hand. You can also contact me outside of the class if you have special needs. I do grade class participation. Please note that you can obtain an "Honors" grade in the course even if you have not spoken once in class as long as you show your learning in the final exam. There is no pressure for you to participate.

Additional Guidelines

1. Attendance is obviously important; scheduling of other activities, including job interviews, should avoid conflict with class meetings.
2. It is my responsibility to make the "learning quotient" high enough for you to want to attend class. If you have to miss a class for unavoidable reasons, there is no need to inform me. There are no "make-up" requirements for missed classes. Please be sure you ask one of your colleagues to pick up a copy of the handout.
3. Classes will begin and end on time. I appreciate your presence in the classroom before the class starts.
4. It is distracting to everyone if students walk in and out of class during the class session. Unless it is an emergency, your classmates will appreciate it if you do not leave the classroom once the class starts.
5. Please bring your name cards to class.
6. My notes summarizing the key issues raised in each class will be available as a handout. You can pick up the handout at the start of each class. At the end of each class, I will put the handouts for that session on the Tuck server.

Tuck Honor Code

The Tuck Honor Code strictly applies to this course. The following statements should help define its role in this course:

You are encouraged to form study groups to prepare the assigned case for each day. However, you should not use any handouts from previous years.

The exam must reflect *individual effort only*. Do not consult with other people and do not share your answers while taking the exam. The four-hour exam will be open book and open notes, but you may refer only to your own notes.

Please report any suspected Honor Code violations to me or to the Judicial Board. You should also feel free to ask for clarification of "gray areas."

Grading

Class Participation

Final Examination (take-home exam)

The final exam will be given to the students on March 4. This is a take-home exam which is due back on or before March 11 @ 4pm. There will be a "Drop off box" outside Donna McMahan's office (308 Woodbury).

Grading for the course will be based on class participation and the final examination (a case). The final exam is cumulative and is designed to be a fair test of your comprehension of the ideas discussed in class. The best way to prepare for the final is to prepare carefully for each of the classes that precede it. As mentioned earlier, class participation is not required to earn an "Honors" grade in the course.

Schedule

Session 1 — Tuesday, February 4

Topic: Design of Performance Measurement Systems For Strategy Execution

Case: Aluminum Containers Corporation (Tuck)

Re-Read: The “Implementing Strategy” course outline (pages 1-7)

Assignment: At the end of the case.

Concepts Covered

Every responsibility center uses *inputs* and produces *outputs*. Responsibility centers fall into three categories based on the financial measurements used to report the inputs and outputs. These categories are: (1) revenue centers, (2) cost centers (or expense centers), and (3) profit centers.

In a cost center, the system measures inputs (i.e., costs) in *financial* terms. In a profit center, the system measures both inputs (i.e. costs) and outputs (i.e., revenues) in *financial* terms. In a revenue center (typically used for marketing units), the system measures outputs (i.e., revenues) in *financial* terms. In a revenue center, the manager is also held accountable for the expenses incurred directly within the unit. But a revenue center is not charged for the cost of manufacturing the product.

Session 2 — Monday, February 10

Topic: Making Strategy Accessible and Relevant

Read: “Tired of Strategic Planning”, *The McKinsey Quarterly*, 2002

Guest Speaker: Guy Hocker is a consultant and an expert on the design of systems to drive strategy execution.

Session 3 – Tuesday, February 11

Topic: Aligning Organization Structure, Controls, Human Resource Management, and Culture to the Requirements of Strategy

Case: Nucor Corporation (Tuck) (Two Session Case Discussion)

Assignment: At the end of the case

Session 4 – Monday, February 17

Topic: **Aligning Organization Structure, Controls, Human Resource Management, and Culture to the Requirements of Strategy**

Case: **Nucor Corporation (Tuck) (Two Session Case Discussion)**

Assignment: At the end of the case

Session 5 – Tuesday, February 18

Topic: **Planning and Control in Dynamic Environments**

Case: **Codman and Shurtleff, Inc., Planning and Control, (HBS, 187-081)**

Assignment Questions:

The case is set in the mid-1980. J&J's planning and control system (P&C) is similar today. You can reflect the relevance of such P&C for a company operating in today's health care industry.

1. J&J operates in three major business segments: consumer products, pharmaceutical products, and professional products. Codman and Shurtleff is part of the professional products segment. What are the key uncertainties faced by J&J in these three business segments? How critical is innovation for J&J's success?
2. Evaluate the planning and control systems in use at J&J. Who gets involved, when, and in what way? What are the strengths and weaknesses of these systems, especially from the standpoint of encouraging innovation within the firm on an ongoing basis? What role, if any, do you believe J&J's management planning and control systems play in achieving—or hindering—innovation?
3. From information provided in the case, suggest how you would design the incentive and reward systems for Roy Black and the Codman & Shurtleff board to capture maximum benefit from planning and control procedures. How would you deal with relating pay to performance in rapidly changing environments?

Session 6 — Monday, February 24

Topic: Organizational DNA for Strategy Execution in Dynamic Environments

We live in an era of almost constant change. First, new technologies continue to emerge at an ever-more rapid pace. Second, globalization brings with it new markets, new customers, nontraditional competitors, and new challenges. Third, the Internet has created much greater transparency to any company's strategy, actions, and performance. As a result of these forces, companies in several industries find their strategies need almost constant renewal. This is because the old assumptions are no longer valid, or because the previous strategy has been imitated and neutralized by competitors, or because technological developments and emerging new customer segments offer unanticipated opportunities. Rooted in these premises, the organizational design issue becomes: What kind of organizational DNA (structure, systems, culture, people, processes, etc.) must a company have in order to anticipate and respond to changes on a continual basis?

Case: 3M Corporation (Tuck)

Assignment: At the end of the case

At the end of class: "CEO's Role in Business Model Innovation", Vijay Govindarajan and Chris Trimble, *Harvard Business Review*, Jan-Feb 2011 (To be distributed at the end of class)

Session 7— Tuesday, February 25

Topic: Ambidextrous Organizations - - Balancing Efficiency and Breakthrough Innovation Within the Same Firm

Read: "Building Breakthrough Businesses Within Established Organizations", Vijay Govindarajan and Chris Trimble, *Harvard Business Review*, May 2005

Case: Emerging Business Opportunities at IBM (A), (HBS, 304-075)

Assignment Questions:

1. Why do large companies like IBM find it so difficult to create new businesses? What are the primary barriers to success?
2. What is your evaluation of the "horizons of growth" model? What are the distinguishing features of emerging, H3 businesses?
3. How did the EBO management systems evolve over time? What was accomplished during:
 - a. Thompson Era?
 - b. The Corporate Strategy Era?
4. What are the key elements of the current EBO management systems? What is your evaluation of the systems?
5. How should Harreld:
 - a. Deal with those businesses now reaching H2 status?
 - b. Increase the number of EBOs?

At the end: "Stop The Innovation Wars", Vijay Govindarajan and Chris Trimble, Harvard

of class: Business Review, July/Aug 2010 2011 (To be distributed at the end of class)

Session 8 — Monday, March 3

Topic: The Reverse Innovation Concept

Read: “How Is GE Disrupting Itself”, Harvard Business Review, October, 2009, (with Jeff Immelt and Chris Trimble)

“Designing the \$300 House”, Harvard Business Review, Jan-Feb, 2011.

Cases: Narayana Hrudayalaya (NH) Heart Hospital: Cardiac Care for the Poor (A) (HBS, 505-078)

Narayana Hrudayalaya Heart Hospital: Cardiac Care for the Poor (B) (HBS, 712-402)

Narayana Hrudayalaya Heart Hospital (C) *Tuck*

Assignment Questions:

Reverse innovation involves 3 stages:

- | | |
|-----------|--|
| Stage I | Breakthrough innovation in an emerging market |
| Stage II | Take that innovation to other emerging markets |
| Stage III | Bring that innovation to developed markets |

1. Explain how NH hospital is able to do cardiac surgery for \$2,000 (when it costs about \$150,000 in the U.S.) (Stage I)
2. Can NH model transfer to other developing countries? (Stage II)
3. Can NH model succeed in the U.S.? What is your evaluation of NH’s Cayman Island expansion? (Stage III)

At the end: “A Reverse Innovation Playbook”, Harvard Business Review, April 2012, To be distributed at the end of class)

Delivering World Class Healthcare Affordably”, Harvard Business Review, November 2013 (To be distributed at the end of class

Session 9 — Tuesday, March 4

Topic: Course Overview – The Execution Advantage

Case: Danaher Corporation, (*HBS, 5-713-412*)

Assignment Questions:

1. What are the three words, other than Danaher Business Systems (DBS), that account for the success of Danaher?
2. How far can the DBS travel? Is there a limit to the range of businesses in which Danaher can create value?
3. Can firms themselves and/or private equity replicate the success of Danaher? What in your experience prevent any company putting in place a similar set of processes to drive operational performance?

FOUR-HOUR TAKE-HOME FINAL EXAM

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and is due back on or before March 11 @ 4:00pm.

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