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E51-335

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Designing and Leading the Entrepreneurial Organization

Course Overview and Objectives

This course is about the building, running, and growing an organization. This course has four central themes: (1) How to think analytically about designing organizational systems, (2) How leaders, especially founders, play a critical role in shaping an organization's culture, (3) What really needs to be done to build a successful organization for the long-term; and (4) What you can do to improve your personal likelihood of success.

This is not a survey course in entrepreneurship or in leadership. Instead, this course addresses the principles of organizational architecture, group behavior and performance, interpersonal influence, leadership and motivation in entrepreneurial settings. A primary goal is to develop your competencies in organizational design, human resources management, leadership and organizational behavior in the context of a new, small firm.

For many entrepreneurs, the most pressing questions (aside from those about financing) are about how to locate and recruit talented people, and how to manage and keep them, and how to build a high-growth, long-term, sustainable firm. This course will address these questions and will provide you with a number of critical concepts and competencies that will be useful to you in both the short and long term. Throughout the course there will be a dual emphasis on thinking systematically and strategically about aspects of managing a rapidly growing organization, and on the actual implementation challenges associated with management and leadership.

The primary course material will be a series of cases illustrating both successes and failures. You will also be provided with supplementary readings and lectures that will supply concepts and frameworks. It is important that we take advantage of the experience of class members. So, where relevant, please feel free to bring your own experiences and illustrations into class discussion. Throughout the course--virtually in every session--we will consider how what we are discussing differs across settings. Students with global experiences are especially encouraged to bring this knowledge into the classroom. The employment relationship in the U.S. is different in many respects from many other countries, so it is important that as managers we appreciate these differences in how human resources might be framed differently in other cultures. If we are to meet our goal of increasing your effectiveness in leading and managing, it is important to explore how, why, and under what circumstances various approaches work. Your previous experience, both positive and negative, is a valuable source of data for this learning.

The course is organized into three main modules: Setting Direction, Building Skills & Capabilities, and Sustaining Momentum. In each module there will be a series of cases and readings. The course opens with a two-day case series that will foreshadow each of the topics covered in the course. Similarly, the course ends with a two-day capstone case-series that will allow students to apply the lessons learned.

Course Reading Materials

Required Materials

The primary material for this course will be case studies. In order to supplement the cases, you will be provided with readings that come from a number of different sources. These readings have been carefully selected to reflect a variety of perspectives and stimulate your thinking.

The required text will be available at the MIT Coop:

Wayne Baker, *Achieving Success Through Social Capital: Tapping the Hidden Resources in Your Personal and Business Networks*. Jossey-Bass 2000.

The other cases and readings will be available in a packet that is available at the MIT Copy Technology Center located in the basement of building E52.

Optional Readings:

There are several other books that you may find useful during the course. These are not required, but should you desire to pursue a topic in greater depth, these provide a useful starting point:

(1) Mary Coulter, *Entrepreneurship in Action*. Prentice-Hall, 2001. This is the newest textbook on entrepreneurship. It offers an overview of every aspect of the entrepreneurial process with many examples and pointers to additional resources.

(2) Constance E. Bagley and Craig E. Dauchy, *The Entrepreneur's Guide to Business Law*. West Educational Publishing, 1998. This book is an overview of all of the legal issues surrounding entrepreneurship. It includes several chapters that are particularly relevant to managing people and organizations.

Course Requirements

Class Participation: 50% of grade

Course Project: 50% of grade

Optional Case Write-ups: extra credit toward class participation.

Note: All written submissions for this course must be professionally prepared, well-researched and documented, with reasonable fonts and margins.

Course Project

The purpose of the course project is to provide an opportunity for you to apply and use the course material in the analysis of an actual entrepreneurial management problem. This project should be completed throughout the term with well-defined sub-segments. The final report will be a compilation and refinement of the sub-assignments. The course project is in lieu of a final exam; thus, it should demonstrate your mastery of the course material. The project may be done either individually or in small groups (2-4 students per group). For group projects each member of a group will earn the same grade for the final project. I am somewhat flexible in defining the scope of the project and have suggested two alternatives you might consider. Feel free to talk to me if you would like to propose a different way to apply the course material.

Option 1: Studying an existing entrepreneurial firm.

Students who are generally interested in entrepreneurial firms may either a) conduct in-depth field research in an entrepreneurial firm with which you have an existing relationship or b) complete careful library research on one or more entrepreneurial firms in an industry or sector of interest. Regardless of your research methodology, you will complete a strategic analysis of the policies and practices of an organization and make recommendations for changes that will add value given the firm's strategy and competitive positioning. You will assess the firm's "social capital" and provide recommendations that

would help your firm improve their position in a social network. Finally, you will evaluate the current organizational system against their projected needs and provide recommendations that will help them align their strategy, organizational design, policies and practices as they grow. The final report for this type of project should resemble a case that could be used in this class.

Option 2: Personal development.

Students who are conducting non-traditional job searches or who want to develop their leadership skills can use the course project as a vehicle to accomplish these goals. This option requires an individual rather than a group project and is best suited to students who are interested in an opportunity for self-reflection and personal growth. The detailed plans, expectations, and deliverables for this project will need to be negotiated and contracted early in the term and must include two explicit developmental exercises which you will experience, analyze, and write-up. In addition, one section of the final report must be a written analysis of your own social capital and your plans for further developing your professional network.

Deadlines and Deliverables

Due Date	Option 1: Studying an existing entrepreneurial firm	Option 2: Personal development
Part I (Mandatory) February 18	Firm Overview and References <i>(2-3 pages)</i>	Learning Objectives, Project Plan and Resources <i>(5-10 pages)</i>
Part II (Optional) March 10)	Strategic Analysis <i>(5-10 pages)</i>	Social Capital Analysis <i>(5-10 pages)</i>
Part III (Optional) April 5	Social Capital Analysis <i>(~1 page per founder and/ or top management team member)</i>	Developmental Experience <i>(5-10 pages)</i>
Part IV (Optional) April 26	Organizational Analysis & Recommendations <i>(7-15 pages)</i>	Developmental Experience <i>(5-10 pages)</i>
Final Report May 12	Final Report <i>(15-40 pages)</i>	Final Report <i>(15-40 pages)</i>

Class Participation

Because this is a case-based class, each student is required to be an active participant in case discussions. Your participation grade will reflect my assessment of your total contribution to the learning environment. This includes not only the frequency of your contributions in class, but also their quality. Quality, includes, among other things: (1) sound, rigorous, and insightful diagnosis (e.g. sharpening of key issues, depth and relevance of analysis); (2) ability to draw on course materials and your own experience productively; (3) ability to advance or sharpen in-class discussion and debate, willingness to take risky or unpopular points of view, use of logic, precision, and evidence in making arguments; (4) professionalism of your conduct (attendance, punctuality, preparedness, and showing respect to all section members and their class contributions). Unexcused absences and lack of preparation will be counted heavily against your grade.

Case Write-Ups

Some students may be more comfortable demonstrating their mastery of core course concepts in written rather than in oral form. To accommodate those students, there are two opportunities for students to submit written case analyses (no more than 5 pages long).

Case Write-Up 1:

Cypress Semiconductor (A): Vision, Values, and Killer Software, Stanford HR-8A

Due before class, Monday, March 1, 2004.

Case Write-Up 2:

Iggy's Bread of the World, HBS #801-282

Due before class, Monday, April 12, 2004.

Case write-ups are entirely optional and will be counted as extra credit towards class participation grades. The write-ups will be evaluated according to how well you have demonstrated your mastery of the course material. This includes the application of appropriate conceptual materials; the effective use of evidence to develop your arguments; explicit assumptions and clear logical inferences; and a coherent and integrated analysis and assessment. In addition the written work must be clear and well-organized. Case write-ups should be typed, with reasonable fonts and margins.

Course Schedule

Module 1: Setting Direction

Session 1: Introduction

*Cases: Erik Peterson (A) HBS # 494-005
Erik Peterson (B) HBS # 494-006 (to be distributed in class)*

Study Questions:

1. What are the problems facing Erik Peterson?
2. What are the underlying causes of these problems?
3. How effective has Peterson been in taking charge of the Hanover start-up?
4. What actions should he take now? Please be specific.

Session 2: Introduction

*Cases: (To be distributed in class)
Erik Peterson (C), HBS # 494-007
Erik Peterson (D), HBS # 494-008
Erik Peterson (E), HBS # 494-009
Richard Jenkins, HBS # 494-113*

Study Questions:

1. What is your assessment of the events described in the Erik Peterson (C), (D), and (E) cases?
2. What if anything, should Peterson have done differently?
3. Could you have succeeded in Erik Peterson's situation? Why or why not?
4. What should Peterson do next? Why?
5. What lessons, if any, do you take away from Peterson's experience?

Reading: "Managerial Problem Solving: A Congruence Approach," (chapter 4) in *Winning through Innovation* by Michael L. Tushman and Charles O'Reilly III, 1997, Harvard Business School Press.

Session 3: Entrepreneurial Networks

Case: Jerry Sanders, HBS # 498-021

Study Questions:

1. How effective has Jerry Sanders been?
2. Is San Francisco Science a viable business?

Reading: "What is Social Capital and Why Should You Care About It?" (Chapter 1) in *Achieving Success Through Social Capital* by Wayne Baker, 2001, Jossey-Bass.

Session 4: *Social Capital*
 Reading: “Evaluating Your Social Capital” (Chapter 2), “Building Entrepreneurial Networks.” (Chapter 3) and “Using Your Social Capital.” (Chapter 4) in *Achieving Success Through Social Capital* by Wayne Baker, 2001, Jossey-Bass.

Module 2: Building Organizational Capabilities

Session 5: *Employment Models in Entrepreneurial Companies*
 Reading: “Organizational Blueprints for Success in High-Tech Start-Ups: Lessons from the Stanford Project on Emerging Companies,” by James N. Baron and Michael T. Hannan, *California Management Review*, Fall 1991. 44(30):8-36.

Session 6: *Organizational Design: Alignment*
 Case: *Apple Computer (A) (Abridged): Corporate Strategy and Culture, HBS# 495-044*

Study Questions:

1. Is Apple an effective organization in 1990? Come to class with a rating on a five point scale [1 2 3 4 5] with 1=very ineffective and 5=highly effective
2. What is the nature of Apple’s competitive environment in 1990 and the challenges it faces?
3. What strategy should Apple adopt in 1990 to deal with its environment?
4. To what extent does Apple possess the organizational characteristics needed to compete? What changes are needed?
5. John Scully has been CEO of Apple since 1983. Has he done a good job in leading Apple? If yes, why; if no, what would you have done differently?

Reading: “The Role of the Founder in Creating Organizational Culture,” by Edgar H. Schein, *Organizational Dynamics*, Summer 1983.

Session 7: *Organizational Design: Managerial Systems I*
 Case: *Cypress Semiconductor (A): Vision, Values, and Killer Software, Stanford HR-8A*

Study Questions:

1. How would you describe T.J. Rodgers approach to achieving results?
2. Are his policies and practices at Cypress aligned with the strategy? Are they a source of competitive advantage? Why or why not?
3. How is the culture being developed and maintained? What are the specific mechanisms being used to manage the culture?
4. At the end of the case (in 1994), T.J. Rodgers is wondering whether he should make any changes. What are your recommendations?

Reading: “No Excuses Management,” by T.J. Rodgers, *Harvard Business Review*, July 1990, Reprint #90409

Session 8: *Organizational Design: Leadership & Culture*
 Case: *BlueFin Robotics, HBS# 802-005*

Study Questions:

1. TBA

Session 9: Organizational Design: Managerial Systems II
Case: Sun Microsystems: Realizing the Potential of Web Technologies, HBS #198-007

Study Questions:

1. We technology made its way into Sun in 1993 and eventually became the centerpiece of Sun's business strategy. What were the critical events that occurred between the first discovery and the company wide embrace of this new technology?
2. How effective was the technology adoption process?
3. What are the advantages and disadvantages of the way Sun manages itself?

Readings: "Building Better Bureaucracies," by Paul Adler, *Academy of Management Executive*, 1999, Vol. 13, No. 4.

Session 10: Organizational Design: Motivation
Case: The Soul of a New Machine

Study Questions:

4. Why are these people working so hard?
5. In what ways, if any, is Tom West contributing to his group's performance.
6. What theory of "human motivation" can you infer?

Session 11: Recruiting Executives
Case: Vermeer (A): A Company is Born, HBS #397-078
Vermeer (A-1), HBS #397-079 (to be distributed in class)

Study Questions:

1. What did Charles Ferguson do from late 1993 to January 1995 to build an enterprise that attracted an offer from a group of venture capital firms to invest \$4 million at a \$4 million pre-money valuation? As Charles Ferguson, would you agree to the proposed deal?
2. In January 1995, what are the major risks and opportunities that lie ahead for Vermeer? As Charles Ferguson, what would you do to seize the opportunities and mitigate the risks?
3. What are the characteristics of the ideal CEO for Vermeer in 1995? How well does Charles Ferguson meet those requirements?

Session 12: Recruitment and Selection
Case: Mark Pitts, HBS #801-414

Study Questions:

1. How well do Mark Pitts' credentials and accomplishments fit the Peoplestreet job description?
2. What do you learn from his resume?
3. What questions would you want to ask Mark in the interview in order to decide whether or not he is right for the job?

Readings: "Zero Defect Hiring," by Dr. Pierre Mornell, *Inc.*, March 1998.
 "The War for Talent," by Elizabeth G. Chambers, Mark Foulon, Helen Handfield-Jones, Steven M. Hankin, and Edward G. Michaels III, *The McKinsey Quarterly*, 1998, 3.

Session 13: Leadership, Rhetoric, and Persuasion
Case: Jan Carlzon, HBS #392-149

Study Questions:

1. Why was SAS having problems?

2. What did Carlzon do to address those problems? Of all of his actions, which were most important? Why?

Reading: "What Leaders Really Do" by John P. Kotter, *Harvard Business Review*, May/June 1990, Reprint #R0111F.

Session 14: *Leadership & Entrepreneurship*

Case: *SCORE! Educational Centers (A)*, HBS # 499-056
SCORE! Educational Centers (B), HBS # 499-057 (to be distributed in class)
SCORE! Educational Centers (C), HBS # 499-058 (to be distributed in class)

Study Questions:

1. How did Alan Tripp bring the SCORE! concept to life? Please assess the critical choices he made in building the company.
2. What are the challenges facing Tripp and SCORE! at the end of the case?
3. What should Alan Tripp do?

Reading: "Organizational Vision and Visionary Organizations," by James C. Collins and Jerry I. Porras, *California Management Review*, Fall 1991.

Session 15: *Professionalizing*

Case: *Iggy's Bread of the World*, HBS #801-282

Study Questions:

1. What actions do the Ivanovics take to create a unique culture at Iggy's?
2. What are the costs and benefits of this culture as the organization grows?
3. Which roles should the Ivanovics hand over to their professional management team? Which should they retain?
4. What should they do about Matthew McRae?

Session 16: *Managing Performance*

Case: *Wolfgang Keller at Konigsbrau-Hellas A.E. (A)*, HBS # 498-045

Study Questions:

1. What is your analysis of the situation facing Keller as he returns to Athens?
2. What is your assessment of Petrou's performance? Please be specific.
3. How effective has Keller been as a coach to Petrou? Why? Could you have done better? Why? How?
4. What are the underlying causes of his performance problems? What actions should Keller take upon returning to Athens? Be specific.
5. What are the implications for Keller's development as a leader?

Session 17: *Incentives and Rewards*

Case: *Cambridge Technology Partners (A)*, HBS # 496-005

Study Questions:

1. What are the top three issues which Sims must address now to create the CTP that he hopes to create by 1997?
2. What is the goal, the implementation plan, and the measurement process that Sims should put in place for each issue identified in (1) above?
3. How have the external environment, internal culture, and business strategy of CTP changed from 1990 to 1993 (post-Sims' arrival)? How do you expect these to change from 1993 to 1997?

4. How do CTP's processes and culture differentiate it from its competitors? Create value for its customers? Create value for its employees?
5. Assuming Sims is successful in transforming CTP, what new problems are likely to emerge? How would you deduct these problems? How would you, at least, lessen their impact?

Module 3: Sustaining Momentum

Session 18: Managing Change

Case: Meg Whitman at e-Bay Inc. (A), HBS # 401-024

Study Questions:

6. What have been the key success factors for eBay? What will they be in the future?
7. If you were Whitman, what would be your change objectives and time frame?
8. What would be your action plan?
9. What can we learn from this case about leadership in the “new economy?”

Reading: “Evolution and Revolution as Organizations Grow.” By Larry E. Greiner, *Harvard Business Review*, May/June 1998, Reprint # 98308.

Session 19: Managing Innovation

Case: IDEO

Reading: “Encourage Wild Ideas,” by Tia O’Brien, *Fast Company*, April 1996.
“Building an Innovation Factory,” by Andrew Hargadon and Robert I. Sutton, *Harvard Business Review*, May/June 2000.

Session 20: TBA

Session 21: Managing Growth & Innovation

Case: Roger Dowdell at American Power Conversion Corporation

Reading: TBA

Study Questions:

TBA

Session 22: Managing Growth

Case: Shouldice Hospital Limited, HBS # 683-068

Study Questions:

1. How do you account for the performance of this organization?
2. Specifically, what decisions would you make concerning a) the possible addition to the hospital of rooms for 45; b) the addition of a Saturday operating schedule to the clinic; c) the development of a new self-contained “branch” of Shouldice; and d) the development of a new specialty medical service? Why?

Session 23: Final Lecture

Summary of Class Sessions and Assignment Due Dates

MONDAY	WEDNESDAY
	February 4 (1) Erik Peterson (A & B)
February 9 (2) Erik Peterson (C, D, E) Richard Jenkins	February 11 (3) Jerry Sanders
February 16 No Class – Presidents Day	February 18 (4) Social Capital Project Part I Due
February 23 (5) Employment Models in Entrepreneurial Companies	February 25 (6) Apple Computer
March 1 (7) Cypress Semiconductor 1st Case Write-up Due	March 3 (8) BlueFin Robotics
March 8 (9) Sun Microsystems	March 10 (10) The Soul of a New Machine Project Part II (Optional Submission)
March 15 No Class – Sloan Innovation Period	March 17 No Class – Sloan Innovation Period
March 22 No Class – Spring Break	March 24 No Class -- Spring Break
March 29 (11) Vermeer	March 31 (12) Cambridge Incubator
April 5 (13) Jan Carlzon Project Part III (Optional Submission)	April 7 (14) SCORE!
April 12 (15) Iggy's Bread of the World 2nd Case Write-up Due	April 14 (16) Wolfgang Keller
April 19 No Class -- Patriot's Day	April 21 (17) Cambridge Technology Partners
April 26 (18) eBay Project Part IV Due	April 28 (19) IDEO
May 3 (20) [TBA]	May 5 (21) American Power Conversion Corporation
May 10 (22) Shouldice Hospital	May 12 (23) Final Class Final Project Due