

## STRAMGT 588: Leading Organizations

### COURSE OVERVIEW

This course studies principles for leading organizations and creating business value from the perspectives of a high-level executive. Topics include product development, business models and pricing, people management, time allocation, measurement and accountability, creative destruction, the development of new capabilities, and marketing.

### COURSE INFO

<b>Contact Info</b>	Steven Ballmer Please send communication to Steve's GSB assistant, <a href="mailto:karinal@stanford.edu">karinal@stanford.edu</a>
	Susan Athey Office: E311 <a href="mailto:athey@stanford.edu">athey@stanford.edu</a>
<b>Office Hours</b>	By appointment
<b>Faculty Assistant</b>	Karina Longinidis <a href="mailto:karinal@stanford.edu">karinal@stanford.edu</a>
<b>Teaching Assistant</b>	Molly Jean Kim <a href="mailto:mkim5@stanford.edu">mkim5@stanford.edu</a>
<b>Meeting Time</b>	Tuesday and Thursday 10:00 AM – 11:45 AM
<b>Meeting Location</b>	<a href="#">GSB Gunn 101</a>

### COURSE REQUIREMENTS

- I. Homework Assignments (20%)
- II. Class Participation (30%)
- III. Group Project (50%)

## I. HOMEWORK ASSIGNMENTS (20%)

You are asked to prepare homework assignments for the first eight sessions. You will typically need to think about an issue in advance of our class meeting and write up a **short** response to the specific questions posed. Brevity is strongly encouraged here, no one assignment is meant to take more than one hour to complete. You are encouraged to complete all of them, but you **must** complete **at least four** assignments on time (midnight the night before class) to receive full credit. Failure to submit at least three assignments on time will be sufficient grounds for receiving a failing grade. All assignments must be completed individually.

Homework assignments will be graded on a pass / fail basis.

A few students will be selected to give a short (3-4 minute) presentation of their work at the beginning of each class.

Assignments must be submitted to the online course site by midnight on the evening prior to class in order to receive credit. This is necessary so we may select students to present prior to the start of class and load the presentations onto the computer prior to class.

## II. CLASS PARTICIPATION (30%)

Students are expected to participate in class actively and constructively. Absence, tardiness, and lack of preparation will have a negative impact on your grade.

Participation will be graded on the following components:

- Class discussion
- In-class presentations of homework assignments
- Class attendance

**Class Discussion.** We will split our time in each class session as follows:

- ~20 minutes of student presentations of homework assignments (more on that below)
- ~40 minutes of “lecture” drawing on the experiences of the instructors
- ~45 minutes of Q&A and discussion

It is imperative that you are adequately prepared and engaged in class. The readings are intended as background; student preparation should consist of reviewing the readings and preparing to discuss the questions from the homework assignments.

In evaluating class participation, we will consider the following:

- Is the participant a good listener?
- Are the points that are made relevant to the discussion? Are they linked to comments of others?
- Do the comments show evidence of having completed assigned readings and homework assignments?

- Do they move the discussion forward by introducing new aspects or issues to consider, or do they restate points that have already been made?
- Do they demonstrate willingness to take risks and test new ideas, or are they “safe”?

Many of the issues we will discuss are controversial. The class instructors will not shy away from offering their view points and neither should you. Dissent is encouraged, just please be thoughtful and respectful as you express it.

**In-class presentation of homework assignments.** We will set aside the first 20 minutes of each class for a discussion of your homework assignments. 4-5 students will be invited to give a short (3 minute maximum) presentation of their work. We will always ask for volunteers first but anyone who has submitted an assignment for the given session could be asked to present. For the purposes of each presentation, we will project your homework submission.

- Your objective in these presentations will be to **be concise**. Try to summarize your key points in just a few sentences and let everyone else react.

**Class Attendance.** You are expected to attend every class. That said, we understand that other demands or illness may require you to miss a class. In that light, please be aware of the following:

- You are allowed one excused absence. Missing more than one class or having any unexcused absences is sufficient grounds for failing the course.
- To excuse your absence from class, please do the following:
  - Find out from a classmate what was covered in class.
  - Write a one-page summary of the main points in class and upload it to the online course site **prior to the beginning of next class**.
  - Note that if you arrive more than 10 minutes late to a class, you must follow the above instructions for the absence to be considered excused.
- Students with extraordinary circumstances who may need to miss more than one class should contact Professor Athey at [athey@stanford.edu](mailto:athey@stanford.edu) in advance.

In addition, please observe the following attendance policies:

- As a courtesy to your classmates, please arrive on time. Failure to arrive more than 10 minutes after the start of class will be considered an absence.
- Please use your name cards.

### **III. GROUP PROJECT (50%)**

For your final project, please pick a Fortune 500 company and analyze the way it has been managed over the last several years through the lens of 3 or 4 topics we have covered in class. You can pick the topics you find most pertinent. Use the “Questions to consider” and the assignments below as guidelines for specific questions worth addressing within each topic. Your deliverable is a 5-8 page paper, 1.5 spaced, font 12, 1” margins.

Note that this is a group project. You will need to form a group of 3-4 students by October 2<sup>nd</sup>. Details on the sign-up process will be distributed in class.

## COURSE OUTLINE

### September 23: Overview

#### Required reading:

1. *Microsoft's Drive to Dominate Software*, 1984, Sherman [Article]
2. *Microsoft's Future*, 1998, Hamm [Article]
3. *Microsoft: How it Became Stronger*, 2001, Greene [Article]
4. *Ballmer's Microsoft*, 2002, Greene [Article]
5. *Microsoft's Mid-life Crisis*, 2005, Murphy [Article]
6. *Microsoft Defends its Empire*, 2009, Burrows [Article]
7. [An Ode to Clippers Owner Steve Ballmer, Underrated Billionaire, 2014, Jon Fortt](#) [Web Article]
8. Microsoft Summary Financials and Headcount, 1985 – 2014 [Excel Spreadsheet]

#### Optional reading:

1. [The \\$100 Billion Friendship](#), 1999, Schlender, Ballmer, and Gates [Article]
2. *Can Anyone Stop Bill Gates*, 1991, Wiegner and Pitta [Article]
3. *Microsoft's Big Bet*, 2000, Greene [Article]
4. *Search and Destroy*, 2005, Vogelstein [Article]
5. *The Problem with Microsoft*, 2011, Rivlin [Article]

#### Questions to consider:

1. What were the critical success factors for Microsoft and what do they mean for the future?
2. What are risk factors for the business going forward?

#### Assignment:

What was fundamental to value creation at your pre-GSB employer?

### September 25: Ideas Matter

#### Required reading:

1. *Microsoft: Positioning the Tablet PC*, 2003, HBS Case Study [Case Study]
2. *Webvan*, 2005, GSB Case Study [Case Study]
3. *Webvan (B)*, 2007, GSB Case Study [Case Study]

#### Questions to consider:

1. Are winning businesses a function of a great idea or a great team?
2. Does capability lead to an idea or does an idea lead to capability?
3. Is a great idea born from thin air or is it a function of experience?
4. Is a great idea born close to its final form, or is it seeded and refined over time?
5. How retrospectively can we assess the power of an idea?

**Assignment:**

Pick any company with market capitalization greater than \$100 billion. Address the following questions about it:

- What was its big idea? Why was it big?
- Did the founders conceive it?
- When did the CEO / management realize it was big?
- When did the market realize it was big?

**September 30: People**

**Required reading:**

1. Microsoft mission statement (2013 10-K, page 3) [MSFT 10K]
2. Microsoft Core Values (Standards of Business Conduct, pp. 4-5) [MSFT Document]
3. Microsoft Company Meeting, 2000 [Video]
4. "Realizing Potential", Microsoft all-company memo, May, 2002 [Memo]
5. "Bullish About the Future", Microsoft all-company memo, April, 2000 [Memo]
6. "Compensation", Microsoft all-company memo, July, 2003 [Memo]

**Optional reading:**

1. Steve Ballmer, Company Meeting, 1997 [Video]
2. "Reinventing Microsoft", Microsoft all-company memo, March, 1999 [Memo]
3. "Today's European Court Decision", Microsoft all-company memo, March, 1999 [Memo]
4. "Changes and Opportunities – Bill Stepping Down", January, 2000 [Memo]
5. "Microsoft's Culture Today and Tomorrow", Microsoft all-company memo, June, 2001 [Memo]
6. "Settlement in the Antitrust Lawsuit", Microsoft all-company memo, November, 2001 [Memo]
7. "Managing Through Change – Layoffs", Microsoft all-company memo, July, 2009 [Memo]
8. "One Microsoft", Microsoft all-company memo, July, 2013 [Memo]

**Questions to consider:**

1. How do we tradeoff talent and intelligence versus collaboration and teamwork? How do we distinguish these tradeoffs based on role?
2. Do companies need missions and values?
3. Do high morale cultures stem from leadership, hiring, success or something else? Does morale lead performance or performance lead morale?
4. Do you believe in rating, ranking and benchmarking and forced attrition to maintain high performing organizations? In what ways can we really evaluate performance?
5. As an employee or employer, how do you think about compensation versus "intrinsic" rewards, increasing responsibility, role diversity and success against goals?
6. What makes for competitive compensation?

**Assignment:**

Consider the culture at your previous employer and address the following questions:

- How would you characterize it?
- What were the 2-3 key elements of “company life” that reinforced the culture?
- How did performance reviews – and the way they were conducted – fit in to culture?
- Did the professed values of the company seem authentic to you? Did it all hang together nicely?

Please write 3-4 simple slides on these questions and be prepared to discuss them in class.

**October 2: Making Money**

**Note:** You must join a group for your final project by this session. Please email [karinal@stanford.edu](mailto:karinal@stanford.edu) if you are having trouble with this.

**Required reading:**

1. Microsoft 2013 10-K [MSFT 10K]
2. Tech industry profit map [PowerPoint File]
3. Example of a simplified P&L statement [Excel Spreadsheet]

**Questions to consider:**

1. Does customer impact lead to financial success?
2. Is business model a fundamental part of product definition?
3. How much leverage and flexibility exists in thinking about pricing?
4. Is selling and advertising a fixed or variable cost and how does that affect packaging and pricing?
5. How does the shareholder dialogue around pricing differ from the customer dialog?

**Assignment:**

Prepare a very simple P&L model for the business of Apple, Facebook, Twitter, Amazon, or Google. Note – this is not a modeling exercise. Rather, it is an exercise in simplification. Your task is to extract and analyze only the most salient aspects of a business, so that your P&L is a useful guide to leaders trying to create value for the business. No model should have more than 10 rows, hopefully fewer.

How do you think the business you chose will fare over time?

### **October 7: Capabilities and New Tricks**

#### **Required reading:**

1. Microsoft company-wide memo on devices and services: Steve's [Memo]
2. Microsoft company-wide memo on devices and services: Satya's [Memo]
3. Apple (B) – University of Western Ontario Case Study, 2012 [Case Study]
4. "From Hand-Helds to Smart Phones – The Pioneers of Palm Inc." – Richard Ivey School of Business case study, 2011 [Case Study]
5. "Kodak and the Digital Revolution (A)" – HBS Case Study, 2005 [Case Study]

#### **Optional reading:**

1. "Investing in the Next Decade of Growth and Opportunity", Microsoft all-company memo, April, 2006 [Memo]
2. "Our Six Imperatives for Fiscal Year '08" ", Microsoft all-company memo, July, 2007 [Memo]
3. "Time for Change", Microsoft all-company memo, 2010 [Memo]
4. "Thoughts", Microsoft all-company memo, January, 2013 [Memo]

#### **Questions to consider:**

1. How do organizations build fundamental capabilities in product development and sales and marketing?
2. How do companies build new capabilities as their technical and business environment changes?
3. Do ideas precede capability or the other way around?
4. How do leaders "see the field"? How do they build language and capability to act?
5. Can organizations build capability in areas with established competition through new viewpoints?
6. Do companies that do not do new tricks with new capabilities die?

#### **Assignment:**

Pick a company that changed its direction materially over time. Or a company that tried to do so but failed. What happened? What should have happened?

### **October 9: Storytelling**

#### **Required reading:**

1. [Surface launch video](#) [Video]
2. [iPhone launch video](#) [Video]

#### **Optional reading:**

1. "We're All In on Cloud", Microsoft all-company memo (University of Washington), March, 2010 [Memo]
2. [Google+ Launch Blog Post with Videos](#) [Web Article]

**Questions to consider:**

1. Is a product's story part of product development or marketing?
2. What is the difference between storytelling and demand creation and sales and how do they change with modern technology?
3. How does a product tell its own story? How do leaders tell stories for their products and for their companies?
4. What is the role of market research, polling, and "big data" in storytelling?

**Assignment:**

Pick one of the following Microsoft products: Surface, Windows Phone, Bing, Xbox One. What is the story of the product? What *should* it be? Is the best-case story compelling?

**October 14: Accountability**

**Required reading:**

1. *Additional materials to be added*

**Optional reading:**

1. "Microsoft: Our Path Forward", Microsoft all-company memo, July, 2004 [Memo]
2. *Additional materials to be added*

**Questions to consider:**

1. For the leader, do goals get set by the Board or by the customers and the market?
2. How does one set and measure long term and short term results?
3. How do people best express and hold each other responsible for shared goals?
4. Does success look like hitting goals or outperforming others?
5. When is it OK to pass on a good opportunity? When is it OK to be unfocused?
6. How do leaders create accountability frameworks?

**Assignment:**

Write a review for Steve Ballmer for 2012 (still summarized in 3-4 slides). Use the same categories /criteria as the review from the reading. Try not to regurgitate views you can find in popular media, rather use your own judgment.

### October 16: Time

#### Required reading:

1. A.G. Lafley, "What Only the CEO Can Do", Harvard Business Review, May 2009 [Article]
2. Steve Ballmer's time tracking system, 2010 [Excel Spreadsheets]

#### Questions to consider:

1. How much do you think about your time allocations?
2. How deliberate have you been and can you be about using your time?
3. How deliberate must a leader be about spending his or her people's time?
4. How much time do we give initiatives to succeed or fail?
5. Can an organization that does not engage in new areas very early come later in time and succeed?

#### Assignment:

Profile your time pre-GSB, dividing it into 6-10 categories. Try to be thorough / scientific about it – go through your old calendar if you still have access to it. How deliberate were you about your time, and did the leaders who influenced priorities for work spend your time deliberately in your past employment? Then profile your time now – at the GSB. Finally, what is your desired time allocation post business school?

### October 19: Ultimate Rewards

**Note:** In lieu of the last class scheduled for Tuesday, October 21, we will get together for a **non-mandatory** meeting on *Sunday, October 19 at 4:30pm* in our regular classroom (G101). In this session, Steve Ballmer will offer some parting remarks on what he considers to be the ultimate rewards of a career in business. A reception will follow outside of Gunn in the Community Court, refreshments will be served. There are *no readings or assignments for this class*, however, there are a couple videos provided by Mr. Ballmer.

#### Optional videos:

1. Steve Ballmer, Final Company Meeting, 2013 [Video]
2. Steve Ballmer, Company Meeting, 2009 [Video]