



15.S10 EXECUTING STRATEGY IN VOLATILE MARKETS
MIT SLOAN SCHOOL OF MANAGEMENT
FALL 2015
TUESDAYS 2:30-5:30 IN E51-149

PRELIMINARY AND SUBJECT TO REVISION

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I. INTRODUCTION

A recent survey of more than 400 global CEOs revealed that excellence in execution was the number one challenge facing corporate leaders in Asia, Europe, and the Americas, topping a list of 84 issues including innovation, geopolitical instability, and top-line growth. These executives are right to worry about execution. Most companies struggle to translate their strategy into results. A survey of 125,000 respondents representing 1,000 organizations in over 50 countries found that nearly two-thirds of organizations struggled to execute their strategy.

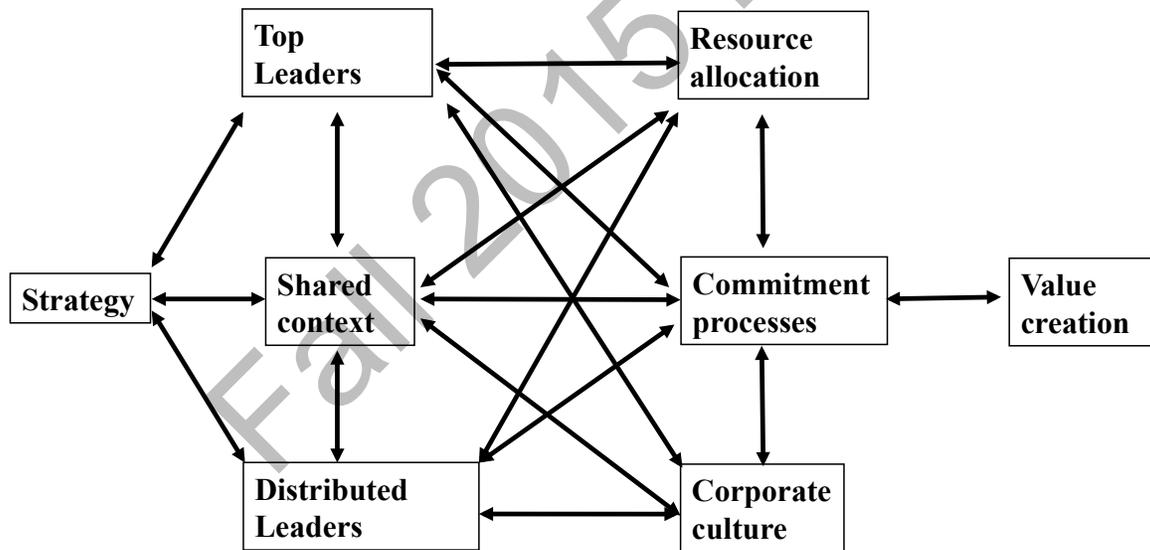
Strategy execution is important and difficult, so you might expect it to be a core concern in business schools. But that is not the case. By nearly any measure—number of academic articles published, managerial books in print, executive education or MBA courses—execution receives an order of magnitude less attention than strategy. This course is designed to help MIT Sloan students bridge the gap between strategy and execution by introducing a systematic framework—based on research and field-tested in organizations—to drive execution. It also introduces a set of practical tools to help execute strategy as managers, advisors, or entrepreneurs. We will have guest speakers in approximately half the class sessions.

The fundamental building block of the execution framework is performance commitments—the promises people make to one another to get things done. Employees make promises up and down the chain of command, across divisions or business units, and to external parties including customers and distributors. To understand execution, it helps to visualize an organization as an ever-shifting social network, where individuals are connected, not by friendship or information flows, but by commitments to get things done.

Execution consists of achieving an organization’s objectives by effectively managing the interconnected performance commitments that support the strategy. For simple organizations competing in stable markets, execution is relatively straightforward: Top executives formulate a strategy, communicate it down the hierarchy, and managers at every level negotiate performance commitments with their subordinates. When organizations are complex and markets volatile, execution is much more difficult. Employees must not only make and honor commitments to their boss, but also to colleagues in other units and to customers and partners whose demands shift over time. These commitments—hierarchical, cross-unit, and external—often tug in different directions, and managing these conflicting commitments is the central challenge in effective execution.

This course is organized around a comprehensive framework for managing the performance commitments required to execute strategy. The model begins with an organization’s strategy and ends with value creation. Six interconnected variables influence the commitments that determine whether a strategy creates value or not. The figure below summarizes the framework.

Executing Strategy in Volatile Markets Framework



The elements of the strategy execution model are defined and summarized below:

- *Strategy*. A firm’s strategy describes how it will create capture, and sustain economic value by raising customers’ willingness to pay and/or cutting costs. A clear strategy creates the framework for performance commitments.
- *Shared context* measures how well key leaders understand the strategy, interdependencies across units, and performance against strategic objectives.
- *Distributed leaders* occupy key positions throughout the organization and represent the central nodes in the network of performance commitments. Most distributed leaders will be middle managers running business units, functions, or

- regions, but this group may also include technical experts or thought leaders critical to executing strategy.
- *Commitment processes* are the formal systems to manage performance commitments up and down the hierarchy, across units, and with key business partners. Often take form of objectives and goals.
 - *Resource allocation* refers to the formal and informal processes to allocate the cash, people, and managerial attention required to deliver on performance commitments.
 - *Corporate culture*. To support execution, a corporate culture should recognize and reward employees who deliver on their performance commitments and exert peer pressure on those who fail to do what they promised.
 - *Top leaders* are responsible for ensuring that all the organization supports effective execution. They must commit to a credible strategy, ensure it is understood by distributed leaders, make difficult choices on resource allocation, and build the corporate culture.

II. COURSE OBJECTIVES

This course is designed for students who intend to work in general management positions in start-ups, large corporations, or not-for-profit organizations at some point in their career. The course will also be useful for students who plan to work as management consultants after graduation.

- Understand the challenges of executing strategy in complex organizations that compete in volatile markets.
- Use a systematic framework to identify the obstacles to executing strategy.
- Integrate insights from other Sloan courses, especially Competitive Strategy (15.900) and Organizational Processes (15.311).
- Learn practical tools (e.g., commitment-based management, simple rules. execution loop) that can enhance a firm's execution capacity.
- Reflect on your past experience, and use the frameworks and tools from the course to increase your effectiveness in leading execution.

III. GRADING AND REQUIREMENTS

This class can only be taken for a grade. The grading is divided as follows:

Class participation (individual)	25%
Pre-class surveys (individual)	5%
Two case preparation memos (team)	20%
Insight into action memo (individual)	20%
Final paper (team)	30%

Class participation (25%)

This course relies heavily on discussing, and learning, from case studies. We will spend a substantial portion of each class discussing the assigned case, an interactive process designed to surface multiple viewpoints, debate their pros and cons, and decide on a course of action. Given the cumulative nature of the course and the important role that classroom interaction plays, attendance is mandatory for every session. If you cannot attend a session, please notify me via email *before* the class commences.

Your class participation grade will be based on the pattern of contributions you make in our discussions over time, calibrated in the following manner.

- **Outstanding contributor:** Contributions in class reflect exceptional preparation. Ideas offered are always substantive, yield one or more major insights, and provide direction to the class discussion. Arguments are well-substantiated and persuasively presented. If this person were not a class member, the quality of discussion would diminish significantly.
- **Good Contributor:** Contributions reflect thorough preparation. Ideas are usually substantive, provide good insights into the topic under discussion, and sometimes provide direction for the class. Arguments reflect clear thinking. If this person were not a member of the class, the quality of discussion would be diminished.
- **Adequate Contributor:** Contributions in class reflect satisfactory preparation. Ideas are sometimes substantive, provide generally useful insights, but seldom offer a new direction for the discussion. Arguments are fairly well-substantiated and sometimes compelling.
- **Unsatisfactory Contributor:** Contributions in class reflect inadequate preparation. Ideas offered are seldom substantive, are often off-point, provide few (if any) insights, and give no constructive direction to the class. Clear arguments on the topic at hand and/or integrative comments are absent.
- **Non-participant:** The person has said little or nothing in this class. Therefore, there is not an adequate basis for evaluation. If this person were not a member of the class, the quality of discussion would not be changed.

Pre-Class Surveys (5%)

For most classes, a brief pre-class survey will be distributed through Stellar a few days prior to the class session. Survey responses are required, and should demonstrate familiarity with readings and case materials. Each student is responsible for answering each survey question. **The survey responses must be submitted by 11:00 pm the Monday night before class.**

Two case preparation memos (20%)

Twice during the course, students must submit a two-page memorandum of analysis and recommendations for a case study. These memos are a team assignment, and can be completed in teams of up to four members. Each memorandum should be typed and

double-spaced, 12 point font with one-inch margins. The two-page limit is for text only. You may attach as many numerical calculations or diagrams as you wish. Each memo will be graded on a five-point scale and will count for 10% of your grade. These memos are a team assignment, and can be completed in teams of four members. Each team should include at least one MBA and one Sloan Fellow . More detailed guidelines for the memos will be available on Stellar. **Memos must be uploaded to Stellar in the homework folder by 5:00 PM of the Monday before class.** You may write case preparation memos for the following case studies:

- Tesla Motors (due September 21)
- Baker & McKenzie (due September 28)
- Canadian Compression Corporation (Due October 5)
- BetterWorks (due October 26)
- Henkel (due November 2)
- Silvio Napoli at Schindler India (due November 16)

Insight into action memo (20%)

Students must submit one three-page memorandum reflecting on an experience in your professional career, related to strategy execution, that did not go as well as it could have. In this memo, you should also discuss how you could use one of the frameworks introduced in the course to manage similar situations more effectively in the future. This memo is an individual assignment. Each memorandum should be typed and double-spaced, 12 point font with one-inch margins. The three-page limit is for text only. Each memo will be graded on a five-point scale and will count for 10% of your grade. More detailed guidelines for the memos will be available on Stellar. **Insight into action memos are due the week after we discuss the framework or tool and must be uploaded to Stellar in the homework folder by 5:00 PM of the due date listed below.** You may write insight into action memos based on the following conceptual articles:

- Sull and Eisenhardt, *Simple Rules* chapters (due October 12)
- Sull, “Closing the gap between strategy and execution” (due December 1)

Final Paper: Gates Foundation case write up (40%)

A final paper is due **Sunday, December 6 (5 PM)**. The paper should be no more than ten pages of text, typed and double-spaced, 12 point font with one-inch margins. The ten-page limit is for text only. In the final paper, you will work in your teams to analyze the Gates Foundation case study and provide recommendations on how they Trevor Mundel and his team can better execute their strategy. Selected students may be asked to present their recommendations in class to Trevor and members of his management team.

IV. OFFICE HOURS

I will not hold scheduled office hours, but am available to discuss the course content and assignments. Please contact Kelly Basner (kbasner@mit.edu) to set up a time.

V. SCHEDULE OF SESSIONS AND READINGS

We will meet Tuesdays from 14:30 to 17:30 in E51-149.

Course Overview		
Date	Topic	Case studies and readings
Sep 15	Introduction: What strategy execution is (and isn't)	<ul style="list-style-type: none"> • <i>Brahma versus Antarctica</i> case study • Sull et al., "Why strategy execution unravels, and what to do about it," <i>Harvard Business Review</i> • Sull and Spinosa, "Promise-based management: The essence of execution"
Sep 22	Strategy for execution	<ul style="list-style-type: none"> • <i>Tesla Motors</i> • Rumelt, "The perils of bad strategy"
Sep 29	Building shared context	<ul style="list-style-type: none"> • <i>Baker & McKenzie</i> • Yeaney, "Democratizing the corporate strategy process at Red Hat" • Speaker: Jackie Yeaney, EVP Strategy, Red Hat
Oct 6	Simple Rules	<ul style="list-style-type: none"> • <i>Canadian Compression Company</i> case • Sull and Eisenhardt, <i>Simple Rules</i>, Intro and chapter 1 • Guest: Paolo Kalaw, CEO Frontier Dental (tbc)
Oct 13	Columbus Day. No class	
Oct 20	SIP Week. No class.	
Oct 27	Goals 3.0	<ul style="list-style-type: none"> • <i>BetterWorks</i> case • Sull et al., "Goals 3.0" • Speaker: Kris Duggan, Founder/CEO, BetterWorks
Nov 3	Building an execution culture	<ul style="list-style-type: none"> • <i>Henkel: Building a winning culture</i> • Jackall, "Moral Mazes"
Nov 10	Veterans Day. No class.	
Nov 17	Leading execution from the middle	<ul style="list-style-type: none"> • <i>Silvio Napoli at Schindler India</i> • Huy, "In praise of middle managers"
Nov 24	The execution loop	<ul style="list-style-type: none"> • Sull, "Closing the gap between strategy and execution"
Dec 1	Flawless Execution: Lessons from the military	<ul style="list-style-type: none"> • Murphy, <i>Courage to Execute</i>, Introduction • Speaker: Jim Murphy, Founder & CEO, Afterburner
Dec 8	Pulling it all together	<ul style="list-style-type: none"> • <i>Bill and Melinda Gates Foundation Global Health</i> case • Speaker: Trevor Mundel, president of the Bill and Melinda Gates Foundation Global Health Division

September 15th *What strategy execution is (and isn't)*

Readings

- *Brahma versus Antarctica: Reversal of Fortune in Brazil's Beer Market*, London Business School case CS04-015. (Please note the Brahma case exhibits are available as a spread sheet).
- Donald Sull, Rebecca Homkes, and Charles Sull, 2015, "Why strategy execution unravels—and what to do about it" *Harvard Business Review*
- Donald Sull and Charles Spinosa, 2007, "Promise-based management: The essence of execution, *Harvard Business Review*

September 22nd *Strategy for execution*

Readings

- *Tesla Motors*, Harvard Business School Case 714-413,
- Richard Rumelt, 2011, "The perils of bad strategy," *McKinsey Quarterly*

September 29th *Building shared context*

Readings

- *Baker & McKenzie: Executing strategy at the world's largest law firm*, London Business School case study. (Will be distributed in class on September 22nd)
- Jackie Yeane, 2011, "Democratizing the corporate strategy process at Red Hat" (Available on Stellar)

Guest: Jackie Yeane, EVP Strategy and Marketing, Red Hat

October 6th *Simple rules*

Readings

- *Canadian Compression Company*, London Business School case study. (Available on Stellar)
- Donald Sull and Kathleen Eisenhardt, 2015, *Simple Rules*, chapters 1, 5.

Guest: Paolo Kalaw, CEO, Frontier Dental

October 13th Columbus Day. No class

October 20th SIP Week. No class

October 27th Goals 3.0

Readings

- *BetterWorks* (A), MIT Sloan case study
- Donald Sull, Kris Duggan, and Charles Sull, “Goals 3.0,” *MIT Sloan Working Paper*.

Guest: Kris Duggan, Founder and CEO, BetterWorks

November 3rd Building an execution culture

Readings

- *Henkel: Building a winning culture*, Harvard Business School case study.
- Robert Jackall, 1983, “Moral Mazes: Bureaucracy and Managerial Work,” *Harvard Business Review*

November 10 Veterans Day. No class.

November 17th Leading from the middle

Readings

- *Silvio Napoli at Schindler India*, Harvard Business School case study
- Quy Nguyen Huy, 2001, “In praise of middle managers,” *Harvard Business Review*, September

November 24th The execution loop

Readings

- Donald Sull, 2007, “Closing the gap between strategy and execution,” *Sloan Management Review*

December 1st Flawless Execution: Lessons from the Military

Readings

- James Murphy, *Courage to Execute*, (New York: Wiley), “Chapter 1. The Military Response to a Complex World.”

Guest: Jim Murphy, Founder and CEO, Afterburner Inc.

December 8th Pulling it all together

Readings

- *Bill and Melinda Gates Foundation Global Health Division*, MIT Sloan case study

Guest: Trevor Mundel, President, Gates Foundation Global Health Division

Fall 2015 Draft