

The Wharton School  
*UNIVERSITY OF PENNSYLVANIA*  
Department of Operations and Information Management

**Syllabus for OPIM 667**

**Strategic Business Transformation**

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Fall 2002 — Quarter 2  
Class Sessions: M, W 12:00-1:30  
Office Hours: M 10:30-11:30 / W 2:00-2:45

Changes in information availability have affected nearly all aspects of business strategy. Customers know more than ever before about the marketplace, about goods and services on offer, and about pricing. This places enormous pressure on suppliers of commodity products to compete with the lowest possible prices; it simultaneously creates business opportunities for those firms that are available to exploit new market niches with accurate and rapid targeting. Buyers and suppliers can coordinate more closely than they have at any time in the past, which creates new opportunities for strategic sourcing while placing new pressures on the vertically integrated firm. The performance of business units can be monitored more closely than was possible before, allowing for more accurate rewarding of performance and enabling more decentralization; alternatively, information can be sent up the organizational hierarchy, allowing for more central planning, coordination, and control. Taken together, these suggest that the organization's strategies for pricing, product design, and sourcing, and that businesses will need to be redesigned and the locus of control for strategic decisions will need to be rethought, around the changes in information endowment to support these changes in strategy.

Significantly, while technology may provide the firm with nearly perfect information on the market, the firm itself is at best an imperfect instrument for the execution of strategy. Thus, while it will be essential to change the strategy of the firm and change its structure to support new strategies, this will not be sufficient. We will also need to understand how to execute strategies and lead businesses through the critical transformations that lie ahead.

This course is a natural continuation of OPIM 666. It is intended to enable students to build on their preparation in information-based strategy, and to extend it into the domain of strategy-driven business transformation. This is essential preparation for a career in strategy, either as an external consultant or as a senior officer of the firm.

### **Required Text**

There will be a bulk pack of readings available from Wharton Reprographics but no required text. The bulk pack will be far shorter than the pack for 666.

### **Formation of Learning Teams**

All assignments in the course will be group assignments. Moreover, some assignments will entail working on a specific problem selected from personal experience, or on a topic selected from an industry of interest. Therefore, students are urged to form teams early in the course, and to form teams based on compatible schedules, similarity of interests, and ability to work together.

### **Course Requirements**

There will be several in-class case discussions in the course. In addition, several will require written analysis and preparation of students' findings.

### **Student Bios**

Please send a word file containing a short biographical sketch, not a full resume, via email, to [clemons@wharton.upenn.edu](mailto:clemons@wharton.upenn.edu). Please title your attached file **667\_I\_NAME.doc**, where **I** is your first initial, and **NAME** is your last name; do not name the file resume.doc, or 667.bio, or I will never be able to locate it among the large number of files in my attachments folder. Please answer the following questions:

- your undergraduate field of study and the school you attended
- your expected major at Wharton
- your experiences relevant to the topics of this course
- your reasons for taking this course and what you hope to get out of it

## Course Outline and Readings

### Unit 1 — Introduction

Oct 23 W **Introduction and course overview**

*What is business transformation and how often do industries indeed get transformed? What is driving the current round of business transformation and what are the principal forms of transformation we can expect this time? How will this affect organizational architecture, the nature of competition, and the nature of leadership? What are the relationships among strategy, structure, and execution?*

### Unit 2 — Execution

28 M **Introduction to maneuver warfare (1): the guiding principles of modern maneuver warfare and their use in business strategy and competition.**

*Positional warfare, trench warfare, and war of attrition contrasted with maneuver warfare and skill-based competition. Recent military tradition of maneuver warfare, from Guderian and Boyd to current Marine Corps doctrine. Role of information in support of all aspects of maneuver warfare, from targeting focus to coordinating decentralized command and combined arms.*

\* **Reading:** Clemons and Santamaria, *Maneuver Warfare*, HBR  
**Speakers:** Jason Santamaria and Vince Martino

30 W **Introduction to maneuver warfare (2): performing as a leader in a distributed, information-rich, and rapidly changing competitive environment**

*Decentralized decision making and distributed control. Information, adaptation, and “emergent behavior” in place of command, control, and divergent behavior. Shared values, cross-trained teams, integrity, and followership.*

\* **Reading:** Katzenbach and Santamaria, *Firing up the Front Line*, HBR

\* **Written analysis of personal “maneuver warfare” experience**  
**Speaker:** Col Tulaney, US Marine Corps

Nov 4 M **Introduction to maneuver warfare (3): complex and interlocking application of combined arms, focus, and recon pull and the overarching role of information**

*Discussion of two or three examples of well integrated application of maneuver warfare principles in commercial practice.*

\* **Reading:** Clemons, Santamaria, and Martino, *Overwhelming Results*, Chapter 1, *The Arab-Israeli War of 1967*

**Speakers:** Jason Santamaria and Vince Martino

6 W **Diagnosing Resistance to Organizational Change**

*Diagnosing resistance, and surviving suggesting the right strategies, by designing interventions for successful implementation of eCommerce.*

\* **Reading:** Clemons and Blecherman

\* **Reading:** Tushman et al., *Convergence and Upheaval*

\* **Written analysis of resistance to change experience**

### Unit 3 — Strategy

- 11 M **Scenario Workshop Part (1) — Defining the problem**  
*Structuring the scenarios by determining the key uncertainties and environmental factors in a problem of current significance, such as the implications of the internet on the political stability and economic growth of China, its future role as an economic powerhouse, and the prospects for transition to participatory democracy.*  
\* **Reading: Clemons, Managing Reengineering Risks**  
\* **Reading: Wack, Scenario Process (Parts 1 & 2)**
- 13 W **Focus and targeting (2) and hyper-differentiation: the new economy of delight and the critical role of information endowment to the creation of producers' design strategies and consumers' purchase decisions**  
*Role of information in determining what to offer consumers. Role of information in communicating offerings to consumers. Role of information in destroying profits in price-based competition, and role of information in increasing profits from hyper-differentiated delight-based offerings.*  
\* **Reading: Clemons, Gu, and Spitler, Hyper-Differentiation Strategies**  
\* **Reading: Clemons, Victory Beer**
- 18 M **Scenario Workshop Part (2) — exploring the strategies**  
*Development of detailed descriptions, contingent strategies, and leading indicators for invoking these strategies in a timely fashion.*  
\* **Written analysis of scenarios**
- 20 W **OPTIONAL CLASS**  
**Scenario Workshop Part (3) — running the workshop, using the results**  
*Continued discussion of scenarios and implementation of results, including monitoring leading indicators and planning for contingent strategies. Additionally, details of running the workshops themselves: Logistics, planning, and dealing with problems and conflicts that arise during the session. Identifying leading indicators, leaving the results in a fashion that can readily be invoked when needed.*
- 25 M **Continuation of focus and targeting and hyper-differentiation: the new economy of delight**  
\* **Group research and study — how hyper-differentiation strategies have been employed in various industries with or without success**

**Unit 4 — Structure**

**27 W Organizational architecture defined and explained. The changing role of information, the changing structure of the global firm**

*Organizational architecture as the interaction of allocation of decision rights, design of monitoring systems, design of incentives, and flows of information. Alternative designs and their tradeoffs. Relationships among structure, strategy, and leadership and execution. Application of organizational architecture principles to the design of the truly international firm, and design changes resulting from changes in information availability.*

\* **Reading: To be determined**

**Dec 2 M Introduction to organizational architecture: The Law of the Wallet and the Redesign of the Sales Organization**

*“You tell me your incentive systems and how you actually pay your employees, and I will tell you what they actually do when you are not actually watching!”  
Better information, better monitoring, better incentives, and better performance.*

\* **Written Mini-Case analysis — Transforming the Sales Function**

**4 W Channel Conflict Case**

*How can channels be designed to take advantage of new distribution alternatives without offending currently essential channel partners? How has technology altered the balance of power among channel participants? How can incentives be designed to facilitate transition to new channel structures? How will this play out in the market for pure information goods and services, such as music or news reporting?*

\* **Reading: To be determined**

**Speaker: To be determined**

**9 M New Case — Integrative Example — Business Process outsourcing**

*Relating business process outsourcing to the two dimensions of organizational architecture, location of property rights and location of decision rights. Understanding the interplay between decision rights and quality of decisions; understanding the interplay between property rights and risks associated with decisions. Understanding the role of information in determining allocation of decision rights.*

\* **Written Case analysis of design of off-shore business processing centers: incentives, management, and ownership; case to be provided later**