

*The Executive Process:
Business administration, process, change and contemporary issues*

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Course subject and objectives

The subject of this course is the what, why and how of the application of the various instruments and processes (for business administration) a general manager may deploy to achieve his objectives respectively those of the firm or institution. In addition to the tools dealt with in other courses, corporate finance, financial accounting, HRM, corporate strategy, information systems etc., business administration as a field of study and practice comprises an additional number of issues a general manager should be aware of. A first aspect is what different types of roles (a) may be effective in different situations; (b) may be attributed in different cultures, be they ethnical or functional, to the general manager. These roles may differ by style of leadership, by style of decision making, and by the nature of professionalism. Often requirements, claims and attributions to managers and executives are conflicting and the effectiveness of a general manager and executive to a large extent depends on his or her ability to manage these conflicts.

A second aspect of general management is that no effective management nor a successful firm exists without change (adaptability). The ability to define and to execute needed change is an inalienable capacity of the general manager. To see the proper kind of required changes, to

define its timing, and to lead change, requires to be able to see the different types of changes (technological, economic, finance, sociological, psychological, political) in the environment and in the internal organization, to understand their mutual influences and to translate this in decisions and actions.

The subject as described borrows from the CCMO-course of Harvard Business School, the psychology of decision making, and modern insights in managerial economics and the modern (economic) theory of the firm. In this way it approaches the issue of leadership in administration in a more analytic and academic way, providing the students a proper framework to define their personal position with respect to their path of development towards leadership. However, last years the Harvard CCMO-course has taken a turn to (financial) incentives in a way that is questionable, especially with respect to the debate evoked by the role of incentives in the recent financial and economic crisis.

The objective of this course is to provide students a conceptual and analytic framework to understand the tasks and role of business administration in an integrating way, the roles of CEO and the general manager in a changing context, to provide them with a basis for being an effective general manager. It will help students to deal with new developments like the platform organization, exploitation of content, the shift in the locus of value creation, the emergence of the network industry.

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Learning Outcomes:

The student will have developed an overview of the tasks, responsibilities, and the context of the CEO, and will have developed a first appreciation (next levels of appreciation are to be developed through practical personal experience) how to integrate the various disciplines and functions as relevant for the executive.

Course Topics

- The core tasks of the executive board
- Models of man, motivation and incentives
- Knowledge, control, decision rights
- Styles of decision making, judgment in managerial decision making
- The issue of to be in-control
- The changing nature of the firm
- New approaches for organization design
- Performance management and control
- Management of change
- The changing context of the executive: visible hand or vanishing hand?

Relation to other courses

This course aims at providing the student with a conceptual framework to integrate the subjects of all other courses from the MBA-program in the situation of actual decision making. This course supposes a mastering of all those other courses.

Teaching Method / class set-up

Classes are meant to debate the various issues of the function of the executive.

Cases: Based on students evaluations student involvement in case discussion seems to be better when each case listed below is prepared by a small team of students, and presented including issues to be discussed, opinions etc. Students are required to organize themselves in teams and make a schedule which team will prepare & present which case in which lecture.

Materials

See the detailed course outline, material except for books, will be placed on the Blackboard, this includes a handout (Lectures Notes) for each session.

Books:

1. Bazerman, M. H., & Moore, D. A. 2009. *Judgment in managerial decision making* (7th ed.). Hoboken, NJ: John Wiley & Sons.
2. Pfeffer, J., & Sutton, R. I. (2006). *Hard Facts, Dangerous Half-Truths, and Total Nonsense: Profiting from Evidence-Based Management*. Boston, MA: Harvard Business School Press.

Optional reading: 2001. *Harvard business review on decision making*. Boston: Harvard Business School Press.

Study Load

Credits: 4 EC

Sessions are three hours per week. Students should prepare to spend 20 hours on reading, preparing a case presentation and writing a paper.

Grading

The grade will be based on class participation (15%), quality of team preparation, presentation and discussion of cases in class (15%) and on the quality of the take-home assignment (writing a paper) (70%).

Contact

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Detailed Course outline

Lecture 1: *The core tasks of the executive board, coordination and value creation, dilemmas*

Case for class discussion: James Austin & James Quinn (2007) *Ben & Jerry's: Preserving Mission and Brand within Unilever*; HBS-case 9-306-037;

Background reading

Cadbury, A. (1995). *The Company Chairman* (2nd ed.). Hertfordshire: Director Books.

Carter, C. B., & Lorsch, J. W. 2004. *Back to the Drawing Board: Designing Corporate Boards for a Complex World*. Boston, Mass.: Harvard Business School Press.

Collins, J. (2001). *Good to Great: Why Some Companies Make the Leap ... and Others Don't*. London: Random House Business Books.

Fayol, H. (1918/1999). *Administration Industrielle et Générale*. Paris: Dunod.

Sloan, A. P. (1962/1986). *My Years with General Motors*. Hammondsorth: Penguin Books.

Stiles, P., & Taylor, B. (2001). *Boards at Work: How Directors View their Roles and Responsibilities*. Oxford: Oxford University Press.

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Lecture 2: *Alternative models of man, on human behavior, the role of identity, commitment, changes in self-image and consequences for organizing and managing*

B:5 P:4

Case for class discussion: Boris Groysberg & Robin Abrahams (2008) *Duane Morris: Balancing Growth and Culture at a Law Firm*. Case HBS 9-407-025.

Background reading

Michael C. Jensen and William H. Meckling, "The Nature of Man," *Journal of Applied Corporate Finance* (Summer 1994), pp. 4-19. Available in electronic form from Social Science Research Network Electronic Library at http://papers.ssrn.com/sol3/paper.taf?ABSTRACT_ID=5471

Michael C. Jensen, "Self-Interest, Altruism, Incentives, and Agency Theory," *Journal of Applied Corporate Finance*, Summer 1994, pp. 40-45. Available in electronic form from Social Science Research Network Electronic Library at http://papers.ssrn.com/sol3/paper.taf?ABSTRACT_ID=5566

Sennett, R. (2001). "Street and Office: Two Sources of Identity". In W. Hutton & A. Giddens (Eds.), *On the Edge: Living with Global Capitalism*. London: Vintage.
Haslam, S. A. (2004). *Psychology in Organizations: The Social Identity Approach* (2nd ed.). London: SAGE publications.

Lecture 3: *Performance management and control, incentives, organizational behavior, unintended consequences, counter movements, relation with organization culture and to be in-control*

Case for class discussion: Richard M.J. Bohmer & Alexander C. Romney (2009) *Performance Management at Intermountain Healthcare* – HBS [9-609-103](#) www.ecch.com

B:4, P 1&2

Background reading

Jensen, M. C. (1998). *Foundations of organizational strategy*. Cambridge, Mass.;; Harvard University Press. Part III *Compensation*
March, J. G. 1994. *A Primer on Decision Making: How Decisions Happen*. New York: The Free Press.

Lecture 4: *The difference between styles of management and styles of decision making, the process of decision making, politics in the organization, goal congruence, and dilemma's for management*

Case for class discussion: Ranjay Gulati (2009) *Cisco Business Councils: Unifying a Functional Enterprise with an Internal Governance System* – HBS case 5-409-602;

Background reading

B: 1-3; P:3

Vroom, V. H., & Yetton, P. W. (1973). *Leadership and Decision Making*. Pittsburg PA: University of Pittsburg Press.
HBR (Ed.). 2001. Harvard Business Review on Decision Making. Boston, Mass.: Harvard Business School Press.
Simons, R. (2005). *Levers of Organization Design: How Managers Use Accountability Systems for Greater Performance And Commitment*. Boston, Mass.: Harvard Business School Press.

Lecture 5: *The issue of control, the basis of control, the role and implication of specific knowledge, the issue of co-locating knowledge and decision making, hybrid organizations*

Case for class discussion: J. Strikwerda (2008) *IBM Benelux as an example of a product/customer/channel/geography orchestrated organization [multidimensional organization]*

P:8

Background reading

Strikwerda, J., & Stoelhorst, J. W. (2009). The Emergence and Evolution of the Multidimensional Organization. *California Management Review*, 51(4), 11-31.

Michael C. Jensen, “The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems,” *Journal of Finance*, July 1993, pp. 831-880.. Available in electronic form from Social Science Research Network Electronic Library at

http://papers.ssrn.com/paper.taf?abstract_id=93988

Jensen, M. C. a. M., William H., “Specific and General Knowledge and Organizational Structure”. Michael C. Jensen, *Foundations of Organizational Strategy*, Harvard University Press, 1998; Journal Of Applied Corporate Finance, Vol. 8, No. 2, Summer 1995 Available at SSRN:

<http://ssrn.com/abstract=6658> or DOI: 10.2139/ssrn.6658

Wruck, K. H. a. J., Michael C., “Science, Specific Knowledge and Total Quality Management” (July 1994). Harvard Business School Working Paper No 94-003. Available at SSRN:

<http://ssrn.com/abstract=47731> or DOI: 10.2139/ssrn.47731

Lecture 6: *The Problem of Adaptation.* New approaches for organization design, the new economic approach of the organization of the firm, organizational architecture related to the architecture of the value proposition, the concept of the modular organization, its relation with outsourcing, finance and the real option theory

Case for class discussion: Rosabeth Moss Kanter & Matthew Bird (2009) *Procter & Gamble in the 21st Century: Becoming Truly Global*; HBS-case no. 9-309-030;

Background reading

Pf:7

Brickley, J. A., Smith, C. W., & Zimmerman, J. L. (2001). *Managerial Economics and Organizational Architecture* (second ed.). Boston: McGraw-Hill.

Simons, R. 2005. *Levers of Organization Design: How Managers Use Accountability Systems for Greater Performance And Commitment*. Boston, Mass.: Harvard Business School Press.

Prencipe, A., Davies, A., & Hobday, M. (Eds.). (2003). *The Business of Systems Integration*. Oxford: Oxford University Press.

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Lecture 7: *The resource allocation process, strategy execution*

Case for class discussion: Jordan Siegel (2008) *Global Talent Management at Novartis* – HBS case 9-708-486;

B:6 ; P:6

Background reading

Bower, J. L., & Gilbert, C. G. (Eds.). (2005). *From Resource Allocation to Strategy*. Oxford: Oxford University Press.

Davenport, T. H., & Harris, J. G. (2007). *Competing on Analytics: The New Science of Winning*. Boston, Mass.: Harvard Business School Press.

Kaplan, R. S., & Norton, D. P. (2004). *Strategy Maps: Converting Intangible Assets into Tangible Outcomes*. Boston, Mass.: Harvard Business School Press.

Kaplan, R. S., & Norton, D. P. (2008). *The execution premium: Linking strategy to operations for competitive advantage*. Boston, Mass.: Harvard Business Press.

Lecture 8: *The changing nature of the firm, the shift from the institutional firm to the firm as nexus of contracts, the disparity between the economic system of the firms and its legal boundaries, consequences for systems, structures, processes, corporate governance and corporate finance*

Case for class discussion: Ali Farhoomand (2007) *Dell: Selling Directly, Globally* – case HKU682 (HBS)

Background reading

Zingales, L. (2000). *In Search of new Foundations*. Retrieved August, 3, 2000, from http://papers.ssrn.com/paper.taf?abstract_id=228472

Rajan, R. G., & Zingales, L. (2000). *The governance of the new enterprise*. Cambridge MA: National Bureau of Economic Research. www.ssrn.com

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