



MAN 337 STRATEGIC INNOVATION AND CHANGE
Spring 2013

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Meeting time and place: Tuesday and Thursday, 12:30 - 2:00 UTC 1.144

Office hours: Tuesday and Thursday, 2:00-3:30 or by appointment; Office: CBA 4.244

PURPOSE OF COURSE

In June 2006, *Business Week* observed that “making innovation work is the single most important business issue of our era.” In fact, innovation has always been a critical component of leadership, and the key to the survival and growth of organizations. The goal of the course is to provide you with a broad perspective on innovation and to increase your effectiveness and skills in analyzing, managing, and understanding issues related to strategy and innovation.

This is **an advanced management course** designed to **develop your analytical and creative thinking in combination; and to provide you with skills to search for and develop creative strategically viable solutions.** Such solutions are integral to the management of dynamic, rapidly growing organizations, as well for organizations competing in environments where change and innovation are key drivers of competitive success. As innovation requires the creative synthesis of several functional areas, the course integrates perspectives from the psychology of creative thinking, strategic management, organizational design and management. The course is designed for the strategist and the general manager - no technical background is assumed. Although we will cover some technologies and you will have an opportunity to learn about technologies of your choice as part of the required course work, the course does not focus on either specific technologies, or on the management of technological innovation. Instead, the course provides a broad, integrated perspective on innovative thinking, innovative strategies, and innovative processes in a wide spectrum of organizations.

The goal of the course is not prepare you for careers in innovation management but for developing creative approaches to a wide class of strategic problems. As such, the course can benefit virtually all students. The recent trend in the corporate world toward flatter, less hierarchical organizations has resulted in strategy being formulated at ever lower hierarchical levels, and innovative strategies emerging from all corners of organizations. Accordingly, even non-executives are likely to make decisions and initiate actions that have significant strategic implications. Many entry-level positions require employees’ involvement in projects initiated to elicit innovative and creative ideas to improve the functioning of the organization as a whole. Similarly, functional specialists need to understand how their own areas contribute to the

strategic change and innovation in their organizations and can benefit considerably from understanding the challenges of developing innovative strategic solutions. Therefore, it is increasingly important that university graduates acquire analytical, communication, and action skills that enable them to contribute to the innovation and growth goals of corporations.

COURSE OVERVIEW

This course is about strategic innovation, which is about the discovery and creation of new sources of value and about changing the rules of the game. It is therefore not limited to technological innovation but is based on systematic understanding of the sources of value creation and capture embedded in business models. The course uses business models as a core tool for systematic strategic innovation and focuses on understanding their elements and variations, and on the processes through which new business models are created.

The course consists of three sections: In Part 1, we will learn the key skills of disruptive innovators. The goal of this part of the course is to give you practical exposure to some of the creative processes that enable strategic innovation and that have become widely recognized as a new approach to innovating frequently called “design thinking.”

In Part 2, we will learn the building blocks of business models and identify different type of innovative business models. We will understand the key elements of business models and how they are combined to create novel ways for serving customers, utilizing resources, and generating profits.

Part 3 of the course focuses on analyzing the competitive effects of business model and strategic innovation. In this section we analyze the sources of business model superiority and the strategies to establish and protect their competitive advantages. These analyses will involve a consideration of all the issues covered in the course.

Instructional Method

In order to capture the pragmatic, action-oriented, and complex nature of managing strategic innovation, this course is taught through the case method. This method has been found to be particularly useful for developing professional skills in the art of diagnosing complex unstructured problems. Appendix A provides additional information on the case method and on why it is so extensively used in the learning of strategic decision making. Therefore, this is not a lecture course and there will be very few lectures during the semester. Most of the learning in the course is learning-by-doing – through the analyses of the cases we will discuss in class, and the independent research projects. The readings should provide you with tools you need to analyze the cases. To conduct effective analysis of the cases, you would need to read and apply the assigned readings before class, to attend class and participate in the class discussion, and to contribute to the discussion your inferences from your independent analysis of the case. Consequently, we will not, as a rule, spend classroom time reviewing the readings; I will assume that you have done the readings and you have applied them to perform your own analysis of the cases. If you have questions about specific concepts or applications of the readings, please raise them in class. You are welcome to raise conceptual questions either at the beginning of class, or during the case discussions.

COURSE REQUIREMENTS

Required Materials

1. A course packet of articles and cases to be used in class is available from the University Co-Op (Note: The price of the course packet reflects additional readings that will be handed out in class).
2. Alexander Osterwalder and Yves Pigneur. *Business Model Generation*. 2010. John Wiley & Sons.
3. Jeff Dyer, Hal Gregersen and Clayton M. Christensen. *The Innovator's DNA*. 2011. Harvard Business School Press.

Additional materials will be handed out in class. In addition, as per University policies, course-related information and materials will be available throughout the semester on Blackboard. Syllabi, handouts, assignments and other resources will be available within this site. Site activities could include exchanging e-mail and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see: <http://www.utexas.edu/student/registrar/catalogs/gi02-03/app/appc09.html>.

Grading

Your final grade for the course will be determined as a combination of the following:

1. Class Contribution	25%
2. Three Mini-Field Studies (including presentations) (Field studies 1 and 3 = 5%; study 2 = 10%)	20%
3. Integrative Case Analysis (including presentation)	20%
4. Group Innovation Project (includes presentation)	35%

Class Contribution

In-class discussions are at the core of the learning in this course. The discussions will cover the readings and cases listed in the schedule of classes below, as well as some additional conceptual material that I will present in class. This course makes extensive use of the case method. For this course to work as intended, it is critical that you come to class prepared to discuss the readings and the cases assigned. To help you prepare for class discussion of the readings and cases, I have provided you with preparation questions in the schedule of classes below. In general, you will be expected to demonstrate 1) detailed knowledge of the content of the readings and cases assigned for each class; and 2) independent analysis using the tools provided in the readings.

Given the importance of class contribution, I have outlined below what constitutes high-quality class contribution. Since you cannot participate in class discussions if you miss all or part of a class, your grade will be negatively affected by absences and tardiness. You will be allowed one

absence during the semester (you do not need to provide a reason), after which absences for whatever reason will affect your grade for class participation. The template used for grading class contribution is: absence = 0; missing part of a session or attending without participating = 1 or 2 depending on extent of absence/contribution; attending whole session plus some contribution = 3; attending whole session plus substantive contribution = 4; attending whole session plus important contribution = 5. Also, disruptive actions such as comments that distract or disrupt the class rather than contribute to the conversation, or web surfing or e-mailing during class, take away from the class discussion and may result in a penalty in the form of negative points. Class contribution will be graded for each class session. **Missing a third of the classes or more will result in a failing grade for the class.**

At the very start of each case discussion, I may call on two students, randomly, to take 1-2 minutes to answer a particular question about the case or give their view of the major issues involved. Similarly, at the end of each case discussion, I may call on two students, again randomly, to summarize the key take-away lessons to be learned from it. Class participation may also include *unannounced* in-class quizzes on the material assigned for the class sessions.

Many people are intimidated by the “obligation” of speaking up in class. Don’t be. Your anxiety will be reduced only through practice. Here’s the secret to cutting your stress level: BE PREPARED. If you have read the case and the readings carefully and have prepared notes with your analysis of the preparation questions provided, **you will succeed if you speak up**. Please keep in mind that the only measurable output of your preparation is your class discussion – but airtime is a scarce resource, so please use it wisely. Comments based solely on a “gut reaction” that do not show use of the readings to develop your analytical skills do not add much value and will be treated the same as not participating. Frequent non-quality contributions are not rewarded and in some cases may be penalized. Students who find it difficult to speak in class should schedule to meet with me early in the semester during my office hours.

Here are the criteria for making high-quality, important contributions to the learning process:

- (1) Are comments relevant to the discussion?
- (2) Do comments reveal solid grasp of the facts of the case and their implications?
- (3) Do comments reveal use of appropriate tools (from the readings) to analyze the facts of the case?
- (4) Do comments add to the knowledge in the class, i.e. do they move the discussion forward or do they repeat what has been said?
- (5) Do comments show that you have listened to the discussion and that you are able to build on the comments of others?
- (6) Are you prepared to answer when called on in class? (Let me know before class if some emergency has prevented you from adequately preparing.)

Assignments

As we will discuss in the class, creativity and innovation are essentially collective activities. Therefore, a significant portion of the work in this class takes place in partnerships and groups. As soon as possible, you need to find 1-2 partners, with whom you will complete three mini-field projects. You also need to organize yourselves into groups of 5 to complete your

integrative case analysis and the final innovation project. Please email me with the names of group members – one e-mail per group. I reserve the right to add a member to your group if needed. At the end of the course, you will be asked to assess the contributions of each partner and team member to the work you have completed together. Based on your feedback, individual grades for these components of your course grade may be adjusted by an amount determined by the instructor, in order to ensure equity. During your work on the assignment, if you feel that one or more of your team's members is/are not contributing sufficiently to the team's work, please provide this feedback to the team member(s), along with the changes that you would like to see. Learning to work with others is essential to managerial work and an essential component of the learning in this class.

Mini-Field Projects

Given the course goals to help you develop your practical skills to search for and develop creative solutions to strategic problems, you will be required to conduct some “field studies” – small-scale projects that require you to gather and synthesize information through observation, interviews, and independent research. You should complete these assignments in partner teams of 2 or 3 people. **Details regarding each assignment are provided in the “Schedule of Classes” on the day when they are due.** The observations and analysis from each assignment should be presented in class using brief 3-minute 3-slide presentations. I will grade your work based on the presentation in terms of how effectively you have used the readings and the field study to address the assigned questions. No papers are required for these assignments but you must hand in a paper copy of your presentation with your names on the cover page at the beginning of class. Field studies 1 and 3 contribute 5% of your final grade each, and study 2 contributes 10%. Please turn in a hard copy of your presentation slides – 1 slide per page -- at the start of class.

Integrative Case Analysis

There will be one integrative case analysis intended to assess your understanding and ability to apply the analytical tools we learn in class. You will complete this case analysis with your group. A detailed assignment and the exam case itself will be distributed in advance. Please note that you may not do independent research on the web or from other sources, or discuss the case itself or your write-up with anyone other than your team members until the write-ups have been turned in. The textual body of your analysis should not exceed 5 double-spaced typewritten pages, 1-inch margins all around, and a 12-point font. I will read only the first 5 pages, so please stay within the assigned limits. Also, you may include one additional 1-page exhibit to display relevant charts, tables, or figures. Exhibits that are not directly explained in the main text will not be read. As we will discuss the case in class on the day when it is due, late assignments will not be accepted. In addition to the written paper, please prepare a 3-minute presentation using 3 summary slides to share your analysis and recommendations with your classmates. Please turn in a hard copy of your presentation slides – 1 slide per page -- at the start of class.

Final Innovation Project

The purpose of this project is to give you an opportunity to apply what you are learning in the class to a realistic setting and to increase your knowledge about a specific industry or technology.

Your assignment requires you to identify a real organization that meets two conditions: 1) It pursues an innovation of some sort -- a potential product or process innovation, the commercialization of a new technology, a new business model, a change in distribution system, or an innovation in managerial practice. 2) You can gain reasonable access to it. Access can be by phone or in person. You need to conduct at least 5 interviews – one per team member – with leaders and employees of the company, competitors, customers, suppliers, or partners. The organization can be a small team start-up that is pursuing a clearly identified opportunity, or a unit of larger organization that meets the conditions above.

You will use the organization as a realistic setting to hone your ability to analyze and create strategic innovation and change by: 1) analyzing the organization's business model and how the innovation it is pursuing affects its ability to create and capture value; 2) using the design-thinking tools covered in Part I of the class to develop an alternative business model design that will enhance the value-creation potential of the innovation. In doing so, you should consider both the organization's environment and current strategy.

You would need to: 1) write the paper as a consultants' report to a specific person in the organization – the CEO or the person in charge of the innovation you are analyzing. You may use fictitious names, but you must clearly specify a particular role whose occupant would read your report. Assume your reader, like most real managers, has other pressing concerns and a general lack of enthusiasm for your ideas. Convince your reader that your analysis can add value to the organization and that it is crucial to do something. Be as concrete as possible in what you want the organization to do, and why.

Here is a suggested guideline for the content of the assignment:

- (1) Analyze the organization's business model using the business model canvas. What type of innovation is the organization pursuing and how does it fit with the business model? How does the organization create and capture value? How will the innovation enhance these?
- (2) Analyze the fit of the business model and the intended innovation within the industry. What industry is the organization in? What are the existing competitive alternatives? Are there barriers to its imitation by competitors? Will the organization profit from the innovation and how?
- (3) Make recommendations: Given your analysis above, use the design processes discussed in class to develop a new business model that enhances the innovation's potential to create and capture value. You do not have to change all elements of the business model; instead you should identify the specific changes needed to increase the alignment among its elements given the innovation pursued. Be sure to discuss the feasibility of the your proposal given what you know about the organizational leaders, resources, capabilities, and goals.
- (4) Present your methodology: Explain who was interviewed and what other sources of industry and organization data you used.

Each project report should have a one-page executive summary where your key observations, suggestions and themes are succinctly discussed. Projects should be no longer than 12 pages of text (double-spaced, 12 pt. font, 1" margins all around), plus no more than 3 pages for exhibits, 1 exhibit per page. Exhibits that are not explained in the text will not be read. **Final reports are due at the beginning of the last class. Late papers will not be accepted.**

The timeline for the completion of the final innovation project is as follows:

- a. An initial description of the company and the innovation and a plan for conducting the study should be turned in at the beginning of class on March 19. The plan should include a description of the organization you have chosen to study, how you will gain access to the organization, and the data sources that you will use. You must have 'closed the deal' on the organization in terms of obtaining agreements from specific people who will be available for you to interview, as well as to have conducted preliminary research from secondary sources, such as the company website, the business media, etc.
- b. I will provide feedback and guidance on your project proposals during the project review session on March 26.
- c. Presentations of analyses and recommendations to the class on either April 23 or April 25. I will assign the group presentation times randomly. You will have 15 minutes to present, and 10 minutes of Q&A. Please turn in a hard copy of your presentation slides – 1-2 slides per page -- at the start of class. The presentation should include a brief description of the organization, its competitors, and the innovation you are analyzing. You should spend the bulk of the time on your recommendations explaining how the innovation can be refined and its implementation improved. Be sure to show how your recommendations are grounded in the data you have collected.
- d. Revised analysis and final report will be due on the last day of classes on May 2. You should use the class discussion of your presentation and the detailed feedback I will provide in the feedback session on April 30 to refine your analysis and recommendations before you submit your final written report.

ADDITIONAL COURSE INFORMATION

1. I care about your progress in this course and will be glad to do what I can to assist you. I will hold office hours on Tuesdays – 2:00 – 3:00 -- and Wednesdays – 9:30 – 10:30. I can also meet with you outside these times by appointment. To set up a meeting, please send me an e-mail.

2. I urge you to take notes during class. As mentioned earlier, one of the main purposes of the course is to help you develop your own personal approach for identifying and solving strategic and innovation problems facing an organization. Taking notes is an important information-structuring skill, which strengthens your ability to both identify and solve problems. I will post slides used in class AFTER the class session. Slides related to the case discussions will not be posted.

3. Per McCombs and Management department policy, laptop computers, PDAs, cell phones, and other electronic devices should be turned off at the start of class. Accommodations will be made for students with disabilities.

4. If you miss class, please contact one of your classmates to obtain notes regarding what we have discussed in class.

5. I expect all written case analyses assignments to be your own (and your group's) work. This means that you are not permitted to gather any additional information regarding the case via the internet or other means.

ADMINISTRATIVE POLICIES

Policy on Scholastic Dishonesty. The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business. By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Policy on McCombs Classroom Professionalism. The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the undergraduate program experience hinges on this. Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects. The classroom experience is enhanced when:

- Students arrive on time. On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.
- Students minimize unscheduled personal breaks. The learning environment improves when disruptions are limited.
- Students are fully prepared for each class. Much of the learning in the undergraduate program takes place during classroom discussions. When students are not prepared they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- Laptops are closed and put away. When students are surfing the web, responding to e-mail, instant messaging each other, and otherwise not devoting their full attention to the topic at hand they are doing themselves and their peers a major disservice. Those around them face additional distraction. Fellow students cannot benefit from the insights of the students who are not engaged. Faculty office hours are spent going over class material with students who chose not to pay attention, rather than truly adding value by helping students who want a better understanding of the material or want to explore the issues in more depth. Students with real needs may not be able to obtain adequate help if faculty time is spent repeating what was said in class. There are often cases where learning is enhanced by the use of laptops in class. Faculty will

let you know when it is appropriate to use them. In such cases, professional behavior is exhibited when misuse does not take place.

- Phones and wireless devices are turned off. We've all heard the annoying ringing in the middle of a meeting. Not only is it not professional, it cuts off the flow of discussion when the search for the offender begins. When a true need to communicate with someone outside of class exists (e.g., for some medical need) please inform the professor prior to class.

Remember, you are competing for the best faculty McCombs has to offer. Your professionalism and activity in class contributes to your success in attracting the best faculty to this program.

Policy Regarding Re-grading Requests. In the event that you feel something was missed in the grading of your work (be it mathematical error or other), please write a brief summary of what you feel needs further attention and submit this re-read request with your original work with my comments within 1 week of receiving your grade. If you request a re-read, I will read the work again from scratch and your grade may go up or down. Each grade component is considered final one week after given to the class and will no longer be open for re-reading or discussion. I do not accept personal lobbying efforts for changing grades other than in writing.

Policy on Academic Accommodations: Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located on the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at <http://deanofstudents.utexas.edu/ssd/index.php>. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or via e-mail if you have any questions.

Policy on Religious Holy Days: A student who needs to miss classes or other required activities, including examinations, for the observance of a religious holy day should inform me at the start of the semester, so that the applicable arrangements can be made.

Writing Center: I expect a high standard of written communication in your written reports. Students struggling with this requirement are encouraged to consider using the Undergraduate Writing Center, FAC 211, 471-6222: <http://uwc.fac.utexas.edu/home>). The Undergraduate Writing Center offers free, individualized, expert help with writing for any UT undergraduate, by appointment or on a drop-in basis. Any undergraduate enrolled in a course at UT can visit the UWC for assistance with any writing project. They work with students from every department on campus, for both academic and non-academic writing.

A detailed version of this syllabus will be available to students registered for MAN-337 (section 04315).