University Of Southern California

Marshall School Of Business

**MOR 566**

**Environmental Sustainability and Competitive Advantage**

Spring 2014

Monday 6:30-9:30pm

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**Course goals**

Few issues are more urgent for contemporary society than business’s impact on the natural environment. In addition to longstanding concerns about the exhaustion of global resources, degradation of the environment, loss of biodiversity, and the effects on human biology, there is a growing consensus that climate change must be addressed in the near term to avoid disastrous long-term impacts for human life on this planet.

As environmental concerns intensify, we all—both as citizens and as future managers—must develop a better understanding of the related economic, social, political, and regulatory forces, and of how these forces are reshaping the context and conduct of business. Under the pressure of these forces, some firms are developing more sustainable business practices and products, and the result is change in the structures and processes of production and in the nature of competition across a wide variety of industries. Debate continues on whether these changes will suffice to meet the sustainability challenge. And this debate is difficult: different stakeholders often have divergent interests, and competing perspectives and values lead to conflicting policy recommendations.

To prepare you to participate and lead in this domain, this course explores four broad sets of questions that the course will address in turn:

(1) What is sustainability? Why should we care? How sustainable is our current path of economic development? How urgent is the challenge?

(2) What are the forces driving change in business conduct? How is business affected by depleting natural resources? By social movements? By government regulation? By broader institutional factors?

(3) Under the pressure of these forces, what new strategies and practices can firms adopt—in operations, technologies, product design, marketing, and non-market activities?

(4) Will these changes in business conduct be sufficient? What will it take for us to meet the challenge of sustainability? What are the broader political-economy issues involved?

**Course objectives**

 The key objectives are these:

(a) Build your foundational *knowledge* in key *problem* *domains* in sustainability. Acquire key facts and the concepts needed to understand these facts in four key domains:

* the challenges of sustainability,
* the various forces driving change in business,
* the different responses by business to these forces,
* the competing perspectives on the political-economy of sustainability.

(b) Develop key *skills*:

* creative action skills: learn how to assess strategies that aim to encompass not only the traditional economic considerations but also environmental and social factors, and become more creative in developing such strategies;
* critical thinking skills: how to think clearly and make compelling arguments about ambiguous, complex, and controversial problems.

**Required materials**

* Course reader at Bookstore
* Other readings on Blackboard

**Class process**

Class sessions will usually begin with short oral presentations by one or two student teams, presenting as if they were consultants and the rest of the class were the client in the case and representatives of other relevant stakeholder groups. We then open the discussion to the class as a whole. As a group, we will try to build a complete analysis of the situation and address the problems and issues it presents.

**Preparing the case**

The detailed Session Information section below gives more specific “study questions” for the case discussions. However, these study questions are only prompts to get you going, not an agenda for your analysis or for our discussion. It is up to you to identify the specific issues posed by the case and to decide how they can be best addressed. I will expect you to consider the case in the light of all the assigned readings for the theme, and to come to each class prepared to present and defend your own analysis. You need to write a *Case Note* for each case we discuss (see below, under *Engagement*).

**Preparing the theme readings**

The readings for each theme give you starting points in reflecting on the issues at stake in the case and/or conceptual tools that are relevant to these issues. I will assume that you will come to class having read all the assigned readings. I will not waste your time by simply repeating in class what you have already read; my goal is to add value to your efforts by facilitating a discussion that helps you reach a deeper level of comprehension.

**Team case “consulting reports”**

At the beginning of the semester, I will assign students to teams (of about three people), and each team will do two case consulting reports (CRs) over the course of the semester. As explained above, you should think of these CRs as if they were by a group of outside consultants (your team) reporting to your client (the class). Some cases give you flexibility in selecting your client: your team will need to consult with me in making this selection. Detailed guidance on these CRs is in the Appendix on *Guidelines for Case Analysis*. They will be graded using the criteria shown in the Appendix on *Grading Sheet for Case Analyses*.

 I have found that mastering these *Guidelines* is one of most valuable skills I can teach you. Your professional career depends crucially on the critical-thinking skills these reports rely on—your ability to reason your way through the maze of considerations to get to the heart of the matter, your ability to make a convincing case for your preferred course of action, and your ability to communicate these complex arguments effectively.

To ensure maximum value from the work you invest in the preparation of these reports, I will meet for 60 minutes with each presenting team as soon as possible after class, to discuss their report’s strengths and weaknesses, and to brainstorm how their report could be strengthened. After the meeting, I will send the team and the class further feedback.

**Note:** As concerns the grading of the oral delivery, I will not penalize people for language difficulties when their first language is other than English.

**Engagement**

Active engagement is a key element in the learning process in this course. Your engagement grade will reflect: (a) your pre-class preparation, (b) your in-class contributions to discussions, and (c) your after-class contribution of “take-aways” on what you have read and heard. Grading for these three components is described in more detail in the Appendix: *Grading Engagement*. To summarize the intent:

**(a) Before class:** Since your ability to learn from case discussions is directly proportional to the quality of your preparation, I request that you draft a summary of your analysis of each case we discuss in the course (except those on which you are doing a team presentation). Point form is appropriate. These summaries must be posted on the Assignment page on Blackboard before the beginning of the class session. Please post them as Word documents, using the *Case Notes Template* in the Appendix.

**(b) In class:** As in many of your other classes, your active participation in the class discussion is a crucial part of the learning process: your contributions help both you and the rest of the class master the target concepts and skills. In class, I will often “cold call,” so please avoid embarrassment by telling me before class if you are not prepared. And if you are uncomfortable with class participation, please let me know at the beginning of term and I will work with you to help you overcome this barrier.

 **(c) After class:** In a case-oriented, discussion-based class such as this, much of the learning happens after class, as the “dust settles” and the key “take-away” lessons (TAs) become clear. Within 48 hours of each class session, you will need to post a short note with your TAs (10 lines or longer) on our Blackboard Discussion space. These TA postings might also include responses to other TAs already on the Discussion space, and they may also discuss connections you see between the case and the associated readings.

**Team research project**

 Students are required to do a team research project. These teams will self-select, with approximately three students per team. The team will identify a topic and prepare written and oral versions of their report.

 These reports can take either of two forms:

(1) Consulting report: This type of project might focus on a particular firm confronting a particular environmental issue, or it might consider the strategy of a government entity or an activist group. Projects of this type should be action-oriented and go from analysis to recommendations. The Guidelines we use in the CCRs will serve as guidelines for this type of report too.

(2) Investigative journalist report: In this type of project, the group will assume the role of investigative journalist, providing me and the class a briefing about either a specific firm’s actions or a wider sustainability issue. This project would take as its model investigative reports that appear publications such as *Business Week.*

 In either of these forms, team projects must include some interaction – preferably face-to-face, but if not, then by phone -- with relevant practitioners (managers at companies and/or NGOs, government officials, etc.), and your report must include clear attributions (citations) to these and all other sources.

 More details are in the Appendix on the *Team Research Project Guidelines*.

**Grading**

Your course grade will not be based on a mandated target, but on your performance. Historically, the average grade for this class is about A-/B+ (3.5/4). Course grades are calculated based on how you perform in the class both relative to the course goals and relative to other students. The first part of that calculation is based on the weighted average of your performance in each of several categories:

|  |  |
| --- | --- |
| **Component** | **Weight** |
| 1st team case report | 15% |
| 2nd team case report | 25% |
| Team research project | 30% |
| Class engagement:* Notes
* In-class
* TAs
 | 15%10%5% |
| **Total** | 100% |

**Class attendance**

Class attendance is essential to your learning in this course. Your Engagement scores will reflect your attendance. If you must miss a class, it is particularly important to prepare a Case Note and submit it before the class.

**Class representative**

You will be asked to elect a Class Representative during our second session. The student representative will act as a liaison between students and myself, to provide informal feedback and communication, particularly on issues that individual students may not wish to raise personally with the instructor.

**Technology policies**

This is a course during which you will not need any communication devices. So please: no telephones or internet use. I will ask you to honor my request by switching off your phone and your computer’s Wi-Fi connection during class. You classmates and I will appreciate your undivided attention.

Videotaping faculty lectures is not permitted due to copyright infringement regulations. Audiotaping may be permitted if approved by the professor. Use of any recorded or distributed material is reserved exclusively for the USC students registered in this class.

**Classroom etiquette**

An atmosphere of mutual respect and professionalism is in order. So please...

* arrive at class on time: late arrivals are disruptive to your fellow classmates and to the conduct of the class;
* avoid leaving the classroom while the class is in progress: biology has its imperatives of course, but our class is a collective conversation of which you are an integral part;
* turn off your cell phones before you enter the classroom—no calls, no texting;
* do not engage in side conversations during class;
* do not pack up and leave towards the end of the class until it is clear the class is over.

**Academic integrity**

The *Marshall Code of Professional and Academic Integrity* was written by Marshall students and is upheld by Marshall students. It is not my place to “enforce” the honor code — it belongs to you, not to me. I have agreed to support the Marshall Honor Committee in its efforts to make the code relevant and meaningful by providing this reminder and endorsement of the code. A copy is posted in every classroom.

The following information on academic integrity, dishonesty, and the grading standard are placed here at the recommendation of the Marshall school’s leadership and are taken from the *Faculty Handbook*:

“The University, as an instrument of learning, is predicated on the existence of an environment of integrity. As members of the academic community, faculty, students, and administrative officials share the responsibility for maintaining this environment. Faculty have the primary responsibility for establishing and maintaining an atmosphere and attitude of academic integrity such that the enterprise may flourish in an open and honest way. Students share this responsibility for maintaining standards of academic performance and classroom behavior conducive to the learning process. Administrative officials are responsible for the establishment and maintenance of procedures to support and enforce those academic standards. Thus, the entire University community bears the responsibility for maintaining an environment of integrity and for taking appropriate action to sanction individuals involved in any violation. When there is a clear indication that such individuals are unwilling or unable to support these standards, they should not be allowed to remain in the University.” (*Faculty Handbook*, 1994: 20)

 Academic dishonesty includes: (*Faculty Handbook*, 1994: 21-22)

* Fabrication - any intentional falsification or invention of data or citation in an academic exercise will be considered a violation of academic integrity.
* Plagiarism - the appropriation and subsequent passing off of another’s ideas or words as one’s own. If the words or ideas of another are used, acknowledgment of the original source must be made through recognized referencing practices.
* Other types of academic dishonesty - submitting a paper written by or obtained from another, using a paper or essay in more than one class without the teacher’s express permission, obtaining a copy of an examination in advance without the knowledge and consent of the teacher, changing academic records outside of normal procedures and/or petitions, using another person to complete homework assignments or take-home exams without the knowledge or consent of the teacher.

**Students with disabilities**

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to your TA) as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. For more information visit [www.usc.edu/disability](http://www.usc.edu/disability)

**Emergency preparedness/course continuity**

In case of a declared emergency if travel to campus is not feasible, USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies. Please activate your course in Blackboard with access to the course syllabus. Whether or not you use Blackboard regularly, these preparations will be crucial in an emergency. USC's Blackboard learning management system and support information is available at [blackboard.usc.edu](http://blackboard.usc.edu/).

**Returning coursework**

Final exams and all other graded work that affected the course grade will be retained for one year after the end of the course if the graded work has not been returned to the student (i.e., if I returned a graded paper to you, it is your responsibility to file it, not mine).

**Course schedule**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Theme / Project** | **Case** | **Project due-dates** |
| **WHAT IS SUSTAINABILITY AND WHY SHOULD WE CARE?** |  |
| Jan 15 | What is sustainability and why should we care? |  |  |
| **FORCES DRIVING CHANGE**  |  |
| Jan 22 | Finite resources | Marine Stewardship Council |  |
| Jan 29 | Social movements | Anatomy of a corporate campaign: Rainforest Action Network and Citigroup |  |
| Feb 5 | Government regulation | Fuel economy standards 2007 | Proposal |
| Feb 12 | Investors | Sustainable development and socially responsible investing: ABB in 2000  |  |
| **BUSINESS RESPONSES** |  |
| Feb 19 | Strategy | Patagonia | Situation assessment |
| Feb 26 | Product design | Cradle-to-Cradle Design at Herman Miller: Moving Toward Environmental Sustainability |  |
| Mar 5 | Operations | Sustainability at Millipore |  |
| Mar 12 | Marketing | The Clorox Company: Leveraging Green for Growth  | Report rough-cut |
| Mar 26 | Navigating policy markets | Verengo Solar Plus! |  |
| April 2 | Measuring progress | Trucost: Valuing corporate environmental impacts  |  |
| April 9 | Governance | Governance and sustainability at Nike |  |
| **PROSPECTS FOR SUSTAINABILITY** |  |
| April 16 | Research projects |  | Presentations |
| April 23 | Research projects |  | Presentations |
| April 30 | The political-economy of sustainability  |  |  |
| May 7, 9pm |  |  | Written project reports |

**SESSION INFORMATION**

(\* signifies material is in the course Reader)

**WHAT IS SUSTAINABILITY AND WHY SHOULD WE CARE?**

**Mon Jan 14**

Assigned readings:

Solow: Sustainability: An economist’s perspective, 1991

Before class, go to: <http://www.footprintnetwork.org/en/index.php/GFN/page/personal_footprint/> and calculate your personal footprint. Bring your estimate to class.

And also go to: <http://www.nature.org/greenliving/carboncalculator/index.htm> to get more detail on what sources of your footprint are bigger versus smaller than the average.

<http://en.wikipedia.org/wiki/Sustainability>

Review the sustainability indicators in these two readings and bring to class two facts you found particularly disturbing or important:

Worldwatch: Vital Signs 2011

IPCC – read at least the Summary for Policy Makers: <http://www.ipcc.ch/publications_and_data/ar4/syr/en/spm.html>

Study questions:

1. How urgent are our sustainability challenges?
2. What explains the emergence of sustainability as a priority today?

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**FORCES DRIVING CHANGE IN BUSINESS CONDUCT**

**Jan 22: Finite resources**

\* Case: Transforming the global fishing industry: The Marine Stewardship Council at Full Sail? (IMD 257-PDF-ENG, rev. 2010)

Study questions:

1. What are the barriers to MSC success?
2. What are past and current stakeholder demands, and what did/does the MSC do to meet/reconcile them?
3. What are the challenges ahead for MSC, and will the MSC be able to meet them?

Assigned readings:

Wikipedia: Collapse of the Northern Cod Fishery

Hardin: The tragedy of the commons (1968).

Ostrom et al.: Revisiting the Commons: Local Lessons, Global Challenges (1999)

Optional further reading:

Watch the documentary “The End of the Line” – available on Hulu

*The Economist*: The Sea, A Survey. January 2009

Greenpeace Briefing: Assessment of the Marine Stewardship Council (MSC) Fisheries Certification Programme, 2009

**Jan 29: Social movements**

\* Case: Anatomy of a corporate campaign: Rainforest Action Network and Citigroup (A, B) (Stanford P-42A, P-42B)

Study questions:

1. Was it strategically wise for RAN to launch a campaign on project finance? Can RAN realistically expect to affect project finance, which is provided by banks around the world?
2. Was Citigroup a good or bad target for RAN? Why not focus on project contractors themselves?
3. At the end of the B case, what should Citigroup do?
4. If Citibank agrees to negotiate an agreement with RAN, what should RAN agree to? What should it not agree to?
5. What should we make of RAN's tactics? Is this “democracy in the marketplace”?

Assigned readings:

D. Spar, L. T. La Mur, “The power of activism: Assessing the impact of NGOs on global business,” *California Management Review*, Spring 2003

Hari, “The wrong kind of green,” *The Nation*, March 2010

Optional reading:

Bryant, Nielsen, and Tangley: The Last Frontier Forests: Ecosystems and Economies on the Edge, World Resources Institute, 1997

**Feb 5: Government regulation**

\* Case: Fuel economy standards 2007 (Stanford P-58)

Study questions:

1. What objectives should the Big Three pursue? Can they stop the 35 mpg standard? Should they try?
2. What assessment do you make of the influence business exerted here on public environmental policy?

Assigned readings:

\* Public policy and the manager: Conceptual framework (HBS 9-794-028)

\* Michael E. Porter and Claas van der Linde: “Green and Competitive: Ending the Stalemate,” *Harvard Business Review*, September-October 1995.

Wikipedia: Regulatory capture

Optional further reading:

Fullerton and Stavins, “How economists see the environment,” *Nature* 1998

Ambec et al., “The Porter hypothesis at 20: Can environmental regulation enhance innovation and competitiveness?” 2011

**Feb 12: Investors**

\* Case: Sustainable development and socially responsible investing: ABB in 2000 (HBS 701-082)

Study questions:

1. The introduction to the case identifies three issues that Stromblad is struggling with. What are the competing views in contention in these three debates?
2. What position would you recommend to Stromblad on these three issues?
3. What criteria do you think managers of SRI funds should use in evaluating firms like ABB?
4. What assessment do you make of the influence SRI funds were exerting here on business conduct?

Assigned readings:

\* Note on Socially Responsible Investing (HBS 609-060, rev’d Aug 2012)

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**BUSINESS RESPONSES**

**Feb 19: Strategy**

\* Case: Patagonia (HBS 9-711-020, rev’d Oct 2010)

Study questions:

1. What is Patagonia’s mission and what strategy does it follow in pursuing that mission? How has it grown and remained profitable?
2. What is your assessment of the Product Lifecycle Initiative (Reduce, Repair, Reuse, and Recycle)?
3. How fast can Patagonia grow? How fast should it grow?
4. How would Patagonia be different if the company were publicly held?

Assigned readings:

\* Reinhardt, F. L.: “Environmental product differentiation: Implications for corporate strategy,” *California Management Review*, 40(4) 1998: 43-73.

McKinsey, “The business of sustainability” Global Survey 2011

Background reading: If you are not already familiar with business strategy, read:

\* M. E. Porter, “The five forces that shape competitive strategy,” HBR 2008

\* M. E. Porter, “What is strategy?” HBR 1996

**Feb 26: Product design**

\* Case: Cradle-to-Cradle Design at Herman Miller: Moving Toward Environmental Sustainability (HBS 607-003, rev’d Dec 2009)

Study questions:

1. Should Herman Miller use PVC or TPU in the Mirra Chair arm pad?
2. What is your assessment of how Herman Miller implemented the C2C protocol?
3. Why did Herman Miller undertake this strategic environmental initiative?

Assigned reading:

W. McDonough and M. Braungart, “A world of abundance,” *Interfaces*, 30, 3, 2000: 55-65

\* Sustainability and innovation: frameworks, concepts, and tools for product and strategy redesign (Darden UVA-ENT-0138)

**March 5: Operations**

\* Case: Sustainability at Millipore (HBS 9-610-012, rev’d Dec 2009)

Study questions:

1. How should Millipore focus its Sustainability Initiative? How should David Newman measure success?
2. Going forward, how should Millipore prioritize projects for the Sustainability Initiative?
3. What factors should Millipore consider in setting its next greenhouse gas reduction target? Recall that key parameters include choosing between absolute and relative reduction, a percentage reduction level, its duration, and the scope of emissions covered.
4. Considering the pros and cons, should Millipore purchase carbon offsets as part of its strategy to meet its greenhouse gas reduction objectives?
5. What changes, if any, would you recommend to Chairman, CEO, and President Martin Madaus to improve the effectiveness and/or efficiency of Millipore’s Sustainability Initiative?

Assigned readings:

\* Corporate Greenhouse Gas Accounting: Carbon Footprint Analysis (Darden UV2027)

A. Hoffman, “Climate change strategy: The business logic behind voluntary greenhouse gas reductions,” *California Management Review*, 2005

Emily Rochon and Paul Dickinson, “Are Corporate Carbon Intensity Targets Greenwash?” *Ethical Corporation*, March 2009.

**March 12: Marketing**

\* Case: The Clorox Company: Leveraging Green for Growth (HBS 9-512-009, rev April 2012)

Study questions:

1. Why did Clorox move into greener products?
2. How successful has this been for Clorox? For the environment?
3. What would you recommend to Springer? Come to class with a marketing plan for each of Brita, Burt’s Bees, and Green Works.

Assigned readings:

Terrachoice Environmental Marketing Inc.: “The six sins of greenwashing,” 2007

Ottman, Stafford, and Hartman, “Avoiding Green Marketing Myopia” *Environment*, 48, 5, June 2006, pages 22—36.

**March 26: Navigating policy markets**

\* Case: Verengo Solar Plus! (HBS 9-812-049, rev. Nov 2011)

Study questions:

1. What have been the key steps in building the business to date?
2. What could “go right” and “go wrong” at Verengo going forward?
3. What should Bishop and Button recommend to their Board of Directors?

Required reading:

Haley and Schuler: “Government policy and firm strategy in the solar photovoltaic industry” *California Management Review*, 54, 1, 2011

Optional background reading:

US Energy Information Administration: Annual Energy Outlook 2012

**April 2: Measuring progress**

\* Case: Trucost: Valuing corporate environmental impacts (HBS 9-612-025 rev’d Feb. 2013)

Study questions:

1. What should Jamie Salo do to improve the profitability of Trucost’s North American operations?
2. Trucost believes its information is more useful and of higher quality than that of its competitors. How has Trucost leveraged this in the market? What should it do differently in this domain?
3. All ratings and ranking systems have strengths and weaknesses. What are the two most important strengths and weaknesses of the Newsweek Green Rankings?

Assigned reading:

\* Y. Chouinard, J. Ellison, R. Ridgeway, “The sustainable economy,” *HBR* 2011

Newsweek Green Rankings: <http://www.thedailybeast.com/newsweek/features/2012/newsweek-green-rankings.html>

**April 9: Governance**

\* Case: Governance and sustainability at Nike (A) (HBS 9-313-146, June 2013)

Study questions:

1.    On a scale of one to ten, how effectively has the Nike leadership team integrated corporate responsibility and sustainability into the business? What do you see as the team’s most important actions to this end?

2.    What is the role of Nike’s board-level corporate responsibility committee in this effort? To what extent, and how, does the committee add value?

3.    What is your view of Nike’s argument that “playing offense” on sustainability can drive innovation, growth, and profitability? What is the evidence for your view?

4.    What’s your understanding of Nike’s distinction between “competitive” and “pre-competitive”? As a member of the sustainable investment committee, how would you have viewed the DyeCoo investment?

5.    Should Nike revisit its commitment to Road to Zero? What are the options for securing the resources needed to meet this target? What would you recommend if you were in Sprunk’s position? In Jones’s position? How much should Nike be willing to invest to achieve the sustainability goals it has outlined?

Assigned reading:

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**PROSPECTS FOR SUSTAINABILITY**

**April 16: Project presentations**

**April 23: Project presentations**

**April 30: Competing perspectives on the political-economy of sustainability**

Assigned readings:

M. Friedman, M. (1970) “The Social Responsibility of Business is to Increase its Profits.” *New York Times Magazine*, 1970.

\* A. B. Lovins, L. H. Lovins, P. Hawken, “A road map for natural capitalism,” *Harvard Business Review* 2007

\* J. O’Toole and D. Vogel: “Two and a half cheers for conscious capitalism,” *California Management Review*, 2011

H. Magdoff and J. B. Foster, “What every environmentalist needs to know about capitalism” Mothly Review, 2010

Study questions:

1. Take each of these articles as exemplars of a distinct perspective on people, the economy, and society. From the point of view of each perspective, taking them in turn:
	1. What is the root issue that makes it difficult for our country to meet the challenge of assuring environmental sustainability?
	2. What is the best way forward for our country?
	3. Where do they agree and disagree with each of the other three perspectives?
2. Which perspective comes closest to your personal views? Why?

Optional further readings:

W. Domhoff: Alternative theories; Class-domination theory (at <http://www2.ucsc.edu/whorulesamerica/>)

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**May 7 (9pm): Project final written report due**

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**Guidelines For Case Analysis**

 These Guidelines reflect the accumulated insights of many colleagues with whom I have taught with over the years. They are also close in spirit to the problem-solving process recommended by American pragmatist philosophy, John Dewey. They are designed to help you structure arguments about “strategic” issues. Such issues are typically deeply ambiguous: our main task here is to resolve this ambiguity. These issues are therefore rather different from those you encounter in many other courses, where the essential task is not to resolve **ambiguity** but to resolve **uncertainty** and **complexity**. Where issues are uncertain and complex but not ambiguous, we can often resolve them through calculation of some kind, even if the calculations are themselves very complex; in contrast, where issues are ambiguous, the meaning of our goals and the significance of the facts at hand are in dispute, and calculations therefore do not convince. The way forward here is not by calculation, but by reasoned appeal to intuition, so as to resolve these different meanings and developing a shared understanding.

\* \* \*

Think of your case analyses as consultant reports. Imagine that you have been given a chance to study the focal organization and to come up with a diagnosis and a set of recommendations. A few issues are immediately posed:

\* You will need to explicitly identify a specific client, since your action recommendations will need to be ones that this client can implement.

\* In this course, you have some latitude in choosing your client: even if the case is written from the point of view of a given firm or person, you might choose to take as your client one of the other stakeholders. However, in choosing your client, make sure the case and associated readings provide you with enough material. Please consult with me beforehand so we agree on your choice of client.

\* The issues to be resolved may not be obvious; but this is also true of many real-world situations. The Study Questions in the session descriptions are offered only to get your thinking going — they are not an agenda for your analysis.

\* In this situation, you are not a “subject matter expert” but rather a “facilitator”: your client will know more about the issues and context than you, so your job is not to so much to “sell” them on your recommendation as to lay out as a clear chain of reasoning so that they can use your input to clarify their own thinking.

You will make this presentation to the class, but you should think of the class as if we were the client and his/her leadership team. (Do keep in mind, however, that representatives of other stakeholder groups may attend!) Given this context, and given the time constraints on your presentation, you should not waste time repeating the case facts that would be known to this audience. (In real engagements, you might review these case facts to establish common ground and to buttress your credibility; but in class, that won’t be necessary.)

\* \* \*

Your presentations should include the following elements:

First, you need a single **summary** slide that states your key “take-away message.” The best way to do this is to state succinctly (a) the challenge facing the client organization, (b) the root issue that makes it difficult to meet this challenge successfully, and (c) your key recommendation for resolving this root issue.

Second, you should lay out an overview of your presentation — the **agenda**. This slide should tell us what topics you will address in what order. It will be much more impactful if simultaneously you can summarize in a short phrase the key conclusion of each of these parts of the presentation. If this slide summarizes, for example your main options and criteria for choosing among them, it can lay out in skeleton form the substantive logic of your argument leading to key main recommendation.

Third comes the body of the report. Here you may want to reiterate the key **Challenge** facing the client if your summary slide’s characterization of that challenge needs more explanation. The Challenge is the problem to be resolved, so it is important that you state the Challenge in a way that your client will immediately recognize as an accurate statement of the problem at hand. Your statement of the challenge creates a “shared context” with your audience. It is sometimes pretty obvious, and you may have addressed it sufficiently in your summary slide; but sometimes it is less obvious and warrants a slide and discussion to itself.

Having identified the Challenge, your next task is to “peel the onion” another few layers to identify the **Root issue** facing the client. Think of this as performing Toyota’s “Five Whys.”[[1]](#footnote-1) The Root issue is the factor that makes it difficult for the organization to meet its Challenge successfully. Think of your task here as akin to a physician’s: the patient (client) comes in with a whole set of “presenting symptoms” (i.e. Challenges) — it’s your job to identify the underlying disease (i.e. Root issue). For a consultant as with a doctor, a good root issue analysis yields insight that is actionable: actionability is crucial, since the rest of your presentation is going to focus on resolving this root issue.

Note that organizations usually face multiple challenges, and for any one of these, there may be more than one root issue. But you simply don’t have time to address more than one challenge and one root issue in a short presentation. The burden is on you to “add value” -- as much value as possible -- for client by identifying the most critical challenge and the highest-leverage root issue.

Identifying a Root issue is often difficult — but it is immensely valuable for your client. In real life, it is often much more valuable to your colleagues and clients to identify the right question than to find the right answer. Your diagnosis of this root issue should be argued, not just asserted, using the relevant facts of the case and whatever analytic tools seem necessary. Some of the supporting analysis may need to go into an Appendix.

Note too that sometimes the client has a strong opinion as to the nature of their real problem, and this opinion may be expressed in the case, but you may think their analysis is not accurate. In this situation, you have to convince them that the real problem lies elsewhere. And sometimes the case describes a situation without explicitly identifying any specific challenges at all, perhaps because the client organization is doing very well — here your task will be to identify the deep source of their success and a key source of vulnerability in the future, and what they could do address that vulnerability.

In cases such as these ones we study in this course, there are typically multiple internal and external **Stakeholders** in your client’s decision-making, and these stakeholders have different interests, rights, and concerns. Stakeholders are any groups affected by the issue or decision we are about to make, or in a position to affect us and our decisions. Some stakeholders may not be obvious at first sight — they may be far afield, “downstream” or “upstream.” You need to ask yourself: Who are the parties affected here? What rights or interests or concerns of theirs are involved? What is the nature of the client organization’s economic and political relations to these stakeholders? Somewhere in the course of your presentation, you will need to consider these stakeholders. You should fold that discussion into your presentation wherever it adds most value for your argument: this may turn out to be in your characterization of the Challenge; it may be in defending your characterization of the Root issue; it may in identifying and assessing your Options; or it may be in planning your Implementation plan. But it should contribute something to your analysis somewhere.

After defining the Challenge and Root issue, and probably after you have presented your Stakeholder analysis and the explained the insights that flow from that, you need next to identify the strategic **Options** – a small number (usually 3 or 4) plausible candidates for addressing the Root issue facing the client organization and thereby helping it meet its Challenge. These options represent alternative *compass headings* — overall directions the client could follow to solve their problem. As such, they are stated in relatively abstract terms, in contrast to the implementation plan which will specify a detailed *itinerary* (see below). Your strategic Options should therefore not be laundry lists of things worth doing: they should define alternative general directions the client could take. To be maximally useful to the client, these options should be (a) plausible but (b) fundamentally different, indeed mutually exclusive – just as one cannot simultaneously pursue two different compass headings**.** In practice, you would want to make sure that your list of options includes the ones likely to be under discussion within the client organization: by explicitly addressing these options, you will be helping your client reach a reasoned consensus. (To repeat: you are looking for mutually exclusive alternatives here, not variants of the same basic idea.)

Having articulated these Options, your next task is to justify your recommendation of one of the over the others with reasoning that could convince a skeptical client. The key to convincing the client is to recognize that there are lots of points of view in the client organization (and in the class) on how to solve their problem: your job is to convince us that the strategy option you recommend is more likely to achieve success. The best way to do this is as follows:

\* First you need to identify a common set of **Criteria** against which to evaluate the options. A broad range of strategic and operational considerations are potentially relevant, but it is up to you to come up with a small set of key criteria. You need to justify your choice of Criteria: you can often do that by referring to the priorities implied by the organization’s basic mission and business strategy.

\* Then you should take each criterion one at a time, and show how your options compare on that criterion. Having identified each option’s **pros and cons** on this criterion, you should be able to **score** the options relative to each other for this criterion. Usually a scale of 1-4 suffices: if you use a wider scale, such as 1-10, you risk (a) giving a false impression of the precision of your analysis, (b) encouraging unproductive debate over minor differences, and (c) giving some criteria more effective weight than others by having a great variance of scores. Keep in mind that you are not here trying to conduct a real quantitative analysis: you are just using numbers to make your qualitative arguments more explicit. ***Note***: if your options are all genuinely plausible, then you should not end up with scores for one Option being inferior to those of one of the other options on all your criteria: that would imply that the first option is, in reality, not a plausible option at all.

\* To sum up these scores in a convincing way, you then need to propose a set of **weights** for these criteria according to their relative importance in the priorities of the organization, and explain why these weights are the most appropriate.

\* Multiplying scores by weights, you can create a **weighted score** for each option and rank-order the options from best to worst. ***Note***: putting numbers to these weights and scores is a great way to clarify your thinking; but the numbers will not convince your client: you need to explain in more intuitive, qualitative language the rationale for your conclusion, and the numbers are here to help make more explicit your reasoning.

\* Finally, you should **test the sensitivity** of the resulting option-ranking to plausible alternative estimates of the weights. (I recommend you focus on alternative weights rather than alternative scores, because in principle it should be easier to get consensus on the scores, and the real disagreements are more likely to be expressed in different views on the relative weights of different criteria.) Here is where the benefits of a formal, quantitative decision-analysis reveal themselves: first, it can show whether your preferred option really “dominates” the alternatives, or if reasonable people using reasonable but different weights would reach different conclusions. Second, if your solution is not “robust” against such disagreements, close scrutiny of the analysis will help you differentiate between the “real issues” — where disagreement would change the final conclusion — and the “non-issues” — where disagreement doesn’t matter to the final ranking. The best way to do this is to ask: what would proponents of the other options (the ones you are *not* recommending) argue if they were making their best case? What weights would they want to use? Then you can discuss the relative plausibility of these weights compared to your preferred weights. This analysis should be summarized on a slide — but I recommend you find a way of presenting your results qualitatively, i.e. without recourse to quantified data: here too, numbers rarely convince anyone, so you should use them only (a) to clarify your own thinking and (b) to buttress the credibility of your qualitative reasoning: leave the quantitative analysis itself in an Appendix slide.

Now, having described and justified the main “compass heading” you are recommending, you can move to implementation planning, where you provide your client with a detailed “itinerary” that will enable them to implement your recommended strategy. Depending on the case, you may not have enough data to develop this part of your presentation in any great detail, but ideally this is what would appear in this section:

\* First, you should identify the likely **hurdles** — the factors within the control of the organization — that would face your client in pursuing your proposed strategy, and suggest some **counter-measures** your client could use overcome these hurdles.

\* Second, you should also identify the **risks** — the factors outside the client’s control — confronting your strategy, then show the **counter-measures** that could mitigate these risks, and if they can’t be mitigated, how the client should proceed if these risks do materialize.

\* Synthesizing this analysis of hurdles and risks and their respective counter-measures, you can propose a **sequenced and timed implementation plan**, answering the questions: what are the key steps to be done today, next week, next month, next quarter, and next year, and who should be responsible for these activities. This plan will be far more useful if you support it with some reasoning — i.e. explain why you recommend this sequencing and timing rather than another.

\* Note that your Recommendation will be relative to a certain time-frame. Your implementation plan will focus naturally on what the client needs to do within that time-frame. But the Implementation section is also a section of your report where you might want to address longer-term issues, beyond that time-frame, that you believe the client will need to address.

\* Finally, to convince the client that your recommendation is practical, you should consider the overall “bottom-line” — the **costs** as well as the **benefits** of your plan of action. Reports often forget this elementary consideration! It’s a nice way to wrap up the presentation.

Note: you may not have enough information to ground all the details of your implementation plan in the case data. In that eventuality, it is often helpful to work with some plausible assumptions and show us what the plan would look like. At a minimum, you will have provided the client with a template (“straw-man”) that they can build on.

Note too: your implementation plan probably has many facets, but it’s very useful if you devote a slide to one particularly high-leverage component. The goal here would be to pinpoint the “root issue” that underlies the implementation challenge and then to propose a way of addressing it. Obviously you won’t have time to argue in any detail for this root cause analysis, let alone to discuss alternative ways of addresses that root issue; but even without that, this slide can considerably argument your presentation’s value. If the plan of action involves, for example, a new structure, you might include a detailed organization chart for the new structure. Or perhaps effective implementation involves training: you might show us a course outline for the training module. Or perhaps it involves a leader explaining to this organization the rationale for a new strategy: you might include a video that you create with your team. In this way, you can make more concrete the implications of your plan, and show that you have anticipated some of the detailed action planning that it will require

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Your goal is to deliver to your client as much “value” as possible — that is, deep insights that they will not have had themselves. So this project is about “peeling the onion” to go deeper into the underlying causes and thereby offer action recommendations that are more likely to have more substantially positive effects.

To achieve this goal, your team’s work will need to proceed in a highly iterative way. You will typically find that you need to revisit and revise your characterizations of the challenge and the root issue when you get into the strategic options and implementation. Plan on several iterations, since each time you work through it, chances are good you will uncover more issues.

As a result of the need for this iterative process, you will not be able to neatly divide up the work of preparing your report among your team members. Whereas in other classes you can often delegate specific parts of a project to specific team members, here you and your team members will need to work collaboratively, in face-to-face discussion. You will be able to divide up the work of laying out the Powerpoint slides, but the content will need to be developed collaboratively. Organize yourselves and plan your work schedules accordingly.

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As concerns the **oral presentation** itself, here are some guidelines:

\* I will hold you to a **15 minute time-limit.** This may sound draconian, but it is not unlike many real-life situations where the time accorded you to make your case is typically very short. More importantly, this time limit forces you in your preparation to get to and keep the focus on the most critical issues.

\* In analyzing the case, please rely **only** on data included in **the syllabus materials** (case, readings). This will put your team and the rest of the class on an equal footing. You may, however, use whatever conceptual or analytic tools you choose, wherever they come from.

\* It is often interesting to see what actually happened after the case time-frame (e.g. what the company did and how it worked out): you will have up to **5 extra minutes** for your presentation if you want to summarize the results of research you have done on that. But remember: the body of your presentation (the first 15 minutes) needs to be convincing to your client (the class) knowing only what we know in the case time-frame. What actually happened is unknown to them at that time.

\* You should work to ensure that your presentation develops its arguments in a logical sequence. You will need to make each slide “count” — making a clear point that contributes to the line of argument leading to your recommendations.

\* Your presentation materials (slides) should be clear — neither too wordy nor too sparse. Consult the standard references on how to lay out visually intelligible and pleasing presentation slides. Ideally, your slide titles should consist of assertions (not just specify the topic of the slide).

\* Please also include Notes: these should not be your voice-over script, but should (in bullet point form) explain whatever is necessary beyond the slide itself to make the meaning of the slide clear to a reader who was not at your presentation (or who was at the presentation but, reviewing the handout later, finds they have forgotten the point you were trying to make).

\* You will find it useful to prepare some **Appendix** slides. These might explain some of the details of your analysis, or show your analysis of some issues that are interesting but not quite important enough to include in your 15-minute presentation itself. It is good to have these ready in case they are useful in responding to questions.

***\**** At the start of class, you need to provide me with a printout of your Slides, Notes, and any Appendices.

\* Please **number** your slides: this will greatly facilitate our discussion.

**Grading Sheet for Case Analyses**

(for ***Case consulting reports,*** for ***Consulting-type research projects***)

Each component is worth 0-4 points

**Have you identified the relevant stakeholders and their concerns and interests?**

\* Have you identified the relevant stakeholders?

\* Have you identified the rights, interests, and concerns of these stakeholders?

\* Have you drawn a usable conclusion from this analysis? Have you used it effectively to inform your analysis and recommendations?

**Have you identified a root issue underlying the key challenge that confronts the client organization?**

\* Have you clearly identified a key challenge?

\* Have you identified an actionable root issue that underlies that challenge?

\* Have you made a compelling case that this is indeed the root issue?

 **Have you argued compellingly for your preferred strategy for tackling the root issue?**

\* Have you identified some plausible, mutually exclusive, alternative “compass headings”?

\* Have you analyzed these alternatives’ pros and cons?

\* Have you justified the evaluation criteria you use in this pros/cons analysis and the relative importance (weights) you assign to each?

\* Have you justified the evaluation (scores) of each alternative on each of the evaluation criteria?

\* Have you done a sensitivity test on this analysis to see if reasonable people would reach different results using plausibly different scores or weights? Have you used this analysis to pinpoint where the key underlying disagreements might lie?

 **Does your proposed implementation plan pass the “reality test”**?

\* Have you identified the key risks in pursuing your strategy?

\* Have you proposed counter-measures to mitigate these risks?

\* Have you identified the internal and external hurdles facing your strategy?

\* Have you proposed counter-measures to overcome these hurdles?

\* Have you laid out a timed sequence of actions that integrates these counter-measures and maximizes the likelihood of success and have you explained why you recommend this sequence and timing?

\* Have you identified a particularly important implementation issue/solution and offered some insight into that aspect of your plan?

\* Have you assessed the overall costs of the plan and compared them to its benefits?

 **Is your argument well presented?**

 \* Does the argument flow in logical way?

 *\* For oral presentations (Note: In grading the oral delivery part of the presentation, I will not penalize people for language difficulties when their first language is other than English):*

\* Is the oral presentation engaging?

\* Are audio-visual materials used to good effect?

\* Are Notes clear?

*\* For written case analyses:*

\* Is the writing technically correct (spelling, grammar, paragraphs)?

\* Do the exhibits support the argument effectively?

**Grading engagement**

Class engagement has three components: pre-class preparation, in-class contribution to discussion, and post-class postings on Blackboard. They are weighted per the Grading scheme shown earlier. Here is how I will grade each component:

**Pre-class preparation**

For each class session devoted to a case discussion, you need to prepare a one-page summary of your answers to the basic questions for each case discussion session. See the Appendix: *Case Notes Template*. In filling this out, point form is appropriate. These summaries should be posted on Blackboard before the beginning of the class session. Each Note earns you up to 2 points, based on my assessment of quality and thoroughness. Late submissions will not be graded. (You are allowed to miss one Note without grade penalty.)

**In-Class Contribution**

Each class session earns you up to 2 points under this heading. I will use the following “anchors” as a way of evaluating your contribution to our discussions. I will also give you an opportunity to evaluate yourself using the same criteria both mid-way and at the end of the semester:

*Excellent* (2 points)- Contributions reflected exceptional preparation and an enthusiastic commitment to our learning experience. Had always read the assigned material and had thought about it carefully. Embraced the opportunity to learn in our time together, brought out the best in others, and was open to subsequent conversations. Brought up questions that need to be further explored. Added considerably to the quality of the course experience for others.

*Good* (1.5 points)- Contributions reflected an adequate preparation for class and commitment to our learning experience. Comments helped the discussion move forward, but did not open new topics or pose difficult issues. Had read the material before class and given it some thought. Took advantage of the learning opportunities presented here. Added something to the quality of the course experience.

*Barely satisfactory* (1 point)– Attempted to contribute occasionally, but contributions often reflected either weak preparation or an apathetic orientation to the learning opportunities presented here. Comments did not build on or relate to flow of class discussion. Had read the material, but without much effort to engage it. On balance, added nothing to the experience of the class.

**After-class postings to Blackboard: “Take-aways”**

Shortly after each class session that is devoted to a case discussion (preferably within a few hours, while your memory is fresh), you should take some time to distill the key take-away lessons (TAs). Starting with the week of Jan 28, students should post a short TA note (10-15 lines, or longer if you want) on our Blackboard Discussion space, at the latest within 36 hours of the class. These might also include responses to other postings already on the Discussion space.

Each TA earns you up to 2 points, based on my assessment of quality and thoroughness. Late submissions will not be graded. (You are allowed to miss one TA without grade penalty.) My grading criteria are:

**Coverage** – The best TAs synthesize the key ideas that emerged during the discussion and from the readings. Weaker TAs focus on just a subset.

**Insight** – Weak TAs list the topics we addressed; the best TAs pinpoint the lessons learned about those topics. The best TAs also suggest new questions that are raised by these lessons.

**Connections** – The best TAs link the lessons of this discussion to others earlier in the course. Weaker TAs don’t make such connections.

**Point of View** – The best TAs reveal how the discussion has enriched your own thinking. Weaker TAs lack that personal engagement, or simply reiterate a pre-formed personal opinion.**Case Notes Template**

Please fill in this template with your (succinct!) responses and post it as a Word document on the Assignments page of BB.

|  |  |
| --- | --- |
| **My name:** | **Instructor comments:** |
| **The case:** |  |
| **Who is your client?** |  |
| **What is the critical challenge the client faces?** |  |
| **Who are the main stakeholders involved here and what are their concerns and interests? What conclusion do you draw from this analysis that contributes to your argument?** |  |
| **What is the root issue the client must resolve in order to deal with this critical challenge? (Explain your reasoning, succinctly.)** |  |
| **What plausible, mutually exclusive, strategic options should the client consider for resolving this root issue?** |  |
| **Which of these options do you recommend, and why is it superior to the others?** |  |
| **What implementation issues should your client anticipate and how should they address them?** |  |

**Team Research Project Guidelines**

**Due dates**

* Feb 5: Project proposal (by email)
* Feb 19 Situation assessment: Brief presentation to class
* March 12: Rough-cut report (by email):
* April 23, 30: Presentation in class
* May 7 (9pm): Final written report (by email)

**Project topic**

 These reports can take either of two forms:

(1) Consulting report: This type of project might focus on a particular firm confronting a particular environmental issue, or it might consider the strategy of a government entity or an activist group. Projects of this type should be action-oriented and go from analysis to recommendations. The Guidelines we use in the CCRs will serve as guidelines for this type of report too.

(2) Investigative journalist report: In this type of project, the group will assume the role of investigative journalist, providing me and the class a briefing about either a specific firm’s actions or a wider sustainability issue. This project would take as its model investigative reports that appear publications such as *Business Week, WSJ,* or *NYT.*

 Papers can be written with the cooperation of the focal organization, but this is not required. Students should bear in mind that if a paper is written with the cooperation of an organization, the organization’s desires for confidentiality may be in conflict with the course’s requirement that students present their reports in class: if that happens, be in touch with the instructor to work out an appropriate course of conduct.

 Please Note: because of the burden these projects create for their client, we can have only one team per semester work on Marshall itself. So any proposals for such projects must come through me, and if necessary, I will run a lottery.

**Project ethics**

Some considerations to keep in mind:

* You need to show your report to your client at some point: so make sure that the content, style, and presentation will make you and USC proud.
* Sourcing: all your assertions should be sourced and backed up with the appropriate data, citations, and analysis
* If work was partitioned within the team, attribute sections to the individuals.

**"Live people" research component**

 All team projects must include some interaction with people actually involved in the case/issue you are studying — managers at companies and/or NGOs, government officials, etc. Ideally, this would be face-to-face interviews; at a minimum, you should do phone interviews. Your report must include clear attributions (citations) to these and all other sources.

**Project proposal (Feb 5)**

 The project proposal should be a 1 or 2 page document, and should include (at least) the following items:

* The team members’ names.
* Your client and the main question(s) your project will investigate.
* Why your team chose to focus on this issue.
* Your research plan, including some the sources you expect to rely on, including how you will meet the "live people" research requirement described above.

**Situation assessment (Feb 19)**

 Today you will present briefly to the class your proposal and your situation assessment. Your presentation will review what you have found so far and the research that remains to be done.

**Rough-cut report *(*March 12)**

 By now, you should have most of the data collected and analyses completed. This rough-cut of your final presentation slides will help pinpoint any areas where more data or analysis is needed.

**Final presentation in class (April 23, 30)**

I will assign each team one of these dates by lottery.

Each team will get 20 minutes (maximum) to present to the class and then about 5 minutes to respond to questions.

You are free to present your report in whatever format you like. Even if your project took the form of a consulting project, you are under no obligation to use the structure proposed in my Guidelines. Note, however, that the class has no background on the case, so you will need to provide that -- as succinctly as you can, while conveying as much info as we need to follow your argument.

Apart from the oral presentation, each team has two deliverables for this date: for the class, black-and-white Handouts of PowerPoint slides, and for the instructor, a copy of your “Talking Document.” Your Talking Document is composed of:

* PowerPoint slides
* Notes: where the Slide bullet points are not self-explanatory, Notes are important. These Notes should not be your voice-over script and should not be a prose report in disguise: they should simply add, in bullet point form, whatever extra information the reader would need to understand the points being made on the Slide.
* Appendices that show any backup analysis you performed or data you collected. (Not a data dump!).

**Final project written report (May 7, 9pm)**

 This report will be a more detailed account of the results presented in your oral presentation and slides. If your oral presentation led you to identify some possibilities for further improvements, these can be incorporated into this final written report. It should be prose rather than bullet points, about 7-10 pages single-spaced plus supporting Appendices. Take the space you need to make a compelling argument… but no more than you need. This should be a professional-quality report of the kind you can show a client … or a prospective employer.

**Grading the team research project**

 The grade for the research project will be based 50% on the class presentation and 50% on the final written report.

1. As explained on Wikipedia: The problem (or what I am calling the challenge) is that my car won’t start. Ask:

	1. *Why?* - The battery is dead. (first why)
	2. *Why?* - The alternator is not functioning. (second why)
	3. *Why?* - The alternator belt has broken. (third why)
	4. *Why?* - The alternator belt was well beyond its useful service life and has never been replaced. (fourth why)
	5. *Why?* - I have not been maintaining my car according to the recommended service schedule. (fifth why, a root cause) [↑](#footnote-ref-1)