MGT 624
Professor Lisa B. Kahn
Yale School of Management
Spring, 2015

MGT624
COMPETITIVE STRATEGY AND THE INTERNAL ORGANIZATION OF THE FIRM

Tuesdays/Thursdays, 10:10 – 11:30 a.m.
Room 4420

This course focuses on the connections between the competitive strategy of a firm and its internal structure and organization. We include material both on how to think strategically about an organization's human resources and how to align a firm's human resource structure with its strategic choices in the marketplace. Specific topics include hiring, compensation, organizational structure, training, the interaction of human resources and the business environment, diversity and discrimination, HR in start-ups, HR in companies undergoing change, HR in innovation-intensive organizations.

In our analysis of workplace practices, we will pay close attention to the impact public policy has on the workplace. Government regulation is a reality of any market, including the labor market. Thus understanding how managers both are impacted by and react to various regulations and policies is vital. We will also bring in international comparisons wherever possible. Now, more than ever, the global economy necessitates managers to think more broadly about a diverse workforce and customer base, as well as new challenges in product competition.

A central goal of this course is to teach you to think analytically about personnel management. As we study companies in their specific contexts, we will also discuss whether evidence from a specific example can generalize. Wherever possible, I will bring in broader, systematic studies of similar issues. However, we know from our statistics classes that correlation does not necessarily imply causation; one must be very careful about interpreting data. Thus, an important component of the course will be to learn how to interpret existing data and to think about what further data would be necessary to draw stronger claims.

It will be important to take advantage of the experience of class members. So, where relevant, please bring your own experiences and illustrations into class discussion. If we are to meet our goal of increasing your effectiveness in managing human resources, it is important to explore how, why, and under what circumstances various approaches work. Your previous experiences, both positive and negative, are an invaluable source of data for this learning.

Given the breadth of the subject matter, there are many important topics we are unable to address adequately in this course. I am always happy to recommend supplementary readings and cases, and your team project in this course provides another way of exploring HR topic areas that particularly interest you.

Readings:
There is no assigned text for this class. All readings will be posted on Classes V2. We will draw on cases, newspaper stories, academic articles, and chapters from textbooks. The starred readings (*) are the most important for the day.

Course Requirements
Class Participation:
Class participation grades will reflect my assessment of your total contribution to the learning environment. This reflects both quantity, but more important, quality of your class contributions. Note that while attendance in this class is not mandatory, I will give more participation points for those who show up than for those who do not.

Individual Assignments:
There will be several individual assignments throughout the semester. You should work on these assignments on your own, these are NOT group efforts (with the exception of the “warm call” in some cases).

1. Write up a short paragraph about yourself. This should include information on previous employers and what roles you served in those jobs, as well as your particular interests in taking this class and what you hope to get out of it, and any other relevant information. Please write no more than 500 words. This is worth 1 point. Due via email by Sunday, Jan 18, 10pm.

2. You will have two written assignments that in total are worth 30 points. See handouts for more detail.

3. Choose any class and write up the discussion questions in advance. Hand in your write-up before class begins. This should also be no more than 3 pages and is worth 6 points. Days with guest speakers are excluded.

4. Hand in 3 articles (newspaper, popular press, videos, academic pieces – anything relevant will be accepted) throughout the semester that are related to a topic we have discussed in the course -- OTHER than those listed on your syllabus. Hand these in via email, including a paragraph (with a link to the article) of approximately 200 words, explaining the relevance of the piece. These are worth 3 points total, 1 for each article.

**You are not limited to just 3. You can hand in as many as you like!

5. You are required to prepare and present one “warm call” worth 10 points. You will notice these are available on most days of class. These are meant to give those students who feel less comfortable speaking up in class a more structured way to participate. The best “warm calls” are those that draw on both your past experiences as well as a small amount of research. For example, you could use a previous employer as a case study for the topic of the day. Or you may choose a topic you have particular interest in learning more about through independent research. Please complete the specified preparations and be ready to present 5 minutes of material. Due to the size of the class, there may be two people presenting. If two people present, you may work together for an 8-minute presentation, or each give independent 5-minute presentations. Due to time constraints, I will be forced to cut people off if they go over. Submit a ranking of 3 classes you would like to do your warm call in to me via email by Friday, January 16. You may submit as a team of two if you like, or on your own.

- These are meant to be useful, enjoyable and flexible. Feel free to work with me on tweaking the specifications of the warm call to something that better suits your area of expertise.
- A day or two before class, we will discuss the format for the day and when you should expect to present.
Team Project

The best way of integrating and internalizing the conceptual material we will cover in this class is through practical application. Accordingly, all students will undertake an HR-related project in a group of 4 people. The project has one deliverable—an in-class presentation near the end of the course. There are very few limits on what you can or cannot do in your project, but there are some important requirements. For details, see the “Project Description” document in your syllabus packet. Your grade for the project will be based on the whole group’s involvement and presentation.

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IMPORTANT DATES TO REMEMBER

January 13 (Tuesday, 10:10 – 11:30 a.m.) First class meeting
January 25 (Sunday, 10pm) Complete the first part of assignment #1
February 6 (Friday, 10pm) First written assignment due via email
February 22 (Sunday, 10pm) Second written assignment due via email
February 26 (Thursday) - March 20 SPRING RECESS (no class)
April 21, 23, 28 Project team presentations in class.
Apr 30 NO CLASS
May 1 (Friday, 10p.m.) Final slides for project due via email
May 5 (Tuesday) Last day of class.
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OUTLINE AND SCHEDULE OF SESSIONS

*** Please check the website regularly for updates.

Session 1: Introduction
(January 13)

Exercise: Omega Consulting

Readings:

Preparation Questions:
1. Come to class prepared to discuss the exercise

Session 2: Managing a New Venture
(January 15)

Case: *NanoGene Technologies, Inc.*
[HBS #9-803-117]

Reading: *The Street*: Joe Mont, "The Myth of Small-Business Job Creation" September 15, 2010
http://www.economist.com/node/21548945


Warm call:
What are the particular challenges to HR management facing a start-up? How have some start-ups you have come across, either personally or through your research, handled these challenges? Were they successful?

Preparation Questions:

From *NanoGene*
1. Evaluate the founders' decisions regarding the split of equity and compensation level. As a potential venture investor in the company, would these decisions concern you?
2. Evaluate the size and composition of the founding team. What is the difference between being a "founder" and an early employee?
3. Evaluate Paige Miller as an addition to the team, and assess her compensation demands. Would you hire her on the terms she seeks?
4. Assess the company's progress on each of the specific issues discussed in the last section of the case: the hiring process; a compensation policy; the company's culture.
Specifically, in each of these areas, what should the company do? Be prepared to present your answers.

Session 3: **Hiring I: Signaling and Screening**  
(January 20)

**Readings:**

1. * Lazear and Gibbs Ch 2:  
   **Focus on pp. 25-33, skim pp. 33-42 for a refresher on signaling.**

**Warm call:**

Describe a hiring process that seems interesting to you. You may draw on your own experiences either hiring or applying for jobs, as well as research on practices at other companies. Discuss why you thought the process was useful (or not!). Was the process designed in a way to allow applicants to credibly reveal their worthiness for the job and the hiring firm to credibly reveal its job quality.

**Preparation Questions:**

1. Can you think of examples from your work and life experiences where information was credibly (or not-credibly) revealed through signaling or screening? What were some of the most "out-there" instances?
2. Why do the long-term unemployed face difficulty finding jobs?
3. Evaluate each of the following policies to help alleviate the plight of the long-term unemployed. What are they designed to do and how effective do you think they will be?  
   a. Tax breaks for firms that hire long-term unemployed workers  
   b. Government subsidized internships for the long-term unemployed
4. Come up with your own policy and evaluate it next to 3a and 3b.

Session 4: **Hiring II: Combining Signals**  
(January 22)

**Readings:**

1. * “White Paper: Using Analytics to Measure the Value of Employee Referral Programs”, EVOLV

**Warm call:**

Present your proposed referral policy from #3 below. Be sure to draw on your research or past experience. Analyze whether your proposal would work at all companies or only at very specific companies for very specific jobs and why.

**Preparation Questions:**

1. From the perspective of signaling and screening, why might referral programs, algorithms, job testing, and DNA testing be helpful in the hiring process?
2. Pick at least 2 of the tools mentioned in #1: would these have been helpful in the hiring process for your last job? Why or why not? For what types of jobs do you expect these tools to be helpful in hiring: mid-level managers? CEOs? janitors? Why?
3. Suppose that you are the Director of Human Resources for the last company you worked at. The CEO has asked you to design a new employee referral program from scratch. How would you design it?

**Session 5: Training**

(January 27)

**Case:**

* Ions Consulting: MP^2 Training Program
[ivy #907C29]

**Readings:**

1. "Preparing the Workers of Today for the Jobs of Tomorrow", Council of Economic Advisers, July 2009. [Especially SECTIONS VI and VII]
http://www.newyorker.com/talk/financial/2012/03/26/120326ta_talk_surowiecki

**Warm Call:**

You are Clark Loon of Ions Consulting. Present your revised MP^2 training program to the board of directors. Be sure to draw on research or personal experiences of other companies that have successfully or unsuccessfully implemented training programs.

**Preparation Questions:**

1. What kind of revisions should Loon make to the MP^2 program? How can he gain the acceptance of employees? Will this be enough to convince the board to deploy MP^2 company-wide?
Session 6: Performance Measurement
(January 29)

Readings:
1. *Lazear and Gibbs Chapter 9

Warm call:
Describe the performance evaluation system at your last job. Who evaluated whom? Was there a uniform set of questions each time? Did any employees receive feedback on these evaluations?

Preparation Questions:
Imagine you are tasked with designing the optimal performance management system for students at Yale SOM. What elements would your scheme include and why? Please make sure you touch on each of the following issues. Be prepared to present your plan in class
a. Should professors be writing reviews, or fellow students, or both?
b. What metrics should the performance review include? Should these be coarse or fine?
c. Should the rating scale be relative or absolute?
d. Should reviews occur frequently or infrequently?
e. Should outcomes of reviews be public or private?
f. Do these factors depend on the details of the course (quantitative v qualitative, required v elective, full semester v half, reputation of the course in terms of difficulty or professor quality, etc.)?
g. Be clear about what the goals are of your performance management system and the extent to which you think they will be achieved

Session 7: Incentives I: Agency Theory
(February 3)

Case: *Arck Systems
[HBS #9-911-056]

Warm call:
Question #1 from the prep questions. Feel free to bring a broader perspective to the question by bringing in other examples for your research/experiences.

Preparation Questions:
1. A number of elements of the two companies' compensation and pay-for-performance plans are different. What are the key drivers of the differences in the pay-for-performance relationship between the two plans? More broadly, which of the differences in the two companies' compensation plans should most concern Bryan Mynor?

2. Why do you think the two companies' compensation plans are so different?

3. Should Mynor propose scaling back Lux Software's commission accelerators? Are there other changes to Lux Software's compensation plan he should consider?

Session 8: Oyer: The Economics of Online Dating—Special time 11:30-1:00 p.m. Room 2400 (February 5)

Session 9: Promotions, Tournaments and Superstars (February 10)

Readings:

1. * Lazear and Gibbs chapter 11

Warm call:

Think of an example of tournament theory (where promotions are used as motivators for lower level employees) in practice or a super star market. This can be from your past experiences or from your research. Present the market and explain why you think it fits in with the theories discussed in the articles. Present some support evidence. This example does not have to fit perfectly and you may also talk about the ways in which this example does not fit the described theories. Feel free to work with Professor Kahn on these to make sure you are on the right track.

Preparation Questions:

1. In a tournament model, the prospect of future promotions can incentivize worker effort. What will effort depend on? What are some potential distortions caused by tournaments?

2. Write down specific examples you have seen where promotions served as a motivator? Were these positions typically "up-or-out", in that those who were not promoted were forced to leave the firm? How does an "up-or-out" system interact with the efficacy of a promotion-as-motivator system?
3. The NYT article states that a "superstar" market is one in which small differences in ability translate into very large deviations in pay. This is because the return to productivity is HUGE, perhaps because performance is widely reproducible (TV, recordings, etc.). Think of an example (not stated in the article) of a market where you believe there are, or are not, superstars and explain why.

**Brain teaser:**

In some tournaments (e.g., professional tennis tournaments), a small number of participants (16) are seeded and placed throughout the draw in a particular order. For example, the #1 and #2 seeds are placed on opposite ends of the draw so that the earliest they could possibly meet is in the finals. Also, the top 16 seeds are placed sufficiently far apart that they cannot possibly meet until the round of 16 (when there are only 16 players left). The remaining players, beyond those who are seeded, are ordered randomly throughout the draw. A consequence of this is that the 17th seed is equally likely to face the #1 seed in the first round as the 64th seed.

In other tournaments (e.g., NCAA basketball), every single team is seeded. There are 4 #1 seeds, 4 #2 seeds, all the way down to 4 #16 seeds. The 16 seeds always play the #1 seeds in the first round, 15 seeds always play #2 seeds in the first round, etc. In other words every single match-up in every single round in the tournament is assigned based on seed. There is no randomness (except within a seed, i.e., which of the 4 16 seed teams plays which of the 4 #1 seeds is randomized, but ignore this for now).

The key distinguishing feature of the former tournament compared to the latter is that there is much more randomness in who plays whom. Why the two different styles? What purpose might the ordering in the latter type serve?

**Session 10: Identity and Performance** with Matt Regele (February 12)

**Case:**  
* Redgrove Axial Workshop  
[HBS #409-034]

**Reading:**  

**Warm call:**  
Akerlof and Kranton highlight cases where misaligned or imperfectly measured indicators create a divergence between the outcomes an organization wants and the actions employees are actually incentivized to take. Provide an example of a case of such misalignment that you have observed in your own work or that has been in the news. How might the organization have addressed/avoided this disconnect?

**Preparation Questions:**  
1. What is the scope of the problem that Marc Fontaine is facing?  
2. How effective is the Axial Workshop team?  
3. What should Marc Fontaine do?
Session 11: Ownership, Investment and the Employment Relationship
(February 17)


Readings:

**Sections I and II of this paper are actually quite readable. Please read these thoroughly enough to be able to answer the preparation questions. Do not worry about the rest of the article.**

Warm call:
Think of another setting or several settings where property rights played an important role in the efficiency (or inefficiency) of operations. Who is the residual claimant, who has decision rights and are these incentives aligned? Go into detail on these issues from either your past experiences or research.

Preparation Questions
1. What problem arises in the trucking industry when the driver is NOT the residual claimant? For what types of trucking jobs is this problem more pronounced?
2. What efficiency gain occurs when the company is the residual claimant on the truck? For what types of jobs is this benefit more pronounced?
3. A new technology was invented which solves the problem you outlined in #1. What predictions can you make about the ownership structure in the trucking industry now?
4. Think of an example of another industry where the residual claimant need not be the one with residual control rights. How are property rights decided? Can you rationalize these decisions based on the above discussion?

Session 12: De-selection
(February 19)

Case: * The Layoff (HBR Case Study and Commentary) [R0903A]*

Reading:

Warm call:
Present evidence, either from your own experiences or your research, on how firms handle layoffs. How do firms treat workers who will be laid off? How do firms treat the workers who stay? Are there better/worse ways to communicate layoffs to maintain company morale?

Preparation questions:
1. Think about the pros and cons of layoffs versus other tools for managing in a recession. How do these differ at Astrigo compared to other companies we have come across or mentioned in the articles?
2. Consider the advantages and disadvantages of the various cost-cutting measures suggested in the case. Do you agree with the commentators?
3. Research a company that has reduced its labor costs in the recession -- either one you worked for or look for other sources. How much of each of the following practices did the firm use to lower labor costs: (a) layoffs, (b) reduced hours (or furloughs, "vacations", etc.), (c) lower wages, (d) lower bonus, (e) lower benefits, (f) other cost cuts?

Session 13: The Affordable Care Act
(February 24)

Readings:

Warm call:
Present evidence, either from your own experiences or your research, on how firms use benefits as a form of compensation. How did the firm decide which benefits to use and how did they relate to other forms of compensation?

Preparation Questions:
1. What are the likely consequences of the Affordable Care Act for employers?
2. What are the implications for the Tennessee study on how the Affordable Care Act might impact workers and firms?

Session 14: Innovation and Firm Structure
(March 24)

Special Guest: Matt Regele

Readings:


Preparation Questions:

1. How would you define innovation?
2. What companies would you identify as being particularly innovative? Why?
3. Organizations typically want to continually identify and pursue new opportunities (e.g. Introduce new products or services). But, they also want to fully exploit those opportunities that they have already identified (e.g. Improve the delivery of existing products and services). O’Reilly III and Tushman call organizations that do both well “ambidextrous”. How can organizations achieve ambidexterity? What are the challenges?
4. Developing and commercializing an innovation often requires crossing organizational boundaries. What types of partnerships and relationships facilitate innovation?

Session 15: Innovation Management
(March 26)

Special Guest:
Beth Axelrod
Senior Vice President of Human Resources at Ebay, Inc.

Session 16: Diversity & Discrimination I: overview
(March 31)

Readings:


Warm Call:
Research at least one intervention (either by the government and law makers or by individual companies) meant to help a disadvantaged group succeed in the labor market. What was the
outcome of this intervention? Did it help the group it intended to? Were there unintended consequences of this intervention? Did it last or did it need to be altered for any reason? If you had to translate this intervention to another setting, would it work, why or why not?

Preparation Questions:
1. The Goldin and Rouse article discusses a situation in which orchestras tried to get rid of discrimination by using blind auditions.
   a. It is not always feasible to have "blind" hiring practices. Think about a job you have been in or a job you are going to. What other measures could firms use in their screening process that would have a similar effect?
   b. The article finds that the share of women hired increased in the orchestra. What problems might arise as a result of reducing discrimination?
   c. The article finds that after auditions became blind the share of women hired increased. Is this evidence that orchestras were previously discriminating against women?
   d. Why is explicit discrimination generally very hard to prove?
2. Why is discrimination difficult to “prove”? How does the Bertrand and Mullainathan article on names attempt to prove discrimination?
3. Read a bit on the Asian-American admissions controversy. What are the key issues at play?

Sessions 17: Diversity & Discrimination II: Gender in High-Powered Professions
(April 2)

Case: * Deloitte and Touche (A)
[HBS #9-300-012]

Readings:
3. “Why do highly educated mothers opt out of the labor for,” Jane Lever Herr, vox, March 31, 2009

Warm call:
Research at least one intervention (either by the government and law makers or by individual companies) meant to help a disadvantaged group succeed in the labor market. What was the outcome of this intervention? Did it help the group it intended to? Were there unintended consequences of this intervention? Did it last or did it need to be altered for any reason? If you had to translate this intervention to another setting, would it work, why or why not?

Preparation Questions:
1. Does Deloitte & Touche have a problem? What are the causes of women's higher turnover? Is Mike Cook right to be concerned about it? Is he moving fast enough?
2. In D&T (A), assess the task force recommendations in light of your analysis of the nature of the problem. Are these the right steps in the right timeframe? What action plan would you want the partners to adopt?
3. In BGK, the authors show that workers who drop out of the labor market for a brief period take a large pay hit upon re-entry. Why might this be? Have you had experiences in your work life that either support or reject this claim?
4. Find 3 fun facts from BGK the paper that you were surprised about (or if not surprised, at least intrigued).

**Sessions 18: Diversity & Discrimination III: Managing Change**
(April 7)

**Special Guest:** Jim Wall, Former Chief People Officer, Deloitte & Touche

Reading:
Jim Wall Bio
*Deloitte and Touche (B)* #9-300-013

Preparation Questions:
1. Did the D&T transition seem too good to be true? We have one of the architects sitting before you today. Come prepared with questions for Jim Wall. Challenge him!

**Session 19: Immigration, Globalization and You**
(April 9)

**Case:**
*Managing a Global Team: Greg James at Sun Microsystems, Inc. (A)*
[HBS Case #9-409-003]

**Readings:**
http://www.economist.com/blogs/freeexchange/2011/05/immigration_0
http://www.nytimes.com/2013/05/06/business/port‐chester‐ny‐is‐transformed‐by‐immigration.html?pagewanted=1&_r=0

Warm call:
Discuss the cultural challenges involved in outsourcing a piece a company’s operations offshore. How have companies handled these challenges? On the flip side, what are some of the issues involved in hiring and working with non‐citizens in the U.S., from a legal perspective?

Preparation Questions:
1. How well has James managed his global team?
2. Who is responsible for the HS Holding crisis?
3. What role did the “Open Work” environment play in this case?
4. What role did diversity play on this team?
5. What should James do in the short- and long-term?

Session 20: Unions
(April 14)

Case: Why Does Volkswagon want a Union?


Optional:
For background on unions, especially teachers’ unions, read this short piece. 
*Note on Organized Labor in U.S. Public Education*  
[HBS #9‐804‐018]

Warm call:  
Compare and contrast at least two Collective Bargaining Agreements: 

Preparation Questions:
1. Why were law makers in South Carolina reluctant to allow the United Auto Workers Union access to the Volkswagen plant?
2. Why was Volkswagen on board with the union?
3. Suppose employees at the Volkswagen plant in Chattanooga vote to unionize. What would the likely consequences be to a) employees at the plant, b) Volkswagen, c) consumers, d) employees in the same sector but working at different firms.

**Session 21: Managing Human Capital in Mergers and Acquisitions**  
(April 16)

**Readings:**

**Warm call:**
- Present your answer to the preparation questions.

**Preparation Questions:**

Research the Sprint Nextel merger or another merger based on popular press articles and/or your personal involvement.
1. What was the rationale for the merge?
2. What were the cultural challenges to merging companies?
3. Did one company acquire the other’s culture, or did they continue to operate separately, or was there some combination of both? Did this seem successful or unsuccessful and what would you recommend to make it more successful?

**Sessions 22, 23, 24: FINAL PROJECT PRESENTATIONS**  
(April 21, 23, 28)

**April 30th – No class**

**Session 26: Wrap Up**  
(May 5)