New York University
Leonard N. Stern School of Business - Graduate Division

Managing Growing Companies

B65.2327.10

Professor Ken Preston

Fall 2004

Wednesday 6-9:00pm
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Office Hours: Wednesday 3-5:00
and by appointment.
**Course Objectives:**
This course exposes students to the unique challenges of the entrepreneurship and managing the growth of small business. While the course is of general interest to all business students, it is especially designed for the following:

1. Students interested in understanding the opportunities and problems involved in the management or operation of their own business.

2. Students considering employment in a small or mid-sized firm.

3. Students planning to work in large firms who want to gain an understanding of how small firms operate and think. With increased outsourcing by the majors to small firms, such understanding becomes essential.

The learning objectives of the course include:

1. Getting as close as possible to the real world of small and mid-size companies.

2. Planning courses of action based on incomplete case information in marketing, finance, administration, human resources, etc.

Typically, MBA graduates may work in large companies for a number of years prior to starting an enterprise of their own or joining a small or mid sized business. The course objective is to get as close as possible to reality of how you actually apply entrepreneurship and management in a small business.

**Course Content:**
We discuss how to work effectively with limited resources of people and money. The differences between small firms' management needs, marketing activities, and financial resources are examined. This course concentrates on BUILDING THE COMPANY ISSUES rather than start-up issues, although some cases and lectures explore start-ups as well. We aim to prepare students to operate successfully in small business settings by using a combination of case study, lectures, guests, and a research paper assignment.

Family business and its unique issues are also a part of the course. Over 80% of American businesses can be classified as family businesses, including 175 of the Fortune 500. The percentage of family business is greater internationally. Understanding this sector is important not only for those who may enter their own family's business or start a family business, but also those who may work in a family business owned by others, and those who will have dealings with family businesses as consultants, private bankers, financial advisers, etc.
**Course Methodology:**
Your educational experience in this course will include the following:

- **Guest speakers.** I will periodically bring in guests from the business world and from academia. They are interesting and knowledgeable people with relevant insight and experiences. The speakers and the dates they will come to class will be announced.
- **Case preparation.** A case and readings will be assigned each session. Please prepare written notes on all cases in accordance with page 4 of this syllabus. Also note the case questions are attached.
- **Lectures and Discussions.** Discussions and videos will form a part of the sessions.
- **Readings.** I've assigned specific readings of Harvard Business Review Articles in your course outline to complement some of the cases. These provide background information on small business topics in the course and are in your reading packet.

Other assigned readings are also listed in your syllabus and will be handed out in a preceding class. If you are absent, ask a classmate to get yours for you. **PLEASE GET THE PHONE NUMBERS AND E-MAIL ADDRESSES OF TWO CLASSMATES FOR THIS PURPOSE.**

Also, readings of interest to the course (not included in the syllabus) will be given out periodically.

- Independent Research & Thinking Paper (in lieu of final exam).
- FIVE case question assignment (in lieu of mid-term exam). Note that only your best FOUR grades will be counted.

**Grading Basis:**

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<tr>
<th>Component</th>
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<tbody>
<tr>
<td>Term Paper</td>
<td>40%</td>
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<tr>
<td>Case Question Assignments</td>
<td>20%</td>
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<tr>
<td>Attendance</td>
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<tr>
<td>Class Participation &amp; Class Contribution</td>
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**Your Name Cards:**
Please display your name card during all classes both for my benefit and for guest speakers throughout the semester. After the first session, please take the same seat each time.
Absences & Lateness:
Please notify me of any absences by e-mail. If you are absent, please ask a classmate for any change in assignments or reading material.

Class will start promptly at 6:00 PM. Please be prompt as lateness disturbs your classmates, guests, and the smooth functioning of the class.

Blackboard:
Please be sure to check Blackboard regularly for announcements, etc.

E-mail that I send to my students:
During the course, there are numbers of occasions when I send my students e-mail concerning items of interest or changes in the syllabus.

Required Textbooks:

Class Reading Packet of Harvard Notes

Notes on Case Preparation and Class Discussion:

Most of the cases are comprehensive. Please budget adequate time for case preparation and preparation of responses to all of the case questions contained in back of this syllabus. The questions form the basis of our class discussions and written assignments during the course.

You will be expected to have identified and analyzed the core issues in the case, to have "run the numbers", to have drawn conclusions and to have a specific course of action ready to present and discuss. In class, we will focus on what you would actually do in a given situation, how you do it, and why you would do it.

It is important to come to class with a written, thoughtful, crisp summary of your answers to each study question. My questions primarily follow those study questions in the syllabus. Remember: I'm not looking for a specific "right answer". I'm looking to facilitate a well thought out class discussion. Whether or not I entirely agree with your conclusions is irrelevant. In fact, there is usually a wide range of legitimate points of view on any given case. The quality and conviction of your argument is what counts. (Of course, that doesn't mean I won't challenge your position or play devil's advocate, even if I happen to agree with it.)
Term Paper Assignment
Independent Research and Thinking Paper

In this course there is a final term paper in lieu of a final exam. Why was this decision made? I believe that people develop good ideas and insights by doing their own research and reading and then *thinking* about what they've encountered and drawing their own conclusions. In my opinion researching and writing this paper will be more valuable for your learning experience than a final exam.

**Term Paper Requirements**

Please note the following term paper requirements:

- Choose one of the three options listed below and answer all of the questions posed.
- Paper must be 15 pages; typed double-spaced with normal margins.
- Paper must include bibliography.
- Paper must include either footnotes or endnotes.
- Any supporting exhibits such as financials (and endnotes if you choose these instead of footnotes) are not counted in the 15 pages.

Term paper proposal is due October 27. It should include one or two paragraphs on your reasons for selecting the company. **Also a statement that you have noted all the term paper requirements.**

Please read the instructions for the term paper selection in Blackboard under “Assignments” – Term Research & Thinking Paper, then proceed per those directions and register your selection.

**Due Dates**

⇒ One Page Proposal due: October 27
⇒ Term Paper due: December 15
Option 1: Evolution of a Great Company
This option entails the historical assessment of a great company and determination of the elements of its success. Choose a company that you consider great (a "role model" company.) The company must be at least 20 years old (unless you choose one in the high tech field, in which case it must be 10 years old.) Note that the time criterion allows you to accurately assess whether the company is great or merely lucky.

Questions and Directions for Option 1
Analyze this company according to the V I E framework of the Collins & Lazier Text and this course. A significant portion of your paper should address this.

What are the primary factors in the development of this company?

What (in order of importance) are the primary factors that you believe most significantly contributed to this company becoming a great company? You must identify what you consider to be the #1 factor. (Be sure to think about the historical roots of its greatness, not just its current characteristics.)

How did it attain these characteristics and why have they endured?

How would you compare the founders of this company with the founders of two or more companies whose cases we have studied?

What lessons do you draw from the evolution of this company that you will apply to your own business career?

NOTE: YOUR TERM PAPER PROPOSAL MUST INCLUDE A STATEMENT THAT YOU HAVE NOTED ALL OF THE PAPER REQUIREMENTS

Option 2: Assessment of a Business Failure
This option entails the historical assessment of a company that failed to become great and perhaps even failed to survive. The idea here is to balance the "success story" learning that dominates Business School with an examination of a "failure story."

You may choose any company that you consider to have failed. Companies that ran into serious difficulty and were subsequently purchased by someone else are viable candidates, as well as outright bankruptcies. The only requirement is that the company must not be a start-up. This is to be an examination of how an ongoing company failed rather than how a start-up didn't get off the ground - an important distinction. It should therefore be a company with at least a few years of profitable operations before it failed.
Questions and Directions for Option 2
Analyze this company according to the V I E framework of the Collins & Lazier Text and this course. **A significant portion of your paper should address this.**
Also address all the following questions in your paper:

What are the primary factors that led to the demise of this company?
What are the primary factors that you believe most significantly contributed to the failure? You must identify what you consider to be the #1 factor. (Be sure to ask yourself, "Have I put my finger on the root causes rather than merely the symptoms of those root causes?"
How would you compare the founders of this company with the founders of two or more companies whose cases we have studied?
What lessons do you draw from the failure of this company that you will apply in your own business career?

Option 3: Slay a Sacred Cow/Advance a New Theory
This option entails disagreeing with a point of view held by a well regarded management thinker (such as Peter Drucker, Tom Peters, Michael Porter) or challenging a widely accepted management theory (i.e. something that is widely taken as "truth", "gospel" or "common wisdom" about the practice of management).

The idea here is to examine a commonly held doctrine (on a topic of interest to you) with a critical eye, to identify weaknesses or flaws, and to advance an alternate and improved point of view. (Doctrines advanced in MBA programs are fair game). An equally valid approach is to identify weaknesses and flaws in a point of view advanced in this course, and to attempt to convince me to alter my point of view.

Questions and Directions for Option 3
If you chose this option you must make the appointment to discuss the doctrine you have selected with the professor. Questions and format will be mutually agreed upon by you and the professor according to the doctrine selected.
Session 1. Wednesday, September 29

Introductions and Course Content

- Review of syllabus
- Course Outline
- Personal Statement forms
- Introductions

V I E Framework - Vision, Internal & External Assessment

- Business decisions (particularly in small companies) MUST be made with imperfect information
- There are no right answers

Reading Assignment: Collins & Lazier; Preface, Chapters 1,2,3 & 4

Case Assignment: Yellowtail Marine Case #28:

Session 2. Wednesday, October 6

The Quality Strategy

- The role of a manager (or management) in building a great company
- The unsupported belief that you need a great idea or product to build a great company

Case Assignment: Granite Rock Company – Case #5

Reading Assignments: Collins Chapter 5 & 6

Guest Speaker: TBA
Session 3. Wednesday, October 13 - Vision and Core Value Application (V)

- The importance of keeping the core values of a company while stimulating progress
- The practical application of values to an organization

Case Assignment: L.L. Bean – Case #10 & 11

Reading Assignment: Collins & Lazier: Chapter 7

Video:

Session 4. Wednesday, October 20
Human Resource Issues

- Recruiting, hiring, firing, reference checks, interviews, performance reviews, ADA

Reading Assignments: How to Make People Decisions – HBR85406

Are you Hiring the Right People?
The Art of the Interview
Coming and Going

Changing Strategic Direction & Leadership

- The complexity of management decisions in a family business

Reading Assignments: Collins: Chapter 9

Case Assignment: Joan Fabrics Corp. Case #9

Session 5. Wednesday, October 27
FENTA Presentation – Room: TBA

Reading Assignment: Collins & Lazier: Chapter 11

ONE PAGE PROPOSALS DUE TODAY!!
6. Wednesday, November 3
Implementation/Core Values – Fraud Case

- The susceptibility of "good" people to "bad" circumstances and the power of a situation to influence behavior
- The importance of ensuring that MBO systems are designed with consideration for the means as well as the ends.

Case Assignment: Randy Hess Case #17
ZZZ Best Video

Session 7. Wednesday, November 10
Differences in Managing a Service Versus a Product Business
The Challenges Facing a Minority Owned Small Business

Case Assignment: Jamison & Leary Advertising Inc. Case #8

Guest Speaker: TBA

Session 8. Wednesday, November 17
The Advantages & Disadvantages of an Explicit Slow Growth Strategy

Case Assignment University National Bank & Trust Company Case #: 21 & 22
Reading Assignment: Collins: Chapter 8

Strategy vs. Tactics from a Venture Capitalist HBR - 87612

Special Interest Presentations

Wednesday, November 24 – NO CLASSES - THANKSGIVING

Session 9. Wednesday, December 1
Marketing – The Customer Reigns Supreme

- The importance of long incubation periods and risks of rapid growth
- The idea of the company as a role model or tool for social change

Case Assignment: Lost Arrow Corporation (Patagonia) - Cases #12, 13, and 14

Reading Assignment: Collins Chapter 10
Reading Assignment: “What Business Can Learn From the Non-Profits”
HBR 89404
Session 10. Wednesday, December 8  
   Strategy – Building an Innovative Company

Case Assignment: Giro Sport Design Cases #3 & #4

   Reading Assignment: The Questions Every Entrepreneur Must Answer – HBR  
                   96603

   Guest Speaker: TBA

Session 11. Wednesday, December 15  
   Special Interest Presentations

   TERM PAPERS DUE TODAY!

Session 12. Wednesday, December 22

   Oral summaries by all students of their term paper findings – Instructions
   for preparing these will be on Blackboard under Assignments.

   Summary of Course & Preston’s Ten Commandments for Growing
   Companies
STUDY QUESTIONS FOR CASES - B65.2327 - Case Numbers refer to Collins and Lazier Textbook *Managing the Small to Mid Sized Company*

GIRO SPORTS DESIGN CASES #3 & #4 – STUDY QUESTIONS

1. Be prepared to state, in bullet-point format and using no more than three minutes of class time, what the numbers tell us.

2. What do you think of Pat Ament's employment proposal to Jim Gentes, and Gentes' reaction, in 1987?

3. Evaluate Jim Gentes as an entrepreneur. What lessons can we learn from him?

4. You are Bill Hannemann. What process are you going to use to reach product decisions; what will you do to make good decisions? Central to this question: Should Giro continue to be a product-driven company, rather than a "market focused" company?

5. Evaluate the new product options. Which, if any, should Giro definitely not do in the next three to five years? Rank order the remaining options (i.e. the products you will do) in order of priority. Be prepared to defend your decisions.
   - Lower-priced helmet to compete with lower-priced competitors.
   - Helmets for other (non-cycling) activities.
   - Sweetwater (the water bottle)
   - The kids helmet.
   - Cycling "hardware" (high-tech bicycle components).
   - "Softwear" (clothing and accessories)

GRANITE ROCK COMPANY - Case #5 - STUDY QUESTIONS

No need to "run the numbers" in this case (there aren't any to speak of).

1. What does Granite Rock teach us about the importance of having a "Great idea" and being in a highly "attractive industry" in order to build a great company?

2. Put yourself in Bruce Wolpert's shoes. How should you spend your time? Answer this question by supposing that you had an accurate accounting of your time for a typical year; what would be the primary (top five) categories of how you spent your time and what would be the rough percentages spent on each category?

3. Granite Rock is an excellent example of a company that "Preserves its Core" (expresses and perpetuates an underlying core guiding philosophy) and concurrently "Stimulates Progress" (vigorous forward movement and self-induced change and improvement). Make a quick list of tangible and specific ways that Granite Rock does this.

4. Pursuit of the Baldrige Award stimulated forward progress at Granite Rock. But is winning the Baldrige Award a good thing? As Bruce Wolpert, what would you do to further stimulate forward progress and keep the excitement up, now that your company has won the Baldrige Award?

5. Prepare the vignettes. In each vignette, consider the various options and possibilities and then make a decision as to what you will do.
JAMISON & LEARY ADVERTISING CASE #8 - STUDY QUESTIONS

1. This case has few numbers. Even so, there are some interesting industry statistics that have an influence on the strategic decisions facing the company. Please outline these for a brief summary.
2. What key aspects of managing a small company for enduring health and success are different for service companies (as opposed to "product" companies)?
3. Kathryn and Charles starting their business together raises questions of choosing partners. What criteria should you apply in selecting partners with whom to go into business? Is it a good idea to go into business with friends? Family members?
4. Should Jamison and Leary enter the general market? If not, what should Jamison and Leary do to expand when, and if, they bump into other black advertising agencies? Should they continue a policy of not taking market share away from other black firms?
5. Given Jamison & Leary's concern about the black community, should the firm have liquor clients? Suppose it had an opportunity for a major cigarette client; should it take the business?

JOAN FABRICS CASE #9 - STUDY QUESTIONS

Read the A case and put yourself in the shoes of Larry Ansin

1. Be prepared to state - in bullet point format using no more than three minutes of class time - what the numbers tell us in this case.
2. How will you convince your father that you are ready to run the business?
3. As Larry, do you advocate committing Joan to the mission of becoming the number one player in the upholstery fabrics industry? If not, what alternative mission will you set for the company?
4. Determine which strategy Joan should pursue of the mission you set:
   1.) remain in the current lines of business
   2.) exit from certain less - profitable lines of business (and, if so, which ones)
   3.) exit from the newer product lines and re-focus the company on the core business
   4.) some other alternative. If you re-focus on upholstery fabrics, will you exit from all other lines of business?
L.L. BEAN INC. CASES #10 and #11 - STUDY QUESTIONS

1. Be prepared to state, in bullet point format and using no more than three minutes of class time, what the numbers tell us. You might pay particular attention to what the numbers revealed about Gorman's performance to date (1974).

2. What are the fundamental factors behind the endurance and success of L.L.Bean, Inc. that were laid in place before Gorman took over the company?
   • For consideration: Do you need to love your products as Leon Bean did, to build a great company?

3. Was Leon Leonwood Bean (the person) a visionary?

4. In answering this question, assume you are Gorman in 1974:
   • Write down what you see, from a company stand point, as the single most important thing that you must be concerned with in order to ensure that LL Bean proves itself to be an enduring great company.
   • Create a crisp, clear, exciting, and compelling ten word or less statement of what you want the company to become or achieve in the coming decade (by 1984).
   • Set your top three priorities for the coming twelve months.

5. In answering this question, assume you are a member of the LL Bean Board of Directors:
   • Prepare a succinct verbal performance evaluation of Gorman to date in 1974. Give special consideration to these key questions: Has he done a good or bad job so far? What are his strengths and weaknesses? What can he do to improve? Is the fact that he is a family member a strength or weakness?

6. Was Leon Leonwood Bean (the person) successful?
LOST ARROW CORP-PATAGONIA - CASES #12, 13 AND 14 - STUDY QUESTIONS

Read the Lost Arrow "A" case for history and background of the company. Pause after the "A" Case (which takes you up till 1989) and just for fun, ask yourself what you think the business ought to do next. Then review "B" and "C" cases and see what happened between 1989 and 1991.

1. Be prepared to state -- in bullet point format using less than three minutes of class time -- what the numbers tell us in this case.
2. What are the core elements of Lost Arrow's success form 1957 to 1991? What positive lessons can we learn from this company?
3. Now turn your attention to the other side of the coin. Evaluate mistakes that the company made and weaknesses and/or threats to Lost Arrow's future. Keep in mind all three legs of the VIE framework.
4. How could Kris and Yvon build LAC into an enduring organization? What specific steps could the company take to preserve its core and stimulate progress? Make sure that your answer includes tangible mechanisms that the LAC management could do.
5. If you were offered the CEO job of this company, would you take it? Why or why not? Are there any prerequisites you would impose before accepting the job?

RANDY HESS CASE #17 - STUDY QUESTIONS

1. Be prepared to state, in bullet point format and using no more than three minutes of class time, what the numbers tell us.
2. Are the "Dash" meetings effective as an MBO tool? Why or why not? (Keep in mind that Whitney has a stellar and extensive track record as a turnaround artist using this tool.)
3. Put yourself in Hess's shoes. Your task is to bring about a legitimate solution to the MicroNet Contract problem that also allows you to keep your job. (Keep in mind that there is immense personal cost to quitting - you don't want to leave Lubbock, you have few savings and a big mortgage on a house that has depreciated in value in the depressed Texas economy, you have a family depending on you for a steady income, and you like the responsibility you have at 3R). What are your options? What is your elected approach to the problem? Regardless of which basic path you take (meet with Whitney, meet with auditors, some combination to the two, etc.) be prepared to describe how you will approach the meeting (including what you will say, how you will say it, the tone you will set, where you will have the meeting, etc.) and the various possible outcomes for the meeting. What precisely will you do?
4. Compare and contrast this case with Enron, WorldCom, et al.
UNIVERSITY NATIONAL BANK & TRUST COMPANY CASE #s 21 & 22
STUDY QUESTIONS

1. Be prepared to state – in bullet point format using three minutes or less of air time – what the numbers tell us in this case.
2. You’re Carl Schmitt in August, 1988. Taking into account the advantages and disadvantages to slow growth, are you going to try to convince the board to support the Menlo Park “banking floor?” The Santa Cruz Trust Operation? Why or why not?
3. What lessons do you learn from UNB about attaining consistent tactical excellence that you will want to apply in your own company?
4. What should Carl begin putting in place to ensure UNB’s greatness after he retires?
5. Vignettes Preparation. Read Vignettes 1 through 4. Put yourself in Carl’s shoes. In each vignette, what options will you consider, and what precisely will you do?

YELLOWTAIL MARINE INC. CASE #28 - STUDY QUESTIONS
For this discussion you are Robyn.

1. Be prepared to state - in bullet-point format using less than three minutes of class time - what the numbers tell us in this case.
2. It's 8:38 AM of your first day on the job. What exactly are you going to do between now and midnight tonight?
3. Examine the EPA situation. What options do you see for how to handle this situation? What criteria are you going to use to make a decision about how to handle this situation?
4. Precisely what steps are you going to take to set a strategy for this company? (I don't want to know what your strategy will be; I want to know what process you will employ to formulate a strategy, set out step by step: step 1, step 2, step 3, etc.).
5. What do you think of Robyn's compensation package?